

Long Term Agrifood Security in Asia: Livestock and Emerging Markets



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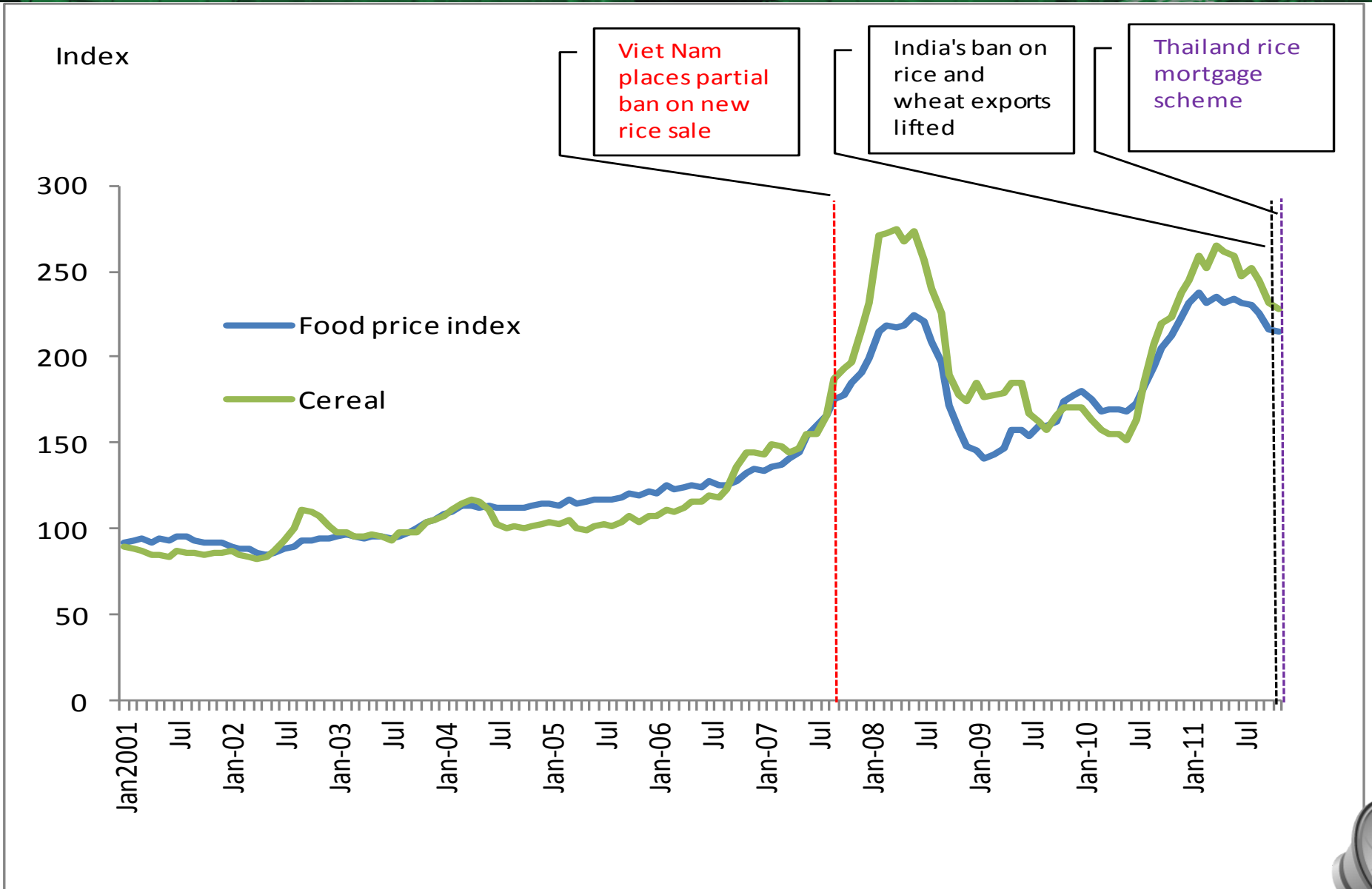
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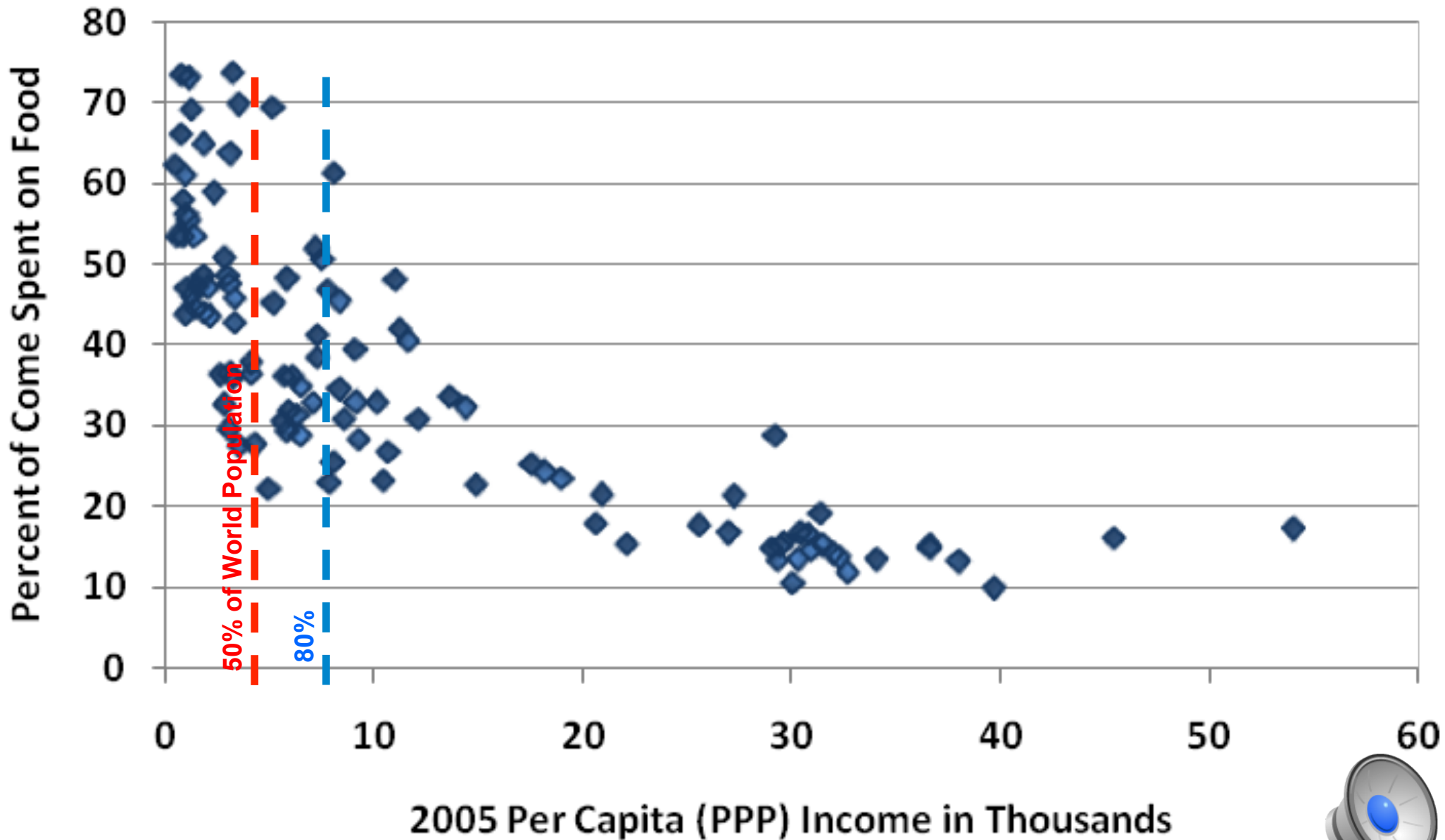
- Price trends over the last few years have threatened decades of improved global food security.
- Because the poor spend the majority of their income and effort on subsistence, food price uncertainty is a paramount livelihood risk.
- In Asia, rural poor majorities are smallholder farmers, largely confined to subsistence by market failures and access barriers.
- This compounds food insecurity for both producers and consumers and denies the Asian Region a potent catalyst for livelihoods improvement and sustainable growth.



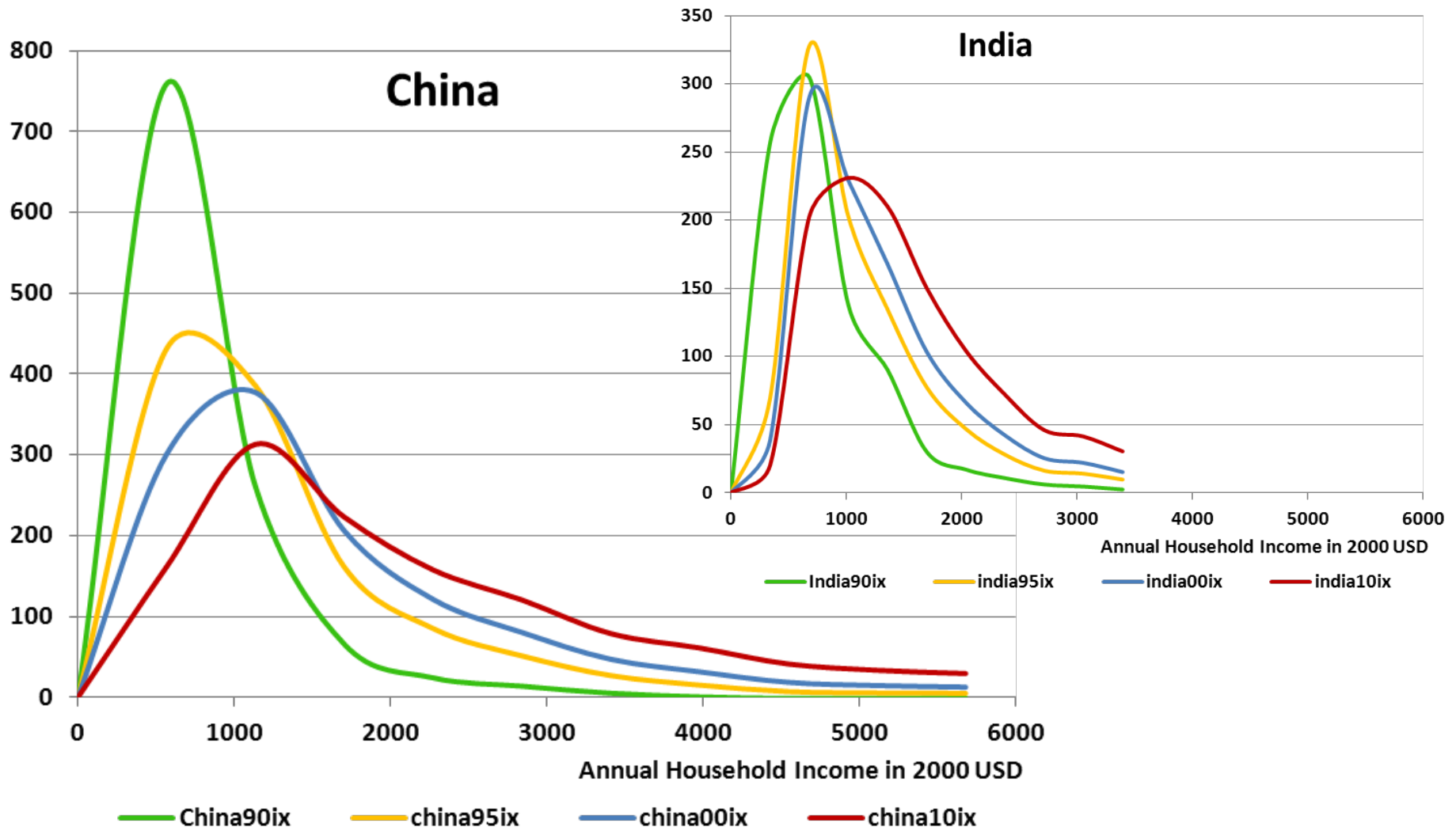
Food Price Index and Cereal Prices 2001-2011



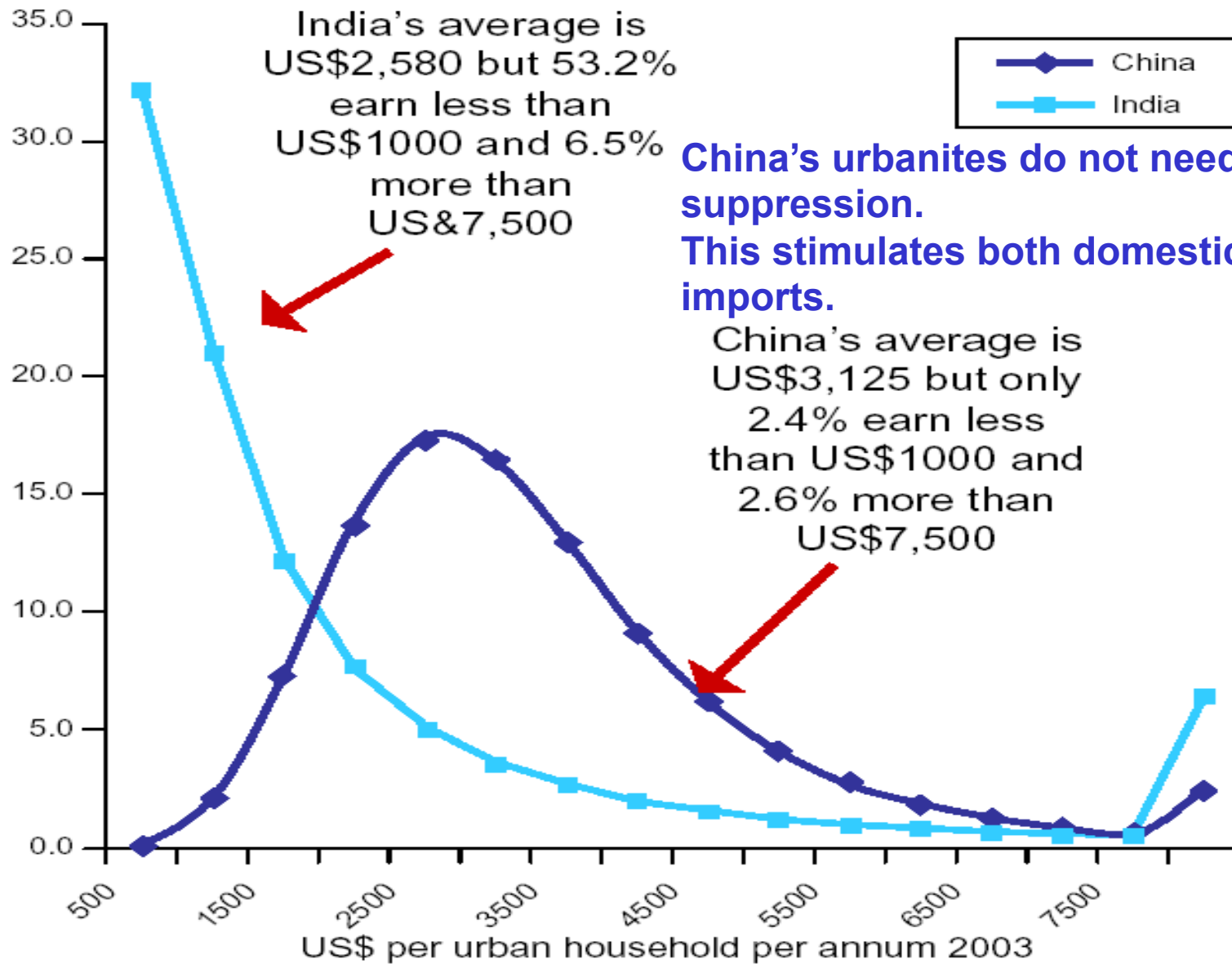
Why this is risky.



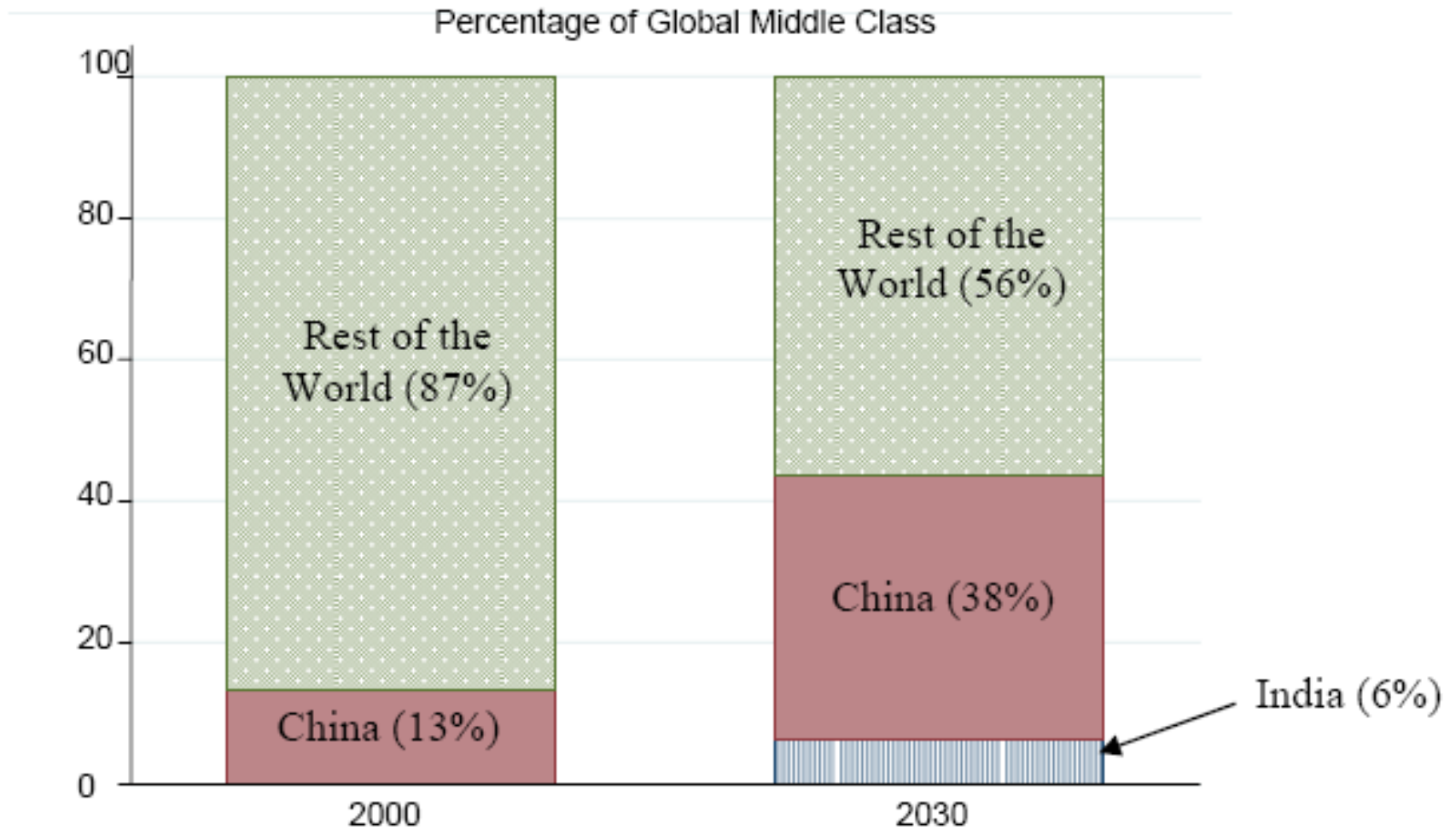
Poverty Alleviation in China and India



Completely Different Consumer Societies: Urban Income Distribution in India and China



Asian Middle Class Emergence



Source: World Bank



The Asian Food Security Narrative is Changing: From Basic Needs to Sustainability

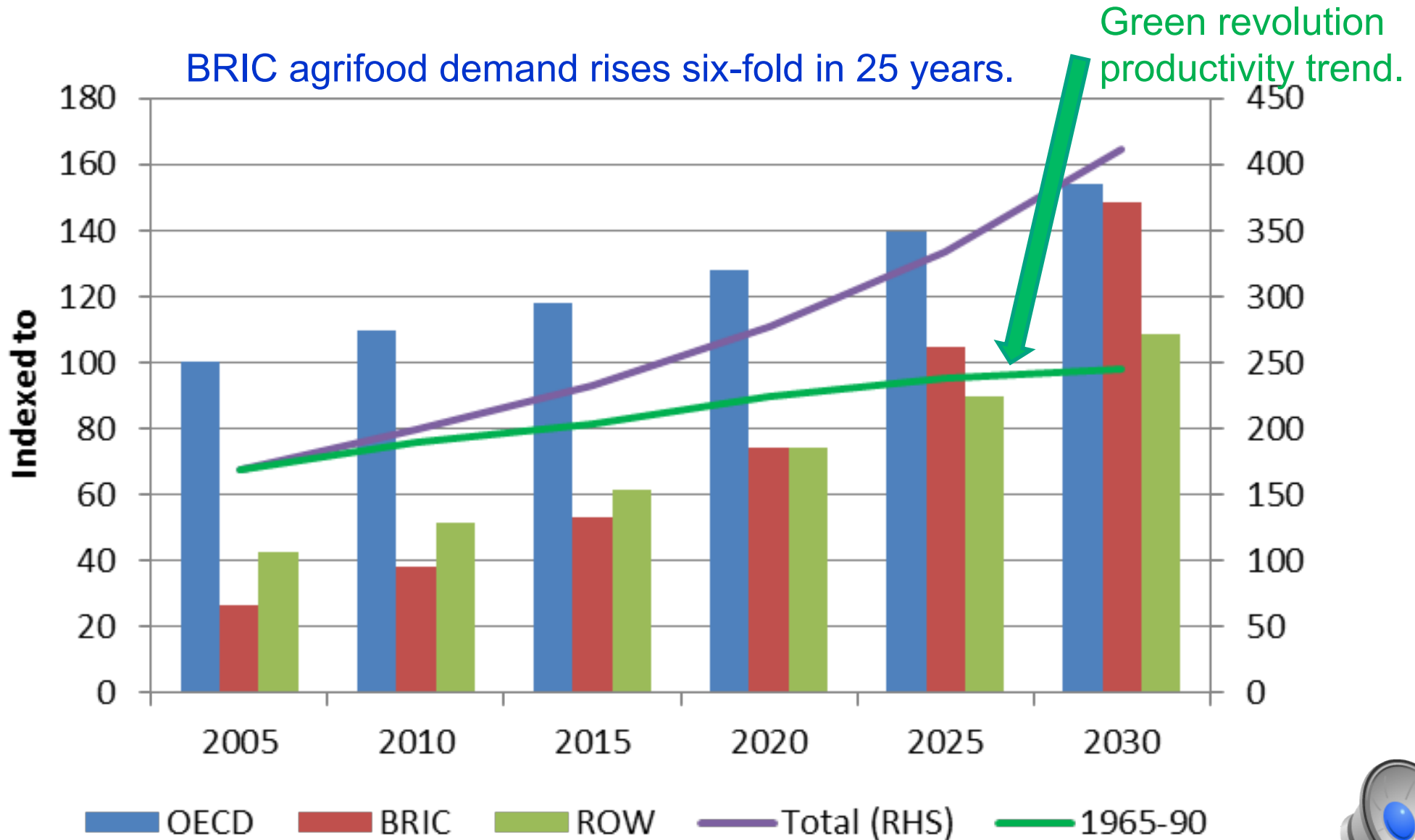


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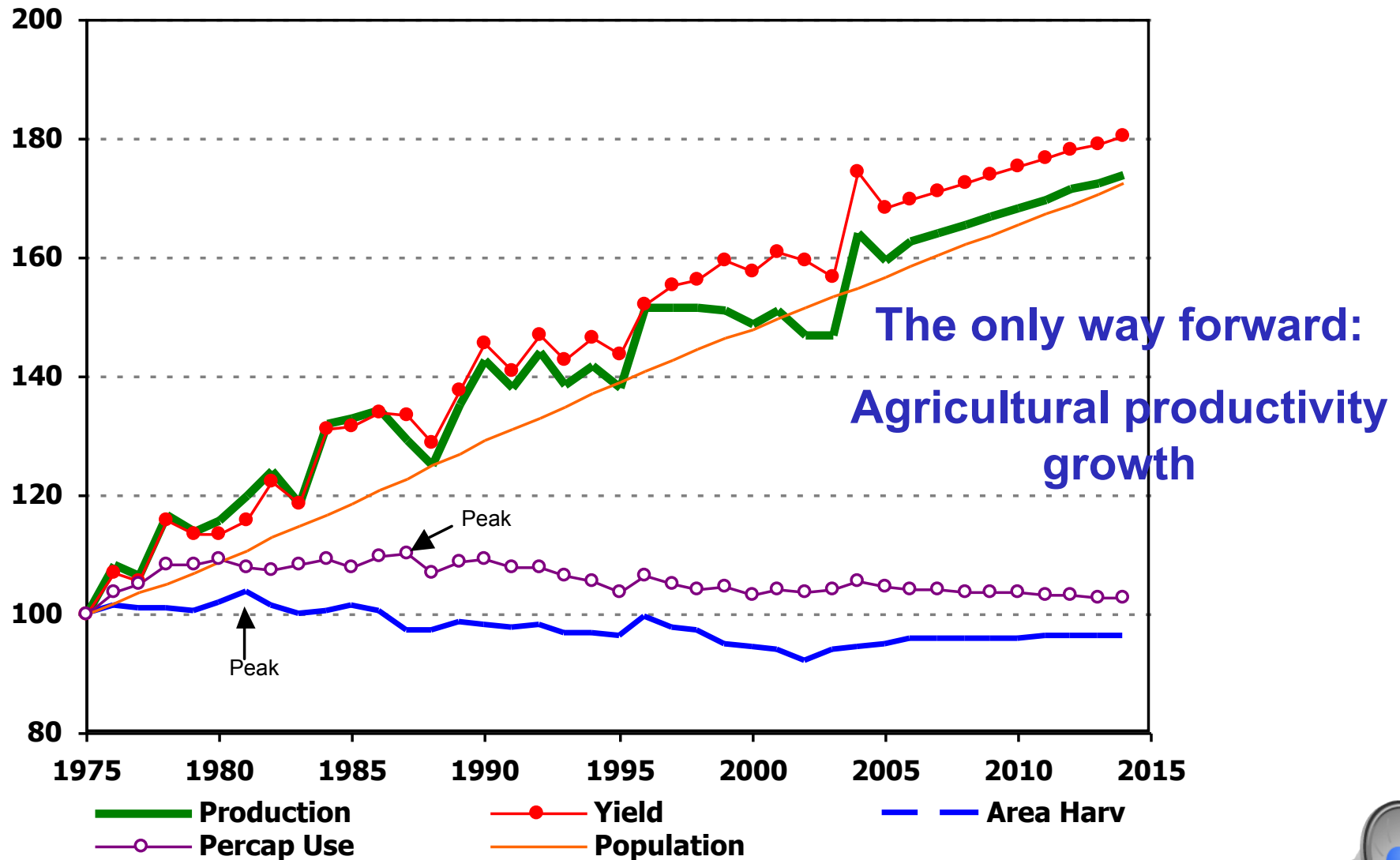
Global Agrifood Demand



How we got here and how we go forward

Total World Grain and Oilseeds

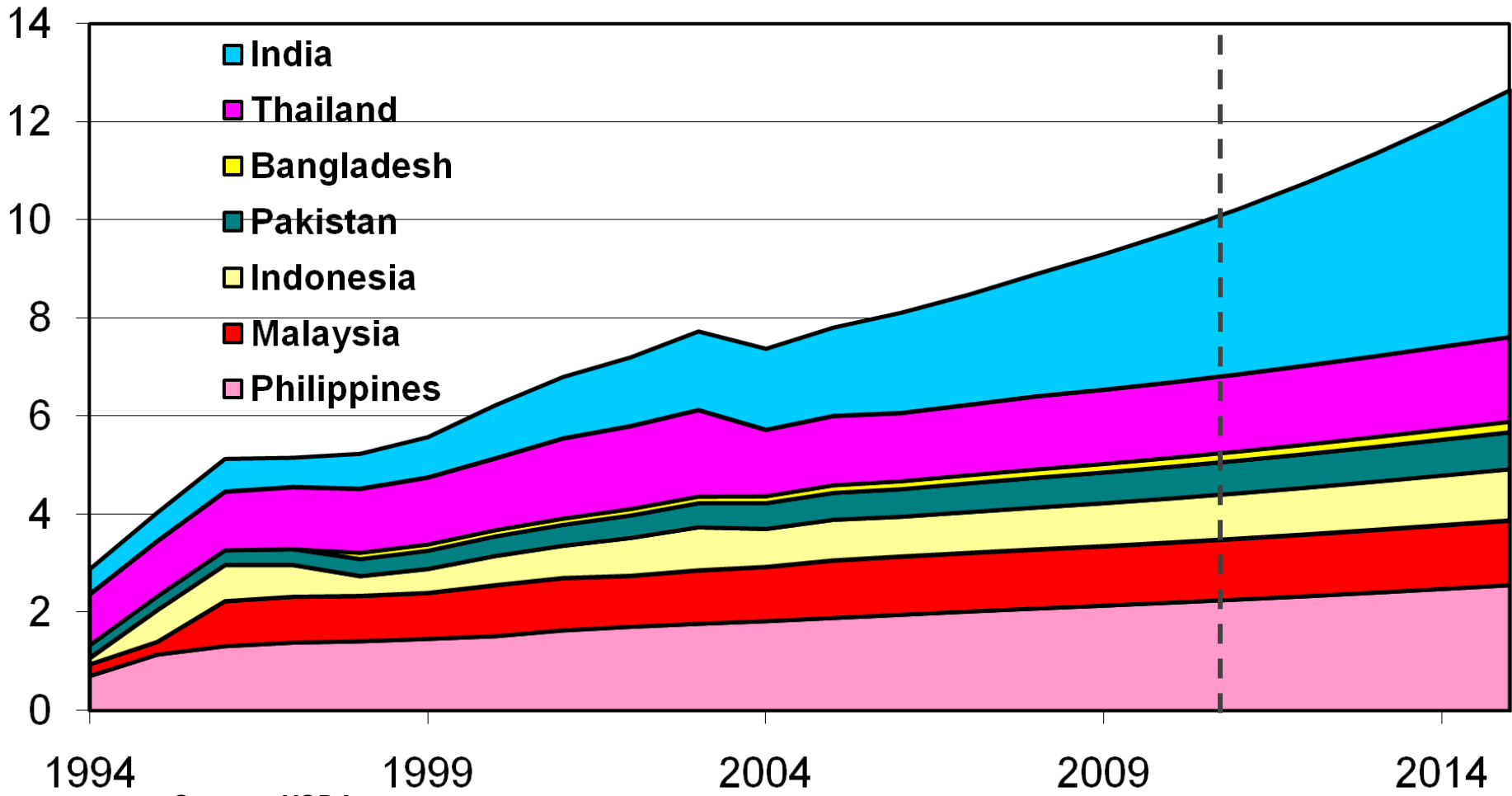
Index: 1975 = 100



Livestock as a Primary Driver of Trade and Growth

Asia Pork and Poultry Production

Million metric tons



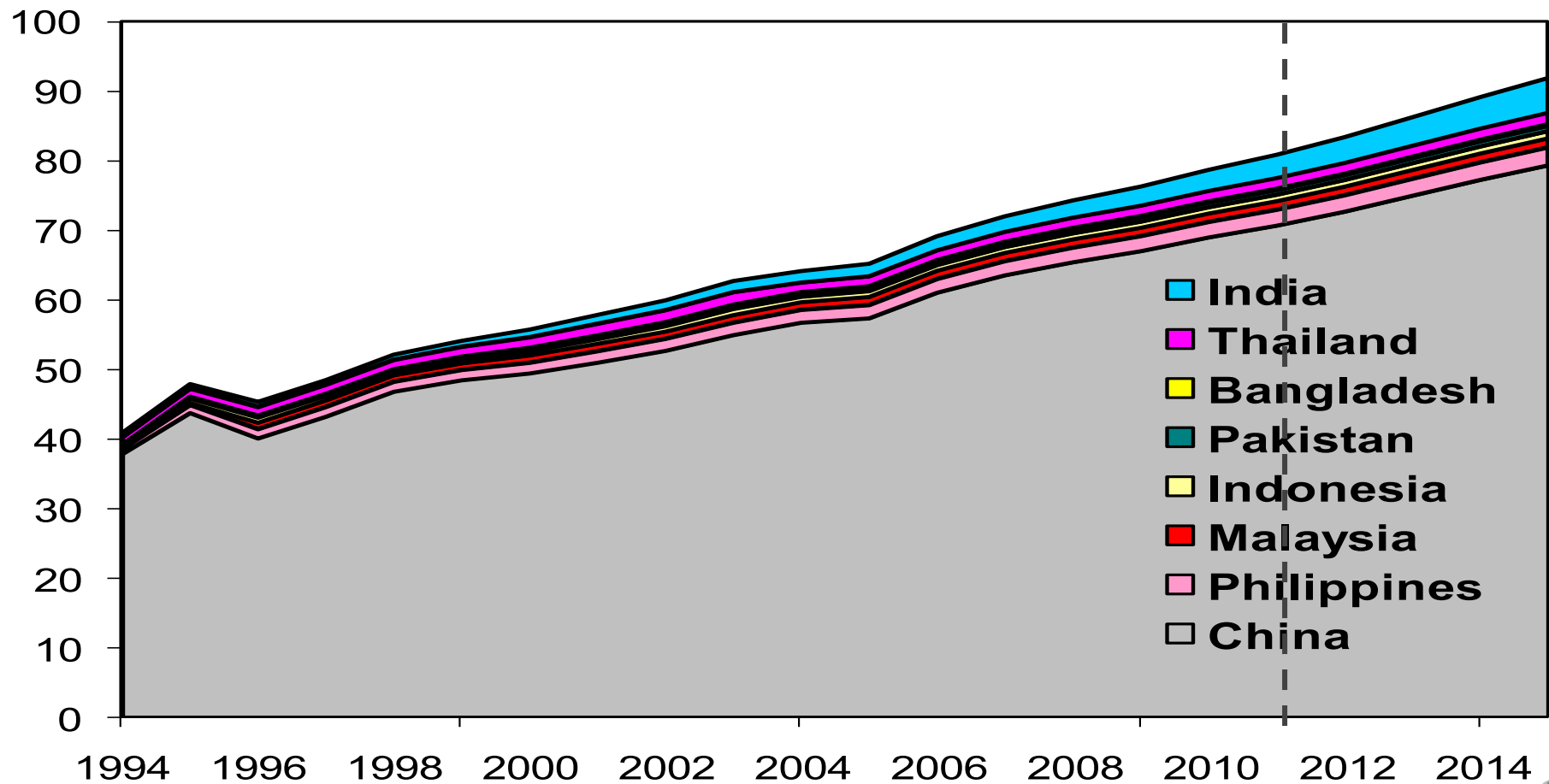
Source: USDA.



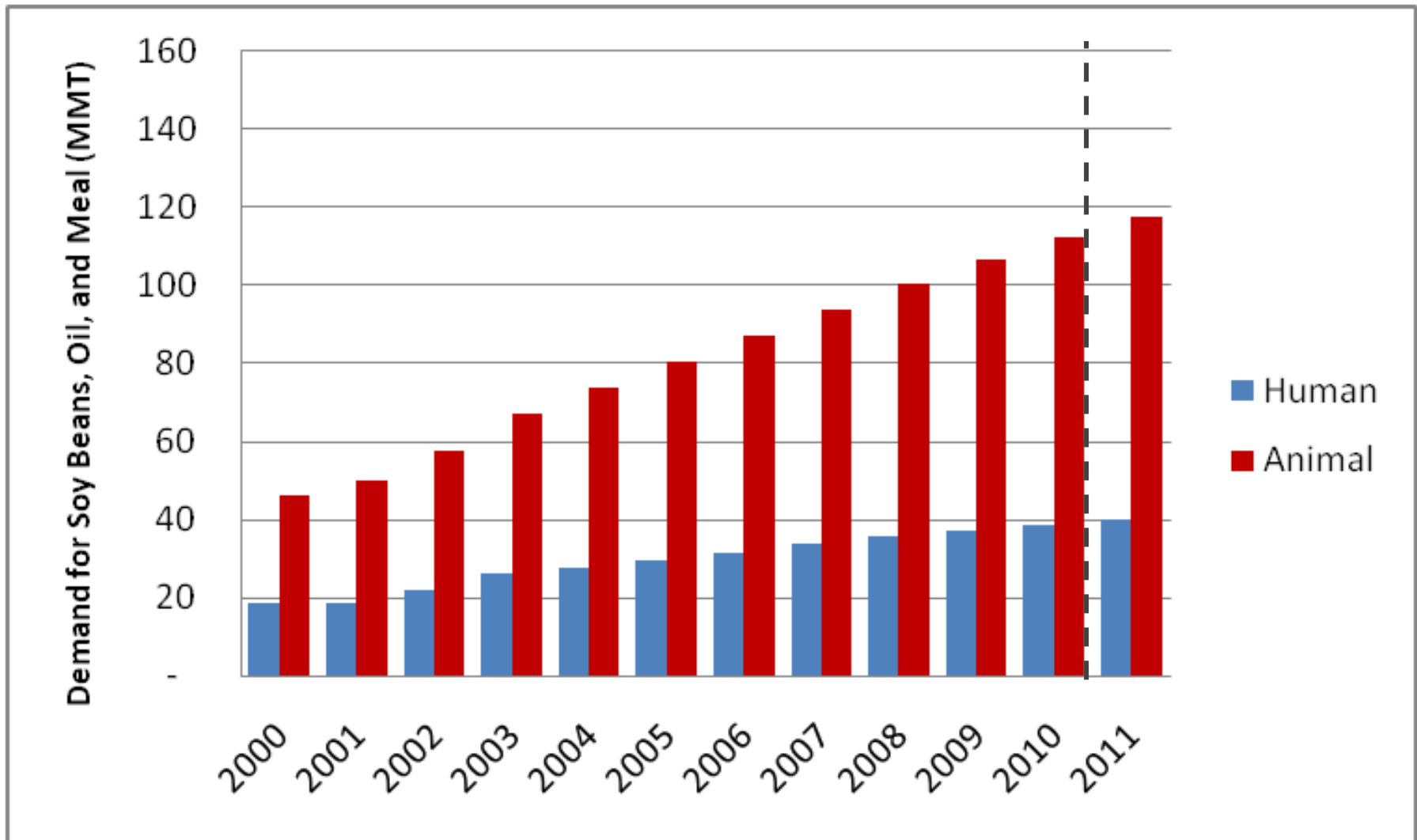
All Asia Pork and Poultry

Clearly, the impact of any imbalance in China's meat economy will fall on the price system.

Million metric tons



China Soy Demand

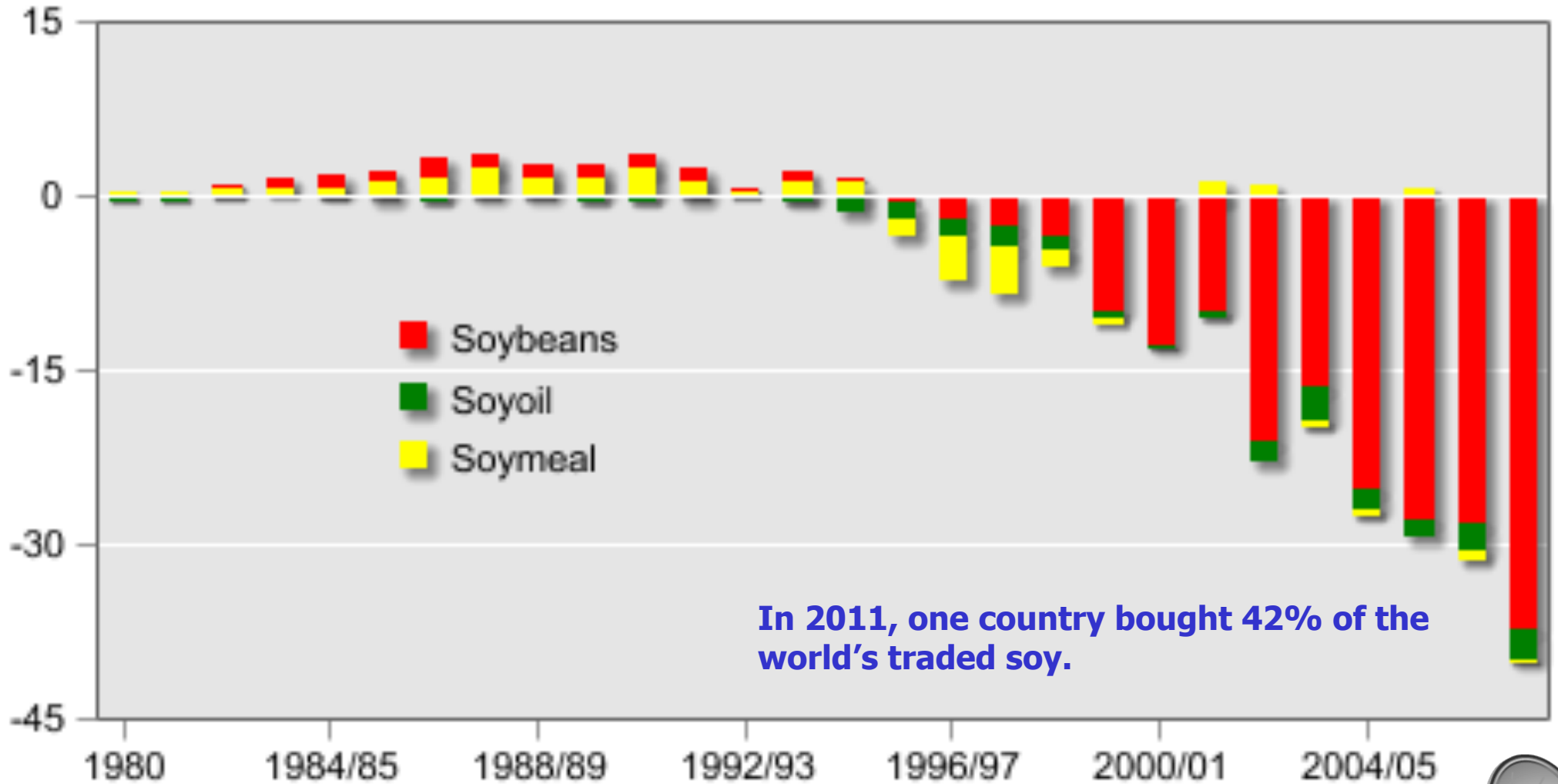


Source: *USDA*.



Trade: China's Soy Tsunami

Net trade in soy products (Million MT)



In 2011, one country bought 42% of the world's traded soy.

Source: *USDA/ERS*.

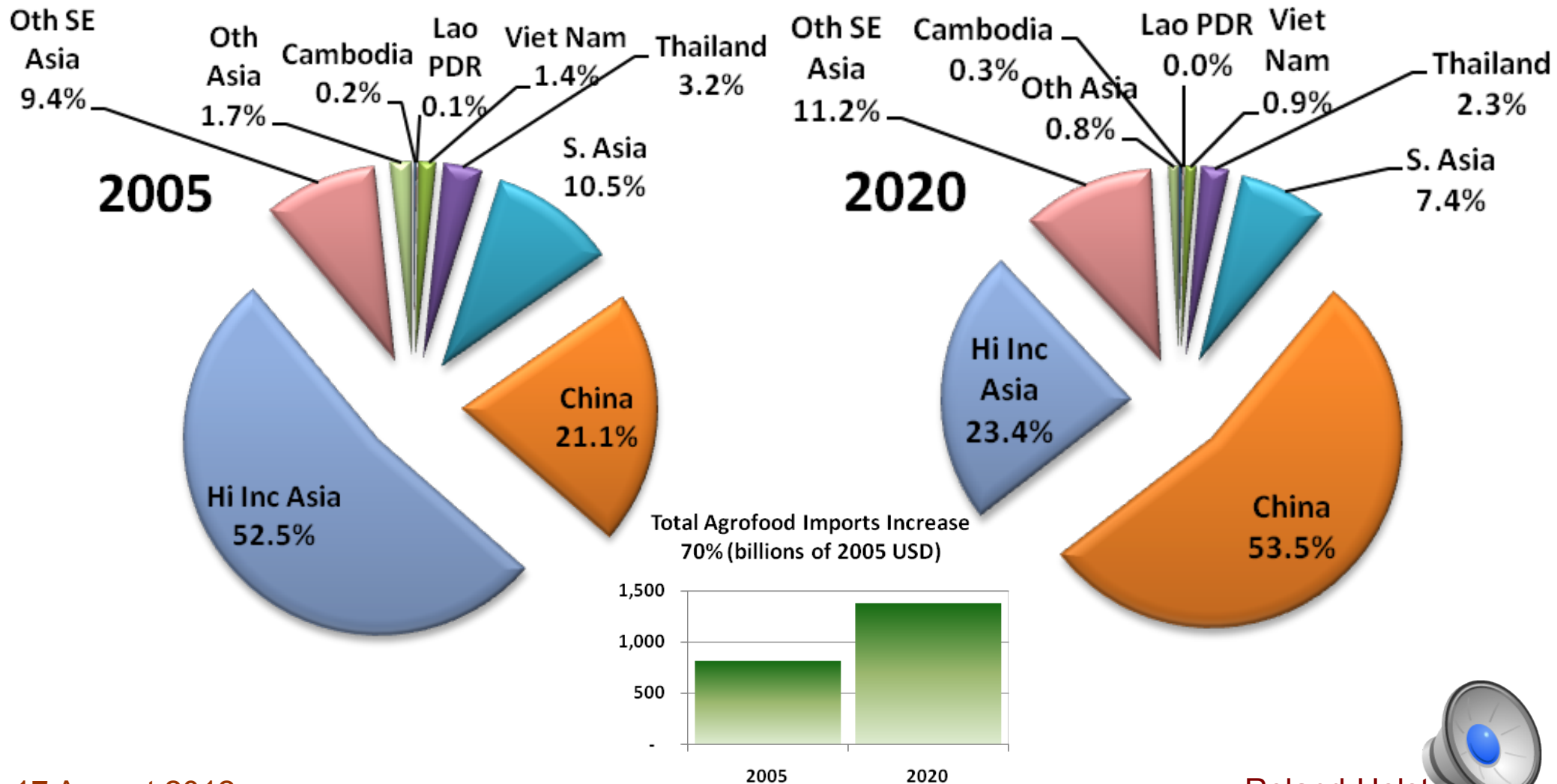


Demand-Driven Growth Opportunities in Asian AgriFood

- With 20 percent of population, 7 percent of world farmland, 5 percent of renewable fresh water, and the fastest growing middle class,
- China's Agrifood balances are beginning exert enormous influence on global trade
- If import trends continue, there will be significant opportunities to alleviate rural poverty at home and across the region.



Composition of Regional Agrifood Import Demand: Baseline



Long-term Strategies for Asian Food Security and Poverty Reduction

To elucidate the potential for agrifood development in the Asia, we used a long-term forecasting model to assess three types of policy:

1. Facilitation of trade and market access
2. Agrifood productivity growth
3. Regional investment and supply chain integration



Mellor Hypothesis :

Agricultural Productivity and Economywide Growth

1. Increases in farm income and profitability, resulting in improved welfare of farmers and the rural poor
2. Declining food prices, benefiting poor rural and urban consumers, including small farmers who might be net purchasers of food
3. Reductions in the nominal wage, consistent with increases in the real wage, allowing the industrial sector to reduce costs
4. Increases in the domestic demand for industrial output
5. Increasing competitiveness of both agricultural and industrial exports, with positive impact on hard currency earnings
6. Expansion of the domestic industrial sector, pulling "surplus" labor out of agriculture

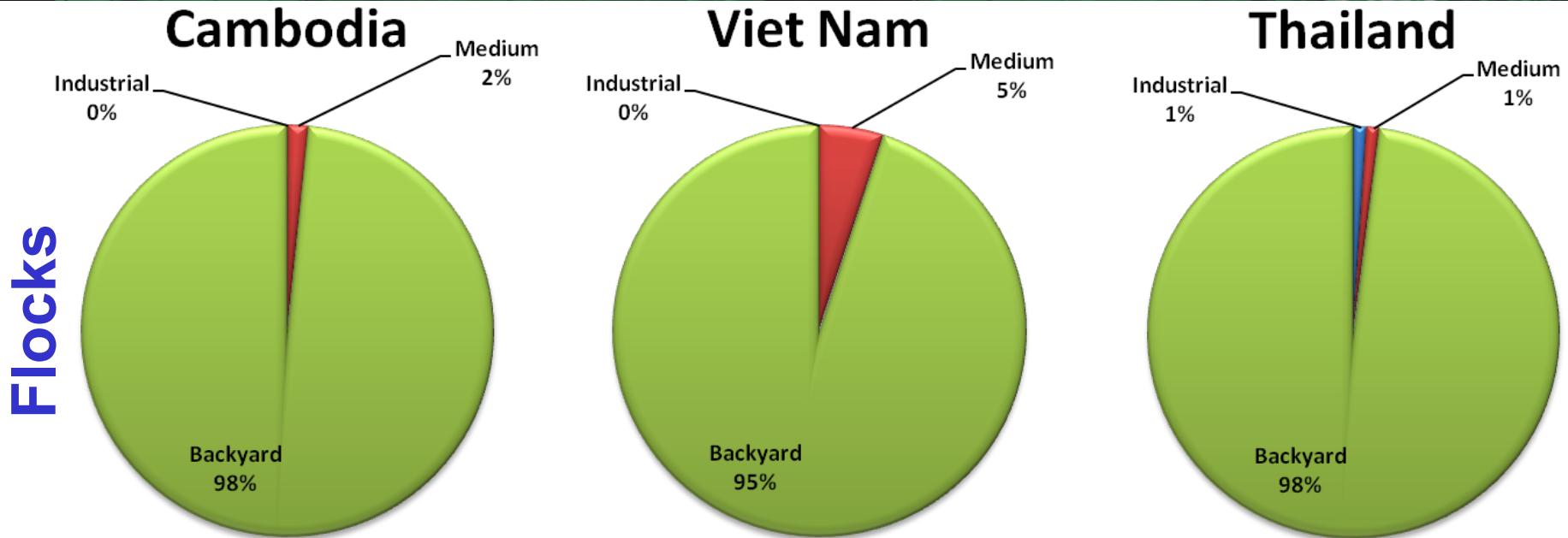


Market access is the gateway out of poverty for most of the world's poor.

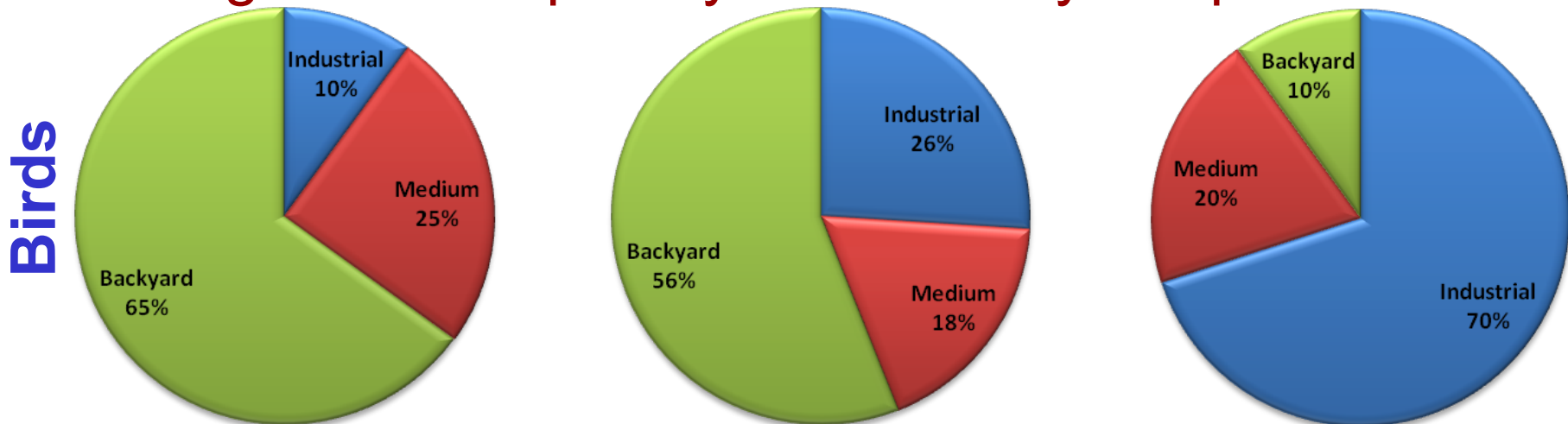
- Across emerging Asia, rural poor majorities are smallholder farmers that live behind logistical and institutional “walls” restricting market access.
- As long as trade and distribution margins remain high, they are trapped in low-level equilibrium by deficient savings and/or incentives to invest in higher value, marketable agrifood products like livestock and specialty crops.
- Conversely, lowering market access costs and related margins can expand the horizon of profitable trade, increasing commerce, capturing more value added, and promoting self-directed poverty reduction.



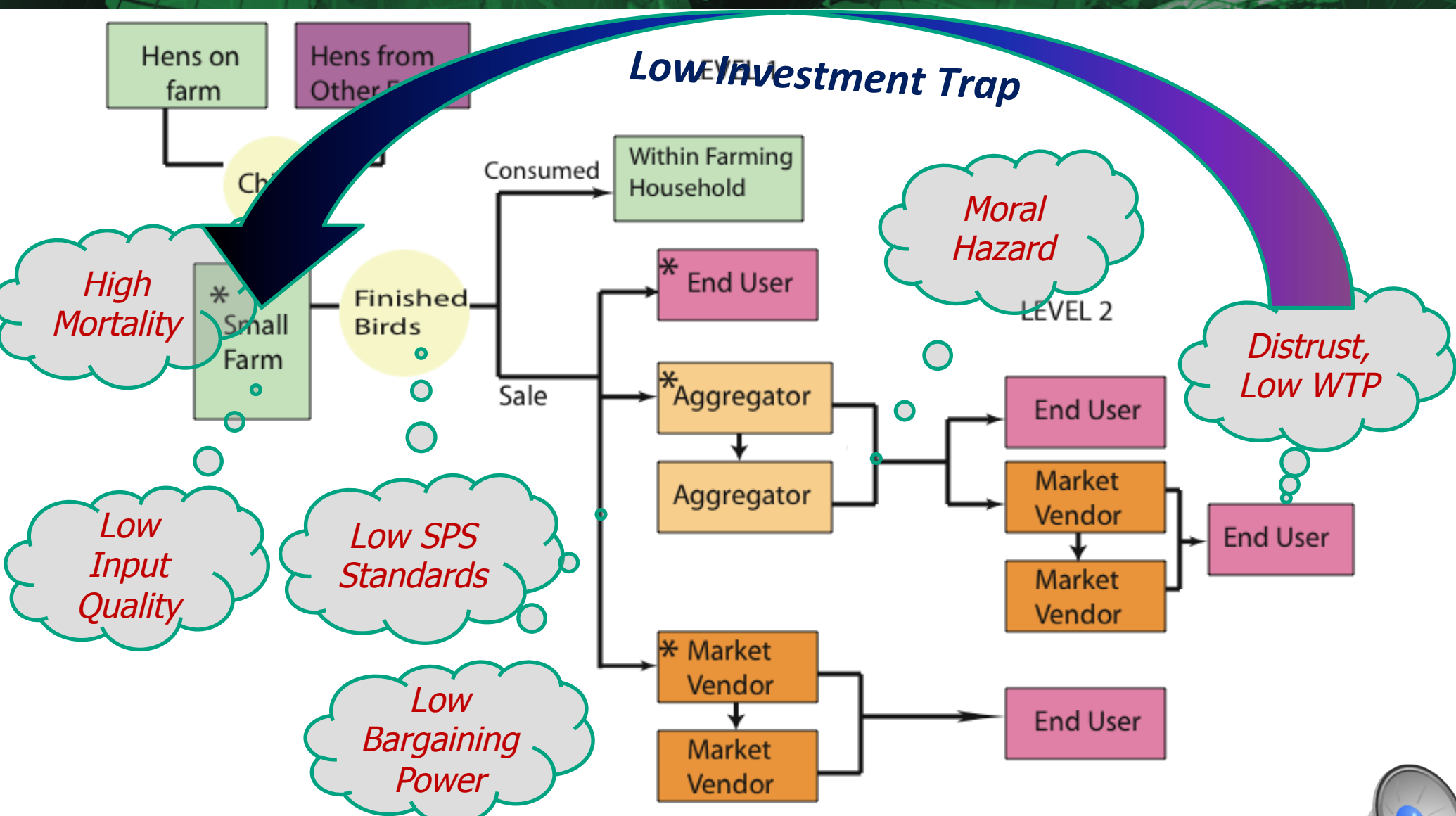
Example: Poultry in the Greater Mekong Sub-region Smallholder Production is Ubiquitous



although national poultry sectors may be quite diverse...



Smallholder Poultry Market Imperfections



* May be the party that slaughters the bird



Productivity Growth in Agriculture and Related Food Industries

- Because of Asian economic diversity, agricultural yields and productivity vary tremendously across the region.
- In most Asian economies, agrifood production remains far below its ultimate potential.
- Because of relatively small-scale land tenure, significant livelihood improvements will not occur unless output per hectare increases substantially
- To assess this growth potential, we examine a scenario where total factor productivity grows by 4%/yr across the region.

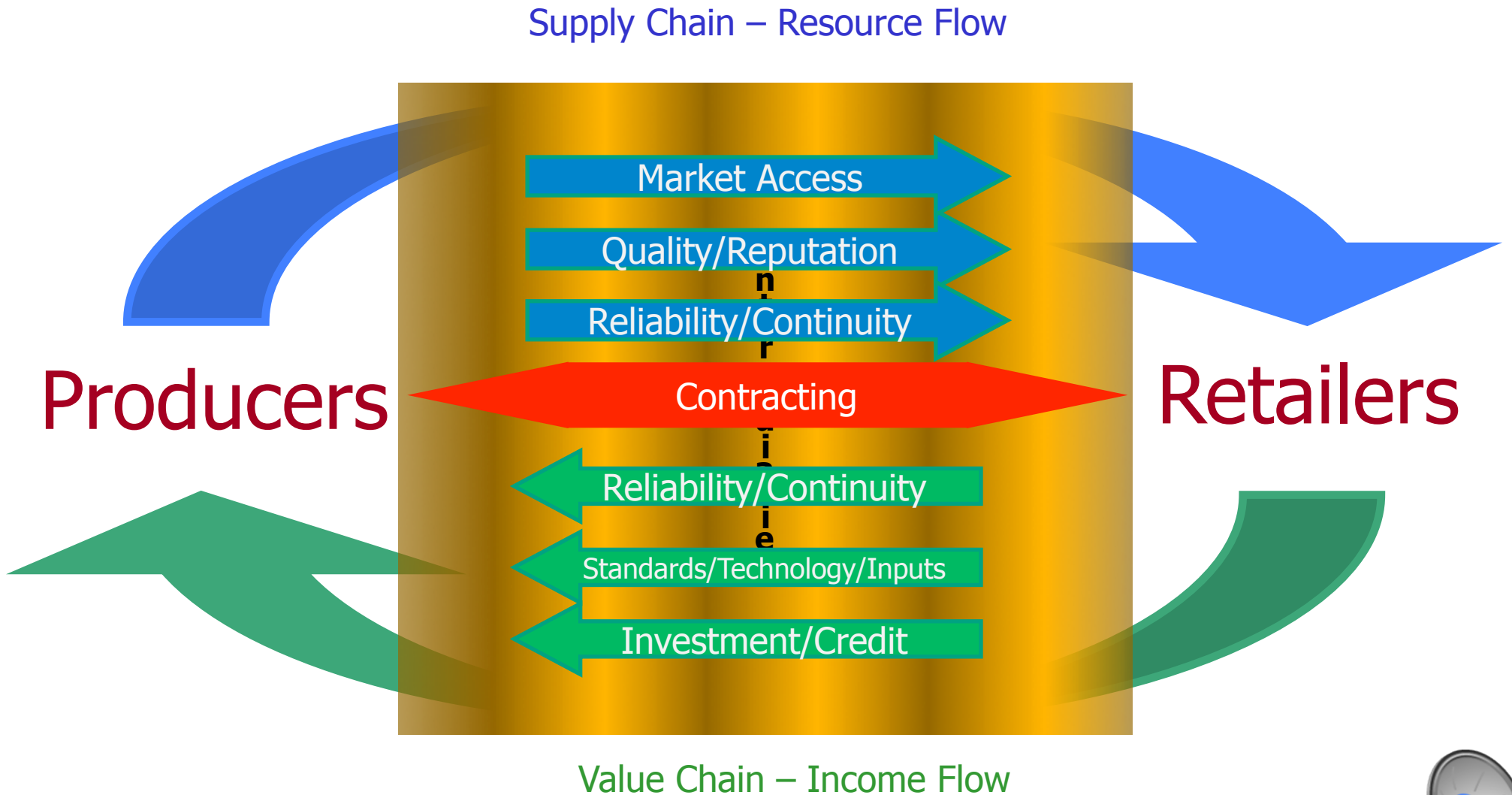


Regional Supply Chain Integration

- One of the defining characteristics of low-income economies everywhere is limited reserves of domestic saving, which in turn limits development by restricting investment in productive assets and enterprise expansion.
- Globalization has changed the nature of this constraint with the advent Supply Chain Integration (SCI) that allows low-income countries to leverage regional savings for domestic investment, technological change, and growth.
- Across Asia, SCI should be promoted to take full advantage of diversity in regional enterprise systems and markets.

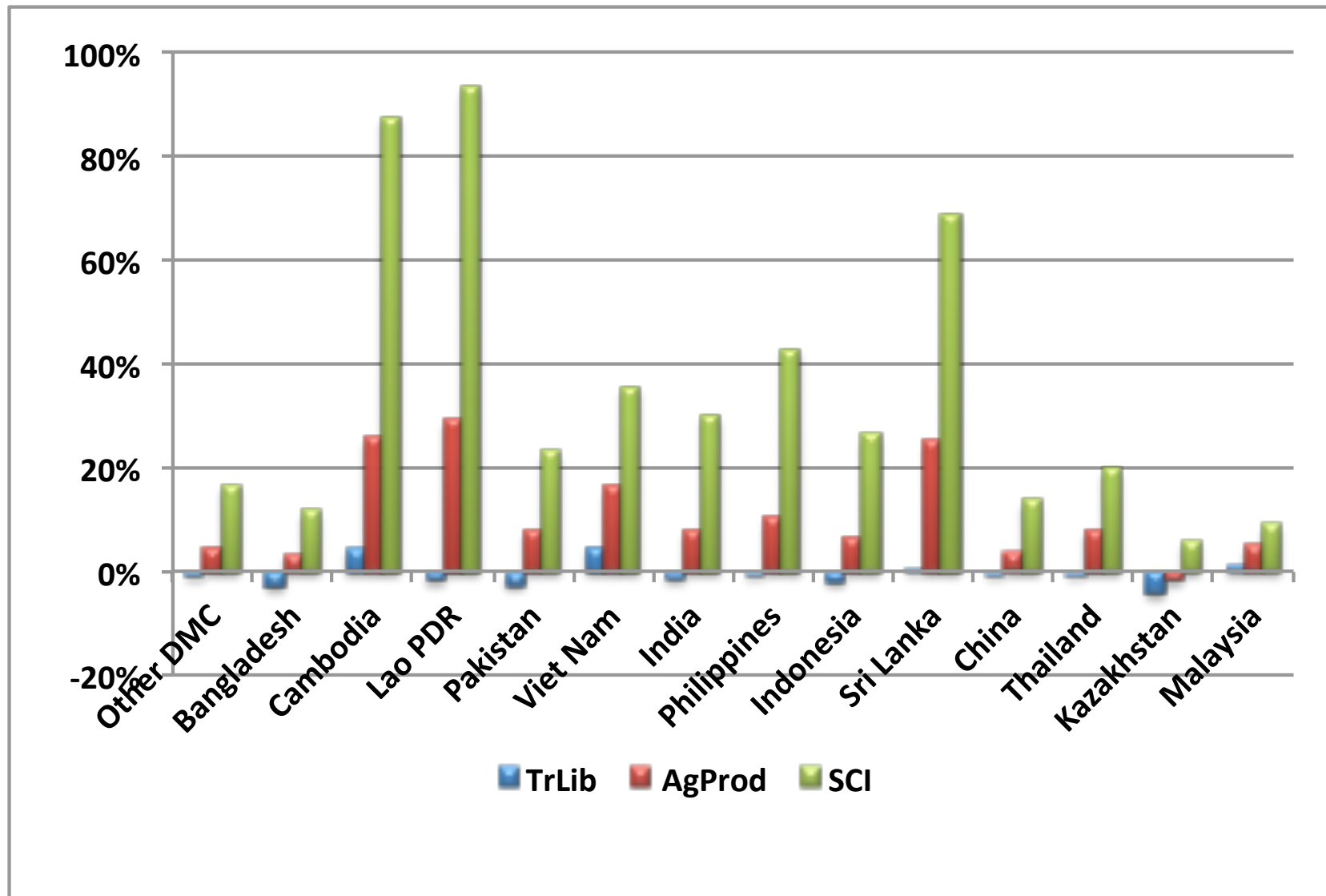


What Supply Chain Integration can Offer: Contracting Example

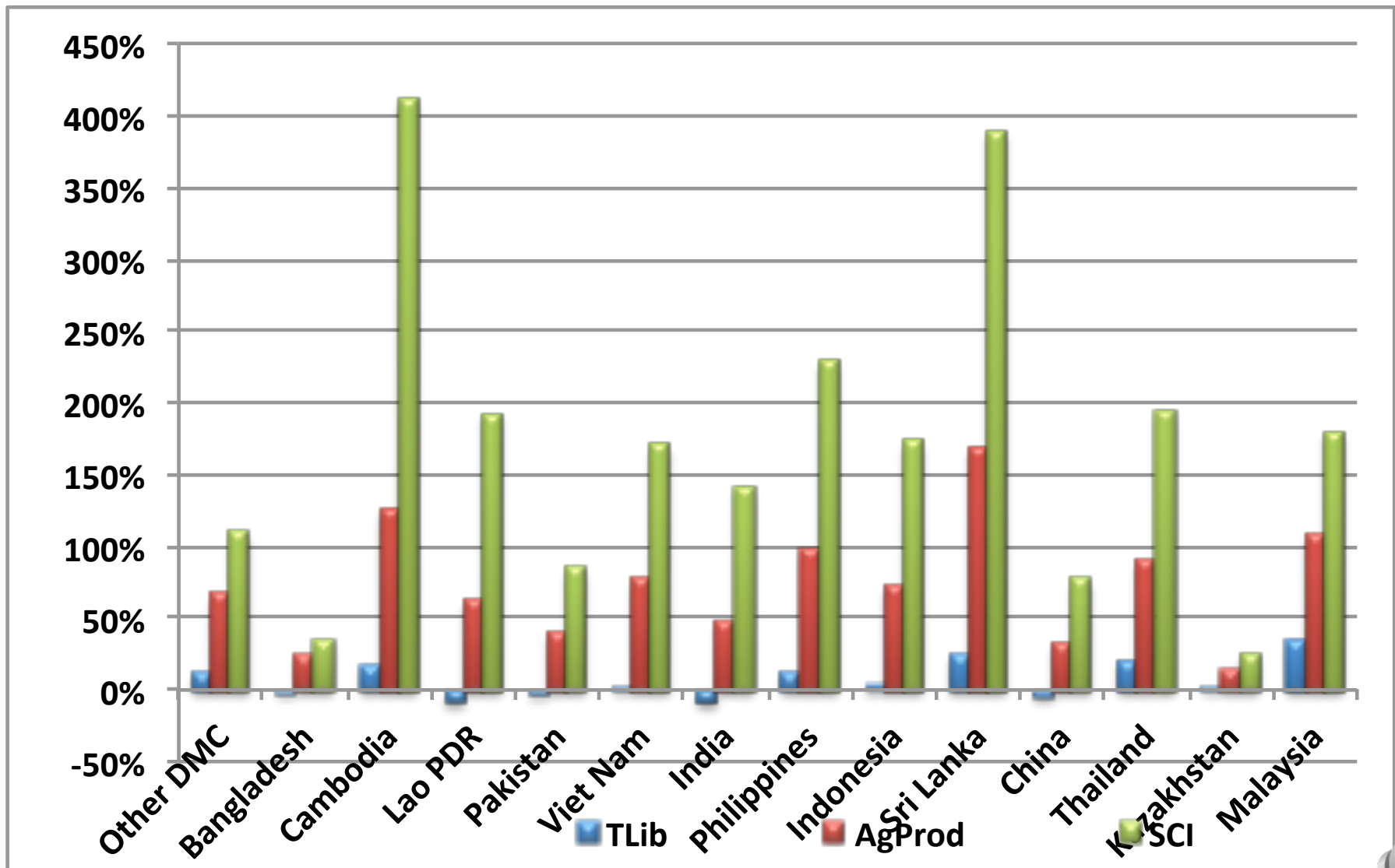


Agrifood Investment is a Potent Catalyst for Regional Growth

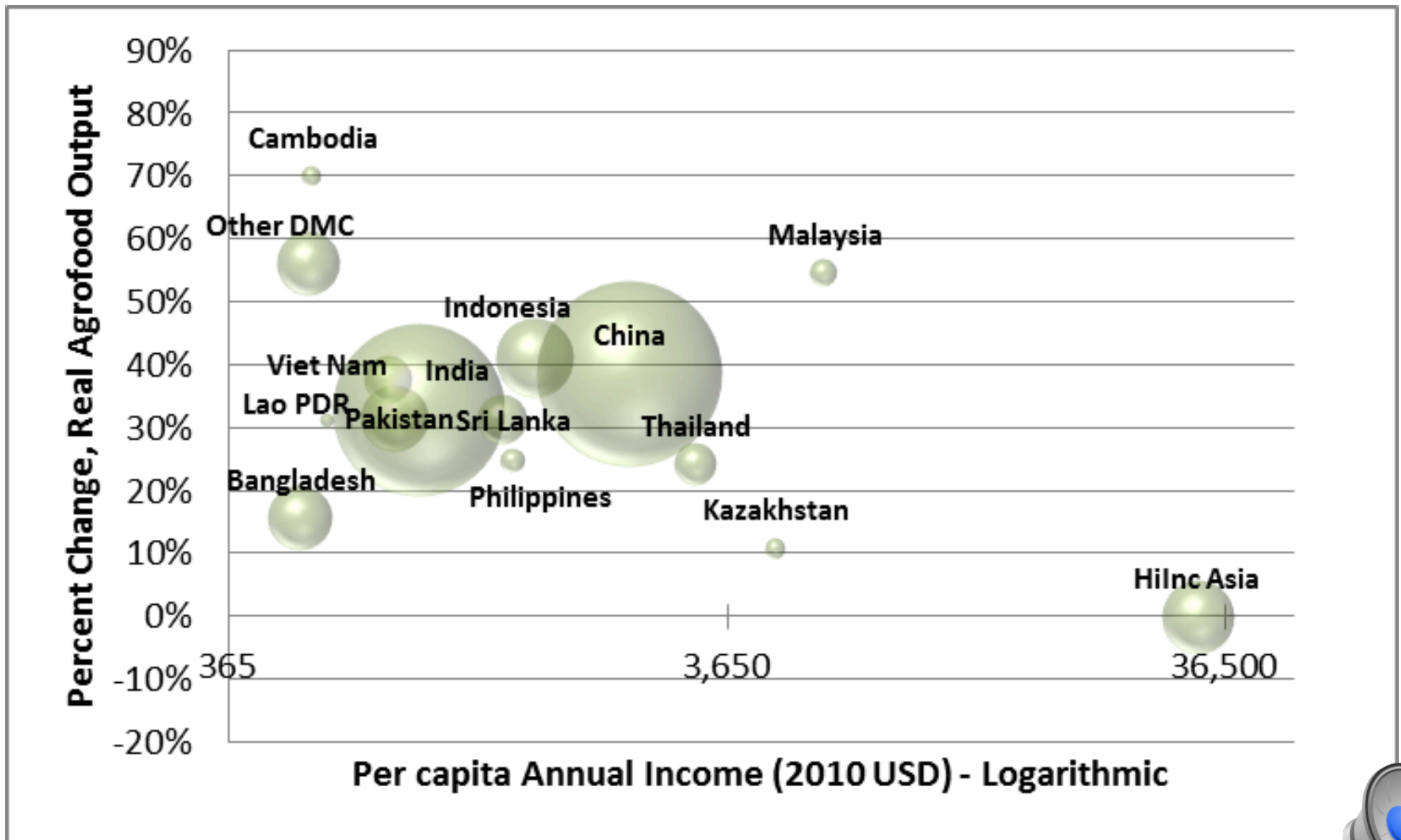
Change in 2010-2030 cumulative real GDP



Agrifood Output Growth: 2010-2030 Cumulative



Agrifood Productivity Growth can be Pro-poor



Conclusions

- Across Asia, emerging demand will pose unprecedented challenges and opportunities for agrifood production, particularly in livestock products.
- Rural poor majorities in the region face serious constraints on market access, productivity, and savings resources for enterprise development.
- Policies that overcome these would significantly increase the region's food output, and they are also good for growth, good for every country, and even better for the poor.
- By increasing rural incomes and lowering food costs for urban populations, these policies make a dual contribution to food security.





Thank you