



Agriculture

Business and development exchange summary

While industrialisation and urbanisation has transformed the economies of many developing countries, agriculture remains the main livelihood activity of poor people and a significant contributor to GDP in most of the developing world. In Vietnam, 48% of the population were employed in agriculture, forestry or fisheries in 2011 and agriculture accounted for 22% of GDP. In Burma, it is estimated that agriculture supports the livelihoods of 70% of the population and continues to account for an estimated 43% of GDP.

Agriculture is a key sector in terms of poverty alleviation, with poverty heavily concentrated in rural areas. According to the 2010 Vietnam living-standards survey, 91% of poor households live in rural areas. Though accurate figures are lacking, a similar trend is evident in Burma. Donor interventions to support smallholder agriculture, therefore, can have a direct impact on the incomes of large numbers of rural poor people: and it is the private sector – including input suppliers, financial institutions, traders, processors and exporters – that can drive the improvements that bring about these changes.

The issues affecting the agricultural sector vary considerably between countries. In Burma, low agricultural productivity results from limited farmer investment in inputs (fertiliser and improved seed strains), poor irrigation coverage (about 17% of cultivated area), vulnerability to natural disaster, and outdated processing technology, leading to high levels of spoilage and wastage. But underlying these production and processing problems are more deep-seated structural issues: unclear land tenure, long-term farmer indebtedness, limited formal-sector finance, high transport costs, weak integration with international markets, long-seated state intervention in the market (e.g. state procurement quotas, state monopoly of processing and exports), an exchange rate unfavourable for exports and limited state investment in agricultural research and extension. As a result of decades of isolation, state control, underinvestment and the impact of natural disasters such as Cyclone Nargis in 2008, Burmese agriculture is in desperate need of finance, technology and access to markets.

In Vietnam, agricultural sector issues are different. Vietnam has expanded production area and volumes to become one of the world's largest producers of a number of commodities, including rice, coffee, cashew nuts and seafood. But quality standards are low, leading to reduced prices for Vietnamese produce. The World Bank estimates that Vietnam's rice and coffee export prices are 15% lower than its competitors'. Moreover, unsustainable production practices threaten future growth and have created difficulties for Vietnamese producers to meet increasingly stringent food quality requirements for accessing US and European markets. Moreover, agricultural sector growth has tended to marginalise smaller farmers, and particularly ethnic minorities who have not had sufficient access to capital, information and contacts to exploit these opportunities fully.

Our research on agriculture will be carried out in Vietnam and Burma. The work in Vietnam will focus specifically on the central Mekong Delta. The overall aim is to identify opportunities for AusAID or other donors to engage with business in order to increase the benefits for smallholder farmers from agricultural production. The research will start with detailed scoping of the agricultural sector, including analysis of existing relevant value-chain studies and other donor experience in engaging with agribusiness. We will then select specific sub-sectors (e.g. rice, fruit, aquaculture in the Mekong Delta) or common issues across value chains (e.g. input supply, pest control, access to finance, extension, post-harvest handling, transportation) to analyse current problems and opportunities for donors to engage with business to address them. We will develop a number of inclusive and sustainable business interventions – such as supply-chain improvement, information-technology applications, access to finance, certification or agricultural research linkages – through which donors and companies could work together to benefit disadvantaged smallholder producers.ⁱ

ⁱCover image: In Viet Nam, agriculture aid bears fruit, Asian Development Bank, 2011.