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Accelerating Private Sector Contribution to Improving Nutrition Outcomes and Sustainable Agriculture among Small-Scale Producers in ASEAN

ASEAN Food Systems Policy CoLAB - Policy Action Brief
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OVERVIEW

The World Benchmarking Alliance (WBA) and Center for Indonesian Policy Studies (CIPS) organized two sessions of the **ASEAN Food Systems Policy CoLAB** that took place online on 29 July 2021 and 14 September 2021. Stakeholders^[i] from the private sector, research institutions and international organizations came together to explore the challenges in addressing issues related to sustainable agriculture among small scale farmers and nutrition in Southeast Asia. The discussion also explored existing policy gaps within relevant regional policy frameworks, including the ASEAN Integrated Food Security Framework (AIFS) and Strategic Plan of Action on Food Security in the ASEAN Region (SPA-FS) 2021-2025; ASEAN Regional Guidelines on Food Security and Nutrition Policy. Barriers to creating an enabling environment for sustainable agriculture among small-scale producers and nutritious consumption were identified. This Policy Action Brief presents the challenges, opportunities and recommendations for policymakers, private sector, civil society, and industry associations in the region.

SUSTAINABLE AGRICULTURE AMONG SMALL-SCALE PRODUCERS

Challenges and the impact on Stakeholders

The first key issue is that of information asymmetry. Not all small-scale producers are producing the right products as they are not aware of what the market is looking for and what quality and sustainability standards are expected. It is important to collectively build the value chain by mapping potential markets and identifying demand first, before producing and/or selling products.

Access to finance is challenging for small-scale producers as formal lenders are reluctant to provide loans, leaving microfinance or informal lending as an alternative. This may be due to the inherent risk found in the agriculture sector that comes from climate change and volatile market prices. Furthermore, national certification programs in ASEAN countries are not always aligned with regional and international standards, which may increase costs among producers.

The next set of issues includes lack of competition in agricultural inputs which limits the access to inputs, such as new, high-yielding seed varieties better adapted to climate change. Although many farmers in Southeast Asia receive government subsidies, the subsidized fertilizer is sometimes unsuitable for their soil thus resulting in low productivity and unsustainable practice. The private sector's ability needs improvement to address the supply chain's risk while aligning to the SDGs by engaging with suppliers in a controlled point of the supply chain where the produce is consolidated and distributed, such as through cooperatives. An example of a case study that strengthens the role of smallholder farmers' cooperative is the [Creating Shared Value Project](#) in [VietNam](#).

Despite the increasing demand for digitalization in agriculture, there is still a lack of a sound and robust digital regulation ecosystem to facilitate agricultural technology innovation and its sustainable adoption among small-scale farmers in the region. Additionally, there is still a lack of



understanding about sustainable agricultural practices among smallholder farmers in ASEAN, increasing the risk of ineffective policy interventions.

For most farmers in ASEAN, adopting sustainable agricultural practices is challenging due to its high cost, which is a consequence of the lack of enabling infrastructure and technology. This gap is further exacerbated by farmers' low income. Despite receiving a high amount of subsidies, farmers' income is still very low due to the high cost of production.

Role of the Private Sector in Addressing the Challenges

An important role of the private sector in addressing the challenges could be to implement smallholder-focused business models. This in turn could help them in effectively providing stimulants or roadmap for the empowerment of specific groups such as small-holder farmers and for advancing behavioural change through knowledge transfers and capacity building.

Existing Policy Gaps and Barriers for Private Sector's Participation

Market-led interventions that could provide farmers with more choice of products and services they could access to help their farming practices are needed. Adopting a multi-stakeholder approach is crucial when developing such policy interventions. The [public-private partnership structure](#) in VietNam's coffee sector helped overcome similar barriers.

Moreover, there are still gaps in seed standards in ASEAN countries such as VietNam and Thailand. The gaps in input standards would not only create implications in regional seed distributions and trade but also generate higher costs and more loss instead of benefits to the producers. Producers will need to pay for higher costs or would not be able to sell to countries with higher national standards. Additionally, the government's support in the form of input subsidies has not effectively incentivized the private sector's participation and farmers' sustainable agriculture practices. Input subsidies and low quality of government-provided inputs should be addressed by ASEAN countries.

It is quite impossible to aggregate policy for agriculture across ASEAN due to the diversity in local regulations, and the different degrees of liberalization. Therefore, in considering the policy recommendations there needs to be a distinction between what applies to all ASEAN countries and what needs to be applied based on the countries' local context that considers their identified structural problems and peculiarities.

NUTRITION

Challenges to Nutrition and the Impact on Stakeholders:

Challenges of food accessibility and affordability are often multifaceted, contributing to the overall nutrition intake in the population. In Southeast Asia, rates of obesity, malnutrition and stunting are rising along with non-communicable diseases among children and youth. Infant nutrition, especially in the first 1000 days of life is very critical and it is important that infants and mothers have access to and awareness of nutritious food. Unfortunately, the Covid-19 pandemic is exacerbating these situations as people fall back into poverty. [case study - [Indonesia My Plate program](#)]



With the rise in cross-border trade activities, burdensome pre-border and at-border processes could restrict accessibility by slowing down the flow of fresh food reaching consumers across the border and increasing the price point of fresh food. Another challenge is the lack of consumer awareness on nutrition, nutrition intake and food diversity which could result in an overconsumption of unhealthy products containing high sugar, sodium, and fat content.

With a substantial informal workforce among many of the ASEAN Member States, affordability is essential. However, nutritious food in some countries such as Indonesia is still expensive. Due to limitations in infrastructure, fresh and healthy food may not always be accessible, especially for the marginalized communities.

The role of SMEs in providing nutritious and safe food by meeting minimum standards of food safety is challenging as their resources may be limited.

Most of the food consumption in the region is unpacked, unbranded, or from the wet markets, it is challenging in these cases to identify who are the private sector stakeholders in the value chain. Government action is predominant in these cases and there is scope for the private sector to play an active role.

Private Sector's Responsibility from the Industry's Perspectives:

The nutrition challenges point to the urgency of a nutrition-sensitive value chain approach, as recommended by [FAO, IFAD, WFP, and Biodiversity International](#). The private sector can play a crucial role at different stages of the nutrition-sensitive value chain. The food industry is fully aware of rising risks of non-communicable diseases due to unhealthy diets, hence the industry understands the need for reformulation to support the overall objective to address the double burden of malnutrition. The question is how to innovate products and make food nutritious and healthier without compromising the taste. There have been product development failures, where the promotion of more nutritious products with “bad” taste did not generate any sales. This shows the difficulty when it comes to changing consumer behaviour, and consumers’ preference for healthier products cannot be switched within a short period and the interventions extend to an overall lifestyle change. [case study - [Save the Children Philippines, NURTURE \(Nutrition among Urban Poor through Unified Response\) Programme](#) and [Byaheng Dikartika](#)].

Existing Policy Gaps and Barriers for Private Sector's Participation:

There is a need to align actions of the private sector, government, civil society and other stakeholders in terms of policy advocacy and regulations. Industry initiatives, programs and business models must also adopt a multi-stakeholder approach to enhance nutrition outcomes. There is also a need for policy harmonisation especially for nutritional labelling and nutritional standards at the regional level to reduce transactional costs while also finding the right balance between regional and national approaches.

Finding globally relevant indicators is complicated, as perspectives on nutritious and healthy diets may differ from country or society. Global or regional agreements also need to be adapted into a local context and food products availability.



RECOMMENDATIONS

A. *Sustainable Agriculture in Small-Scale Producers*

The private sector could enhance collaboration with other stakeholders such as local or state-owned companies and local intermediaries in different regions. Though, to ensure that small-scale producers are at the center of these interventions being implemented, the following actions are recommended:

1. **Consolidate groups of smallholder farmers to optimize production potentials and strengthen cooperation with local intermediaries.** Lessons should be learnt from Indonesia's [sustainable rubber production](#) initiative.
2. **Help farmers to be informed about the intervention being designed** (interventions and their socialization should also include gender analysis and clear distinction of policies for smallholder and plantation farmers).
3. **Set a grievance mechanism where workers or farmers can voice their concerns/complaints.** This will enable companies to build trust with the workers, be informed regarding the risks they are facing and take actions accordingly (forming a sub party that builds communication trust between the company and workers/farmers and collaborate with local SMEs that act as an intermediary with the farmer in the source area for their product).
4. **Facilitate sustainable agricultural technological innovation and use it to incentivize the implementation of sustainable farming practices.** Demand for digitalization in agriculture has developed greatly due to the pandemic. Regulations to support the development, as well as the use of agricultural innovations and technologies, need to be put in place so that the use of new technologies is sustainable and does not create disruptions. A policy that provides platforms to encourage innovation while providing safety, such as in a form of intellectual property protection and information for farmers is important.
5. **Harmonize national standards for input and sustainable practices in farming across all ASEAN Member States by aligning them with the international standards.** Harmonizing standards is important in helping farmers increase their competitiveness in the market. The government should also look into the quality of standards for input and sustainable practices (including seed standards and phytosanitary standards) in their country and ensure they are aligned with the regional standards and international standards.
6. **Develop and/or strengthen and sustain dialogue and cooperation between stakeholders from all levels of the food system that includes government institutions, the private sector,**



and communities to ensure an effective enabling environment for sustainable agriculture practices. Dissemination of sustainable technology requires continuous efforts to strengthen farmers' awareness and establish an enabling environment. Hence, forming formal and informal dialogues and cooperation between government institutions, businesses, local communities and farmers to understand the issues and urgency of shifting towards sustainable farming practices are needed.

7. **Repurpose existing subsidies for financing the right infrastructure and technology to reduce the cost and facilitate sustainable agriculture among the farmers.** Southeast Asian governments need to increase investment in developing physical and regulatory infrastructure that can create an enabling environment for increasing farmers' access to the market. Examples include putting in place regulations that encourage innovation such as protection of intellectual property, installing robust irrigation infrastructure, cold chain and post-harvest facilities.
8. **Create better incentives to support farmers' livelihood and increase the generation of young farmers.** More farmers continue to leave despite efforts to regenerate. Farming needs to be made more attractive for the younger generation. One of the ways to do this is by providing support for farmers' overall livelihood and farming needs such as through the provision of a digital platform that connects farmers with the markets so they can better survive amidst shocks. Lessons can be learned from Indonesia's [e-agriculture platform](#).
9. **Develop a better understanding of sustainable agricultural practices among farmers, government, and the private sector to ensure an effective policy action that meets their needs.** Sustainability covers a wide scope and sustainable practices may be applied differently in different agricultural sectors and/or by different countries. For example, sustainability-related interventions for smallholder farmers should be designed differently from large plantation farmers. It is important to identify what constitutes sustainable practices and close the gap in information access between stakeholders (such as smallholder farmers).

B. Nutrition

The private sector could help enhance nutrition outcomes in the region by adopting a holistic approach. The following actions are recommended:

1. **Contribute by engaging and educating future generations and people involved in the food supply chain about nutrition and nutritious food.** One example of a solution initiated by the private sector to address the challenge is the [Byaheng Digiskarte](#).
2. **Raise awareness among consumers about product labels and help develop a better understanding so that consumers are empowered to make informed purchase decisions.** It is also suggested that food and nutrition labels should be implemented in a harmonised



approach in accordance with international standards and best practices to avoid confusion by consumers when reading the labels. Increase cooperation between the private sector and government to raise consumer awareness outside of government initiatives.

3. **Support more research and development to increase consumers' access to safe and nutritious food.** It is therefore recommended that product reformulation should be taken gradually to avoid a sudden change in the taste which might not be acceptable by consumers. In this regard, a step-by-step policy approach in achieving healthier product reformulation would be most desired.
4. **Help increase diversification** of sources to ensure food products are made with safe and high-quality ingredients.
5. **Increasing efficiency and shortening the distance in supply chains.** Promoting sourcing from within the region to help ensure products reach consumers in a shorter interval. In addition, better infrastructure for fresh produce is essential to ensure food can be distributed widely
6. **Encourage innovations to make affordable nutritious food available.** Improving workforce nutrition is one of the ways that companies could enhance nutrition outcomes in communities. Subsidised food vouchers could be used to incentivise the consumption of nutritious food among workers.
7. **Agree on a global agreement of nutritious food definition** with adaptation to the local context due to local food availability and preferences.

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