

Chapter 1

Introduction

1. The Food and Agriculture Organization of the United Nations (FAO), the United Nations Industrial Development Organization (UNIDO) and the International Fund for Agricultural Development (IFAD), in collaboration with the Government of India, brought together Ministers and government officials in charge of agriculture, trade and industry, food industry leaders, agro-industry specialists and civil society representatives for the first **Global Agro-Industries Forum (GAIF)**, in New Delhi from 8 to 11 April 2008. Around 500 senior country delegates and professionals from 111 different countries discussed the contribution of agro-industries to economic development and the challenges they are facing. The Forum also encouraged dialogue between the private and public sector in order to foster partnerships for developing competitive agro-industries.

2. Throughout this report, “agro-industry” refers to the establishment of linkages between enterprises and supply chains for developing, transforming and distributing specific inputs and products in the agricultural sector.

3. The Global Forum sought to develop a shared vision on the issues critical to the future development of agro-industries, the key factors affecting competitiveness and the potential action areas to foster agro-industries development. The objectives were to learn from key lessons and success stories to promote competitive agro-industries in the developing world, to ensure stronger collaboration and joint activities among multilateral organizations working on agro-industry development and to clarify the roles of the public sector, multilateral organizations and the private sector in agro-industrial development. The Forum also aimed at engaging multilateral organizations and financial institutions in launching initiatives at national and regional levels to foster agro-industrial development.

INAUGURAL CEREMONY

4. His Excellency Sri Sharad Pawar, Indian Union Minister of Agriculture, Consumer Affairs, Food and Public Distribution, inaugurated the Forum, together with Dr Jacques Diouf, Director-General of FAO, Dr Kandeh K. Yumkella, Director-General of UNIDO and Mr Lennart Båge, President of IFAD. The Inaugural Ceremony of the Forum was held on 9 April 2008.

STATEMENT BY THE UNION MINISTER OF AGRICULTURE OF INDIA

5. His Excellency Sri Sharad Pawar, Indian Union Minister of Agriculture, Consumer Affairs, Food and Public Distribution, delivered his statement to the Forum. His Excellency reminded participants that food is the basic necessity of mankind and that it comes from agriculture. As almost 50 percent of the world’s population also derive their livelihood from agriculture, agricultural development is thus essential to alleviate poverty and hunger. Referring to the large gap between industrialized and developing countries in the level of processing and value addition of agrifood products, His Excellency called on developing countries to exploit the vast potential for agro-industrial growth. Agro-industries are the foundation of a strong rural non-farm economy, which can help raise agricultural productivity.



His Excellency Sri Sharad Pawar

STATEMENT BY THE PRESIDENT OF IFAD

6. In his statement to the Forum, Mr Lennart Båge, President of IFAD, noted that the impressive participation at this Forum testified to the importance that countries around the world attach to agro-industries. In its 30 years of operations, IFAD, which is both a financial institution and a UN organization, has focused on smallholder farmers and other poor rural groups to enable them to raise their productivity and incomes and work their way out of poverty. In today's conditions however, the need to connect the smallholder economy more effectively with modern economic processes is urgent. Agro-industries are the key to achieving this linkage. Processing raw food makes it less perishable, and increases its value and consequently the returns to the farmers. Agro-industries can also create significant employment in rural areas, where greater employment opportunities are critically required. There is a need to strengthen all the links of the value chain, from the farmer through the trader, the processor, the markets, to the final consumer. Mr Båge emphasized that the role of agro-industries is crucial in building a dynamic linkage between the primary producer and the ultimate consumer, while enhancing food availability, employment and exports.

STATEMENT BY THE DIRECTOR-GENERAL OF UNIDO

7. The Director-General of UNIDO, Dr Kandeh K. Yumkella, stated that the challenge of climate change will affect all our development efforts in the years to come and poses a special challenge for the agro-industrial sector. At the same time, he added, the sector can play a pivotal role in meeting this global challenge. Dr Yumkella remarked that for the UN system and its development partners, the challenge is to cooperate: to help agro-industrial enterprises to



Mr Lennart Båge, President of IFAD

grow and flourish; to provide jobs and create wealth; and, thus to foster sustainable economic and human development. He added that the development of rural agro-industries can play a major role in stabilizing and regenerating countries that have suffered internal conflicts or natural catastrophes. It can do this by providing jobs in affected areas, thereby reducing migration into crowded cities, especially of unskilled young people. It is here that creating and supporting value-adding small- and medium-sized enterprises (SMEs) can help form the building blocks of wealth creation and economic growth towards integration into global markets. However, agro-industrial development relies on policies and involvement of other ministries: agriculture, energy, environment, transport, education and finance, depending on the governmental structure. It is through such cooperation that a broader base of interrelated policies and institutional support, which are necessary for the development of agro-industries, may be established.

STATEMENT BY THE DIRECTOR-GENERAL OF FAO

8. The Director-General of FAO, Dr Jacques Diouf, delivered his statement to the Forum. In his message, Dr Diouf emphasized that agriculture is back on the international agenda. Higher prices of agricultural products on international and domestic markets have propelled agriculture to the centre of global debate. Since the 1970s, the developing countries' share of global trade in processed products has barely risen, despite international trade agreements, moving from 13.4 percent in 1980 to 13.7 percent in 2001. Above all, there has been a marked increase in imports of foodstuffs into developing countries, more than two-thirds in the form of processed products. Agencies to promote exports and investment, and certification bodies will be required if agro-industries are to be productive and competitive.



Dr Kandeh K. Yumkella, Director-General of UNIDO



Dr Jacques Diouf, Director-General of FAO

The establishment of the FAO Rural Infrastructure and Agro-Industries Division in January 2007 helped prepare this Forum, as work in these two areas is clearly interrelated. In rural areas, infrastructure in the form of irrigation, energy, access roads and storage facilities is vital if farmers are to become reliable suppliers of the agro-industrial sector. The Director-General joined his colleague from UNIDO in mentioning that FAO, UNIDO and IFAD have joined forces to implement projects on agro-industrial processing and value adding in several countries. He thanked the Government of India for hosting the Forum and providing excellent facilities.

STATEMENT BY THE PRIME MINISTER OF INDIA UPON RECEIVING THE FAO AGRICOLA MEDAL

9. His Excellency Manmohan Singh, Prime Minister of India, addressed the Global Agro-Industries Forum on 10 April 2008. Dr Jacques Diouf, Director-General of FAO, conferred FAO's Highest Award "Agricola Medal" on His Excellency for his support of agricultural and social development programmes that benefit not only Indian farmers, but also show a path to the rest of the developing world.



His Excellency Manmohan Singh receiving the FAO Agricola Medal

The Agricola Medal is awarded to distinguished personalities working towards the alleviation of poverty and hunger.

10. In his statement delivered upon receiving the Agricola Medal, Mr Singh emphasized the importance of this gathering of experts focussed on agriculture and agro-industrial development. His Excellency complimented FAO, UNIDO and IFAD for coming together and working with those engaged in improving the livelihood of farmers of India and the rest of the developing world. Although modern technology has widened the options available to farmers and planners, the world is still facing the prospect of food shortages and rising food prices. It is important that the world community tackles this problem head-on. There is a need for new technologies, new organizational structures, new institutional responses and, above all, a new compact between farmers, technologists, scientists, administrators, businessmen, bankers and consumers. Hence, there is a need for creative and imaginative solutions that increase agricultural productivity, farm incomes, food production and, at the same time, also contribute to greater purchasing power for the poor. His Excellency expressed his sincere hope that this Forum would come forward with new ideas for a new social contract that will enhance food security and improve farmers' welfare.

Chapter 2

Plenary addresses

11. Eight plenary addresses were delivered during the first two days of the Forum by policy advisors and private sector representatives. The plenary addresses introduced the Forum's main topic of developing competitive agro-industries and put the spotlight on issues that would allow the sustainable inclusion of smallholder farmers in this development¹.

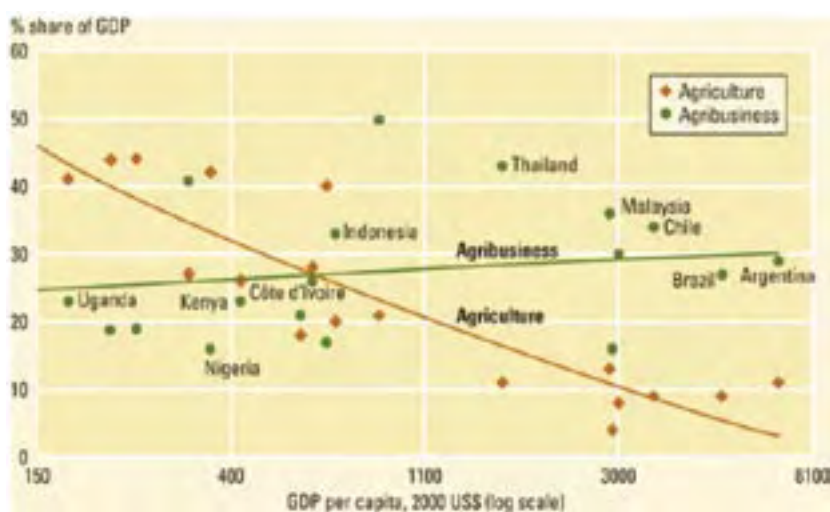
ISSUES PAPERS: SETTING THE STAGE

12. The initial plenary address focused on the theme, "Agriculture for development: implications for agro-industries", and was delivered by Prof. Alain de Janvry, from the University of California at Berkeley. Drawing from the World Bank's World Development Report 2008 (WDR 2008), which he had co-authored, the speaker called attention to the fact that 75 percent of the world's poor live in rural areas, having agriculture as their major source of livelihood. As income grows, the relative importance of agriculture in gross domestic product (GDP)

falls, whereas that of agro-industries increases. This trend highlights the significance of agro-industrial development within the context of poverty reduction strategies. Although the potential of agriculture and agro-industries as an engine of growth has been underutilized, significant new opportunities exist. These have been brought about by changes in food demand, the renewed incentives for investments in the sector, recent technological innovations and by the new business models being disseminated worldwide. There are however challenges to be met, including the need to address the political economy of public spending in agriculture, the existence of public sector constraints on private investment in agriculture, the need to make agricultural growth more pro-poor and the need to ensure environmental sustainability.

13. To unleash the potential of agro-industries as inducers of growth, several "policy entry points" were proposed: Policies should be attuned to the specificities

How has agriculture served for development? The structural transformation



Agribusiness an essential component of agriculture for development:

- Key role in bringing consumer demand to farmers efficiently
- Large share of agribusiness in GDP in the agricultural transformation

Source: Prof. Alain de Janvry's presentation at GAIF

¹All presentations mentioned in this report can be accessed at <http://www.gaif08.org>

of the country settings, as broadly defined by the three categories proposed in WDR 2008: agriculture-based, transformed and urbanized countries. Policy options to benefit from the present trend of high food prices are one of the options to be pursued, including investments in productivity improvement, infrastructure and institutional development. Policies focused on market access, value chain upgrading and agro-industrial development are a further entry point. To enhance smallholder competitiveness, a second green revolution was advocated that could provide a quantum leap in food grain yields. As family farming shifts to commercial agriculture, policies to promote access to productive assets and markets become relevant. Other policy entry points discussed covered the issues of agricultural labour markets, the rural non-farm economy and the need for investments in human resource development. The presentation concluded with a discussion of conditions for successful policy implementation, which encompass awareness of what agriculture can do for development, the need for new approaches to invest successfully in agriculture for development and the capacities to implement these policies at the individual (entrepreneurship), collective (leadership), national (governance) and international levels.

14. The second plenary presentation, on "Agro-industrial trends, patterns and development impacts" was delivered by Prof. John Wilkinson, Senior Lecturer at the Graduate Centre for Agricultural Development in the Rural Federal University of Rio

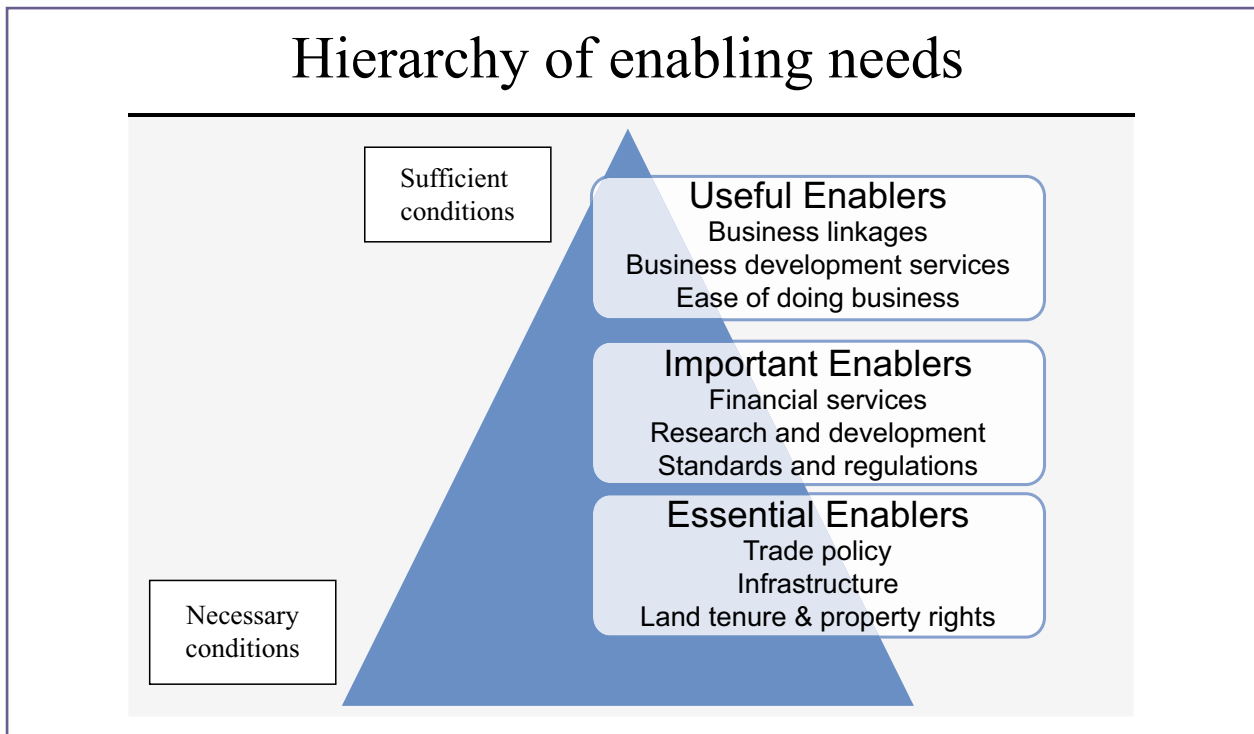
de Janeiro, Brazil. The speaker noted that population growth in all developing countries is now very much an urban phenomenon, so agro-industries are a fundamental link between food production and consumption. UNIDO has estimated the added value of agro-industries at around 4.5 percent of the GDP of developing countries. However, the data used to compute this figure leads to an underestimation of the actual magnitude of value addition, because of the importance of the informal sector in agrifood chains. Indeed, the International Labour Organization (ILO) estimates that 60 percent of agro-industrial workers in developing countries belong to the informal sector. In this regard, the informal sector of agro-industries should be supported by governments through enabling rather than constraining policies.

15. Agro-industries of developing countries employ 22 million people according to ILO, and some sectors such as the fresh produce and fish industries are characterized by a strong participation of women who can represent up to 90 percent of workers. Processed products are taking an increasing share of food consumption in developing countries because of urbanization, changing food diets, women's employment and the development of global retailing chains. The share of processed products in global agrifood trade has also been increasing from 27 percent in the 1980s to 38 percent in 2001. More detailed analysis of trade data shows however that the majority of processed food exports from developing countries are accounted for by only a handful of middle-

The importance of agro-industries

- Agro-industries generate strong backward and forward linkages, promoting demand for and adding value to primary agricultural production and creating employment and income along the processing-distribution chain.
- Agro-industries occupy a dominant position in manufacturing. In low-income countries, they can represent as much as 50 percent of the manufacturing sector.
- Taking the World Bank's WDR 2008 classification of countries as a frame of reference, agro-industries contribution to total manufacturing is 61 percent in agriculture-based countries, 42 percent in countries in transformation and 37 percent in urbanized developing countries.
- There is tremendous regional disparity among developing countries in the distribution of formal sector agro-industry value addition. For food and beverages, Latin American countries accounted for nearly 43 percent of global value addition in 2003 and countries of South and Southeast Asia for 39 percent. In contrast, African countries contributed less than 10 percent of global value addition.
- Agro-industries also play a central role in employment generation, being characterized by a marked presence of women in their workforce. The "non-traditional sector" (vegetables, fruit and fish products), which is currently the most dynamic in terms of exports from developing countries, is characterized by high levels of female employment, a percentage that can range from 50 percent to as high as 90 percent.

Hierarchy of enabling needs



Source: Prof. Ralph D. Christy's presentation at GAIF

income countries: Argentina, Brazil, Chile, Indonesia, Malaysia, Thailand and Turkey. Although the share of developing countries in international agrifood trade has been stagnating since the 1980s, there has been a clear shift in the composition of exports from tropical commodities to “non-traditional” exports such as fresh produce, fisheries products and drinks. Moreover, many developing countries, and the least-developed countries in particular, have become net importers of food: developing countries showed a cumulative negative trade balance of US\$11 billion at the beginning of the millennium. Still, foreign direct investment (FDI) is contributing to establish new capacities for agroprocessing and modern distribution chains. These developments are putting pressure on traditional agribusinesses to innovate; appropriate strategies should be devised to help these actors respond to growing market trends seeking social, environmental, traditional and origin values or attributes in agrifood products.

16. Kenya reacted to these presentations by stating that climate change was a new element that would probably have major impacts on agro-industrial growth in developing countries and on trade conditions with industrialized countries. Prof. De Janvry agreed that caps on carbon emissions from industries and transport would have great effects on developing countries, which need to adopt technological innovations to respond to this issue.

ISSUES PAPERS: NEW ROLES FOR THE PUBLIC AND PRIVATE SECTORS

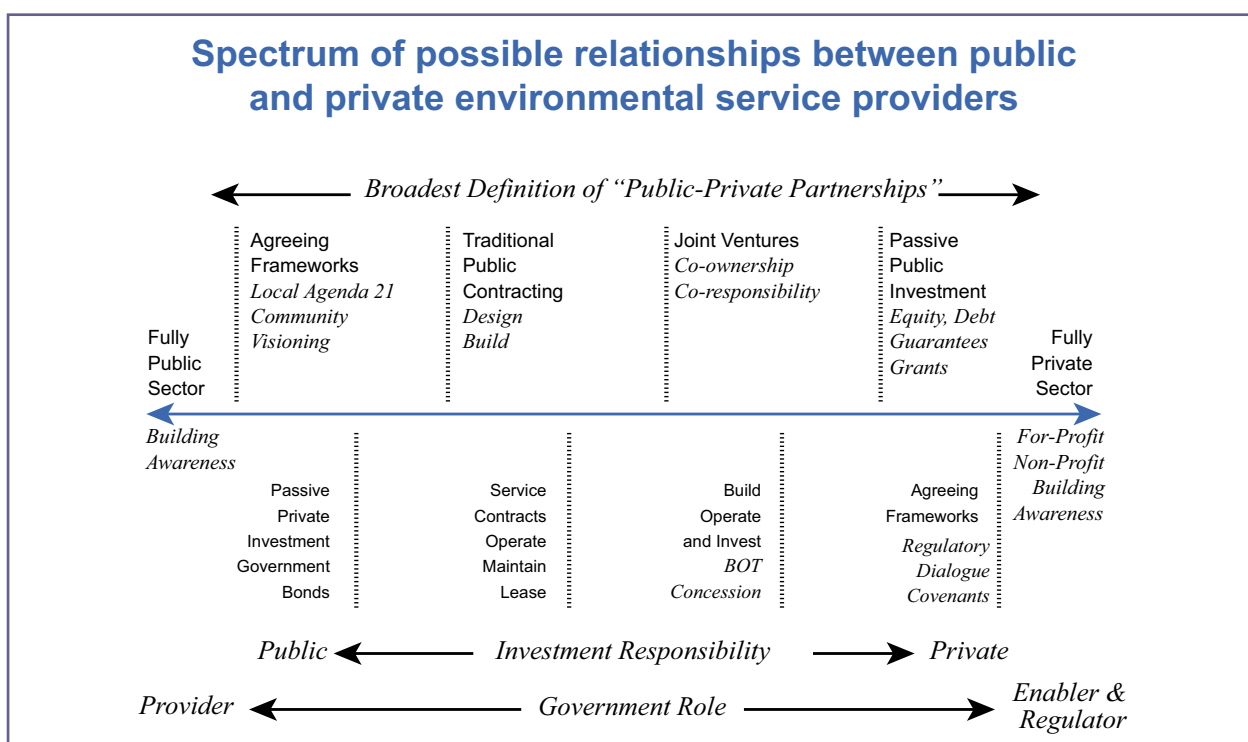
17. Prof. Ralph D. Christy of Cornell University in the United States of America gave a presentation on “Enabling environments for competitive agro-industries”. The speaker’s main point was that the public sector should play an essential catalytic role in fostering innovative institutions, improving enabling policies, and maintaining a country’s competitiveness in order to encourage agro-industrial development. To understand better the issues at stake for agro-industries, studies leading to a ranking of countries in terms of competitiveness are useful in the sense that they create indicators about a country’s friendliness to FDI and its capacity to inspire reform in its business environment. Given that many developing countries are undergoing a transition to a market economy, the role of the State in facilitating such a reform is paramount. Governments are definitively the main actors in creating such “fundamental” enablers as trade policies, infrastructure, and land and intellectual property rights. Financial services, research and development, and standards and regulations are other “important” enablers that governments may provide.

18. On the other hand, business linkages, business promotion services and facilitation in doing business were qualified as “useful” government enablers. Prof. Christy remarked that in our globalizing world economy, private and public sectors were working increasingly together to create the right enabling environment. Depending on the level of uncertainty faced by agribusinesses and the level of capacity of the State to adapt the rules of doing business in a country, the mix between private and public sector intervention in fostering an enabling environment for agro-industries varies. This is all the more true for the agro-industrial sector, where the mandate for change of many of the necessary enabling environments will be in other hands than that of the Ministry in charge of Agriculture. Therefore, awareness of the fundamental and important catalytic factors among private sector stakeholder organizations is essential to promote coordination between government services towards establishing the right enabling environment for their agro-industries.

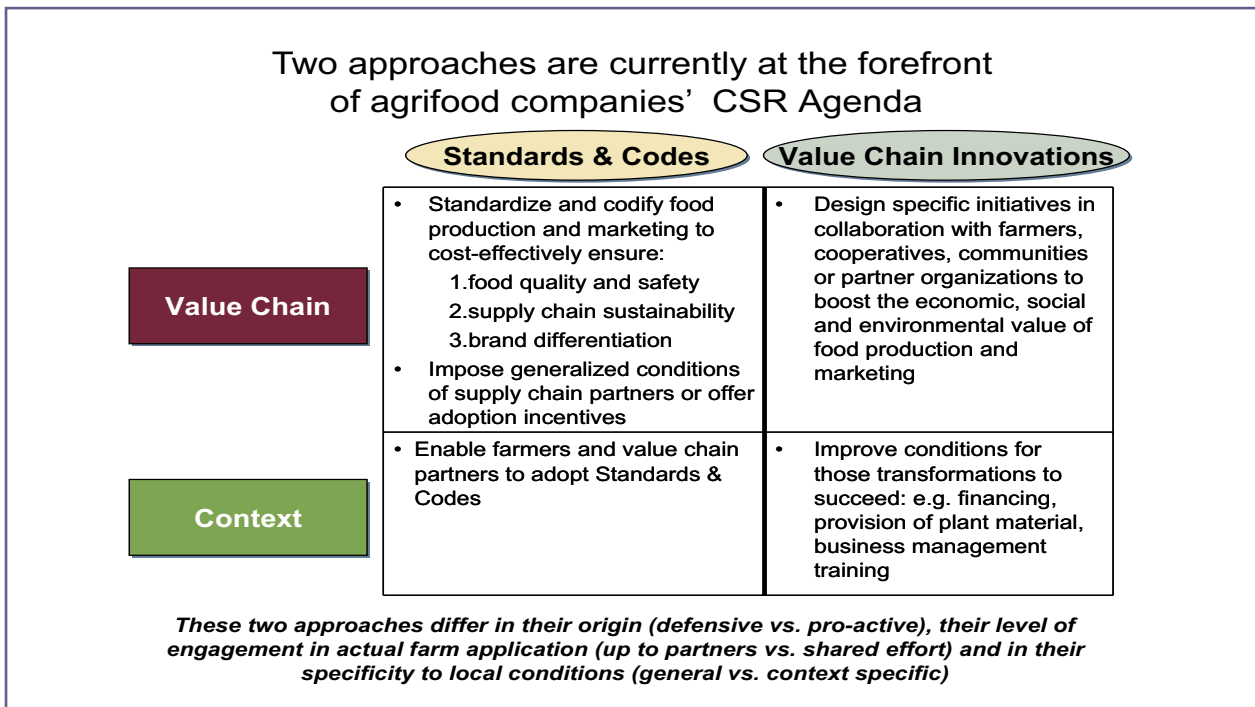
19. Issues relating to “Cooperation between public and private sectors” were highlighted further by Mr Mahendra Shah, Coordinator of UN Relations at the International Institute for Applied Systems Analysis in Austria. Public-private partnerships (PPPs) that have been carefully constructed can accelerate the expansion process of agro-industries in rural

areas by fostering the development of SMEs and linking them to markets. In some cases, public subventions and other incentives are necessary to guarantee private sector participation in the riskier activities. Mr Shah reviewed the extent of cooperation between governments and private businesses in fostering various enabling factors. In some sectors such as agricultural research, access to credit and agroprocessing infrastructure, governments should encourage more participation of the private sector through targeted investments and incentives. In the areas of extension, market information services and rural infrastructure, the private sector has started playing a larger role but it sees little economic incentive to move into the most marginalized areas of a country’s territory. Thus governments should stay vigilant to maintain its investments in these areas where the poorest populations live. For all types of PPPs, the promotion of producers’ associations and other types of agro-industrial organizations can be a conduit to increase the private sector’s participation in promising agribusiness ventures.

20. The Managing Director of FSG-Social Impact Advisors, Geneva, Switzerland, Mr Mark Pfitzer, spoke on “Concepts of global citizenship and responsibility in agro-industries”. Agribusinesses have been using two of the instruments of corporate social responsibility (CSR), both as a strategy to protect themselves against negative consumer and



Source: UNDP, cited in Mr Mahendra Shah’s presentation at GAIF



Source: Mr Marc Pfitzer's presentation at GAIF

media campaigns or to reinforce their linkages with their suppliers and their local community. The first instrument involves setting standards and codes of practice for suppliers. This is a well-accepted business strategy to increase competitiveness, strengthen corporate messages to consumers and to reinforce the firm's control over its supply chains. The focus of such standards and codes can be grouped into four themes: (1) environmental issues, (2) working conditions, (3) local community development and (4) food quality and safety. However, this business strategy has encountered some difficulties in assessing its impact credibly and in adapting standards to various local contexts; standards have proliferated and created confusion for suppliers and consumers. Finally, a standardized approach to standards and codes has tended to push smallholder farmers out of supply chains. Consultation between governments, international donors and civil society is important to enforce standards and norms set by agribusinesses and to help such mechanisms reach out to all agro-industrial stakeholders.

21. More innovative approaches to CSR have been pilot projects conceived by agribusinesses in close partnership with other stakeholders, so as to achieve common goals for local development. Such initiatives usually include technological and information transfers, funding, education and capacity building, which are more suitable for small farmers. However, firms only invest in such projects when they can

foresee a clear advantage. To be successful, such innovations should be based on a solid business plan and be able to survive without the financial assistance of the corporate buyer or of any other funding agent. In the long run, public authorities and civil society must encourage innovative CSR pilot projects and think about strategies to help smallholder farmers diversify out of agriculture, in order to foster sustainable rural development that involves agro-industries.

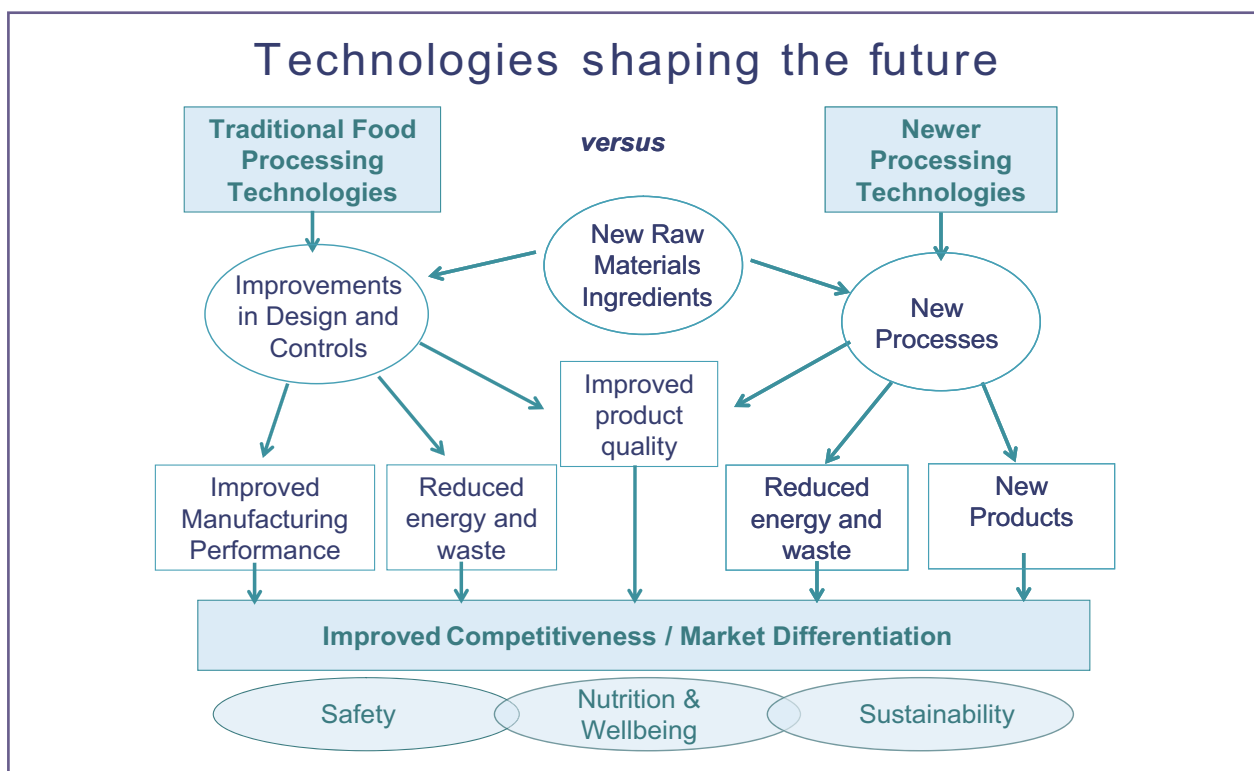
22. The three presentations led the country delegates into intense discussions, focusing mainly on the appropriate balance between public and private sectors in promoting investment in agro-industries. Senegal observed that for developing countries, one big challenge was to encompass the informal sector of the economy into formal agro-industrial chains. Senegal raised another issue: donors' attitudes to agro-industrial development were still mixed and should change to allow developing countries to invest in this promising sector of their economy. An observer from Guatemala challenged the last speaker by claiming that agribusinesses setting up standards and codes were interested solely in profits and would keep asking lower prices from their suppliers. However, an observer from Malaysia agreed with Mr Pfitzer in pointing out that the positive impacts of CSR came primarily from projects that shared information, training and common values with farmers.

ISSUES PAPERS: ENSURING INCLUSIVENESS AND DEVELOPMENTAL IMPACT

23. Prof. Colin Dennis, Director-General of the Campden and Chorleywood Food Research Association Group, Gloucestershire, United Kingdom, addressed the Forum on "Technologies shaping the future". Demand for food products will continue to increase and improvements and innovations in food technology are needed to address this increasing demand. Basic food insecurity still needs to be tackled worldwide. Nevertheless, an increasing number of consumers around the world are moving away from ensuring their basic food needs to buying food products that respond to their desires in terms of taste, texture, nutritional and health benefits, food safety, origin, environmental sustainability, and processing method, as well as to their wish to experience new innovative products. New processing technologies will be developed to respond to these changing consumer requirements. Biotechnologies and nanotechnologies are some of the promising avenues for innovations in food technology, but basic technologies for processing, conservation and extraction – along with information and communication technologies – will remain essential to allow business and government actors to coordinate the output of the productive sector to meet the changing demands of a globalized consumer market.

24. The Head of the Sustainable Markets Group at the International Institute for Environment and Development, Bill Vorley, made a presentation on "Business models for small farmers and SMEs". The speaker's main point was that successful business models for these actors should deliver essential services to them, while ensuring a reliable supply to buyers. These models should also allow chain actors to reduce transaction costs and to hedge the risks of buyers supplying from numerous cash-strained smallholders.

25. Business models for collaboration, joint investment and information sharing between producers, suppliers, agroprocessors and retailers are being elaborated to satisfy the multiple objectives of higher food quality and safety, supply reliability, lower costs and sustainability. The most collaborative supply chains are those involved in perishable commodities and certified products. Organizing farmers is the cornerstone of all these business models. Farmers' cooperatives can be one such model as long as they have a strong business rather than social orientation. Buyer-led models are primarily geared to benefit agroprocessors and retailers, but some of these models also allow the sustainable involvement of smallholder farmers. Successful models involving traders, commercial service businesses or non-governmental organizations (NGOs) as intermediaries between small agribusiness



Source: Prof. Colin Dennis' presentation at GAIF



Source: Mr Bill Vorley's presentation at GAIF

actors and increasingly demanding modern markets are also being tried out. Supply chain intermediaries are particularly important as a link to markets for the poorest farmers and those living in remote areas. Such success stories are, however, still rare, because of the lack of technical and managerial capacities of farmers and small entrepreneurs. The biggest challenges for private businesses wishing to receive supplies from small farmers and SMEs are the efficient organization of their supply base, ensuring that business agreements are followed by all parties and adapting their purchasing practices to be as benign as possible to the poorest suppliers.

26. Both speakers noted that action is needed in order to reinforce the capacities of firms, and that of SMEs in particular, to create business linkages, develop their social capital, and implement new technological processes. Governments should provide a constant enabling environment through the essential infrastructure of road, water, electricity and communication networks. While renewed investment into agricultural research is also important, public action is needed to facilitate discussion and information sharing between all agro-industrial actors and in developing standards for the sustainable development of agro-industries.

27. The presentation on business models for small farmers and SMEs led to strong and vocal reactions by delegates from developing countries. Indeed, this topic was deemed as the most crucial in many country contexts, where both farmers and agribusinesses remain mostly small-sized enterprises. Delegates from Guinea, Kenya and Senegal all questioned Mr Vorley on the type of stakeholder who would be the best intermediary between small producers and buyer firms. The three delegates all emphasized that a correct balance in the interventions of the private and public sectors should be found in enabling small entrepreneurs to participate in emerging markets. On the other hand, India questioned Prof. Dennis on how to prevent agroprocessors from adding more fats, salt and sugar to processed products, which were increasing levels of obesity in developed and developing countries. The speaker reported that a balance of regulation and increased consumer awareness on good nutritional practices should lead agro-industries to review their product formulations toward healthier foods, as has been the case in the United States of America and the United Kingdom.

Chapter 3

Competitiveness roundtables

28. Twelve “competitiveness roundtables” were held in four concurrent sessions on Thursday, 10 April. The roundtables allowed a panel of invited experts and agro-industrial stakeholders to debate a proposition and responses suggested by the organizers on each of the 12 issues. This panel debate stimulated further discussion among country delegates and led to feedback from delegates on the strategies proposed by the Forum organizers to address the issues identified during the plenary sessions.

Roundtable 1

UNDERSTANDING MARKETS: MARKET RESEARCH AND INTELLIGENCE

29. The roundtable was moderated by Mr Edward Seidler, Senior Officer (Marketing) at FAO. The proposition submitted to the roundtable was that market information services were a potent tool for farmers to understand markets better, so as to take relevant production decisions. However, Prof. David Hughes, Professor Emeritus of Food Marketing from Imperial College London, opened the panel by refuting the proposition. After briefing the roundtable on the increasing diversity and complexity of consumer markets and the marketing channels available to access them, Prof. Hughes explained how understanding markets was not the preferred activity of producers. Somebody has to gather the market information, analyse it, work out a production plan, and take a production decision on their behalf. The real question is rather who will be this stakeholder doing all the market research on behalf of farmers? Mr Kit Chan, General Director of K-farm Sdn Bhd, Malaysia, agreed with Prof. Hughes. As a businessman involved in trading and exporting tropical fruits, he does market research for his farmer-suppliers on a day-to-day basis. All they want from him is an order to start production and a harvest date so they can concentrate on what they do best: farming. Mr Chan also questioned the ability of government market information systems to deliver relevant information to market stakeholders and farmers. Mr Timothy Williams, Agro-Economist

at the Commonwealth Secretariat, agreed and pointed out that providing market information to farmers was not enough: the most difficult part for farmers was interpreting this information and taking a decision. Mr Williams recommended a localized approach to market information delivery, through customized packages, which cater better to the immediate needs of farmers.

30. Building from his long experience as a marketing consultant, Mr Graham Dixie, now Principal Advisor for agribusiness at the World Bank, gave suggestions on the technological tools that would enable market information to reach farmers most efficiently. Rather than the Internet, FM radio, mobile phone calls and SMS services are better media for distribution of market information and market intelligence, which will allow farmers to be rapidly informed and understand the markets they are meant to supply. Mr Dixie also insisted that national markets present far greater opportunities for incorporating smallholders than the more elaborate and demanding export chains. In a brief discussion the delegates responded to the panel by emphasizing the important role that public extension services should play in delivering and interpreting market information for farmers. Delegates agreed that market information should be better targeted to the needs of producers and technologies tested so as to improve this public service.



Roundtable 1

Roundtable 2

MEETING CONSUMER REQUIREMENTS: QUALITY, SAFETY, EMERGING CONCERNS

31. The roundtable was moderated by Mr Roberto Cuevas-Garcia, Senior Agro-Industries Officer at FAO. The four panel experts were Ms Lisbeth Munksgaard, Senior Manager, External Science and Innovation at Danisco A/S; Prof. Thomas Ohlsson, Senior Advisor to the Swedish Institute of Food and Biotechnology; Ms Bernhilda Shamiso Kalinda, Operations Manager for Choicenuts Zambia Ltd; and Mr Gustavo Idigoras, Counsellor for the Ministry of Agriculture at the Embassy of Argentina to the European Union.

32. The moderator's summary of the roundtable noted that consumer requirements are different for developing and developed countries. Quality considerations now have a significant influence on consumer choice in the domestic market of most developing countries. This is having a significant impact on the ability of agrifood SMEs in developing countries to compete in these markets. While the public sector's primary responsibility is to maintain a national control system that protects consumer safety and health, this traditional role must be expanded to include support that enables local agro-industry to adopt a comprehensive, consumer-oriented approach to safety, health and quality. Business managers and public sector policy makers must implement more coordinated and robust strategies, if local agro-industries, particularly SMEs in developing countries, are to effectively meet the increasingly rigorous consumer requirements in the areas of food safety, health and quality. Leadership must be exercised to create a "partnership for quality" with farmers, agroprocessors, transporters, food companies and the scientific community. That is, satisfying quality and safety requirements of food chains and consumers in an integrated and collaborative way.

Roundtable 3

IMPROVING PRODUCTIVITY: TECHNOLOGY ACQUISITION AND UTILIZATION

33. The roundtable was moderated by Mr Sergio Miranda da Cruz, Director of the Agri-Business Development Branch of UNIDO. The panel comprised four experts: Mr Pascal Gitari Kaumbutho, CEO of the NGO Kenya Network for Dissemination of Agricultural Technologies; Mr Justino Arboleda, who founded Juboken and Coco Technologies in the Philippines; Ms Gisele d'Almeida,



Roundtable 2

leader of Interface, a network of CEOs and investors from small and medium agribusiness companies in Africa; and Mr Andrés López Camelo, food technologist with the National Institute of Farming Technology in Argentina. The panel discussed the proposition that the focus of productivity enhancing activities should be on the acquisition and utilization of appropriate technology throughout the sector's value chain.

34. The panel reviewed different factors that make productivity improvements essential as agro-industries grow in developing countries: uncompetitive local products *vis-à-vis* imports, labour shortages in rural areas, higher quality demands from customers, etc. The panel also remarked that although agricultural research is booming on new technologies to improve productivity, the results from this research do not reach the farmers. New technologies to improve productivity should also help agribusinesses add value to their products and reduce their costs. The panel concurred with Prof. Christy's plenary paper in that governments have a role in developing such fundamental and important enablers as education, infrastructural investments, trade regulation, research and standards setting. Morocco reacted to the roundtable discussion by observing that it was very difficult to address all issues through one policy change. Pakistan and India agreed in calling for greater collaboration in sharing lessons and success stories for productivity improving technologies to make up for lost time. Pakistan also encouraged the donor community to shift its paradigm, in order to allow greater technical and financial assistance to agro-industrial development.



Roundtable 4

Roundtable 4 STRENGTHENING BUSINESS LINKAGES: VALUE CHAIN DEVELOPMENT

35. This panel considered the challenges faced in strengthening business linkages along value chains in order to achieve “win-win” outcomes, i.e. chains that achieve sustainable profitability and benefit all chain actors including small farmers and SMEs. The panel was comprised of Mr Likando Mukumbuta, CEO of the Zambia Agribusiness Technical Assistance Centre Ltd; Mr Simon Winter, Senior Vice-President of Development at TechnoServe agribusiness technical assistance centre; Mr Jorge Brenes Abdalah, Executive Director of the Nicaraguan Producers’ and Exporters’ Association; and Mrs Sylvia Blanchet, co-founder of ForesTrade Inc, Brattleboro, Vermont, a wholesaler in organic spice and fair-trade coffee. Drawing on their experiences and moderated by Mr Doyle Baker, Chief of FAO’s Agricultural Management, Marketing and Finance Service, the panellists identified practical actions for strengthening linkages and identified the most important success factors.

36. The main challenges identified by the panel were building trust between producers and buyers, helping smallholders generate and capture greater value, financing start-up investments by the companies and farmers, and ensuring there is a sound business model to pay for required services. The panellists pointed out that entrepreneurial skills, transparency and access to information are particularly important for addressing these challenges. They emphasized, however, that building farmers’ skills and supporting stakeholder dialogue are not enough if a value chain is not competitive. The panellists also noted that venture funds or other investment financing mechanisms can enable companies to work with small farmers in circumstances that otherwise would be too risky.

37. There was full agreement that the public sector has a role to play in strengthening business linkages, but the first step must be to improve dialogue to bridge perspectives between the public and private sectors. The panellists attributed the success of their organizations in building business linkages to sound organizational management, capacity to mobilize a combination of technical and business skills, and their core values that agribusiness companies can and should be socially responsible.

Roundtable 5 DIFFERENTIATING PRODUCTS: BRANDING AND CERTIFICATION

38. The roundtable was moderated by Ms Florence Tartanac, Agro-Industries Officer at FAO. Panellists were Mr Kit Chan, Managing Director of K-Farm Sdn Bhd, Malaysia; Ms Ruth Nyagah, Managing Director of Africert Ltd; Pablo Villalobos Mateluna, Senior Adviser, Ministry of Agriculture, Chile; and Ana Paula Tavares, Deputy Director at the Rainforest Alliance. The issues discussed by the panellists were linked to supporting small agro-enterprises participating and benefiting from private quality assurance schemes and their certification processes. The panellists from the private sector insisted that suppliers must follow the requests from their clients for better quality based on assurance schemes. Such schemes are being set both for export and national markets. This situation could lead to the multiplication of private standards at international level, such as GLOBALGAP, organics, coffee certification for Starbucks or Utz Kapeh, but the panellists felt that it is more an opportunity than a threat for small farmers, because the benefits for them are potentially large. This is the case, for example, for some quality assurance schemes set up by international NGOs, such as RainForest Alliance, especially if involved farmers have adopted group certification mechanisms. Finally, the panellists



Roundtable 5



Roundtable 6

recognized that although the certification process is of a private and voluntary nature, governments have a fundamental role to play, mainly in three areas: facilitating exchange of information, implementing programmes specifically designed for small farmers, and promoting linkages between suppliers and buyers.

39. All panellists agreed that certification could be a good way for small farmers to access higher priced markets by differentiating their products. For this, they have to comply with voluntary standards, for which they may need support from the public or the private sector. The cost of certification can be high, but this could be compensated by reductions in some production and management costs, and by group certification systems. The role of the government should be proactive, but government should not replace certification bodies and traders. This view was challenged by several country delegations: Chile, the Democratic Republic of Congo, Kenya, Mali, Mauritius and South Africa, which voiced strong arguments for continued government support and donor assistance in facilitating the process of certification for farmers, putting in place incentives and legal frameworks that enable smallholder access to certification schemes. Some delegates raised the argument of trade distortion caused by private standards in world trade, which is technically not appropriate, as private standards fall outside the regime of the World Trade Organization (WTO). Further capacity building on regulations, standards, and certification of agricultural exports is thus still needed. An observer from Guatemala remarked that the roundtable had had no time to discuss the issue of branding, which can be another tool to help agrifood enterprises become more competitive.

Roundtable 6

ATTRACTING INVESTMENT: AGRO-INDUSTRY AND AGRO-ENTERPRISE FINANCE

40. The roundtable was moderated by Mr Stefano Giovanelli from UNIDO. The four panel members were Mr Riccardo Bagni, Vice-Chairman and CEO of Coop Italia; Mr N.V. Ramana, CEO of the BASIX group of India; Mrs Anne Pacquet, from the Direction of Agriculture and Agri-business of Credit Agricole SA, France; and Mr Gilles Recour, General Manager of Agropole Services in France. The roundtable discussed the following proposition: To realize the economic potential and raise the social contribution of agro-industry, a new approach to attracting investment into the sector is required. The panel agreed that agro-industries faced inherent problems when it comes to funding: (1) the profitability of agro-industries is low compared with other industrial sectors; (2) bankers have a limited understanding of the sector and find it difficult to calculate risks; (3) agrifood SMEs lack the banking networks that can propose instruments suitable to their needs. Furthermore, this situation is compounded in developing countries, where the majority of rural households do not have bank accounts.

41. After a discussion with the audience, the roundtable concluded that government support was essential to create an appropriate operating environment for banks and agro-industrial actors to do business together. Also, there are other support mechanisms to consider, such as a guarantee fund that could help banks hedge the risk of funding agribusinesses, as long as assessments for loans are done by an independent third party. When considering FDI, Fiji raised the point that public sector screening of the investment proposal was essential to protect agro-industries from short-term speculators and to promote quality, rather than quantity of FDI. The roundtable also agreed that an appropriate targeting of funding to the key stakeholder in the supply chain could have positive multiplier effects on the whole supply chain and to farmers in particular. In this respect, financial instruments should be devised to address the needs of marketing intermediaries who are currently the leading actors in supply chain innovations for both national and export markets.

Roundtable 7**STAYING COMPETITIVE: INNOVATION, PRODUCT DEVELOPMENT, ADAPTATION**

42. The roundtable was moderated by Mr Patrick Kormawa, Special Assistant to the Director-General of UNIDO. Panellists were Mr Gajendra Singh, Vice-Chancellor of Doon University, Uttarakhand, India; Mr Hans Eenhoorn, Associate Professor for Food Security and Entrepreneurship at Wageningen University, The Netherlands; Mr Adam Brett, who founded the British fair-trade business Tropical Wholefoods; and Mr Hay Ly Eang, founder of Confirel, the first fair-trade company of Cambodia. The proposition submitted to the panel was that “innovation systems” of most developing countries are inadequate to respond effectively to innovation-based competition in agro-industry. A new (innovative) public sector approach, targeting the small- to medium-sized agro-processor, is required.

43. The panellists questioned the proposition: Is the public sector ready and prepared to facilitate the dissemination of existing innovation? Innovation is already available in universities and research institutions and can be further identified in the Internet. What is needed is a more efficient process of propagating it. Examples of good practices in national innovation systems were cited from the United States of America, where all aspects of the innovation system are liberalized and left to the private sector. Conversely, in Singapore, the Government has organized the innovation system and put into place institutions to facilitate the process of innovation. Developing countries could emulate both of these examples. Ideally, national partnerships for innovation should include research and science institutions, private and public institutions as well as NGOs and international organizations. Dissemination itself should make use of existing networks, in particular mobile phone and the Internet communication technologies. Traditional knowledge that is abundant in developing countries was deemed important for local innovations, but it should be protected. Furthermore, it is not just the product that can be an innovation but also a process; traditional knowledge is rich in both. In order to foster innovations in agro-industries and encourage creative and remunerative uses of traditional knowledge, support from international technical agencies to their member countries was deemed still essential.

Roundtable 8**IMPROVING EFFICIENCY: AGRO-INDUSTRIES OPERATIONS MANAGEMENT**

44. The roundtable was moderated by Mr Chakib Jenane, Chief of the Agro-Industry Support Unit at UNIDO. The panel comprised Mr András Sebök, General Manager of Campden and Chorleywood Food Industry Development Institute, Hungary; Mr Mamadou Mansour Cama, Chairman of a Senegalese investment company dealing in agrifood products; Prof. John Wilkinson, Senior Lecturer at the Graduate Centre for Agricultural Development in the Rural Federal University of Rio de Janeiro; and Prof. José Vicente Caixeta Filho, Professor of Agribusiness Logistics at the University of São Paulo in Brazil. The propositions submitted to the panel were: (1) Agro-processors in developing countries must improve their operations management if they are to achieve, and maintain, competitiveness in domestic and international markets; (2) Although the public sector has a key role to play in addressing this efficiency issue, it is generally not confronting the challenge effectively.

45. The panel discussion and interactions with the floor were lively and centred on technologies to improve efficiency of agro-industries, and on who should support SMEs in implementing them. Industry-wide collaboration and agro-industrial clusters were mentioned as appropriate tools to improve efficiency through effective planning and supply chain management. The panellists stressed that “full efficiency” or “efficiency for the sake of being efficient” may not be essential for an enterprise to attain or to sustain competitiveness. South Africa and Kenya agreed with this view, particularly given the vibrant informal sector in their economies. Small supplier firms in particular may only need to develop efficiency in the area of the specific products and services requested by their customers.

46. The public sector cannot be responsible for ensuring greater efficiency among SMEs, as this decision should be taken by enterprise managers. However, the public sector can promote collective approaches to introduce improvements in efficiency. This can be achieved through pro-growth policies such as: (1) awareness building and information provision focusing on new techniques and the specification of “best practice” guidelines; (2) specialized training highlighting practical application of model programmes; (3) sharing of collective competences in marketing, technology and business

management; and (4) promoting strategies related to logistical investments. As it is often impossible for SMEs to achieve efficiency on an individual basis, the promotion of various associations is another key task of the public sector.

Roundtable 9 ORGANIZING SMALLHOLDERS: PRODUCER ORGANIZATIONS AND COOPERATIVES

47. The roundtable was moderated by Mr Thomas Elhaut, Regional Director for Asia and the Pacific at IFAD. The panel was constituted by Mr Jack Wilkinson, who is a farmer from Canada and President of the International Federation of Agricultural Producers (IFAP); Mr Bassiaka Dao from the Confederation of Burkina Faso Farmers; Mr Tulio Rene Garcia Morales, Executive Director of the Cooperativa Agrícola Integral Unión de Cuatro Pinos in Guatemala; and Mr Sant Kumar, General Manager of Nature's Way Cooperative (Fiji) Ltd.

48. The roundtable was asked to debate on the strengths and weaknesses of producers' organizations and cooperatives in supporting entrance by smallholder farmers into competitive agro-industries. Producers' organizations and cooperatives can provide the basic needs of farmers: basic literacy, know-how, capacity building, education, technical support, input supply and commercialization, access to finance, contracting, negotiation power, etc. Two-thirds of all members of farmers' organizations come from developing countries and they have gained substantially from this membership in terms of advantages and lobbying power. The experts also asserted that producers' organizations can be even more competitive than other types of farmer enterprises. Indeed, some market opportunities can be seized by farmers only if they are organized, as the latter can be better represented and empowered in business negotiations and policy advocacy. However, there is a need for a better balance between advocacy and business development services.

49. Business services are complex and each organization has to respond to the needs of its members. The efficiency of services provision to members was raised as one of the main weaknesses of farmers' organizations. The public sector can help in policy-making to benefit smallholders and ensuring an enabling environment, as defined by Prof. Christy in his plenary address. On the other hand, cooperatives should be private sector companies that develop their own development

strategy independently of public sector and donor wishes. As farmers are at the centre of agribusiness, the members of a producers' organization should hold overall responsibility for its management.

Roundtable 10 ESTABLISHING CLUSTERS: AGRO-INDUSTRIAL CLUSTERS AND FOOD PARKS

50. The roundtable was moderated by Mr Brian Barclay, Director of Modicum Competitiveness Services Ltd, Canada. The panel was constituted by Mr Michele Clara, Industrial Development Specialist at UNIDO; Mr Krishna Kumar, Head of Operations at Infrastructure Leasing and Financial Services Ltd, India; Mr Tilman Altenburg, Head of the Competitiveness and Social Development Department of the German Institute for Development; Ms Christine Ton Nu, Chief, Bureau for Agro-industrial Strategies, Ministry of Agriculture, France; and Mr Gustavo Idgoras, Counsellor to the Minister of Agriculture of the Argentine Embassy to the European Union. The roundtable was asked to debate the following proposition: Despite their potential to raise the competitiveness of agro-industry and to generate income opportunities for the rural poor, the promotion of agro-industrial clusters appears to remain a low public policy priority in many developing countries. Governments and, more specifically, ministries in charge of agriculture, should take a more assertive approach to agro-industrial cluster development, with emphasis on "inducing" the cluster development process. Such an approach requires significantly more "hands on" support than cluster initiatives targeting the manufacturing or services sectors.

51. The panel agreed that there is a lack of clarity within many developing countries as to what an agro-industrial cluster actually involves and, consequently, there is considerable uncertainty as to how public policy should respond. The experience of developed countries, such as Italy and France, can provide some direction. However, the panel noted that policy makers in developing countries should recognize that the "top-down" approach of establishing food parks and infrastructural "growth poles" is insufficient. To be successful, agro-industrial cluster development programmes must pay particular attention to balancing "top-down" with "bottom-up" initiatives. The key to success is the strengthening of the cluster's backward linkages and the integration of primary producers into the process. Organizing and coordinating the participation of smallholders represents an

important element of the balance. Indeed, policy-makers should not limit their focus to agro-industry *per se*, but should look at clustering as a means to stimulate development within the agricultural sector as a whole. The panel further agreed that the overall approach to propelling cluster development in the manufacturing sector, including the involvement of “cluster coordinators” to engineer and manage the process, has full relevance for the agricultural sector. However, the panel emphasized that the government’s role, as provider of seed finance and technical support, becomes significantly more integral given the often-required need to induce the process. It was also noted that vertical integration supports successful clustering and that clustering ensures the more rapid adoption of new technologies – both technical and managerial. It was emphasized that the creation of PPPs is fundamental to the inducement process, with such partnerships being consistent with business practice and the aspirations of all stakeholders. It was noted that the negotiated set-up of “special purpose vehicles”, which govern specific activities and projects within the cluster, has proven to be particularly relevant in this regard. While governments have a key role in inducing cluster development, the need for an appropriate exit strategy was also highlighted by one speaker.

Roundtable 11

REDUCING COSTS: INFRASTRUCTURE DEVELOPMENT

52. The roundtable was moderated by Mr Maximo Torero, Director of Markets, Trade, and Institutions Division at IFPRI. Panellists were Mr Upali Pannilage, Development Sociologist in the development NGO Practical Action in Sri Lanka; Mr Hari Sankaran, Managing Director of Infrastructure Leasing & Financial Services Ltd, India; Mr Pham Cong Binh, a planning expert in charge of infrastructure in the Ministry of Construction of Viet Nam; and Mr Aly Abou-Sabaa, Director of the Agriculture and Agro-Industry Department of the African Development Bank. The proposition debated was that “failure by policy-makers to prioritize investment in infrastructure services needed by agro-industry creates a self-fulfilling prophesy of limited economic growth in rural areas”.

53. The issues discussed by the panel focussed mainly on business models suitable for rural-based infrastructure and the question of attracting more private investments. The panellists’ viewpoints differed: one panellist called for public investment to

be re-oriented directly to support the development of physical and institutional infrastructure. He explained how greater coordination between large infrastructure networks and smaller, localized ones can be achieved, as well as coordination in planning between central and decentralized government entities. During the discussion, other panellists supported the idea but introduced the private sector as a “productive” user of the services. This view was reinforced by emphasizing the importance of achieving sustainable, commercially rewarding operations and on capacity building of stakeholders, using new models based on public–private, community-based partnership (PPCP). Several panellists commented on existing experiences of this kind in several regions and, in particular, the promotion of PPCP as the most preferred model for infrastructure development in Africa.

54. Following discussion with the audience, the moderator concluded that new business models are required for rural-based infrastructure development in order to achieve two objectives: reducing the cost of doing business for rural-based agro-industries and raising the quality of life of the rural poor. These new models require private sector participation in infrastructure development, but only if these initiatives rely on market mechanisms on the one hand, and PPPs on the other. Another condition of success is to develop new approaches to small-scale, rural-based infrastructure projects that involve a combination of community ownership, private sector participation and government facilitation. Governments and donors should be more supportive of these approaches, devising policies and using some targeted subsidies so as to address the needs of the poorest and learn from past best practices.



Roundtable session participants

Roundtable 12**HUMAN RESOURCES DEVELOPMENT**

55. The roundtable was moderated by Ms Rosa Rolle, Agricultural Industries Officer at FAO. The expert panel was comprised of Ms Emma Owiredu, an independent human resources development consultant from Ghana; Mr Claudio de Moura Castro, President of the Advisory Council of Pitágoras College in Brazil; Prof. Colin Dennis, Director General of the Campden and Chorleywood Food Research Association Group, United Kingdom; and Ms Carleen Gardner, CEO of the University of the West Indies Consulting, Inc. The roundtable debated the proposition that in many developing countries there is a mismatch between the technical and managerial requirements of the agro-industrial sector and the current quality and content of professional education. This misalignment must be corrected, if competitive agro-industries are to be developed

56. The roundtable concluded that attaining competitiveness in the agro-industrial sector necessitates the development of a broad range of skills at all levels. To achieve this, networking and the development of partnerships between academia, research institutions, policy-makers and industry are key mechanisms to transfer technologies and knowledge. Hands-on approaches to training must be strengthened in developing countries across a broad spectrum, beginning with the farmer, through management, research and development. A solution has yet to be found to mitigate a major problem facing developing countries: the brain drain of trained human resources to more advanced economies. Finally, the panel considered it essential that public policy prioritize human resource development at all levels, starting from the development of basic literacy skills. Public policies must also seek to promote linkages between academia, research institutions, policy-makers and agro-industrial stakeholders.

Chapter 4

Regional workshops

57. Five regional workshops covering Africa; Asia and the Pacific; Latin America and the Caribbean; Near East; and Eastern Europe and Central Asia were convened on the last morning of the Forum to enable country delegations to agree on regional agendas for future action. Each workshop started with regional experts selected by the organizers who set the scene, by presenting their viewpoint on issues relevant to the particular region under focus. A facilitation team of participants then presented their synthesis of the issues covered during the previous days of the Forum, which were of individual relevance to their region. Finally, the country delegations and observers were invited to react to the presentations of the regional experts and facilitation team, to voice what they saw as priority issues, and to propose action plans for developing competitive agro-industries in their countries. The regional workshops ended with each participant completing a questionnaire, assigning priority rankings to a list of 15 issues previously identified by the Forum organizers as key areas for consideration in the design of customized programmes for technical assistance towards agro-industries development.

REPORT OF THE AFRICA REGIONAL WORKSHOP

58. The Africa regional workshop was chaired by the Agriculture Secretary of the Ministry of Agriculture, Kenya. Over 50 participants were present, including observers from institutions such as the African Development Bank and the Commonwealth Secretariat. The workshop opened with two presentations that gave an overview of the role of agro-industries in the development of the region. The Head of the Enterprise Development Section of the Commonwealth Secretariat presented "Agro-industry in Africa: challenges, opportunities and priorities". A second presentation followed, delivered by the Principal Agro-industry Expert at the African Development Bank on "Key challenges for agro-industry in Africa". The following were identified as key challenges: the supply of raw material of acceptable quality and quantity

for processors, poor infrastructure, access to appropriate technology and lack of skills required for the development of agro-industry. At national level, the main issues are adverse and unstable macro-economies, the hostile business environment in many countries and the lack of basic infrastructure, especially roads and power.

59. The discussion was then opened to the floor to gather views on strategic issues necessitating action in member countries. An intervention from the Federation of Agricultural Workers of Senegal raised the issue of the role of the private sector, especially national investors who are reluctant to invest in the agro-industrial sector because of high risks and lack of incentives. This observer also raised the issue of the protection of national products against imports. Nigeria raised several issues: the need for increased use of fertilizers and of establishing local capacity to produce them, trade subsidies, financing and infrastructure. Guinea intervened on the theme of finance, by stressing the need for making use of both foreign investments and national resources. The Guinean delegate also mentioned infrastructure development (water, storage facilities, transport) and technology transfers, in particular south-south cooperation. Senegal insisted on support to the private sector, business development services, industrial parks, cottage industries, regional



Africa regional workshop session

integration and certification at local level. The delegate from Mauritius stressed the need for more extension in agribusiness and agro-industries. Finally another delegate from Senegal highlighted the importance of women in the agro-industrial sector of her country.

60. The following points were highlighted as key regional priority actions during the discussions: ensuring input supply such as fertilizers and irrigation to ensure increased production for agro-industries; funding infrastructure to align it with the needs of supply chains; making domestic and external funding accessible to SMEs; matching grants to offset agro-industrial risks; building capacity on technical and managerial skills and on compliance with standards; creating an enabling environment, in particular regulations, policies, business development services, tariffs and taxes, and trade policies that will support the private sector's initiatives; encouraging technology transfers that tap into experiences of other emerging countries and post-harvest technologies that prevent losses; and designing research and development programmes in line with SMEs' needs.

61. The workshop ranked the five following issues as top-priority actions to be taken in their region: (1) fostering enabling environments, (2) financing of agro-industry and agro-enterprise, (3) promoting public-private cooperation, (4) developing agro-industrial infrastructure, and (5) addressing food quality and safety issues. Several national delegations identified other important issues to be tackled as a priority: (1) biofuels, climate change and the environment; (2) reform of land tenure; (3) developing trade; and (4) managing the decline of available human resources, in particular due to the prevalence of HIV and AIDS.

REPORT OF THE ASIA-PACIFIC REGIONAL WORKSHOP

62. The Asia-Pacific regional workshop was opened by Mr Fazal Abbas Maken, Minister (Trade) at the High Commission for Pakistan in New Delhi. He stressed that this regional workshop could serve as a technical discussion between country delegations with a view to prepare the Ministers' statements to be delivered at the 29th FAO Asia-Pacific Regional Conference where the subject of "Agribusiness and competitive agro-industries in the context of globalization and free trade" will be discussed. Mr K.P. Singh, Asia Chair of IFAP, presented his



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message welcoming all agribusinesses willing to invest in supply chains that enable the region's smallholder farmers to improve their level of income. Ms Marzia Mongiorgi, Senior Rural Development Economist of the South Asia Regional Department at the Asian Development Bank, identified four major constraints to the development of agro-industries in Asia and the Pacific: ineffective enabling environments, limited market infrastructure, weak institutions and poor supply chain management. Mr Thomas Reardon, Co-Director of the IFPRI/Michigan State University Joint Programme on Markets in Asia, revealed his latest and somewhat controversial research finding that large agribusinesses are growing faster than small- and medium-sized ones in Asia and the Pacific.

63. The delegates did not express disagreements with the synthesis of priority issues presented by the facilitation team. The workshop concluded that the diversity of development situations in the region required context-specific interventions and that action should be taken to resolve the following three challenges: promoting investments in physical and social infrastructure; creating an enabling environment for agro-industries; and including smallholder farmers into competitive agro-industries. Some of the priority actions recommended to address these challenges were: (1) to shift public investment away from subsidies towards funding research and development, extension and infrastructure for marketing networks; (2) to harmonize safety standards and strengthen institutional and legal frameworks governing certification and dispute resolution, while simultaneously developing alternative business models that are attractive to all actors and that encourage the informal sector to participate in the formal economy; and, (3) to focus on smallholders as significant stakeholders in the chain by sharing

information and success stories, developing national and sub-national supply chains, using pilot cases of entrepreneurship to identify barriers to business, and encouraging customized competitiveness, as opposed to price-competitiveness, by chain actors.

64. The analysis of the rankings submitted by the 44 participants of the regional workshop for Asia and the Pacific led to the identification of five top regional priorities out of the 15 issues submitted by the organizers: (1) improving logistics and supply chain management; (2) developing agro-industrial infrastructure; (3) financing of agro-industry and agro-enterprise; (4) addressing food quality and safety issues; and (5) developing human resource capacity. Several national delegations raised other important issues to be tackled as a priority: (1) biofuels, climate change and the environment; (2) developing trade; and (3) mitigating risks for farmers.

REPORT OF THE EASTERN EUROPE AND CENTRAL ASIA REGIONAL WORKSHOP

65. The Eastern Europe and Central Asia regional workshop was chaired by Mr Ion Perju, Deputy Minister of Agriculture and Food Industry of the Republic of Moldova. On opening the workshop, Mr Perju pointed out that despite the fact that Eastern European and Central Asian countries had gone through different paths of transformation from centrally planned to market economies many of the remaining issues and challenges are very similar to those of developing countries in other regions.

66. David Hughes, former Professor of Food Marketing at Imperial College London, highlighted that markets and consumers should be the prime drivers of agrifood sector development. Therefore farmers, particularly in the European Union, where agricultural policy over the past 30 years has divorced farmers from markets, must become much more market-oriented and responsive to the needs of agribusiness and consumers. The General Manager of Campden & Chorleywood Food Industry Development Institute, Hungary, pointed out that in Eastern Europe agriculture and the food industry play a key role in regional employment and the preservation of local culture. Major challenges for further development and sustainability are the capacity of agribusiness actors to comply with international and private food quality and safety standards, develop their own quality assurance schemes and make use of brands for their traditional

foods. A regional adviser to the UN Economic and Social Commission for Asia and the Pacific considered that the lack of skills in management, risk assessment, planning, production, processing, quality assurance and new technology development presents a major obstacle to agro-industrial development in Eastern Europe and Central Asia. Competitiveness of the sector is also constrained by inadequate institutional support in the form of industry associations and other services and support mechanisms for farmers and agribusinesses.

67. The delegates concurred with the introductory statements presented by the facilitation team. The largest challenges for agro-industries in Armenia, Georgia and Kyrgyzstan were considered to be the adoption of internationally recognized food quality and safety standards and, in particular, the strengthening of institutions to enforce food safety regulations. Strengthening the consumer lobby, given the particular context of retailer concentration in the region, was also highlighted as a major issue for action. Inadequate market infrastructure in general and information technology infrastructure in particular were considered to be major constraints to market access, as well as to knowledge and information exchange at all stakeholder levels. As a means to overcome the obstacle of small size of farms and emerging agroprocessing enterprises in rural areas, delegates from Georgia and Kyrgyzstan proposed support to the establishment of cooperatives and business clusters.

68. Human resource capacity development was ranked as the top priority issue and need for technical assistance. Other key priority issues and challenges that were identified were: fostering enabling environments, addressing food quality and



Eastern Europe and Central Asia regional workshop session

safety, better understanding of markets through market research and intelligence, promoting product branding and certification, and support to innovation and product development. Other issues requiring prompt action in Eastern European and Central Asian countries included: (1) strengthening the consumer lobby, given the particular context of retailer concentration in the region; and (2) reducing the vulnerability of agricultural systems through diversification, in particular under the context of climate change.

REPORT OF THE LATIN AMERICA AND CARIBBEAN REGIONAL WORKSHOP

69. The Latin America and Caribbean regional workshop was chaired by the Director of Agricultural Economy, Ministry of Agriculture, Livestock and Food Supply of Brazil, supported by the Advisor to the Minister of Agriculture, Livestock and Food of Guatemala, as Deputy chairperson. The workshop was divided into three subregions: the Caribbean, Central America and Mexico, and South America. Over 30 participants were present, which included observers with an interest in the region.

70. The General Manager of the Marketing and National Importing Board of Grenada first highlighted the issues faced by the Caribbean islands: little availability of arable land, a small domestic market and strong dependence of economies on agricultural exports with a history of preferential trade agreements. The Deputy General Manager of the National Council for Production of Costa Rica highlighted that Central American countries could be characterized by endemic food security problems, a need to develop a more competitive and productive agro-industrial sector in the context of globalized trade, and the importance of preserving

the subregion's environmental resources. For the Andes, the Vice Minister of the Ministry of Agriculture of Ecuador emphasized the subregion's particular vulnerability to soaring international food prices and climate change, which required major changes in policies to develop agro-industries in Andean countries. Finally, the Deputy chairperson explained that South American countries were well integrated in global market negotiations but that the increasing share of agricultural crops going into biofuel production was creating a new constraint on the subregion's agrifood industry. The ensuing discussions highlighted further the differences in situations across the region. One common theme that arose was the importance of trade between countries of the region and with other regions, although the position in global trade negotiations of Caribbean and Central American countries was very different from that of South American ones. Argentina made a proposal to encourage integration of national agro-industrial policies so as to enhance the development of regional trade. A Bolivian observer supported this idea by proposing that a regional follow up to the Global Agro-Industries Forum be organized for Latin America. Some key regional issues were highlighted during the discussions and subregional presentations: integrating regional trade and strengthening national agrifood chains in coordination with other country partners; improving agro-industrial infrastructure and policies; supporting research, technology development and transfer; and harmonizing public policies between countries.

71. The three subregions made propositions for priority actions. Delegates from Central America put the emphasis on developing partnerships between public and private sectors in order to: reorient the education system; harmonize policies and regulations related to agro-industries; allow further investments in infrastructure, research and development; and promote SMEs and supply chains in rural areas through special economic zones. South American countries had similar priority actions, with an additional point relating to developing finance and insurance systems for agro-industries. In the Caribbean, priority actions discussed during the workshop did not differ much from the two other subregions.



Latin America and Caribbean regional workshop session

REPORT OF THE NEAR EAST REGIONAL WORKSHOP

72. The Near East regional workshop was chaired by a Professor from the King Hassan II Institute for Agronomics and Veterinary Medicine of the Kingdom of Morocco. Delegates from eight countries attended the workshop: Egypt, Iraq, Lebanon, Morocco, Saudi Arabia, Syria, Tunisia and Yemen. After an introductory presentation about agro-industry in the Kingdom of Saudi Arabia, the chairperson presented a summary of the challenges faced by agro-industry in the region and proposed a list of priority actions according to the different national declarations. This document was used as the basis for the discussion.

73. Three main topics were discussed. First, agricultural production is a key element in agro-industrial development. Governments have to promote it through the development of mechanization, drip irrigation and upgrading of human resources, extension services and research, and the use of alternative energies. Second, there is a lack of national and regional strategies. The characterization of the agro-industrial sector and the development of a database are needed to formulate those strategies, to plan synergies between country members and to develop regional integration of the market. Third, a joint effort, possibly through the Codex Alimentarius Commission (CAC), is highly recommended in adopting uniform standards of product quality, promoting traditional, local and ethnic products (through research and innovation), and promoting product differentiation and branding strategies.

74. The following issues emerged as some of the priority areas during the discussions: (1) empowering producers and agroprocessors



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through strengthening of professional associations and cooperatives, enhancing access to information, strengthening linkages between producers and processors, promoting clusters, and facilitating access to finance; (2) promoting access to efficient logistics by developing information networks and assisting producers and cooperatives to acquire their own structures; (3) increasing production by promoting mechanization, reinforcing extension and providing practical training; (4) enhancing productivity by developing skilled and motivated labour, improving efficiency, and adopting a regional integrated strategy to realize economies of scale; and (5) improving competitiveness through technology transfer, promoting and improving product quality, diversifying products (adapted to different consumers and markets) and supporting research, development and innovation for traditional and ethnic foods.

PLENARY FEEDBACK ON THE REGIONAL WORKSHOP REPORTS

75. In the final plenary session, a representative from each regional workshop presented the results of the morning's breakout sessions to all the delegates and observers.

76. Despite the diversity between regions in terms of climate, natural resource endowment, political and economic structures and levels of development, there was striking consistency between the key issues and priorities highlighted by each region, and broad consensus on strategies for promoting agro-industrial development. There was widespread support among regions for: (1) development of human resource capacity through formal education, technical training and targeted extension; (2) investment in agro-industrial infrastructure; (3) adoption and implementation of internationally



Near East regional workshop session

recognized food safety and quality standards; and (4) research, development and technology transfer, particularly among emerging and developing economies. Facilitating access to finance was also raised as a priority by three of the regions. The importance of the small-scale sector was particularly highlighted; the Asia-Pacific and Eastern Europe and Central Asia workshops prioritized the promotion of business models that encourage the inclusion of smallholders in value chains, while all regions emphasized the importance of designing policies and strategies to meet the needs of small enterprises.

77. Several issues emerged that were specific to just one or two regions: Africa and the Near East stressed the importance of increased production; Eastern Europe and Central Asia and the Near East had a special interest in promoting and branding traditional, ethnic food products as a competitive strategy, and also to strengthen agro-industrial associations. Finally, the Latin America and Caribbean and Near East regions emphasized the importance of regional cooperation, integrating regional trade, and harmonizing regional regulations and policies.

78. However, Senegal commented that the role of women in agro-industries had not been mentioned in the Forum agenda; projects, programmes and policies must take into account the gender-based constraints that women face, particularly the factors limiting their participation in programme design, implementation and management. Senegal also questioned whether the UN technical agencies had the appropriate institutional mechanisms and culture in place to work with the private sector.

79. All regional fora recommended that follow-up meetings and conferences should be organized at the regional level as soon as possible. This should be done in collaboration with regional and sub-regional organizations as well as regional development banks and other agencies, such as the regional economic commissions of the United Nations.

Chapter 5

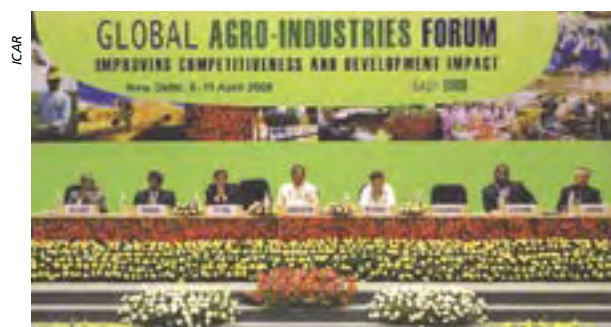
Closing ceremony

80. The Global Agro-Industries Forum held its closing ceremony on 11 April 2008. The closing ceremony was chaired by His Excellency Sri Subodh Kant Sahai Union Minister of Food Processing Industries of India.

JOINT STATEMENT BY IFAD, FAO AND UNIDO

81. The joint statement by IFAD, FAO and UNIDO was delivered by Mr Geoffrey Mrema, Director of the FAO Rural Infrastructure and Agro-Industries Division, and Mr Sergio Miranda da Cruz, Director of the Agri-Business Development Branch of UNIDO. The organizers considered that this innovative Forum had been a success and that there must be and will be follow-up action. The three agencies are fully committed to continue working together to address the challenges and opportunities that motivated them to work together – and with the Government of India – on organizing the Forum. FAO, IFAD and UNIDO will assist member countries in creating enabling environments for agribusiness, agro-industries and value chains through the formulation and implementation of strategies for improving policies, regulatory frameworks, institutions and services – and through the incorporation of agro-industrial development strategies and actions into country level programme frameworks and strategic plans. The three UN agencies will assist in capacity building related to compliance and certification systems for food safety as well as compliance with industry standards and requirements.

82. There is an urgent need to address the global problem of soaring food prices and threats such as climate change. This Global Agro-Industries Forum was convened because the solutions to the problems of the twenty-first century require strategies and approaches reflecting the realities of the twenty-first century – including appropriate policy responses to the changing roles of the public and private sectors and the rapid commercialization, industrialization and globalization of agricultural systems. The remarks of the two presenters were concluded by the



The closing ceremony

expression of heartfelt thanks to all the organizations and people who had contributed to the success of the Forum. Specifically, the speakers recognized the contribution of various Departments of the Government of India as well as non-governmental bodies such as the Confederation of Indian Industries and its members. Finally, the contribution of all the delegates to the success of the Forum was highly appreciated.

STATEMENT BY THE UNION MINISTER OF FOOD PROCESSING OF INDIA

83. His Excellency Sri Subodh Kant Sahai, Indian Union Minister of Food Processing Industries, delivered the closing address of the Forum, in which he committed his full support to any initiative leading to poverty reduction in the rural sector. The Minister also indicated that his Ministry would wholeheartedly support the implementation of agro-industrial programmes whenever the expert groups make the action plans available.



His Excellency Sri Subodh Kant Sahai



From left:
Geoffrey C. Mrema (FAO); Sergio Miranda da Cruz (UNIDO);
Chattam Rai (ICAR); Sri Subodh Kant Sahai (Ministry of
Food Processing Industries, India); Mangala Rai (ICAR);
Rene Frechet (IFAD); P.K. Mishra (Ministry of
Agriculture, India)

Commitments by FAO, UNIDO and IFAD

- FAO will support ministries of agriculture to strengthen their organizational capacities to foster the development of agro-industries.
- UNIDO will support ministries of industries and commerce, to strengthen their organizational capacities to promote agro-industries development.
- IFAD will continue designing and financing projects and programmes and assisting Member States on agro-industry issues.
- FAO, IFAD and UNIDO will assist member countries in creating enabling environments for agribusiness, agro-industries and value chains through the formulation and implementation of strategies for improving policies, regulatory frameworks, institutions and services – and through the incorporation of agro-industries development strategies and actions into country level programme frameworks and strategic plans for agricultural and agro-industries development.
- The three agencies will continue serving as honest brokers, working on the interface of the public and private sectors on agribusiness and agro-industries development.
- The agencies will assist in reinforcing public sector communications and cooperation with private sector firms, foundations and NGOs active in agro-industry and value chains development.
- The agencies will assist in capacity building related to compliance and certification systems for food safety as well as compliance with industry standards and requirements.
- Working with governments and regional financial institutions, the agencies will support formulation of agro-industry and value chain projects – and do what they can to help governments put new strategies into action.
- The agencies will support the development of specific agro-industries and value chains through:
 - ▶ Appraisal of market opportunities and their prioritization;
 - ▶ Facilitation of innovative arrangements linking smallholder farmers with commercial farmers, exporters and agro-processing firms in long-term relationships combining cooperation, coordination and provision of services;
 - ▶ Design and implementation of initiatives to improve the capacities of smallholder farmers, small agro-industries and their organizations to participate in value chains for high value products;
 - ▶ Identification and use of innovative mechanisms to link public funding with private sector resources.
- The three agencies further commit to continue raising awareness of the role of agribusiness and agro-industries in development – with particular emphasis on the theme of the Forum – improving competitiveness and development impact.