

## Overview

The agri-food market in Southeast Asia has been activated by the area's steady economic and population growth, and by its deepening regional and international economic integration. This report aims to foster a deeper understanding of the food value chain (FVC) in the member states of the Association of Southeast Asian Nations (ASEAN). It seeks to do this by providing basic information on six agri-food industries connected to the FVC: agriculture, fishing, food and beverages, wholesale trade, retail trade, and hotels and restaurants. These industries in eight Southeast Asian countries are looked at from four perspectives: social and economic conditions, linkages amongst the FVC-related industries, the supply–demand balance of agri-food products, and the competitiveness of each product in the ASEAN region.

### **Social and Economic Conditions**

Projections of population growth by the level of the per capita gross domestic product (GDP) show rapid increases in the number of high-income people in 8 of the 10 ASEAN member states: Malaysia, Thailand, Indonesia, the Philippines, Viet Nam, the Lao People's Democratic Republic (Lao PDR), Cambodia, and Myanmar; with Brunei and Singapore excluded. There will have to be a system for supplying enough agri-food products to match the rising demand of the rapidly increasing upper-income brackets in these countries.

Interindustry transactions involving product flows from agriculture and fishing to the food-and-beverage industries increased in most of the ASEAN countries analysed in this report, with the exception of Viet Nam and Myanmar. The growth of intra-industry transactions within the agricultural and food-and-beverage sectors is observable in Malaysia, Thailand, Indonesia, and Cambodia. We can see that the FVC has grown steadily in these countries in terms of interindustry and intra-industry transactions. Meanwhile, intra-industry transactions have been stagnant or very limited in agriculture and fishing in the Philippines, Viet Nam, and Lao PDR; and in the food and beverage sector in Viet Nam and Lao PDR. In Myanmar, intra-industry transactions in the FVC have expanded rapidly, while inter-industry transactions have increased gently.

### **Linkages amongst FVC-related Industries**

The increase in final demand in downstream sectors of the FVC, particularly in the food and beverage industries, has had certain impacts on the value added (VA) in upstream sectors in all the eight countries except Malaysia. This result suggests that interventions in the food and beverage industries do contribute to the development of agriculture. The effects of downstream industries on the VA of fishing is also notable in all the countries except the Philippines and Indonesia. Furthermore, it is suggested that, in all the countries but Thailand, the services provided by the wholesale/retail trade sectors are necessary, but alone not sufficient, to automatically drive the development of the FVC-related industries.

Production growth can accompany a rise in per capita compensation in many FVC-related industries, particularly agriculture in all the countries, as well as fisheries in Malaysia, Thailand, and the Philippines. The number of employees in the agricultural sector has decreased when per capita compensation increased in all the countries other than Malaysia. This suggests that the interindustry movement of labour may be strongly tied to the productivity and efficient development of agriculture.

### **Supply–Demand Balance of Agri-food Products**

Most agri-food goods are produced and consumed mainly in the domestic market in Indonesia, the Philippines, Viet Nam, Lao PDR, Cambodia, and Myanmar. In addition to domestic production and consumption, many products are exported in large quantities by Thailand and Viet Nam, and imported by Malaysia. Cereals, vegetables, and oil and sugar crops are representative examples of domestically produced goods, in terms of quantity, in all countries except Malaysia. In Malaysia, the production of fat and oils has exceeded that of other products. Major export products in terms of quantity are cereals from Thailand, Viet Nam, Lao PDR, and Cambodia; vegetables from Thailand, Viet Nam, and Myanmar; fat and oils from Malaysia and Indonesia; and fruits and nuts from the Philippines.

The export prices for aquatic products have been remarkably high, particularly for raw or processed crustaceans, in all countries other than Lao PDR and Cambodia. It has been shown that the export and import prices of processed products tend to be higher than those for primary products, with the exception of some items such as several aquatic products, eggs, and sugar in all the countries other than the Philippines and Myanmar. The processing of agri-food products can lead to rising trade prices for many items, while the costs of primary products can raise the prices of some other items.

### **The Competitiveness of Each Product in the ASEAN Region**

Various products in the vegetable, livestock, and aquatic categories, as well as processed foods produced by ASEAN member states are exported to other ASEAN states in significant quantities, considering their prices. These imports include vegetable products in the low- and mid-price ranges; livestock products (e.g. dairy products from Thailand and boneless cattle meat from Malaysia), various aquatic products, and processed food (e.g. prepared fat, molasses, and infant food from Malaysia; and refined sugar and short margarine from Thailand). It might be beneficial for the producing countries to seek out new export markets for these products. Furthermore, research on the causes of the strong demand for these imports would help identify ways to boost the exports of other products. Research conducted by each ASEAN country on the characteristics of the goods actively exported by the other ASEAN countries might trigger a reconsideration of production and marketing strategies for domestic products that could compete with goods produced by other states in the ASEAN region.

Notable vegetable products with high land productivity and comparative advantage include tomatoes in Malaysia; tea and pepper in Thailand; tropical fruits in Indonesia; minor nuts in the Philippines; grapes and grapefruit in Viet Nam; citrus fruits in Lao PDR; pepper in Cambodia; and garlic, onions, and minor fresh vegetables in Myanmar. Similarly, livestock products indicating high feed productivity and comparative advantage include sheep meat in Malaysia; cow's milk and pork in Thailand; buffalo and cattle meat in Indonesia; veal, turkey, and cow's milk in the Philippines; cow's milk and buffalo meat in Viet Nam; cow's milk and goose or guinea fowl in Lao PDR; pork and buffalo meat in Cambodia; and pork and hen eggs in Myanmar. Although the amount of harvested land or the number of producing animals for many products mentioned above were small, and not necessarily increasing, the potential of these products as exports to other ASEAN countries could be high if they became competitive with the same products from those other countries by means of greater physical productivity.<sup>1</sup>

Processed foods in Malaysia and Thailand tend to be non-price competitive. In those countries, the processing of agri-food products seems to contribute to the differentiation of the products, thus avoiding competition based on physical productivity. In Indonesia and the Philippines, the comparative advantages in terms of the physical productivity of non-price competitive agri-food products are low. Maintaining or increasing non-price competitiveness is critically important for the international competitiveness of those products. In the case of Viet Nam, Lao PDR, Cambodia, and Myanmar, which produce only a limited number of items that are non-price competitive, the competitiveness of their other products should be actively enhanced.

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<sup>1</sup> Physical productivity is the quantity of output produced by one unit of production input within a given period; for example, the quantity of agricultural goods produced per unit of land area or feed input over a year.