

The 10th German World Bank Forum, November 20, 2008

Panel: "Feeding the Asian Tiger: Challenges and Implications for World Markets."

Discussion Summary

The current macro environment for global agribusiness is characterized by the financial crisis and decreasing liquidity in the sector as well as volatility of food and freight prices. On the regional level Asia exhibits the highest rate of increasing demand for food under the combined effect of population growth, per capita income growth and changing diets, and increased urbanization. While Asia is becoming richer, income disparity remains a major challenge. Recent high food prices resulted in growing malnutrition in Asia at the highest rate in the world.

Within this context the panelists discussed the implications of the financial crisis on the global food supply and food affordability both on the producer and the consumer side; the key market and policy forces that can impact food production in the region; the degree to which the region could increase local production to meet demand and the degree to which the reliance on imports will increase.

Key discussion points included the following:

- Fears of global recession prompted a sharp decline in commodity prices. While consumers benefit from lower prices, farmers now lack incentives to expand production. At the same time the input costs have been decreasing. However, decreasing liquidity in the sector will lead to higher cost of credit. Currently, the net impact of all these factors is not fully known, and the short-term impact on the level of production is difficult to predict.
- Interaction between market and policy forces is crucial for creating the right incentives and conditions for the supply response to take place in developing countries. The market forces will allow for more efficient production, logistics and distribution, and processing. A long term predictable enabling environment is needed to realize the full market potential.
- While Asia's reliance on imports will increase, increases in local production are imperative. Given the constrained land and water availability in Asia, the focus should be on improving yields. Public investments in infrastructure, private incentives for development and adaptation of technology could play a significant role.