



Report

On

***Regional Workshop to Promote Agro-industrial Policy
Measures for Micro, Small and Medium Food
Processing Enterprises
in the Asian Region***

16 – 17 December 2013

Bangkok, Thailand

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Executive Summary

The Regional Workshop to Promote Agro-industrial Policy Measures for Micro, Small and Medium Food Processing Enterprises (MSMFEs) in the Asian Region was convened in Bangkok, Thailand, 16 – 17 December, 2013 by the FAO Regional Office for Asia (FAO-RAP). The Consultation brought together 21 representatives from the public and private sectors, as well as from academic and research institutions from thirteen countries, from a diversity of backgrounds including covering food science, food policy, sustainability, agri-business and finance.

The Objectives of the Workshop were to:

- Review the current context of the region and the forces that shape food systems across the region and their implications;
- Review critical issues for micro, small and medium food enterprises in the Asian region within the context of institutional support, infrastructure, incentives and sustainability issues.
- Discuss successful models from across the region - as they relate to joint action; institutional support; environmental and sustainability issues; access to finance and incentives that support MSMFE development
- Recommend policy options, propose areas requiring policy reform and strategic actions for improving the enabling policy and institutional environment to support the development of micro-, small and medium food processing enterprises that promote sustainability in the Asian Region.

The Workshop acknowledged the critical importance of MSMFEs and their strategic role in national economic development across the region through their contribution to food and nutrition security as well as to income and employment generation. The critical importance of these enterprises in preserving the culture of the region's food, and dietary diversity was also recognized.

It was further noted that food systems in the region are currently undergoing considerable change, owing to globalization, urbanization, changing lifestyles and increasing incomes. Given the rapid rate of urbanization of the poor, as a whole across the region, the workshop highlighted the need for cognizance of the critical need to address both competitiveness issues as well as basic food security issues, while bringing in a specific focus on food safety in the MSMFE sector.

Many models exist at the national level across the region for promoting MSMFE development. These include technology and business incubators; agro-industrial parks and packaging development centres, the use of ICT in marketing, as well as models of joint action such as clusters and cooperatives and linkages between MSMFEs and large agri-business. Scope, therefore, exists for sharing and exchange among and across countries.

Critical issues prioritized during round-table discussions, were the following:

- ❑ Improvement of linkages within input supply chains
- ❑ Upgrading of technology to:
 - improve the safety and quality of processed outputs
 - enhance administrative and logistical efficiency
- ❑ Human resource capacity development of the labor force engaged in the MSMFE sector.
- ❑ Increased networking among MSMFEs
 - Processor associations, clustering, etc
- ❑ Improved linkages to research, academia and larger private sector

- ❑ Innovation – product, processing, packaging as well as in business model development
- ❑ Enabling factors to make available low cost financing to MSMFEs
- ❑ Monitoring and learning from models of success

Key Policy Recommendations for Governments, compiled on the basis of working group discussions are summarized as follows:

Prioritize the MSMFE food processing Sector

Given the critical importance of food, governments must accord high priority to addressing the needs and concerns of the MSMFE sector and distinguish that sector from other SMEs. Governments must align development within the MSMFE sector with country growth strategies.

Devise MSMFE centered strategies to accelerate MSMFE growth and development

These may include:

- A master plan to accelerate MSMFE growth through productivity improvement, innovation and high-impact programs.
- The establishment of institutions and launching of programs to support growth of the MSMFE sector
- Policies and incentives to facilitate MSMFE growth.
 - incentives and/or subsidies such as lower interest rates, longer gestation periods for loan repayment, tax exemptions and tax holidays.
 - Incentives to promote investment by MSMFEs in modern/appropriate processing equipment and machinery.
- Policies and incentives to support clean and green technology and practices
- Campaigning for the efficient and sustainable utilization of resources (human, physical/natural, financial, etc.).
- More extensive use of non-traditional promotional platforms such as the internet, Facebook, and Twitter to advertise the outputs of MSMFEs with attractive jargon that appeals to the younger generation.

Provide an enabling environment to support MSMFE development

- Provide support to training and capacity building across a range of specializations and programs that meet the needs of MSMFEs.
- Establish business and technology incubators for MSMFEs.
- Promote cluster approaches to improve linkages between MSMFEs and large firms.
- Facilitate MSMFE access to credit.
 - Develop specific schemes designed to facilitate MSMFEs in obtaining soft loans and incentives for business investment and expansion.
 - Setting-up of an MSMFE fund
- Fund/provide technical, financial and marketing support to MSMFEs.
- Promote contract farming as a way of increasing the profitability of businesses. ensuring the supply of raw materials, developing infrastructure, ensuring access to technology
- Facilitate the ease of doing business to encourage private investment in the improvement of laboratory facilities, certification and accreditation schemes, as well as inspection mechanisms.
- Establishment of food safety policies
 - Standardization of food and drug regulations.

Strengthen human resource capacity in the MSMFE sector

- Strengthen educational institutions (public and private) to support human resource capacity development in support of MSMFE development.
- Provide support for vocational training to MSMFEs.

- Support continuous training and capacity building to improve knowledge and skills of relevance to sustainability principles in MSMFE operation.
- Establish networks for information and technology exchange.

Support research development and innovation in MSMFEs

- Create awareness among MSMFEs on the need to innovate and utilize appropriate levels of technology that
- Provide support to research and development that is relevant to the needs of MSMFEs, including the establishment of a fund to support work on product development, packaging innovation, and technology transfer.
- Support knowledge sharing to improve information on- and access to equipment/machinery and technical service/expertise.
- The need to establish innovation centers and extension centers;
- Promote the development of effective branding and packaging in order to increase product sales.

1. Introduction

The Asian region is currently rapidly urbanizing. With urbanization, food systems across the region are changing and consumer demand for foods in a convenient format is increasing. Post-harvest losses in the region remain high, averaging at around 40% for fruits and vegetables and 12-37% for grains, and climate change threatens a reduction in the realization of agricultural yields. Land resources for agriculture are declining and a growing scarcity of water in the region, highlights the need for an increased focus on sustainability issues and for the efficient use of technologies that can assist in preserving the environment, while delivering social and economic sustainability. If not properly managed, the changes described could negatively impact on the food security of current and future populations in the region.

Consumer retail pull, particularly in urban centers of the region and in export markets, continues to increase the demand for value added products and processed foods that are packaged in convenient formats. Cultural preferences of consumers are also a major market force and a driver of the region's processed food sector, while generating export market opportunities in areas where large populations of the region's diaspora reside.

Micro- small and medium food enterprises (MSMFEs), which constitute a majority of the food processing enterprises in the region, supply the bulk of processed food products consumed in the region's mass market. By and large, the outputs of the MSMFE sector are, unable to compete with outputs of large scale processors that are sold in supermarkets across the region, in terms of volume, quality, shelf-life and packaging. MSMFEs nevertheless contribute significantly to food security of local populations in countries across the region and their activities benefit national economies through employment generation, mitigation of rural-urban migration, and their strong linkages to the agricultural production base and value addition.

Much of the technology used for processing by MSMFEs in the region is antiquated, inefficient and is often locally manufactured. Few countries in the region can boast of indigenous processing equipment that has made substantial impact. MSMFEs are largely grown from in-country investments and are poorly equipped with the capacities to access credit, information, education, training or investment. Often working in isolation, they are poorly organized and do not command priority for long-term credit by lending institutions in the region. Poor linkages within their supply chains, limit their access to consistent supplies of raw materials and skills required to respond to growing and changing consumer demands for convenience, through product development, product innovation or packaging innovations. Quite often their processing activities are conducted with little consideration for the environment or sustainability issues or for the profitable utilization of their by-products and wastes. In a number of countries, little attention is paid to the infrastructural support base that is accessible to MSMFEs, particularly in rural areas.

It, therefore, follows from the above that the MSFME sector is a strategic sector that plays a key role in mitigating the forces that currently threaten the region's poor and food insecure, through its contribution to value addition to the local raw material base, providing access to culturally accepted foods that are affordable, while contributing to nutrition, income and employment generation, to post-harvest loss reduction and to overall economic development within the region. While many governments across the region are engaged in creating "fundamental" enablers such as policies, infrastructure, intellectual property rights and standards and regulatory frameworks to support the sector, limited access to financial services to support the sector, limited technical and human resource capacity within the sector, poor compliance with standards and regulations, poor organization within the sector and the lack of a focus on sustainability, increasingly threaten its performance and competitiveness. Appropriate policy reforms that promote the development of supportive institutions, infrastructure, incentives and sustainability to support its growth, development and competitiveness are, therefore, required.

It is against this background, that FAO-RAP convened a 2-day regional workshop/consultation to review with key stakeholders, *the enabling policy and institutional environment to support the development of micro-, small and medium food processing enterprises in the Asian Region* with a view to assisting countries in identifying strategies and recommendations for policy reform designed to upgrade MSMFE performance in the region.

2. Objectives

The objectives of the Workshop, were to:

- Review the current context of the region and the forces that shape food systems across the region and their implications;
- Review critical issues for micro, small and medium food enterprises in the Asian region within the context of institutional support, infrastructure, incentives and sustainability issues.
- Discuss successful models from across the region - as they relate to joint action; institutional support; environmental and sustainability issues; access to finance and incentives that support MSMFE development
- Recommend policy options, propose areas requiring policy reform and strategic actions for improving the enabling policy and institutional environment to support the development of micro-, small and medium food processing enterprises that promote sustainability in the Asian Region.

The workshop agenda (Annex 1) included two round-tables and four plenary presentations. These were followed by working group discussions.

3. Key Issues Highlighted During Roundtable and Plenary Discussions

This section summarizes the key issues raised during plenary presentations. Participants also highlighted these as key areas requiring support from FAO in the immediate term.

Prioritization of Support to MSMFEs

There is a need for Governments in the region to promote a specific focus on MSMFEs. Given their critical importance for nutrition and health, for the creation of entrepreneurs, for equitable growth of economies, **Food MSMFEs** should not be considered within the generic context of SMEs, but warrant a specific focus by Governments in the region.

Finance

- There is the need for government to focus specifically on assisting in the provision of financing to MSMFEs
 - A policy brief is required on the current status of finance available to the MSMFE sector
 - Institutional mechanisms are required to facilitate the ease of doing business

Statistics

- There is a paucity of statistical information on the MSMFE sector.
 - Statistics are a key requirement for evidence based policy development

Value Adding Technology

Across the region, there is the need for:

- Indigenous technology to promote local/domestic products
- Information on appropriate technology exchange
- Awareness creation on food technology – brochures, training materials developed in local languages, videos
- Categorize product loss

Food Safety

- There is the need to strengthen the knowledge base on food safety at the processor level.
- Food safety training must be mainstreamed in training on food processing.

Knowledge Sharing

Through:

- Promoting south-south collaboration among countries
- Documentation of success and lessons of MSMFEs in the region
- Conventions/conferences of MSMFEs in the region

Post-harvest loss assessments.

4. SWOT Analysis

Participants were organized into four working groups (Annex 4), on the basis of their backgrounds. Each working group conducted a SWOT analysis. Consolidated results of the SWOT analysis are consolidated in the appended table.

Consolidated Results of the SWOT Analysis

<p>STRENGTHS</p> <ul style="list-style-type: none"> ▪ Rapid decision-making ability ▪ Flexibility in production and planning. ▪ Limited investment and capital requirements. ▪ Availability of local labor, raw materials and indigenous technologies. ▪ Ability to minimize PHL and production losses. ▪ Capacity to create jobs, enhance livelihoods and business in rural areas. ▪ Ability to keep sustaining the economy in times of crisis. ▪ Ability to produce a wide-range of products that are locally accepted. 	<p>WEAKNESSES</p> <ul style="list-style-type: none"> ▪ Lack of policy and infrastructure support. ▪ Fluctuation of quantity and price of raw material and discontinuous supply. ▪ Low efficiency and productivity due to limited access to technology support. ▪ Inadequacy of appropriate knowledge and skills (technical, management). ▪ Limited financial support and finance access. ▪ Inefficient market/limited access to market and marketing support. ▪ No division of labor. ▪ Not much experience -sharing among MSMFEs. ▪ Lack of knowledge about food laws and regulations. ▪ Weak linkages and networking on marketing, financial, technical and institutional issues. ▪ Limited capacity to undertake R&D.
<p>OPPORTUNITIES</p> <ul style="list-style-type: none"> ▪ Expanding domestic and export markets. ▪ Increasing availability of ICT, product and technological innovations. ▪ Increasing middle income class, leading to high purchasing power. ▪ More market opportunities for processed products due to the change in lifestyle in cities (women working, less time for cooking) ▪ Greater export opportunities. ▪ Growing consumer demand for culturally-accepted food. ▪ Agro-food parks and business incubator development. ▪ Increasing PPP arrangements ▪ Exchange of resources (business and technology) 	<p>THREATS</p> <ul style="list-style-type: none"> ▪ Climate change affecting raw material supply, cultivation and cultivation patterns. ▪ Unreliable supply of raw materials. ▪ Limited availability for credit loan schemes. ▪ Frequent changes in politics resulting in changes in priorities in development policy. ▪ Technical barriers to trade. ▪ Open market: more competition from regional and global companies. ▪ Unsustainable consumption patterns. ▪ Compliance to food safety regulations.

5. Working Group Discussions

Participants were organized into four working groups (Annex 4), on the basis of their backgrounds. Each working group was requested to consider the following 5 questions as a basis for recommending policy options:

- What type of government support (in terms of policies, institutions, incentives, and frameworks) is required to promote human resource capacity development, research and development (and linkages to MSMFEs), and joint action in the MSMFE sector?
- What enabling factors are required to support innovation and the development, acquisition and improvement of technology and packaging in the MSMFE sector?
- What actions are required to promote sustainability and resource efficiency in the MSMFE sector?
- How can governments better facilitate access to support services
- How can governments help MSMFEs improve their competitiveness in local and export markets.

Consolidated Output of Working Group Deliberations

Government support

- i. Development of national policy (e.g. law, act, master plan, MSMFE fund) with long-term commitment to support MSMFEs.
- ii. Implementation of public-private-partnership platforms such as establishing and strengthening incubation technology and business centers at production sites.
- iii. Facilitating financial access and providing incentives/subsidies (e.g. low interest and longer gestation period loans, tax exemption/holiday, etc.).
- iv. Streamlining procedures and requirements for business registration and licensing.
- v. Promotion of association and partnership among MSMFEs, and coordinating/facilitating networking with national, regional and international MSMFEs, as well as with consumers, academic institutions, development agencies and other relevant stakeholders.
- vi. Providing training and capacity building programs for MSMFEs and ensuring that educational institutions (public and private) are offering suitable courses targeted at different levels of professionals and enterprise development-oriented courses/trainings to support the HR needs of MSMFEs.
- vii. Investing in infrastructure and institutional support such as road connectivity, power supply, laboratory facilities, etc.
- viii. Promoting indigenous foods unique to the locality in niche markets like the tourism industry.
- ix. Organizing food fairs and competitions for better development and advancement with incentives to the winners.
- x. Preparation to face regional economic integration such as the ASEAN Economic Community in 2015.
- xi. Other types of support: policy to create conducive business environment, technology, R&D, financial, infrastructure, and access to market.

2. Enabling factors required to support innovation, technology acquisition and packaging improvement

- i. Building infrastructure for R&D, including the setting-up of a fund, for product development and packaging innovations, and facilitating transfer of technology from R&D results to MSMFEs.
- ii. Creating awareness among MSMFEs on the need to innovate and utilize appropriate technologies in their business operations.
- iii. Better information and access/out-sourcing of processing equipment/machinery and technical expertise at national and international levels.
- iv. Development of specific schemes to enable MSMFEs to get soft loans and incentives for business investment and expansion.
- v. Establishment of national level innovation centers/post-harvest technology institutes/university research centers/extension centers, with focus on PHT, agribusiness, incubation, etc.
- vi. Human resource development in the field of food safety: GAP, GMP, HACCP, ISO, etc.
- vii. Linkages with larger agribusinesses through contract farming/processing.
- viii. Implementation of coordinated joint projects with FAO, concerned governments and international agencies to exchange best technology, systems, processes, practices and norms, for adoption of individual countries.

3. Actions required to promote sustainability and resource efficiency

- i. Mapping various actors in the supply chain of raw materials, identifying the weak and strong links, to assure continuous supply and quality, including the development of products based on locally-available raw materials.
- ii. Continuous training and capacity-building to create knowledge and skills for business management, M&E, cost reduction, productivity improvement, and environmental sustainability.
- iii. Providing linkages and access to markets, appropriate technology, finance and networks.
- iv. Promoting and providing incentives for green and clean technology adoption by MSMFEs.
- v. Campaigning in the efficiency utilization of human resources, natural resources (agricultural products, energy, and water), and financial resources.
- vi. Monitoring and evaluation of the MSMFE Master Plan/National Policy on a regular basis.

4. Access to support services

- i. Providing systems and platforms for MSMFEs to better access technology, market information, extension services and laboratory support at reasonable cost.
- ii. Development/establishment of technology business incubators, food pilot plants, science and technology parks, and agro-industrial parks for MSMFEs.
- iii. Establishment of MSMFE fund for long-term (plant and machinery) and short-term financing at low rate of interest with appropriate gestation periods.
- iv. Strengthening government agencies/institutions at all levels through “inclusive” policy and service to MSMFEs.
- v. Making use of CSR programs to reach local MSMFEs in the region in compliance to sustainable practices and providing tax incentive schemes for private sectors helping in CSR programs to support MSMFEs
- vi. Inclusion of flexible rules and regulations for MSMFEs

5. Competitiveness in local and export markets

- i. Facilitating conduct of market research on domestic and international markets, including tariff schemes, and disseminating these results and information to MSMFEs

- ii. Providing support in building awareness and promotion of MSMFE products to local consumers using appropriate media and to export markets through relevant foreign/commerce ministries
- iii. Development/establishment of accredited laboratories and certification bodies/systems to ensure MSMFE products complying with international packaging, labelling and safety standards
- iv. Introduction/promoting the use of appropriate/advance technologies in testing, analysis, branding and packaging
- v. Establishment of appropriate support schemes for raw materials, fuel and energy, and export ventures
- vi. Improvement of infrastructure and logistical support to facilitate product distribution and delivery
- vii. Establishment of niche markets, local and export markets

6. Policy Recommendations

On the basis of the consolidated recommendations of the Group, key policy recommendations for Governments are summarized as follows:

Prioritize the MSMFE Food processing Sector

Given the critical importance of food, governments must accord high priority to addressing the needs and concerns of the MSMFE sector and distinguish that sector from other SMEs. Governments must align development within the MSMFE sector with country growth strategies.

Devise MSMFE Centered Strategies to Accelerate MSMFE Growth and Development

These may include:

- A master plan to accelerate MSMFE growth through productivity improvement, innovation and high-impact programs.
- The establishment of institutions and launching of programs to support growth of the MSMFE sector
- Policies and incentives to facilitate MSMFE growth.
 - incentives and/or subsidies such as lower interest rates, longer gestation periods for loan repayment, tax exemptions and tax holidays.
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- Campaigning for the efficient and sustainable utilization of resources (human, physical/natural, financial, etc.).
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Provide an enabling environment to support MSMFE Development

- Provide support to training and capacity building across a range of specializations and programs that meet the needs of MSMFEs.
- Establish business and technology incubators for MSMFEs.
- Promote cluster approaches to improve linkages between MSMFEs and large firms.
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 - Develop specific schemes designed to facilitate MSMFEs in obtaining soft loans and incentives for business investment and expansion.
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- Fund/provide technical, financial and marketing support to MSMFEs.
- Promote contract farming as a way of increasing the profitability of businesses. ensuring the supply of raw materials, developing infrastructure, ensuring access to technology
- Facilitate the ease of doing business to encourage private investment in the improvement of laboratory facilities, certification and accreditation schemes, as well as inspection mechanisms.
- Establishment of food safety policies
 - Standardization of food and drug regulations.

Strengthen Human Resource Capacity in the MSMFE sector

- Strengthen educational institutions (public and private) to support human resource capacity development in support of MSMFE development.
- Provide support for vocational training to MSMFEs.
- Support continuous training and capacity building to improve knowledge and skills of relevance to sustainability principles in MSMFE operation.

- Establish networks for information and technology exchange.

Support Research Development and Innovation in MSMFEs

- Create awareness among MSMFEs on the need to innovate and utilize appropriate levels of technology that
- Provide support to research and development that is relevant to the needs of MSMFEs, including the establishment of a fund to support work on product development, packaging innovation, and technology transfer.
- Support knowledge sharing to improve information on- and access to equipment/machinery and technical service/expertise.
- The need to establish innovation centers and extension centers;
- Promote the development of effective branding and packaging in order to increase product sales.

Agenda

Regional Workshop to Promote Agro-Industrial Policy Measures for Micro, Small and Medium Food Processing Enterprises in the Asian Region 16 – 17 December 2013

Amarai Watergate Hotel, Bangkok

Day 1	
08:00 – 09:00	Registration
09:00 – 09:20	Welcome Remarks Mr. Hiroyuki Konuma, Assistant Director General and Regional Representative FAO Regional Office for Asia and the Pacific
09:20 – 9:40	<i>Overview of workshop objectives and expected results</i> <i>Rosa Rolle, Senior Agro-Industry and Post-harvest Officer, FAO</i>
09:40 – 10:10	Plenary Presentation - <i>Critical issues for micro, small and medium food enterprises in Asia - Dr. Rosa Rolle, Senior Agro-Industry and Post-harvest Officer, FAO</i>
10:10 -10:30	Group photo
10:30 – 11:10	Coffee break
11:00 – 12:00	Plenary Presentations Chair – Ms. Bhavani <ul style="list-style-type: none"> • <i>Enabling factors for MSMFE development in Asia – Dr. Fatimah Mohamed Arshad, Institute of Agricultural and Food Policy Studies, Universiti Putra Malaysia, Malaysia.</i> • <i>Financing MSMFEs – Dr. Prasun Kumar Das, Agriculture and Rural Finance Expert.</i>
12:00 – 13:30	Lunch break
13:30 – 15:00	Roundtable 1. Organizational issues and joint action within the MSMFE sector Chair - Dr. Fatimah Mohamed Arshad <ul style="list-style-type: none"> • Food processing cooperatives – Ms. Bhavani, India. • Alliances between MSMFEs and large agribusinesses – Ms. Norlia Abdullah H5 Food Industries, Malaysia. • Networking and knowledge sharing among MSMFEs – Dr. Darunee Edwards, FoSTAT, Thailand.
15:00 – 15:30	Coffee break
15:30 – 17:00	Roundtable 2. Institutional support for the MSMFE sector Chair - Dr. Prasun Kumar Das <ul style="list-style-type: none"> • Agro-Industrial Parks – K. Laxminarayana Rao, Management Consultant and Professional, India. • Packaging support services – Daisy E. Tanafranca, ITDI-DOST, Philippines. • Laboratory and product development support services –Ms. Premrat Jitharn, Food Quality Assurance Services Center, Thailand.
18:30 – 20:00	Cocktail Hour

Day 2	
09:00 – 09:40	Plenary Presentations Chair – Dr. Darunee Edwards <ul style="list-style-type: none"> • <i>Environmental and sustainability issues as they relate to MSMFEs</i> – Mr. Long Nguyen Hong, Viet Nam Cleaner Production Centre • <i>Human resource capacity development in the food sector in Asian countries - Findings of a round-table convened at the FAO Regional Forum for Asia and the Pacific</i> – Yanglin , China – Rosa Rolle – FAO –RAP
09:40 – 10:00	Card Writing Exercise – 4 working groups SWOT analysis of the MSMFE sector
10:00 – 10:30	Coffee break
10:30 – 12:00	Working Group Sessions 4 working groups Each working group will be provided with a number of guiding questions to assist their discussions in coming up with proposals on <i>policy options and recommendations for policy reforms and regulatory frameworks to support the enabling environment for micro, small and medium enterprises.</i>
12:00 – 13:30	Lunch break
13:30 – 15:00	Presentation of feedback from working group sessions.
15:00 – 15:30	Coffee break
15:30 – 16:00	Closing <ul style="list-style-type: none"> • Review of key recommendations emerging from working groups. • Closing Remarks - Mr. Hiroyuki Konuma, Assistant Director General and Regional Representative, FAO Regional Office for Asia and the Pacific

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Regional Workshop to Promote Agro-Industrial Policy Measures for Micro, Small and Medium Food Processing Enterprises in the Asian Region

Opening Remarks

By

Mr. H. Konuma, Assistant Director General and Regional Representative

Distinguished Participants

First of all, it is my pleasure to welcome all of you to Bangkok, and to express my sincere gratitude and appreciation to you, for taking time off your busy schedules to participate in this Regional Workshop to Promote Agro-Industrial Policy Measures for Micro, Small and Medium Food Processing Enterprises in the Asian Region.

I wish to acknowledge and thank the Asia-Pacific Rural Agricultural Credit Association (APRACA) for their collaboration and support in organizing this Workshop.

Ladies and Gentlemen,

Today, the world produces more or less sufficient food to meet the demand of its current population of 7 billion. However, 12.5 percent of the global population, or 868 million people, equivalent to one in eight people, are food insecure. And in 2012, Asia and the Pacific Region, was recorded as having 62 percent of the world's undernourished, the equivalent of 536 million people.

While the region showed rapid economic growth in the first decade of the 2000s, successes achieved in economic growth have not resulted in alleviating hunger and poverty - rather they have resulted in the inequitable distribution of the benefit of economic growth, widening income disparity and inequality in many least developed countries and in middle income countries of the region. According to UNESCAP statistics, an estimated 653 million people across the region, were living below the national poverty line in 2010.

Nevertheless, over the past decade, rapid income growth in most emerging and developing countries of the region has brought about robust increases in per capita food consumption. Along with the changes in consumption trends, purchasing patterns in urban centres of the region are also changing with increased shopping for food in hyper and supermarkets and increased storage of food in the home. Significant quantities of food (fresh and processed) procured by households are increasingly thrown away or wasted due to over-buying, poor storage, failure to consume or confusion over expiration dates. Not only do these wastes represent a waste of money, but they are becoming a problem in landfills and they are a source of green house gas emissions. And, when we think about the number of undernourished in the region, we must think of better ways of maximizing the use of our food, rather than wasting it.

Ladies and gentlemen

Yet another change brought about by urbanization across the region is the shift away from traditional time-intensive food preparation, to an increasing demand for ready-to-cook and ready-to-eat foods that are safe and packaged in convenient formats. Given the strong culture of food in this region, consumers continue to show a preference for foods that are culturally accepted. Higher income consumers increasingly demand that these products are suitably packaged, labeled and branded. Lower income consumers, continue to purchase these culturally accepted foods in traditional markets, largely due to the affordability of these foods and to cultural preference.

The micro small and medium food enterprise (MSMFE) sector plays a critical role and has a comparative advantage in meeting consumer needs for these culturally accepted foods. MSMFEs contribute significantly to the nutrition and food security of the poor while adding value to the raw material outputs of the region and reducing food losses. From a development perspective, MSMFEs also tremendously benefit national economies by generating off-farm employment opportunities.

With increasing consumer demand for higher quality and safer products that are branded and conveniently packaged in urban centers, there is the risk that MSMFEs could lose their market share owing to competition from imports. It is, therefore, imperative that MSMFEs strive to maintain a competitive edge through: product, process and packaging innovation that is appropriate to the needs of their varied target markets; increasing the efficiency of their operations; promoting resource efficiency within their operations; reducing waste generation and upgrading the technologies used in their processing operations to improve the safety and quality of their outputs. Attention must also be paid to improving administrative and logistical efficiencies in MSMFE operations and MSMFEs must also seek to improve their input supply chains and place greater emphasis on product safety and quality. By working together, MSMFEs can also learn from each other and exchange ideas.

Cooperation with other MSMFEs and/or larger enterprises in packaging, can, for example, enable MSMFEs to specialize in using their comparative advantage in producing high quality products while allowing the partnering enterprise to focus on packaging, for a win-win situation that improves efficiency and the quality of the final output.

Agro-industrial policy initiatives and an enabling environment that bring in a specific focus on MSMFEs will play a critical role in helping them to attain and maintain a competitive edge.

Ladies and Gentlemen

FAO recognizes the critical importance of a multi-stakeholder platform in elaborating the issues that confront MSMEFS. For this reason, we have brought together today, this diversified group of stakeholders that includes representatives of MSMEs, governments, and academics associated with policy studies as well as with agro-industries development.

Your discussions and deliberations over the next two days will consider the critical issues that impact on the competitiveness of the MSMFE sector, as well as proven models of good practice in the region, with the objective of coming up with policy recommendations geared toward growing and supporting agro-industry development across the region.

I encourage you to actively participate in these important discussions, to come up with concrete recommendations on policy options and reforms for improving the enabling policy and institutional environment to support the development of the MSMFEs in the region.

I wish you success in your deliberations and look forward to learning of the outcomes of your deliberations.

Thank you.

Composition of Working Groups

Group 1	Group 2	Group 3	Group 4
Food Policy	MSMEs and Food Scientists	Government Representatives	Support Services
Wu Jingxue	Pich Chan	Dechen Tshering	Laxminarayana Rao
Prasun Das	Norlia Abdullah	Bounchan Lovanxay	Long Nguyen Hong
Fatimah Arshad	Sein Thaung Oo	Vijoy Mallick	Daisy Tanafranca
Parakrama Sawratunga	Kong Thong	Muhammad Usman	Premat Jithan
	Bhavani	Ashoka Ranathunga	Darunee Edwards
	Sreekanta Sheel		Hadi Purwadaria