Almaty-Bishkek Agro-Food Value Chain Cluster: A Proposal

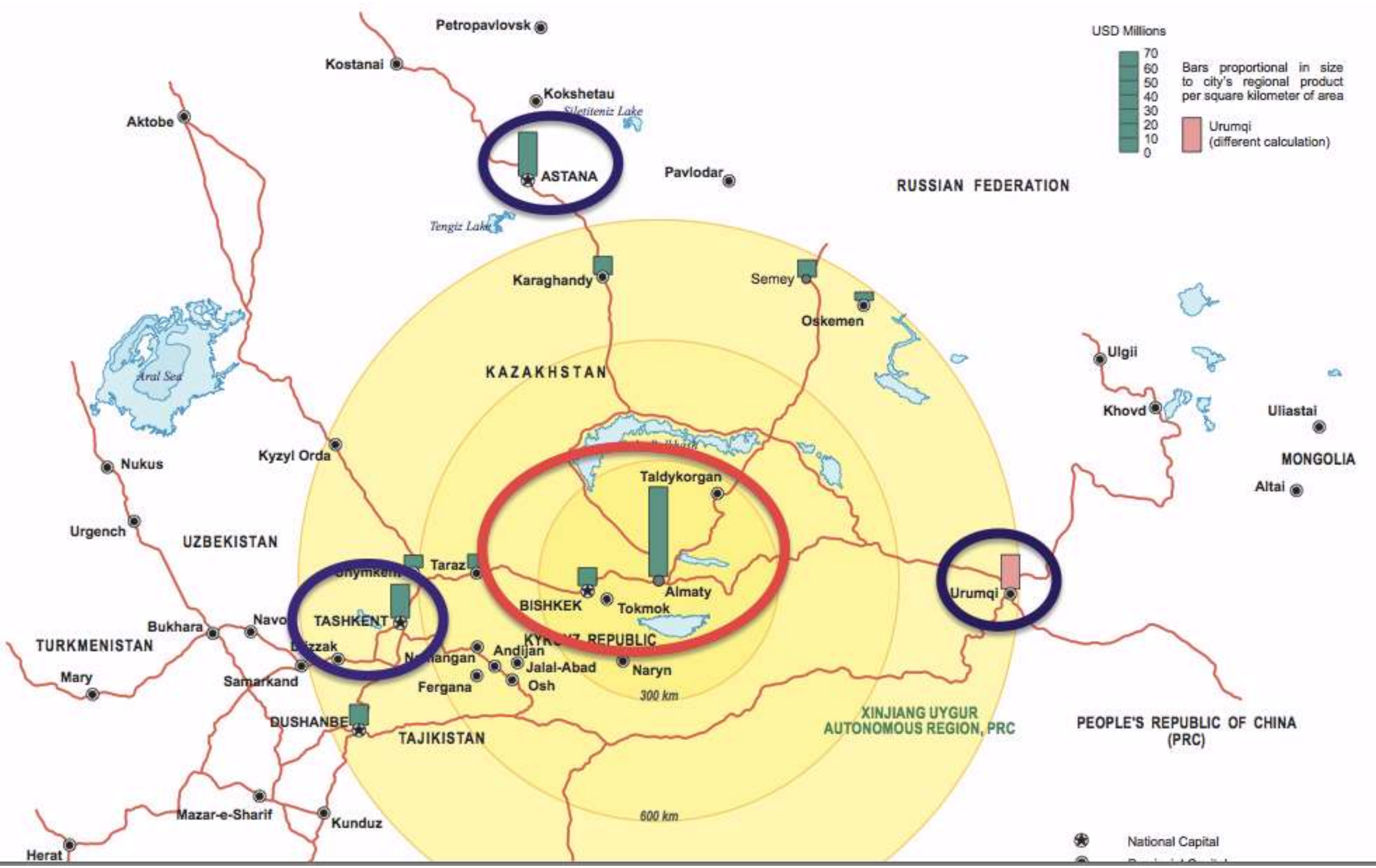
LOURDES S. ADRIANO
Consultant
ADB

CAREC
Central Asia Regional Economic Cooperation

OUTLINE

- Framework: Cluster cum Value Chain approach and Food Security
- Agro-food value chains: country level, ABCI level
- Opportunities
- Proposal:
  - 2 complimentary agro-food value chains
  - Issues to address
  - Recommendations

ABCI's Spatial Edge for Agro-Food Value Chains



Opportunities

- Bright demand prospects from nontraditional markets (e.g., 66% of global middle income class will be Asians w/ 59% share of global consumption expenditures)
- Funding of agribusiness is becoming attractive to private venture capital
- Both governments are pushing for product & market diversification for agriculture & food industry

CAREC
Central Asia Regional Economic Cooperation

The Sub-corridors

Agro-food Sub-corridor	City	Hinterlands
Kazakhstan sub-corridor (AAZ):	Almaty City	▪ Almaty oblast ▪ Zhambyl oblast
Kyrgyzstan sub-corridor (BIC):	Bishkek City	▪ Chuy oblast ▪ Issyk-kul oblast

City

- Consumer market
- Main processing center
- Transit
- Finance & trade
- jobs

Hinterland

- Food
- Other raw materials
- Labor
- Land

CAREC
Central Asia Regional Economic Cooperation

Proposal: Agro-food value chains in AAZ & BIC

- Fruit and vegetable agro-food value chain
- Meat-Dairy-Livestock agro-food value chain

	AAZ	BIC
Comparative advantages	• Expansive midstream & downstream agro-food value chains (even at oblasts) • Almaty city as regional trade hub to Russia, Europe; road/rail links • Expertise in SPS, food safety control & standards • Large rising & affluent middle class; focus not on staples	• Low cost labor • Contract farming experience • Revealed comparative advantage (RCA) in many fruits, vegetables, dairy, & livestock products • Experienced & resilient SMEs in midstream & downstream

AAZ and BIC

Disadvantages	AAZ	BIC
Disadvantages	• Unsecured supply of raw materials • Used to have RCAs in fruits, vegetables, dairy, meat products • Numerous, atomized, fragmented crop & livestock farmers • Government subsidies from KAZAgro	• Unsecured supply of raw materials • Numerous, atomized, fragmented crop & livestock farmers • Poor pest & veterinary control measures as well as poor food safety control & standards • No value chain financing

CAREC
Central Asia Regional Economic Cooperation

AAZ and BIC: Potentials for Agglomeration & Integration

Agro-Food VCs	BIC	AAZ
Fruit value chains	• Farm production of fruits: contract farming, or lease rental of large tracts of land	• Access fruits from BIC for midstream & downstream segments of fruit value chains
	• Mergers, acquisitions, joint ventures at midstream and downstream segments; PPPs for vertical integration of value chain segments	
Vegetable value chains	• Farm production of vegetables: contract farming, or lease rental of contiguous land • Access vegetables from AAZ for midstream & downstream segments of vegetable value chains	→ Access vegetables from BIC for midstream & downstream segments of vegetable value chains ← Farm production of vegetables: contract farming, or lease rental of contiguous land (e.g., KAZAGro funded farms); AAZ to pilot contract farming

#2: Potentials for Agglomeration & Integration

<table>
<tr><th>Agro-Food VCs</th><th>BIC</th><th>AAZ</th></tr>
<tr><td>Vegetable value chains</td><td colspan="2">• Mergers, acquisitions, joint ventures at midstream and downstream segments; PPPs for vertical integration of value chain segments</td></tr>
<tr><td>Meat-dairy-livestock value chains</td><td>• Modern abattoir system and slaughterhouses (e.g., Tokmok, Chuy, but also in Issyk-Kul, Zhambyl); last mile infrastructure; freezing equipment & cold storage facilities</td><td>• Feed mill investments through PPP (public sector on long term land lease) and market link up with meat & dairy in BIC, AAZ</td></tr>
<tr><td></td><td colspan="2">• Pilots of SME dairy/livestock producers in BIC under contract arrangements with large domestic or foreign dairy/livestock agribusinesses (e.g., those based in AAZ)
• Foreign direct investments through vertical integration (see case of CP Foods, Thailand)</td></tr>
</table>

ISSUES

- Poor connectivity of value chain segments
  - Low productivity in small farms
  - Lack of value chain financing
  - Limited trade and logistics hubs
- Weak interface of value chains
  - Lack of food safety & quality control in BIC
  - Sluggish trade
- External: climate change, global & regional political uncertainty

Think ABCI but act globally

- Private sector in driver seat
- PPPs in interim
- Addressing dynamics of food security
- Flexible & responsive policy & institutional measures
- Experiment as integral aspect of R&D

RECOMMENDATIONS: Poor connectivity of VC segments

	Fruit & Vegetable VC	Meat-Dairy-Livestock VC
Investment	Pilot on lease of SALF for agribusiness venture thru PPP 1 trade hub in Bishkek and 1 platform in Chuy SME clusters through PPPs for collection & trading posts E-mobile system for advisory services, market/price information for BIC	Contract farming linking farmers with agribusinesses Slaughterhouse investment in border of Chuy (Tokmok), Zhambyl, & issyk-Kul 1 trade hub in Alaty city & 1 platform in Zambyl or Almaty region E-mobile system market/price information, tryout on e-livestock auctions for AAZ

Recommendations: poor connectivity (2)

	Fruit & Vegetable VC	Meat-Dairy-Livestock VC
Policy	Land market policies on rental, SALF use Review land price for KAZ	KAZ: Sustainable pasture management regulatory reform
	KAZ: Policy study on upgrading rural banking operations of commercial banks KGZ: policy measure on value chain financing of operations	
Capacity Building	HACCP, ISO, GAP, GMP, traceability	HACCP, ISO, GAP, GMP, traceability

CAREC
Central Asia Regional Economic Cooperation

RECOMMENDATIONS: Weak interface of AAZ and BIC agro-food value chains

	Fruit & Vegetable VC	Meat-Dairy-Livestock VC
Investment	Border agro-tech park (agribusiness incubation centers, halal park, prcessing firms, ICT for systemside tracking & tracing & internet supply chain visibility, etc.) Action plan and implementation of unified AFVC on food safety & standards quaiity control (facilities, infra, capacity building)	
Policy	"Grow Central Asia" under WEF New Vision for Agriculture Action plan for AFVC human resource development on the modernization of agro-food value chains (links with agri univs in cities, local governments, civil society, & private agr food value chain players) Policy on mergers, acquisitions, FDIs for agro-food value chains	
Capacity Building	Coordinated implementation of HACCP, ISO, GAP, GMP, etc.	

Examples

- ***The untapped global halal market***
- The global halal market: $2.3 B, growing at 20% per year.
- 1.8 billion Muslim consumers (projected to be 2.2 billion by 2030, or 27% of the world population), with a rising social class of young, highly educated, and affluent Muslims who "embrace Islamic contemporary with global lifestyle."
- Biggest spenders of halal food are in Asia (e.g., Pakistan, Turkey, PRC), Middle East/Africa (e.g., Saudi Arabia, Iran, Qatar), and Europe (Russia, France), the Netherlands).
- Halal products: pharmaceuticals, cosmetics, health products, toiletries and medical services. Tesco, Unilever and Nestle. Nestle is the biggest food manufacturer in the halal sector.

CP Foods

- Thailand,Australia, Belogium, Canada, Russia, China, France, Italy, Japan, Korea, Scandinavia, Singapore, South Africa, Spain, Uae, UK, USA
- Ready to eat meals, chilled, livestock, feeds, fish, condiment, snacks, retail shops
- Largest in Asia-Pacific

CAREC
Central Asia Regional Economic Cooperation Program

RECOMMENDATIONS: resilience to address external factors - AFVC

	RECOMMENDATIONS FOR AAZ AND BIC sub-corridors
INVESTMENTS	Investments on GIS, weather stations, drones remote sensing, & other ICT for locust& livestock disease monitoring; soil & water availability
POLICIES	Risk adaptation & mitigation strategy for the 2 agro-food value chains
CAPACITY BUILDING	Training on early warning systems & monitoring

Thank you!

Asian Development Bank

http://www.carecprogram.org/

.