

## **Observations on the VSAT draft white paper: “Accelerating the Growth and Development of the Vegetable Sector in Myanmar”**

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### 1) Introductory observations regarding the potential and the challenge

Potential: Agree with the white paper claim that vegetables in Myanmar represent one of the highest potential growth opportunities of any agricultural sub sector at the present time

- Production conditions (climate, soil, water access)
- Large smallholder farming population looking to diversify farm income sources
- Growing domestic market and emerging regional market opportunities (including vegetable seed production)
- Strong private sector, public sector and donor interest in making investments

Goals (as stated in white paper): The overall goals of vegetable sector growth and development will be (a) to improve food and nutrition security in Myanmar and (b) to generate rural employment and income generating opportunities for vegetable growers and their families by developing the vegetable value chain.

These goals imply that, in context of a transition economy, the challenge is not only to achieve growth (“acceleration”) but to manage (or shape) growth dynamics

- White paper does a good job identifying range of objectives that matter to veg sector stakeholders.....
  - Growth, export market development market, domestic market development, nutrition, food safety, inclusiveness
  - Inevitably there are trade-offs among objectives and hence relative emphasis may change over time and report does not address how to deal with these trade-offs over time
- The white paper does a good job of identifying, at a general level, the gaps and the public, private and civil society roles in developing successful clusters

### 2) Specific observations: success in the presence of vegetable sector complexity and stakeholder constraints will require focus on a few successful clusters will have more impact than being too thinly spread

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Remainder of my observations will be on a few principles that underlie why focus is necessary and that can help guide critical choices during our discussions today and into the future?

Principle 1) ***Profitability is the essential driver of growth***

- How to improve profitability for vegetable sector participants is **THE** central question that any vegetable sector strategy needs to address
  - Note: no explicit mention of profit (or profitable or profitability) in vision doc
- Profitability is driven, first and foremost, by specific market opportunities

Principle 2) ***For smallholder farmers, vegetable farming is one of the hardest enterprises to achieve consistent profitability***

- Success in commercial vegetable farming requires a complex skillset – business management, agronomy, pathology, logistics (can be enhanced through education but will take time)
  - Smallholder associations can help successful smallholders be more profitable (through economies of scale) but it cannot substitute for entrepreneurship, capital accumulation (savings) and experience
- High risk – price volatility, production losses (can be reduced but not eliminated)
  - Successful smallholders need a ladder, starting with lower risk (generally less perishable) products before moving into higher risk (generally more perishable) products
  - Savings mechanisms even more important than credit to be able to manage risk – mobile banking can help build savings
- Tailored, interactive extension packages delivered through smartphones have enormous potential to close the knowledge gap (not mentioned at all in the white paper)
- -> ***generally only a small proportion of current generation of smallholder vegetable farmers are likely to become successful commercial horticulture business operators*** (but even a small proportion can result in significant benefits for rural economy through employment and consumption linkages)

Principle 3) ***Start with the specific market***

- Export versus domestic? Quality characteristics? Timing characteristics?
  - Different types of vegetable, and different markets for the same vegetable, require different supply chain management strategies (and hence different investment strategies)
- different regions have comparative advantage in different products (due to climate and market access)
- different types of farmers have comparative advantage in different products
  - medium or large-scale farmers are more competitive in highly perishable products

- small-scale farmers more competitive in less perishable products
- -> need to define which vegetables, produced in which locations, by which smallholders for which markets
- Only when a “vegetable cluster” is defined at this level of specificity can different sectors come together to identify missing elements and develop a “growth package” (items a-h on page 5)

Principle 4) ***Capacity for provision of public goods and services is very limited in the near term***

- Public goods and services are those that are necessary to meet society’s needs but which the private sector is unable or does not have adequate profit incentive to provide
- Government funding of public services does not necessarily mean public provision (e.g., roads can be financed by government but constructed by private contractors)
- Government funding is very constrained in relation to needs (even when augmented by donor funds), especially for rural infrastructure
- Government capacity to provide public services is very constrained
- Government funding and capacity constraints are even greater at the regional level than at the union level
- -> focus on low budgetary cost public goods that facilitate private sector investment and responsible conduct
  - Removal of tariff and non-tariff barriers
  - Licensing private sector regulatory enforcement (e.g., for seed sector)
  - Reduce barriers to FDI (e.g., requiring local partners)
  - Support global GAP standards where these do not convey monopsony power
  - Invest in tertiary agricultural education (state colleges of ag) with private sector internship experience

Principle 5) ***Targets be defined at the region/vegetable/market level rather than at the aggregate level:***

- Better to have a few successful clusters than many partially successful ones, especially in a first phase
  - Strong success in 2 or 3 vegetables in 2 or 3 regions over the next five years more important than partial success 8 or 10 vegetables
  - 50k – 100k successful smallholders more important than 500k – 1000k
- M&E to scale up successful strategies or address roadblocks essential