Central Asia and the Caucasus farm sector needs a boost

Agriculture in Central Asia and the Caucasus not only ensures the food supply, but also supports the majority of the rural population and creates jobs. Although agriculture's share of gross domestic product or GDP has declined since 2000, it still accounts for a large proportion of GDP in several countries. Tajikistan's agriculture sector makes up over one quarter of GDP. Armenia accounts over a fifth of GDP to agriculture, while and Uzbekistan and the Kyrgyz Republic have a little under a fifth.

Even so, the relatively small market and reliance on a narrow range of agro-food products have dampened farm output. In order to raise outputs and cash to meet the growing domestic and international demand, the region needs to jointly develop and integrate their agricultural value chains. These value chains encompass the goods and services required for a product to move from farm to consumer.

By doing so, the countries can expand their market and range of agro-food products. Currently, each country's agricultural value chain operates independently from the other. Developing an integrated chain would allow countries to respond faster to demand. Farmers and food processors would also become more productive and be able to set up in one area to operate more efficiently.

Firstly, an integrated value chain would offer access to new markets. For example, the People's Republic of China plans to develop its western regions with a land link to Europe and the rest of the world via railway through Central Asia. Secondly, an integrated approach would better meet the increased demand for diverse and quality goods from the rising number of middle-income consumers in developing Asia and the Middle East. Developing integration would also create jobs for the rural poor in Central Asia.

One way to develop agricultural value chains is by setting up public-private partnerships. Governments can provide long-term land leases and selective subsidies and exemptions, while the private sector can provide the expertise to run business efficiently. This is what happened in Viet Nam, where the government and the private sector provided training to farmers to improve their productivity and income to boost crop quality and yields.

Another strategy is to develop economic corridors—an area within a country or between countries where an integrated infrastructure network spurs economic growth. These corridors, with their highways, railways, ports and housing, attract investments, and stimulate economic activity. Countries can encourage agriculture and agribusiness around the infrastructure network, improve it, and make markets more efficient, creating economies of scale in agro-industries. The result is a value chain that leads to more investment and, eventually, to more cross-border trade.

This has been a summary of part of an ADBI policy brief by senior economist Aladdin Rillo and research associate Suryo Aryanto Nugroho.