



# High Value Agriculture

Thematic Paper



# Why is MDF involved in high value agriculture?

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Technology will be a critical component in the shift from traditional farming to an industry that is more productive, sustainable and generates more equitable returns.

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MDF works in Fiji, Papua New Guinea (PNG), Sri Lanka and Timor-Leste to improve agricultural markets. The agriculture sector offers some of the best opportunities to promote higher incomes and rural employment, especially for women, who participate in nearly all on-farm activities. Australia and New Zealand are important markets for high value agricultural produce from the Indo-Pacific.

Around 500 million smallholders produce approximately 30 per cent of the world's food supply, but profits from agriculture are more likely to be enjoyed by the capital and skill-intensive parts of the supply chain than by farmers. To address this, MDF works with agribusinesses to integrate more smallholders into their supply chains or customer bases and invest in improved farmer practices, inputs and equipment, supply chain management, quality standards and market linkages. These investments drive up productivity, quality, sales and profits to farmers.

MDF increases the prospects for the profits of farming households by identifying high

value market segments that have strong domestic and/or export demand and then supporting a shift into these segments. High value agricultural products tend to reward farmers' investment and effort with higher returns and suffer from less price fluctuation than bulk commodity markets. This has proved particularly valuable during the COVID19-pandemic, where demand for specialty coffee, cocoa and branded sugar have remained relatively stable, in spite of supply disruptions caused by domestic and international transport and trade restrictions. This suggests that MDF's strategy of supporting the transition from commodity crops to high value, speciality, and value-added agricultural products is timely.

Many agricultural technologies have matured to the point where they are ready for adoption in the smallholder farming system. This includes using digital tools for delivering extension services, improving supply chain management and enhancing traceability. This has been particularly evident in Sri Lanka and PNG.

Agriculture has proved resilient to the COVID19- shock compared to the broader economy in most countries. MDF sees reasonable prospects for investment and growth in the agriculture sector in 2021, provided some of the challenges associated with the pandemic can be overcome. MDF will continue to focus on improving the yield, quality and climate resilience of high value crops that offer farmers better profits.



# What does MDF do in individual countries?



In **Fiji**, MDF enables farmers to access affordable, quality agricultural inputs to increase yield, grow off-season crops and diversify into higher-value crops. Along with market prospects, crops were chosen that were more resilient to cyclones, less perishable, and economical to transport. MDF assists agricultural processors to develop premium, Fiji-branded products. For example, MDF supported a state-owned enterprise to position its high value products in the international market, increasing export volumes and value addition in the Pacific, and further positioning Fiji as a regional hub.

In 2021, MDF will:

- Improve yields and supply of high value crops that are climate resilient and offer farmers better profit margins
- Ensure farmers have access to the inputs needed to cultivate high value crops
- Support efficient supply chains connecting farmers to processors
- Assist processors to source local, high value raw materials
- Support improved marketing and branding of Fiji's premium image.

MDF's support towards quality agricultural inputs is now showing signs of system-wide change - watch this video for more details.



Papua New Guinea

In **PNG**, MDF enables farmers to raise healthy pigs, coffee smallholders to export high-grade coffee, and cocoa, vanilla and honey processors to export quality products. For example, MDF supported a honey processor to offer inputs and extension services to beekeepers, upgrade its processing equipment, adopt food safety standards, develop new products, and sharpen its branding and marketing.

In 2021, MDF will:

- Support the production of high grade coffee, cocoa, vanilla and honey, and explore opportunities to develop traceable cocoa and vanilla value chains
- Scope options to link coffee and vanilla growers with buyers in coastal regions
- Work with vanilla exporters to develop credit products for their supply chains
- Respond to the emerging threat of African Swine Fever (ASF) by expanding the supply of improved piglet breeds and disseminating information about pig husbandry, feeding and biosecurity practices.



Sri Lanka

In **Sri Lanka**, MDF supports the production of specialty coffee, herbs, spices, fruits and vegetables to meet domestic and international demand for high value products, particularly through digitisation and technology. MDF has leveraged its work in organic spices and herbs to expand more broadly into high value agriculture, in response to growing demand and private sector interest.

In 2021, MDF will:

- Work with coffee processors to improve cherry collection and upgrade infrastructure, equipment and processing techniques
- Expand digitisation by supporting new mobile phone app solutions and increased mobile phone uptake
- Work with agri-machinery providers and agri-produce exporters to introduce mechanisation.





## What are the benefits of facility wide collaboration?

MDF is able to pool resources through a multi-country model in order to deliver insights, expertise and economies of scale. Knowledge and experience are transferred between countries through communications, publications, thematic groups and events, staff exchange and via the Shared Resources team.

- The Shared Resources team coordinated MDF's cross-country analytical capability, teams on the ground and extensive networks to generate real-world insights to help organisations respond to COVID19-.
  - » In PNG, this market intelligence showed that people in remote areas were not leaving their villages to sell their produce due to fear of COVID19-. Based on this, MDF worked with coffee and cocoa partners with large farmer networks to conduct COVID19- safety and awareness raising to combat this problem.
  - » In Sri Lanka, when the market intelligence revealed a need for expertise around managing supply chain disruptions, MDF introduced the spice, herb and coffee industries to storage solution providers.
- In 2021, MDF's facility wide intelligence gathering is investigating the wide-ranging disruptions to global shipping and airfreight services and how they are affecting trade in the Indo-Pacific region. Coordinated by the Shared Resources team, this research will inform the facility wide work in high value agriculture supply chains and provide valuable insight to country teams.
- Effective collaboration among MDF's agriculture-focused technical teams resulted in a facility wide working group on coffee that currently manages facility wide learning and technical expertise sharing. The group facilitated a specialty coffee expert who successfully supported the Timorese coffee portfolio in 2020 to provide similar expertise to the Sri Lankan portfolio in 2021.
- MDF's early response to ASF in Timor-Leste was beneficial in determining how to support market actors respond to ASF in PNG, where MDF is now working to change animal husbandry, feeding and bio-security practices to prevent the spread of the disease and raise pig productivity.
- In 2021, MDF will analyse its facility wide work in high value agriculture through a climate change lens, as the sector is among those worst affected by changes in weather and climate shocks.
  - » MDF undertook climate change portfolio reviews in Fiji and Timor-Leste, with the assistance of the Australia Pacific Climate Partnership, in 2020. The review highlighted practical entry points in green growth opportunities and measures to lower the energy intensity of agricultural value chains.
  - » This process will be replicated across the facility in 2021, with similar reviews in PNG and Sri Lanka. This will contribute to a shared understanding of the importance of climate change mitigation across the portfolio.