

Promoting inclusion of small farmers into agri-food chains in Eastern Europe and Central Asia Agrarian Structures Initiative

EastAgri Annual Meeting 2014
Belgrade, Serbia - 18-19 June

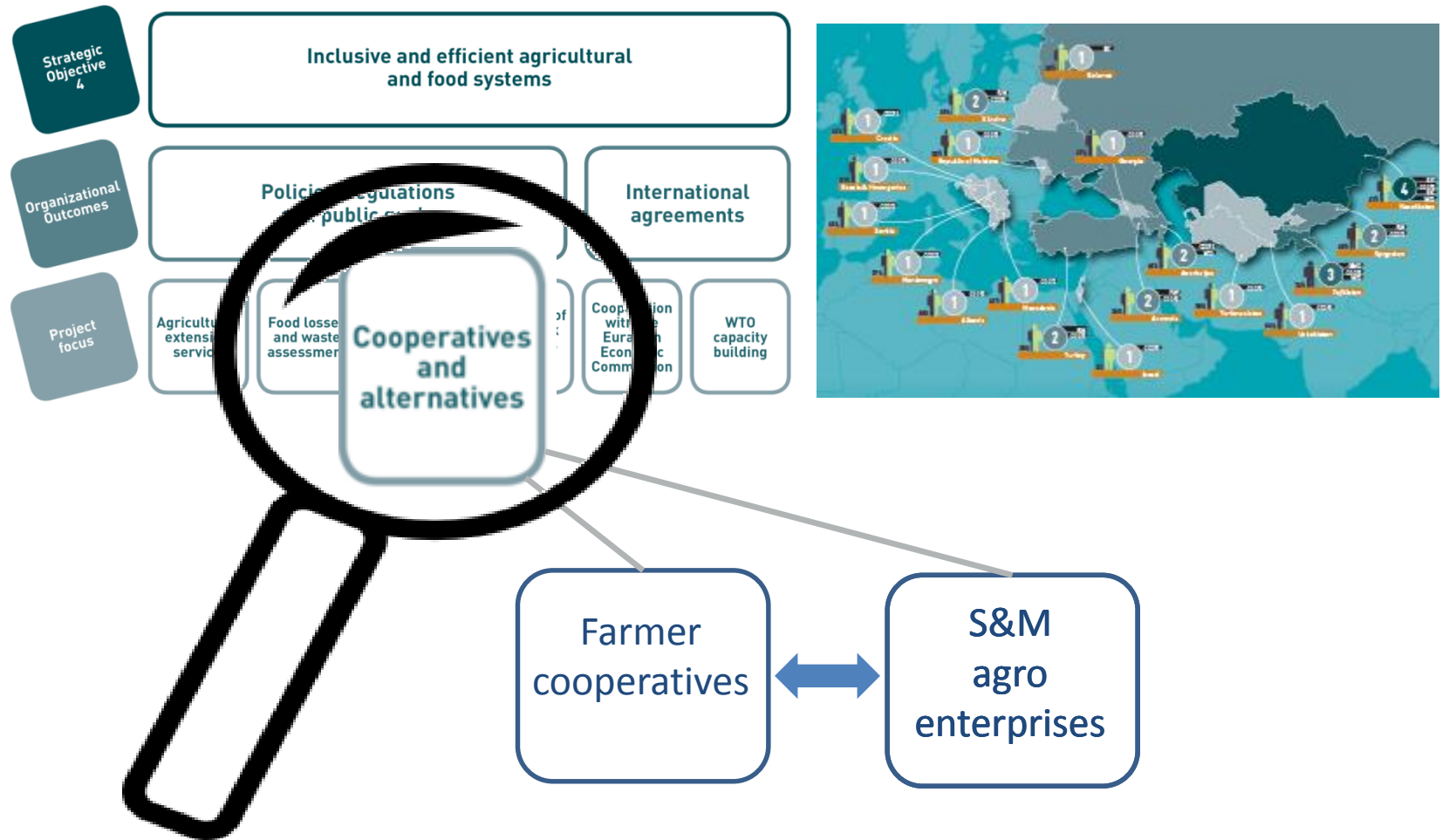


Stjepan Tanic, FAO Regional Office for Europe and Central Asia

Issues and opportunities

- Millions of small-scale farms - only 1/3 of agricultural land in western CIS but 2/3 of agricultural output
- Rapid commercialization and increasing demand for standardized food products effectively excludes individual small farmers from participation in the markets
- Local – often S&M processors have difficulties to establish their position in the agri-food chains
- Development of inclusive agri-food chains opportunity for investment and rural poverty reduction

Focus on inclusiveness of policies and public goods dealing with agrarian structures in EECA



Case studies

Cooperative cases:

- International NGO supported cooperative integration global dairy value chain - Ukraine
- Ukraine: marketing group initiated by the wholesaler
- Cooperative owned processing of fruit and vegetables owned by employees - Kyrgyzstan

Vertical integration cases:

- small wheat producers and leading private processor - Turkey
- small sugar and grape producers and state supported holdings – Azerbaijan
- vertically integrated meat processor - Ukraine

Contracting cases:

- Dried vegetable processor, dairy processor, organic fruit and vegetable processor in Serbia

Informal approaches

- Spot market procurement for exports of dried fruits (no formal arrangements)
- Donor initiated venture for collection and processing of medical herbs - Kyrgyzstan

Cooperatives

- Cooperatives could be favourable for different stages of the value chain but tend to be implemented in a top down manner
- Formation of small groups of farmers that act together; either as formal or as informal groups.
- Low level of social capital and trust among the population, but also between processors and farmers (opportunistic behaviour).

Vertical coordination

- Forward integration could be an appropriate strategy for small and medium-sized processors able to secure their own retail channels to offset the price pressure of large retailers to some extent
- Backward integration through production contracts programmes to include smallholders into their value chains is the exception rather than the rule
- In the context of vertical coordination production contracts are very important. However, contract enforcement has to be strengthened.

Findings and lessons

- Development of the retail sector is most beneficial to large processors; either as producers of branded products or as suppliers of retail own branded products.
- Many SMEs have neither a corporate strategy nor a marketing strategy to cope with intense competition
- Managers without management trainings do not invest in capacity development of their staff

Findings and lessons

- Contracting is constrained by market failures in all investigated chains
- The business environment, including contract enforcement as well as service and infrastructure provision is still to be improved
- Basic quality controls to be provided by public and private service providers is an additional barrier to the establishment of vertical coordination

Success factors

- Processors provided inputs (outgrower scheme for the production of seeds, equipment)
- Financial aid or assistance (inputs financed through loans, receipts issued to be used as collateral and cash advances)
- Farm assistance which includes processors employed experts to assist and train the farmers

Success factors

- Value chains that are customer oriented and that have a clear strategy concept are performing well
- Customer orientation should not be limited to the end consumer but also to businesses such as wholesalers, retailers, or exporters
- Mix of niche and differentiation strategies offering (superior) quality and well known traditional products