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FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS

FAO AGRIBUSINESS ROUNDTABLE:

SMALL AND MEDIUM AGRI-PROCESSING ENTERPRISES COMPETITIVENESS CHALLENGES IN CENTRAL AND EASTERN EUROPE

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Roundtable Report

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Foreword

Rapid urbanization and commercialization of agriculture is increasing the demand for processed agricultural and food products, and as a consequence effectively excludes farmers from direct participation in markets. On the one hand, farmers (particularly small farmers) faced with pressures from the agro-industry to supply raw materials in required quantities are experiencing difficulties integrating into value chains. On the other hand, local agro-industries, challenged by global and regional competition and the need to comply with international regulations, are also experiencing difficulties in establishing their position in the supply chains of multinational retailers, which if they could achieve, would enable them to pull the demand for local agricultural products. Small and medium sized agri-processing enterprises are responsible for generating a large share of products and services in the agricultural sector and play a critical role in increasing demand for raw materials. They create income and employment in rural areas where the opportunities for employment are frequently sparse.

Small and medium sized agri-processing enterprises (SMAEs) can play a critical role in creating rural income and employment opportunities, through the demand they create for raw material supplies from smaller and medium scale farmers. SMAEs that are appropriately capitalized and managed can produce high quality branded and labeled products, which can increase export revenues and reduce reliance on imported products. However, there are major constraints that must be addressed in order to realize the full developmental potential of SMAEs.

Throughout the Central and Eastern European region there are examples of successful local small and medium sized agro-enterprises that have managed to establish effective linkages with local farmers and to successfully integrate into both national and international value chains. To make use of these experiences in shaping policy interventions and institutional arrangements, policy makers need to have better understanding of underlying success factors. In addition to this, agro-enterprise managers and other value chain stakeholders need to be informed about positive experiences and of developments on international markets.

In recent years FAO has assessed several specific issues impacting on SMAE competitiveness, and has facilitated dialogue and debate among FAO member countries (Committee on Agriculture 2007, Global Agro-industries Forum 2008, Committee on Agriculture 2009). The appraisal of FAO thus far, however, has been developed in the absence of systematic consultation with SMAE managers, and without the opportunity to consider regional specificity. During the 2010-11 Biennium, FAO organized a series of regional Agribusiness Roundtables in order to validate and refine understanding of SMAE competitiveness constraints, as well as strategies and actions to address the constraints.

The implementation of Central And Eastern European Roundtable on SMAE Competitiveness Challenges, which took place in Budapest, Hungary, on 17-20 April 2011, was entrusted to the Human Resources Development Foundation of Gödöllő, Hungary. Roundtable discussions were recorded in audio and written records and reports were also made. The final report in its current form was technically edited and revised by Mr Andrew Fieldsend.

1. Introduction

Most agencies, including ministries of agriculture, focus mainly on primary agricultural production. However, FAO promotes a focus on agri-processing, because this creates jobs and income potential. In light of this, in recent years FAO has assessed several specific issues that impact the competitiveness of SMAEs, and has facilitated dialogue and debate among FAO member countries.

However, thus far, FAO's appraisal has been developed in the absence of systematic consultation with SMAE managers, and without the opportunity to consider regional specificity. During the 2010-11 Biennium, FAO organised a series of regional Agribusiness Roundtables in order to validate and refine its understanding of SMAE competitiveness constraints, as well as strategies and actions to address these constraints. These Agribusiness Roundtables created an opportunity for direct dialogue with and between SMAE managers regarding their strategies and actions for achieving and enhancing competitiveness. The main objectives of each roundtable were to:

+ Clarify the views of SMAE managers on important trends and competitiveness challenges impacting SMAE development;
+ Support the exchange of information among the SMAE managers on existing and prospective strategies and actions to enhance the commercial viability of their enterprises in the face of global competition;
+ Reinforce and further develop FAO appreciation of regional specific priorities, strategies and actions to enhance policy and institutional support for SMAEs.

The Agribusiness Roundtable on SMAE competitiveness challenges in Europe was the fourth regional roundtable. The organisers sent invitations to more than 35 SMAE managers from 18 central and eastern European countries. Every company participating in the workshop is involved in food manufacture, and only business managers were invited. No representatives of governmental or non-profit or similar bodies took part. There were 29 registered participants from Armenia, Bulgaria, Croatia, Czech Republic, Georgia, Macedonia, Moldavia, Poland, Romania, Serbia, Turkey, Ukraine and Hungary (Annex 1).

The programme is shown in Annex 2. Following the presentation of some stage setting papers, the SMAE managers had the opportunity to present short profiles of their companies following a format provided by FAO. A series of roundtable discussions on specific themes then took place, followed by plenary roundtables. These helped to identify challenges facing SMAEs and to stimulate discussions among SMAE managers about strategies and actions their companies have taken to deal with the issues identified.

The key issues facing SMAEs are, in essence, how to survive, how to develop, how to be competitive, and what are the business challenges. An improved understanding of the challenges, strategies and priorities for SMAE development – as perceived by SMAE managers – will better position FAO to be a credible service provider for assisting SMAEs and engaging them in agricultural development, as requested by FAO member countries. The outcomes anticipated as a result of the set of regional roundtables include:

+ Clarification of FAO strategies and priorities for working with SMAEs and supporting SMAE development;
+ Sub-regional refinement of strategies;
+ Launch regional networks of potential collaborators;
+ Provide information for a FAO publication on SMAE development.

The remainder of this report is structured as follows. Section 2 provides some background information on the regional context for SMAE competitiveness. Section 3 consists of the business profiles which give an overview of the participating businesses in terms of the types of products produced, and specifies the strengths, success factors, challenges and plans for the further development of each. The key points are then summarised at the end of the section. Information on employees, gross revenue or other information that characterises the enterprises appears in Annex 3. Section 4 provides a record of the roundtable discussions, which were centred around four themes, each with three break-out groups, and a further two themes discussed in plenary sessions. For each, the key issues are listed as bullet points. Finally, section 5 summarises the comments made at the end of the roundtable on the main strategies and opportunities for mobilising support for SMAEs. The main text is followed by a number of Annexes.

2. The regional context for SMAE competitiveness

Food production, processing, distribution, and retailing have never been under greater scrutiny by stakeholders than they are today. The necessity to increase food safety and quality, reduce costs and waste, build customer and stakeholder value, and achieve social and environmental stewardship requires the whole supply chain to act together. This enhances the process of vertical coordination in the agri-food business (i.e. the tightening of procurement relationships). Depending on relative transaction costs and the costs of physical product flows, vertical coordination becomes apparent in the form of vertically integrated firms or vertically cooperating hybrids. Such hybrids consist of many organisations acting together, with each organisation dependent on the performance and actions of the others.

The competitiveness of agriculture and the weakness of the food industry have long been a concern, most of all to farmers and small and medium-sized enterprises (SMEs). Since the economic crisis of 2008, SMEs have faced further challenges in terms of competitiveness, especially in maintaining their market share and financial viability. Limited access to finance, the uneven quality and volume of supplies from primary producers and significant arrears in payments from retailers and wholesalers have contributed to the industry's difficulties. Major changes in production on standards and in the quality of supply are noticeable. Despite recent recovery, profitability remains low and there is excess capacity in many countries, particularly in the primary processing sectors, such as meat and dairy processing and grain milling.

The main trends nowadays in the food industry are: innovation, globalisation, research and development, and sustainability. In the past food supply was an everyday problem, but even now when food is supposedly readily available we are also seeing food shortages. The question of whether globalisation is good or bad is still under debate, but the main question is how can we adapt ourselves to globalisation? The supply chain is described as being too long, and there are a lot of supermarkets and hypermarkets, which have various effects, both negative and positive. The place of local firms and multinational companies on the global market needs to be clarified. Consumers have a great deal of choice, but the question is what they really want. How we can focus on these changing demands?

The food industry today is in a dual situation (producer and commercial)**:**

+ International competitiveness is deteriorating dramatically;
+ Foreign capital is not coming in and local investors are showing little interest;
+ There is a lack of innovation in investments (state and corporation);
+ The industry is characterised by organisational instability;
+ Reserves have run out in the current food industry structures;
+ High indebtedness and low loan repayment capacity coupled with declining production efficiency has led to further consolidation.

Small and medium sized agri-processing enterprises (SMAEs) can play a critical role in creating rural income and employment opportunities, including through the demand they create for raw materials from smaller and medium scale farmers. SMAEs that are appropriately capitalised and managed can produce high quality branded and labelled products, which can increase export revenues and reduce reliance on imported products, but there are major constraints that must be addressed in order to realise the full developmental potential of SMAEs. These include, among other things:

- Business and operational management practices, technologies and logistics are often not at a level to be competitive with larger firms and international corporations;
- There is often weak policy and institutional support, including technological support, because these types of support fall between the mandates of agriculture and commerce ministries;
- Their interests are often well represented by private sector federations and organisations, which tend to be dominated by larger firms.

In light of these points, the development of competitive agribusinesses and agro-industries has been recognised as crucial for creating employment and income opportunities (especially in the context of declining employment in primary production) as well as for enhancing the demand for farm products. Agro-industry and rural enterprise development has the potential to provide rural employment in the form of off-farm activities such as handling, packaging, processing, transportation and marketing of food and agricultural produce. Further restructuring of the food industry will have to be driven by export orientation, but without neglecting domestic consumer loyalty, which needs to be boosted. Farmers also need to be reintegrated into value chains. Innovation (knowledge transfer) is important in this context. Businesses might start as local food manufacturing companies but during the growing process they can end up as more structured companies. The real challenge SMAEs face is the transition period during which they have to compete with multinational companies and when they have to start making exports. It is critical that management skills and logistics are successful in this period.

One of the possible options for stabilising these enterprises is to reinforce cooperation in the product line. SMAEs are less able to rely on the competitiveness of one or another specific enterprise; rather, they have to strengthen the competitiveness of entire chains and networks of such enterprises. SMAEs are linked primarily to and operate within local and regional value chains. According to Jan van Roekal of the Agro Chain Competence Foundation: "In the future, agri-food producers, processors and retailers will no longer compete as individual entities. Rather they will collaborate as a strategic value chain and compete with other value chains in the market place".

But the starting point for a tighter vertical coordination in Central and Eastern Europe is that during the transition process, relationships along the whole supply chain – from farm suppliers to retailers – have broken down. Since 2004, in Hungary SMAEs have changed little, but their export capability decreased substantially between 2004 and 2008. In the case of economies in transition, such as Hungary, market organisations in the supply chains have not yet been established in each sector. The lack of these organisations poses numerous difficulties, primarily in coordination. The well-organised nature of large, multinational companies eliminates many of these difficulties. A large majority of agricultural producers are more likely to face market uncertainty without possessing technical knowledge of risk management. This generally applies to small, fragmented farms and the fruit and vegetable production sectors.

There are also risks and trade-offs in agro-industrial development, often affecting the most vulnerable countries and people. Therefore, it is important to build on the experiences of countries that have developed competitive agro-industries in order to improve the understanding of trends and contribute to the formulation of sound policies and strategies for fostering agro-industries and rural enterprises.

SMAEs are affected by policy support problems: Ministries of agriculture often do not look for these as their major focus is usually on primary production. SMAEs are important because they produce distinctive products and they are instrumental in creating demand for products. However, SMAEs have to compete successfully with big companies. The reason for organising roundtables is to change the attitude of governments and development partners. The medium term outcomes of such an activity are expected to be:

- Advocacy for increased policy priority at national, regional and global levels;

+ Decision support and technical assistance on lessons learned and good practices;
+ Development of needs driven technical programmes to enhance competitiveness;
+ Increased interest among SMAE managers for networking and information exchange.

3. SMAE business profiles

Alfa-Nistru SA, Republic of Moldova

The cannery was established in 1962, and in 1993 the enterprise was privatised and reorganised into a joint stock company. It is 100 percent privately owned and the main products are canned fruits and vegetables, fruit juice concentrates, Tetra Pak juices, fresh apples, apricots and strawberries, fruit tree seedlings and IQF frozen vegetables. The brand is ViS (cans and juices) and the target markets are: canned production and Tetra Pak juices: Five percent to the local retail market, five percent to local supermarkets and 90 percent to export wholesalers; fresh apples: Export wholesalers; fresh apricots and strawberries: Local wholesalers; fruit juice concentrates: Export food manufacturers (Germany, Austria, Poland); Fruit tree seedlings: Local market. Overall: local sales: 10 percent; exports (EU, Russia, Belarus, Kazakhstan and other CIS countries): 90 percent.

Strengths: Strong raw material supply base; availability of self produced raw materials (around 30 percent), which provides a certain level of flexibility; reliable relations with farmers' raw material suppliers; high quality of final products, which are appreciated on the local market; a diversified customer base on the Eastern (CIS) market.

Challenges: Increased competition from multinational food giants and far eastern (China, India, Thailand) canneries; limited marketing and promotional budget; shrinking raw material supply base; high dependence on price fluctuations on apple juice concentrate market; lack of access to new product development ideas.

Future plans: Further diversification of product assortment: Increasing the share of frozen fruits and vegetables, starting a ready meal product range; decreasing dependence on the CIS markets (canned production) and large food manufacturers (apple juice concentrate); continuation of cooperation with area farmers.

S.C. Clas Interprod S.R.L., Romania

The company is an association that was established by two associates in 1997. Its main products are meat cuttings and deboned meat and the target markets are supermarkets (two supermarket chains in Romania). It has become one of Bucharest's leading and most respected suppliers of top quality beef, lamb and pork products.

Strengths: Implementation and certification of quality and food safety management systems to ISO 9001:2008, and ISO 22000:2005 standards; easy access to cash.

Challenges: Increasing price of raw materials (beef); lack of skilled workers; current economic environment.

Suggestions: Promoting and supporting local trade (avoiding long transport of raw materials and food products); promoting growth of local agriculture; promoting organic food; public education (healthy food).

Fragaria, Croatia

A private company that was started in 1989 and formally established in 1992. Target markets are: local retail; modern retail/supermarkets; and regional exports. Most of its activities are based on primary production of fruit (apples, strawberries and raspberries) and the organisation of production (technical assistance and consulting). The company also entered the processing industry with ready to eat salads and frozen berries.

Strengths: Strong management with clear understanding of local and regional market trends; high quality standards; implementation of Global G.A.P., ISO 22000 and other relevant certificates of production.

Challenges: Croatian market too small for certain products; size of the company rather small in relation to main competitors; branding of products (expensive and risky investments).

Main success factors: Quality of products in relation to imported ones; successful grouping of farms – long term relationship; mergers and acquisitions.

Suggestions: Quality control system for products on the Croatian market; marking products that fully meet the required criteria.

Benedek Fruit Farm, Nagyréde, Hungary

Founded in 1995, it started by producing strawberries. In the beginning the company only produced fresh products, which now include strawberries, sour cherries, currants, raspberries and apples. Last year's innovations include: sour cherry juice, apple juice, raspberry jam and raspberry syrup. Target markets are: mainly local sales direct to consumers; modern sales (internet); and fresh fruits to the food industry. Only 5-6 percent of annual revenue comes from the company's processed products.

Strengths: Primary production, processing and sales are all conducted in one place.

Challenges: Producing the necessary amount of processed products; ensuring uniformity of products; using the best technology in every step of the process – diversified knowledge; the high cost of processing products; expensive investments are required; reaching new customers; organising market research; negative information and news can influence demand.

Main success factors: Small family business, which can meet and talk to the consumers personally; price, quality and reliability; soft fruits are delicate and require quick processing; permanent income; people do not want to make jam at all; raw materials for jams are expensive.

SC Agrozootehnica S.A., Seini, Romania

This is a 100 percent privately owned company established as a joint stock company with a registered capital of RON 577,000, consisting of shares with a nominal value of RON 2.5 per share. The company was founded in 1999 by dividing a state enterprise and was privatised in 2002. At this time the process of modernisation of dairy farms began. The target market consists of the leading manufacturers in the North West of Romania, and the company make direct sales to markets in the three cities near the unit. The company's main activity is the production of raw milk at the farm, which it sells directly to the processing company (approximately 80 percent). The remainder is capitalised as fresh milk through automatic distribution machines or through direct sales.

Strengths: By modernising, the company was able to solve many problems of breeding milk cow technology and a special thing, the manure management system, which entitles it to consider its farm a standard of documentation and training of future farmers.

S.C. Covalact S.A., Romania

The company was a state company, originally founded in 1978. In 1990 it became a public joint stock company. Its main products are (a) fresh dairy products (white yoghurts and sour cream); (b) fresh cheeses and cottage cheese. and (c) milk powder. Brand: Covalact De Tara (Countryside Covalact). The target consumers are people living in Romania's urban areas aged between 25 and 60, with medium to high income and medium to high levels of education. The products are sold via modern retailers and supermarkets.

Strengths: a 35 percent increase in sales in January 2011 YOY; competencies in producing a wide product line.

Challenges: Local raw milk supply; production capacities, raw milk quality in Romania.

Main success factors: Quick access to cash to finance its projects since the main shareholder is an investment fund; very high product quality; very good marketing team providing very important support for sales; very loyal customer base.

OPG Marica Jug, Niza, Croatia

The company is owned and run by the Jug family and its main products are: Organic fruit and 100 percent juices. Apples are grown on 4.5 of the total 6.1 hectares; the remaining 1.6 hectares are used for plums, plus a few apricot and pear trees. Since 2008, a fruit and vegetable processing service (pressing, pasteurising and filling) has been offered. Fruit is processed into juices, jams and mashes without the addition of preservatives, water or sugar. The brands *Maričin sok od jabuke* (Marica's apple juice) and *EKOZONA* (owned by the company Biovega) were initiated by Marica Jug in 2003. Target markets are: Local organic retail stores (bio&bio stores etc.); door-to-door delivery; supermarkets (Konzum or Vrutak); hotels; and regional and (eventually) global exports.

Strengths: Strong will – "where there is a will there is a way"; organic food is "in"; quality products without sugar or preservatives; the "bag-in-box" package.

Challenges: Forming an organic market; transport; financial crisis – buyers who will not pay; achieving constant product characteristics.

Main success factors: Among the first organic farmers; quality products.

Marneuli Food Factory, Georgia

The company was established in 2007 as a part of "Healthy Water" holding and is actively engaged in crop management, mainly tomatoes, cucumbers and peppers. Its main products and types of products are tomato paste, tomato sauces, Georgian sauces (Ajika Tkemali and Sacebeli), cucumber marinades and various fruit preserves. The target markets are local retailers; modern retailers and supermarkets and food services for the Georgian army. Distribution is accomplished with the help of the "Engadi" company which is responsible for the everyday supply of Georgian supermarkets. Every year local farmers and vegetable producers get tomato and cucumber seedlings from the company on the condition that they supply the company with the products they produce. Since the company's seedling production is quite popular in the region, most of local farmers come to them.

Strengths: The Marneuli food factory was one of the first Georgian vegetable factories to start production after the end of the communist era. Production is based on traditional Georgian recipes and is very popular among Georgian customers. Perfectly developed distribution guarantees a stable supply of products in every region of Georgia.

Challenges: Lack of local infrastructure, influence of cheaper imported products, lack of raw materials produced by local farmers, low productivity of workers in the field.

Main success factors: Good reputation among Georgian customers; every year a new product is produced. It is difficult to gain customers' attention especially in Georgia when every family has a tradition for making its own preserves and sauces.

Voske Ser LLC, Armenia

The company was founded by Aram Khachadurian in 2004 and processes fresh milk into Armenian salty cheeses and to other half ready products which are exported regionally to the Yerevan and Ararat regions, as well as to Armenia and Russia.

Strengths: The company's plant is situated in the middle of dairy region in Armenia, which is considered an Alpine zone. The bio-chemical quality of the milk extremely high and is the basis for production of flavoursome and healthy dairy products. The management has good experience and professional skills in dairy production.

Challenges: Lack of sanitary milk (milking and storage problems); poor practices in livestock breeding; risks (currency) and high interest on credits; unfair competition; high logistical expenses for exports (nearly USD 1for 1 kg).

Main success factors: The quality and taste of the products.

Suggestions: Define certain dairy products based on the quality of milk in each region of Armenia; establish veterinary and milk laboratories in every community in dairy regions of Armenia; easy and cheap agricultural credit.

Kondov Ecoproduction Ltd. Sofia, Bulgaria

This privately owned enterprise was founded in 1991 and its main facility is located in an ecological preservation zone in the Balkan mountains in Central Bulgaria. It produces and sells top quality traditional Bulgarian and European milk products that are prized in salads, eaten in various snacks, or added to Mediterranean-style dishes. A production line has also been set up for goat's and sheep's milk Gouda-type cheeses that are exported. More than 90 percent of finished products are exported: the company is present on the European markets in Bulgaria, Germany, Greece, Netherlands, Sweden and Switzerland, has been exporting to the USA since 1993. It also has partners in Australia, Israel, Italy and other countries.

Strengths: Production of organic Mediterranean types of cheese and international sales.

Challenges: The poor state of Bulgarian agricultural production which results in shortages of sheep's and goat's milk, which are the main raw materials.

Main success factors: Careful analysis of the international market of the final products and the raw materials.

Suggestions: Develop at least one new product per year.

Naszálytej Zrt., Hungary

This dairy company was established in 1976 and was privatised in 1991. Its products are UHT and ESL milk; pouch milk; fermented products in pots; ice cream bases and soy products. Target markets include local retailers, the major supermarket chains and exports to Romania.

Strengths: Ready to find niche markets: organic and lactose-free; stable raw material supply; open to producing private label products (Auchan, Lidl, Tesco, Spar); good reputation in quality (IFS; ISO 22000); image as a producer of healthy products.

Challenges: Huge import competition; fluctuating raw material prices; yearly contracts with hypermarkets; listing new SKU-s; lack of warehousing capacity; low investment and marketing budget; poor HR management.

Main success factors: Did not have current assets and investment loans during the financial crises; flat organisation, meaning quick reaction times; continuous development of the product line; precise monthly controlling/monitoring; successful tender winner (EU + Government).

Varia-vet Kft., Harta, Hungary

Established in 1991, the present management took over 2002. The company's main business is in the animal health care service but it also develops various foodstuffs containing herbs and vitamins. The aim is to provide a feedstuff supplement product range for liver protection, reproduction biology and against conditions such as bowel infections. These products are to provide natural, preventive solutions for animals bred for mass production. The company started meat processing (traditional Harta sausage without preservatives, artificial flavours, additives or flavour enhancers) in 2008 and now this amounts to 30 percent of turnover. The company has supplied the Cora chain for three years and it also supplies restaurants and sells to individuals.

Challenges: The company is currently utilising only 30-40 percent of its capacity. In the present economic situation there is no proper purchasing power for relatively expensive but high quality products. The main task is to find new markets.

Main success factors: Top results in different competitions; good feedback from customers; good publicity in foreign countries; recognition from local people.

MIH d.o.o., Croatia

The company is owned by Istria County and while the main product is extra virgin olive oil, an elderflower vinegar and olive oil with white truffle are also produced and sold. MIH cooperates with farmers who pool their harvest and sell it to a single buyer who then processes, bottles and sells the product under one brand name, San Gurmano. The target markets are regional and global exports, local fine retail, fine restaurants and hotels. The company provides technical assistance and consulting to members of the cooperative in Istria.

Strengths: High quality product; design of product; collaboration of labour; tradition and trust in quality.

Challenges: High cost of production; to meet new market with the products; to continue research to improve products and to create new high quality products.

Main success factors: Great cooperation with farmers in Istria; hard work and permanent work on promoting Istrian traditional products.

Vipro, Gevgelija, TFYR Macedonia

The company has a single owner who set it up in 1992 and its main activity is processing vegetables and fruits: vegetable specialties; pickled vegetables; roasted vegetables; sweets programme; vacuum-packed vegetables and other products.

Strengths: It is an export oriented company; it has an HACCP certificate; it is a member of the Processors Association in Macedonia (MAP); home-made quality production; qualified staff.

Challenges: Seasonal labour employment; cooperation with financial institutions; supplying the necessary raw materials.

Main success factors: Excellent cooperation with producers of primary products; good raw material base; innovation and introduction of new products; long term cooperation with importers from 15 countries including Canada, Australia, New Zealand, UK and the US.

FPC Rogob Srl, Republic of Moldova

The company was founded by Grigore and Veronica Rosca in 1997 and its main productive activities are primary production; it has its own plant for meat processing and producing sausages; its own distribution system and specialised meat stores. The target markets are local retailers; modern retailers and supermarkets; its own network of specialised stores; and regional exports.

Strengths: Processing meat from local suppliers; national distribution; large variety of products; good reputation of the products; implementing innovations.

Challenges: Deficiencies in agricultural legislation, specifically in the meat industry; lack of local raw material year round; influence of imported production, for example price.

Main success factors: Traditional German recipes, new production machinery; strong administration team; national distribution.

Suggestions: To create a regional association of SMAEs to create a forum for discussing several topics; to publish the trends of development of SMAE through FAO; to create a policy based on regional needs to protect the SMAE from global competitors; to enhance government support for agro-businesses.

Gloria Cheeses, Armenia

This individual enterprise was initiated in 2004 by Gor Sargsyan and produces Gloria-brand cheeses such as Gouda, Maasdam, Goshenthal and Lori (an Armenian type of cheese). Milk is sourced from its own farm "Megina Farm" as well as local farmers and processors. Processing is based on traditional Dutch technology and includes milk cleaning; pasteurisation; adding bacterial cultures and rennetting; the entire cheese making process; pre-pressing; moulding; pressing; brining; packaging (coating) and ripening. The company collaborates with farmers to achieve quality and increase the quantity of the milk by improving breeding with the help of artificial insemination. The cheese is taken to the warehouse in Yerevan by the company's own vans. Target markets are modern retailers and supermarkets as well as pizzerias and restaurants in Yerevan.

Strengths: remaining faithful to technological principles, which are the enterprise's most important assets and are unique.

Challenges: Lack of milk, which stops the production of Gori-Lori, which is the most popular cheese; obtaining of cooling tanks for milk cooperating points; everyday increasing price of the milk.

Main success factors: Consistent quality; typical taste; client trust; the fact that the company has its own farm; use of exceptional natural milk.

Altın Damla Zeytin ve Zeytinyağ Ltd. Turkey

The company is a partnership and was initiated in 1998 and the present owners bought the firm in 2006. The company uses the brand HACIPAŞA (Hadji pascha) and its main product is bottled olive oil, marketed through local retailers and food services.

Strengths: Small scale; close to the source of raw materials; oil quality depending on the ecology.

Challenges: Unstable prices; marketing risks (delay of payment); natural disasters (freezing), qualified employees.

Main success factors: Being small but fast in reacting to market changes and necessities.

Solvex Mira Frukt AD, Bulgaria

The company was initiated in 1997 and has 100 percent Bulgarian participation. It produces canned fruit and vegetables and its main products are marinated vegetables, ready vegetable dishes and salads, sterilised vegetables, fruits in syrup and jams. It has its own brand "Mira" but is also working under private labels. Its main target market is global exports, mainly to Germany, Russia, the US and Canada, but also to Australia, Greece, Mongolia, France, Kazakhstan, Israel (kosher on request), UK and Romania, with limited quantities supplied to local retail outlets. A production unit, fully renovated as per the HACCP requirements of the EU in 2007, consists of five production lines with a capacity of 3,500 tonnes net; warehouses for ready products are three at ground level and one underground with constant temperature for goods at risk of freezing; a building with sturdy construction which is not used presently is planned to be developed as a cool house. A packing unit is located underground with a line for labelling and packing. The facility has been using gas power since 2005.

Strengths: Highly experienced management – 30 years of experience in the industry; established, yet diverse foreign markets; large assortment of products.

Challenges: Seasonality of production; lack of working capital; some dishes are labour intensive as some processes cannot be automated; lack of raw materials from local markets.

Main success factors: Great reputation: relentless focus on quality and impeccable business ethics.

TARAVIS Baromfifeldolgozó Kft. Hungary

This poultry processing company was founded in 2001 with establishment of slaughtering facility, while on another site the company in the group (TARAVIS Plus) is further processing marinated products. Its brands are TARAVIS and Dunántúli FINOM CSIRKE as well as various private label products. Target markets are: local markets (many small stores that receive deliveries every day); supermarkets (TESCO, LIDL, CBA); the company is the main poultry supplier for KFC and also makes regional exports to Slovakia and Romania.

Strengths: Flexible organisation with matrix functions; feed mill, farms within the company group (GALLUS), ability to meet special customer demands during processing.

Challenges: Ineffective cost structure; carcass weight of live chickens; no effective governmental support for farms; Salmonella situation.

Main success factors: Large volumes with the supermarkets; special, expensive products for other customers; product development based on new packaging systems; convenience products.

Suggestions: Developing own brands, proactive action regarding the Salmonella situation; product development regarding new convenience products; cooperation with big supermarket chains.

Dentina dooel, TFYR Macedonia

The main activities of Mabi Trade, which was founded in 1993, are transport, exports and imports. Dentina, a daughter company of Mabi Trade, is a 100 percent privately owned family business that was founded in 2003 and has a factory for fruit and vegetable processing. Activities include canning vegetables (peppers, beetroot, mixed salad, gherkins) and exporting fresh vegetables, home cooked ajvar and lutenica. Target markets are modern retailers, hypermarkets and supermarkets; food services (hotels; restaurants etc.); regional exports (in the former Yugoslavian countries) and global exports (Australia, Canada and all the EU countries). Ninety per cent of production is for export.

Strengths: Environment with good climate for growing vegetables; cheap but experienced labour; low cost for transport of raw materials; certificated ISO 9001:2008 and HACCP and now is implementing ISO 14001 which are confirming the quality of the products.

Challenges: small capacity for global market; climate change; financial problems; insufficient funds for promotion; high interest rates; lack of government help for exports.

Main success factors: Production of healthy products from a healthy environment; professionals operate with modern technology; everyday growth of food demand on global level; marketing oriented company; pays a lot of attention on marketing activities (trade fairs, advertising and promotion in the markets where Dentina is selling their products etc.)

Suggestions and proposals: Dentina is working on developing new products from the anti-pasta programme (peppers filled with cheese, peppers filled with tuna etc.); project for new lines of production (home cooked ajvar and lutenica) and modernisation of the technology approved by IPARD; working on gas (Strumica started to build a gas line in 2011); building own system for energy production (for hot water).

Dürüs Gida Tarim Hayvancilik Turizm Ltd. Şti., Turkey

The company is a producer, importer, exporter, and distributor of RoyalGreenland in Turkey. Its products are marinated anchovies and smoked salmon, and its brands include Lotus, Duralco, Fishers and RoyalGreenland. Its target markets cover modern retailers and supermarkets; food services; global exports.

Strengths: Ability to develop and maintain joint projects with a partner from the European Union; knowledge of Turkey's seafood market.

Challenges: Instability in labour costs and the cost of raw materials and gasoline; requirement of full-load caused by the distance to EU; difficulties of finding labour due to the difficult operating environment.

Main success factors: A European partner, expertise in customs affairs.

Suggestions and proposals: Rapid development of the Turkish seafood market has great potential for new products. Turkish consumer intake habits are changing and healthy eating is getting more important day by day. With the right quality, products and price, it is possible for new seafood brands to become established on the market.

3.1. Summary of SMAE presentations

The participants came from the fields of fruit and vegetable, milk processing, dairy, food processing, olive and olive oil, pork processing, poultry, beef, agro-food, vegetable conservation, and cheese industry. The participants showed different approaches to the market and market behaviour and all face different challenges. The following list highlights the most important aspects in achieving success and a number of similarities are clear:

+ High quality means break-through points;
+ Quality and flavour of products are key to success;
+ Analysing the international market;
+ Analysing product quality;
+ Analysing raw materials;
+ Management, quality standards;
+ Following pioneer strategies;
+ First-mover strategy;
+ Establishing a reputation on the market;
+ Maintain reputation;
+ Being customer/consumer oriented;
+ New products/refreshing the product line;
+ Broader product lines;
+ Meeting consumers personally;
+ Collecting feedback from customers;
+ New packaging systems;
+ Excellent cooperation with producers of primary products;

+ Further diversification of product lines;
+ Traditional recipes;
+ Updated machinery;
+ Strong administration team;
+ National distribution;
+ Quick access to cash to finance the projects;
+ Being small but fast in reacting to market changes and necessities;
+ Identifying European partners.

The most important success strategies applied by SMAE managers fall into categories related to the application of appropriate management and procurement models; product development, often based on traditional recipes not offered by large multinationals; packaging branding and promotion; consumer relations and market development and product quality.

4. Roundtable discussions

During the roundtable, the following six themes were discussed in group and plenary sessions:

+ Business models for procurement;
+ Product development, branding and labelling;
+ Quality and safety management and compliance with standards;
+ Supply chain efficiency and logistics;
+ Operations and investment finance;
+ Associations and alliances.

For each of the first four themes, three groups of companies were formed depending on their size and product orientation: (a) medium and large fruit and vegetable processing, (b) medium and large meat and dairy and (c) a mixed group of small and small-medium companies (including an oil company and smaller companies). The scheduling of these roundtable discussions is shown in Annex 2 and the participants of each group are listed in Table A3.2. At the end of each discussion, a rapporteur from each group presented a list of key points for all participants. A summary of each discussion is provided below.

4.1. Business models for procurement

4.1.1. Medium and large fruit and vegetable processing companies

The processing companies shared their experiences about trying to ensure the reliability of supply. It is important to create long term cooperation with farmers to encourage trust, as in some cases farmers will sell their output to another company if they can receive a better price for their produce, even though they are under contract. It is necessary to discuss everything with them. In Armenia, a new practice is to prepay farmers to ensure their loyalty with the company. Some companies will provide help to farmers to help ensure supplies. For example, they might provide finance or seeds to farmers or cooperatives, but there can be competition, with other processors giving better offers. For example, in Georgia, when new factories have opened, existing processors can lose the farmers working for them. Here, processors may give jobs to the relatives of the farmers that are contracted with them.

All companies have fixed contracts with suppliers and this may include a preliminary estimate of volume, but prices may be set later, even with "permanent" suppliers, often close to harvesting. In Bulgaria, farmers never agree on prices before the start of the season (February). In Macedonia, contracts are placed with buyers in February and March and the volumes and prices can be determined around March-April for production which starts in June. Different types of products have different types of contract. The processor may fix its price when it knows the size of its order book. Furthermore, with fruits and vegetables the prices may be set just before the picking time and are connected to quality since the fruits are picked by hand and quality matters during processing.

A problem which arises in most cases is that processors cannot obtain all the raw materials they need from fixed partners and have to purchase from various sources at market prices (which is a risk factor). Farmers may enter into contracts when they do not have the produce to fulfil them. They are not aware of the fact that the company has to plan the processing, although "permanent" subcontractors better understand this. The raw material base is shrinking and there is a huge competition for raw materials. One participant suggested that the cause of this decrease is changing climate conditions, which result in lower yields. In Macedonia it was suggested that the government stimulation should be provided for those farmers who supply their produce to the processing facility.

In Bulgaria, owing to the small size of farms, vegetables such as onions are supplied in small volumes. In Georgia there are no medium-sized farms; rather, one person has a huge amount of land and there are very many farmers with smaller farms. It is necessary to manage the small farms: the farmers can be lazy and do not want to work hard and have a "work less, earn more" attitude.

Transportation is usually supplied by the processor since many farmers do not have trucks to transport raw materials. It is better for companies to have their own fleets, although this is costly. Depending on the product, collection points are located to make it easier for companies to get the raw materials, although this can be associated with traceability problems. Companies employ field men to assure both the quality of the products and the reliability of supply. Before buying they must test the quality of the product.

In Croatia it is better to export to northern Europe as the payment policy is better (3-4 weeks, compared to up to 150 days in Croatia). In Georgia supermarkets press producers and processors to lower their prices and Vietnamese products are threatening the market.

The rapporteur listed the following key issues:

+ Contractual relationships with farmers: contract, contractor;
+ Payments related to product delivery and price differences based on quality;
+ Strong competition with products from other countries.

4.1.2. Medium and large meat and dairy companies

All of the companies have contracts with farmers, some of which are yearly contracts as in the case of milk. A good reputation can result in good contracts, and in the end it can lead to a constant price which makes planning and forecasting easier. Although it is considered better to work with farm contracts, the volume cannot be fixed exactly as it is hard to plan. It is necessary to pay a competitive price – a stable price is better for the season, but every season brings a higher price. There are several factors which can cause price fluctuations, for example changing feed and medicine prices.

Sometimes suppliers are lost as they do not accept the conditions of payment. Loyalty is encouraged by giving support to suppliers, such giving advice to organic milk producers on which medicine to use or providing technology devices (e.g. storage tanks). This can come in the form of a prepayment as in the case of Hungary, where 40 percent of the price is given to farmers as they need the regular income. In Bulgaria, a little financial help is given, but only to reliable suppliers since the long term relationship is necessary. In Romania, the price paid for milk is fluctuating; small farms get less because of the quality and quantity bigger farmers get a higher price. By investing in big farmers and thus supporting investment in animals or technology they pay back in milk on ten year long contracts. Vertical integration is an option in the chicken supply chain: the processor supplies the farmer with feed, medicine, etc. and the farmer supplies the chickens. The arrangement includes continuous contracts and a close relationship with the partners.

In Bulgaria a higher price is paid for better quality milk, and similarly in Hungary the milk price is dependent on quality, although in some cases it is negotiable. In Hungary and Romania samples are quality tested in the laboratory. In Romania, the quantity of milk also tends to fluctuate (winter is difficult) and it has been necessary to import from Hungary and Slovenia. In Hungary milk is collected every day or every other day and since the national average is 2.3 cows per farm, collection centres make sure the optimal volume is collected for transportation. In Romania small farmers give their milk to the collection centres and the processor makes a contract with the centres rather than individual small farmers, but it also collects milk from big farmers that have their own cooling tanks.

The Moldovan company contracts with a company that collects beef from farmers. In Romania there are problems with beef procurement (due to the structure of the market) high prices and beef leaving the country, and the processor has firm contracts with firm quantities. Pork is sourced from a big slaughterhouse which buys from Hungary and the Netherlands. In Moldova 80 percent of pork is bought by Armenians so it is imported from Brazil and Europe.

Fish is the only product that can be exported to and from Turkey to Europe (no beef, no chicken) and traceability is very important. It can be stored throughout the year: frozen fish is healthier than fresh fish. If it is frozen on the day it is caught it can stay good for 18 months. However, frozen product is harder to sell in Turkey although in recent years it has become more popular.

The rapporteur listed the following key issues:

+ Diverse group: sheep, pork, fish, dairy;
+ Individual contracts;
+ Guarantee of supply;
+ Improve own farm management.

4.1.3. Small and small-medium companies

For both producers and processors, price, quality and reliability of supplies were major topics. A Romanian dairy producer that buys concentrate for use in feed now competes with biofuel production, the result being price fluctuations and increases, and no contracts with fixed prices. A cheese processor in Armenia, by contrast, noted that the milk purchase prices had remained the same for ten years. Fifty per cent of milk production is from his own farm and he has no written contract with farmers, but buys a few litres of milk to keep authority. To maintain the quality of supply he collaborates with farmers in the village and the Ministry of Agriculture in a programme of artificial insemination. His plan is that his company will pay for the farmer's insemination costs. His problem is actually selling his cheese; there is a struggle between producers and some have now stopped producing. Both companies have imported technology from the Netherlands: the former bought 350 cows from Holland last year whilst the latter has invested in Dutch technology.

Another Armenian cheese processor who sources milk from 100 farmers of various sizes noted that big farmers want to have more money for milk than small farmers but that their milk was not necessarily of higher quality. Therefore, competition between small and large farmers is unfair. The company buys what the farmers produce, with three days cancellation time. Milk is collected from the farmer twice daily, or once daily in winter and this is a geographical problem as the farms are located far apart. There are many competitors in the region. Quality is also a problem as the company does not have a laboratory and it is difficult to monitor milk quality. If the quality is thought to be low the farmer is paid a lower price.

As reported above with milk, there is much competition between olive oil processing companies in Turkey. One processor expects farmers to bring their products to them, but for very small scale farmers (0.5 ha) they offer a collection service. Although they share the farmers with other processors, as this is a good service, the farmers return to them. Their main problem is that each supplier sends only small amounts of product and wants to have it processed individually. The input material is of heterogeneous quality so the company does not work to full capacity. The problem would be solved if the processor had their own plantation and could therefore process large amounts.

A Hungarian fruit grower and processor reported that consumers want to buy more processed product but fluctuations in demand make this difficult: The amount they can sell cannot be calculated in advance. A fruit grower and processor from Croatia wanted to export juice to Germany, but higher volumes would require raw materials to be bought in, representing a risk because of the lack of organic regulations in Croatia: Organic production is officially controlled only once a year. Now one worker controls the partner farms. His market demand is also uncertain so fruit purchases without a contract are preferred and the farmers are paid after the product is sold.

The rapporteur listed the following key issues:

+ There is a large variety of situations and approaches;
+ The situation of farmers is based on trust, farmers may be linked to processor by informal arrangements and incentives;
+ Competition with other producers;
+ Armenia: penetration of big dairy industries: small producers have difficulties;
+ Higher value products;
+ Arrangements: more formal;
+ Many of the companies are at an early stage of development;
+ Adequate quality;
+ Increased maize prices caused by biofuel production have increased production prices.

4.2. Product development, branding and labelling

4.2.1. Medium and large fruit and vegetable processing companies

Most companies have their own brands, but most also produce private label products for supermarkets. In Croatia, own brand products are cheaper, but hypermarket brands have been on the market for a longer time, which means that customers know them better. This illustrates customer loyalty. In Slovenia and Croatia they sell their own brands (Mercator - hypermarket brand) and private label is bigger in volume. The Moldovan processor produces 50 percent for its own brand (local market) and 50 percent for private labels (export) but private label products are increasing within the portfolio. Supermarkets reduce the product range. For the Bulgarian company, 90 percent is private label and it does not work with hypermarkets. A Macedonian company has both its own and private label products.

It is necessary to research the market and find out what kind of demand exists (Americans use dips, etc.). The target market in Croatia is people who cannot go to shops (ready-to-eat salad) and this product is new in the market, thus it is highly advertised. In former Soviet countries there were standard products which consumers are used to, and these are habits that are difficult to change. In Moldova, the procedure for registering new brands is long and stressful, so companies are more likely to stick with one brand. In Georgia, almost all brands are young, which means marketing is very important. Trips are prepared for students and teachers to visit the factory and during religious holidays special food tastings are organised. One of their products became more popular when it became known that the company supplies the Georgian army.

In order to attract consumers, companies create good names for brands and labelling is crucial in making the products more appealing. In Georgia the product packaging is very bright so it is easily noticed by customers. In Bulgaria a lot of money is spent on labels, with friends doing the design. The name of the product is very important (Georgian-style, Greek-style). In the beginning, the Bulgarian company used only jars so that the product was visible. If you want new products, you have to stand the expenses involved. However, in Croatia the volume is so small that companies cannot invest more in marketing to present products to customers. They have to try to present them through "guerrilla marketing". The Armenian company has started to register its labels.

The companies use different methods to differentiate their products on the market. They may find a story about a product, which they use as their marketing. It can be a change in the ingredient (e.g. use olive oil instead of traditional oil), using a traditional ("grandma's") recipe, or with ajvars, using a traditional shaped jar, which still employs the traditional recipe but with mechanised production. Labelling provides more information - food pyramid (vegetable is the most important), nutrition facts. Some companies use paper labelling, in the case of metal labelling once it is done, it cannot be changed. The Moldovan company finds it difficult to promote its own brands e.g. when they are sold in another country.

Several of the companies have been involved in new product development although it is more common simply to change the recipes they use. One Macedonian company does little outsourcing in product development and in-house they have a machine to test new "delicacy" products for customers. The other uses a food specialist – a technologist for product development – and has produced healthy food (field products, less chemicals). The Bulgarian company has developed higher priced, small volume products for niche markets.

The rapporteur listed the following key issues:

+ Different packages dependent on the outputs;
+ Cheese and fish products: Brands for local market, but also used for supermarkets;
+ Poultry and milk products: one strategy: medium and higher quality labels;
+ Traditional recipes;
+ Specialised product: market share.

4.2.2. Medium and large meat and dairy companies

Most meat companies produce mainly supermarket brands. Owing to the size of the Romanian company, they sell directly to the consumer. Their future plan is to have their own value adding room and brand so they can sell prepared meat (packing, mincing, etc.) and ready meat, for instance to restaurants. In Moldova, when a new product is released, the company provides tastings in restaurants. The company differentiates its products: For villages they have a so-called "social salami", which is cheaper, but is available to more people. The goal of the Hungarian chicken company is to increase volume to provide cheaper products, because price matters to consumers. They are also interested in organic products.

The Bulgarian cheese processor uses its own brands and sells big packages (200 kg). Companies should know and define their products. They have different brands for the local and export markets as you can only sell under a name that people recognise. For exports to Sweden the partners send the labels to Bulgaria. A good label should have plenty of information. In terms of sales, a strong wholesale and distribution structure is necessary and for exports you should know the structure of the country you are shipping to.

For the Romanian milk company, labelling is important because it shows where the product comes from. The company has an advantage because one of the owners is an investment fund, thus more money goes to branding and marketing. The Turkish fish company has three different brand names. What they change is the colour, the weight, the packaging and in this way they can reach more consumers.

Product development means two things: either coming up with a brand new product or developing traditional recipes. One participant suggested that a company needs to develop at least one product each year and that every company should use a food technologist, because it provides greater returns in the long run.

The rapporteur listed the following key issues:

+ Difficult to sell in supermarkets and hypermarkets;
+ Raw materials;
+ Traditional, historical recipes.

4.2.3. Small and small-medium companies

Much of the discussion centred on branding as it was agreed that companies should try to come up with a brand. A Croatian fruit producer and processor used a self-designed logo when the business started but now uses branding created by a design firm. A Hungarian producer which is new on the market with processed products is using simple packaging, just the logo of the company and production quantities. Its plan is to ask marketing experts to help improve the packaging. Its strawberries are labelled with an excellent Hungarian product trademark because in 1999 it fulfilled the criteria laid down by AMC (Centre for Agricultural Marketing). It is well known in Hungary and is also used as a marketing tool for strawberry jam. One Armenian cheese producer uses a self-designed logo to distinguish its cheeses in the local market. Another has registered two logos.

There was also some discussion about packaging. A Turkish olive oil producer uses 0.75 litre, 1 litre and 5 litre packs and special cans with pepper, oregano, etc. (as souvenirs). One Armenian producer supplies salty cheeses in plastic packages of different sizes: 100 g, 200 g, 1 kg, and 5 kg. The Hungarian fruit grower sells jams and syrups in medium size bottles. He wants to sell high quality, traditionally processed products derived only from his own raw material for a good price but believes that high quality products need not be so expensive.

The Romanian milk producer sells 80 percent of his milk to a processor. Until three years ago there were individual contracts between farmers and the processor, at different prices. Processors offered different prices and prices always became lower. Now that there is an association of producers there is a better price and all of the terms are fixed in the contract. The producer sells 20 percent of his milk directly through distribution machines (three machines, 800 litres of milk per day, located in a market, a building and a shop). The machines carry a big label saying where the milk is from.

The Croatian organic fruit and juice producer sells his products to supermarkets. The Hungarian producer sells to the food industry, but sells strawberries directly to consumers. Here, special packaging is not required, plastic boxes without labels (not bags) are used, or not in boxes at all, as the consumer wishes. A Turkish olive oil producer markets some of his products directly on the internet under a traditional name, but also supplies a big retailer, but under his own label. No market research was carried out and quality was considered to be key.

For an Armenian cheese producer, the closure of a big export market (Russia) was initially a big problem, but for the last two years it has not been such a problem. Quality has been important and with more than 20 years in dairy industry, they know how to make good cheese.

The rapporteur listed the following key issues:

+ Differentiation of market outlets: size of packages (small/big, local retail). Try to increase share of smaller packages, because price can be higher;
+ Own brands, or try to establish with professional agencies, however no marketing/ consumer research;
+ Own traditional recipes (jam);
+ Standard product, but higher quality brand (cheese, olive oil).

4.3. Quality and safety management and compliance with standards

4.3.1. Medium and large fruit and vegetable processing companies

Except for the Georgian company, the companies all have ISO certificates (ISO 22000) for their products. Most also have HACCP system working. In Moldova, sanitary regulations are stricter than ISO, so the companies can easily adopt ISO and HACCP certifications in the future. The Bulgarian company also has a kosher certification, a Russian governmental standard, and special nutrition facts for the US. There is no Croatian standard and companies are only obliged to follow the law that covers food, but Croatia has an Authority. In Armenia there is a national standard and every product must have a standard or a technical condition. In the trial period while seeking accreditation, everything is checked. One company is certified to export to Russia (can give samples of how the exported product looks). Different countries require suppliers to have specific certificates, which it is difficult to apply for (e.g. IFS). The general feeling in the meeting was that ISO is necessary, but that should be enough: there should be one standard to cover all of the needs. It was suggested that in Bulgaria a lot of SMAEs will close because of the certificates needed.

The Macedonian and Croatian companies mentioned Global G.A.P. (www.globalgap.org), a worldwide standard that assures Good Agricultural Practice. The latter company established it five years ago and convinced its subcontractors, it is viewed as being expensive but worth the cost. In Macedonia there are no organic or geographic certificates.

Most if not all of the companies have their own laboratories to do different kinds of analysis (e.g. pesticide residues). The Macedonian company also commissions analyses with specialised agencies and then compares the results. It also has a metal detector and its products have to pass through the checks. It is building a new laboratory and has strict rules because of the need to comply with standards. Similarly, the Armenian company has access to a big laboratory which is accredited by the WHO and which it can use for checks, although this is expensive. Its own laboratory, with three staff, tests the contents of the products, and farmers can bring their products to the laboratory for a check. The Georgian company has its own laboratory and pesticide residue control is very strict: the small farmers have to be controlled closely. It has good support from the agricultural ministry -

they have more laboratories, so they can analyse also and it is not expensive to have products checked. But disease control is not available through the government: the company has to send samples to Ukraine.

There are various quality issues related to exports. Macedonia cannot sell ajvar in Slovenia, because it is protected in Slovenia. Moldova exports apples to Russia, and the Russians have excluded companies when pesticides and other chemicals have been found on their apples. Similarly, the Germans found pesticide residues in apple concentrate from Moldova. But it is impossible to test the entire volume that is exported. In Israel quality controls are good so there are no problems with exports there.

Traceability is the responsibility of the producer and in Bulgaria the market decides what is necessary for the products (traceability, certifications). Traceability issues vary from country to country. In Croatia strawberries are easy while cucumbers are more difficult. Most of the products for Macedonian producers come from contracted farmers but the other products can hardly be traced. Several of the companies have field staff and/or agronomists who are responsible for quality control. They talk to farmers and check up on them. In Georgia, nitrogen is very cheap and thus it has to be controlled carefully, so the farmers do not ruin the soil. The company can easily control its farmers because the area is heavily populated.

In Macedonia, there is an association for collecting and cleaning and this gives help, such as yearly training, to farmers. The Croatian company holds workshops and the Georgian company teaches farmers about seed nutrition, fertilization, etc. There is strict government control of the seeds, and seedlings (domestic varieties of cucumber and tomatoes) in Georgia, and the Ministry carefully monitors the situation.

The rapporteur listed the following key issues:

+ National and international market – standards;
+ Export companies: companies for quality control standards;
+ Laboratories, but only basic quality control, samples to governmental organisations;
+ It is good to pay for specialists;
+ Accept standards, consumers prefer standards, increase competitiveness.

4.3.2. Medium and large meat and dairy companies

Most of these companies have ISO 22000, ISO 9001, HACCP and/or IFS for their products and processing. The only exception is the Moldovan meat company, which sells only on the local market (they cannot sell abroad). There is a national quality certificate which is enough for them and they follow Russian regulations which can sometimes be stricter than EU regulations. In Bulgaria the national standards are very old, and also stricter than the EU regulations. Certificates are obligatory for the EU. Hungarian rules are sometimes stricter than IFS regulations. Of 120 companies, only 70 have EU registration numbers: the others cannot sell on the international market. In Romania certificates are needed for export and intra-trade. Different certificates for different countries can cause problems. In Turkey only HACCP and government control are needed but the Turkish company is applying for Global G.A.P. For organic production in Bulgaria there is only a voluntary system of control.

Testing and food safety are obligatory based on EU regulations 2073-2075. Milk companies have the same regulations as meat companies. Milk should be pasteurised and the factory should respond to certain activities which involves milk processing. The government controls the activities of several companies so there is smaller chance of making errors. For example in Turkey the certification company visits the company.

In Romania companies do not have to certify their food safety system, only when clients ask for it. However, most supermarkets and chains request certificates. Several companies reported that they were quality controlled by their clients. For example, someone from Germany visits the Turkish company to check the marinated products while the Bulgarian company hosts a specialist from the Netherlands who may stay for five days and is considered to be part of the team. These outside checks are considered to be helpful for the company.

In the Bulgarian company GMP is the basis of production and two or three people are involved, day and night to handle certificates and mark the date of production. The Hungarian company has two people dealing with quality assurance. Three technologists are employed by the Romanian company. The view of another participant is that every company should have at least one product engineer or food engineer. The Turkish company uses vacuum packing as part of its efforts to ensure quality and safety compliance. Stress tests are used by the Romanian company, keeping the products at high temperature to stimulate some of the problems that could occur.

Full traceability must start at the beginning of the supply chain and can be a little harder, but the Bulgarian company observes that it is "somehow working".

The rapporteur listed the following key issues:

+ ISO, HACCP;
+ Improve quality of raw material;
+ Food safety control system;
+ Problems: testing, uncontrolled risks, different labs – different results.

4.3.3. Small and small-medium companies

The view was that good raw materials result in good products. For example, healthy cows will produce quality milk. However, in Armenia: 80-90 percent of milk is produced on small farms (max. 10 cows) and farmers cannot pay for quality control. There is a need for laboratories in the milk regions to help farmers to increase quality. One Armenian company has its own laboratory, but does not have enough resources. Also, good technology is required. There is financial help available from the government for farmers to get new milking machines from the Netherlands that work automatically.

The Hungarian company does not use Global G.A.P. because the partners cannot afford it. Even if they had the system they would not be able to ask for higher prices for their products. The Turkish company does not use Global G.A.P. either. In Croatia there are Croatian and European Certificates for organic fruit production. A Hungarian regulation (őstermelő!) allows "homemade", but not "organic", products to be made at home and sold within a 50 km radius of Budapest. The manufacturers do not have to do anything: Government offices can conduct controls, but there is no food safety certification. In Armenia there are two kinds of official certification, one of which is for experts. One Armenian participant referred to ten day long training courses on quality standards, namely, milk, sanitary, cleaning and packaging rooms. Employees of the Croatian company have an annual HACCP control test.

Various arrangements are in place for quality control of products. Oxidation in olive oil will increase acidity and it is very important to process the product within a few hours (maximum days). The Turkish company bought big plastic boxes for the raw material and nitrogen gas is introduced into the oil tank to prevent oxidation. It has a small laboratory to measure acidity and the product is classified into three quality categories based on acidity (with the information shown on the packages). The Hungarian fruit producer does not certify its raw materials: Sending samples to partners for analyses is enough of a control, although it does send its processed products for analysis at an authorised laboratory. The Croatian producer controls its fruits in its own laboratory but has a contract with the Faculty of Food to control the process and provide advice.

The Romanian milk producer conducts quality analyses to European standards and if there is a problem the milk does not go into the tank. Samples have to be sent to an authorised laboratory and this is expensive. Payment is shared 50-50 percent with the processor (10 EUR per sample). Quality indicators also influence milk prices and producers that do not respect quality standards receive lower prices. Animal health and personal health are also controlled. Products from outside the EU do not respect these standards. The Armenian cheese producer has a contract with a company that analyses ripened cheese on a monthly basis. The cheese has to be completely analysed by the company and all relevant information has to be written on the package. The ministry analyses product from the supermarkets.

The rapporteur listed the following key issues:

+ Small cheese producers: governmental institutions control;
+ HACCP, GAP;
+ Milk production: animal health – control by authority and company, price is differentiated based on quality;
+ Small food processors: e.g. organic certification (national – EU);
+ Companies invest in technologies improving quality and education of employers.

4.4. Supply chain efficiency and logistics

4.4.1. Medium and large fruit and vegetable processing companies

This is an important topic because the companies do not have the right not to deliver. In Georgia it has been very difficult because the workers are not used to working hard and it is necessary to motivate them. Half of the workers have household plots on which they also have to work. Due to the quality of human resources the growing processes has been mechanised. Process steps have been mechanised, leading to increased efficiency and more profit. A new computer program monitors all the moves (sales, quantity of raw material, prices, orders, etc.) and makes it easy to react to developments.

Planning ahead is important, especially when dealing with fresh products. For example, for one Macedonian company where 80 percent of production is exported planning is crucial. However, not everything can be predicted. Not only must the fruit and vegetable harvesting times be scheduled, but also all of the other steps in the process. The Moldovan company has yearly plans. It starts planning at the end of the year and in February has the final plan ready. They usually know the volumes, based on the previous year, but with small adjustments, and farmers get prepayment. One Macedonian company plans in March. The Bulgarian company starts negotiating in May, and considers the plans successful if 60 percent of the orders can be delivered by February. It judges efficiency by producing only what can be sold by the next season. The production schedule for the Georgian company starts with vegetables, where whole raw materials are used, followed by tomatoes and cucumbers and then fruits. By December, all the products are sold. The company tries to help farmers with harvesting but small farmers don’t have tractors or other machinery.

The Georgian company makes contracts with supermarkets, ensuring a special place for its products, and it can also supply shops with fresh products. The bad side of the contracts is that products must be sold quickly but payment is not always received quickly, leading to cash-flow problems (meaning that farmers and workers cannot be paid). The company has easy logistics as it is located at the centre of the tomato region (the furthest grower is 20 km away) and the army, an important customer, takes the products directly from the storage facility (minimising shipping costs).

One Macedonian company has its own vans and smaller trucks for local transport but other areas in Macedonia are covered by contracted logistic companies. The other undertakes distribution by its own trucks (two) directly to supermarkets' central storage centres. The Bulgarian company has its own trucks and does it own logistics but it also has a good relationship with trucking companies. Exports are organised by the company itself. The Croatian company uses three small trucks for local distribution: organising the orders is difficult, meaning that ready-to-eat salads are of special importance. It is contracted with a trucking company to deliver to other cities. The Croatian company uses professional companies for exports and big lorries are used to make sure everything is perfect as exporting is risky. The Moldovan company uses its own transportation but needs to schedule, because it only has three trucks. It exports to Russia and Kazakhstan by rail (first by truck to the railway station), and to Belarus by truck.

Several of the companies have warehouses and a Macedonian company is building new ones because production is increasing. Those of the Bulgarian company are underground and next to the factories; they need a lot of warehouses, because of the production (the need to keep the products till next season to supply the customers).

Some companies use field men to control everything and organise transport from the suppliers. The raw material suppliers themselves organise the transportation for the Croatian company. A quality check on the produce is made in front of the storage facility.

The rapporteur listed the following key issues:

+ Own warehouse;
+ Mechanisation for improved efficiency;
+ Need: computer programme: development order, transport, distribution system, etc.

4.4.2. Medium and large meat and dairy companies

Short timescales were a common theme. Although the Hungarian company has annual contracts with supermarkets (average orders), it receives daily orders based yearly contracts (slaughter) every morning, which it delivers in the afternoon. Fresh market broiler slaughterhouses have to sell the product right away otherwise the it is wasted. Similarly, the Moldovan meat production and processing company has a contract with a local supermarket. The contract is for the year but the orders cannot be predicted at the time of signing the contract. Every morning one person asks how much production is needed for the next day. The orders cannot be made even 1-2 days in advance. Everyday order - collect orders in the evening (call or email) - all night long put the order together - start production in the morning which is ready by the evening.

The Romanian producer gets its orders (via the internet or fax) one day in advance and there is not much time to prepare the meat that will be sold. Any problems with carcasses are resolved over the phone. The Bulgarian cheese producer receives orders seven days in advance as this much time is needed to make the cheese (different packages - 200 g, tins). The Turkish fish business is luckier, they know when people will buy fish, and how many tonnes they will sell. They also know which day they have to load, and unload. They can arrange all of this easily with clients.

Transportation is an issue. The Moldovan meat production and processing company has its own distribution and own logistics, and collects from local retailers. The Hungarian company transports 80 percent of its production (feed, chicks etc. to the growers) using its own trucks while 20 percent is transported to supermarkets by another transport company. They try to cut the fuel cost as much as possible. For its own logistics the Romanian producer bought a 20 tonne truck. Previously it had smaller lorries but these were insufficient and no it can supply customers anytime, anywhere.

The Bulgarian company uses its own transportation for domestic transport. The milk produced by the farmer goes into a tank and the next day or in the evening of the same day it is collected from the farms and brought to the factory for processing. There are 10-11 collection points. For exports to Western Europe, an order is placed with a specialised transport company. The truck is then loaded, the temperature is checked and the documents are filled out. For exports to the US and Australia 40 ft containers are used. The temperature is registered and a separate device is used to check the temperature so as to meet the needs of the insurance company. Transport to the USA can take 28 days. The temperature chain is important: the cheese must be kept at under four degrees Celsius at all times. The temperature recorders can also be helpful in case of arguments with the client, which happens sometimes.

For the fish business they can arrange everything easily but they have to consider shipping time as transport is usually under contract by sea freight. The price of the product therefore includes insurance and shipping charges.

The rapporteur listed the following key issues:

+ Similarities;
+ Beginning of year contract system to supply; overlooked during the year;
+ Transportation mainly owned.

4.4.3. Small and small-medium sized companies

Transport was the main point of this discussion. In Turkey the olive farmers normally bring the crop into the processing plant, but small farmers without a transport facilities, or big farmers who are located far away, may ask for the product to be collected from their orchards. The olive oil is sold over the internet or by telephone and the product is sent out by a delivery company. The cost of transportation, inventory and logistics is 10 percent of total company costs. This is not so high and cannot be reduced.

One Armenian cheese producer arranges milk transport from farmer to plant using its own transport facility of 16-17 trucks. Similarly it has its own transport facility for delivering the cheese to its own warehouse and for everyday delivery to markets, supermarkets, and for half ready products delivered to food processors. Logistics account for 15 percent of production costs, which is considered to be very high, but cannot be decreased. The other Armenian milk producer and cheese processor, by contrast, has one truck for transporting milk, and it cooperates with another company so that they use the one truck together. It has two delivery cars, but uses only one. The vehicles are fully used.

The Hungarian fruit and fruit juice producer has no truck but works together with a delivery company. It tries to bring the product to the nearest company. Processed products are delivered to consumers by car, the minimum quantity is five (5 litre) boxes of apple juice, or 5-6 jams. The Croatian company has organised transport by the retailers (Bio Vega etc.) and has contracts specifying delivery time and amount of product. The delivery of products to people who buy directly from the company (i.e. by internet, e-mail) takes place in two days or less (via City Express).

The Romanian milk producer talked about the costs of production. It is necessary to improve the technology of feeding and equipment efficiency. Three farmers harvest and transport silage together. The costs of salaries and energy are high.

The rapporteur listed the following key issues:

+ Small companies have a large variety of problems;
+ Similarity in collection of raw materials: to source the raw material and maintain quality, most of companies have own collection services;
+ Sales and delivery to small buyers based on internet orders;
+ Warehouse in larger cities are used for distribution.

4.5. Plenary roundtable: Operations and investment finance

The roundtable started with some general observations on the relationship between banks and SMAEs:

Issues:

+ Bank resources mainly short term in nature – lack of term investment;
+ Banks not equipped with dedicated SME units, general discrimination against SMEs;
+ Banks still cautious in lending to SMAEs due to variability of primary production;
+ Non-transparency of SMAE accounts – difficult for banks to accurately assess credit risk;
+ There is a lot of innovation in this sector and the companies need bank loans.

Emerging opportunities:

+ Risk management (e.g. insurance);
+ Increasing prospects for relationship lending and less dependence on collateral, credit scoring, etc.
+ Private equity.

Interesting questions include: how companies in this region are mobilising their money, where they can find financial help once they have started and how they are managing their cash-flows?

At least one company never uses credit as this is the philosophy of the boss of the family. In any case it does not need huge investment because it is only a small farm. Another has no credit because it cross-finances with other business. A third started with its own capital and has no credit from the banks although it does have credit from the government. For establishing "recipes" it asked for credit from its business partners. A fourth who never uses credit stated that interest rates are too high (12-15 percent). Interest in EUR – rather than in the local currency – is 9-10 percent before taxes.

Some companies said that they have good relationships with their banks. One took an agricultural loan at an interest rate of 24 percent, but after one year it decreased to 14 percent, and the government paid four percent of this. He has to pay for his raw materials and the packaging materials within 25 days. He obtained his machines and other materials by leasing and the agricultural department was involved.

Others stated that they do not like banks, which do not give loans without a huge demand for documentation. According to one participant, the farmers in his country do not trust in banks and there is not a well developed system of agricultural insurance. Another tries to minimise the bank loans but needs credit for raw material procurements, especially during the peak season, and short term credits for financing the packaging materials from November to February. In total the company needs credit for 6-7 months before the season. It also has a two year long bank loan for investment in a harvester (EUR 375,000). A third stated that "the bank closed the door in front of him".

Other examples of reasons for bank loans include for establishing laboratories, new facilities (10 percent interest); a EUR 1.5 m loan for modernisation (2008-2018), at an interest rate of 11.25 percent plus every spring a EUR 100,000 credit for production (interest is 14-16 percent); and credit to buy milk for the production (during six months): the costs of credits are about 10 percent.

Several examples of financing from other sources were also given. The programme of the European Bank for Reconstruction and Development (EBRD) is "cheaper money" than the local banks. But it depends on the company, the size of the company. One company has a EUR 70,000 EBRD grant for 30 years for crop management, agricultural direction, harvesting and consultation. There are other sources of public funding. For example, one company has obtained special post-crisis government loans, subsidies for SMEs with 0 percent interest. Another is supporting its bank loans with money from IPARD and international programmes for co-financing. EU young farmer subsidies were mentioned as another source of finance.

There are also private sector sources of financing. One company gets EUR 300,000 of support from foreign clients (30 percent of the whole amount of the contract) from June to September. In that country, factoring conditions are very popular and interest rates are split between the parties. Another major exporter gets money from the US (in USD) and has to pay this back in six months without interest. It also has partners from the EU (Netherlands) who can invest in its processing activities.

The main points from the roundtable can be summarised as follows:

+ The enterprises prefer short-term loans and would require zero per cent loans from government;
+ There is a financing need for investments such as packaging and machinery;
+ Some of the enterprises do not want to take loans on principle;
+ With the different methods of financing they would like to share the business risks;
+ Cross-financing is used to avoid loans;
+ Cross-involvement is also used to reduce risks;
+ Agricultural insurance is not well developed and does not support the sector;
+ Some enterprises use factoring;
+ In most cases family savings are a means of financial help.

4.6. Plenary roundtable: Associations and alliances

The second plenary round was about associations and alliances, and began with the identification of the following issues for possible discussion:

+ Membership of associations for information exchange;
+ Operating in the fruit and vegetable sector;
+ Alliance in business partnership concept;
+ Alliance in transport;
+ This topic is more interesting because the countries in Eastern Europe have a different situation from those elsewhere.

Most of the participants were members of a domestic agricultural association. One Bulgarian company is a member of the union of canning industries producers in Bulgaria, of an association for small enterprises and of an association for other enterprises. In Bulgaria each foodstuff has its own association that provides information and organises meetings. There are two associations of milk processors and they work together. There is also a governmental agency for SME representation at national and international level, which organises exhibitions. Both Macedonian participants are members of the Macedonian Association of Producers, which covers dairy products, meat, cereals, fruits and vegetables, and provides information and organises 3-4 meetings annually. One is also a member of an association of four collecting and selling companies of fruits and vegetables which carries out lobbying work at the ministry.

One of the Romanian participants is Vice-president of the National Federation of Agricultural Producers in Romania, the national representation of COPA COGECA in Romania, and a delegate of the Association of Growing Cows from Romania. This professional association controls the performance of animal production, produces a journal and information material, is a partner of state institutions, and provides representation during the development of regulations. The federation can make contracts for the price of milk. The partner in dialogue is the producer: but the federation gives as much as possible while the producers want more than is possible (as service). At a European level the federation tries to improve incomes. One Moldovan participant is a member of an association of apple producers and exporters that was established two years ago and provides lobbying power, marketing support and contacts. There is no association for dairy products and sausages in Moldova, although the other Moldovan participant wants to organise such an association.

In Croatia there are several associations for each product. The association of primary production is very strong because it is voluntary. It facilitates the exchange of information and representation, and common export activities. In Hungary the young farmers' association works well, organising trips, conferences and dialogue with decision makers. However the association of Hungarian vegetable and fruit growers does not work well: there are no market possibilities and there is a problem with its leadership.

Hungary provides an example of how the food industries can organise. Each group of products has its own association. There is a chamber of trade and a chamber of agriculture that covers the agricultural needs, while the chamber of commerce covers food processors. There is also a food industry association that covers all the food processors, and three types of farmers associations: MOSZ; MAGOSZ and AGRYA. This is very fragmented, and it cannot be very efficient. They are trying to organise themselves. Small meat processors try to represent themselves: they try to do lobbying, and support the marketing for small and medium sized enterprises. This is a force to work together and represent together. This question is special in all countries.

One Turkish participant is a member of the chamber of commerce for which it has to pay fees and the chamber organises national and international fairs. The other belongs to an export association, and is a member of a fish association. There are no agricultural associations in Georgia and Armenia but the Georgian participant is a member of a food business association. In Armenia there is an association of cheese producers, and there are plans to establish an agricultural association. Producers can discuss problems with colleges and, in case of invitation, with the government.

One participant observed that participation in a union is very useful because of new information, meetings, common marketing and market, and security. It can demonstrate the seriousness of a company, which is important. But it is a difficult point to realise the results. Another suggested that associations should "fight together against China". There are some countries like China where the firms are at an advantage because of these low price resources. We cannot compete against these states. Associations should help in marketing and organising exhibitions etc.

Participants stated that the establishment of international communication is very important. FAO can help on this issue: it can take the first step by establishing the exchange of experience at international level. It is a good opportunity for the small and medium sized enterprises. The future of the agricultural sector depends on investors in farmers and enterprise.

The main points from the roundtable can be summarised as follows:

+ Most of the participants were members of a domestic agricultural association;
+ Chamber of commerce membership was quite often mentioned, but the use of it was limited;
+ Some of the enterprises were members in multiple associations;
+ Some of the participants mentioned that the operation of the associations are not professional enough and have limited power;
+ It was also mentioned that the use and the requirements of the associations are usually over expectations and enterprises often expect miracles from them.

5. Observations and way forward

Although there are substantial possibilities and potential for SMAE development in CEE, the key issues of concern in terms of improving SMAE performance are:

- Management practices, technologies and logistics often are not at a level to compete with larger firms and international corporations;
- High costs and risks threaten profitability and survivability:
  - Even those enterprises that survive often cannot afford the luxury of responsible business practices;
  - Can increase vulnerability of farmers and employees;
- Weak policy and institutional support, including technological support:
  - Fall between mandates of agriculture and commerce ministries;
- Interests are often not well represented by private sector federations and organisations:
  - Tend to be dominated by larger firms.

Supply chains must be enhanced and transformed into harmonised integrated value chains through (a) identification of agri-supply chains with clear comparative advantage and proposals of possible measures to improve their competitiveness, in view of further market liberalisation, (b) reinforcement of communication and cooperation between private sector firms, foundations and other institutions active in agribusiness and agro-industry development, and (c) reinforcement of the capacity of farmers, processors and traders, and Government institutions to identify, analyse and manage agri-food value chains for higher value products including branding and certification. The agro food value chain now requires more planning and coordination, and in particular improved linkages between farmers, agribusinesses and retailers. Agribusiness managers must not only posses the basic skills of finance, marketing and operations, but need to improve their skills in cooperation and relationships with farmers. Farmers also need to improve their management skills in an effort to create stronger and more durable linkages with agribusiness enterprises.

The challenge is to provide an enabling environment involving public-private partnerships, building of local linkages and institutions supporting innovation and investment in agricultural knowledge-based technologies to support diverse livelihoods, as well as improved management skills for market-oriented agriculture. The business environment represents one of the most important drivers of competitiveness for domestic and export-oriented agro-enterprises and agro-industries. Therefore, SMAEs need:

- Strong state support to help meet market trends and enable competition with large multinational enterprises;
- To increase lobbying power in state offices in support of changes that would help national production;
- To improve knowledge on market trends;
- Regular meetings for exchanging experiences and knowledge on market circumstances;
- To interact with consumers' organisations in order to meet their requirements;
- More specific market information;

- To improve relationships with local communities and to be more involved in local actions;
- To create network systems domestically and internationally;
- Regular upgrading of education to get more qualified managerial techniques and capabilities;
- To improve co-operation and increase bargaining power against the retail chains.

The roundtable closing session reviewed some issues of concern facing SMAEs such as:

- High transaction costs in dealing with individual farmers and farmers' organisations;
- Unreliability of supply: quality, timeliness, quantity;
- Farmers' failure to respect contracts and agreements;
- Traceability being difficult and costly and often requiring field presence of company staff or agents.

One participant highlighted the problems associated with establishing large companies in small countries such as Moldova. The big companies do not care about the small farmers and processors: they manipulate their prices and only care about profits. There is a negative trend in the small and medium sized enterprises because of the power of the retail sector. The market opportunities become closed in front of the small enterprises in this region. They need new recipes, a new image and new processes to survive and distinguish themselves from big enterprises.

Another issue is the subsidies by hectare in the EU countries. In countries such as Moldova, farmers need aid just like the European farmers do. Another participant commented that the main problem is that nothing can be done with the labour price. The labour costs in Netherlands and Moldova are not the same, and in Moldova the firms and the farmers cannot get subsidies for labour costs. In the EU, farm profits come from the governmental transfers. A related point is that a lot of Turkish farmers went to other European countries to work because the natural conditions in Turkey are poor.

One participant suggested that the standards like traceability, HACCP, ISO, social compatibility etc. make the countries in the east less competitive and that that FAO should do something with these regulations. Another suggested that the certification system can help exporters and that we should ask for certifications from Taiwan, China and other Asian countries. The competition becomes tougher and tougher because of the different climatic conditions, low labour force.

SMAE managers appreciated that the roundtable had given them the opportunity to clarify issues and to exchange views on doing business. By listening to business managers, arguments could be developed and advice could be given to managers on how to change in the future if necessary. Following this workshop and those held in other regions of the world, a collection of different situations, approaches and issues around the world could be used to inform the governments about the options to support SMAE development.

The other goal of these roundtables is to create a network between the companies, the farmers and the states. By exchanging information, networking is encouraged. The participants agreed that the roundtable was a success in that respect: it was a very good stimulation of thinking; after the analyses they felt that they learned a lot and had a good lesson. They felt better informed about the situations in different countries, although there are many similarities such as warehousing, raw material procurement etc. The participants agreed to keep in contact and to share any information about improvements achieved as a result of this discussion.

Annexes

Annex 1: List of participants

Name	Country	Job title and company	Email address
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Annex 2: Roundtable agenda

FAO Agribusiness Roundtable: Small and Medium Agri-processing Enterprises Competitiveness Challenges

17-20 April 2011, Budapest, Hungary
Preliminary programme

17 APRIL

Arrival

18 APRIL – FIRST DAY

08:00	Registration of participants
08:30	Opening of the workshop (SZIU)
08:45	Background, context and purpose of Roundtable (FAO)
	Introduction to the programme
	Roundtables in Africa, Asia, Central America
09:30	Perspectives of host organization on SMAE competitiveness challenges (SZIU)
10:00	Coffee/tea break
10:30	Company presentations – part 1
	Managers present a short (five minutes) profile of their company
12:00	Lunch
13:00	Company presentations – part 2
	Managers present a short (five minutes) profile of their company
14:30	Plenary discussion on SMAEs competitiveness challenges
15:00	Coffee/tea break
15:30	Introduction to group discussions and clustering
15:45	Group "round the table" – Business models for procurement
16:45	Group reporting and discussion
17:15	Wrap up comments and announcements (SZIU)

17:30 End of day one

19:00 Networking dinner

19 APRIL - SECOND DAY:

08:00 Arrival of participants

08:15 Preview of day two

08:30 Group "round the table" – Product development, branding, labelling

09:30 Group reporting and discussion

10:00 Coffee/tea break

10:30 Group "round the table" – Quality and safety management and compliance with standards

11:30 Group reporting and discussion

12:00 Lunch

13:00 Plenary roundtable: Supply chain efficiency and logistics

14:00 Plenary roundtable: Operations and investment finance

15:00 Coffee/tea break

15:30 Plenary roundtable: Associations and alliances

16:30 Tour of the table for final remarks

17:15 Final remarks of organizers

17:30 End of day two

18:00 Product presentation / tasting offered by Hungarian SMAEs

20 APRIL

08:30 Informal discussion – networking and other follow up (optional)

10:00 End of voluntary informal discussion

Departures

Annex 3: Summary of enterprise profiles

A3.1. Products and characteristics and/or features

Company	Products	Characteristics and/or features
Agrolaguna d.d.	Primary production and processing: wine (bottled), olive oil (bottled), cheese, vegetables (fresh).	+ Gross annual revenue: EUR 11 million; + Number of employees: 206: 153 (full time), 53 (seasonal peak); + Special facilities or capacities – own laboratory; modern technology in processing of raw materials.
Alfa-Nistru SA	+ Primary production: green peas, sweet corn, fresh apples, apricots, strawberries, fruit tree seedlings; + Processing: canning (tin cans and glass jars), fruit juice production and concentration, fresh fruits storage.	+ Gross annual revenue during last three years: ~ USD 10 million; + Number of employees during last three years -full time: around 400, seasonal peak – 500; + Special facilities: laboratory, fruit tree nursery.
S.C. Clas Interprod S.R.L.	+ Primary production: meat; + Processing: deboning, cutting; + Transport: own logistic for raw material and final product.	+ Gross annual revenue during last three years: approx. EUR 1 million; + Number of employees: ca 45-50.
Fragaria	+ Primary production: fresh fruit: strawberries, apples, raspberries; + Processing: croberries (berry fruit), Stribor (ready to eat salads).	+ Gross annual revenue during last three years: EUR 10 million; + Number of employees during last three years: +100 full time, seasonal peak +300; + Special facilities: salad processing and packing facility with laboratory; + Support or services provided: technical assistance, consulting.
Benedek Fruit Farm	+ Mainly primary production: fruits; + Processing: juice, jam, syrup; + Transport of the processed products.	+ Gross annual revenue based on last 2-3 years HUF 2 million; + Number of employees: 5 + seasonally 10-50 people + family.
SC Agrozoo-tehnica S.A.	Primary production: milk.	+ Revenues for 2010 were RON 2 m; + There are 11 permanent staff and a total of 20 employees (for about three months per year).
S.C. Covalact S.A.	Processing: milk.	+ Gross annual revenue: EUR 16.5 m; + Number of employees: 420; + Special facilities or capacities: Laboratory.
OPG Marica Jug	+ Primary production: ecological fruit orchards; + Processing: 100 percent juices, vinegar, jams – no sugar or preservatives.	+ Four full time employees , up to 15 seasonal workers; + Special facilities: a processing and filling unit for bottles and bag-in-box; cold storage.

Marneuli Food Factory	+ Primary production: vegetables for processing (field and greenhouses); + Processing is carried out at the company's own factory, using own production and that of local farmers who during the season supply them with vegetables.	+ Gross annual revenue: approx. GEL 12 million; + Number of employees: 60 and up to 120 seasonally; + Special facilities: laboratory; own plant for roasting; micro finance units, food innovation unit.
Voske Ser LLC	Processing: Armenian salty cheeses.	+ Gross annual revenue: nearly AMD 36 million, equal to USD 100 000; + Number of employees: from 3 to 12 seasonal; + Special facilities: a dairy plant equipped with a laboratory.
Kondov Ecoproduction Ltd	+ Processing: brined sheep's milk and goat's milk cheese; semi-hard yellow Kashkaval cheese from sheep's milk; semi-hard butter cheese from goat's milk and sheep's milk; cow's milk brined and yellow semi-hard cheese; curd.	+ Gross annual revenue: EUR 7.5 m; + Number of employees: 50; + Special facilities for the production of Gouda type cheeses from sheep and goat milk.
Naszálytej Zrt.	+ Processing: UHT; ESL milk and fermented milk products, soy products; + Transport: own fleet and contracted partners.	+ Annual turnover: ca. EUR 22 million; + Number of employees: ca. 180; + Annual production volume: ca. 40 million litres.
Varia-vet Kft	+ Veterinary health care and distribution of animal medicine; + Processing: meat.	Number of employees: four permanent workers.
MIH d.o.o.	Processing, bottling and selling of olive oil and similar products.	+ Gross annual revenue: ca. EUR 2 m; + Number of employees: full time: 9, seasonal peak: 3; + Special facilities: Own climate-controlled, modern packaging and bottling facility.
Vipro	Processing: vegetables and fruits.	+ Gross annual revenue: ca. EUR 2 m; + Number of employees:16 permanent and 60 seasonally engaged; + Special facilities: Own plant for roasting; building a new factory which includes a laboratory, R&D department, a new plant for roasting.
FPC Rogob Srl	Production, processing, distribution and sales: meat.	+ Gross annual revenue: RON 50 m; + Number of employees: 80.
Gloria Cheeses	+ Primary production: milk; + Processing: cheese production.	+ Gross annual revenue: AMD 7 m; + Number of employees: 8 people and 12 people in the farm. + Special facilities: mini laboratory, own farm, warehouse and delivering office in Yerevan.
Altın Damla Zeytin ve Zeytinyağ Ltd	+ Primary production: orchards; + Processing: oil mill.	+ Gross annual revenue: $ 300,000; + Number of employees: 2 employees full-time, at the processes season 10-15 employees; + Special facilities: laboratory for measuring oil acidity.

Solvex Mira Frukt AD	Processing: canned fruits and vegetables.	+ Gross annual revenue: approx. EUR 1.7 million; + Number of employees: 35 full time employees and 100-150 seasonal; + Special facilities: New machines were obtained in 2007 through SAPARD for EUR 500 000.
TARAVIS Baromfifeldolgozó Kft.	+ Primary production: poultry; + Processing: poultry products; + Transport: with own trucks.	+ Gross annual revenue: 2008: 10.4 bHUF; 2009: 10.9 bHUF 2010: 16,3 bHUF; + Number of employees: around 500; + Special facilities: Track and tracing system from the farms to the end product involving the feeds.
Dentina dooel	+ Primary production: vegetables with contract; + Processing: canned vegetables; + Transport; + Export: fresh vegetables and canned vegetables.	+ Gross annual revenue: 2008: EUR 1.5m; 2009: EUR 1.3 m; 2010: EUR 2 m; + Number of employees: 2008: 5 + 25 seasonal; 2009: 8 + 30 seasonal; 2010: 10 + 60 seasonal.
Dürüs Gida Tarim Hayvancilik Turizm Ltd	Processing: marinated anchovy and smoked salmon.	+ Gross annual revenue: EUR 70,000; + Number of employees: 15 (Seasonal workers: 45); + Special facilities: Own plant for marinated products and cold and frozen storage.

A3.2. Classification of enterprises according to size and activity

MEDIUM and LARGE - fruit and vegetable processing	MEDIUM and LARGE – meat and dairy products	SMALL MEDIUM AND SMALL – family, partners – most have farming
1) La Kakichashvili, Georgia Marneuli Food Factory	1) Ognian Kondov, Bulgaria Kondov Ecoproduction Ltd	1) Claudiu Franc, Romania SC. Agrozootehnica S.A
2) Roumen Simov, Bulgaria Solvex Mira Frukt AD	2) Istvan Bandeanu, Romania S.C. Clas Interprod	2) Alojs Jug, Croatia OPG Marica Jug
3) Stanko Barbaric, Croatia Fragaria Ltd	3) Titus Kuk, Hungary Naszalytej Zrt	3) Vahagn Khlatyan, Armenia Voske Ser LLC
4) Anatolie Terzi, Moldova Alfa-Nistru SA	4) Incze Eva, Romania S.C. Covalact S.A.	4) Borbala Benedek, Hungary Benedek farm
5) Nadja Petkova, Macedonia VIPRO	5) Rosca Igor, Moldova Rogob	5) Zsolt Meszaros, Hungary Varia-vet Ltd
6) Tina Karadakoska, Macedonia DENTINA	6) Szabo Akos, Hungary Taravis Baromfifeldogozo	6) Ferhan Savran, Turkey Altin Damla Zeytin ve Zeytinyag
7) Vardan Grigoryan, Armenia Alishan Ltd	7) Mehemet Milidirim Durus, Turkey Durus Gida Tarim Hayvancilik Turizm Sanayi Ticaret Ltd	7) Gor Sargsyan, Armenia Gloria Cheeses

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