

transition challenges in the agrifood sector in the Western Balkans

a joint research project of the
FAO and the EBRD



FOOD AND AGRICULTURE ORGANIZATION
OF THE UNITED NATIONS



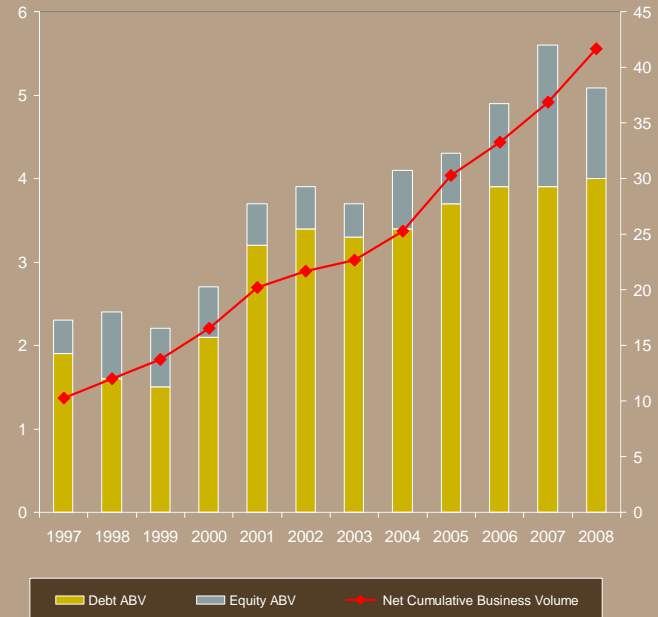
European Bank
for Reconstruction and Development

the EBRD's mission

- promote **transition** to market economies by investing mainly in the private sector
- mobilise significant **foreign direct investment**
- support **privatisation**, restructuring and better municipal services to improve people's lives
- encourage **environmentally sound and sustainable** development

key figures

- in 2008, the EBRD had invested over **€41.7billion** in more than 2,500 projects since 1991
- **30 countries of operations** from Central Europe to Central Asia
- owned by **61 countries** and 2 intergovernmental institutions
- capital base of **€20 billion**



transition along the food value chain

upstream ←

→ downstream

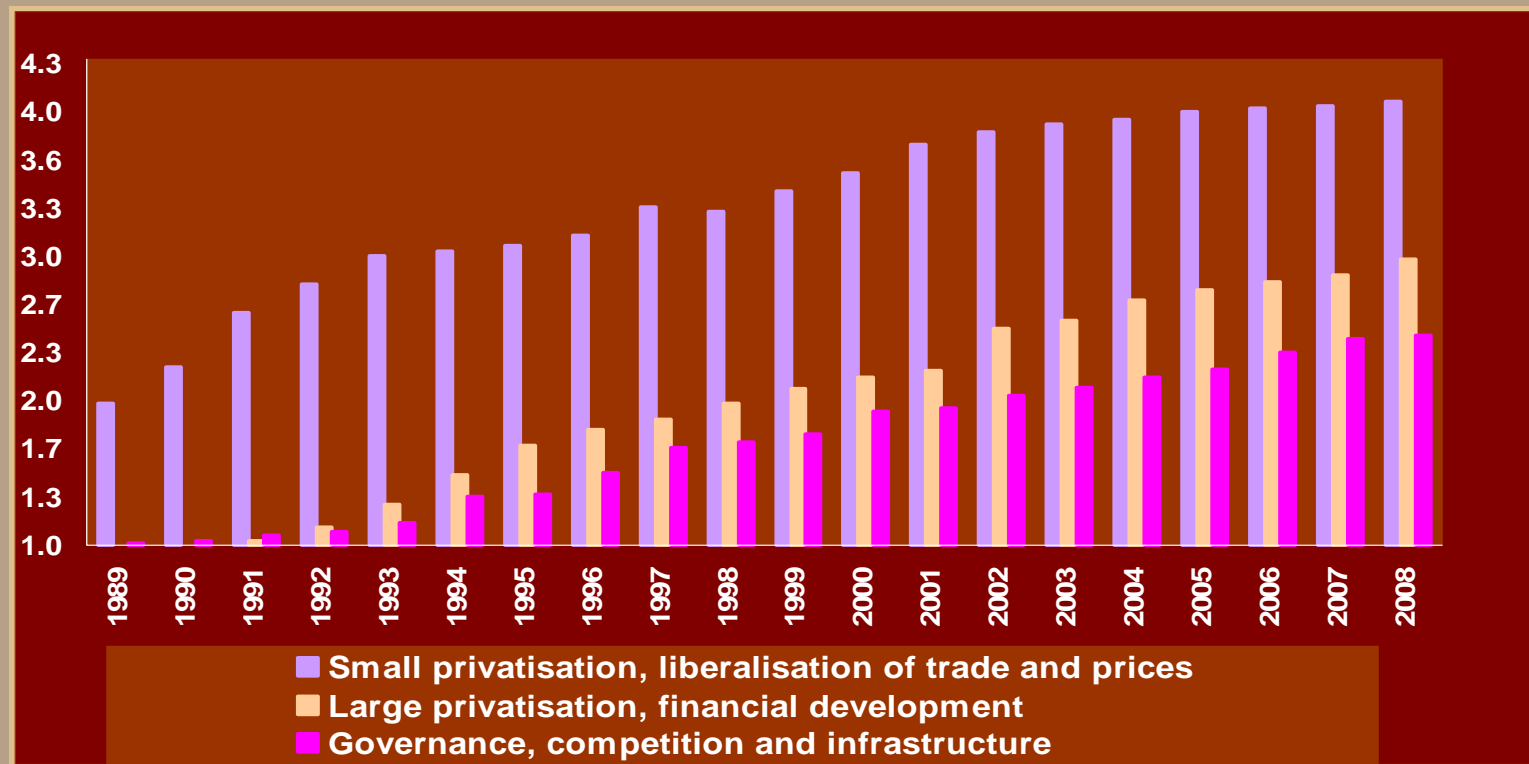


transition towards a market economy along the food value chain

- **the command economy was characterized by:**
 - collective or state ownership of land and farms
 - vertically integrated state-owned agro-companies
 - tight state controls over prices and trade
 - dilapidated infrastructure and controlled distribution channels
 - usually state Agrobank as sole financing channel
- **strong correlation between general economic reform and progress in agriculture reform**

transition progress by phases of reform

South-East Europe



source: EBRD. 4.3 indicating the standards of an advanced market economy.

EBRD project examples in the Western Balkans

- **Romania:** €11million equity investment in Tnuva Romania, subsidiary of Tnuva Israel, Israel's largest food company. The operation (purchase 35% of the shares in the Romanian investee) enabled the company to construct a greenfield dairy plant and milk farm in the vicinity of Bucharest



- **Serbia:** €2 million long-term loan to Somboled, a Serbian dairy producer, majority-owned subsidiary of Lura, the largest Croatian dairy company. The project supports the turnaround and modernisation of Somboled, including (i) capital investments, (ii) product portfolio restructuring including marketing and brand development of locally produced Serbian dairy products.

EBRD project examples in the Western Balkans

- **Bulgaria:** €15 million loan to Boni Holding, a Bulgarian meat processing company, to implement its investment programme, including refurbishment of the Company's pig farms, building a new cutting and de-boning hall and meat processing units, aimed at ensuring compliance with EU regulations.



- **Serbia:** €10 million loan to Nectar, the leading Serbian juice and soft drinks producer, helping the company further expand in Serbia and the region, develop new branded products and strengthen its direct distribution network. Sourcing 90% of its raw materials locally, Nectar provides Serbian farmers with a stable source of income. The company produces fruit juices and nectars, as well as fruit marmalades, syrups, fruit brandies, apple vinegar and vegetable products.



a joint FAO/EBRD project: transition challenges in selected value chains in the Western Balkans

BOSNIA & HERZEGOVINA - retail

BULGARIA - dairy

ALBANIA - olive oil

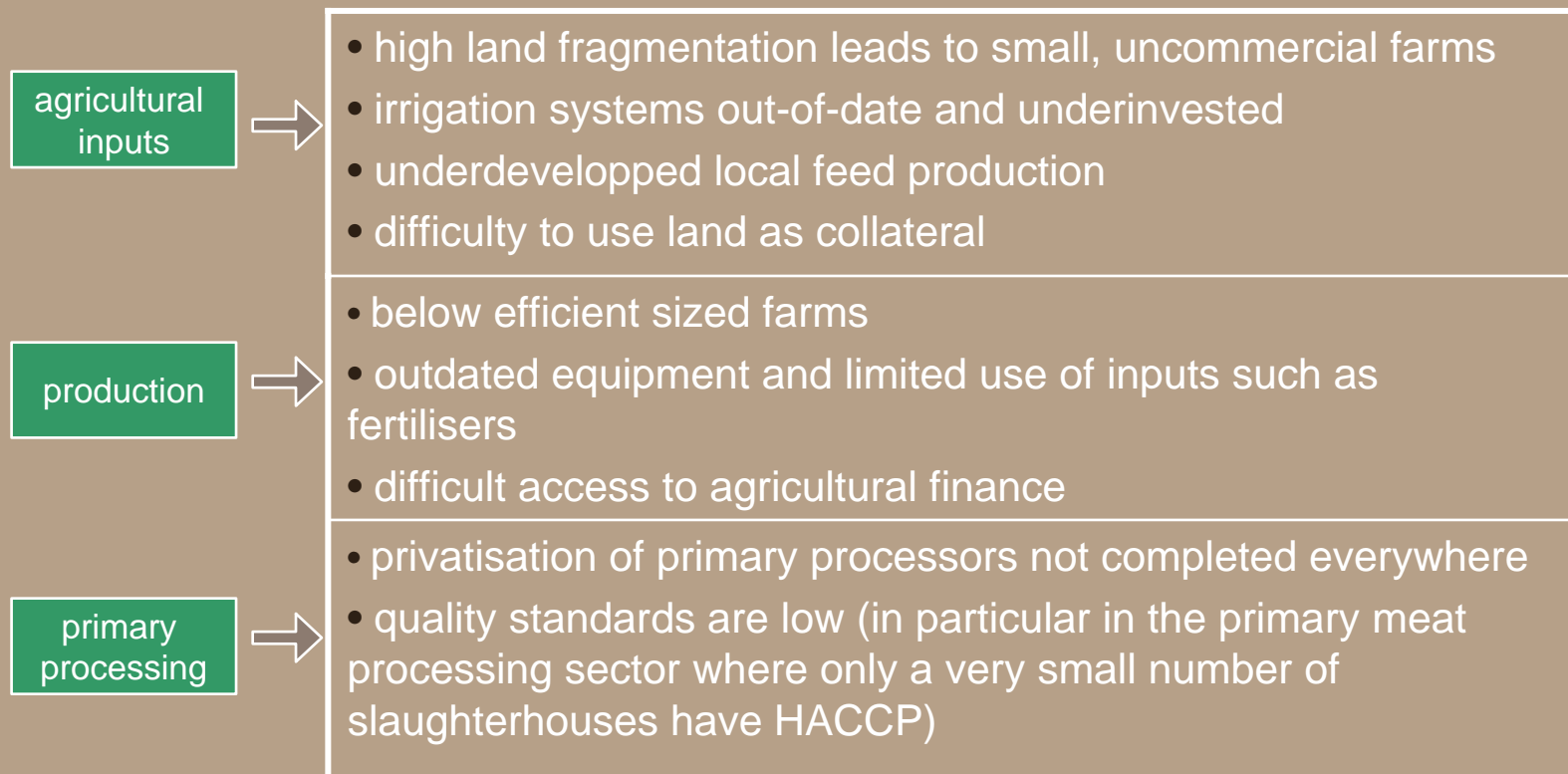
MACEDONIA (FYR of) - wine

MONTENEGRO - dairy

ROMANIA - dairy

SERBIA - meat

common lessons: transition gaps in primary production



transition gaps in processing

food
processing



- processing suffers from low quality local raw material
- old, substandard equipment, low quality control and little adherence to international standards (i.e. HACCP or ISO)
- low monitoring and enforcement standards

packaging



- low traceability of produce and little enforcement of traceability
- low competitiveness in the packaging sector
- low percentage of private label products

transition gaps in distribution

distribution
food service



- specialised distribution is underdeveloped
- rail infrastructure, esp. wagons, is rapidly depreciating
- computerised logistics systems are still rare
- little know-how transfer from processors to independent distributors

wholesale



- underdeveloped specialised wholesalers
- limited number of distribution centres
- quality storage and wholesale is lacking
- little quality control at wholesale level

retail



- competitive foreign retailing mainly exists in capital cities
- retail hygiene and quality standards are very heterogeneous and lag behind international standards, especially in rural areas
- computerised logistics is still not very widespread

FAO Investment Centre's mandate

- **mandate:**

“ facilitate sustainable investment in agriculture and strengthen national capacity to plan, design and implement investment operations”

- **clients and partners:**

FAO member states and IFIs

FAO Investment Centre's cooperation with the EBRD

- **65 assignments since 1994**
- **purpose:** improve transition impact of EBRD's agribusiness investments in the region through:
 - food chain / sector analysis
 - policy assistance
 - investment identification
 - improvement of backward linkages
 - coordination with other IFIs through



examples of EBRD/FAO assignments in the Western Balkans

- **Serbia:** review of the sugar sector. issue at stake: suspension of exports to the EU. purpose of assignment: inform internal policy discussions, facilitate discussions with the EU, improve prospects of EBRD investments in the sector.



- **Serbia:** review of sunflower and sunflower oil sector. purpose of assignment: identify investment opportunities, inform investment decisions, make policy recommendations to national authorities.

examples of EBRD/FAO assignments in the Western Balkans

- **Regional:** coordination of IFIs and EU interventions in the Western Balkans through the EastAgri network. Purpose: facilitate the transfer of the EU acquis.



- **B&H, Croatia, Serbia:** development of Geographical Indications for selected traditional products, in cooperation with a local retailer. *under consideration.*

thank you!

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