

# AGRI FOOD CHAIN MANAGEMENT AND PERFORMANCE IN MOLDOVA

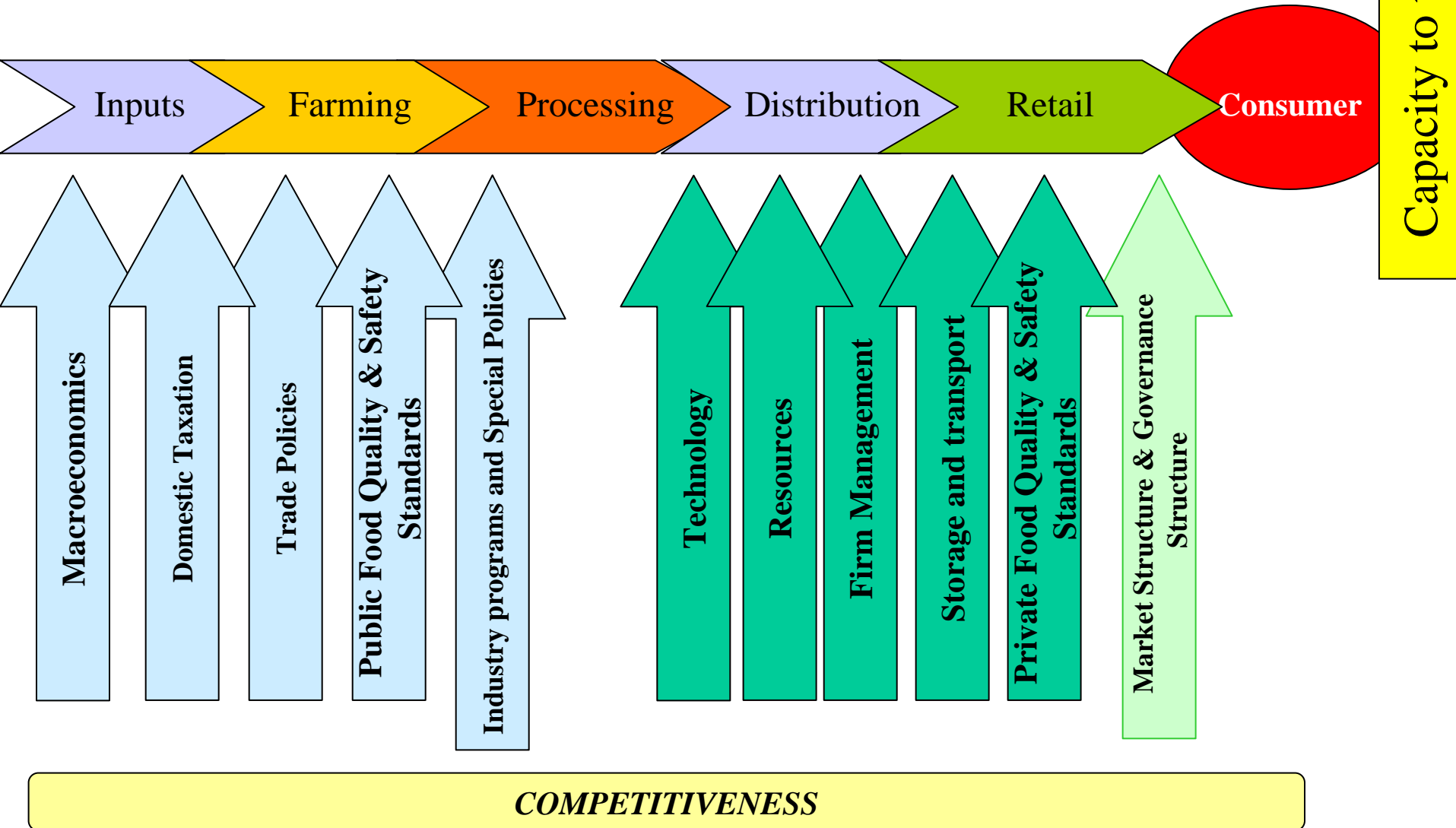
*Galina Leasenco*

*20 June, 2009*

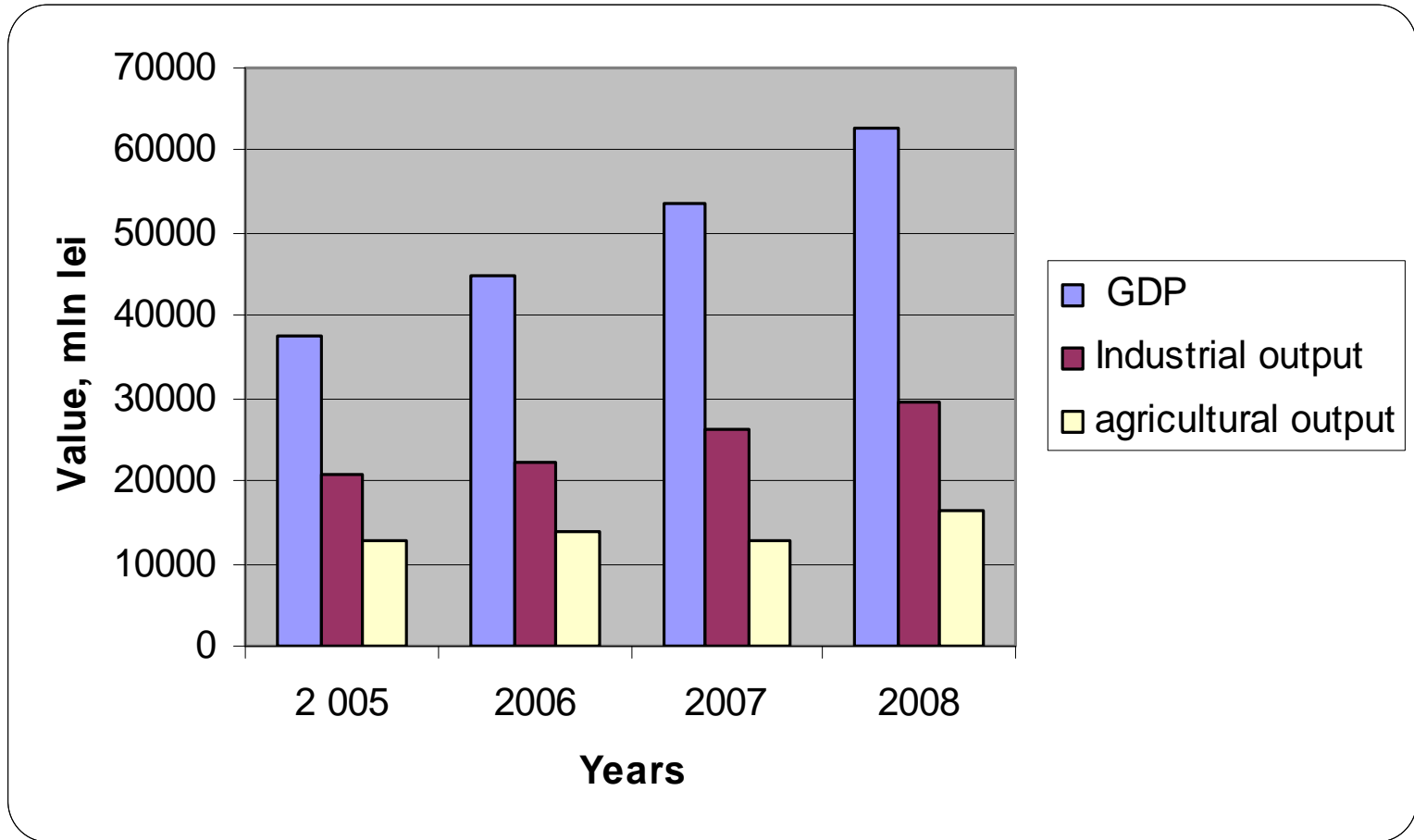
*Budapest*



# CHAIN COMPONENTS IN A STUDY ON AGRICULTURE CHAIN MANAGEMENT AND PERFORMANCE

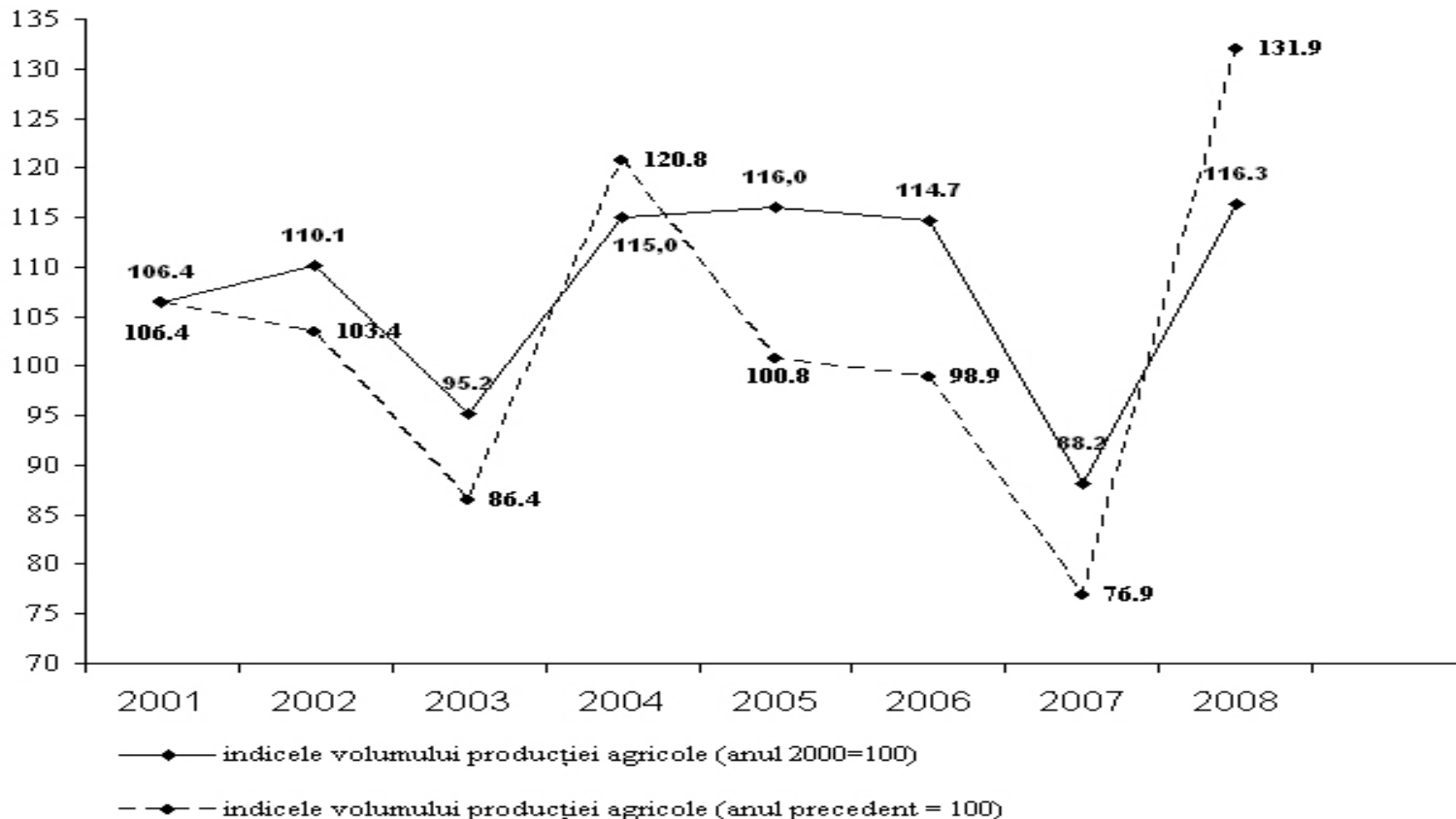


# MACROECONOMICS

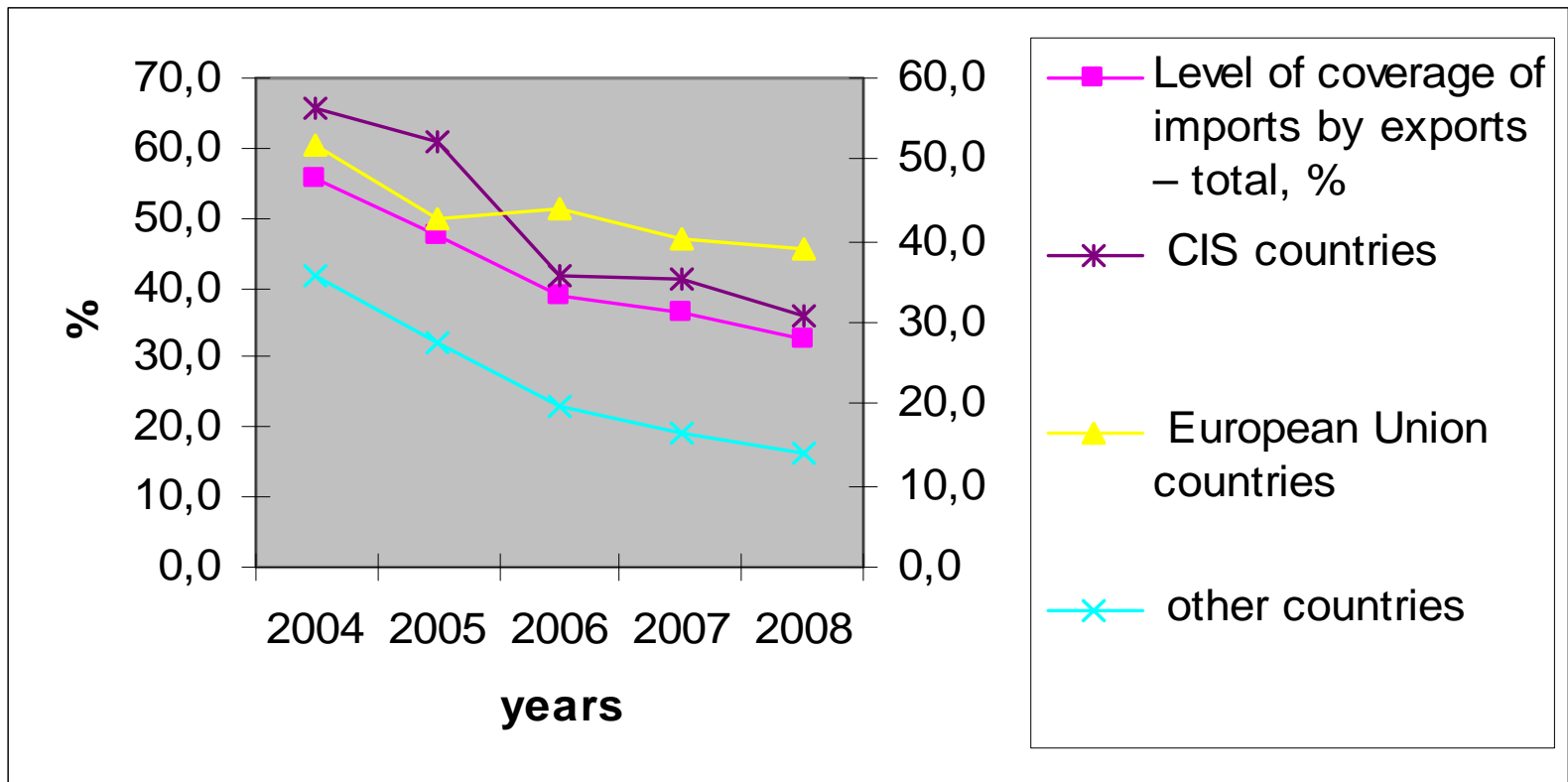


# Indexes of Total Agricultural Production volume in 2001-2008 (est.), (year 2000 -100%)

*Indicii volumului producției agricole în anii 2001-2008, (%):*



# Balance of Trade



# **WHY IS IT NECESSARY TO IMPROVE THE CHAIN MANAGEMENT AND PERFORMANCE IN MOLDOVA? (1)**

**Main issued identified during the research**

**It is a common opinion that there are many gaps in every agri-food value chain in Moldova which needs**

- financial,
  - technical and
  - information support.
- 
- **Some drivers for creating the enabling environment are not controlled:**
    - Trade barriers
    - Exchange rate
  - **Some of the drivers for the enabling environment are controlled by the government but not in favor of agri-food value chains:**
    - Interest rate
    - taxes
  - **Some of the drivers for the enabling environment are controlled by the firm but not in favor of agri-food value chains:**
    - income
  - **There is a strong necessity of increasing the governmental role in making decisions as to monetary and fiscal policy, especially in the situation of the world crisis**

# WHY IS IT NECESSARY TO IMPROVE THE CHAIN MANAGEMENT AND PERFORMANCE IN MOLDOVA? (1)

**Main issues identified during the research**

- **The increased importance of food safety compliance with international requirements is underestimated both by government and private sector**
  - Undeveloped SPS system
  - Traditional inspection approach instead of risk based
  - Lack of private certification
- **Sector data source is not transparent and shared between value chain participants**
- **There is a lack of resources (financial, human) for R&D**
- **Migration entailed lack of qualified labor resources thus making it more expensive**
- **Chain Governance is not favorable**
  - There is a lack of collective policies
  - Chain representativeness is very low
  - Chain information flow is poor
  - Market relations are hierarchical, driven by retailers and intermediaries
  - Institutional marketing is very weak
- **Unfavorable business environment in attraction of FDI and local investments**
- **The situation with access to affordable financing in the country is worsening**

# SWOT Analysis

## STRENGTHS

- Government & donors understand direction in HVA (IFAD, MCA, USAID)
- Gov. & donors started initiative for private-public dialogue
- Organic farming is developing

## OPPORTUNITIES

- ATP scheme for trade with EU
- Short term recovery for vegetable sector as HVA

## WEAKNESSES

- Fragmented and undeveloped nature of value chains
- Undeveloped system of food safety and plant protection
- Undeveloped supply chain infrastructure
- Lack of associating
- Lack of monitoring and analysis tools for making decisions by government
- Long term recovery for fruit & livestock sector

## THREATS

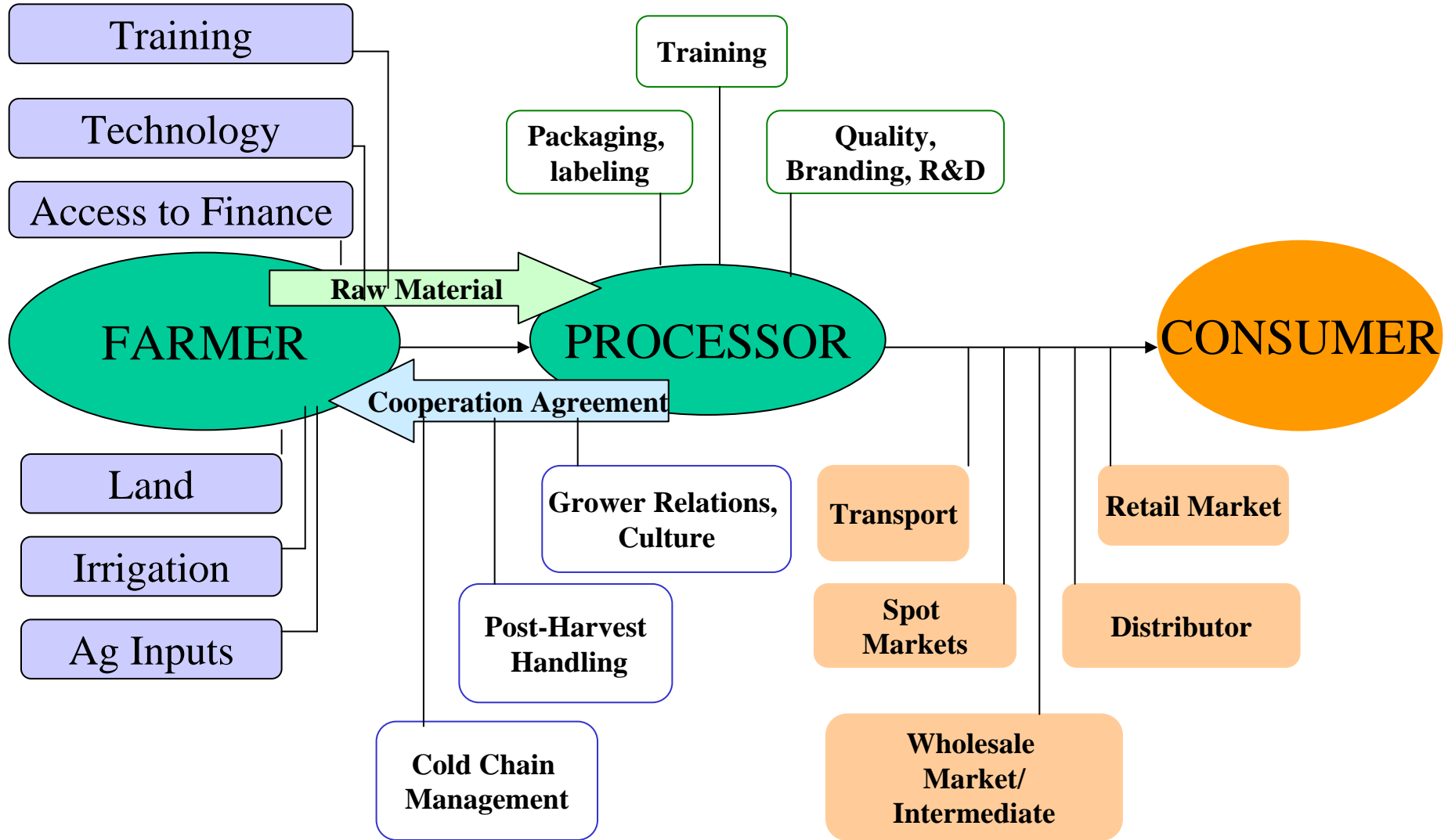
- Lack of natural resources
- Natural calamities and bad weather conditions
- Bad political situation
- Non-tariff barriers regarding SPS measures
- World crisis



# Common Constraints Across the Value Chain

- LACK OF FINANCIAL, TECHNICAL AND INFORMATION SUPPORT
- WEAK COMPETITIVENESS OF LOCAL PRODUCTS
- WEAK POLICY FRAMEWORK/ FINANCE/ ACCES TO AFFORDABLE CREDIT
- WEAK GOVERNMENT IMPLEMENTATION MECHANISMS
- UNDERESTIMATION OF FOOD SAFETY & ENVIRONMENT RULES
- LACK OF ASSOCIATING/ COMMUNICATION MECHANISMS
- LACK OF RESOURCES FOR R&D
- LACK OF INTERRELATIONS BETWEEN PUBLIC AND PRIVATE SECTOR
- LACK OF UNDERSTANDING OF FDI AS CATALYST FOR DEVELOPMENT
- LACK OF SECTORAL PROGRAMMES
- POOR INFRASTRUCTURE

# AGRI-FOOD Value Chain



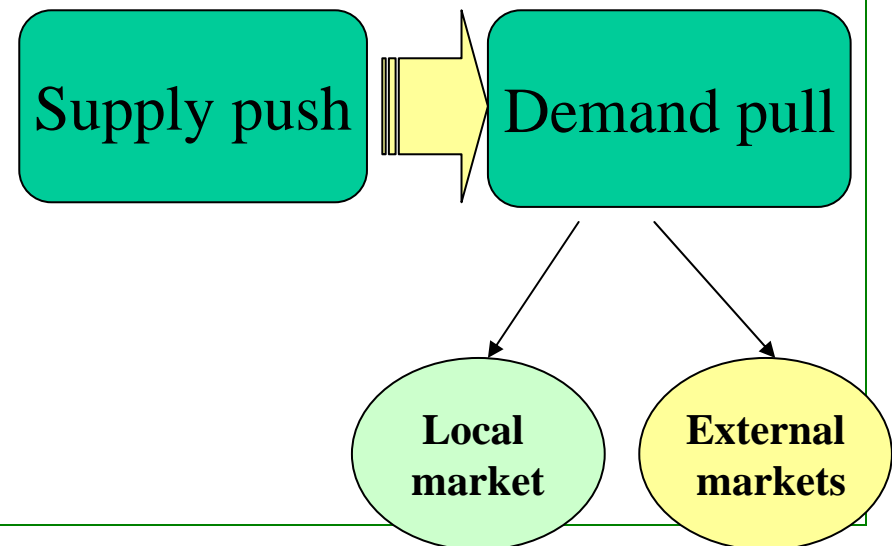
# How to Manage Ag Value Chains?

## Observations: Traditional approach

- The same horticultural products are exported and imported
- Low consideration of consumer cultural preferences (e.g. wrong varieties)
- No response to market demand off-season
- Weak competitiveness of local products

## Recommendations

Change from traditional to value chain approach:



# How to Manage Ag Value Chains?

## Observations: Focus: Cost/Price

- Lack of capital for new technology applications
- Lack of/ or saving money for plant protection means & application/ packaging/ proper transportation/ etc.
- Non-compliance with SPS, technological process
- Lack of hygienic & GAP
- Lack of training in GMP, GHP and HACCP
- Underestimation of food safety in general
- Lack of understanding of the value of quality -- (size, shape, texture, color, smell ....
- Lack of understanding of the need for consistency

## Recommendations

Primary Focus: increasing food safety protocol requirements

Value/ Quality

# How to Manage Ag Value Chains?

**Observations: sharing of information is very little or none**

- Application of old methods of production, marketing and quality systems
- Fragmented market information system and access to it
- Little trust to extension services
- Lack of communication mechanisms

Recommendations

**Establish**

Extensive  
Information Sharing

# How to Manage Ag Value Chains?

## Observations:

### Orientation: Commodity

- Difficult to compete on international markets with the same products (e.g. canned corn, green peas)
- Don't have competitive advantage (inadequate price, product, packaging, promotion)
- Lack of resources for R&D
- Lack of branding

## Recommendations

### Change Orientation:

Differentiate Products

# How to Manage Ag Value Chains?

## Observations: Independent organisational structure

- Lack of trust
- Lack of associating
- Lack of cooperation
- Lack of co-ordination
- Don't share risks and rewards
- No system for monitoring/ analysis of the situation
- Lack of interrelations between public and private sector

## Recommendations:

access new markets through collaboration

Interdependent  
organizational structure

# How to Manage Ag Value Chains?

## Observations: self optimization philosophy

- Act as price taker
- Undeveloped policy framework/finance/access to affordable financing
- Weak government policy implementation mechanism
- Poor logistics
- Lack of understanding of FDI as catalyst for development

## Recommendations

**Optimize costs efficiency,  
Change your role into price setter**

**Chain optimization**



# Policy Recommendations

- **Improve farm structure:**
  - support for land re-parceling,
  - promote land consolidation
- **Improve access to finance**
- **Improve SPS system compliance**
- **Encourage various forms of group activities** (cooperating, associating).
- Improve access to finance through low interest rate and FDI, influence on banking and fiscal sectors
- **Develop government programs.**
- Enforce export promotion

# Policy Recommendations

- Improve infrastructure: irrigation system, cold storage, packing houses, road, transport system; storage facilities, collection points; modernizing of wholesale and local markets etc
- Strengthen advisory services
- Develop market information system:
- Apply international trading standards;
- Facilitating legal environment for producers organizations.
- **Establishing monitoring and analysis tools**