



Cross-country Value Chains and Quality and Safety Standards in the Food Sector: Potential for Increasing Exports from the Region

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Project Name: E&E Regional Economic Growth (REG)

The purpose of the REG Project is to **promote broad based, inclusive and sustainable economic growth in the E&E region through greater intraregional economic integration and harmonization in the E&E region and other markets.**

Project focus on Improving competitiveness and increasing financial sector stability by:

- Promoting economic integration within the region and building economic linkages to the EU and other markets,
- Provision of a cost effective platform for demand driven high quality trainings and introduction of international best practices in private sector skills and financial sector management and regulation,

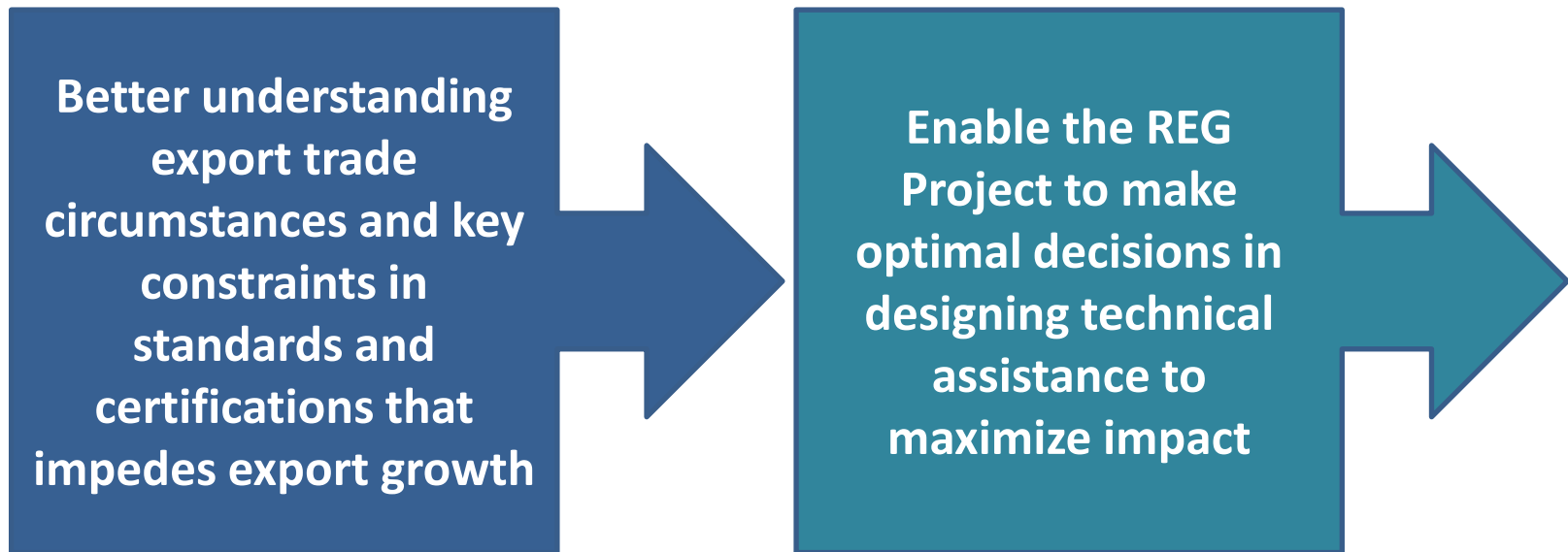
Strengthening of Regional (Cross-country) Value Chains

- The REG project examined the potential for growth of different sectors in 5 countries of the Western Balkans based on the strength of their exports as well as additional market evidence for growth: value added, market shares, employment and FDI.
- The study determined the following top sectors as a priority for the region:
Tourism, IT, **Agribusiness (fruits and vegetables), food manufacturing**, Footwear manufacturing, and Manufacturing of vehicles and parts thereof.

Agribusiness Component: Identifying key priorities for Strengthening of Regional (Cross-country) Value Chains

- REG Project conducted a Survey to assess and prioritize technical needs in leading Ag sub-sectors and identify new export opportunities <http://www.regproject.net/reg-news/2014/6/12/reg-survey-to-assess-and-prioritize-agricultural-sub-sectors>
- The Survey included interviews in five REG countries: Albania, Bosnia and Herzegovina, Kosovo, Macedonia and Serbia with:
 - Leading F&V companies, associations, government counterparts, NGOs, investment and export promotion agencies, other donors active in agriculture as well as leading wholesalers/distributors and supermarket chains in each of the 5 countries.
 - Larger wholesalers and supermarket chains from Bulgaria, Croatia and Slovenia

The objective of the Survey:



The Survey identified key constraints and needs across the region, food safety and quality standards needed and proposed prioritized activities for REG project to assist in enhancing export growth opportunities.

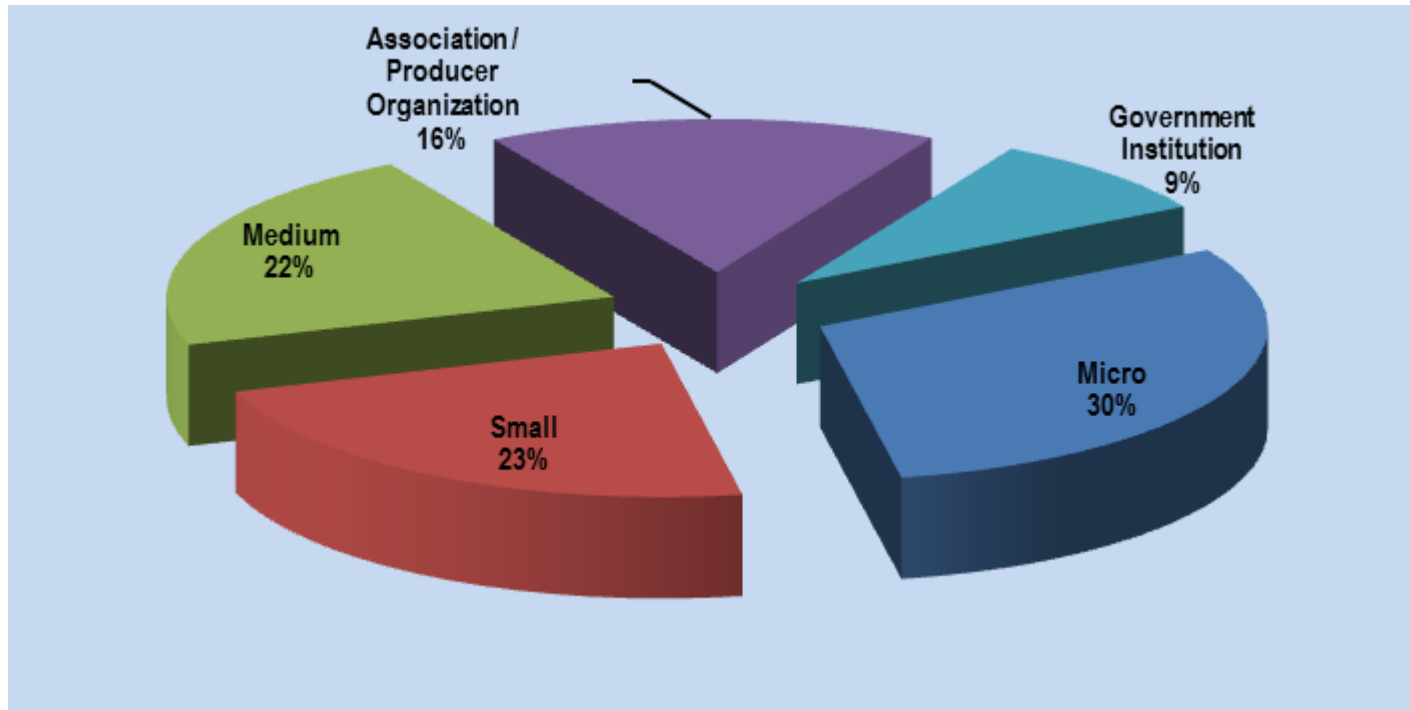
Limitations to the survey:

- Scattered strategy of companies due to wide range of products, insufficient market analysis and targeted marketing efforts
- Lack of proficiency of agribusinesses to clearly define exact constraints, needs and opportunities.
- Still heavily relying on regional markets that are much less restrictive in terms of quality and food safety standards cannot be characterized as a direct limitation to the outcome of the survey but rather notification of the varying competency of stakeholders.
- Some of the responses and proposed interventions for assistance were driven by Government support programs



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Structure of the interviewed companies/ institutions

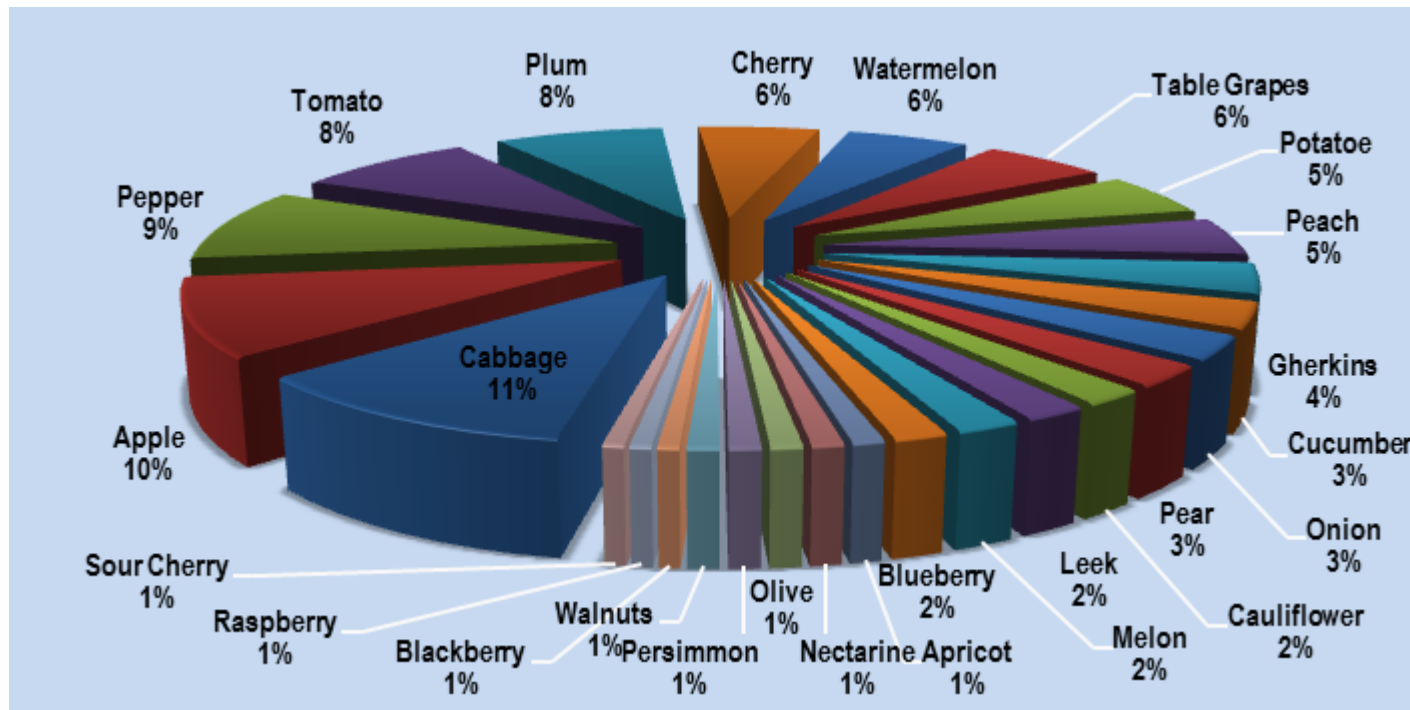




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Main products exported on the REG market

a) Fresh Fruit and Vegetables

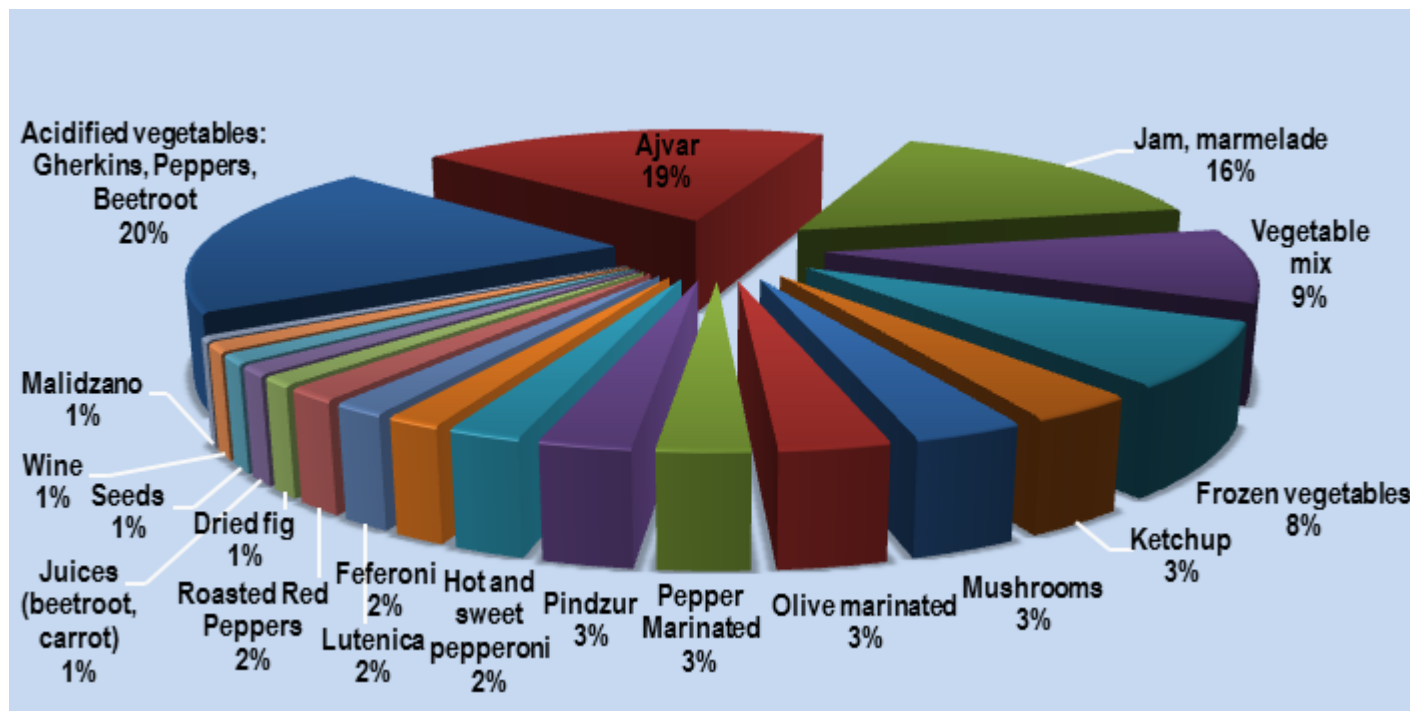




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Main products exported on the REG market

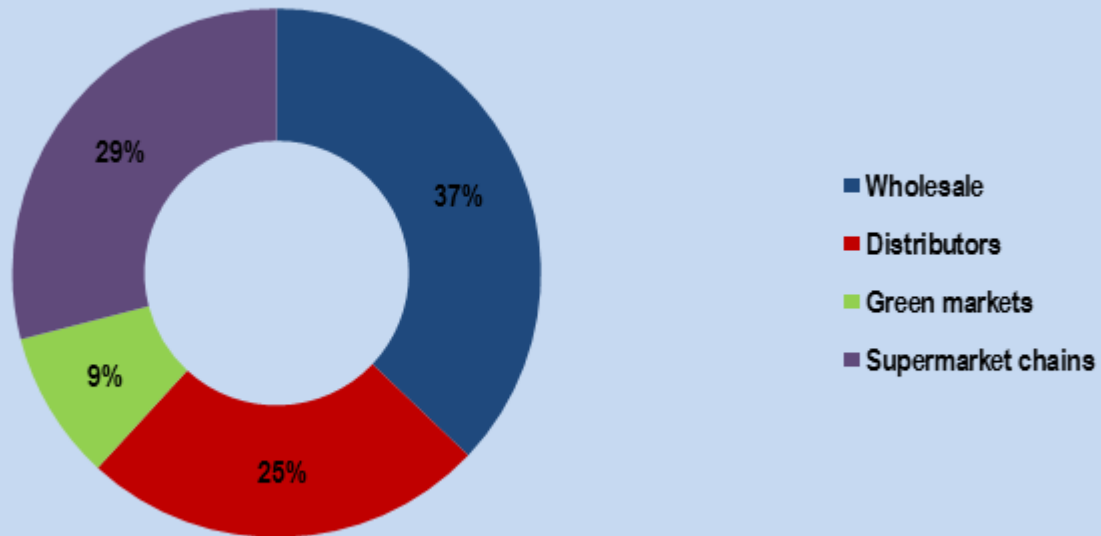
b) Processed Fruit and Vegetables





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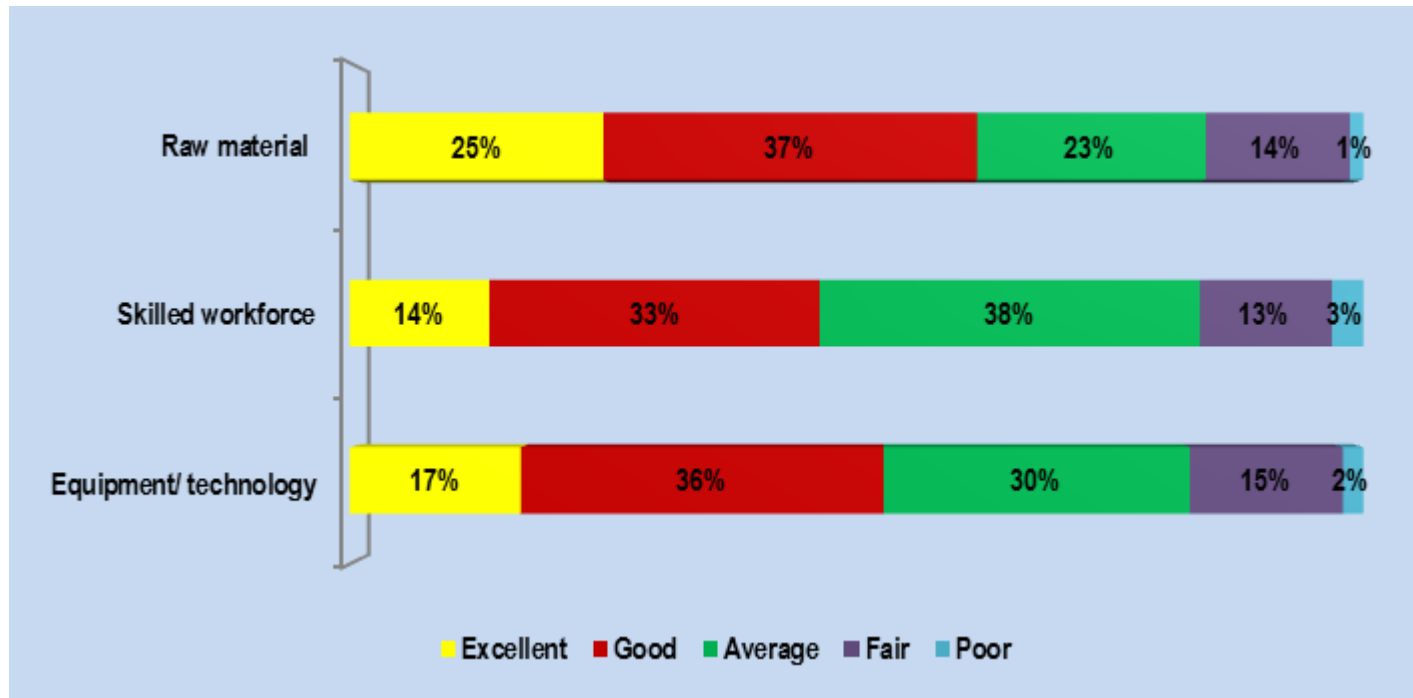
Market presence through different market channels





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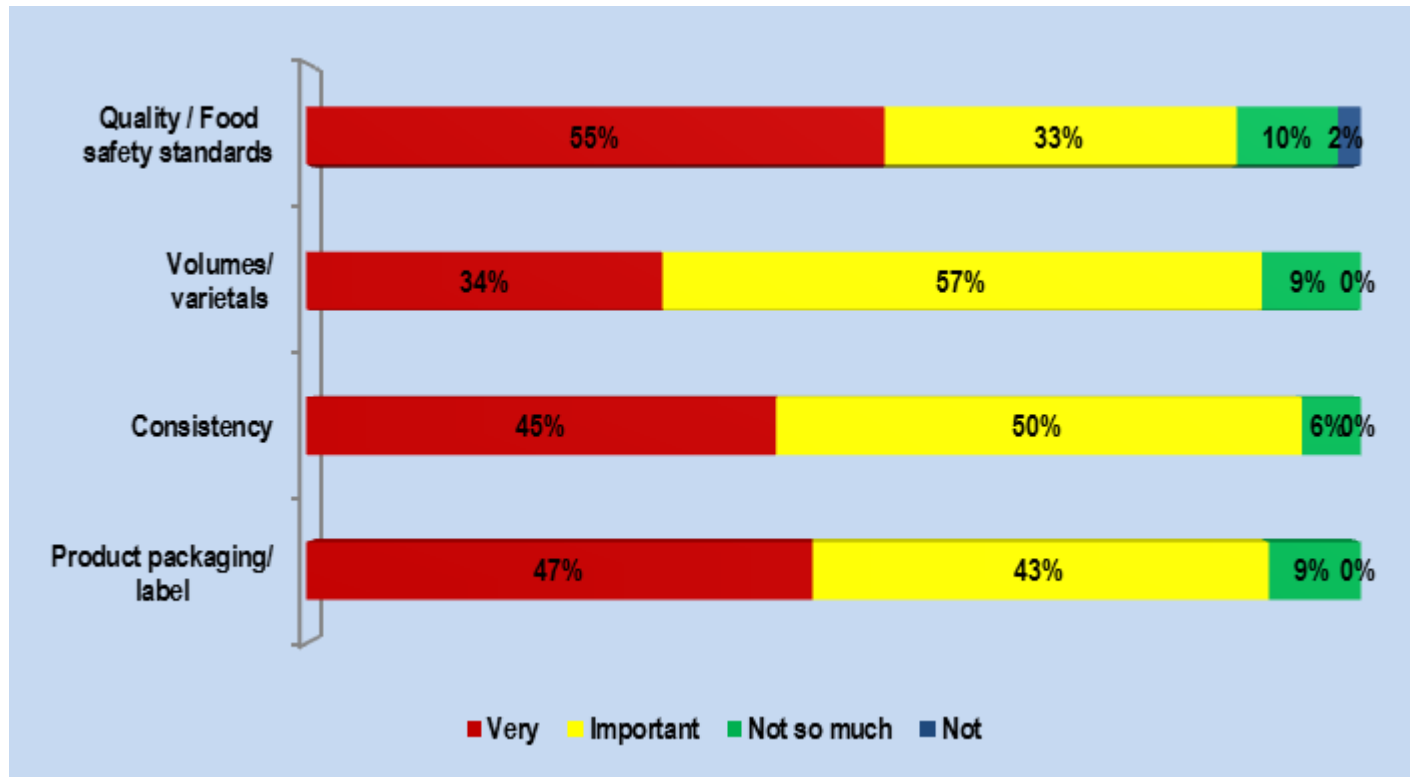
Satisfactory access to necessary input resource





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Technical requirements on current markets





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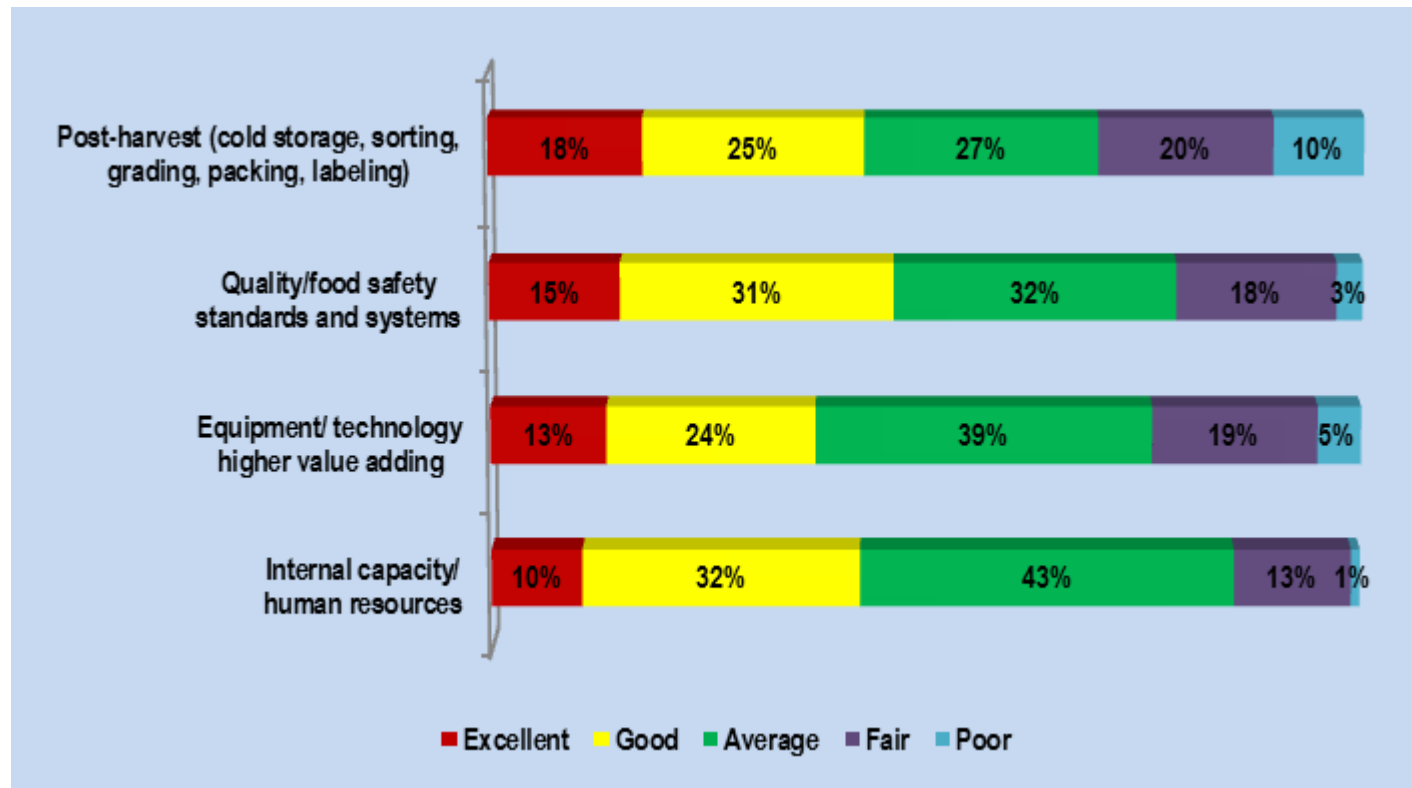
Key issues and constraints at PRE-HARVEST level limiting export growth





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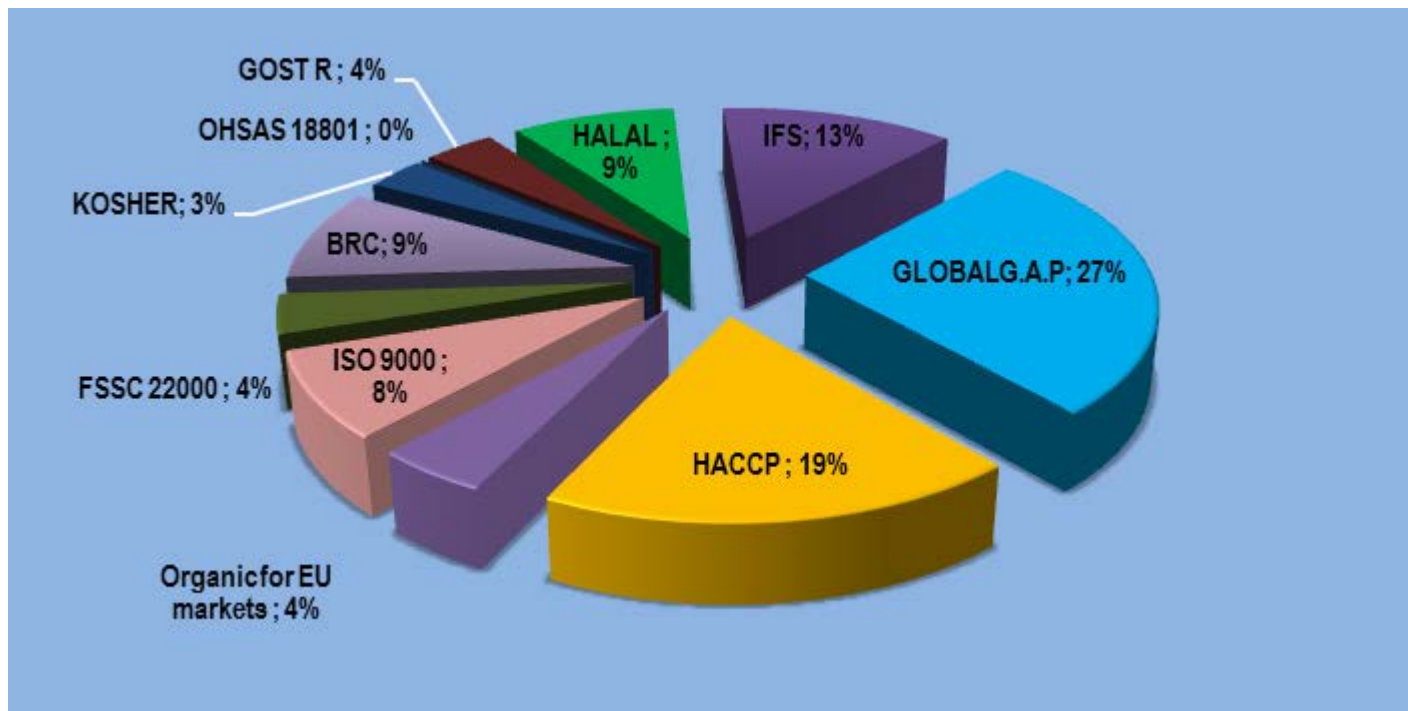
Key issues and constraints at POST-HARVEST level limiting export growth





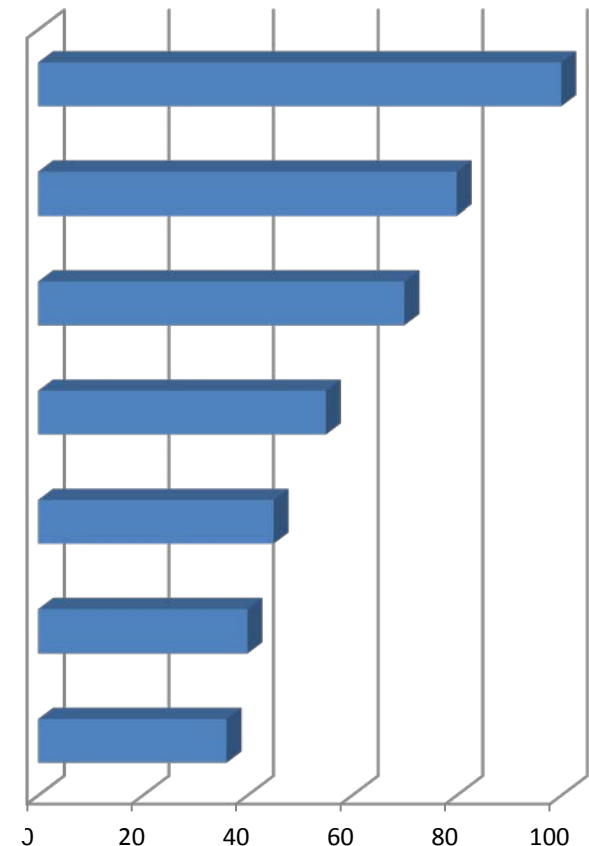
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Specific quality/food safety standards and systems companies plan to adopt /upgrade to enhance export competitiveness



Prioritized main constraints /needs:

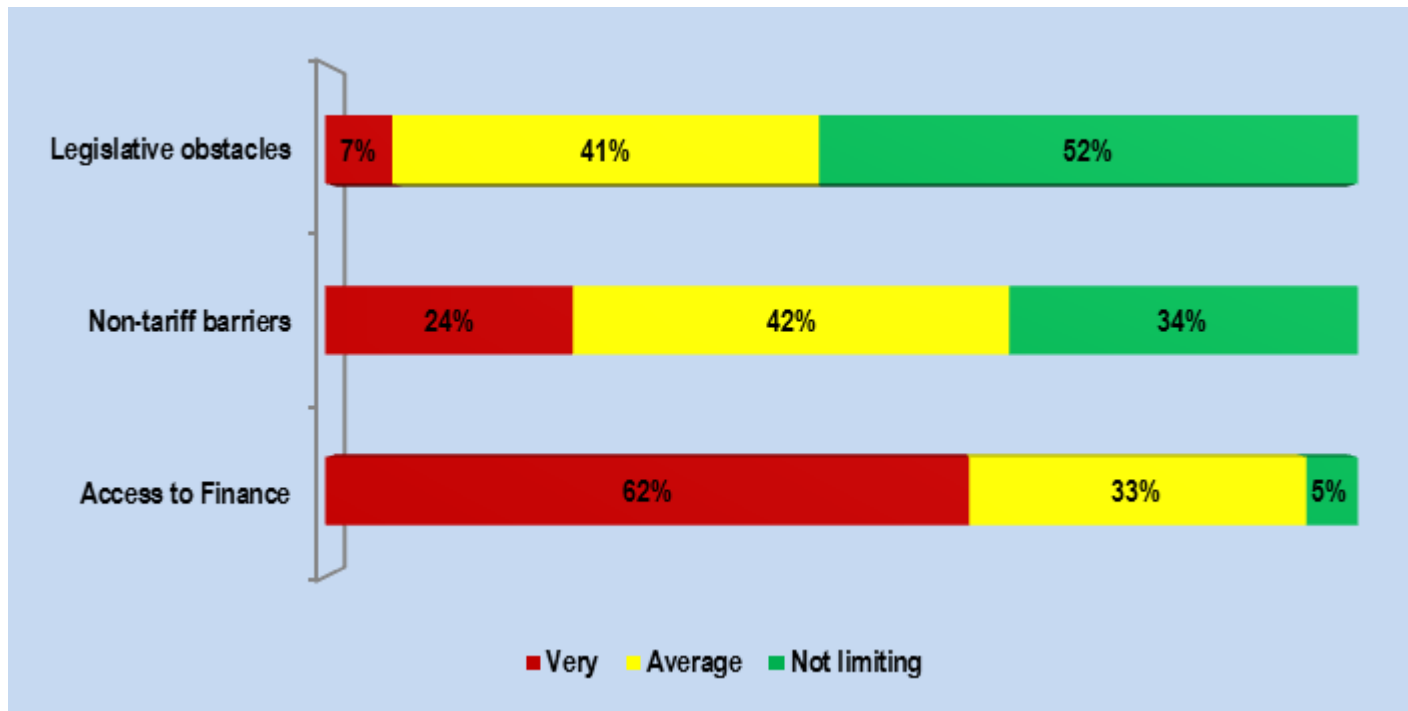
- Lack of capacity for post-harvest operations according highest wholesale/supermarket standards
- Adoption of Food Standards and certifications needed to expand export growth opportunities
- Lack of market analysis, proficiency in marketing strategy and target marketing of key export markets
- Unstable backward linkages and unreliable raw materials supply
- Improving the quality of products and production technologies
- Producer organizations, lack of horizontal coordination of primary producers
- More efficient use of funds from the IPARD / EU funds





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Other factors limiting export growth



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Other factors limiting export growth - examples

- Export to EU and/or SEE countries from the region sometimes can be accompanied by very rigid super-analysis on residual pests level. Occasionally, fresh produce shipments are being detained longer at the border for more thorough fyto-sanitary inspection but that increases the cost of transport, significantly shortens shelve life of fresh products.

Other factors limiting export growth - examples

- SMEs from the region do not have sufficient understanding of required Food safety and quality standards. Usually, they find them excessive and start implementing the standard after it is specifically required (it is a decision/deal breaker) for export contract. Often, importer/retailer's experts are sent onsite to re-confirm adopted Certificates (mostly IFS and ISO22000). Visit is most likely at the cost of the company supplier.
- Note: Markets are less restrictive in terms of standards and certificates when there is a shortage of some agricultural products!

Market trends and challenges:

International and regional Retailers will continue to expand and gain market share for AG/food products

- Supply wider product portfolio from less suppliers
- Tenders for supplying products
- Private label and retailers' brands will grow in turnover
- Increased awareness for food safety - standards required for full traceability (Individual standards Konsum Quality, TESCO standard...)

Larger markets / traders demand

- significantly larger volumes, economy of scale for improved competitiveness
- Consistency in supply, packed / shelf ready products
- Logistical solutions, just in time delivery

Market trends and challenges:

Online retail

- over a third of the Top 75 world retailers offer some form of e-grocery
- multiple barriers associated with shopping and getting grocery products delivered to the home slowly being resolved and this could initiate a new wave of online growth.
- People rely more on their mobile phones when grocery shopping



Market trends and challenges:

Weather conditions around the globe can seriously affect supply

- Decreased crop yields and impact production and prices
- Insufficient raw material supply for processing industry

Political instability and imposed changes in trading regimes

- Ban for exporting to Russia drastically changed the demand-supply balance within the EU as the largest export market for REG products and affected the region



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Potential for Increasing Exports from the Region Strengthening of Regional Value Chains

Improved linkages with intraregional and/or
international markets/buyers



Increase knowledge on the target market specific requirements and
standards compliance



Improved capacity to adopt advanced technology, improve product
offer and adding value, present company and negotiate with
potential importers/buyers



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REG interventions to assist in enhancing export growth

Improved linkages with intraregional and/or international markets/buyers



- **Enhancing intra-regional trade** - Identify importers from REG countries for specific products and organize specialized visits and B2Bs to producers/traders, strengthen regional cross-country value chains cooperation for intra-regional supply balance and when approaching larger and more demanding markets
- **Trade missions and facilitation of prearranged B2B meetings** with key importers or supermarket chains on target markets for identifying new export partners and opportunities for new export deals
- **Matchmaking at Trade Fairs** - that will optimize participation of REG companies
- **Inbound trade missions** to support expansion on current and identification of new export trade buyers

REG interventions to assist in enhancing export growth from the region:

Increase knowledge on the target market specific requirements and standards compliance



- **Technical requirements and standards for supplying supermarket chains** - meeting of export ready fresh and processed F&V companies from REG with a large supermarkets /wholesalers and get acquainted in preconditions and standards necessary to become suppliers
- **Capacity building trainings** for GlobalGAP, ISO22000 internal auditors, IFS audit and implementation

REG interventions to assist in enhancing export growth from the region:

Improved capacity to adopt advanced technology, improve product offer and adding value, present company and negotiate with potential importers/buyers



- **Study tours on advanced fruits and vegetables production and postharvest operations**, visit buyout and distribution centers for fruit and vegetables and cooperatives/producer organizations
- **Support to AG stakeholders** in identifying, preparing and implementing for EU and other donor calls for regional AG projects for investing in upgrading technology, adding value and marketing



USAID REG Project is looking forward to cooperate with leading AG companies, regional associations, Government institutions, other donor projects, business service organizations to optimize the results from interventions and enhance export growth

<http://www.regproject.net>

Thank you

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