



The Challenges Facing The CEFTA Agro-business Supply Chains

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RESULTS OF PRELIMINARY ANALYSIS



Preliminary Analysis Approach and Results

- **Rationale/Methodology**

- This preliminary statistical analysis aimed at exploring the existence of regional supply chains;
 - Identifying the top traded goods between CEFTA economies and from CEFTA economies to the EU market
 - Analysing how developed the regional supply chains are for the top traded goods, by analysing intra-CEFTA trade flows

- **Initial Results**

- Trade within CEFTA is composed by a mix of primary and processed products;
- Export from CEFTA to the EU is composed mostly by primary products;
- Intra-CEFTA supply chains appear highly underdeveloped;
- Serbia is the largest producer, the largest market and plays a central role in intra-CEFTA supply chains;



Preliminary Supply-Chain analysis

- Based on export data flow from CEFTA economies, the three most traded commodities were identified:
 - 1) Beverages (fruits and vegetable juices and sweetened waters);
 - 2) Processed Meats
 - 3) Baked goods (bread, pastry, cakes, biscuits, etc.)
- For each commodity an exploratory supply chain map was developed, between the CEFTA countries, based on intra-regional trade flows.



METHODOLOGY OF FIRM- LEVEL SURVEY



Firm-level NTB survey Methodology

- Condition for firm inclusion into survey
 - Producer of one of the three products highlighted in preliminary analysis
 - Among the top exporters of the good (within the firm's economy)
- Aim of firm-level survey
 - Mapping out the most critical inputs for each of the three products, based on firm-level responses.
 - Identifying the origin of inputs from domestic and/or external market.
 - Examining if NTBs are restricting firms from importing inputs from external markets.
 - Assessing to where firms are exporting their final goods
 - Identifying if firms faced any general issues or specific NTBs, which restricted access to external markets
 - The survey results gave a general understanding if regional agro-business supply chains exist and what barriers exist to external markets.



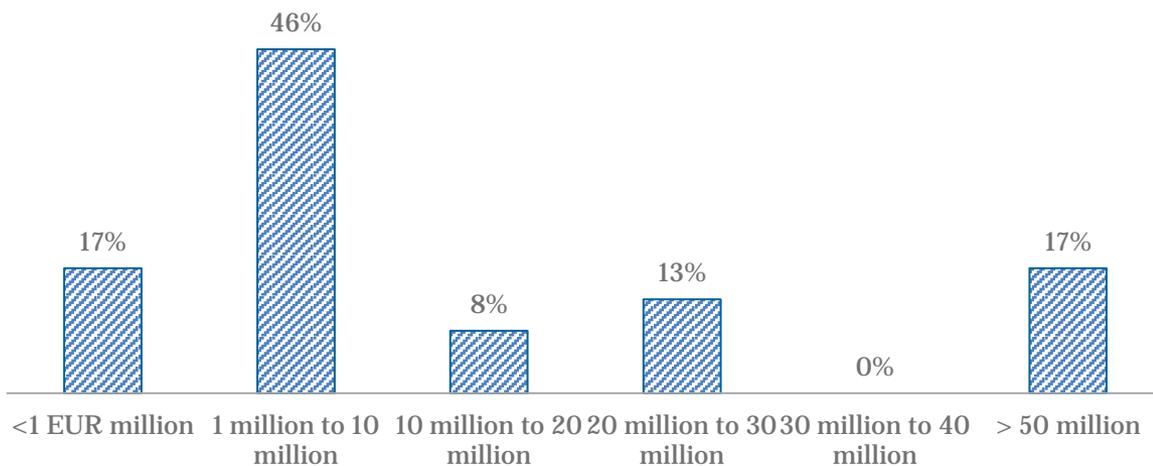
Beverage Sector Firm-level Survey Results



Beverages Sector – Descriptive Statistics

Firms surveyed	25	Total value of exports	
Firm size (employees)		<i>Median</i>	€862,500
<i>Median</i>	95	<i>Average</i>	€1.2 million
<i>Average</i>	177	Exports as % of revenue	
<i>[Max, Min]</i>	[900, 13]	<i>Median</i>	22%
		<i>Average</i>	18%

Annual Turnover of Firms in Beverages Sector

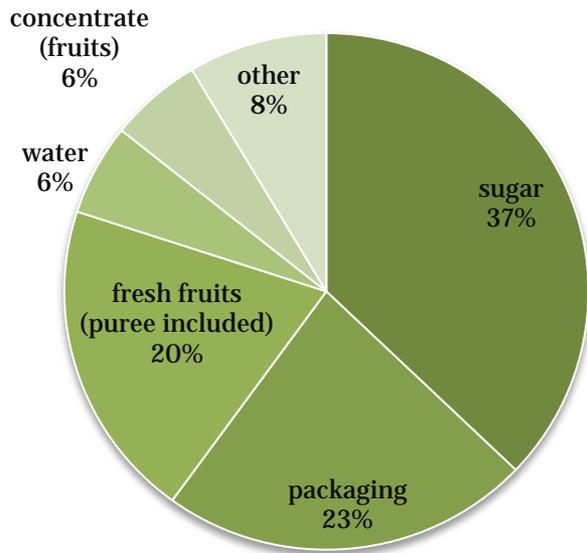


All dollars figures in EUR terms

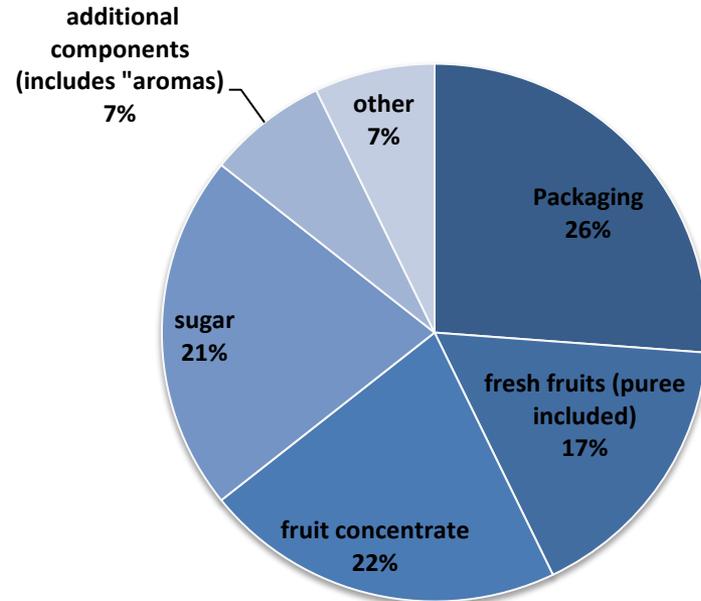


Beverages Sector – Inputs utilised

Sourced domestically



Sourced from External Markets

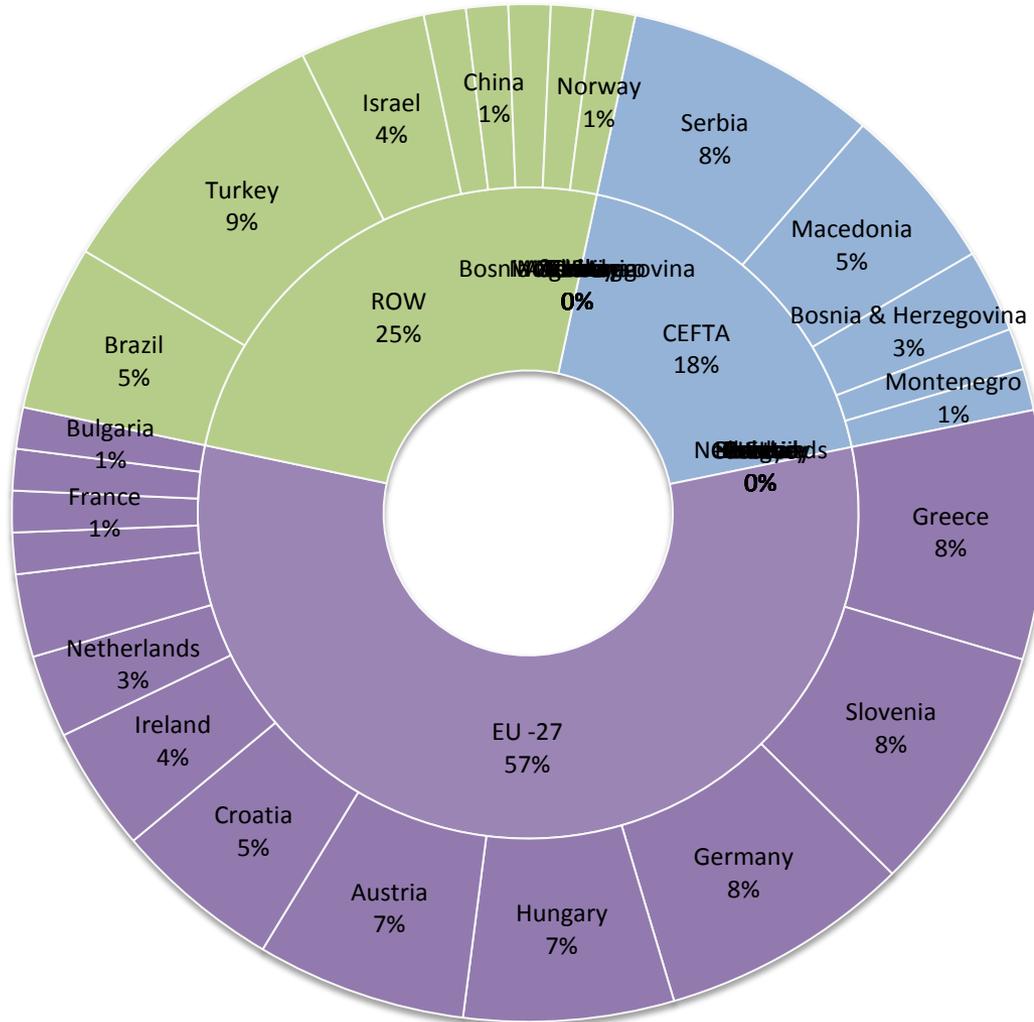


Note – 32% of firms do not source inputs domestically



Beverages Sector – Origin of Inputs

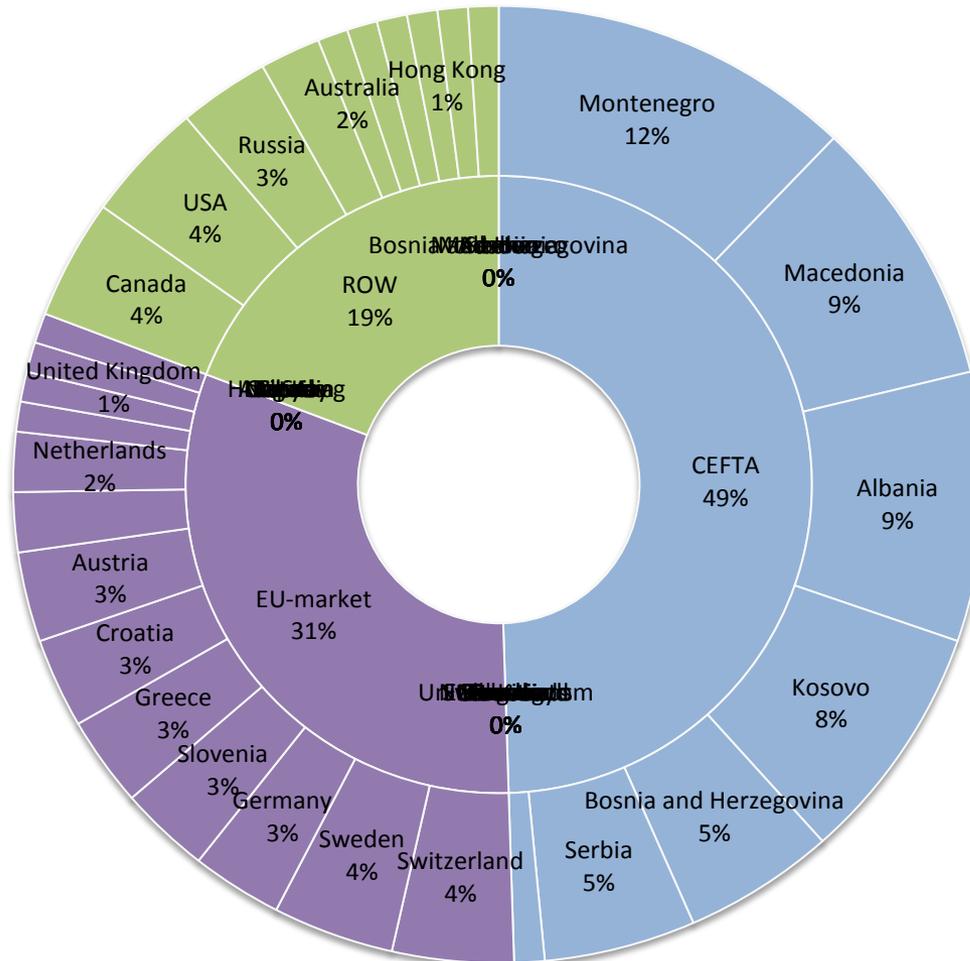
Frequency an Economy Appears as a Source of Inputs in Firm responses





Beverages Sector – Export Markets

Frequency an Economy Appears as an Export Market





Beverages Sector – Restrictions to Import and Exports

- **Frequent Cited Issues**

1. Lack of regional harmonisation in clearance procedures

- Concerns about needing to provide too much additional documentation.
- Procedures are unclear, varied, and changing between countries.
- Failure by some parties to comply with trade agreements

2. Delays at customs clearance

- Requiring of re-analysis of laboratory tests.

3. Costly customs tariffs and/or inspection costs



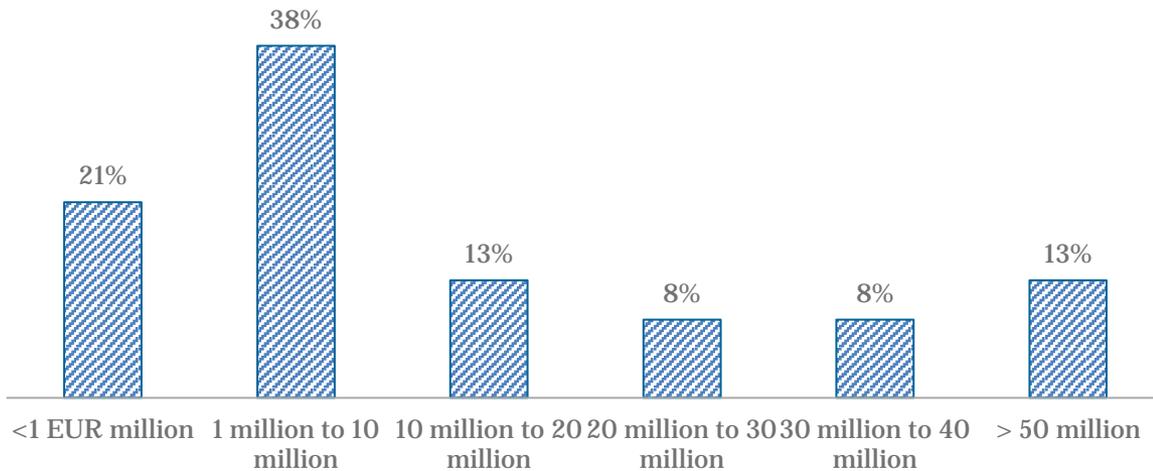
Baked Goods Firm-level Survey Results



Baked Goods– Descriptive Statistics

Firms surveyed	24	Total value of exports	
Firm size (employees)		<i>Median</i>	€2.4 million
<i>Median</i>	148	<i>Average</i>	€5.4 million
<i>Average</i>	249	Exports as % of revenue	
<i>[Max, Min]</i>	[1030, 25]	<i>Median</i>	45%
		<i>Average</i>	39%

Annual Turnover of Firms in Baked Goods Sector

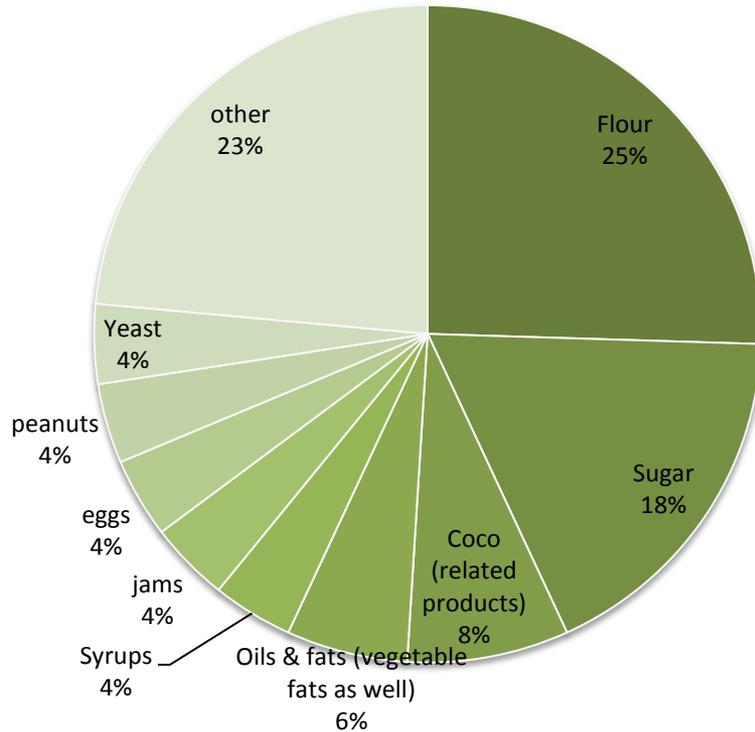


All dollars figures in EUR terms

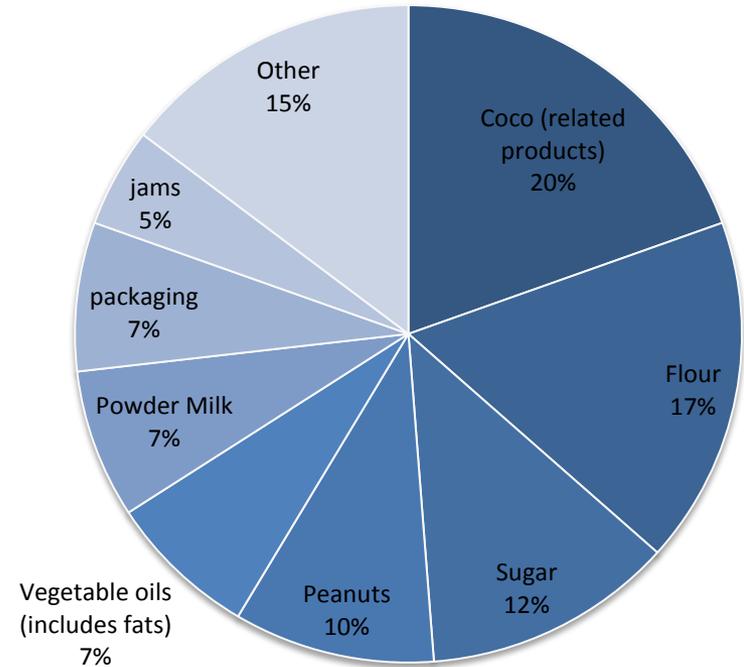


Baked Goods– Inputs utilised

Sourced domestically



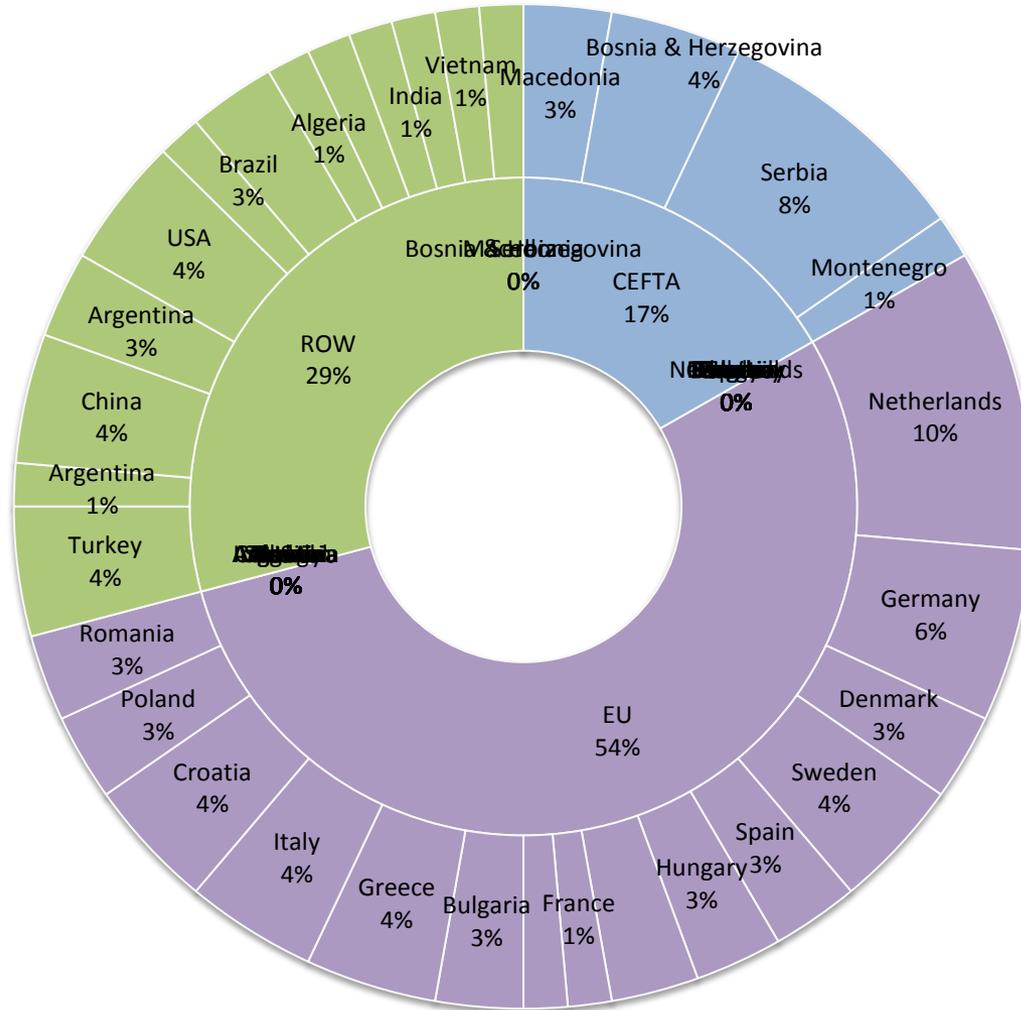
Sourced from External Markets





Baked Goods– Origin of Inputs

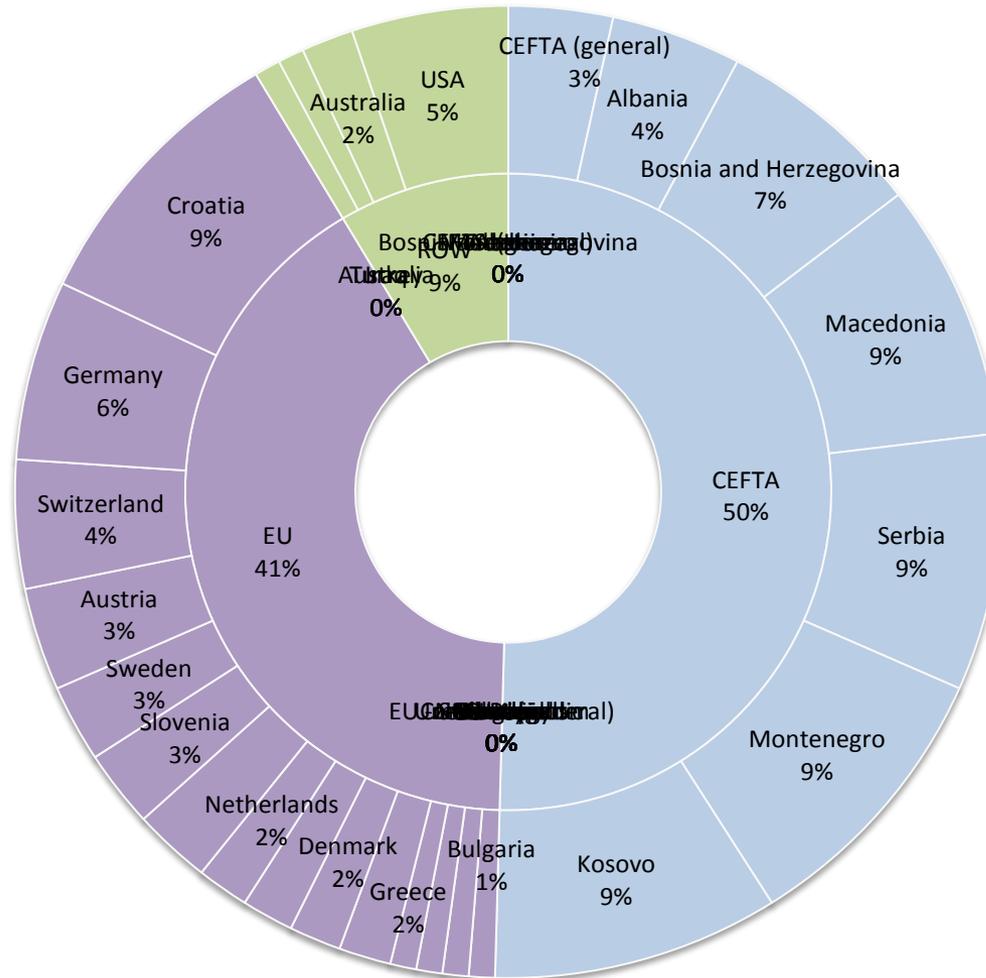
Frequency an Economy Appears as a Source of Inputs in Firm responses





Baked Goods – Export Markets

Frequency an Economy Appears as an Export Market





Baked Goods – Restrictions to Imports and Exports

- **Frequent Cited Issues**

1. Certain CEFTA parties not respecting bilateral trade agreements
2. Lack of harmonisation of standards
 - Some CEFTA parties not meeting veterinary standards to meet export requirements
 - Duplication of sampling
 - EU requires specific certification, but some CEFTA parties lack institutional capacity to provide such certification (ex. health certificates from Bosnian exports)
3. Lack of information regarding change of standards between parties.
4. Delays at border clearance
 - Heavy bureaucratic/procedural delays to export between CEFTA parties
 - Subjective custom clearance procedures (corruption)



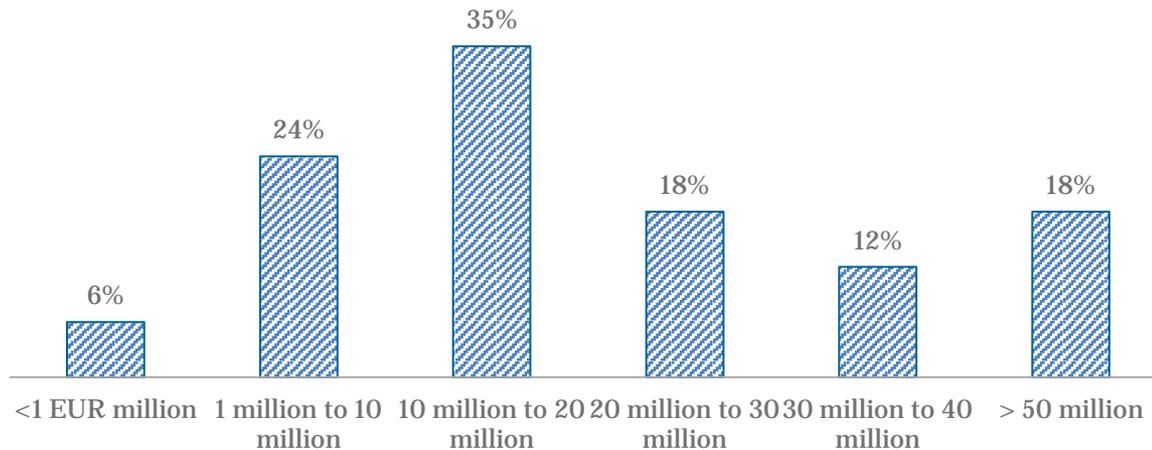
Processed Meats Firm-level Survey Results



Processed Meats– Descriptive Statistics

Firms surveyed	17	Total value of exports	
Firm size (employees)		<i>Median</i>	€1.5 million
<i>Median</i>	256	<i>Average</i>	€2.2million
<i>Average</i>	258	Exports as % of revenue	
<i>[Max, Min]</i>	[840, 22]	<i>Median</i>	13%
		<i>Average</i>	15%

Annual Turnover of Firms in Processed Meat Sector

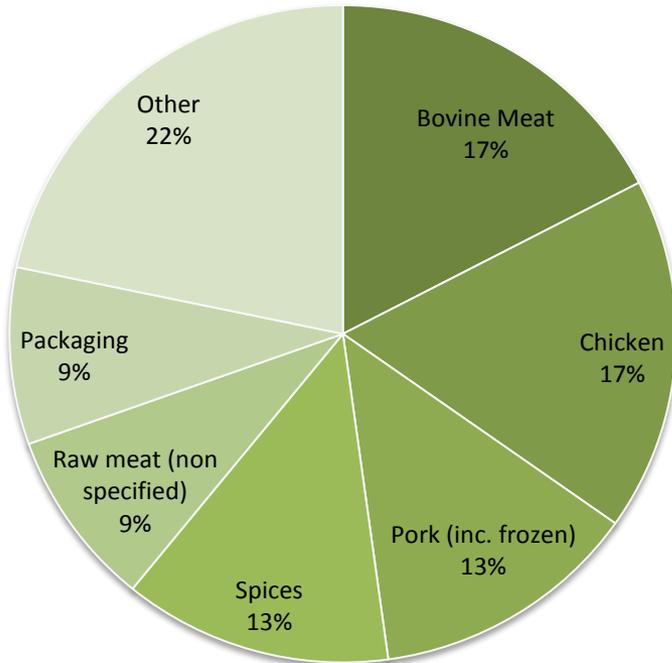


All dollars figures in EUR terms

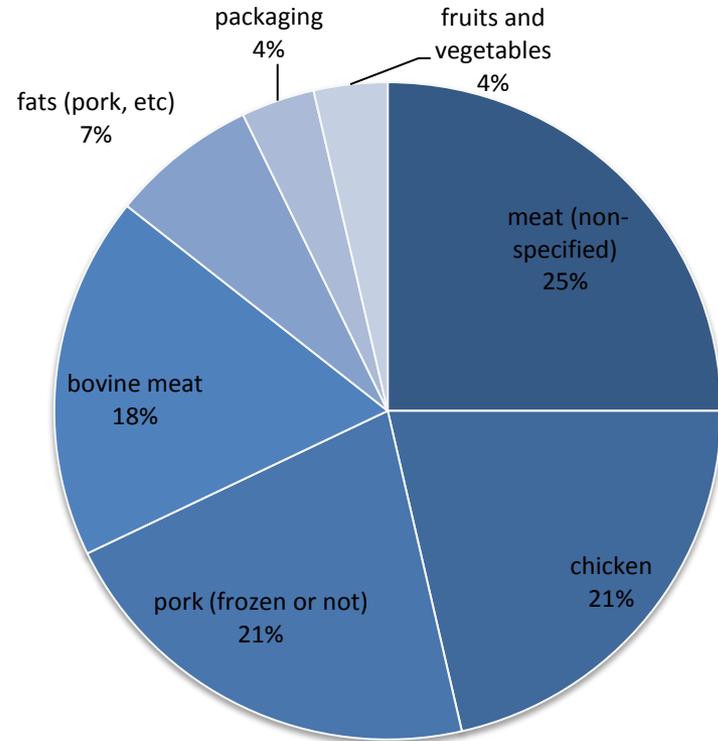


Processed Meats— Inputs utilised

Sourced domestically



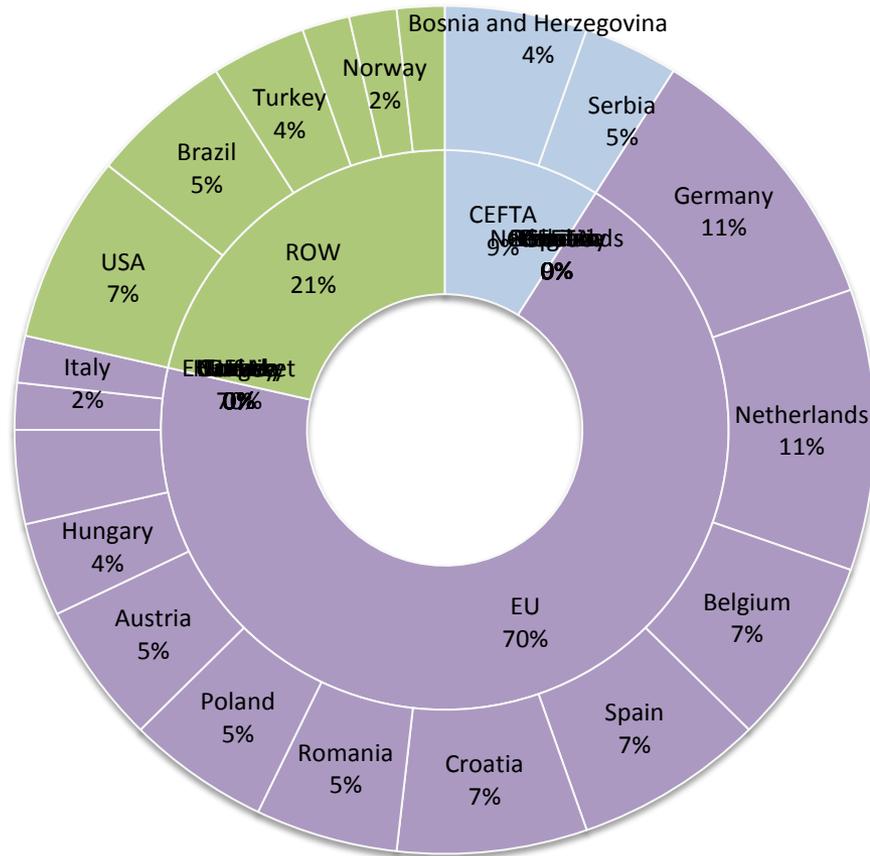
Sourced from External Markets





Processed Meats— Origin of Inputs

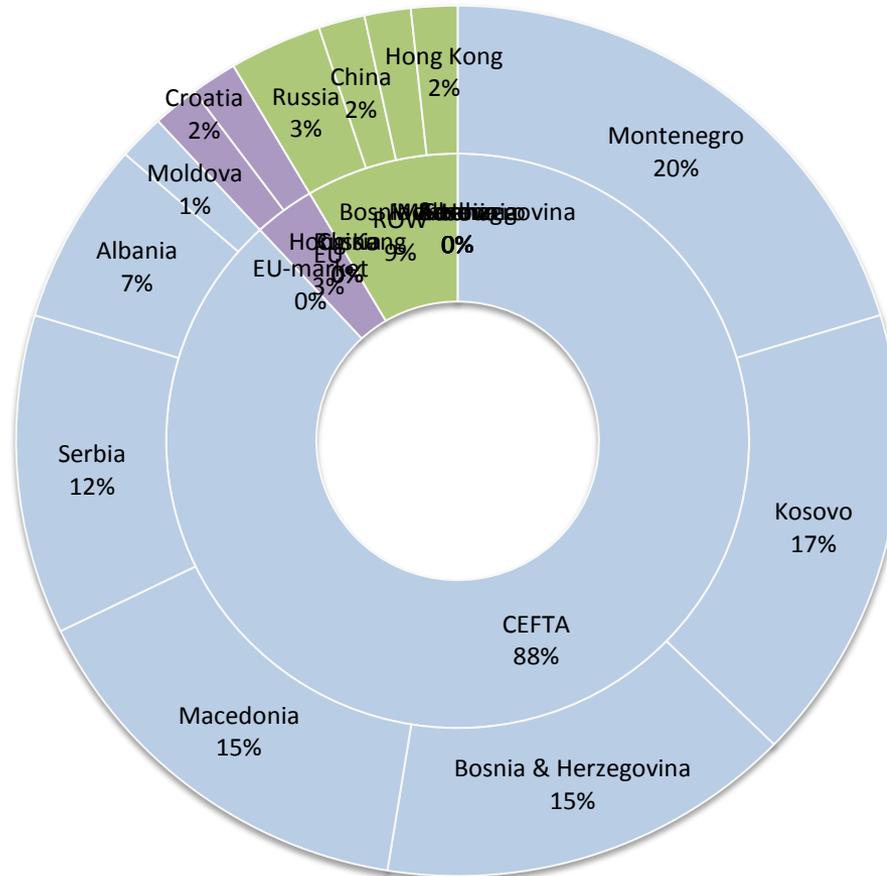
Frequency an Economy Appears as a Source of Inputs in Firm responses





Processed Meats— Export Markets

Frequency an Economy Appears as an Export Market





Processed Meats– Restrictions to Exports

- **Frequent Cited Issues**

1. Inconsistence rules and procedures between CEFTA parties
 - Multiple firms cited difficulties in obtaining necessary information on export standards between CEFTA parties.
2. Lack of harmonised veterinary standards between CEFTA parties
3. Burdensome procedures at customs clearance
 - Customs officials requiring additional paperwork and certification
4. Importers at times unfamiliar with CEFTA parties veterinary and SPS standards.



SURVEY RESULTS - SUMMARY OF TRADE BARRIERS



Overview of import/export non-tariff barriers (in order of priority)

- 1) Repeated sampling / food safety laboratory testing (both on export and import side) and physical inspection
- 2) Non-aligned and inconsistent procedures of border agencies involved in the clearance of goods
- 3) Non alignment of SPS regulations and non-recognition of certificates and laboratory results
- 4) Unsynchronised working hours of border agencies and underequipped laboratories at some border crossings
- 5) Lack of knowledge and subjective interpretation of the regulations by customs officials and inspectors
- 6) Lack of transparency of import / export and other trade related procedures and information



1. Repeated sampling / food safety laboratory testing and physical inspection

Examples from the survey:

- Unnecessary additional sample analysis
- Inappropriate number of samples and analyses per batch/lot
- Long time period for obtaining analysis results

OECD MMF recommendations for reducing the frequency of inspection, sampling and testing:

- **Inspection procedures should be simplified and the burden of inspection lowered** in cases where several inspections enforce control over the same product/operation.
- Repeated sampling and testing of products imported from CEFTA region could be avoided through **implementation of risk based inspection practices**.
- This would involve creating and maintaining **databases on previous inspections** and establishing according to them **risk based categorizations of business operators and products**, along with training of inspectors in risk based inspection approach and sampling.



1. Repeated sampling / food safety laboratory testing (both on export and import side)

OECD MMF recommendations for reducing the frequency of inspection, sampling and testing:

- Strongly promote all the benefits of **simplified customs procedures** to economic operators
- Introduce a legal framework for **implementation of the Authorized Economic Operator (AEO) model** in line with WCO and EU standards which would facilitate issuing of authorizations for simplified procedures considering low risk profiles which are attributed to economic operators with AEO certificates
- Need for **mutual recognition of AEO certificates** in the framework of CEFTA should be considered, especially in the area of safety and security



2. Non-aligned and inconsistent procedures of border agencies involved in the clearance of goods

According to the survey procedures of border agencies are **burdensome** and differ significantly in terms of:

- costs and duration
- different mechanisms for inspection that are applied

OECD MMF recommendations:

- Full implementation of **electronic risk management** and training on **creation / maintenance of risk profiles within all agencies** involved in the clearance of goods (Customs Authorities, Phytosanitary and Veterinary inspections at the border, etc.)
- Development at national level of **joint risk profiles between customs and other agencies involved** in the clearance process (starting with the identification of priority areas)
- Development of **cross-country risk profiles** and **joint customs controls**
- Further **development of risk assessment tools**, such as: check lists and guidelines, registers, categorization of FBOs according to risk levels, databases on FBOs.



3. Non alignment of SPS regulations and non-recognition of certificates and laboratory results

Examples from the survey:

- Lack of harmonization of certification procedures and quality standards
- Non harmonized labelling provisions
- Lack of harmonization of nutritional, health statements and general quality parameters with EU norms

OECD MMF recommendations:

- **Synchronized harmonization** of domestic SPS regulations with EU legislative documents and WTO-SPS requirements
- Identification of and mutual agreement on the **applicability of EU/International SPS regulations** for priority sectors / product groups
- **Mutual recognition agreements** should be signed in order to overcome problems in recognition of laboratory attests (i.e. a protocol could be signed on mutual recognition of laboratory attests issued by accredited laboratories from CEFTA Parties).
- In parallel, CEFTA Parties to concentrate their efforts on **outsourcing laboratory services** from internationally accredited laboratories in the region or from other countries.



4. Unsynchronised working hours of border agencies and underequipped border laboratories

Examples from the survey show that at some border crossings:

- Inspectors work only part time or by appointment
- Sanitary inspection certificates are only issued by certain hour of the day
- There is a lack of equipped laboratories or technical conditions to perform inspections

OECD MMF recommendations

- **Single time/location for both physical and documentary controls** as well as harmonization of working hours of all domestic border agencies (consider to develop the concept of one-stop-shop)
- **Customs laboratories** in CEFTA Parties **should be comprehensively modernized** in line with the recommendations laid down in the EU Customs Blueprint (pathway to the modern customs). It is necessary to adequately equip customs laboratories and to strengthen administrative capacities, **especially in the field of working methods for necessary testing.**



5. Lack of knowledge and subjective interpretation of the regulations by customs officials and inspectors

Examples from the survey:

- Subjective and incoherent interpretation of laws, rules and regulations by customs officials and inspectors in different countries
- Special requirements of the inspectors that cannot be found in the regulations
- Selection of laboratories for analysis at the discretion of inspectors and without any influence of the companies

OECD MMF recommendations:

- Customs procedures/processes and the risk management system should be fully functional and harmonized both at the national and regional level:
- **Capacity building** - regular trainings at the national level for customs officers working on risk management, for inspectors and auditors should be conducted
- Development of an **overall regional risk management strategy** to ensure uniform application of EU standards in the area of risk management, post audit control and training.



6. Lack of transparency and untimely notification of new import /export and other trade related procedures

Overall companies experience lack of transparency of information regarding:

- Laws and regulations by country;
- Signed bilateral agreements (e.g. bilateral agreements are not published on the websites of competent institutions);
- The list of border crossing points where it is possible to perform certain sanitary and phytosanitary inspections;
- Working time of inspectors and time for documents receipt;
- Necessary documents for import/export, their forms and timely notice of changes
- Need for better access to information related to trade procedures within CEFTA (without being aware of the existence of the CEFTA trade portal)



6. Lack of transparency and untimely notification of new import /export and other trade related procedures

OECD MMF recommendations for increasing transparency:

- Create **guidelines for the most important areas of customs legislation** and procedures (on origin, tariff classification, valuation, simplified procedures)
- Exchange among the Parties of necessary information and **regular notifications** of new customs and trade related regulations and SPS measures
- Ensure that information and notifications are **available and promoted to a wider public** (focus on the private sector)



Other import / export barriers

Tariffs (on a very occasional basis)

- Protection tariffs on apples concentrate and pork meat
- Application of a specific division of tariff codes

Competition barriers

- Insufficient efforts of the companies to find stable partners
- Strong competition in the sector from other countries in the region