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# Vertical coordination in agri-food chains – Implications for Policy and Trade

Samarkand Conference 2016

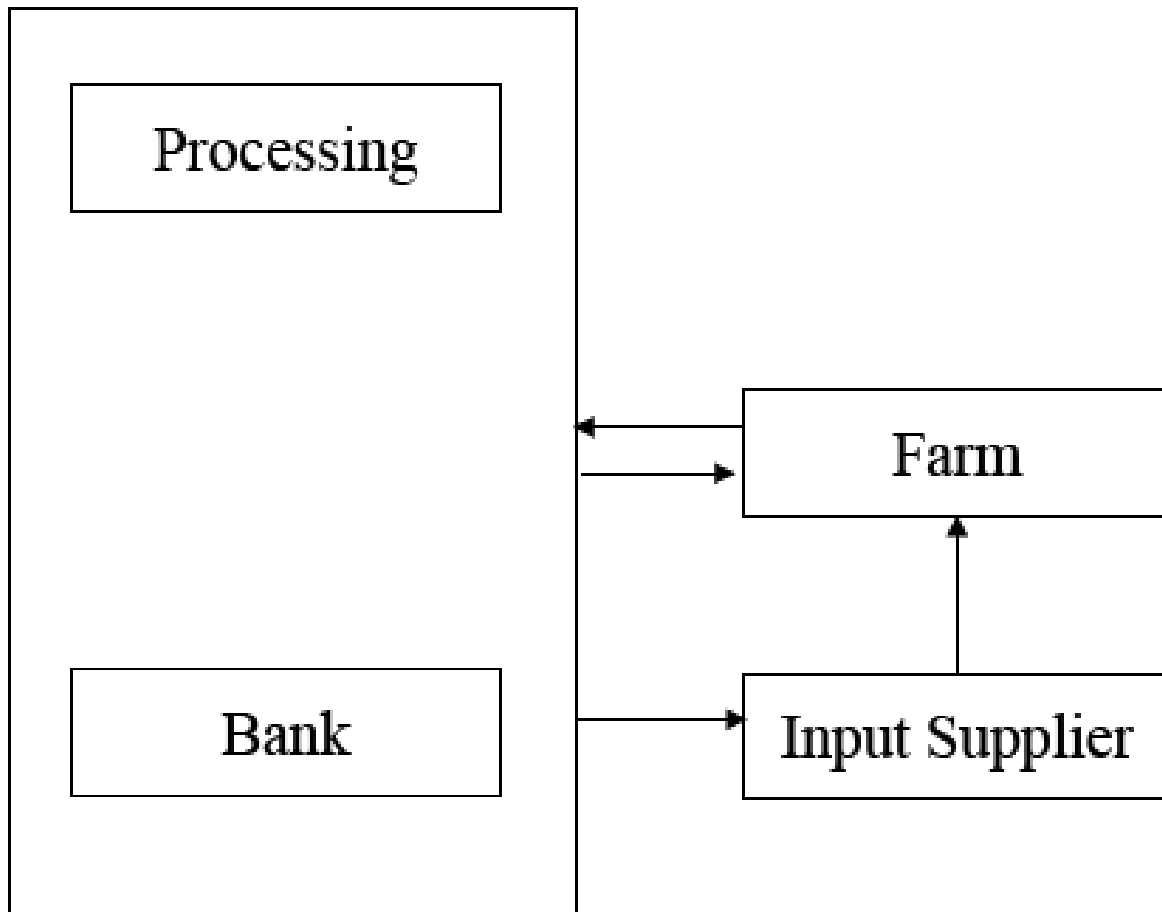
Liesbeth Dries, 3 November 2016



# Introduction

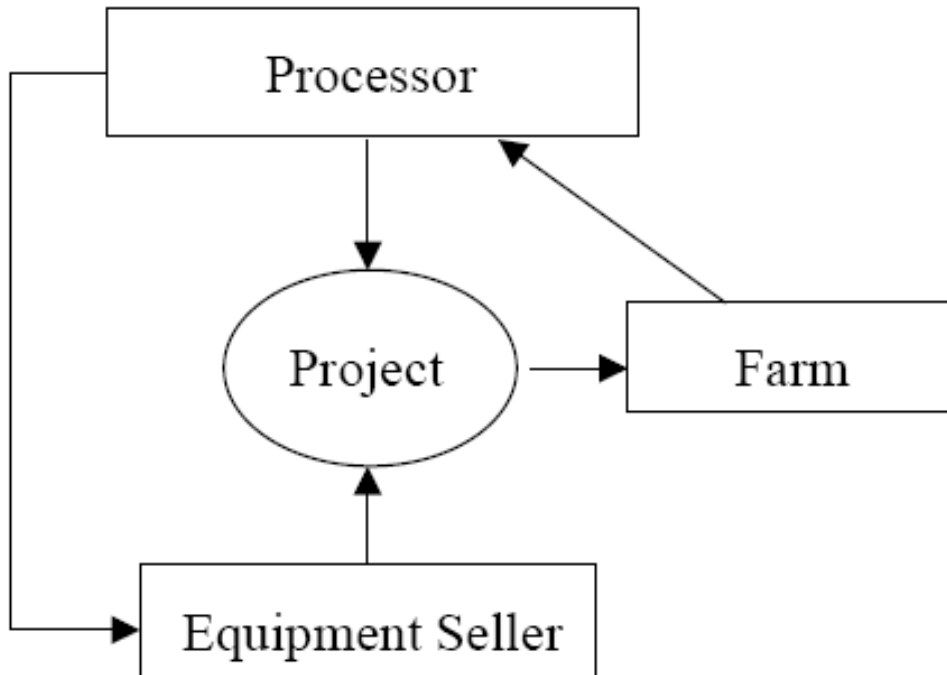
- Vertical coordination – what is it?

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**Box A3: Leasing of dairy equipment by joint leasing project  
(Wimm Bill Dann (WBD) – De Laval)**



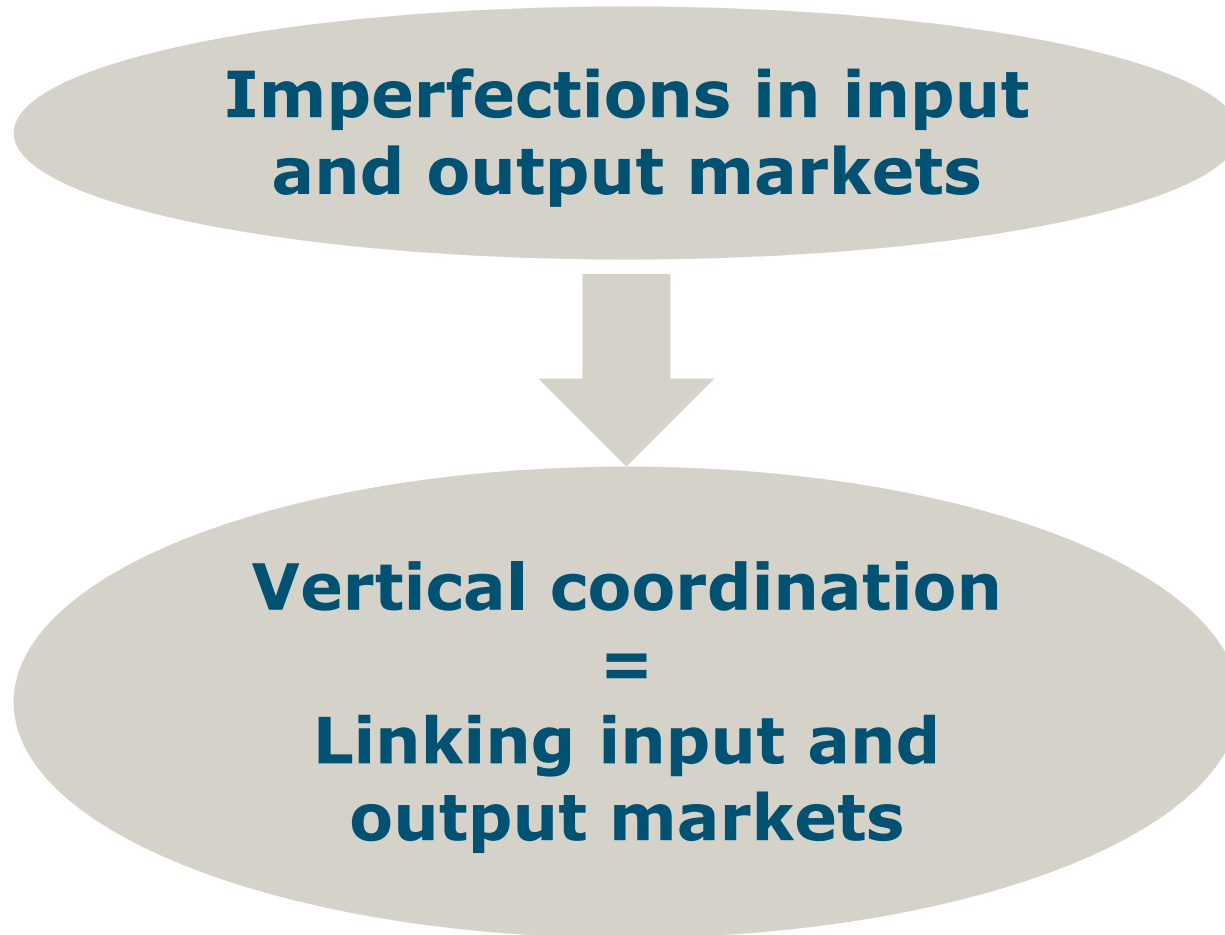
# Introduction

- Vertical coordination – what is it?
- Insights from own work in Central and Eastern Europe, mainly dairy sector [but also in other regions and other sectors]

# Vertical coordination: overcoming challenges

- Challenges agriculture Uzbekistan (World Bank, 2010)
  - Distortions agr. input and output markets
  - Lack of access to finance
  - Poor quality public services (extension, agr. education, market information,...)
  - Poor quality seeds
  - Insufficient irrigation
  - Delays in farm restructuring
  - Sub-optimal farming system design
  - ...

# Vertical coordination: overcoming challenges





# Vertical coordination: overcoming challenges

- Poland, dairy
- Share of farms with access to support programs (%)

support	% farms
Credit program investment	71.5
Credit program cows	72.1
Input supply program	78.1
Loan guarantee program	37.2

- Armenia, dairy

Support measure	% farms with support
Prompt payments	87.7
Quality control	82.7
Guaranteed prices	46.7
Credit	30.7
Veterinary support	23.7
Transportation	20.3
Physical inputs	16.3
Farm loan guarantees	4.0
Investment loans	1.7

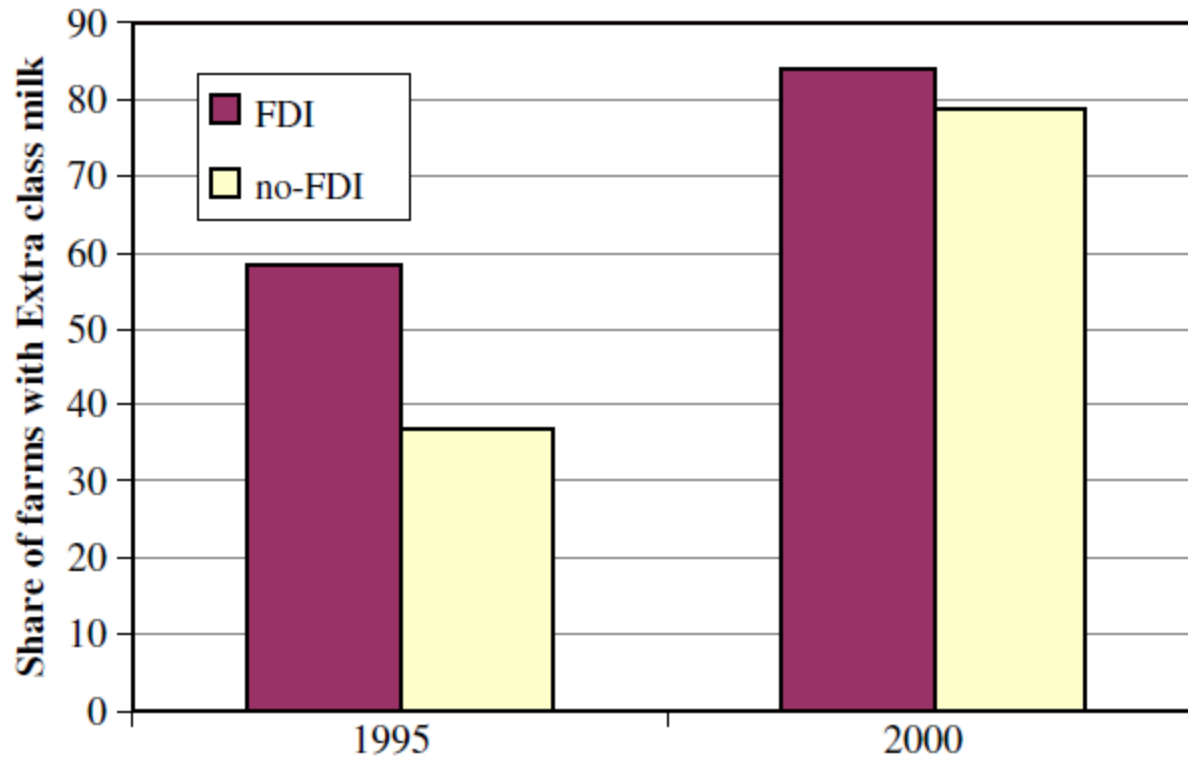
# Vertical coordination: overcoming challenges

- Is vertical coordination just a way to squeeze farmers?
- Are these examples isolated cases? No

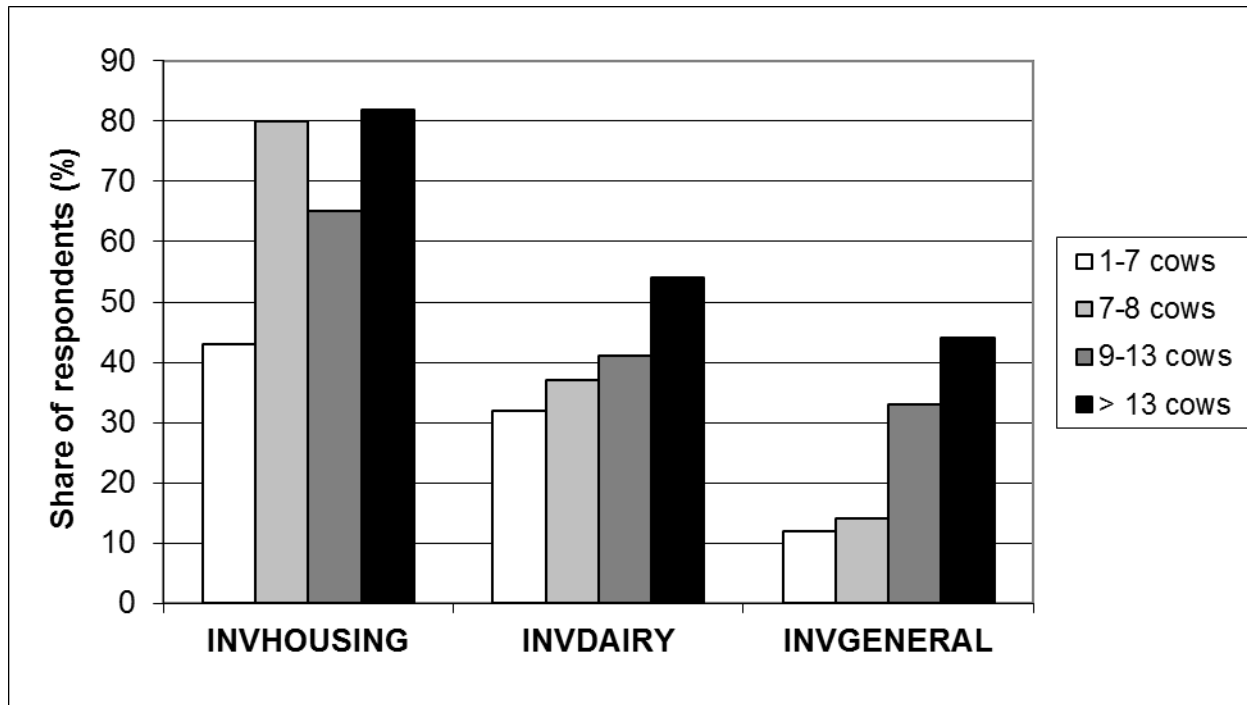
# Vertical coordination: Drivers?

- Why are processors / exporters doing this?
  - For volume
  - For quality
  - For reliability of supply

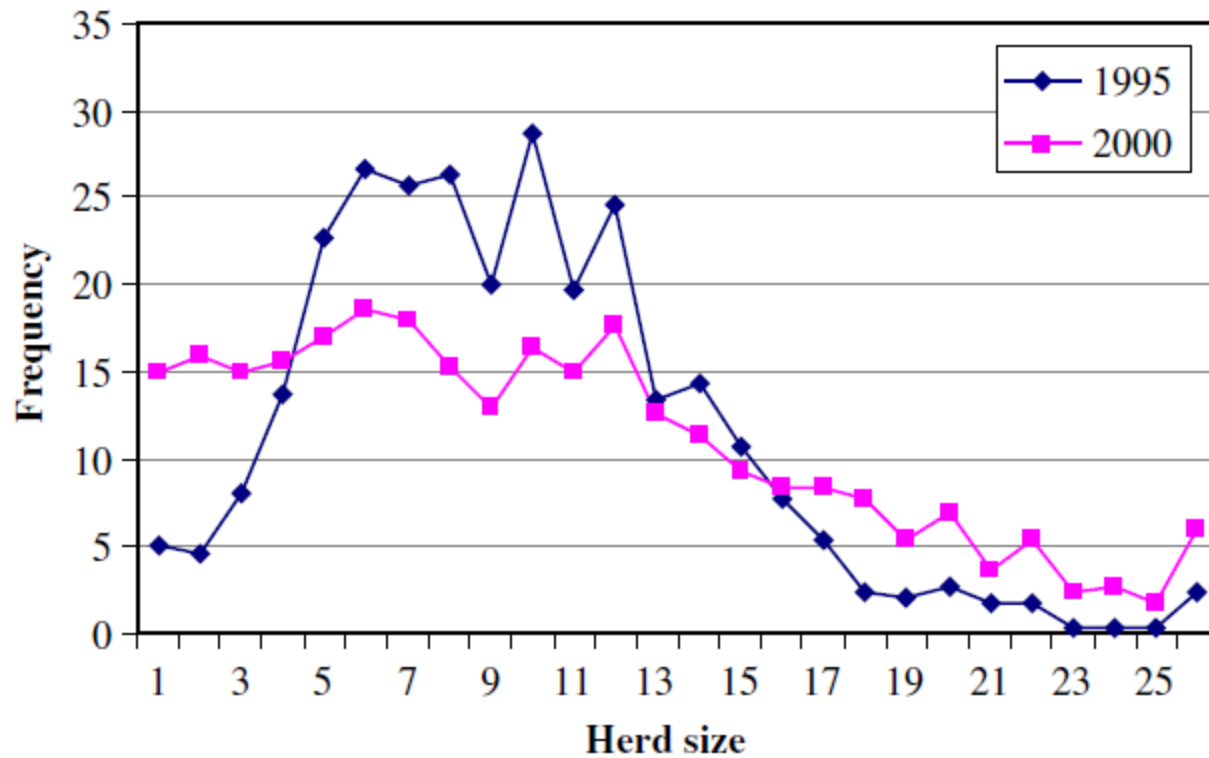
# Vertical coordination: Drivers?



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# Vertical coordination: Drivers?

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# Vertical coordination: Lessons learned?

- Vertical coordination and support programs are important in stimulating on-farm investments:
  - Direct: dairy loans and credit
  - Indirect: input supply and prompt, guaranteed payments
- Importance of openness to stimulate support
- But competition may have ambiguous effects

# Vertical coordination: Lessons learned?

- Concluding remark
  - Importance of high value products
  
- Opportunities for vertical coordination in agri-food chains in Central Asia and southern Caucasus?

Thank you for  
your attention

Questions?

