

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

Samarkand Conference 2016

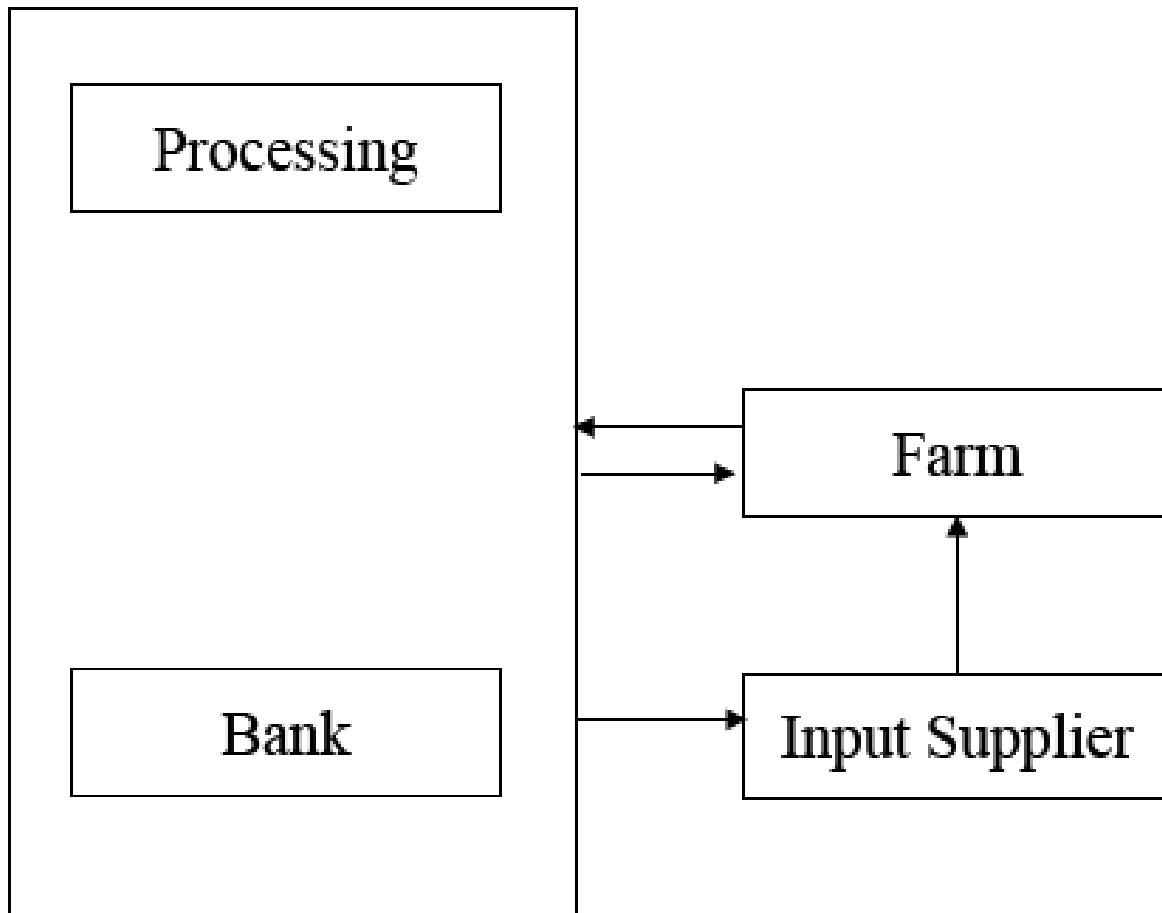
Liesbeth Dries, 3 November 2016



Introduction

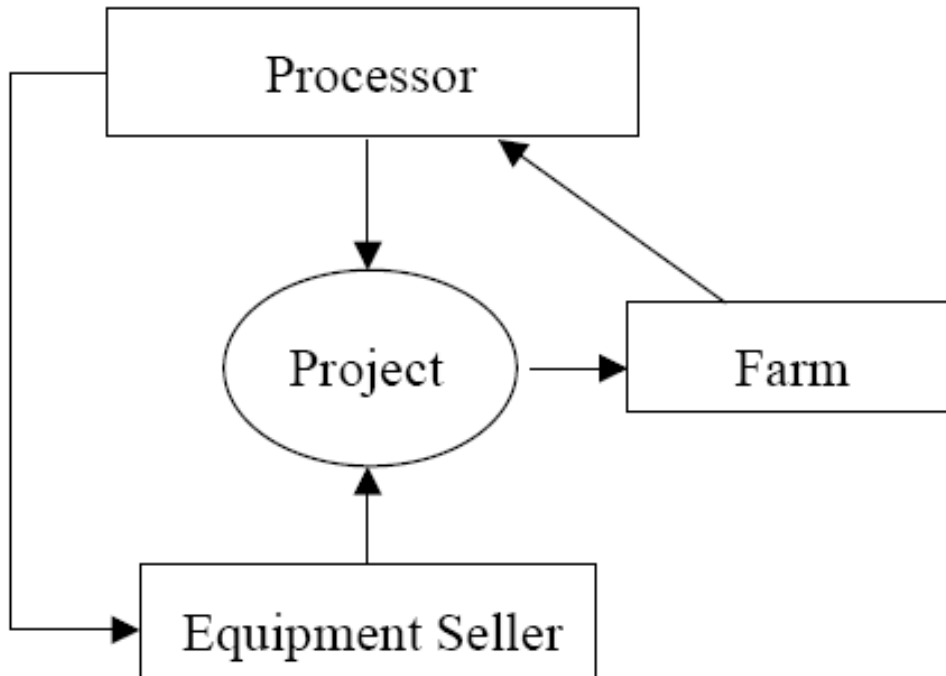
- Vertical coordination – what is it?

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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

**Imperfections in input
and output markets**



**Vertical coordination
=
Linking input and
output markets**

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

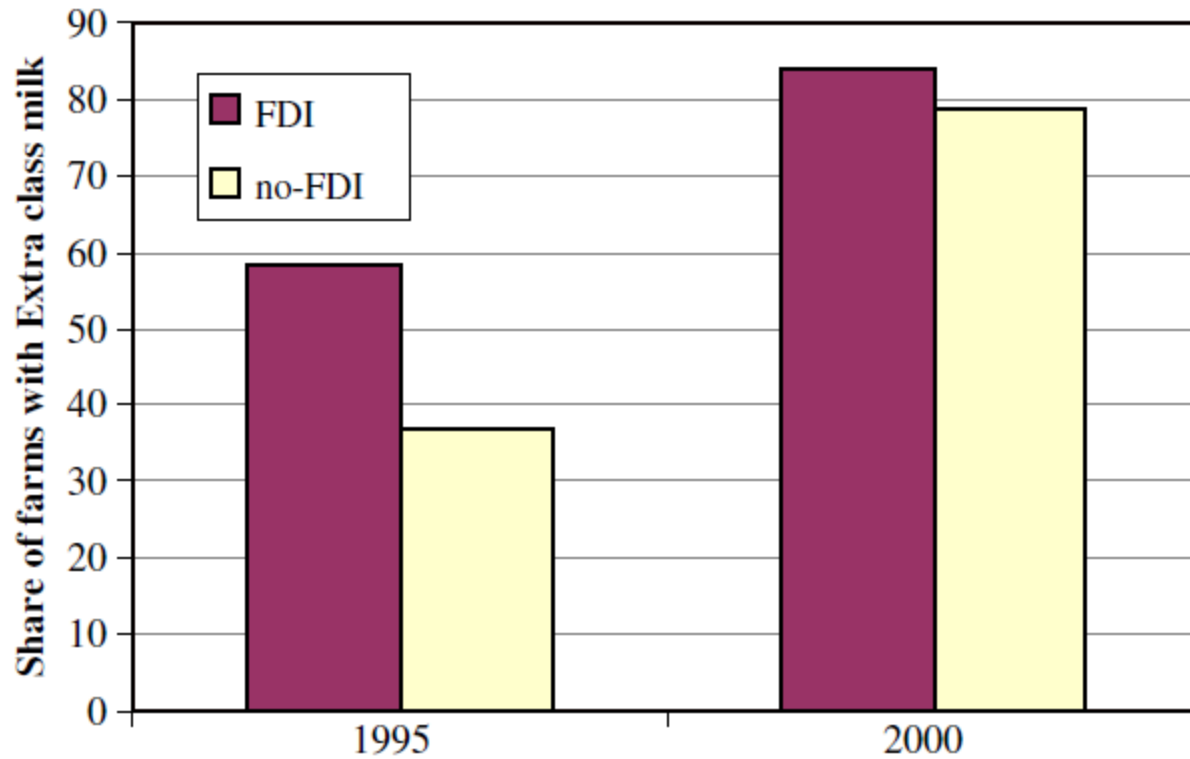
Vertical coordination: overcoming challenges

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

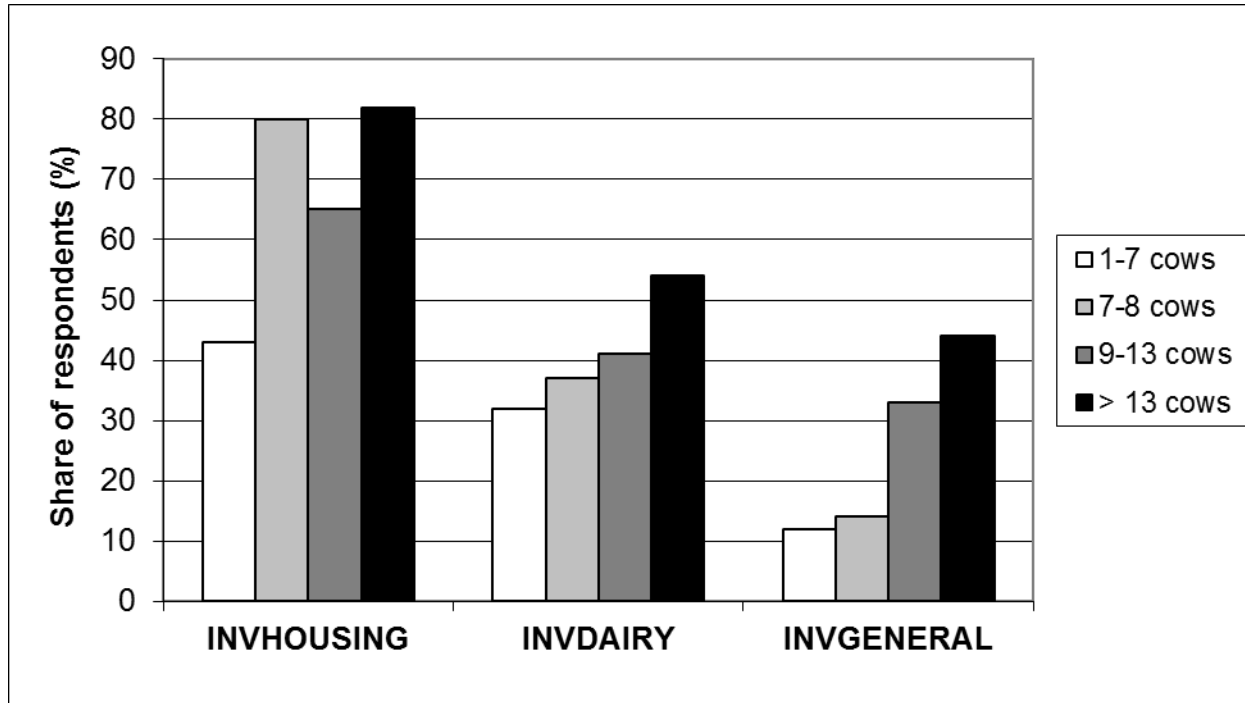
Vertical coordination: Drivers?

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

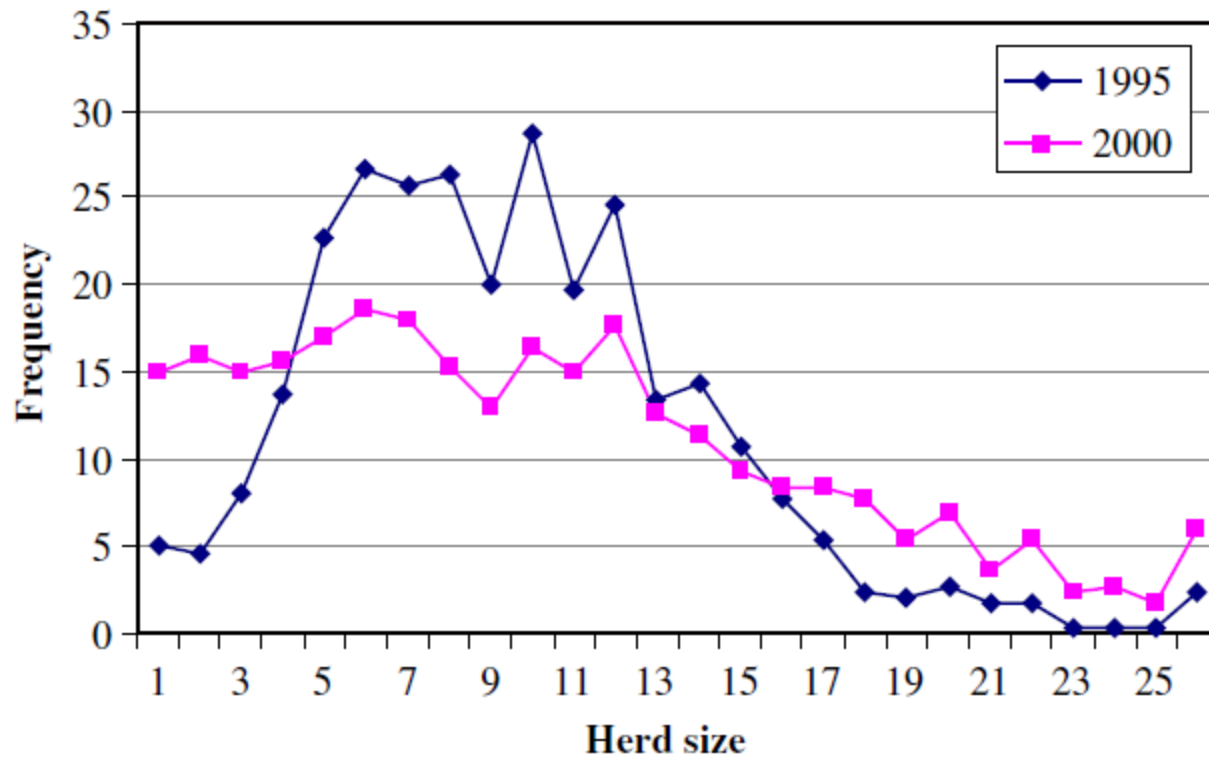
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Vertical coordination: Drivers?

- Why are processors / exporters doing this?
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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?

