

Small Farms and SMEs in Agrobusiness Industry in Selected BSEC Countries

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Abstract: The paper summarizes the major characteristics of the small farms and agrarian SMEs in ten economies and new EU states in Black Sea Economic Cooperation region. Size of agricultural land, share of the agri-sector in GDP and employment, average size of land, definition of farm, major government support programmes are presented in four South-Eastern European countries – Albania, Bulgaria, Romania and Serbia -, three CIS countries – Moldova, Russia and Ukraine -, and three Caucasian countries – Armenia, Azerbaijan and Georgia. The paper present the Conclusions and Recommendations of a Workshop on SMEs and Small Farms in Agribusiness organized by the PREMIS of the Organization of BSEC, the Ankara Office of the Konrad Adenauer Foundation in cooperation with the ERENET Network.

Keywords: small farms, agrarian SMEs, small and medium sized agri-processing enterprises, agroindustry, BSEC

Introduction

The population of the world is 7.28 billion people as of January 2015. United Nations estimate, that the human population of the world is expected to reach 8 billion people in the spring of 2024. The growth in human population around the world affects all people through its impact on the economy and environment.

Rapid growth of the population and commercialisation of agriculture is increasing the demand for processed agricultural and food products. Parallel with this, as a consequence farmers are excluded from direct participation in markets. Farmers - especially small farms - faced with pressures from large agricultural enterprises to supply raw materials in required quantities and they also faced difficulties integrating into value chains. On the other hand, local agroindustries, challenged by global and regional competition, the overproduction in some advanced agrarian countries and the need to comply with international environmental and sanitary regulations, EU directives, which prescribes the shape of the banana, colour of the

tomato, force-feeding of the ducks and geese, methods of pig-killing, size of henhouses, etc.

Small and medium sized agri-processing enterprises (SMAEs) are responsible for generating a large share of products and services in the agricultural sector and play a critical role in increasing demand for raw materials. They create income and employment in rural areas where the opportunities for employment are frequently sparse.

SMAEs can play a critical role in creating rural income and employment opportunities, through the demand they create for raw material supplies from smaller and medium scale farmers. SMAEs that are appropriately managed can produce high quality products, which can increase export revenues and reduce dependency on imported products.

However, there are major constraints that must be addressed in order to realize the full developmental potential of SMAEs. First of all we should mention the recent global climate changes, especially drought and as opposite floods, which need different approaches in cultivation and clever utilization of water resources. Secondly, politically motivated quotas and unfair negotiation of large international organizations, especially TNCs, like EU sugar regime giving preference to sugar cane from Latin-American countries at the expenses of CEE countries, the danger of the GMO products and the current Russian food embargo damaging EU perishable items, extort SMEs and SMAEs from global markets. Third, significant EU subsidies to West-European agricultural sector as well as agribusinesses – over 50% of the EU budget was being allocated to EU countries as compared with 2% subsidy in Moldova - show the unfair competition of strong economies against the weak CEE and CIS ones. While the CAP direct subsidy payments for farmers from the EU Common Agrarian Programm (CAP) total amounted at EUR 720 million to CEE countries, that means EUR 600 per farms, than the old EU countries received EUR 4,000 per farms. This is a howling injustice – so much for the European solidarity!

And last but not least, fourth defencelessness and abuse of power from profit-oriented raw material buyers.

The competitiveness of agriculture and the weakness of the food industry have long been a concern, most of all to farmers and small and medium-sized enterprises (SMEs). Since the economic crisis, SMEs have faced further challenges in terms of competitiveness, especially in maintaining their market share, having fair business relations and financial viability. Limited access to finance, the uneven quality and volume of supplies from primary producers and significant arrears in payments from retailers and wholesalers have contributed to the difficulties of the agrobusiness sector.

The Turkish Representative of the Konrad Adenauer Foundation and the Permanent International Secretariat of the Organization of the Black Sea Economic

Cooperation (BSEC) in collaboration with the ERENET Network as a Think Tank organized a **Workshop on Small Farms and SMEs in Agribusiness** on 16-17 April 2015 in Chisinau (Republic of Moldova). BSEC is a full-fledged regional economic organization, a legal entity with the entry in the force of its Charter on 1 May 1999. It was created based on **signing of the Istanbul Summit Declaration and the Bosphorus Statement by the Heads of State and Government of the countries in the region, on 25 June 1992. BSEC has 12 Members States including Albania, Armenia, Azerbaijan, Bulgaria, Georgia, Hellenic Republic, Moldova, Romania, Russia, Serbia, Turkey and Ukraine.**¹

The SMEs play an important and significant role in the economic, social and political development of the BSEC Member States. The development of the SMEs is essential for the economic growth of our countries. Consequently, through its activities, our Organization endeavors to develop effective policies and concrete measures to support the sustainable development of the SME sector in our region, which is one of the goals of the *BSEC Economic Agenda 2012*, endorsed by our Heads of State and Government.²

The Program of the Workshop was developed and selection of international speakers was made by the Author of this paper. The Program of the Workshop see in ERENET PROFILE as of February 2015.³ The key issues discussed at the Workshop on SMEs and Small Farms in Agribusiness in the BSEC Region focused on the following questions:

- How to survive in the existing economic crises;
- How to develop agribusinesses;
- How to be competitive;
- What are the business challenges;
- What kind of government supports are requested for economic growth of the SMAEs?
- What can do the international organizations - especially WTO, EU and FAO - to maintain a fair trade for agribusinesses in the BSEC countries?
- How could BSEC countries build regional and intergovernmental cooperation in the field of agribusiness sector?

¹ Organization of the Black Sea Economic Cooperation, downloaded from <http://www.bsec-organization.org/Pages/homepage.aspx> on 21. 04. 2015.

² The BSEC Economic Agenda – Towards and Enhanced BSEC Partnership, 26 June 2012, Istanbul, downloaded from http://www.mfa.gov.tr/the-bsec-economic-agenda---towards-an-enhanced-bsec-partnership_-26-june-2012_-istanbul.en.mfa on 21.04.2015.

³ BSEC-KAS Workshop on SMEs and Small Farms in Agribusiness, ERENET PROFILE, Vol X, No.1., pp. 65-67.

1 General conclusions of the workshop

Based on national presentations by 12 BSEC Member Countries as general problems of the region can be formulated as following:

1. Over twentyfive years since the transformation from the centrally planned economies to a market one BSEC countries undergone serious political and economic changes with wide spectrum of transformation in rural and especially in agricultural areas.
2. Looking back on the past two-and-half decade it can be seen that those countries made the most positive economic development, which has been chosen transformation of their socialized agroindustry into a market-oriented system based on private ownership. In the CIS countries the transformation process went a much slower pace. Some smaller countries like Armenia and Georgia reached significant result. The new Government of Georgia has strong political commitment.
3. The basic element of the reform process included the following:
 - privatization of land;
 - liberalization of prices and markets;
 - demonopolization and privatization of the food processing and trade;
 - adjustment of the institutional structure, state and local governance;
 - creation of agricultural and rural bank system
4. The development of the SME-sector in the BSEC countries contributed to the solution of a number of economic and social problems:
 - contributed to creation of necessary condition for political stability in the countries;
 - established a rational economic structure;
 - reduced unemployment, however could not contribute to alleviation of poverty;
 - increased revenues in budget.
5. In 2006, the World Bank listed Albania, Armenia, Bulgaria, Romania and Serbia to the advanced reformer group. Moldova, Russian Federation and Moldova belonged to the moderate reformer group. Azerbaijan and Georgia reserved to the slow reformer group. However, Georgia made a significant step and in 2008 it became the top reformer country. In Greece and Turkey the agrobusiness runs according to market economic rules and only structural adjustments took place.
6. The initial expectations for transformation in the majority of the region were very optimistic, while the transition in the agro-industry was more complex than it was originally envisaged.

7. Agriculture in general plays a more important role in the BSEC economies than it do in advanced market economies. The support and protection of small agrarian businesses and small farms have been priority direction in the state economic policy. Two countries – Russian Federation and Ukraine – have particularly large rural population.
8. The majority of small farmers have practical experience without special training, education or knowledge in agribusiness.
9. The density and the market share of the large supermarket chains is becoming a problem for the small farms in recent years.
10. Young people do not perceive farming as an attractive occupation. From many Moldovan villages the young generation simply disappeared and left the country to find a more decent job abroad. Rural villages became deserted and getting day by day older by the remaining old generation.
11. Small farmers are in CEE countries as well as in the CIS have 1-10 hectares (ha) with traditional crops of grain and mixed farming and their gross income is nearly half of the national average. Due to this land size they lost competitiveness with their EU competitors having 20-40 hectares and even more compared with the US farmers with 100 and more hectares of land.
12. A great part of the BSEC agricultural sector is composed of two major sub-sectors:
 - The corporate sector comprising large companies are specialized in the production of low value-added crops (cereals, oilseeds, sugar beet, etc.) and employ limited labor force due to the high level of mechanized agricultural operations.
 - The individual sector that includes peasant farms and household land in private property comprising small farms, generate a limited surplus of high value added crops (fruits, nuts, grapes, vegetables, potatoes, etc.) and value added processed foods that are mostly sold in open air agricultural markets.
13. Average incomes in agro-industry are the lowest and also unpredictable in most of the BSEC national economies. The extreme poverty directly relates to unpredictability of income in agriculture. Extreme climate changes (both drought and floods), poor harvests, the strengthening international competitiveness, strong health, environmental and phytosanitary standards, lack of irrigation, poor infrastructure in depot plants making the life of the small farms and SMEs painful and difficult.
14. There are significant trade barriers, quotas, tariff and non-tariff characters, notably by the Common EU Agricultural Policy aiming at securing the price structure.

15. The EU accession made a tremendous impact upon the agriculture of the new member countries. The principle of asymmetric integration of the new CEE entrants did a lot of harm to East-European farmers as well as to the population, because they became not equal beneficiaries. Only Greece as a small agricultural country has benefitted from this protection.
16. The current food import ban of the Russian Federation has indirectly had a negative impact on the small farms in most of the BSEC countries except of Turkey. It is a good news that Russia is investigating the position of lifting the ban for Cyprus, Greece and Hungary.
17. As a positive contribution to the financial alternatives for the agricultural sector in the region, the Black Sea Trade and Development Bank (BSTDB), which is one of the four related bodies of BSEC, is flexible in meeting the demands of its clients, many of them being small businesses, including agribusinesses. In 2014 the BSTDB celebrated its 15th anniversary since the start of operation. So far 15 operations in agriculture and agribusiness, with signed loan agreements exceeding EUR 135 million. These operations include direct financing to companies and BSTDB credit lines to local financial intermediaries for sub-lending to micro-, small-, and medium-sized enterprises (SMEs) operating in the agribusiness sectors.⁴

2 South-eastern Europe (SEE)

Presentations were made from Albania, Bulgaria, Romania and Serbia.

2.1 Albania [1]

In Albania the agricultural land amounts at 696,000 ha with total number of farms 351,000 (86% crop and livestock; 98% field crops, 45% orcharding), the average farm size is one of the lowest reaching 1.2 ha. The agriculture employs 44.2 % of the work force and contributes 18.9 % of the GDP (in 2013). The total number of agribusiness companies is just 2236. They are active in flour, bread, oil production, meat and milk processing which account for 90%.

The SWOT chart of the Albanian agroindustry by Reed and Skreli (2013) is as following:

⁴ Boran, BSTDB, talk about Romanian Agribusiness, The DIPLOMAT Bucharest, downloaded from <http://www.thediplomat.ro/articol.php?id=5167> on 21.04.2015.

<p>STRENGTH</p> <ul style="list-style-type: none"> • Fertile land and Mediterranean climate; • High level of remittances; • Large labour force; • Shift toward producing high profitability agricultural products and products with export potential. 	<p>WEAKNESS</p> <ul style="list-style-type: none"> • Small farms holding and land fragmentization, weak land markets; • Low availability of agricultural machinery; • Lack of vertical integration; • Poor infrastructure; • Weak enforcement of quality assurance and heatl standards; • Lack of credit and market information sorces.
<p>OPPORTUNITIES</p> <ul style="list-style-type: none"> • EU integration process provide incentives for sector improvement; • Government focus on agrobusiness development and land consolidation; • High demand abroad for agricultural products; • High and growing domestica demand for high value, labour intensive products, such as fruit and vegetable and medical plants. • Access to high quality agriculture related technical management and skills via overseas training; • Agricultural and economic research capacity is growing. 	<p>THREAT</p> <ul style="list-style-type: none"> • Pervasive shadow economy and corruption on local and international level; • Absence of land markets, especially in rural areas; • Urbanisation and cross-border migration of farm labor; • Aging of rural workforce; • Competition from high quality import products.

Table 1
The SWOT chart of the Albanian agroindustry by Reed and Skreli (2013)

The legal frame for the support to agriculture and rural development is provided by the Law for Agriculture and Rural Development (No 9817/22.10.2007). The Law determines the programming of objectives and policy measures, the provision of public services for agriculture, research and training and the setting up of information database.

As a result of the small farm size in Albania, there are no economies of scale. Therefore the encouragement of farmer associations will be a priority as a way to regain these lost opportunities and to increase the market competitiveness of small

farmers. Until now, the Albanian experience has been of ineffective producer associations. Therefore, the Ministry of Agriculture, Food and Consumer Protection (MAFCP) is convinced that the only effective method will be the provision of assistance to establish model associations. For this purpose, MAFCP will also cooperate with some of its international partners in order to promote the establishment of such associations. Work needs to begin from the improvement of legislation. The European experience will be particularly valuable, as it shows that producer organisations, producer groups and cross-sector organisations are effective forms of cooperation for farmers in need of support. Albania is investigating three types of association, like (i) *Producer organisations*. These are voluntary associations of producers, which are established to concentrate agricultural supply, in other words to achieve joint product sales as a way of counterbalancing the concentration of demand or joint purchases.

(ii) *Producer groups*. This represents a less advanced stage compared to producer organisations. The producer entities do not meet the criteria of producer organisations (for example, they do not have the necessary infrastructure or level of gross sales, they have fewer than 5 members etc), and

(iii) *Cross-sector organisations*. These are associations of representatives of various activities (producers, traders, or agro-processors). They serve to facilitate activities of common interest such as improving market knowledge, using standard contracts, conducting scientific research etc. [2]

In the field of the SME sector the Business and Investment Development Strategy (2007 – 2013) the priorities for SME development are defined as follows (METE 2007):

- Harmonisation with sector strategies that have an impact on the SME sector,
- Ensured transparency of decisions and actions affecting the business environment,
- Ensured fair competition and support for the integration of SMEs in the international market,
- Development of information technologies and entrepreneurship culture.

The aim is to annually increase employment by 5%, the number of business by 15%, crediting to the private sector by 3 to 4 times in 4 years, the micro-crediting capacity by 3 to 4 times in 4 years, and gradually reduce the informal sector. This shall be achieved by several actions:

- Promotion of entrepreneurship and culture (management and training skills, increase of labour force),
- Development of growing business with internationalisation potential (improve business climate for SME development, increase competitiveness through innovation and technology transfer),

- Improvement of SME financing (increase crediting and establish the Albanian Credit Guarantee Fund, increase the amount of micro-credit funds building the capacity of micro-credit institutions.

2.2 Bulgaria [3]

Only Bulgarian has legal definition of small farms as following:

The following definition of small agricultural farms is used for the purposes of the policy in the period 2014-2020:

- Economic size, measured in standard output (SO) from EUR 2,000 to EUR 7,999, and
- Registration as farmers in accordance with the Agricultural Producers Assistance Act.

The selected definition aims at directing the funding to small farms with development potential. This is the rationale behind accepting a lower threshold of EUR 2,000 SO, with a majority of farms with very low degree of market orientation under it. The main part of the smallest farms have no development aspirations and plan to withdraw from the agricultural sector. The upper threshold is set to direct the funding towards farms with limited economic resources and similar structural problems. It has also been acknowledged that the upper threshold of the size of the small farms is a lower threshold for farms of young farmers, receiving funding.

Utilized agricultural land in small farms are 203,930 ha or approximately 5% of the total agricultural land.

Other gainful activities of the small farms

- Very few small farms are developing non-agricultural activities, which are directly related to the farm, something that is typical for all the farmers in Bulgaria.

Workforce in the small agricultural farms

- The small agricultural farms are family business. Nearly all of the employment (99%) is provided by members of the owner's family
- The share of owners with education in farming or relevant qualification is relatively low and the situation is similar in the other farms in the country. 0.7% of the farmers have university degree in agriculture, 3.1% have primary education, and the remaining 96.2% have no agricultural education, just practical experience.

2.3 Romania [4]

After 1990 more than 96% of agricultural land was privatized. The Romanian agriculture is **characterized by many social and economic problems** through excessive fragmentation of land including more than 40 million parcels.

Farming is not just about food. It is about rural communities where the people live and suffering from the poverty.

- young people no longer see farming as an attractive profession (young/old ratio)
- Fundamental, instinctive farming skills are not learned from the pages of a book, but are passed down from one generation to the next. It is due to long year tradition;
- farm managers have only practical experience (97.5%) – no education, training
- ineligible for different types of CAP payments.

Romania has a bipolar farm structure: large competitive farms coexist with small farms on the verge of livelihood.

According to **Law 300/2004** an Entrepreneurs can operate activities as *natural persons* or as *family owned businesses* (Family Association). Persons can be authorized to sustain an independent activity, which will be registered with the National Trade Register Office.

According to GEO (Government Emergency Ordinance) 44/2008 the denominations of independent activities mentioned above have been reorganized as follows:

- Authorized Natural Person (PFA)
- Individual enterprises/ Sole proprietorship/ (II)
- Family enterprises/ Family owned business (IF)

The SME category refers to Law of SME 346/2004 and Government Ordinance no.27/2006; Recommendation of the EC 2003/361/EC:

SME as *legal personality* are:

- micro-enterprises: 0-9 employees with an annual gross turnover or total assets of EUR 2 million equivalent in RON
- small enterprises: 10-49 employees with annual gross turnover of EUR 10 million and
- medium enterprises: 50-249 employees- with an annual gross turnover of EUR 50 million or total assets of EUR 43 million.

The agrarian business (AB) and small holder farmers are presented in the picture below:

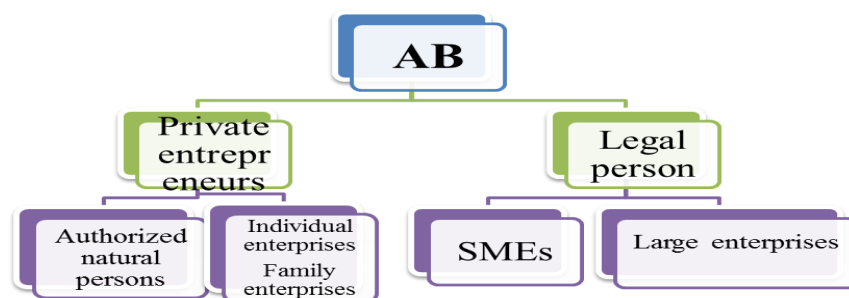


Figure1

The agrarian business (AB) and small holder farmers

Farm as individual entity is the main form of subsistence holding listed in the National Farm Register. The Land policy during transition included the following legislative acts:

- Law 31/1990;
- Law 18/1991;
- Law 36/1991 Restitution/associations/lease,
- agricultural societies; family associations –is based on verbal or written agreement The commercial agricultural companies with structure as legal personality (as a private limited liability, variable capital and unlimited , variable associates) based on Law 54/1998, legal circulation of land 312/2005; and 17/2014 acquiring the private land ownership by foreigners.

The total agricultural land is 13,306,000 ha out of them 9.947.700 is exploited with 1,040,300 farms. So, the average farms size is 9.56 ha. However, 830.200 farmers – nearly 80% of all farmers - run its operation on a land between 1-5 ha only, which has less than 20% of the total exploited land.

SMEs per 1000 inhabitant amounts at 43.7% in the urban area, this figure is very low in rural area; its is 11.4% in rural area.

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The family owned small scale production oriented small farms and SMEs characterised by the following features:

- Mentality;
- Low interest from citizens to green products;
- Social impacts associated to consumption choices;
- Lack of awareness from citizens on the environment;
- Competition with multinationals (reduced costs present major challenges for local entrepreneurs),
- General lack of entrepreneurial culture;
- Lack of contacts, to recognize opportunities, creativity; and
- Inability to sell to large market chains.

National Rural Development Program (PNDR) 2014 – 2020 based on Law no. 37/2015 – in order to assist in adaptation of the the EU Common Agricultural Policy (CAP) and to help farmers to apply easier to national and European funds by

- a series of innovative solutions
- promotion of an efficient and transparent administration of European funds
- simplification of the access to different grants
- application procedures aiming at simplified (on-line application, database with price references, on-line acquisition procedures) and
- shorter evaluation period and selection of winning projects

Young people can get support to start their business in agriculture, and help them to become farmers. For this purpose there are European subventions of EUR 111.2 million available and upto 100% as non-refundable contribution. To encourage young farmers below 40 years old owning surfaces below 60ha, will receive for 5 years (between 2015 – 2020) and additional payment of 25% compared to farmers above 40years old

According to OUG nr. 43/2013 – supporting and developing family owned enterprises can get support for development and farmers could access to grants by

- Loan guarantee to farmers of financial institutions and
- signed agreements with OTP Bank and CEC Bank

2.4 Serbia [5]

Within the general approach to the definition of agriculture, can be recognized two aspects:

- Primary agriculture production
- Modern agriculture or agribusiness

The concept of agribusiness is used first time in 1960, and today includes the following subjects:

- Governmental institutions
- Public agricultural enterprises that are in state ownership
- SMEs and small farms in the agribusiness

The Structure of SMEs and Small Farms can be seen in the picture below:

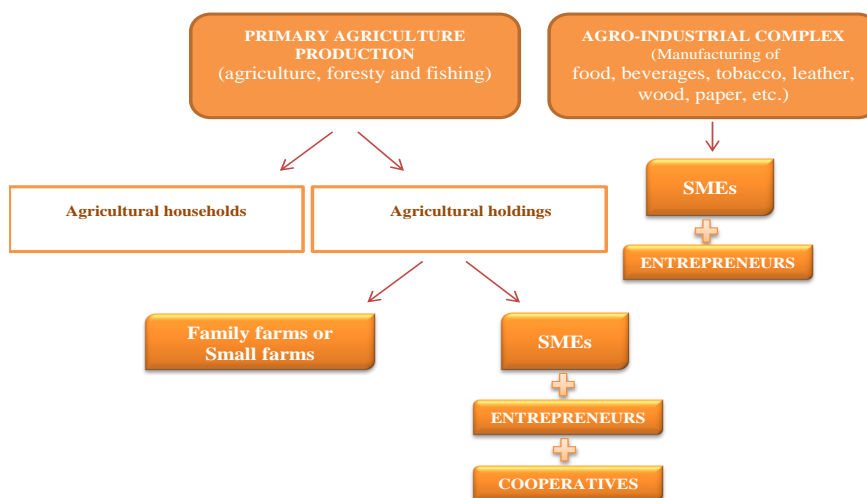


Figure 2
The Structure of SMEs and Small Farms

About 70% of Serbia's territory is agricultural land, while 30% is under forest. The total land amounts for 3,437,423 ha out of them 2,513,154 ha are arable land, 713,242 ha – meadows and pastures and 163,310 ha – fruit plantation. The share of crop production in the total value of agricultural production amounts 67.4% and that of livestock production 38.1%.

Serbia has significant water resources. More than 250 km² of country territory is under lakes. Rivers flowing to more than 4,338 km of territory and Channels flowing to more than 939 km of the territory Republic of Serbia. Despite all only 3% of total agricultural land is irrigated.

The most represented regulations of agribusiness are:

- The Law on Agriculture and Rural Development
- The Law of livestock
- The Law on Food Safety
- The Law on Agricultural Land
- The Law on Organic Production
- The Law on Incentives in Agriculture and Rural development
- Strategy for Agriculture and Rural Development of Serbia in the period from 2014 to 2024

The number of agrarian holding with 1 or 2 persons amount for 68.62%, with 3 to 4 persons – 27.06%, with 5 to 6 persons – 3.97%, and 7 and more persons – 0.35%.

The human resources are supported by the following institutions:

- 5 faculties of agriculture
- 3 high schools of agriculture
- 10 institutes of agriculture
- 15 regional chambers of commerce
- More than 30,000 graduates of agricultural engineers with different specialties
- Numerous scientific research projects.

The number of SMEES in the agrarian business includes 6,749 SMES out of them 5,525 entities are microenterprises, 917 small enterprises and 307 medium ones. In addition there are 9,490 individual entrepreneurs. Thus the total number of SMEES entities is 16,239 only.

SMALL FARMS	SMEES IN AGRIBUSINESS	
	SMEEs + Cooperatives	SMEEs
	Primary agricultural production	agro-industrial complex
Traditionally oriented Carefully borrowing Preferred land ownership in relation to the lease of land Diversification into the production Lower sensitivity to the market Keeping farm for future heirs Great loyalty and environment behaviour	Enterpreneurial oriented Tendency of borrowing capital The same relation to the ownership and lease of land Commercialization of production Greater sensitivity to market changes Not focus on keeping farm for heirs Lower loyalty and profit orientation	Industrial organized Based on management Capital incentive In effort to provide funds for growth Consumer-oriented Agriculture considered as purely business

Table 2

The Characteristics of SMEES and Small Farms in Serbia

The changes in agribusiness are primarily caused by new trends in the market that require the production of healthy food

- Changes are primarily related to:
 - The structure of the product range
 - The mode of production
- The Republic of Serbia possesses 80% of the land that is uncontaminated
- Official estimate is that in organic production operates approximately 4,000 enterprises

3 Commonwealth of independent states

3.1 Moldova [6]

The agribusiness sector in Moldova is based on extensive farming and is insufficiently adapted to market economic condition. The great part of Moldova agribusiness sector consist of two major subsector:

- corporate sector comprising from large enterprises; and
- the individual private sector including private peasant farms and household land in private property.

The utilized agricultural area is 1,941,000 ha out of this 1,416,600 ha is arable land, 199,200 ha – permanent crops, 324,300 ha – pastures and natural hayfield.

Till Small farms, especially subsistence and semi-subsistence ones, generate a limited surplus of high value-added crops (fruits, nuts, grapes, vegetables, potatoes) that are mostly sold in open air agricultural markets, then Large scale agricultural companies are specialized in the production of low value-added crops (cereals, oilseeds, sugar beet), and employ limited labor force due to the high level of mechanized agricultural operations.

Moldova has one of the best fertile soil called *chernoziom*, and everybody thout that this is an export-oriented country, in the reality it has negative balance in foreign trade as the picture shows below:



Figure 3
Foreign-trade with agri-food products
Source: INCE, 2015.

The number of SMEs in Moldova is 50,890 and amounts for 97.4% of all enterprises. SMEs employ 56.9% of the total workforce. The agroindustrial SMEs are only 3,947, 7.7% of the total SMEs. In addition there are 292 977 peasant farms. In 2012, SMEs contributed 28.7% of the GDP.

The Government Programme supporting agrarian farms and SMEs included into the National Programme for Economic Empowerment of Young People (PNAET) and oriented to young people (18-30 years), who want:

- start or expand own business in rural areas,
- to develop a business in agriculture, manufacturing or rendering services.

The Program on Attracting Remittances into the Economy (PARE 1+1) targets on migrant workers or first-degree relatives, who want to invest in launching and/or developing their own business. The program is also designed for peasant farms.

Government support programmes aimed at agroindustrial business development are the following:

- Project 'Competitive Agriculture' - MAC-P. Objective: Increase of the competitiveness of the agri-food sector by providing support to modernize management system in food safety, facilitation of farmers' access to sales markets. Funding source: World Bank, International Development Association (IDA), Swedish International Development Cooperation Agency (SIDA). Period: 2012-2017. Total budget: USD 28.4 million
- Program financed by the Government of Japan. Component: Project of Unprivileged Farmers' Assistance 2KR, performing since 2000. Objective: to facilitate access of local agricultural producers with limited financial means to performant agricultural machinery. During the first half of 2014, 453 units of agricultural machines and equipment were purchased in the amount of MDL 190.9 million (In 2015, EUR 1 is equivalent to MDL 20.12).

The Ministry of Economy is in the process of development of specific policy measures to support the greening of SMEs. The project of the Action Plan on implementation of SME Sector Development Strategy for 2015-2017 provides some measures aimed at stimulating of SMEs greening. In particular:

- Reasoning and development of proposals on promoting "green" practices in SMEs.
- Accordance of grants to support SMEs in implementing energy efficiency projects.
- Encouraging of the implementation of quality management systems, including integrated in SME sector, according to European and international standards.

- Facilitating SMEs' access to information via the "Enterprise Europe Network" - assuming aware of social responsibilities, including environmental responsibilities.

3.2 Russian Federation [7]

The role and size of agribusiness sector in Russian can be summarized as following:

Agribusiness is the largest interdisciplinary complex in Russia, which includes more than 10 industries, aimed at the production and processing of agricultural raw materials. It affects the interests of almost all population and directly influences 38.7 million citizens, living in rural areas; work of more than 18 million different agricultural organizations, enterprises, farmers and private households in 155,000 of settlements.

The share of agriculture in Russian GDP is about 3.8%, together with food processing industry – about 7%.

In the agriculture and food industry in Russia are employed about 10 million. People, accounting for 15% of total employment force. Additionally, at individual/family farms are employed 23.5 million people.

Main advantages:

1. Large areas of agricultural land;
2. Possibility of production of environmentally friendly products;
3. Economic sanctions provided new opportunities for agribusinesses with the market demand for import substitution

Main problems:

1. Lack of qualified workforce in rural areas.
2. High transportation and storage costs for raw products.

The All-Russian Association of Farmers – AKKOR – characterized the small farms and agrarian SMEs as following:

- In Russia are registered about 35,000 small farms (up to 100 workers, turnover up to RUB 400 million (EUR 7.2 million), of which 24,500 are microenterprises (up to 15 workers, turnover up to RUB 60 million. (EUR 1 is equivalent to RUB 55.70).
- Sown area is about 19 million hectares, from 2007 to 2014 increased on 6 million hectares - almost a million hectares per year.
- If take into account the production from individual /family farms, then in general in 2013 Russian farmers had produced :potatoes - 90.9%, vegetables - 85.5%, milk - 55.6%, meat (beef) for slaughter - 69.1% of the Russian agricultural products in total.
- This sector keeps 62.2% of cows, 90.6% of sheep and goats in RF.

- Grain: in 2014 was reached an important milestone. The proportion of farm production in the Russian grain harvest for the first time exceeded 25.4%.; sunflower seeds - 29.5% of the total harvest.
- Production of livestock and poultry for slaughter in live weight in 2014 had increased by farmers on 10%. Since 2009 the number of cows had increased by more than 500,000 - nearly 2 times.
- Number of sheep and goats on farms also doubled since 2009 and reached 8,642,000.
- At the same time since 2007, the number of pigs on farms had reduced more than 2 times.

Competitiveness of agrarian SMEs and small farms are the following:

- Capacity-building and competitiveness of agribusinesses and small farms in a dynamic market environment are largely determined by the influence of basic factors of marketing environment;
- Competition within the industry;
- Threat of substitutive goods and services from abroad;
- The ability of processing industry to dictate their conditions;
- Lack of storage facilities;
- Threat of new competitors;
- Unused land and outdated agricultural machinery;
- Problems to reach direct buyer and/or get access to chain stores;
- For agricultural producers among the most important factors determining their competitive advantage is the production capacity, which is measured by quantitative and qualitative performance indicators. They characterize the market opportunities of the company, in terms of market share, improve product quality, maneuvering in pricing, i.e determines the potential competitiveness. The latter is then to be realized through appropriate marketing strategies.

3.3 Ukraine [8], [9]

The agricultural sector plays an important role in the Ukrainian economy. In 2013 the share of agrobusiness on GDP was 9.1% while in 2014 it increased to 10.3%. Meanwhile we could observe a slight decrease of agricultural enterprises from 56,493 units in 2010 to 55,858 in 2013. As far as the employment is concerned, the number of employees in agrobusiness sector increased from 17.2% in 2012 to 17.5% in 2013.

Private farms amount for 73.2% of the agricultural enterprises. Business partnerships are 14.8%, private enterprises – 7.4% and producer co-operatives only 1.5%.

In 2013, 81.5 % of enterprises made profit from agricultural goods production and providing of services in the area of crop and animal production.

The state support to small farms and agrarian SMEs based on the following legislative acts:

- Law of Ukraine “State support to rural economy of Ukraine” (24.06.2004 № 1877-IV)
- Law of Ukraine “On farm enterprises” (19.06.2003 № 973-IV)
- In 2014, the agricultural enterprises received almost UAH 212 million (EUR 8.7 million) as state subsidies, while UAH 390 million (EUR 16 million) in 2013.
- Strategy of agricultural and rural economy development for 2015-2020.

Ukraine received autonomous trade preference from the EU including:

- 28 % of export to European countries is export of agricultural products;
- introduced by the Regulation (EU) No 374/2014 of the European Parliament and of the Council of 16 April 2014 ;
- the period of validity of the ATP has been extended to 31 December 2015 ;
- eliminate EU import duties on 94.7% of industrial goods and 83.4% of agricultural goods and foodstuff originating in Ukraine. It also foresees the application of the duty-free tariff quotas towards a number of agricultural products.
- To benefit from the ATP one must have the certificate of origin “Eur.1” issued by one of territorial branches of the Ukrainian CCI.
- The rural area in Ukraine is declining due to following reasons:
- Lack of financial support to small agricultural producers;
- Limited financial resources of local budgets;
- Decrease in the number of social infrastructure facilities; and
- Administrative obstacles; the efforts of Ukrainian ministries and agencies are not concerted.

The concept of National Target Program for Sustainable Rural Development until 2020 include the following:

Program background:

- Existing National Target Program for Development in the Ukrainian Countryside until 2015 is expressly production oriented (85% of funding to be directed towards agricultural production).
- European choice as a basis for future development of the country.

Anticipated results:

- Increased rural employment and incomes;
- Improved physical and social infrastructure in rural areas;
- Environmental situation in rural areas improved; two-fold increase in agricultural gross output.

4 Caucasian countries

4.1 Armenia [10]

Privatization of agricultural lands started in 1991, during the last year of existence of the Soviet Union. The formation of the first Agricultural Farms. Armenia was the first among the Soviet Republics, which privatized agricultural lands.

The number of agricultural family farms amounts for 340,000. Each of them owns about 1.4 ha of agricultural lands. Agriculture in Armenia is one of the major economic sectors. Agriculture's share of gross domestic product (GDP) in the last five years, an average is 17.8%. Together with agricultural manufacturing products (raw materials) its significance in the GDP amounts for 23.9%. Approximately 39% of the population is employed in agribusiness.

There is a definition of small farms in accordance with the Law on Agricultural Collective Farms:

- Agricultural Farm is agricultural food production self-organizational independent unit, based on public ownership.
- Collective agricultural farm (cooperative) is agricultural food production independent unit, based on collective ownership.
- The main characteristics of small agricultural farms are:
- 340,000 farmers have approximately 1,200,000 small pieces agricultural lands;
- as far as these lands are separated and have a different meaning, the operational efficiency is low;
- 25-30% of the agricultural lands currently is not used;
- there are very few farms using new technologies; and
- 99.8% of the farms are family businesses.

The small farms are characterized as following:

- Low level of mechanization of farm work;
- Low competitiveness and low productivity;
- Low level of management;
- Low level of cooperation; and
- Obtain underdeveloped logistics.

However, they have the following opportunities:

- Fast growing sector with large export potential;
 - Average annual growth of output (2011-2013) is 8%;
 - Export volume doubled during 2007-2012 (USD 600 million);
- High potential for producing ecologically safe products;
- Emerging “Armenian brand” of agricultural products;
- Largely available skillful labor force;
- Competitive advantage of certain products in outside markets.

The Government support to agribusinesses and smallholder farms are:

- Agricultural loans – 5 years ago introduced state program of subsidizing agricultural loans. 14% interest rate of agricultural loans provided by private banks farmers get by 8% (government subsidies 6%). State budget funds allocated for this program increased by 300% during last 5 years.
- Agricultural production are exempt from VAT and income tax – it only Agricultural Farms and Collective agricultural farms (not companies like poultry).
- Fertilizer subsidies – Every year, before the start of agricultural activities, farmers can acquire the necessary fertilizers 25% cheaper than the market price.
- Fuel subsidies – The same principle works in this case. Farmers can acquire the necessary fuel 20% cheaper than the market price. Funds allocated for this program each year is increasing.
- Creating cooperatives (farms consolidation project) – The government encourages consolidation and enlargement of farms.

4.2 Azerbaijan [11]

The role and share of agribusiness in the overall economy can be summed as following:

- The proportion of the rural population – 47%;
- The share of the agricultural sector in employment – 37%;
- Suitable for agricultural production land, total - 4.8 million hectares;
- Suitable for agricultural production land, per capita – 0.50 hectares. In 1970 – 0.81 hectares;

The State Statistical Committee of Azerbaijan uses the following definitions:

- Agrarian enterprises and other organizations;
- Individual entrepreneurs;
- Family farms and Households.

In Azerbaijan there is no official definition for micro- and medium enterprises. According to the resolution of the Cabinet of Minister (2009) an agrarian small enterprises has in average less than 25 employees and less than AZN 250,000 (EUR 1 is equivalent to AZN 1.14 – Azerbaijani manat).

In 2013, the number of agrarian business entities amounted for 4,194, including 1,337 enterprises, 523 service providers and 2334 individual entrepreneurs.

According to the State Statistics Committee (2013), there are 439 food producing enterprises. Out of these, 362 are small businesses, 77 - medium and large. In addition 110 enterprises operate for the production of alcoholic beverages including 89 small ones. There are 8 tobacco producing enterprises out of them 6 are small ones.

Two state institutes are giving soft loans for agricultural production:

- State Agency on Agricultural Credits under the Azerbaijan Ministry of Agriculture;
- Azerbaijan National Fund for Entrepreneurship Support.

4.3 Georgia [12]

- What we do today for Agriculture and Agribusiness, right now, will have an accumulated long-term effect on all of our tomorrows and many reasons to invest in SMEs;
- Rural Entrepreneurship is key for jobs creation and growth;
- 90% of all firms generally are micro and SMEs;
- SME's Primary Source of employment - 9 out of 10 jobs are created by the private sector;
- SMEs generate up to 60 % of GDP and major source of export earnings; and
- SMEs are the key instrument of poverty reduction, job creation and Agribusiness development.

The total agricultural area in Georgia is 3.03 million ha, out of this 0.8 million ha is arable land, 0.26 million ha is considered for perennial plantation 1.97million ha serves meadows & pastures. Out of this contingent 25% of the land is privatized, while 75% remains as state-owned property.

The agrosector share in GDP is 9.3%, while the 2.1 million rural population amounts 46.8% of the total population. The share of the population in agrisector amounts for 55%. The total number of farms is 2.5 million with average size of land of 1 ha.

The main constrains in agribusiness and low level of productivity can be listed as following:

- Fragmentation of land,
- Lack of knowledge and technology transfer;
- High costs of agriculture inputs and expensive financial resources;
- Absence of modern machinery services;
- Poor connectivity to markets;
- Generally degraded rural infrastructure;
- Lack of experience in farming;
- No creativeness;
- Migration;
- Zero motivation to be Farmer;
- Lack of government definition on how is a Farmer;
- Lack of tailor-made financial products to meet specific needs of agricultural borrowers;
- Inadequate access to information on available financing schemes/products.

The new trend in agribusiness support can be highlighted as following:

- Strong political commitment by the new Government of Georgia
- Strategy and Action Plan of the Ministry of Agriculture (2015-2020)
- New priorities for agricultural programmes of Government;

- Increased budget;
- More resources and support by donors;
- Deep and Comprehensive Free Trade Area Agreement with the EU;
- Generalised Scheme of Preferences - The EU's GSP allows developing country exporters to pay less or no duties on their exports to the EU Agreement;
- Membership of WTO;
- ENPARD - European Neighbourhood Programme for Agriculture and Rural Development (see at <http://www.enpard.ge/>).

5 Recommendations for the BSEC countries

During the Workshop the participants made the following recommendations which were discussed and adopted:

1. The BSEC Member States are urged to formulate and promote integrated national agricultural strategies and programs.
2. Governments should assist in stimulating cooperation and integration of small farms into the more comprehensive supply chain.
3. Governments should adopt a definition of small farms in order to effectively implement national strategies to promote the development of agribusiness.
4. Governments should eliminate monopolistic activities in the agricultural sector.
5. Access to finance in agroindustry should be improved by creating special agricultural loan and insurance schemes.
6. Subsidizing certain agricultural activities of small farms and SMEs should remain as an integral part of the economic policies of the BSEC Member States to strengthen agro-industry.
7. The development of quality measures in agroindustry should be considered a priority for improving competitiveness.
8. Implementing a system of patent taxation should be considered for agricultural produce.
9. Governments should exempt land tax if it is used for the production of agricultural products.
10. To exchange experiences and to better identify the success factors in agribusiness, a more direct and regular dialogue should be established between policy makers and agribusiness managers.

11. Governments should extend free basic consultancy services to small farms and SMEs in agribusiness to help them make the best of their limited resources.
12. The Governments are urged to subsidize fees related to notary and property registration where a group of small farmers decide to join their plots.
13. To encourage small farms to engage in the production of more niche and competitive products such as organic ones, governments are invited to subsidize the expenses related to issuing the necessary certificates.
14. Innovative strategies and best practices in attracting young and women entrepreneurs to agribusiness should be replicated in the BSEC Member States.

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