

Ministry of Agriculture and Agrarian Reform

# NAPC

National Agricultural Policy Center

## Competitiveness of Agricultural Exports

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Food and Agriculture  
Organization of  
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Ministry of Agriculture  
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# Globalization: winners and losers

- There has been an international shift in the social and economic division of labor.
    - Intangible activities become concentrated in developed countries.
    - Tangible activities involved in processing are increasingly carried out by a group of middle income countries.
    - Another group of developing economies draw on price competition, dependent on cheap labor.
    - Other countries seem to be excluded
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  - How to assess competitiveness?
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# The standard approach

- Assessing the exporting ability of the countries, sector by sector, based on trade data.
  - Examples of indicators used:
    - Per Capita exports
    - Share in world markets
    - Product diversification
    - Market diversification
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# Syrian agro-food competitiveness (2001 – 2005)

- ITC indices are based on UN data

- Fresh food

- Per capita exports ↑
- Share in world markets ↑
- Product diversification ↓
- Market diversification =

- Processed food

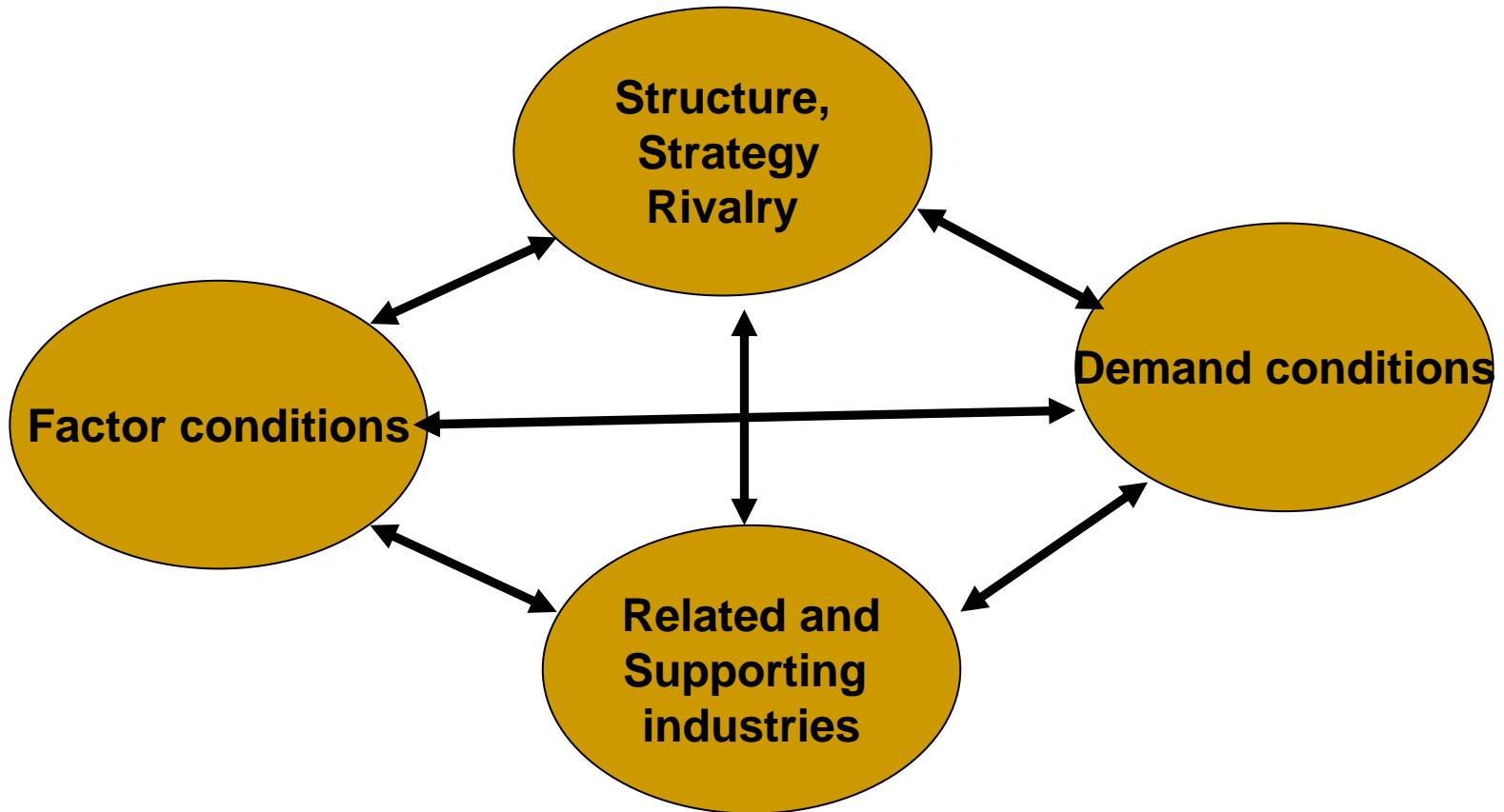
- Per capita exports ↑
  - Share in world markets =
  - Product diversification ↓
  - Market diversification ↓
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# The structural approach

- Need to assess every factor acting: lots of influencing variables, long-term view.
  - A systemic approach is needed:
    - “Island-efficiency” often leads to bottlenecks.
    - Production growth can be “impoverishing”.
    - Need to focus on all links in the value chain.
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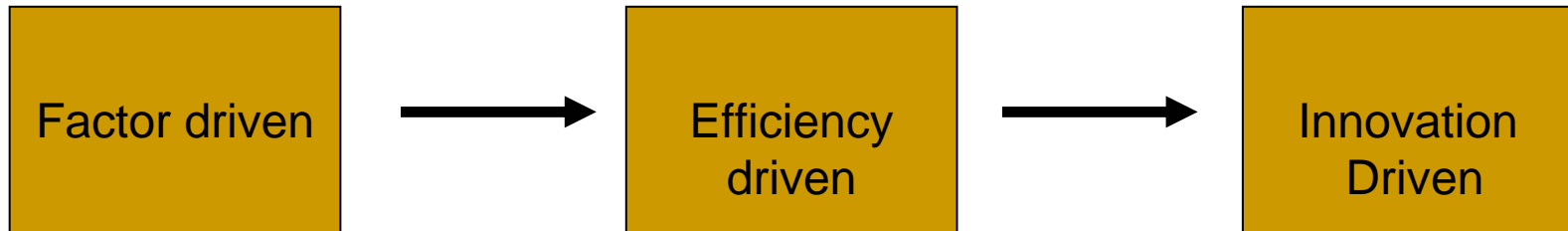
# The Porter's diamond



**4 inter-linked growth factors**

**Government role: competition and innovation enhancer, demand stimulus, ...**

# Stages and Problematic factors



## **Basic Requirements**

- Institutions
- Infrastructure
- Macroeconomy
- Health and Primary Education

## **Efficiency Enhancers**

- Higher Education and Training
- Market Efficiency
- Access to technology

## **Innovation and Sophistication Factors**

- Business Sophistication
- Innovation

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# In particular.....

- Government bureaucracy
  - Access to financing
  - Corruption
  - Inadequately educated workforce
  - Foreign currency regulations
  - Supply of infrastructure
  - Restrictive labour regulations
  - Tax regulations
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# Syrian rank in GCI (out of 48 'factor driven' economies)

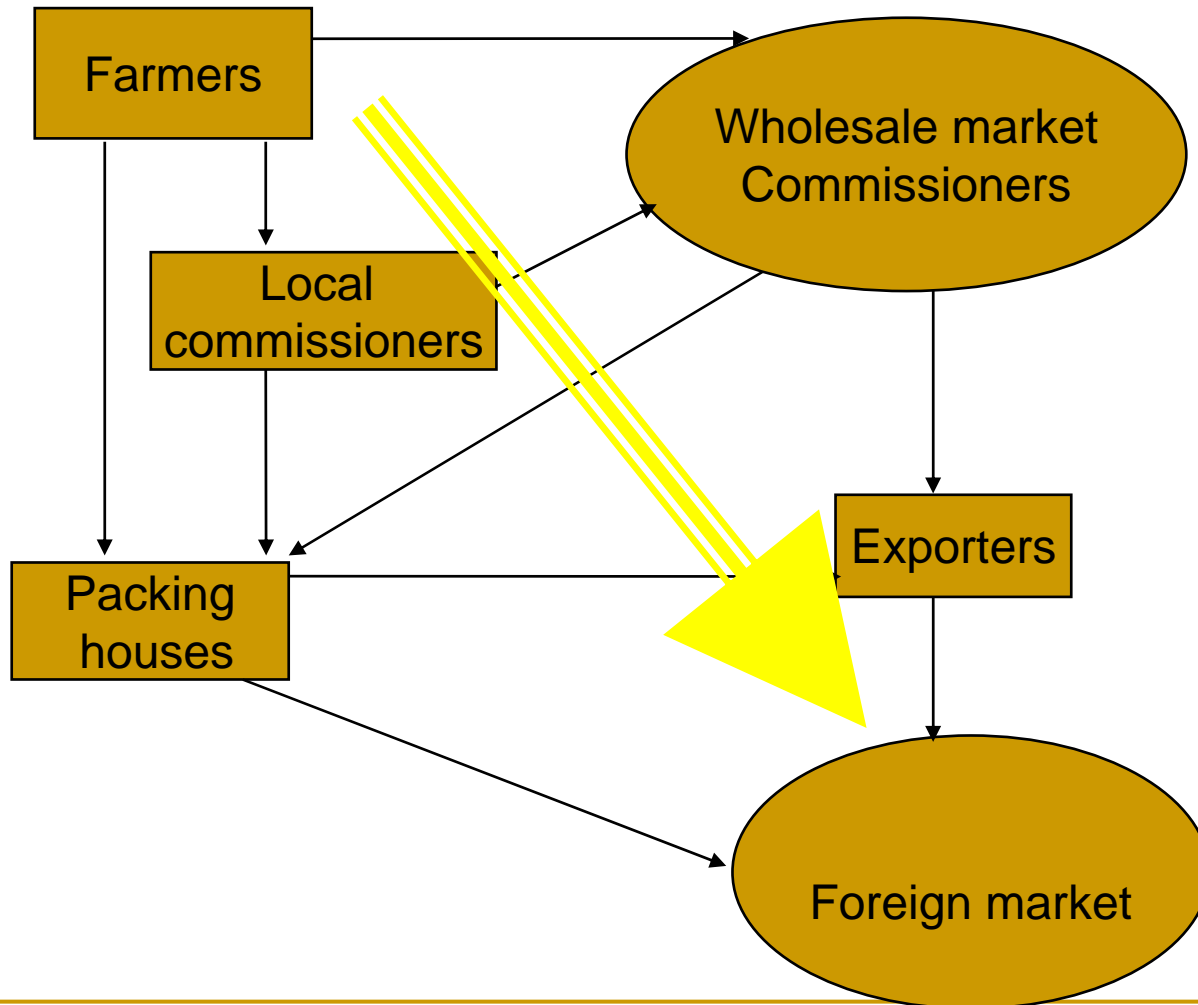
<b>Basic requirements</b>	<b>5</b>
■ Institutions	12
■ Infrastructure	10
■ Macroeconomic	9
■ Health and primary education	2
<b>Efficiency enhancers</b>	<b>25</b>
■ Higher education and training	19
■ Market efficiency	37
■ Access to technology	31
<b>Innovation factors</b>	<b>17</b>
■ Business sophistication	12
■ Innovation	25

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# The issue of governance in value chains

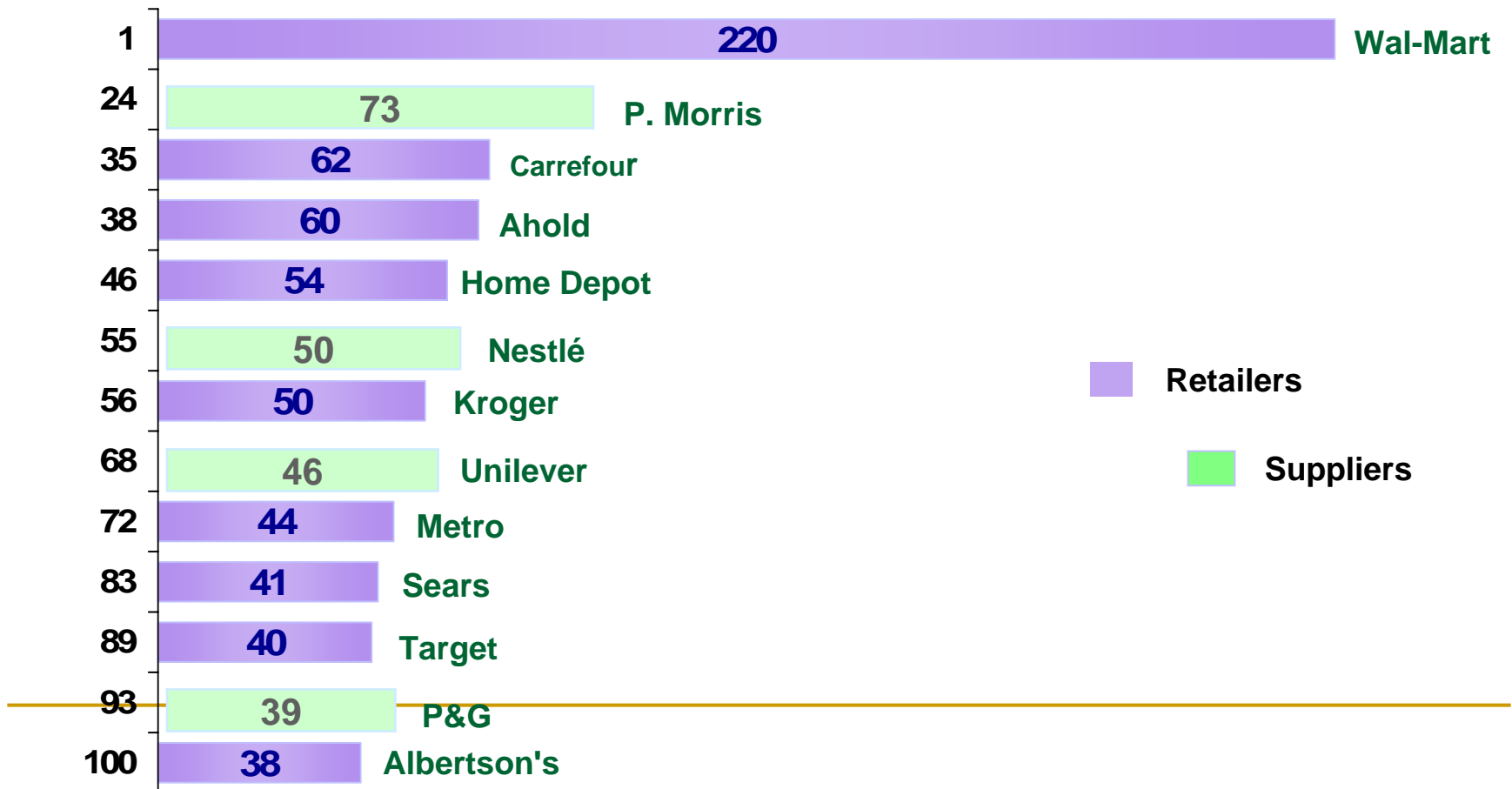
- Links between stakeholders along a value chain show some organization rather than being random.
  - Value chains are governed when rules requiring product, process, and logistic are set for activities, actors, roles, and functions.
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# The traditional marketing



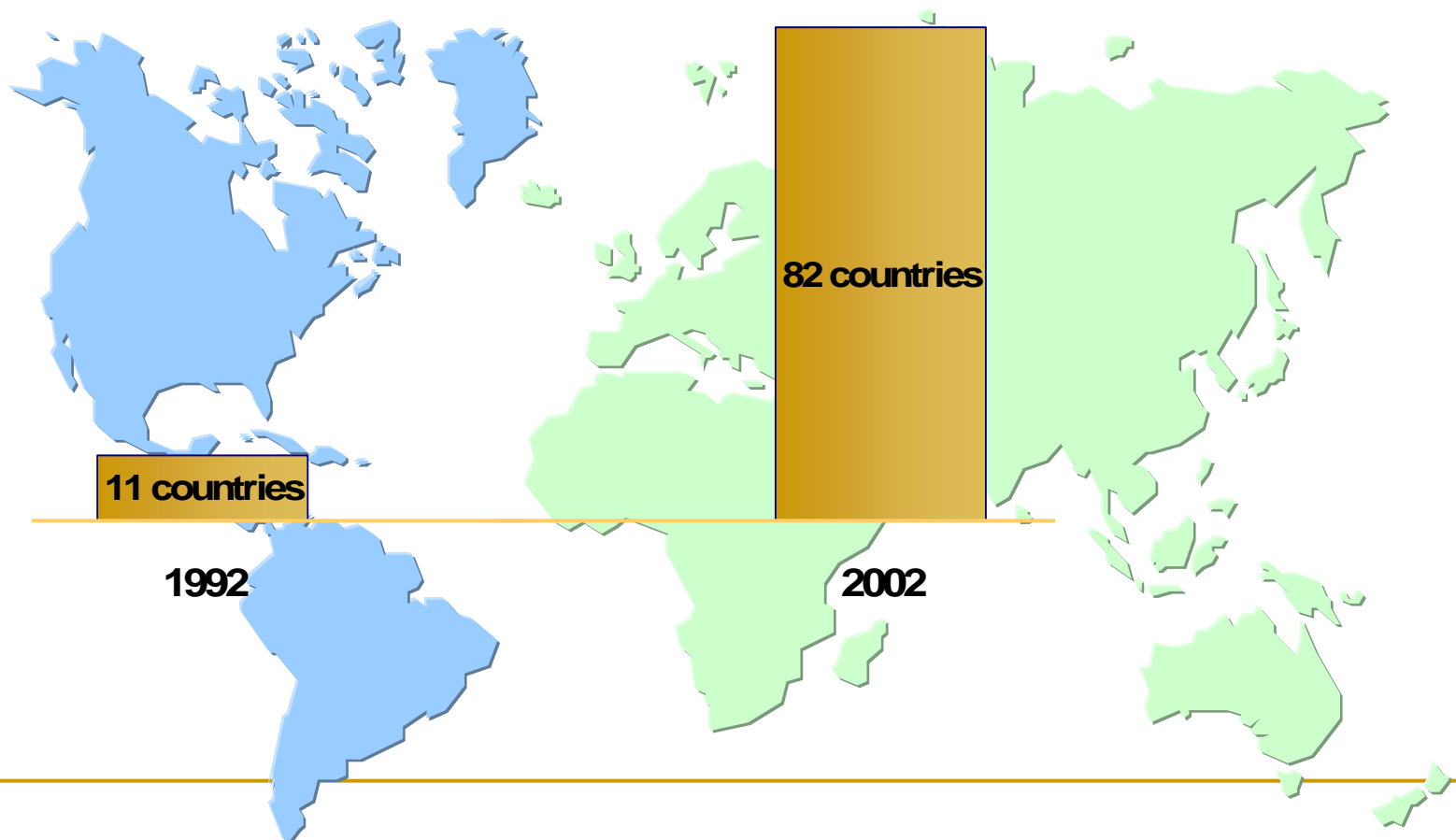
# The supermarket revolution

Source: Global Fortune 100  
2001 Ranking and Revenues in billion USD



# Retailers: Expanding worldwide

International presence of top 20 retailers



# Supermarket strategies (I)

## Challenges

**Retailers are competing to differentiate their stores in consumers' mind.**

- Customer loyalty programmes
- Focus on fresh items

**Extreme competitive environment**

- Closer collaboration with suppliers
- More flexible and faster decisions at a lower cost

## Outcomes

**Increased focus on customer demand**

**Reducing costs in the supply chain**

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## Supermarket strategies (II)

- Sustainable competitive advantage achieved through the management of efficient supply chains in collaboration with their suppliers.
  - Business success looks at the total performance of the supply chain.
  - 'Powerful' buyers increasingly depend upon fewer, larger, and more dedicated suppliers.
  - Consistent with systems to assure high quality.
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# Supermarket strategies (III)

- Diminishing role for wholesale markets.
  - Supply chain relationships for 'destination categories' (fresh produce, meat, ready-meals).
  - Growing concern about food production (safety, welfare and environment) and food attributes (diet and health)
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# Critical Success Factors

- Quality and Safety
  - Scale & Uniformity
  - Frequency & Continuity
  - Loyalty and Reliability
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# Impact on fresh produce suppliers (I)

- Retailers are able to switch volumes between suppliers.
  - Suppliers are forced to accept low prices in order to get volume growth.
  - Innovative growers increase their cooperation with buyers and other members of the supply chain.
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## Impact on fresh produce suppliers (II)

- Preferred suppliers have investment costs related to changing production practices.
  - Supermarkets favour farmers who are EurepGAP compliant.
  - Supermarkets will favour large scale farmers, and not small farmers.
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# Conclusions (I)

- Stakeholders in value chains share interests in cost reduction, quality upgrading and risk management.
  - Need to understand what enables cooperation forms to perform successfully.
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# Conclusions (II)

- When dealing with export competitiveness, need to focus on:
    - Systemic approach
    - Economy-wide aspects
    - Rules of governance within the value chain
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