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Can Collective Actions of Small Farmers in Moldova Improve their Market Access?

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Abstract

There is a believe among development donors, practitioners and academics that improving market access for smallholders will lead to increased income, food security, more rural employment and sustainable agricultural growth. However, persistent market failures as a lack of information on prices and technologies, high transaction costs, credit constraints, low bargaining power or small quantities of production often limit smallholders' ability to improve their market access. Moreover, as the new procurement systems require larger supply volumes, smallholders are left behind to larger farm enterprises. To address these challenges, value chain interventions such as horizontal integration and support of collective action is often proposed as a tool to overcome these obstacles. There is an increasing evidence that if acting collectively, farmers can reduce transaction costs for market exchanges, attain economies of scale and bargaining power, obtain necessary market information, secure access to new technologies and tap into high-value markets. Therefore, our main research question was to find out, if acting collectively, farmers in cooperatives in Moldova gain better access to markets and if agricultural cooperative groups are an efficient form to improve farmers' livelihood and contribute to food security in Moldova. We investigated factors influencing small farmers' access to local and international markets among 23 cooperative groups, that covered 134 farmers across the whole country. The analysis considered factors as: institutional, socio-economic, innovation, financial and infrastructural factors of the groups. The preliminary results show that education, cooperative size, output, AMIS, credit, distance to major market and frequency of group meetings were established to be the most statistically significant for improvement of market access.

Keywords: Adding value, horizontal integration, social capital, value chain