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MARKET-ORIENTED ADVISORY SYSTEM: POSSIBILITIES FOR MACEDONIAN AGRICULTURE

Abstract

Structural changes in the field of agribusiness obviously suggest dynamic strength when it comes to successful survival of a farm. Namely, all actors included in agribusiness should always find ways to adapt their agriculture activities (understand as business) to changes in the business environment. Agriculture advisors play a pivotal role in agriculture in the Republic of Macedonia, especially in improving small agricultural producers' participation on the market. Their role is advising agricultural producers about all agricultural activities. Most often, in Republic of Macedonia the advisory services are production oriented, especially the public one. Research shows that Macedonian producers consistently comply with the rules and procedures of production, but they face serious problems in performance and continuous presence in the market in sense of insufficient quantity of production for a reliable classification, disorganized approach to the market and the like. The advisors should play important role, so this paper examine possibilities for creating public market-oriented advisory system in Republic of Macedonia as new conceptual approach in enhancing the position of Macedonians agricultural producers on the market and all actors and stake holder along the value chain in the agribusiness.

Key word: agriculture development, market-oriented advisory system, agriculture value chain, Republic of Macedonia

JEL classification: O13, Q16, Q18

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Introduction

Today's markets are more formal as a result of economic growth and urbanization. Namely, the agricultural producers are increasingly becoming more integrated into value chains that extend from input suppliers to consumers. Also, agro processing enterprises are stimulating demand for agro-food products as well as market-induced innovation. In this sense, exporters, retailers and agro processing enterprises often provide important inputs and services to the farm sector. Additionally, private sector standards for food quality and safety are proliferating and transactions of foods are increasingly being arranged through the use of contracts. This circumstance is leading to more competitive commercial agriculture as more and more farmers are entering on the market. As commercial production becomes more sophisticated and specialized and more complex, specialized support services are also required.

Due to the natural conditions for development of the agrarian sector, Republic of Macedonia has a long tradition in production of agricultural products. Running business in agriculture, differs significantly from running businesses in other industries, so the existence of advancement, innovation and market adaptability are at the core of the agricultural businesses. Bearing in mind that agriculture is a branch with a great opportunity for starting family businesses, the level of education of the agricultural population and the characteristics of agricultural production, makes the significance of the advisory services in the Republic of Macedonia of enormous importance. In the country, agricultural advisory services are primarily provided through the institutions of the public sector. The role and impact of Macedonian advisory services on agriculture is undisputable, but the counseling is production oriented and it covers only the producers and their association. The advisory service should include all actors and stake holder along the value chain. Also, the advisory service should have commercial background, business mindset, a special set of skills and advisors with specialized services along the value chain. In the shift from production-oriented advisory service towards market oriented one several changes should be foreseen like change in content of advisory, providers and institutional arrangements.

The purpose of this paper is to show some perspective and possibilities for creating public market-oriented advisory system in the Republic of Macedonia.

The analysis is based on literature review about market-advisory system, case studies from other countries, official report about Macedonians advisory services.

1. PROBLEMS AND CURRENT ISSUES IN MACEDONIAN ADVISORY SERVICE

In the Republic of Macedonia, agricultural advisory services are provided through public institution and private sector, including associations of agricultural producers, educational, research and development organizations. In order to provide professional assistance to all agricultural producers and for purpose to increase the quality and quantity of agricultural production and its greater utilization, the Government of the Republic of Macedonia established national agency for support and promotion of the development of national agriculture, known as National Extension Agency (NEA).¹ The Agency through the system of advisory services aims to enable transfer of knowledge and information to agricultural producers, as well as implementation of modern agro-technical methods, intended to improve the quality and quantity of agricultural production and increase its economic viability. Also the Agency aims to promote sustainable development of agriculture in rural areas, increase competitiveness of the Macedonian agricultural production in the EU and wider, as well as support development and implementation of agricultural policy by maintaining a database of the agricultural holdings through field visits. Advisory services are designed and secured through:²

- Practical application of scientific and technical knowledge directed towards the needs of the market;
- Strengthening and cooperation of agricultural associations;
- Support in implementation of government programs and measures intended for the individual agricultural sector;
- Establishment and application of information systems in the function of improving the traceability of agricultural activities and exchange of information with the stakeholders in the agro-complex.

The Agency operates on the entire territory of the Republic of Macedonia, in 30 cities, grouped in six regions, with a Directorate in Bitola and 44 dispersed offices in the rural areas and this is why it needs to undergo transformation towards market orientation. areas. The practice shows that primary, the

¹ Law on NEA, Official Gazette No. 3/98.

² Aim and goals of the National Extension Agency, <http://agencija.gov.mk/about/>, 27.2.2018

Agency advices are focused on agricultural producers and are about agricultural production. Namely, majority of the advisors within NEA are agronomists, specialized for certain agricultural production (stockbreeding, crop production, tobacco...) and only few of them are experts for processing, mechanization, quality food and economies.³ The Agency offer a wide range of services, using sufficiently varied methods, covering a broad target group and largely meet the advisory needs of customers, but lacks vision, creativity and innovation in the running of businesses, properties typical of the entrepreneurial spirit.

The successful running of an agribusiness through a turbulent and changing market environment inevitably leads to an increased need for entrepreneurial knowledge at the individual level of every farmer who is seeking to successfully manage the business. Because of the low level of awareness in the Republic of Macedonia for entrepreneurship, which is manifested in all industries of doing business, especially in agriculture, advising about the possibilities of entrepreneurship through the existence of institutionalized forms is generally useful for conducting successful business. The main driving force in supporting entrepreneurship is the Agency for Promotion of Entrepreneurship in the Republic of Macedonia (APE). Unfortunately, till now there's no cooperation between the two agencies that can contribute to overcoming some shortcomings.

2. THE ROLE AND GOALS OF MARKET-ORIENTED ADVISORY SYSTEM

Classical agricultural advisory services are restricted to producers; on the other hand, market oriented advisory services include all actors and stakeholders along the value chain. More specific, market oriented advisory systems are services aimed at assisting farmers, rural entrepreneurs and other actors in agricultural value chains to increase their access to markets and realize benefits from commercialization. These services include a range of economic, social, technical and legal services, that is:⁴

³ List of advisors in the Agency for the Promotion of Agricultural Development, <http://agencija.gov.mk/wp-content/uploads/2014/11/%D0%A1%D0%BE%D0%B2%D0%B5%D1%82%D0%BE%D0%B4%D0%B0%D0%B2%D1%86%D0%B8-1.pdf>, 27.2.2018

⁴ Kahan D., Market-oriented advisory services in Asia-a review and lessons learned, Food and agriculture organization of the United Nations regional office for Asia and the pacific, Bangkok, 2011, p. 5.

- Technical expertise aimed at generating value by increasing the volume and quality of production and the timing of the supply of raw materials.
- Economics, marketing and business management expertise (e.g. farm enterprise analysis, marketing information and business planning etc.).
- Post-production expertise aimed at creating value along the value chain through improved post-harvest handling, packaging, storage and distribution, while meeting food safety and quality requirements.
- Support in strengthening producer and other value chain stakeholder groups through improved collective marketing, business management, financial management, leadership, negotiation skills and linkages with research institutions for innovation.
- Support in facilitating value chain development and strengthening through improved coordination of production, negotiation of contracts, brand development, linking producers to buyers as well as providing advice on legal, regulatory and certification issues.
- Facilitating institutional changes-forming producer organizations, clusters, networks and linkages among different actors along value chains (e.g. convening multi-stakeholder forums to understand market opportunities and constraints along value chains, develop contractual and trust relations).

Market oriented advisory system is about re-orientation from production focus, towards business development. Compared with traditional extension, market-oriented advisory system delivery involves implementing new tasks and using new tools, for which traditional extension staff are not well equipped, because they have generally not been educated and trained for it. It involves activities like value-chain mapping and analyses, stakeholder facilitation, developing and implementing quality standards, negotiating contracts and quality standards with processors, and finding solutions for logistical problems like storing, packaging and transporting of produce. For all these activities, collaboration among actors along the value chain is required. This requires good-quality facilitation and a business attitude and it involves intensive interactions with the various stakeholders along the value chain, understanding and knowing their interests. Table 1 compares production and market-oriented advisory services.

Table 1. Comparison of product-oriented services and market-oriented advisory system

	Product-oriented services	Market oriented advisory system
Target group	Producers	All stakeholder in value chain
Knowledge domain	Farm-related technical production topic	Sector-related economics, trade, marketing, processing, value chain management
Skills	Technical competence	Facilitation of collaboration, trust building, communication, finances, group development
Attitude	Market guide by distrust Market as threat	Trust building Market as opportunities
Production system	Low-value produce	High-value produce
Need for support services	Low	High
Need for supporting infrastructure	Low	High
Need for supporting policy	Low	High

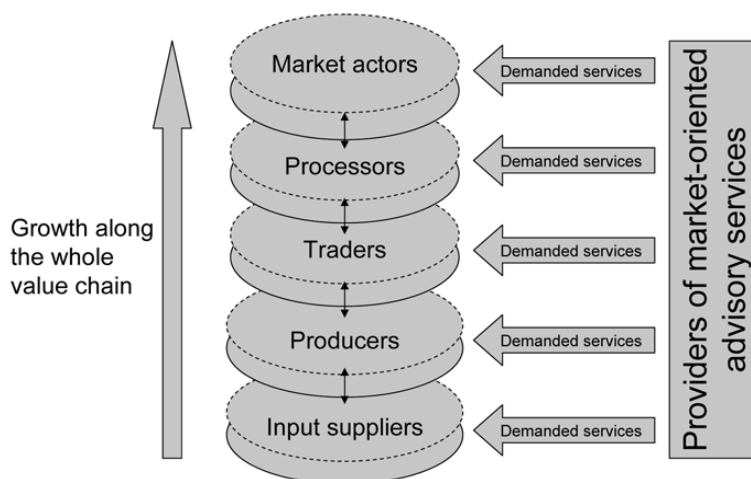
Source: Willem van Weperen: Market-oriented agricultural advisory services (MOAAS): guidelines for setting up MOAAS. AFAAS, Kampala, Uganda and FARA, Accra, Ghana, 2011, p.5.

The most important link in market oriented advisory system is the information provided by appropriate institutions. This applies market information and information on market linkages, providing a variety of information, including selection of market outlets and potential business partners. Information is needed on market outlets, market prices and ways of improving the quality of production and sales.

Figure 1 shows that there are advisory service clients at each tier in the value chain. Namely, advisory service clients should include input providers, producers, producer organizations, processors and traders, as well as farmers (individual agricultural producers) and, each of the actors should have their own market oriented advisory system. In order for the value chain to function

completely, all actors along the chain require expertise and advice and must develop a sustainable and trusting relationship with the service providers.

Figure 1. A value chain approach to advisory system



Source: Sanne Chipeta, Ian Christoplos, Elisabeth Katz et al.: Common Framework on Market-Oriented Agricultural Advisory Services, Neuchâtel Group, Wageningen, Netherlands, 2008, p. 11.

The most critical actor in the value chain to receive advisory support is the farmers or individual agriculture producer. The demand for advice varies depending in their socio-economic characteristics and more specifically the size of their farm household, the quality and location of the resources under their management control, their access to other physical and economic resources (e.g. credit, inputs, transportation and markets) and their technical and management skills. Because of these differences the information and advisory needs of farm households differ from country to country, region to region and culture to culture.

Traders and agro processing companies receive advice about promoting a high-value processed or export product. As these services require a high degree of specialization they are also usually embedded in contractual arrangements and other business transactions. Sustainability of the relationship depends largely on the trust that is created between the two sides and this often requires giving up immediate benefits from side-selling for longer-term stable gains.

Market actors have considerable potential to develop the skills of their members and leaders in value chain development while enhancing their financial and social security, managing their resources more effectively, coping with shocks and stresses and negotiating with local authorities, buyers, dealers and state institutions. While a main concern of these organizations is to enjoy economies of scale through bulk purchasing of inputs and materials and collective marketing of produce, in many cases they also provide expertise to their members, either through employed advisors or through linking with external advisory services.

Markets are always risky, but for the small-scale producers and traders in volatile value chains this can have devastating consequences. Market-related risks may discourage investment, specialization and commercialization. On the other hand, traditional subsistence systems are also becoming precarious. Addressing risk is perhaps one of the greatest challenges of market oriented advisory system. As well as reducing risk, awareness and information can help the poor to make informed decisions about what risks they wish to take. Types of awareness and information include:⁵

- awareness of the options in a market-oriented environment, and better understanding about how different markets function;
- an assessment of economic potentials and the potential risks of particular products and enterprises;
- more transparency in prices, regulations and standards;
- facilitation of multi-stakeholder platforms to openly discuss the interests of different actors;
- Support to producer and commodity organizations in enhancing their negotiating skills.

In order to deal with the lack of capacity in market-oriented service provision, market oriented advisors provide secure support for them (back-up services) to strengthen capacity and improve effectiveness and efficiency of the services. Usually it's in a form of training and mentoring in technical and economic topics, as well in facilitation skills and skills to explore and test new technologies and processes. Back-up support is provided continuously and it's a part and parcel of a permanent innovation system. Often, the back-up services are provided by projects, educational institutes, research centers, private companies or independent consultants.

⁵ Christoplos I., Agricultural advisory services and the market, Natural Resource Perspectives, Overas Development Institute, 2008, p.32.

3. MARKET-ORIENTED ADVISORY SYSTEM IN FUNCTION OF ENCHANTING MACEDONIAN AGRICULTURE

As already mentioned, the extension service in the Republic of Macedonia is characterized with production oriented advices and low level of developing entrepreneurial skills among agricultural producers. The practice shows that these activities are not enough for improvement of position of agricultural producers in the whole value chain of agricultural system. The solution should be provided systematically and continuously.

Transition from produced oriented towards market oriented advisory services is huge challenge for Macedonian National Extension Agency. It requires proactive actions by all actors included in the sector. The empirical and theoretical literature shows that market oriented advisory system is great potential for agriculture and rural development. Several studies suggest different ways of introducing market oriented advisory system, but here we will suggest some in accordance with the situation in the country.⁶

Market development depends on many factors and not just effective advisory service. It is necessary to conduct studies on suitable markets, assess the profitability of developing or improving a market and the risks it involves. This should be compared with the contribution of market oriented advisory system. Usually, market oriented advisory systems are appropriate when producers have real market opportunities, clients are given an opportunity to articulate their needs for services and enough qualified advisers can be made available. Suitable are the one with results greater than one in a benefit-cost ratio analyses.

Linking individual agricultural producers to markets is possible, but not always easy to realize. It is necessary to make differences in objectives clear from the beginning in order to avoid conflict. Strengthen or develop producer organizations as a tool to connect smallholder farmers to markets is essential. Grouping has a lot of advantages, especially when working with smallholder farmers. Aggregation creates advantages because of improved economies of scale for purchase of inputs and accessing advisory services.

Also, market oriented advisory system should be suitable of the type of the market that will operated-in. The content and required type of services (and with that the required staff qualifications), depend on the nature of the market.

⁶ Kahan D., Market-oriented advisory services in Asia-a review and lessons learned, Food and agriculture organization of the United Nations regional office for Asia and the pacific, Bangkok, 2011, pp.18-25

Production-oriented extension services are readily available in NEA. A major challenge in setting up effective market-oriented services is to get relevant market-oriented content, skills and attitudes into the service provision. Therefore, market oriented public advisory system should be developed for each segment of the value chain. Markets are dynamic and likewise project design and advisory-service provision need to be market responsive and flexible. Private consultancy agencies and private, self-employed consultants are active in value chain development, often they fill in gaps, and build up expertise alongside with projects, but they offer their services mostly to bigger agribusinesses (enterprises) and they also perform other activities. At the same time, the quantity and frequency in provision of advice by private actors, farmers' associations and international donors essentially depends on the level of economic and demographic development of particular regions. NEA is the only one that has a provision of advice as its primary activity, and it's the main target group are individual (small) agricultural producers and their associations, and thus it is crucial for NEA to adopt and implement market-oriented advisory system.

Experience shows that choosing a limited number of value chains to start working with in order to develop an in-depth understanding of the chain and its dynamics is most appropriate. Also, inclusion of local staff who knows the context in which will operate the market advisory systems and avoid unfair competition with existing services has exceptional significance. In this context, it is recommended the lessons should be learned from small-scale enterprise development, where rural business-support services have a long history. Establishment of platforms, farm business support centers and hubs facilitate networking, exchange and learning, will contribute towards trust building and building up of expertise among stakeholders in Macedonian agriculture. Beginning with start-up interventions that have quick results, it will contribute towards impact value chain performance the most.

According to Christoplos, there are five key challenges that need to be implemented for the market-oriented advisory system realized:⁷

- Focusing on best-fit approaches. The focus on best-fit approaches is an opportunity to shape services that are relevant, pluralistic and demand-driven. It is an opportunity to make extension flexible enough to deal with current and future rural development issues and crises.

⁷ The Need for Reform in Agriculture Extension and Rural Advisory Services in PNG, http://www.inapng.com/pdf_files/The%20Need%20for%20Reform%20in%20Agriculture%20Extension%20and%20Rural%20Advisory%20Services%20in%20PNG.pdf, 25.2.2018

- Embracing pluralism in advisory system provision. Pluralism in advisory services provides the opportunity to capitalize on the comparative advantages of different types of organizations. The critical element is the coordination of the different service providers, in ensuring that vulnerable sectors of the farming population are not forgotten, and avoiding excess duplication of efforts. Public financing, technical backstopping, and coordination are needed in the systems of extension delivery. This will guarantee the quality assurance of advisory services, and ensure that the needs of the disadvantaged are met.
- Increased accountability to rural clients. Increasing accountability to rural people must go hand-in-hand with investment in the capacity of service providers and local authorities and assurance of quality to make these systems work. Further research is also needed to provide a better understanding of the complex relations and multiple accountabilities that exists between service providers, their clients, and other stakeholder institutions, such as private investors, researchers, and farmer organizations. This offers the opportunity to make extension services more relevant and effective for rural people and their livelihood goals.
- Human resource development for extension. Agricultural education and empowerment of farmers is an important component in the efforts to enhance their capacity to demand and utilize advice. Farmers and other rural actors need technical and management skills, as well as the ability to operate in groups, use information and communication technologies effectively, and seek markets.
- Sustainability beyond projects and institution. The sustainability of market-oriented advisory system will depend very much on government commitment and financing. The future project support must be balanced with systematic, institutional approaches to reform and strengthening pluralism in advisory service systems.

Market-oriented advisory system in Republic of Macedonia should be provided by both public and private organizations and target not only at farmers but also at other stakeholders along product value chains. Contained within the broad concept are services such as extension, training, group organization of farmers and rural entrepreneurs, producer group development, market and business linkages and the provision of market-oriented information. The system includes not only those services provided for a developmental purpose, but also private sector-led initiatives providing business services to farmers and rural entrepreneurs.

Conclusion

Agriculture is a heterogeneous economic activity that, besides the cultivation of plants and livestock products, includes many types of agribusinesses for production, processing, finishing, storage, exchange and distribution of the produced agro-food products to the consumers. The significance of the advisory services in the Republic of Macedonia is enormous because they are key for sustainable and continues education of the agricultural population. The advices should become more market-oriented. As farming becomes more commercial, more specialized technical assistance is required. The market oriented advisory services must be included in all value chain in Macedonian agriculture. Based on literature and relevant experiences, turning production oriented advisory services to market oriented is complex processes that involve many stakeholders (farmers, institutions, public decision-makers, donors, etc.). Therefore, structures and mechanisms need to be developed in which the performance of the entire process of learning, adapting and reflecting is regularly reviewed and the activities, roles and relationships of different actors and their effectiveness are evaluated. Procedures also need to be put in place to monitor the impact of investments in market oriented advisory system and ensure that the findings are fed back into decision making processes at all levels.

In Republic of Macedonia, public market-oriented advisory system can be considered as a possibility for enhancing not only the position of agricultural producers but the position of others actors and stakeholders in the agricultural value chain, depending on the improvement of position of the producers.

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