

PROGRAIN: How organic investment pays off

Background

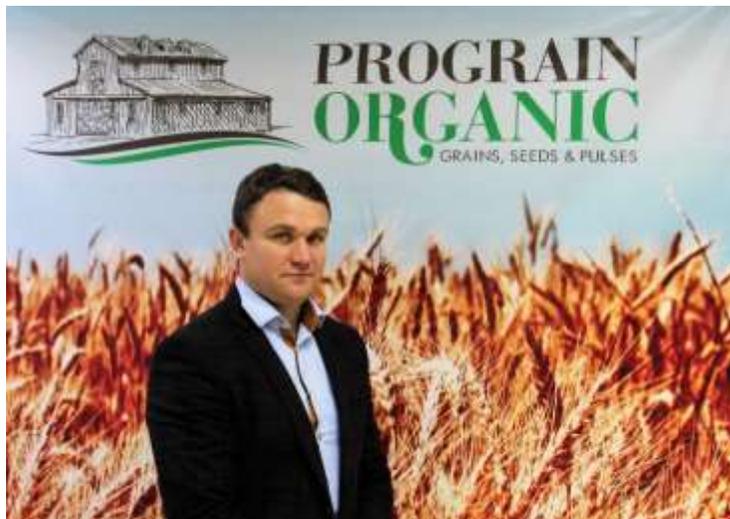


Photo: Spartac Chilat, PROGRAIN ORGANIC General Director

Established in 2012, the PROGRAIN company once only bought and traded grains and oleaginous plants, seeds and seeding material as well as plant protection products and fertilizers.

Yet with low farmland prices and high market premiums, Moldova also offers fertile ground for organic agriculture. In 2014, therefore, driven by increasing demand for natural and organic products, PROGRAIN ORGANIC was founded. The company received a foot-up with financial support as part of a Dutch Government programme in favour of Dutch-Moldovan joint companies.

To begin with, efforts focused on training 10 specialists from Moldova, Romania, Ukraine and the Czech Republic to work with the farmers involved. The entire value chain then had to be well-thought through and refined. Soon enough, the company was ready to start identifying potential farmers to work with. To do so, it chose a unique model which had not been used in Eastern Europe before. The company joined forces with the regional Ministry of Agriculture directorates to hold meetings with farmers to explain the environmental and economic benefits of producing and selling organic grains. As a result, 60 farmers were selected, working on an area of 4000 hectares. A lot of attention was given to having protection hedges when selecting the fields in order to avoid the drift of agrochemicals – especially when neighbouring conventional farms.

The company initiated the process of converting all farms to organic, handling business planning, preparation of all needed documents and the certification process. It also provided farmers with all seeds and organic fertilizers and took care of the produce's marketing. PROGRAIN ORGANIC farmers and produce has since been certified by the Control Union certification body, in accordance with EU regulations. Five farmers operating an area of 460 hectares were certified in 2015.

In February 2015, with the support provided in the framework of the EaP GREEN programme, PROGRAIN ORGANIC participated in the world's leading trade fair for organic food. Known as Biofach, this fair is held yearly in Nuremberg, Germany. Taking part in the fair meant a lot to the company as staff returned home with many contacts - one of which resulted in concluding a contract. The company has since exported its first shipments of organic commodities, including

hundreds of tons of organic sunflower to Bulgaria and France, as well as organic wheat to France, organic maize to Germany and organic spelt to the Netherlands. The company is now experimenting with soy in the crop rotation.

Challenges

“It’s really difficult to enter the international market as buyers are cautious,” notes Spartac Chilat, General Director of PROGRAIN ORGANIC. “European buyers are reluctant to place considerable orders with Moldovan companies,” he explains. Yet Mr Chilat feels “very optimistic” that, in one or two years, long-term contracts will have been signed with buyers.

Access to finance is a major challenge for PROGRAIN ORGANIC. As a start-up, the company cannot yet benefit from big loans, yet the investments needed in seeds and other inputs like organic fertilizers and plant protection products are very high. The company funds its organic branch by the profits obtained from its conventional agricultural activity. In the future, it expects to be able to take out loans and expects long-term buyers to pay advances, thereby reduce the financial burden to the company.

On the ground, there were many issues to be settled along the way to recruiting the first farmers. These include settling the farmers’ rights over the land they farmed on, the lack of records of the crops cultivated on certain fields in the past, and the farmers’ eligibility for state subsidies. Such challenges still arise, but PROGRAIN ORGANIC tackles each of them with attention to detail.

The way ahead

Over the last two years, the company has worked hard to build a sound basis for its organic business and so far it has been successful. PROGRAIN ORGANIC invested a lot in know-how and education, quality control and certification. It has started to build a new, dedicated organic storage facility in the port of Giurgiulesti, to be able to transport its organic produce by sea. The facility will have a small laboratory that can measure humidity and proteins, while pesticide residues are monitored by a laboratory in Bulgaria. The company is committed to high quality products and to meet the client’s expectations and requirements. With small but confident steps, the company is moving forward and expects to have its own working capital by 2020.

“I strongly believe that the path I follow is the right one,” says Mr Chilat. “The company has a positive impact on environment and people’s health while also making money. Even though this path does not provide immediate results and is a time-consuming process, it is worth taking the risks along the way,” he underlines.