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13. Submitting Official: Frank D. Martin, Economist

14. Telephone Number: 261-2-254-89

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PROJECT
MAELSP/USAID
INQUIRY

EXPORT TRADE OF NON - TRADITIONAL PRODUCTS

INSCAE
MARCH 1992

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INQUIRY

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S U M M A R Y

CHAPTER II : THE EXPORTED GOODS

CHAPTER III : THE PROBLEMS RELATING TO EXPORT TRADE AND THE RECOMMENDATIONS

INTRODUCTION

For the accomplishment of the present study, the INSCAE has put its trust in the adequancy of the means brought into operation with a view to significant and credible results.

In that respectm the methodological approach was studied carefully to satisfy scrupuloussy the principle mentionned above.
Tools and instruments of analysis were developped and team of highly qualified persons have moved throughout the country in order to meet individually the operators this study is interested in.

All along the period of data gathering at the end of 90, characteristic traits of the exporters were picked up, and they constitute incidentally an interesting phenomenon to be analysed and to be taken in consideration for all future action to be undertaken at the level of this sector.

The same case applies to the opportunity and the weakness of the sector and the results are very interesting in so much as they lead us to reconsider the first and foremost our prior perception.
Indeed, the fact shows that the operators problems vary enormously according to the enterprise and that some pieces of information considered as essential are not so in fact in the end for most of the operators.

This is why, we embraced the following procceding for the display of the results of the study :

- First, we will display the methodology used to guarantee the quality of the study

- Then, we will analyse the gatherea information, and display a diagnosis of the situation

- Finally, at the sight of these elements, we will propound recommendations which will seem the most appropriate ones to us.

S U M M A R Y

Most of the exporters of new products in Madagascar have followed the export trade since the post colonial period.The big export enterprises were often inherited from the colonial period.

They assured previously : the collecting, the commercialisation and the export of raw materials.`Some enterprises were especially run by families and focused their export trade, in general in one or some specific products.

Since the year of 87, when the State stimulated the factors encouraging the encashment of foreing currency, these activities of export trade have regained their life, and two profiles of exporters have come into existence on the market :

- The traditional exporters who have expanded their scale of export trade in terms of the products they can find near the place they have established their business.

- The new exporters having discovered a circuit of products, a short term profitable business.

The present inquiry can show that :

The traditonal exporters, often big exporters having such multiple activities as : commerce , collecting of products. They are given the benefit of bank credit and of diverse forms of assistance : consulting office, agricultural technique.

The small individual exporters are self financing, with no bank credit. They only practice the activity of export trade. The latter are suffering from the lack of financing. They are unprovided with technical assistance and are members of none enterprise association.

The common problems of these exporters are due to the infrastructure of the goods evacuation. It is insufficient and degraded. The red tape in administrative and bank produces, the time spared to wait for administrative formalities and the bank financing annihilate the market dynamism. It must be added to that, the absence of the exploitation policy for new spaces of plantations.

Almost all present day plantations are dated back from the colonial generation. We can say that there is on export planning on the part of the State.

Before launching out into the export, few operators know the international norms of goods (grading ripeness, ...)
The failures to know those facts - added to competition, and to climatic risk cause some of them to discontinue their activities. Many of them are unprovided with modern tooling, or merely cannot afford the possibility to use them, cut off regions cannot have electricity continuously all the year round.

It is the close relationship between supplier-exporter, and exporter-customer that lessens the impacts of these PROBLEMS on the export trade.

The exporter tries to save extremely the human relationship with his suppliers for a secure guarantee for supply and of order volume. The customer is often aware of and informed about the local economic environment. But he recognizes the quality and the originality of Malagasy goods.

According to the specificty of exported goods, perishable of non perishable, the types of customer are somewhat wholesale dealers or brokers.

Obviously, before the exportation it is the nature of these goods that dictates their package and their storage.
In spite of the external non-negligeable contribution in the export trade revival, the problems encountered are even very inextricable. They are part, unfortunately, for the chain of the economic problems existing in the country. For all that, the motivation of exporters is not lessened, in the hope for new structures more favorable to their developments and to their expansions.

METHODOLOGY

The pursued objective is the acquisition and the study of data relating to export trade of new agricultural produces in Madagascar. The term "new agricultural produces" includes all exported goods which are not traditional. For instance, coffee is not of this group, whereas fruit, fish, ... are.
The achievement of the study has needed different sorts of work at diverse levels.

PRELIMINARY RESEARCHES

They consist in inventoring all documents dealing with export of agricultural produces among the concerned organism, and at the same time, it allows us to make up to date the exporters list. For this purpose, we contacted the following services :

- Board of trade
- Service of customs
- Data bank of the State
- Service of Package (Board of Trade)
- Ministry of Agriculture
- Ministry of Animal Husbandry
- Chambre of Commerce
- C.I.T.E (Centre d'Information Technique)

In that way we have been able to work out the exhaustive list of all exporters in Madagascar and classified according to geographical region.
A selection allows us to keep the list of all exporters of new agricultural produces.

QUESTIONNAIRE CONCEPTION

With the collaboration of diverse specialists, a questionnaire has been elaborated from which the inquiry will have been conducted. After making diverse adjustments and tests to some exporters in Tananarive, a questionnaire has been kept with open questions allowing us to make up for the lacks or the possible ommissions on questions that can be codified.

CHOICE OF INTERVENERS

Taken into account the nature and the importance of questions, it is confirmed that the interlocutors were limited to the high personality in charge of the enterprise, if not, the very director himself.

That is why, we have only kept as interveners the professionals in order to be sure to have the best results, viz.

- meeting with the responsibles
- mastering of interview system to get maximum information.

METHOD OF INTERVIEW

To fill in the questionnaire, many approaches are possible :
- Mailing, interview, etc ...

After analysis, it is confirmed that only the method of interview is the most recommended one, especially that some pieces of information are qualified as being delicate and even confidential.

THE LAY OUT OF THE SAMPLE SURVEY

The inquiry would aim at a size of sample of 80 % or more, the constitutive of the total population of new agricultural produces exporters. The inquisitors must look up all exporters in the integral list selected beforehand in order to cover in the minimum the rate of the sample survey expected at 80 %. However,problems and multiple risks slow down and hindered the progression of the inquiries.

- The first inquiries have allowed us to state that the exporters registered from the diverse sources, either have caused their activities, or have changed the address without giving the new one, or giving phoney addresses and phone numbers. some operators merely died The cease of the activities is often due to the bankruptcy or lack of financing to expand their activities, in order to satisfy the customers. If the customers find the necessary quota somewhere else, they will not renew the contract with those exporters;

- Some enterprises having granted an audience to investigators refused to meet them at the arranged time, even after their coming back so repeatedly.

- Some reticent enterprises refused to answer the questionnaires (especially in Antananarivo) on different grounds. Firstly, they want to be secure from the fiscal authorities and from competition. On the other hand, they distrust some intruders who might rob them of their export market, should the latters know all about their circuit of sake

- Some enterprises out in the provinces and where questionnaires had been left would not bother to fill them in ; and the strike blocked any form of new bid.

Their indifference is accounted for by their lack of interest in the investigation : to answer a questionnnaire will not bring in any interest to them. Such reasons are true of both the provinces and Antananarivo.

These facts have led to a reduction of the total population initially defined.

This is why only 40 % of the integral list have been consulted of which the validations will be brought into operation in the treatment of numerical data.

TREATMENT OF DATA

In compaison with the volume of probable responses, and possible variants, we have elaborated a specific programme for data treatment, according to the most advanced methods in the domainem viz :

- Factor analysis of multiple correspondences for the large card file about the inquiry
- Automatic classification of statistical units
- Hypergeometrical characterization of close questions
- Fictitions sample treated on computer to validate the size of interviewed exporters.

PART I : THE RESULTS OF INQUIRY

Chapter I : DESCRIPTION OF EXPORTERS

I.1 - GENERAL TYPOLOGY OF EXPORTERS

The general typology of export enterprises represent the detailed description of all outstanding characteristics, typical of exporting enterprises. For this purpose, we are going to work out :

- a socio-econonic description of exporters
- the modes of financing the export trades
- the different possibility of assistances these enterprises can profit
- the different factors that started at the outset, the activities of export trade.

I.1.1 - Socio-economic description of exporting enterprises

Out of the 100 inquired enterprises : 41 % are individual enterprises, 50 % are limited company or limited liability company.

As far as the employees in those enterrises are concerned it is stated that :

- 32 % have as number inferior to 5
- 48 % have as number superior to 20

Whereas the distribution with respect to the sales volume :

- 34 % have inferior to 100 millions of sales volume
- 57 % have superior to 100 millions of sales volume

(Ref. statistics annex A2.1 p 63)

Considering the results we have in handm it is confirmed that export enterprises of new products are divided into two different categories.

The firs category (32 % of the whole) includes small individual enterprises with feeble number of employees, with feeble sales volume. The second category (48 % of the whole) includes medium and large sized enterprises (limited company and limited liability company together) with ligh sales volume.

In Madagascar aiming at defending their common interests a certain number of private enterprises have been merged within different associations.

- The "Groupement des Entreprises de Madagascar" (GEM)
  (The Group of Enterprises in Madagascar)

- The "Fivondronan'ny Mpandraharaha Malagasy" (FIVMPAMA)
  (The Group of Malagasy Employees)

- The "Groupement des Exportateurs Conditionneurs de Cafe"
  (The Group of Exporters Packagers of Coffee)

- The "Union des Artisans Malagasy" (UAMA)
  (The Union of Malagasy Actions)

- The "Conseil National Ecomique et Social" (CONECS)
  (The Economic and Social National Board)

It will be noted that 75 % of the exporters have not joined any group of enterprises, although 48 % of them are medium or large sized undertakings.
(Ref. Statistics annex A2.1 p 63)

Among the enterprises which have come under the inquiry, 89 have given the value of their registered capital. It appears that these registered capitals vary between MGF 500.000 and MGF 5.760.000 : they represent values which are spread and heterogeneous. The average of MGF 335.670.000 is seventeen times less than the maximal registered capital of MGF 5.760.000.000

This still explains the strong dispersion of the registered capitals.
(Ref. Statistics annex A2.1 p 64)

On the constitution of registered capitals there is a contribution from the private or from the State. Out of 86 interviewed enterprises, the average percentage of the registered capitals brought in by the private is 97.41 % per enterprise. This percentage varies between 2 and 100 %. It is border on 2 % for some State controlled companies and near 100 % for the rest of enterprises.

\ .l

Consenquently, these exporting enterprises are essentially private ones with heterogenous registered capitals.

What are the activities of these exporters ?

Apart form the export of new agricultural produces, other activities have been practised by somse of these enterprises : production, collecting, commerce, transport, industry.

The following chart seems up the importance of these diferent activities connected with the export trade (The percentages are established with regard to 100 contacted enterprises)

ACTIVITIES	PERCENTAGES OF ENTERPRISES PRACTISING THOSE ACTIVITIES
Collector	20 %
Producer	14 %
Wholesale dealer	30 %
Retailer	16 %
Transport	7 %
Manufactuer	5 %

(Chart extracted from statistics annex A2.1 p 64)

It appears that 30 % of the enterprises have practised both activities of export trade and wholesaler at the same time and that less than 20 % of exporters have practised the one or the other one of the allied activities.

I.1.2 - Acivities and export trade financing

Its interesting to know how and by who the exporters are financed. The inquiry allows us to draw the diverse sources of financing.

- The venture capitals
- The suppliers' credits
- The customers' advances
- Or the bank credits.

Out of the 100 enterprises inquired, below is the chart which relates the importance of these diverse types of financing.

Percentage of enterprises which have brought in their venture capitals into export trade financing	81 %
Percentage of enterprises which have been provided with supplier credit	3 %
Percentage of enterprises which have been provided with the customers' advances for the financing	13 %
Percentage of enterprises which have been provided with bank credit	55 %

(Chart extracted from statistics annex A2.1 p 64

It appears cleary that it is the venture capitals, and the bank credits have essentially assured the financings.

Each source of financing is not exclusive insofar as an enterprise can also be provided with bank credit in addition to venture capitals brought in.

On average, and for an enterprise : 87.07 % as of the financing have been covered by venture capitals of the exporter and the remaining 13 % is form other sources.

Moreover, among the enterprises which have profited bank credit :

- 38 % have been provided with short term credit

and - 18 % have been provided with middle term credit.

The rest has not precised the nature of their credit

(Ref. Statistics annex A2.3 p 66)

I.1.3 - Technical assistences to export trade activities

So far, we have described the dimensions of the exporting enterprises, their structures, and their mode of financing. Pieces of information were also picked up on the subject of possible technical assistance those enterprises would receive in order to complete this description.

The chart below expresses the proportions of enterprises which could profit these assistances.

PROPOSED TECHNICAL ASSISTANCES	PROPORTIONS OF ENTERPRISES WHICH HAVE PROFITED THESE ASSISTANCES
Assistance in management technicality	7 %
Assistance in agricultural technicality	11 %
Assistance for goods packaging	15 %
Assistance given by the grouping	3 %
Assistance offered by international organization	3 %
Assistance given by customers	9 %
Assistance given by consulting offices	9 %

(Chart extracted from statistics annex A2.2 p 65)

According to these data, it is striking to note the quasi absence of diverse types of assistance.

These diverse types of technical assistance refer :

- to agricultural technicality (11 %)
- to package (15 %)

A plausible explanation of such an absence would rest on the generally small of enterprises. Non gratis might cost a fortune to the leaders. As most of exports are not very diversified, a fortiori assistances in way of advice and audit do not present any great use. Moreover it must be stated that so far there is an absence of planning for export trade in a large scale.
for instance, there are hardly new plantations at all. As a rule, it is the old plantations that supply the export trade. The policy of the state finds itself in producers.

I.1.4 - Origins of export trade activities

According to different stimulus, at the beginning of the export trade activities, we could set up the following chart, connecting the products and the inciting factors bringing about the export trade of products.
(Chart I.2 Inciting factors to the beginning of export trade)

Original inciting factos to export trade activities	Number of concerned products
Abondance of products	61
Incitive price	45
Available funds	10
Easy supplying	5
Great demand	92
Opportunity	26
Other factors	26

Thus, the great demand, the abondance of products, and the incitive price have constitued the major reasons having created the export trade of products.

Which implies that right from the beginning, the exporters have already left the profit earning capacity of the market and the presence of customers.

I.2 - TYPOLOGY OF EXPORTERS CLASSES

The paragraph I.1 seen above evokes the general descriptive aspect of enterprises. This description covers their dimensions, their financing modes, and their types of assistance.

For all that, the relationship between these aspects are not detectable yet.

Questions relating to them expect such responses as, for example :

- What kind of enterprises profit a bank credit ?
- What kind of enterprises profit technical assistance ?

refering to the data in annex A4.1 p 102, we can establish two distinctive homogeneous classes of enterprises. The characteristics of the two classes bring out neatly the existing relationships between size, financing and assistance described previously.

The first class is constituted by the 43 % of interviewed enterprises. It is composed of :

- All of the enterprises with sales volume inferior to 100 Million
- 96.88 % of enterprises having employees inferior to 5
- 75.61 % of individual enterprises
- 75.43 % of enterprises that do not profit bank credit.

In other respects :

- All of enterprises of this class do not profit any form of assistance agricultural, management, assistance of a consulting office.
- All of enterprises of this class do not practice other activities as collecting, transport.
- 94.87 % of enterprises of this class are not members of an enterprises association (against 75 % of the global whole lot of entrerprises)

The percentage we found are not forcibly exclusive, an enterprise in this class, for instance, will be at the same time individual enterprises with sales volume inferior to 100 Million.

All these high percentages indicate that the first class is the profile of small individual exporters of small size.
They do not profit either technical assistance, or bank credit. they do not practice other annex activities apart from export trade.

The second class is constituted by 57 % of interviewed enterprises.
It contains :

- All enterprises wihtemployees betwen 50 and 100
- 92.59 % of the enterprises with sales volume superior to 1 milliard (whereas there are only 27 % of all the enterprises which bring up these turnovers)
- All the enterprises with sales volume between 500 Million and 1 Milliard
- 85.71 % of limited companies
- 86.36 % of limited liability companies
- 96.74 % enterprises affiliated to grouping enterprises
- All of the enterprises which profit the assistance of consulting offices (whereas 9 % only profit it out of all enterprises)
- 92.31 % of enterprises profiting a supplier credit
- 78.18 % of enterprises profiting a national bank credit
- 81.58 % of enterprises profiting a short term bank credit
- Also 90 % of enterprises in this class are wholesale dealer (whereas there are only 30 % of wholesale dealers out of all enterprises)

The second class is the profile of big exporters with high sales volume, wholesale dealers, who have recourse to the assistances of consulting officies.

In summary, this part reflets the splitting of exporters into two distincitve groups :

- On one hand, small individual exporters who are often unprovided with financial and technical assistances. They are not members of any grouping enterprises.

- On the other hand, big exporters with diversified activities. They have profited bank credit for financing. Their credits are often very short term. They make recourse to the assistances of consulting offices.

I.3 - COLLECTING AND EXPORT TRADE OF PRODUCTS

For the global whole lot of all products, it is a matter of determining :

- The suppliers
- The modes of supplying
- The modes of fixing the purchase price.

I.3.1 - The types of suppliers

The supplies are assured by many possible sources. The exporter is at the same time direct producer of their own products to be exported ; he would be a supplier as such, or the other suppliers would be :

- producers or associations of producers
- middlemen
- collectors or associations of collectors.

The associations of producers have often been derived form former cooperatives of the first republic. For example, a group of fishermen at the coast of Nosy be are permanent suppliers of the fishery of Nosy Be. As far as the associations of collectors are concerned, they constitute in fact some teams, paid with common treatments by exporters, to store up the products at the places of collecting, or to bring back occasional fortuitously products.
It is not ou of question that a exporter has many sources of sypply.
Out of 98 enterprises, here are the proportions of suppliers we met :

TYPES OF SUPPLIERS	PROPORTIONS OF SUPPLIERS
The enterprise itself (suppliers as such)	34.69 %
Individual producers	62.24 %
Middlemen	32.65 %
Association of producers	8.16 %
Association of collectors	18.37 %

(Chart extracted from statistics annex A2.4 p 67)

And we realize that the majority of suppliers is respresented by the individual producers. The assoications of producers are in feeble proportion (8.16 %). In other respects, 32.69 % of enterprises are suppliers as such and 32.65 % are supplied by middlemen.

The relation with producers are steady for 71.43 % of enterprises
(Ref. statistics annex A2.4 p 67)

In another connectiona 36.73 % of enterprises enter into contracts of delivery with suppliers. During the interviews, the reasons evoked for these contracts are the following :

- Applying for advances from suppliers
- Protection of market against foreign competitions (Indian people) who dare pay at high price during the moment of harvest.
- Saving the mutual trust between exporter and supplier.
- The estimation of the products quantity that supplier can bring
- Stability of supplying
- Fixation of prices and of delivery time in order to preserve the quality of the goods and the continuity of the export.
- Elimination of irregularities (aperiodicity) of orders.

These reasons express a preoccupation for the stabilization of export trade dynamism and a preoccupation for the quantity and the quality of exported goods.

As far as these quantities and volumes of products are concerned, it is stated that out of 29 % of cases, producers have ruled the volume of the collecting and for a percentage nearing 29 % also, foreign customer has ruled this volume of collecting, too.
(Ref. statistics annex A2.4 p 68)

In principle, it would be the foreign customers who have to rule the volume of collecting in full, in confirmity with their needs. but the quota that they really need are inferior to the subscribed quantities in the contracts of delivery. The gathered explanation of this phenomenon is the following : the exporter modulates the volume of his export trade in terms of the demand of customer and the capacity of producers. But in this way, it has been limited by the size of their enterprise and of their internal ressources and then by the fluctuations of production and by the competition.

1.3.2 - The mode of the products supplying

The supplying is carried out

- by a direct contribution of producer "at home"
- at a precised place of collecting
- or in a warehouse.

The inquiry has shown the direct contributions of producers in 58.16 % of the cases : and the research of products at a place of collecting in 52.04 % of cases.
(Ref. Statistics annex A2.5 p 69)

Besides, for nearly all of the products, the domestics transportations are assured :

- by lorries, for 78.57 % of enterprises
- by boat or canoes for 39.80 % of enterprises

(Ref. statistics annex A2.5 p 69)

The other means of transportation such as : cart, train, airplane are rarely used. The lorries evacuate any sort of goods : wood, grains, ... and even cattle. Perishable goods such as : sea-food, fruit, ... have been evacuated by air, and vegetables from hauts-plateaux evacuated towards the capital city by train or by cart.

I.3.3 - Fixation of purchase and their mode of payment

Generally, the purchase price settled by common agreement (59.18) is paid in cash (81.63)
(Ref. statistics annex A2.6 p 70)

It is easy to admit that in the expression "common agreement" the influences of interlocutors are involved. The enterprise cannot always fix the price, neither can, the producer.

Off the record, the exporters in the same region have an average estimation of the purchase price of products. That estimation,qualified as the price in the market is not steady. It varies from one region to another, or from one year to another.

In 28 % of the cases, it is the price in the market that fixes the purchase price. The price that has been fixed by the State is respected by only 5 % of enterprises.
(Ref. Statistics annex A2,7 p 70)

In order to avoid any increase of purchase price at the maturity of plantations, some exporters will finance the collectors or the producers.

40.82 % of exporters finance their collectors and 14.29 % finance their producers.
(Ref. Statistics annex A2,7 p 71)

The exporter have mentioned that there are some other sources to finance the collectors, or the producers :

- the bank
- the exchange in kind
- some competitors.

Collectors or producers play upon the amicable arrangement of the contract and keep up the competition for supplying.

I.3.4 - The fluctuations of purchase prices

For all products, the first causes prices fluctuations are :

- the competition
- the abondance of goods
- the difficulty in the goods evacuation.

Let us see the detailed received explanations about these fluctuations generators.

- At the level of competition and the abondance of goods : Sometimes, the external demand is high, thus the products prove to be slightly abondant. As there are a lot of producers, the competitors venture to buy at high prices. (e.g : The prices of Ylang-Ylang flowers for making essential oil happen to be multiplied by six in case of rarety)

- At the level of infrastructure : The bad repair of the road has repercussions on the prices of products. sometimes we are obliged to supply ourselves by hiring tractors.
The bad climatic conditions often block the acquisition of products and imply inflated prices of available stocks in the surrounding district.
The distances between the zones of production and the port of embarkation cause the cost price to go up.

- At the level of external constraints : The customers fix the price sometimes, in keeping with their multiple contributions in the export trade : wrapping of goods, package. As they often act as permanent middlemen (broken), their modulation of price is inevitable. The devaluation of Malagasy franc has caused an in crease in the taxes on the exploitation.

I.4 - THE MARKET OF EXPORT TRADE

I.4.1 - The sources of information about the market of export trade

The following charts condense the sources of information concerning market of export trade.

Chart I.3 Source of information about the market

ELEMENT OF INFORMATION	SOURCES OF INFORMATION
Conditions, standards	- External branches
Procedures	- International fairs - Main establishment - Partners abroads customers - Visit of purchasers - Ministries (Broad of Trade essentially) - Administrative services - Magazines (e.g Magazines on tropical market) - Relations
Potential customers	- The same sources as those concerning the conditions, standards and procedures - External commercial brookers - Embassies - Direct contact in Madagscar or abroad - Correspondences (letters, telephone)
Evolution of demand	- Statement of exporters on the tendancy of the customers demands - Suppliers - External magazines - Foreign partners - Correspondences
Price	- Market price - Service of package - Magazines (e.g Magazines on tropical market) - Corespondences - Current market
Local competitions	- Unofficial sources - Producers, collectors - Personal relations - Correspondences - Board of trade
Other overall information . International competition . Evolution of the market . Export trade policy	- Occasional business trips abroad - Board of trade - Regular customers

The frequencies of the acquisition of these elements of information are of all sorts : sporadic, periodic, periodic or continuous. They do not depend on the pieces of information but rather on the contacts with enterprises.

I.4.2 - Establishments of contacts and of prices

Establishments of contacts

Importance in descending order, the contacts become established :
- by correspondence (74.49 %)
- by travelling abroad (48.98 %)
- by visits in Madagascar (48.98 %)
- by telephone calls (40.82 %)
- by telex (41.84 %)

(Ref. Statistics annex A2.9 p 73)

The other contacts : fairs and shows ... are slightly frequent.

Establishments of prices

The fixations of price for export trade are based :
- on the worldwide rate
- on the state regulations
- on the imposition of importer alone
- on the imposition of exporter alone
- or come from the equitable common agreement between the exporter an his customer.

It is rather this common agreement which rules the fixations of prices for 60.20 % of exporters, and the worldwide rate for the 29.59 %
(Ref. statistics annex A2.6 p 70)

I.4.3 - Perspectives of expansion

By virtue of the results in the annex A2.9 p 73, 66.33 % of the inquired people envisage the perspectives of expansion of their activities. The expected expansions occure in four different forms :

1. The enterprise would like to encrease its volume of export trade by conserving the same goods for the same customers.
(25.51 % envisage this perspective)

2. The enterprise would like to increase its volume of export trade by conserving the same goods, but in searching for new extra customers.
(33.67 % envisage this perspective)

3. The enterprise would like to increase its volume of export trade with new goods but for the same former customers.
(29.59 % envisage this perspective)

The wish of an enterprise can be directed to one or several forms mentioned above. Which explains that the sum of cited percentages is different from the 100 %

For instance, an enterprise would like to increase its usual export trade of headless shrimps in order to better satisfy its present customers. But at the same time, it would like to capture itself a big farmer customer by delivering residual heads of shrimps which will be treated for cattle food. The heads of shrimps play a part of new goods ...

For these four forms, the percentages 49.98 % and 33.67 % are the highest ; enterprises would like to export the new goods for former or new customers.

More precsely, the majority of them would not like to change radically their export trade products. They mean especially by "new products", semi-transformations of usual products, in order to produce a profit to the maximum.

I.5 - DIVISION OF EXPORTERS ACCORDING TO CATEGORIES OF SUPPLIERS

The following report puts forward the existing narrow relations between :

- the types of suppliers
- the modes and places of supplying
- the stability degree of relationship between exporters and producers

The statistical calculations bring out five disjoined classes of enterprisesm with different profiles.
(Ref. statistics annex A4.2 p 104)

Class 1 is constituted by 34.69 % of contacted enterprises :
In this class 1 :

- 97.06 % have producers ass their suppliers
- 97.06 % are not supplied by associations of collectors
- 82.35 % do not have contracts of delivery with suppliers
- 88.24 % do not supply themselves in a warehouse.

Class 1 includes the enterprises in direct contact of supplying with producers. They maintain with them informal relationship excluding the establishments of contracts.

Class 2 is constituted by 11.22 % of contacted enterprises :
In this class 2 :

- 81.82 % are suppliers as such (in part or as a whole of their export trade goods)
- 81.82 % have contact of delivery with their suppliers
- 54.55 % finance the producers
- 90.91 % are convinced that it is the producer who rules the volume of collecting
- 72.73 % supply themselves at a warehouse
- All the enterprises of this class have no middleman as their suppliers

The class 2 reflets the enterprises that succed entirely or partly in supplying themselves. They enter into contracts of delivery with their other suppliers and they supply themselves from a warehouse.

The relations of these exporters with their suppliers are very formal, commercial and without go between.

Class 3 is constituted by 18.37 % of contacted enterprises.
In this class 3 :

- All of enterprises supply themselves in an imprecise manner ; neither at the producers ; nor at the place of collecting and warehouses.
- Besides, all elements of this class has no producer by way of suppliers.
- For 55.56 % of them, it is the customer who incites volume of collecting.

For this category of enterprises, the sources of supply are not well located. These enterprises would not reveal the channels of their resources.

Class 4 is constituted by 18.37 % of contacted enterprises.

- All the enterprises in this class have suppliers who are middlemen
- 94.44 % of placing orders are not firm
- 61.11 % of the class have no steady relations with these middlemen
- 83.33 % supply themselves at the place of collecting.

Middlemen located at the places of collecting assure the supplying of this class.
As these middlemen are not fixed, the relations set with them are not steady and the placing of orders are not firm.

Class 5 is contituted by 17.35 % of contacted enterprises

- 82.35 % of this class have associations of collectors as suppliers
- 94.12 % enter into contracts of delivery with their suppliers
- 82.35 % finance the collectors and 76.47 % place firm orders.

Here is a chart which sums up the distribution of enterprises in five classes.

CLASS	SUPPLIERS	NUMBER	NUMBER (%)
Class 1	Producers	34	34.69 %
Class 2	Suppliers as such	11	11.22 %
Class 3	Non-identified	18	18.37 %
Class 4	Middlmen	18	18.37 %
Class 5	Associations of collectors	17	17.35 %

I.6 - SUMMARY OF CHAPTER I

At the exportation a lot of small exporters will differ from big exporters full well.

The first ones finance themselves and have no further activities. The second ones profit bank credits, accomplish multiple activities and profit diverse assistances.

The exporters have their usual circuits for supplying according to types of suppliers : producers, collectors, middlemen or suppliers as such.

CHAPTER II : THE EXPORTED GOODS

This chapter will display and develop all pieces of information furnished by the inquiry about agricultural exported goods.

These pieces of information will concern principally :

- The places of collectig of these products, estimation of their volumes as well as the customers on one hand.
- The modes of package and of storage on the other hand
- Finally, the factors having incited, at the beginning, the export trades of these goods.

The exhaustive list of the non-traditional goods are seen in annex L2 p 135. The detailed list in this part is not of information are precised enough. It proves to be representative in so far as the other goods, not registered, take on similar characteristics of the studied ones.

Traditional goods such as : coffee, vanilla, clve should not have been appeared in this list. But as many enterprises export them in parallel with new goods, thus, they are kept in the whole as a guide.

All of the obtained prices of information have been confined in charts. A global synthesis links together the characteristics of the goods scattered in these charts. For this purpose, we have succeed in making a significant classification of these goods in comparison with their common inherent property.

II.1 - THE GOODS : THEIR COLLECTING AND THEIR SPECIFICITY

II.1.1 - The zones of collecting, the periods or durations of collecting and their export trade countries

The zones of production are very scattered all over the island, with however, a certain regrouping in terms of each goods.
(Ref. Chart of the annex A3.1 p.74)

For example, the zones of production of cashew nuts are for the most part in the North-West region of Madagascar. So are those of the production of beeswax : the zones of production being in the region of Mahajanga.

This situation is explained by the population inurement to the production of the same kind of product. This practice is encouraged by the existence of enterprises wich assure the collecting in these regions.

We must also notice the adequacy for certain culture for well specified permanent climatic conditions.

We can note, besides, some differences in durations of collecting within the same region, or in regions placed side by side.
A plausible explanation is that, on one hand, accessibilities to production zones are in different seasons, on the other hand, the seasons of customers orders are not the same.

For the countries of destination, we notice that the choice is quite limited. Most of the time, the most privileged destinations for Malagasy exporters are Europe, principally France, as well as neighbouring countries such as Mauritius, la Reuion, Comores.

II.1.2 - Goods specificity and their state for the export trade

At the exportation, we distinguish two different kinds of goods specificity : perishable and non-pershable.
These goods are :

- either exported in the rough
- or modified before exportation.

According to the increasing degrees of modification brought to them, they become semi-treated or completely transformed.

It appears that agricultural produces are exported most of the time in the rough ; nevertheless with some exceptions which are due to the necessity of assuring their preservation. Very few products are transformed on the spot, and the number of enterprises which deal with these transformations are particularly feeble.

Besides, we notice that the enterprises have much marked propensity for traditional exported products such as wood, cinnamon, oil of Ylang-Ylang, clove, ... Probably, the whole systeme which rules these of goods is perfectly mastered by the operators, which justifies the number of societies that are interested in it.

For more details about the specificity of each goods, we must refer to the chart of the Annex A3.2 p.79

II.1.3 - Estimation of export trade quantities

The exported volumes reflect the relative importance of goods in comparison with the whole. Some averages of these quantities have been collected in order to express this importance.
(Ref. Chart of the statistics annex A3.3 p 81 and A3.4 p 83)

For this same opportunity, we obtain the rates of exported values in comparison with sales volume of enterprises.
We must not deny bias brought in this estimation of volume and of percentage. These bias have not a lot sources, namely :

- Some enterprises are not willing to disclose the sales volume (apprehension of taxes, competition)
- Some people directly interviewed in the enterprises do not have precise evaluation of these quantities.
- Some irregular fluctuations, volumes, sales volume give heterogeneous values of which the averages are not expressive.

Nevertheless, these volumes and these percentages, however biased they are, show the interest in the approximative comprisons of different products importance.

For example, the average quantity of litchis is 62.50 tons. That of honey is 9 tons. We see that the export trade of litchis is more important than of honey.

II.1.4 - Principal customers

The principal customers for the export trade are : wholesale dealers, wholesale-retail dealers, manufacturers, brokers. A large _t of the exported goods from Madagascar go through medium of wholesale dealers. Then come the brokers who facilitate enormously the task of Malagasy enterprises on the look out for customers. Finally, the manufacturers, then wholesale-retail dealers are the last customers.
(Ref. Chart of the statistics annex A3.5 p 85)

II.1.5 - Classification of products according to their specificity and common customers

From the attributes having been used to characterize the export trade products ; specificity, state for export trade and types of customers, we have distinguished four homogeneous classes of goods. It is the customers who mark the difference between these four classes.

Class 1 contains :

- 77.08 % of perishable products (that is to say 82.22 % of the elements of the class)
- 76.09 % of goods bought by wholesale dealer
- 63.24 % of semi-treated goods
- 62 % of treated goods.

(Ref. statistics annex A4.3 p 106)

These procuts are principally fruit, fresh fish, shrimps, vegetables, sea cucumber and ornamental plants.
This first class regroups pershable gos, which have been delivered to foreign wholesale dealers : semi-treated or treated.

Class 2 contains all of goods delivered to manufacturers. 90.91 % of their elements are constituted by non-pershable goods.
(Ref. statistics annex A4.3 p 106)
These goods are principally : essential plants oil, raffia, wood, horn of zebu, drosera, "centella". This class 2 regroups non-pershable goods delivered to manufacturers.

Class 3 contains :

- 69.66 % of exported raw materials
- 67.12 % of goods delivered to brokers.
- 81.01 % of its elements are costitued by non-perishable goods

Class 4 contains :

- All goods delivered to customers of different nature. These customers can be at the same time wholesale dealers and manufacturers, for example.
- 96% of transformed goods

81.1 % goods of this last class are non-perishable.
These goods are principally : handcraft goods, transformed wood, stones : agate, "amazonite", crystal of rock, ... preserved food and butter.

II.2 - THE GOODS : THEIR PACKAGES AND THEIR STORAGES

These goods are delivered in the rough, (in bulk cargo), either wrapped up in cases or containers. Some goods need nevertheless special packages.

The package cosntitutes, without any doubt, one of the most important operations before the exportation of goods. It permits to guarantee the authentical quality of these goods and the preservation during the exportation as well.

The precise norms of package are not always well respected in Madagascar. It constitutes a handicap to international requirements.

The study has shown that three factors determine the choice of package, according to descending order of importance.

- The specificity of goods
- The requirements of customer
- The regulation fo goods.

(Ref. Chart of statistics annexes A3.6 and A3.7 p 87 to p 92)

The operations connected with package are essentially the sorting (Over the quality, grading, maturation) and the cleaning or the washing. Generally, it is the sorting over the quality which the most promordial. And then the sorting through grading which has an effect especially upon grains and fruit. The sorting through maturation is combined with the sorting over the quality.

As far as storage is concerned, The quasi-totality of goods is stored in warehouse. The most perishable goods are stored in cold room such as sea food or fresh meat.
(Ref. Chart of statistics annexes A3.8 p 93)
Comparing with the mode of package and of storage, exported goods can be divided into three classes.
(Ref. Statistics annex A4.4 p 107)

Class 1 contains :

- 83.64 % transformed goods at exportation
- 85.42 % wrapped goods in cases and cardboard
- 76.36 % conditioned goods by the specificity of the goods
- 66.67 % stored goods in cold room.

These goods are principally : shrimps, lobsters, crabes, woods, beswax, fruit, rocks (agate, amazonite, mica), the essential plants oil and handcraft goods.

Class 2 contains :

- 65.48 % of semi-transformed goods at the exportation
- 58.02 % of goods in special wrapping
- 55.22 % of goods under-treated for package
- 84.62 % of delivered goods in container.

Moreover, 56.34 % of the elements of this class undergo sorting over quality. These goods are principally : wood, raffia, pepper, bulter beans, dried grains, mushrooms, sea cucumber, meat, dried vegetables.
These goods are principally : cinnamon, pepper, beans, drosera, "centella", crystal of rocks, cocoa, cashew nuts, fresh fish, raffia, ground nut.

II.3 - SUMMARY OF CHAPTER II

The classifications of goods have shown that :

1. For their specificity at the exportation, it is the types of customers who differenciate them.

2. For their package and storage, it is their state at the exportat'on which differenciate

It is the choice of the customer, brought to well precised goods, which dictates the transformations of goods and their package at the exportation.

CHAPTER III : THE PROBLEMES RELATING TO EXPORT TRADE AND THE RECOMMENDATIONS

III.1 - CLASSIFICATION OF DIFFERENT PROBLEMS ENCOUNTERED IN THE ACTIVITIES OF EXPORT TRADE

The major and most frequent difficulties concern the supplying, the collecting, the storage/package and the dispatch.

The supplying, the collecting embrace the relations with suppliers, the qualities of collected products and the evacuation of these products.

The storage, the package concern the treatments and the preparations of these products before the exportation. The financing affects the vitality and the prossibilities of exporting enterprises.

A classification in descending order of these difficulties is established in the following chart. This latter gives the number of enterprises according to different problems and the importance they give to these problems.
(See columm "ranks of difficulties")

RANKS OF DESCENDING DIFFICULTIES	DIFFERENT PROBLEMS				
	SUPPLING/ COLLECTING	STORAGE	PACKAGE	FINANCING	DISPATCH
1	40 *	6	3	29 *	9
2	17	11	6	24 *	11
3	7	4	21 *	14	16
4	3	16 *	15 *	6	17 *
5	8	22 *	4	1	18 *

* A number stressed * is high : it indicats that the mentioned problem in this column would have globally the rank of difficulty of the line on which it is written.

The difficulties classified in first second ranks by a great deal of exporters concern the supplyings, the collecting, as well as the financing.

Another problem concerns the absence of the system of information ont the market of export trade. These pieces of information are parcimonuously gathered from the personal acquaintances or merely from usual customers.

The problems encountered at the level of customers deal with, first, conformity with dispatched goods (specificity, qualities, volumes, appearance), with modality of exchanges (punctuality, placing of orders, price, term of payment)

- The customer fixes sometimes too much low prices at the exportation
- Punctuality is an agreement difficult to satisfy due to diverse risks (irregularities of plane or ships time)
- The placing of order is often slow.
    * If the volume of exportation is feeble, the exporter will fail to complete the quota. But often the customer is not too much intransigent in this matter.
    * If on the contrary, this volume is high and due to the abondance of products, the price will diminish due to competition matter.

The majority of the interviewed persons have pointed out that their customers are aware of the problems inherent to Madagascar concerning the transport, the contacts and the administrative procedures. Some of these customers are people who have already lived in this country, and know all about the context.

They are rather interested in both the quality and the originality are primordially strict about quality.

III.2 - PROBLEMS OF FINANCING AND ENJOINED RECOMMENDATIONS

The problems encountered from the point of view financing appear in different forms and their most important aspects are summed up in the following points.

- Insufficiency of bank credit : with slow and complicated procedures. This limits the scope of activities.

In order to get that financing, one must secure some personal relation with bankers, or a guaranty, or an extravagant mortgage. sometimes, corruption will go along with obtaining of bank loans.

- Insufficiency of trading capital because some enterprises have to defray the arrears of previous activities.

- Technical handicaps due to the lack of financing : insufficiency of material equipment (cold storage, warehouse, power plant, ...) and insufficiency of spare parts for the machinery.

- Impossibility of securing the supply in multiple channels : producers collectors, ... without extension of financing, the enterprise will become dependent on competing big exporters in the fields of evacuations and wrapping of goods.

The enjoined recommendations will rest on :

- The speeding up and the supplying of banking procedures in view of getting the fund

- More legitimate considerations on the sharing out of financing (bank or external). Let the most unprovided ones be the recipients ; too much importance is given to personal relation in the banks.

- Pursuit of material "financing" in order to palliate shortages of machinery.

III.3 - PROBLEMS OF SUPPLYING/COLLECTING AND RECOMMANDATIONS

These problemes of supplying derive mainly from bad infrastructures :

- The bad repair of roads, the remonteness of the zones of collecting, the insufficiency of means of transport, involve some difficulties for the evacuations of goods.

Moreover :

The bad qualities of the products are not always detectable at first sight, given the collected volumes. And it is ill-advised to call off the deal with the producers of those goods as they supply the activity of export trade all the same.

- Owing to their low power purchase, the producers suppliers do not want to wait until the ripeness of the products to deliver them, because they want to earn some cash.

By way of recommendation, the exporters wish :

- Restoration and maintenance of the road system
- Some help from the customers, from the local authorities in dispatching the products.

- Sensitizations of the peasants to the agricultural techniques on exported products, so that the norms of quality will be in conformity with those required by the international market.

III.4 - PROBLEMS OF PACKAGE/STORAGE AND RECOMMENDATIONS

Concerning the problems of package, let us mention the technical ones and the administrative ones.

For the technical problems :

- Material insufficiency for the package (e.g : vacuum-packing, cold storage, ...)

- Ignorance about the techniques of packages that would have improved the products.

For the administrative problems :

- Slowness of administrative procedures that delay the delivery to the customer

- It happens that the Department of package does not validate properly the exported goods on the grounds that they do not answer to the required quality. Yet, some exporters have taken the trouble to check before hand the conformity with that required quality.

- Corruption with the officials in the Department of package before offering their services.

As for the problems of storage, the insufficiency of the storage areas stands out to begin with, then their remonteness from the places of implantation of the enterprises.

Ouring to these established facts, it would be important to make the administrative procedures less complicated befor the exportation. A permanent system of information will tell all about all the regulations the exported goods. It would be ideal to arrange enough warehouses hired at a reasonable rent.

III.5 - SOME REASONS FOR ABANDONING THE EXPORTATION OF SOME PRODUCTS

The reasons given as factors of interruption of the exportation of some goods are connected with the general problems related to export trade. (financing, supplying)

The following chart shows the factors that have caused such abandons, as well as the products affected by those factors.

FACTORS HAVING CAUSED THE INTERRUPTION OF EXPORTATION	NUMBER OF PRODUCTS AFFECTED
Deficiency of the product	0
Costly transportation	1
Insufficient financing	8
Insufficient supply	5
Lack of demand	4
Not very lucrative activity	6
Other factors	4

Such products are rather in small number and they concern especially some traditional products. As far the latters are concerned, the evoked factors are : the exhaustion of plantations, the foreign competition.

In this connection, some projects on export trade had been "given up" before they were started.

III.6 - SUMMARY OF THE PROBLEMS AND RECOMMENDATIONS ON EXPORT TRADE

A synoptic chart will sum up the different problems tackled previously together with the various recommendations stipulated to them.

PROBLEMS ENCOUNTED	HOW THEY APPEAR	CONSEQUENCES	RECOMMENDATIONS
Financing and launching export trade	Difficulties or absence of financing	Low trading capital	To make the acquisition of financing easier
	Lack of material output	Limited volume of activities	Apart from financing in available cash, contribution of the State or
		Interest yielded inferior to realizable	of other corporations for material or logistic supports
		Dependence on other exporters in the treatments of the products, storage, wrapping under-treated	
		Impossibility of semi-transformation of products which could have been more profitable.	
	Inability ot secure various supply channels	Limitation of the activities to exportation of small range	While studying the documents of applications for financing set by exporters, take notice of supply and delivery capacity
	Exportation projects not started or pirated	Annihilation of the strong will of potential exporters	Honest control
Supplying Collecting	Road system insufficient and falling in run	Difficulties to evacuate the products	Restoration and continuous maintenance of roads
	Qualities of some collected products not up the standard	Fall of prices at the exportation unsatisfiedness of customers	Agricultural policy aiming at imporving the exported products : sensitization of suppliers introduction of new varieties of plants
	Competition in the supply	High prices of the raw products	Sincere agreement between exporters
		Tendency of suppliers to swell the delivered volume with products not up to the standard	Penalization of unsatisfactory suppliers
Package/ Storage	Absence of information about regulations on exported	Rejection of a percentage of the volume to be exported	To find a permaent system of information
	Insufficiency and remonteness of storage spaces	Limitation of the volumes of storage	Financing of storage spaces and of package
	Administrative complication in the procedures of package department	Delay in the sending	To alleviate the formal procedures of package
Problems in relation to customers	Ignorance about potential customers	Non existence of long term policy on export trade	Research of external system of information
	Ignorance about competing products	Restriction of the exportation to a few habitual customers	Contribution of the Board of Trade

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From a macroscopic point of view , it can be assumed that those problems related to export trade are really connected with the series of all economic problems of this country. In a distortionned regime in which the trend of economic policy moves from State monopoly to liberalization, one should be prepared for the gradual eradication of those handicaps.

The new procedures put into practice on the export trade systems have demobilized, from their guangue of inertia, the natives who are willing to embark on those activities. However, owing to the bitterness of competition and to the lack of experience, this new generation of exporters is trying to revitalize themselves by means of external financing, of the improvements of work environment.