

# **FARMERS' CHOICES AMONG ALTERNATIVE DAIRY MARKETING CHANNELS IN ARMENIA: CAN APPROPRIATELY DESIGNED ODA SUBSTITUTE FOR FDI?**

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## **Abstract**

The Armenian dairy sector has until recently remained in a sub optimal equilibrium characterized by low quality milk, delayed payments, deep financial distress and a general lack of investment. The decision of the USDA MAP to expand their agribusiness programs into the dairy sector in 1999 however initiated a rapid revitalization and expansion of the sector. The USDA MAP used various organizational models at both the processor and farmer level to facilitate this revitalization. Given the lack of FDI and successful ODA initiated restructuring, the USDA MAP project provides an instrumental case study for analyzing where a ODA-induced public solution rather than a FDI-induced private solution has been used to link farmers to markets and solve the related contracting, investment, and enforcement problems. The paper analyzes the impact of third-party facilitated marketing channels on economic and social outcomes of small, financially distressed farmers and examines the factors affecting farmers' choices among alternative marketing channels.

**Key words:** Dairy, markets, Armenia, small farmers associations