USAID KOSOVO PRIVATE ENTERPRISE PROGRAM (KPEP)

DEMAND CREATION: VEGETABLE MARKETING/PROMOTION STRATEGY AND ACTION PLAN

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Implemented by
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DEMAND CREATION: VEGETABLE MARKETING/ PROMOTION STRATEGY AND ACTION PLAN

Capitalize upon the success of year one vegetable sales and energize the value chain with a marketing strategy and communications plan that will increase sales and improve rural incomes.

Kosovo Private Enterprise Program, Project: Demand Creation: Vegetable Marketing/Promotion Strategy and Action Plan,
Contract No. EEM-I-07-00007-00, TO #2
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FOREWORD

This report describes work done in Kosovo during the period of November 20-December 7, 2009 by Marilyn Phillips, Branding and Marketing/Communications Specialist. Ms. Phillips is a Short Term Technical Advisor from Land O'Lakes. In close collaboration with another STTA, Mr. Andriy Yarmak, Agricultural Economist (also from Land O'Lakes), the focus of the assignment was broadly focused on two major tasks: a) Understanding the Supply Challenges to enhanced competitiveness in Export markets, and b) Understand the Demand Challenges of increased competitiveness in Export. Such work is to lead to a Marketing Plan for the Sector.

Detailed assignment specifics for both STTAs were set out in the Scope of Work (SOW) for each individual. This report summarizes the findings and recommendations of Ms. Phillips who focused primarily on the Demand Challenges for Kosovo. This report is complemented and amplified with the report of Mr. Andriy Yarmak who focused on the Supply Challenges primarily. However, there is naturally overlap between the two reports.

The work included extensive interviews with Fruit & Vegetable participants across the value chain, as well as historical work done in Kosovo by other projects (KBS, KCBS, Intercooperative HPK, etc.). We also garnered input from other USAID projects from within the region (Serbia, Albania, Montenegro, Macedonia, etc.) and conducted a comprehensive overview of secondary data sources that will be useful in Strategic Marketing and Communications Plans development.

Importantly, prior research into the sector conducted by Lee Agribusiness Connections, Inc. (January-February, 2009) "Audit of the Kosovo Fruit & Vegetable Sector" was utilized as a foundational document.

The foregoing forms the basis upon which the Kosovo Vegetable Sector Marketing Plan Recommendations and related Action Steps were developed.

PURPOSE OF ASSIGNMENT

The purpose of the Phillips' STTA assignment was to develop an overall concept for increasing sales in existing markets and penetrating new markets (primarily Export). Included in the tasks:

1) Identify markets with a high probability of success;
2) Develop a market strategy for the identified markets;
3) Prepare a communications/promotion plan that can be tested by KPEP.

The Scope of Work Specifics included:

1) Review the market activity of KPEP in the fruit and vegetable sector by meeting with KPEP personnel and vegetable lead producers, traders, and processors;
2) Study the historical regional fruit and vegetable market performance, including 2009, and determine gaps where Kosovo products may have opportunities if a strong communications plan was developed.
3) Understand the end market demands of identified markets of opportunity, including existing and potential new markets;
4) Develop a strategy for the markets;
5) A key element of the strategy will be a Communications Plan, describing how and why Kosovo product(s) meet the end market demands at all levels;
6) Develop recommendations as to how KPEP can test the Communications Plan for effectiveness, and
7) An option is to meet with buyers from Macedonia who purchased product in 2009.

BACKGROUND

The regional fruit and vegetable sector is extremely competitive in a market that demands consistent quality and volumes. In Year One KPEP assisted the fruit and vegetable sector to penetrate regional markets with table and processing potatoes as well as fresh and processing fresh peppers by identifying windows of opportunity and capitalizing upon a reputation for high quality (in the case of peppers).

In order to capitalize on Year One success, the key players in the fruit and vegetable sector need to develop and execute a marketing strategy and communications plan that promotes Kosovo as a reliable supplier of high quality product on the domestic and export markets. The significant improvement of understanding end market demands in Year One provides an opportunity to expand market penetration with core products and other products that can meet Export and Domestic opportunities.

In Year Two, one of the objectives for the fruit and vegetable sector is to expand existing markets and penetrate new markets with high quality fruit and vegetables, building on the learning and knowledge of Year One successes (especially with pepper exports to regional markets). The bulk of these sales were fresh peppers delivered to processing customers in Macedonia and Albania and it is expected that these initiatives can be built upon in Year Two.

APPROACH

The Conceptual Approach to the assignment was as follows:

1) Understanding the marketing environment in which we expect to compete. This analysis focused on EU and non-EU countries, countries within the region, and Domestic market opportunities. We quickly narrowed our focus to peppers (fresh, processed);
2) Understanding the Marketing Opportunity for peppers across the Value Chain.
3) Understanding—and addressing—current information gaps to enhance our possibilities of success;
4) Outlining a Pepper Short Term 2010 Marketing Plan, with focus on both Demand Creation and Marketing Capacity-building
5) Outlining the framework for a Longer-Term 2011-2014 Marketing Plan.

EXECUTIVE SUMMARY

Findings and Conclusions

There is an opportunity for Kosovo to be a long-term "Best in Class" producer and marketer of vegetables, not only within Kosovo and within the Region but also with non-EU and EU countries.

This will not be a short-term accomplishment, however. There is much work to be done, but step-by-step, in a systematic and disciplined market-driven approach, Kosovo can become an important player in vegetable marketing within the region.

The reason for our confidence is based on several facts:

- Kosovo has a long-standing reputation for high quality, distinctive peppers. This is positioning leverage which should not be under-valued.
- There is a large market for peppers in this part of the world: 2.2 million Kosovo people, 3.4 million EU Diaspora residents, 1.2 million additional Kosovo Peppers "fans" within the region.
- There is the opportunity to be – in the long-term – a lower-cost producer with a shorter distribution network and an opportunity to capitalize on early season peppers for incremental volume (with investment).
- This is a young nation with a wide range of firms interested in building businesses in Kosovo if the right investment opportunity is presented – with robust financials.
- There are meaningful partnerships available in Kosovo in agriculture – Intercooperative HPK, an especially pertinent partner.
- Meaningful partnerships also include the supermarket chains who want to work with locally-produced agricultural products if some of the "Trade Promise" factors can be bettered.
- Agriculture represents a significant portion of the Kosovo economy and it impacts fully 60% of the populace. As such it is (or should be) of high interest to the government and other international consortiums, so as to develop positive trade conditions (vs. other potential investments.

At the same time, it should be stated that there are significant drawbacks to overcome:

- The agricultural industry (including peppers) is operating on the commodity model which is not – and cannot be –- competitive in the future.
- There are capacity problems. Farmers can sell what they produce now and need to be incentivized to adapt to a different marketing model and to take more risks in their livelihoods.
- There are tremendous technical and training needs, not only for peppers, but also for other agricultural products. Training that starts at the beginning of the value chain with the right varieties, right planting practices, technologies – all the way up to learning how to be a "Preferred Supplier" to traders, exporters, brokers, supermarket chains, etc.
- In order to optimize a new model – the Value Added model—the industry will need to self –select to the most aggressive and visionary farmers/producers, and processors. Growth cannot – will not – come by trying to uplift every one of the current stakeholders in the chain.
- The need for commercial farming practices is paramount.
- As is the need for private investments in processing capability.

- As is the need for favorable government interventions and trade policies that can help the industry succeed.
- Currently there are other competitors within the region who are further ahead of Kosovo (notably Macedonia) especially in processing capacity and export development. Kosovo is in a situation of playing “catch up”.
- In a sense, Kosovo people are not thinking broadly about their competitive set. The vision often stops at the green market and the wholesale trading level, not thinking about the fact that Turkey, Greece, Macedonia, Albania and others represent their competitive set and a future threat. Conversely they represent an Export opportunity so they are both competitors and customers.

Recommendations

It is recommended that KPEP and USAID focus on developing the pepper segment of the agricultural industry to develop a new Value Added model. This model will focus on adding value along the complete value chain and become a Case History (with ROI proof) of how to better compete in the broader competitive set.

The Value Added model will focus on both fresh and processed peppers and will focus on all the relevant channels:

a) Fresh for fresh consumption within the region, in non-EU countries, and in EU countries;
b) Fresh for processed customers within the region, in non-EU countries, and in EU countries
c) Processed peppers (pickled and other) for fulfillment of domestic market demand as well as Export demand within the region, in non-EU and EU countries.

In order to compete in this comprehensive Value Added model, numerous interventions will need to be taken at many steps along the Value Chain. Some of the interventions which must be looked at include (but are not limited to):

Planting:

- The right varieties for demand, at the right time, with the right planting technologies
- Minimizing cost of inputs through sourcing smarts, the right use and method of fertilizers, the expanded use of drip irrigation
- Greenhouses and Tunnels to capture Early Harvest season
- The right stakeholders
- Commercial farms
- Commitment to quality

Harvest:

- Education in Post Harvest Handling
- Sorting and grading
- Investments in storage and cold chain as required
- Commitment to quality

Distribution:

- Investments in the right packaging for optimum quality
- Investments in packaging for optimum product presentation
- Commitment to quality

Trade Marketing:

- Investment in understanding the requirements of traders/brokers/customers
- Re-calibrating ones business model to meet those requirements
- Entering in good faith into contractual relationships for long-term
- Understanding the ROI of the new contractual relationships
- Prospecting for new customers on an on-going basis
- Full immersion in what is happening with competition and who is currently "Best in Class"
- Partnerships with supermarkets as channels of the future in Kosovo
- Understanding the end user requirements (the customer and the consumer)
- Commitment to quality

Building the Brand and the Franchise:

- Understanding and leveraging the unique characteristics of the Kosovo peppers among customers and consumers.
- Communicating this competitive advantage to customers and consumers via trade shows and customized events
- Working with supermarkets to better display and feature Kosovo peppers in an optimum way.
- Commitment to quality

Quality is the "Holy Grail" of successful marketing but it goes beyond product quality to impact every aspect of the Value Chain.

Also important to the success of this new model is to form the right partnerships to implement the interventions. It will not be feasible to work with everyone within the pepper sector nor will everyone be able to successfully implement the interventions. In this plan we recommend that the new Added Value model be implemented with:

- 2-4 large successful growers
- The processor EuroFood
- The ETC ELKOS supermarket chain
- Initially Kelmendi as Export trading partner. Kelmendi is proposed as a willing partner who has a trade distribution network already in place, but has some business limitations which may mean he is not the best long-term partner. As the prospecting process uncovers new linkages, we may find a better long-term partner for the Added Value Model.
- And finally, Intercooperative HPK represents a strategic partner on the supply side who has made significant progress in developing supply and in technical expertise. We should not duplicate – but enhance – their efforts.

Implementing this policy on peppers and demonstrating its success will provide the right Case History to impact other sectors. And this is the way to Best in Class for Kosovo. Not all agricultural sectors will respond in the same way as we expect peppers to, but this can become a role model of how to develop.

A detailed plan to accomplish this "Best in Class" marketing vision is detailed in the Marketing Plan in Annexes. In addition, the Trip Report of Andriy Yarmak, a STTA with a concomitant consultancy, should be viewed as well.

FIELD ACTIVITIES TO ACHIEVE PURPOSES

1. We reviewed key documents on the sector completed by KPEP, KCBS, KBS, Intercooperation HPK, and other USAID projects from within the region.

2. We gathered information from primary stakeholders within the KPEP project to enhance our understanding the marketing environment. Included in this information-gathering phase were interviews with:

   - Key KPEP personnel (John MacKillop, Competitiveness Director/Agriculture Sector Specialist, Musli Berisha, Agriculture Marketing Specialist, Branimir Dimitrijević, Agriculture Marketing Manager,
   - Interviews with key personnel along the value chain including a) key large scale farmers, b)key farmer associations, c) several pepper processors of varying capabilities, d) fresh and processed traders for Export and Domestic markets, e) a potato processor/marketer, f) packaging supplier
   - Key supermarket retailers.

   A detailed list of interviewees is summarized in the Detailed Trip Notes.

3. We created a Master Outline of key challenges at both the Supply Chain and End Market user levels, in order to have a comprehensive understanding of key issues, challenges, and opportunities with the challenge of a detailed Action Plan for realizing success against these challenges at a Short-Term (2010 and Longer-Term level (2011-2014) Our initial Master Outline focused primarily on peppers (fresh and processed) and potatoes for the short term (table potatoes).

4. We identified the need to collect information on the product offering criteria for EU and non-EU potential customers at the supermarket retail and wholesale level.

5. We identified and briefed a team of students from the American University of Kosovo, under the supervision of Ardian Hasanaj, founder of communications agency BeePro Marketing Communications.

6. We created a work plan for these students as follows:

   - Set up interviews with stakeholders as identified in Point 2 above;
   - Information gathering on key potential End Users/Customers in EU and Non EU target markets, and
   - Determine existence, scale, scope and content of current Market Information Systems (MIS) in the region (Macedonia, Albania, Montenegro, Croatia, Serbia, Bulgaria, Slovenia. The purpose of this survey is to determine the type of information available, at what level and what degree of specificity. We will also collect contact information.

7. A list of questions to be asked of stakeholders along the value chain (at both the Supply level and Market Demand level) was created.

8. The Marketing Plan Recommendation and Insights was presented to Flora Arifi, Contract Officer Technical Representation (COTR), Mary Hobbs, USAID Economic Growth Director, and Greg Olson, USAID Private sector Advisor on December 7, 2009.

TASK FINDINGS

The purpose of this assignment was to develop an overall concept for increasing sales in existing markets and penetrating new markets (primarily Export). Included in the tasks:

1) Identify markets with a high probability of success;
2) Develop a market strategy for the identified markets;
3) Prepare a communications/promotion plan that can be tested by KPEP.

Task No. 1 Review the market activity of KPEP in the fruit and vegetable sector by meeting with KPEP personnel and vegetable lead producers, traders, and processors.

There is an Opportunity in Kosovo – and that Opportunity is Kosovo Peppers:

There is a great opportunity in Kosovo to increase the well-being of the 60% of Kosovo people who live on agriculture. This opportunity lies in the productive and unique pepper crop of Kosovo. Long regarded as “the best” by Kosovo people, its reputation extends to other countries within the region (notably Macedonia and Albania). It has characteristics which differentiate it from other peppers from competitive areas, notably: Color, sweetness of flavor, thickness of flesh, and uniformity of shape which makes it ideal for typical at-home preparation as well as for processing.

There are challenges to the pepper industry, however. Among them:

- There is not enough supply to compete aggressively with expanded sales to Export markets nor for import substitution;
- There is no sorting or grading to achieve higher unit costs Packaging is sub-par in fresh and of poor quality in processed.
- The concept of quality is the best strategy for long term sustainable competitive differentiation is not wholly embraced by all members of the value chain.
- There are no systematic developed business systems which can strengthen capability along the value chain, essential in a broad and aggressive competitive set which includes more well-developed marketers from countries such as Turkey, Greece, and Macedonia.
- There are levels of mistrust between producers and traders which will impede effective selling to more markets and clients.

The KPEP team has completed some significant interventions with the industry. Some of the support includes:

- Providing technical assistance to the Associations of Perdrini and Anadrini;
- Strengthening the buyer/seller relationship with the export of a significant amount of fresh peppers to Macedonia, and increasing the unit selling price;
- Training through field trips within Export markets;
- Increasing relationships with prominent retailers (e.g., ETC Elkos);
- Supporting processors such as Etlinger, EuroFood, and Abi-Elif 19.

Partnering with Intercooperative HPK project, a long-term fruits and vegetable supply-side project, has been – and will continue to be – a productive association.

Task No. 2 Study the historical regional fruit and vegetable market performance, including 2009 and determine gaps where Kosovo products may have opportunities if a strong communications plan was developed.

There are opportunities for Export of Kosovo Peppers:
The peppers from Kosovo are well-known within the region and within the Diaspora in the EU, and non-EU countries. The Albanian-Kosovo Diaspora is large, estimated at 3.2 million to 3.4 million in the EU, with another 370,000 in Switzerland. Within the region, excluding Kosovo, are another 1.2 million consumers. This represents a substantial market for the familiar peppers of the Kosovo homeland.

At present these opportunities are being capitalized upon opportunistically. For example, Kelmendi (a trader company based in Germany with an *ad hoc* office here in Kosovo) is able to export fresh peppers to Germany for distribution to numerous cities within the country, servicing the Diaspora. He has not been able to fulfill all volume requirements due to structural limitations in Kosovo supply side: a) Lack of quality selection and sorting, b) Lack of guaranteed contractual pricing, c) Lack of quality shipping cases that will protect the product during shipping and make a better presentation in the wholesale markets.

In the processed sector, Etlinger is shipping processed/pickled peppers to Austria (unbranded) and there is greater demand than can currently be fulfilled. He needs a better quality supply of peppers as well.

EuroFood, a small but professional processing company in Prizren, will be processing pepper products in the very near future. They are already HAACP-certified so can get a jump-start on penetrating the European market and they warrant the project’s support.

What follows is a brief overview of key communication strategies for the Kosovo pepper industry. A more detailed plan is summarized in the Marketing Plan section of this report as well as the PowerPoint presentation of the Short Term Marketing Plan and Long-Term Marketing Plan in Annexes section.

Communications Strategy 1:

Target Audience: Farmers/Producers/Associations

Key Message:

1. Better quality peppers for the Export opportunity;
2. The need for sorting and grading
3. The need for PHH (post harvest handling) to preserve quality
4. The requirements of the Export markets (varieties, sizes, grades, quality, presentation, etc.
5. The needs of supermarket partners in Kosovo
6. The requirements for better business systems and relationship-development (what is called the Trade Promise)

Vehicles: In person presentations and technical support from KPEP (following the Demand Research outlined in the Marketing Plan).

Communications Strategy 2:

Target Audience: Traders, Potential Export Clients in EU, Non-EU, and within the region

Key Message:

1. Kosovo peppers are among the best in the world and well-recognized by your consumers;
2. We have the ability to meet your demand for peppers during the season and will customize to your specifications
3. Our products meet all requirements to penetrate your markets

Vehicles:

1. Kosovo Vegetables & Fruits website with opt-in email function
2. Sell sheets
3. PR news releases to fresh produce websites
4. First-ever Pepper Trade Fair in Xerxe
5. RTK Television features on Kosovo industry

Task No. 3 Understand the end market demands of identified markets of opportunity, including existing and potential new markets.

Exporting Kosovo Peppers to the EU, non-EU countries and within the Region:

We know the EU import standards and we know the generally accepted characteristics of peppers. This information is available on numerous websites (which are summarized in the Annexes). The primary information is derived from the recently-published UNCE Explanatory Brochure on Sweet Peppers (www.UNECE-AGR-FEV@LISTS.UNECE.ORG) See attached reference material in Annex IX.

What we do not know are the specific product requirements and expectations of specific traders, clients. This information will have to be gathered via primary research. A market research study is proposed which will uncover this information for key traders, customers, clients in our target markets. (See Marketing Plan Initiative 1 for details)

In addition, we will evaluate Kosovo Pepper suppliers' "Trade Promise" characteristics within the competitive set this research, to benchmark where Kosovo is as a preferred supplier of peppers. From the interviews we had with traders and supermarkets, there is room for improvement in these aspects of relationship and business dealings. This Benchmark study will be completed in Spring, 2010 and it is recommended that the study be repeated annually over the LOP.

Task No. 4
Develop a strategy for the markets.

The detailed Marketing Plan Objectives and Strategies are summarized later in this document under "Conclusions and Recommendations" as well as in the attached Marketing Plan in Annex IV

Task No. 5
A key element of the strategy will be a Communications Plan, describing how and why Kosovo products(s) meet the end market demands at all levels.

The detailed Marketing Plan Objectives and Strategies are summarized later in this document under "Conclusions and Recommendations" as well as in the attached Marketing Plan in Annex IV

Task No. 6
Develop recommendations as to how we can test the Communications Plan for effectiveness.

The Marketing Plan summarized in the Conclusions and Recommendations Section of this report outlines the recommended Communications Plan strategies, Initiatives, and Action Plan. A key element of this recommendation is the requirement to Benchmark research prior to initiatives in 2010. Subsequently we should repeat this Benchmark research every year.

Moreover, a key component of this plan is to develop a Case History of a Value Added Chain from beginning to end (variety plants to supermarket in-store merchandising to satisfied consumers. Included in this chain within Kosovo are several activities which will generate increased awareness and positive perceptions of Kosovo peppers among all users – traders, clients, supermarket retailers and consumers (in Export countries).

In the near term marketing plan, no Export market consumer research is recommended. We theorize that the traders/exports know their customer requirements well and are a good proxy for the consumer wants and needs. In the domestic market, however, we propose small scale qualitative research among Kosovo consumers (primarily housewives, the primary purchaser for the household). This research will evaluate communication concepts in the area of Brand identity, Brandmark, logo development and positioning theme/tagline.

Task No. 7
An option is to meet with buyers from Macedonia who purchased product in 2009.

Due to time constraints, this task was not completed. We will interview these contacts in the proposed Benchmark Buyer Surveys proposed in Initiative 1 of the Demand Strategy (outlined in the Marketing Plan).

Conceptual outline of Marketing Plan Development

I. Environmental Assessment
Marketing Environment
Competitive Strengths & Weaknesses
Kosovo F&V Strengths and Weaknesses

II. Key Marketing Challenges and Opportunities

This section will follow the typical components of a Marketing Plan:

Product Portfolio, Presentation, Quality
Pricing and Value
Distribution
Consumer Advertising and Promotion
Trade Advertising and Promotion

III. Key Marketing Initiatives

This section will identify specific Marketing and Communications Initiatives within each Marketing Plan component, outlining Objectives and Strategies

IV. Detailed Action Plan Steps and Timing

This section will lay out specific Action Steps and Timing for each Initiative.

This detailed Marketing Plan is also summarized in the Strategic "Waterfall" format in the Annexes.

CONCLUSIONS AND RECOMMENDATIONS

1. Marketing Environment[1]

The marketing conditions within Kosovo have marginally improved over the last several years. GDP growth has been modest, largely because of weak private sector expansion and agricultural productivity remains relatively low. Farms are small (average size: 2.23 ha per family) with most production going to household needs.

Nearly one half of the population lives below the poverty line which has implications on both ability to invest in agriculture and the ability to buy higher value added products.

The economic infrastructure of Kosovo is in bad shape, with common interruptions in the supply of electricity. Market distribution is hampered by poor roads, which increases emphasis on local marketing. The communications infrastructure is inadequate and is a constraint on business development outside the region.

Unemployment is high, especially among a rapidly growing working-age population.

There is low disposable income in the country and the populace and businesses are increasingly dependent on donor aid and remittances from refugees/Diaspora.

Competitive Strengths and Weaknesses:

Within the Fruits and Vegetable Sector, it is estimated that 60% of the requirement of Kosovo people are imported from other countries (within and outside the region). Macedonia and Turkey are major exporters into Kosovo, especially in the core product line of traditional Kosovo peppers.

Countries within the region have become much more aggressive marketers and within adjacent countries, Macedonia is seen as a “Best in Class” exporter (not only to countries within the region, but also to far flung geographies such as Australia). Macedonia is also seen as a country that has the support of the government and a well developed value chain. It has a much more developed processing industry than does Kosovo.

Within the region of the former Yugoslavia, Serbia is clearly the “Best in Class” marketer of its fresh vegetables and fruits. Its product line is similar to that of Kosovo. It has strength in fresh and processed and markets successfully within non-EU countries and to EU countries of high disposable income and demand such as Germany.

Competitive Strengths and Weaknesses of Kosovo Fruit & Vegetable Industry

The farmers/producers are too small to individually capitalize upon larger customer Export requirements (and even those of Kosovo supermarkets). There is a lack of business systems and planning skills and lack of income to fully embrace such systems with additional costs.

There are no commercial farms to speak of in the country. The Perdrini Association works with ca. 150 farmers for a total of nearly 1,000 hectares. The Anadrini Association has 500 small farmers with average size of 1.5 to 1.8 hectares (total 800 hectares).

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[1] See sources in Annex VI

Not only is small size a constraint for Export, it is also a challenge to market domestically. Supermarkets are currently a very small (est. 10%) share of the food volume in Kosovo but is expected to rapidly consolidate (as is the trend around the world).

The current customer base in the green markets is expected to remain stable (especially during the summer) but the small retail shops are vulnerable to supermarket consolidation of purchase volume and shifts in consumer behavior (certainly in Pristina, less so in smaller cities around Kosovo).

From an Export standpoint: Significant Supply Chain weaknesses include lack of PHH (Post Harvest Handling), low levels of GlobalGAP and HACCP qualifications (required for access to EU markets), and lack of Branding (as well as investment funds for Branding).There is a significant lack of information about Export customer requirements, preferences, and product interests.

2. Key Marketing Challenges and Opportunities

1. *Product Portfolio:*

The current product portfolio of Kosovo farmers (and associations) is largely pepper based. The type of pepper grown here is pepperoni/peperoncini type which is preferred in the region (the Balkans). It originated in Hungary and has appeal in Germany, but its appeal to consumers in other EU or non-EU countries has not been quantified from a volume potential standpoint.

Anecdotal evidence (and sales of Etlinger, for example) proves that the pickled Kosovo peppers have appeal among some consumers in these countries. Another major exporter, Kelmendi, is fulfilling the demand in Germany among the green markets servicing the ethnic markets.

Bell pepper varieties are seeing increasing demand in EU (and hypothesized non-EU) countries, but the current ability of Kosovo farmers to capitalize upon this opportunity is small.

In addition to peppers and potatoes, Kosovo farmers grow cucumbers, tomatoes, and watermelons, among other vegetable crops – used mostly for personal family consumption or sales of excess at the local green market. Kosovo is a significant exporter of potatoes, the country's largest crop, to countries within the region as well as tomatoes during times of shortages in neighboring countries such as Albania.

There appears to be limited pepper capacity available for Export during the key season, though the current export level is low (producers sell most of their volume on the fresh green markets or to wholesale traders).

Peppers account for the 2nd largest share of planted hectares and the 2nd largest share of production volume (2004). The volume share of 1st quality, 2nd quality, and 3rd quality is unknown at this point.

Product	Ha Production	Production (metric tons)
Potatoes	7,873	114,159
Peppers	**4,750 (21%)**	**47,500 (16%)**
Tomatoes	1,980	30,690
Cabbage	1,475	36,875
Onions	1,343	8,058

Source: "Horticultural Promotion in Kosovo: Export Opportunities, Peppers are a core product line for the Kosovo industry and one which is a leading imagery crop for the vegetables of this region. As such, we believe peppers can serve the role be a "leading edge" crop.

2. *Domestic Demand:*

There is demand for peppers in Kosovo beyond the traditional growing period. Early pepper demand (prior to the "hyper production" month of August) available in June is fulfilled by Albania and Macedonia who plant and harvest earlier. Late pepper demand (after the usual frost in October) is fulfilled by peppers imported from other countries (largely Turkey). The Kosovo consumers' need/want for peppers is largely fulfilled by pickled Kosovo peppers (spiral, red long, etc.).

(We have heard anecdotally that fresh peppers are often blackened, the skin scraped, and then frozen for "fresh frying" during off period times. The extent to which is behavior is widespread is unknown.. This opportunity should be quantified as a new product opportunity for domestic market as a longer-term initiative).

3. *Export Demand:*

Background:

There is demand for **Kosovo** peppers but the volume and specific market-by-market demand has not been quantified. In the period before the war (pre-1999) it was claimed that a wide variety of Kosovo fresh vegetables were exported, though it is likely that most of this produce was to other former-Yugoslavia countries, including Serbia.

The KPEP project was successful in 2009 in exporting 2,000 tons of fresh peppers to Macedonia for processing. Bonum, a large Macedonian processor of vegetables, has processed Kosovo peppers and re-imported them as pickled peppers and Ajvar into the Kosovo market among other customers/markets. An Exporter/trader, Kelmendi, sought to sell a quantity of fresh peppers in 2009 for export to Germany but the shipment was only partially fulfilled due to shipping quality problems.

Constraints to Pepper Exporting::

It is necessary to understand and quantify competitive potential of Kosovo Exports in three areas:

a) Fresh for fresh consumption domestically and in Export markets;
b) Fresh for Processing (pickles, other products for domestic and Export markets)
c) Processed for sales direct to retailers or to traders/brokers. (Domestic and Export).

The ability and Action Plan to quantify this potential – and the industry's ability to capture the opportunity – is laid out in the Marketing Plan which follows.

However, one of the key constraints for fulfillment of Export Demand is the current supply constraints of fresh peppers. There does not appear to be a problem in selling the current supply (based on recent historical production trends). Moreover, the current financial model (minimal sorting, direct selling) has associated low costs.

To meet Export requirements will add costs and a new business model (reflecting the end user requirements) will need to be developed and farmers/ producers /associations convinced that this model should be implemented.

Volume constraints can be addressed in the mid-term, not in the Short Term. These are:

a) Moving to more commercial farms with all the associated benefits of large-scale farming (sharing costs of inputs, etc.), mostly likely with incentives of some type to encourage farmers to embrace a new model;
b) Adopting modern technologies (planting and harvesting machines, new varieties, etc.), necessary to meet the demand and cost specifics of the Export market;
c) Private investments to help the Supply side meet these challenges.

The opportunity for Domestic and Export potential beyond peppers and potatoes is a longer-term opportunity and requires more assessment. Specifically, the quantification of whether or not the right varieties of vegetables are being grown here – and what can be grown here – is being addressed via KPEP through the services of agricultural agronomist and agribusiness development specialist (Dr. Giorgio Bigi).

A preliminary audit by Lee Agricultural Connections, Inc. identified a potential range of products for future development. This work should be further built upon for the Long Term planning horizon. However, the team will need to evaluate the financial impact of 1) further strengthening the pepper segment, or 2) broadening support to grow exports of other vegetables.

Export to countries with high incidence of Albanian/Kosovo Diaspora can be effectively targeted. As shown below, they represent a not- insignificant demographic, with Germany alone having an estimated 550-800,000 ethnic Albanians including Kosovo people.

<u>Estimate of Albanian Diaspora Including Kosovars</u>

EU Countries	Non-EU Countries	Other*	Switzerland
3.2-3.4 million	1.3 million	128K	370K

*Russia, Ukraine, Czech Republic (of which the largest proportion is Russia which will not trade with Kosovo)
Sources: Multiple census and other reports, shown in Annex VII.

4. *Branding and Positioning*:

Current Kosovo peppers and other vegetables are largely unbranded, both locally for the domestic market, and for Exports. Kelmendi provided boxes with signage "Product of Kosovo" for fresh peppers. The pickled peppers exported by Etlinger for (primarily) Austria carry no branding and that which is sold locally has a very small "Product of Kosovo" notation (and production address). Of the processors we met (Etlinger, Abi-Ellif 19, and EuroFood, only EuroFood had HAACP certification for export. HAACP is expressly required for processed products in the EU.

Anecdotal evidence (not objectively verified) states that the peppers of Kosovo (compared to other peppers from Macedonia, Turkey, etc.) are characterized by being: Sweeter, more flesh/fleshier, more even color, longer, more consistent shape. This imagery is primarily driven by the long, sweet variety. These characteristics are said to be derived from the:

(1) Unique climate of the primary growing region of Rahovec/Orahovac which is claimed to be like the Mediterranean ,
(2) Sun and natural watering during the key season,
(3) Unique characteristics of the soil, and

(4) Legacy of 50 years of husbandry by knowledgeable, hard-working Kosovo families.

Net, net "From the rich Rahovec/Orahovac Valley" could be distinctive positioning leverage.

The extent to which this product performance is objectively verified among other countries is unknown. Regardless of any objective product superiority, however, there is an opportunity to market to the perception, and create positioning distinctiveness for Kosovo peppers. (This positioning could potentially "halo" to other vegetable products). The plan will incorporate primary qualitative research among Kosovo consumers to verify different positioning alternatives and claims, to determine the most powerful message.

Suffice to say, vegetable Export marketing is a sophisticated and complex task, with numerous competitors (with similar product lines) who are further ahead in development and have deeper resources than Kosovo.

5. Product Presentation:

There are opportunities for Kosovo fruits and vegetables to make a better presentation at retail, whether fresh or processed.

Processed:

Packaging label designs for pickled peppers, for example (seen at retail in ETC among other outlets) are sub-par compared to that of the competition. Etlinger's label design is poorly designed with an old fashioned functional appearance with no appetite or emotional appeal.

Visible product quality cues (color, shape, clarity of brine, etc.) show a weakness for the Kosovo processed products. As an example we saw pickles that were a pale color, not a rich deep green.

Fresh:

Most of the fresh peppers are sold unbranded and there is no country of origin distinctiveness. (Consumers also do not know whether the pepper is sweet or hot (not identified at retail). Though knowledgeable Kosovo housewives probably know by experience, this is an opportunity for education at retail and could perhaps be the basis for an in-store program to drive domestic sales, especially effective among expatriates).

Other Kosovo vegetables on the local market are generally unsorted, not properly cleaned and poorly displayed for quality. This differed substantially by retailer (ETC, for example, had generally overall poor quality. Interex and City Park had good displays, the latter handled by the trader directly). If the industry is to better compete in more developed markets, there needs to be a better understanding of the entire process of ensuring optimum quality and display – from Post Harvest Handling, to shipment strategies, to cold storage in warehouses, and in customers' back rooms, and at the shelf (with quality presentation).

6. Product Quality

Though the Kosovo peppers are generally high quality ("quality" defined by vested owners such as farmers and the Association and native Kosovo people), there is little grading done to separate 1st quality from 2nd and 3rd quality. Grading is a critically important step to achieving tiered pricing, but currently formal grading is done only to meet Export processing requirements (e.g., for contracts with Macedonia) while most products are ungraded and sold in bulk on the green market.

Etlinger claims product quality specifications for his processing requirements.

For the fresh green market sales, the smaller, lower quality products are often camouflaged within the re-sale mesh bags (placed in the middle of the bag with the best peppers on the outside for visual inspection).

Kosovo consumers themselves understand levels of quality in the peppers they select. They are sold largely in bulk in fresh markets and supermarkets and consumers “pick and select” individually.

A Pack House to sort and grade products could be a useful but the economic impact of unsold 2nd and 3rd quantity peppers on the household income is a serious consideration. And a product quality program to increase the proportion of higher quality peppers in the overall production mix is necessary to compete economically and also capture the Export market requirements. New – especially developed markets’ --Export customers have more stringent quality requirements than the current domestic customer base.

A visual quality guide to demonstrate objective standards of quality would be useful for the farmers, associations.

It would also be useful to interview traders and supermarket buyers about product quality dimensions, to collate this as a reference book for Association use, to reinforce the need for sorting and grading.

7. *Pricing and Value*:
With low Added Value products in the portfolio, the industry is vulnerable to Supply and Demand market dynamics. Market pricing for fresh peppers is usually set at the Pristina wholesale market and filters down to the regional markets.

MIS: The collection of pricing data in “real time” to help the farmers/producers make good “sell’ decisions is desirable. Conversations with Anadrini and Perdrini yielded the fact that weekly and daily pricing data has been collected (and somewhat systematized) since 2000 (Anadrini) and 2004 (Perdrini). These data could form the basis of a good Market Information System (MIS) to help project future market dynamics. This represents a significant investment and will require co-sponsorship and ownership of the system beyond the KPEP LOP for sustainability. This task should be considered in the outer years of the Plan (Long Term Plan). In the near-term, a systematic collection of pricing information from around the region, systematized and simplified and disseminated to stakeholders, could perform a useful function. Such information would include prices at both wholesale and retail levels.

Contracts: Contracts to guarantee quantities at set prices were negotiated with help from KPEP for several of the Export customers and Etlinger sets contracts with his farmers for guaranteed supply as well. However, Etlinger claims that only 50-60% of the farmers honor his contracts and the contracted price with Export processing customers was vulnerable mid-course when green market prices were higher and farmers were tempted to break their contracts. (Pennies per kilo can make a significant difference in family income, plus its “cash-in-hand”.)

Trader Relationships: One of the restraints to developing a good Export model for the fruits and vegetables industry is the fact that there is a level of distrust between the farmers and the traders. The farmers think that the traders are simply re-selling and they don’t fully understand nor value the intangibles such as relationships, business system requirements, prospecting skills, etc. that are possessed by the traders. The capability for the farmers themselves to develop their own Export relationships is minimal. Even the Associations' management (which has impressive leadership) need business training.

i) The best way to demonstrate a new FTC business model (Farmer+ Trader +Customer) is to develop a Case History that proves ROI at all levels vs. the current FC model (Farmer + Consumer) and FP model (Farmer + Processor).

<u>More Value Added Products in Portfolio:</u>
Of course, the best long term strategy to address the value issues is to develop products which are Value Added and can command a higher price. The level and ability for Value Added is currently low and there are significant constraints. Major constraints are:

a) No clear understanding of End Market Users' interests, requirements, and opportunities. This pertains at multiple levels: Processor requirements, fresh for fresh re-sale (quantity, quality, and varieties), products beyond peppers and potatoes, etc.
b) Under-developed capacity in business processes and systems (especially selling and prospecting capabilities);
c) Time it will take to identify and successfully grow the varieties and products that are required by Export customers;
d) Competitors' market leadership in some logical Value Added categories
e) Identification and leverage of Kosovo's distinctive competitive differentiation – and ability to invest in building awareness of that differentiation;
f) Cash flow and investment/credit limitations;
g) Infrastructure limitations (electricity, poor roads, distribution networks) and other municipal/government lacks;
h) Kosovo's legal relationship with other potential Export markets (e.g., Serbia) which currently do not recognize its status.

Regardless of these major constraints, progress is achieved step-by-step. Since the break-up of Yugoslavia other countries in the region have significantly improved their competitiveness (notably Macedonia and Serbia) which is an encouragement for the new country of Kosovo.

8. *<u>Distribution:</u>*
The current distribution chain is a simple two-step: Farmer to Market/ Trader/Processor. Since Labor is available and inexpensive (mostly family), distribution costs are not currently considered a major factor in ROI calculations by the farmer/producer.

Expanding production capacity and capturing new markets will, however, need to address the current distribution limitations within the industry systems. Such likely distribution requirements are:

a. Pack Houses – to consolidate, sort, grade and simplify traders' needs;
b. Cold Chain distribution to retain freshness/quality;
c. Trading relationships with 3rd party partnerships to "work around" limitations with countries that do not recognize Kosovo (selling to Albania for re-sale to Spain as an example)
d. Overcoming border issues through governmental involvement (long-term)

9. *<u>Consumer Advertising and Promotion Communications Plans</u>*

<u>Discussion of Domestic Kosovo Communications Opportunities:</u>

There appears to be little or no advertising and consumer promotion support for the industry domestically and certainly little-to-none for Kosovo products in Export markets. This is consistent with the worldwide low level of advertising for fresh vegetables (and to some extent for processed vegetables). (Note: If Kosovo ever developed a frozen vegetable product line, advertising and promotion to build awareness of this sub-segment would be strongly warranted).

In-Store (Supermarket) Communications Opportunity)
On the other hand, there is a trend (seen in the US and other more developed markets) for in-store marketing/communications initiatives that, if developed and sold in to the stores, could benefit the Kosovo domestic markets, specifically in the supermarket channel.

Many of these in-store programs feature "local" as the most compelling sales point, and feature the farmer/supplier themselves. This trend builds on the "Locavore" trend, the traceability aspects of quality and sustainability as an over-arching emotional need. It helps build the stores' branding and positioning and is done in partnership with the local suppliers. This is a mid-term opportunity for Kosovo fruit and vegetable sector to help drive positive perceptions and sales. This could benefit the local consumer, the expatriate population and visitors from within the region (neighboring countries).

"The Kosovo Pepper 1st Annual Trade Fair" - Customer and Consumer Event
Once the Branding Strategy has been finalized, a public relations/consumer prospecting program that drives imagery of the Rahovec/Orahovac Valley as a rich source of vegetables (primarily peppers) is warranted. This two-day event would build on the existing positive perceptions of the products, but further seed and leverage the distinctiveness of Kosovo-sourced peppers. A detailed plan is set forth in the Marketing Plan but would include elements such as:

a) An inbound customer conference to introduce potential buyers and traders to the rich bounty of Kosovo peppers.
b) Field demonstration opportunities for stakeholders and inbound prospective clients;
c) "Machinery Hill "(examples of new technology)
d) A Pepper Harvest Celebration (music, parades, speakers, booths selling local produce and handicrafts)
e) A Cooking Competition (with prizes) for best recipes with peppers
f) A Cooking demonstration by well-known Kosovo restaurant chefs (with sampling)
g) Games and other activities to encourage consumers to spend the day
h) Concert in evening

Invitees would include local producers, Associations, Kosovo media, international media, Kosovo-based traders/brokers, and inbound potential clients. The event would be co-sponsored by USAID and others invested in Kosovo's success (e.g., banks, other NGOs, etc.). Concomitant with the fair would be in-store events at ETC and other retailers to encourage linkage to buyers, sellers, branding.

Any Communications Plans need a robust Branding Strategy as the key starting point:

10. *Trade Communications Strategy:*

Developing the Branding Strategy for Trade Communications consists of two components: 1) Content, 2) Vehicles

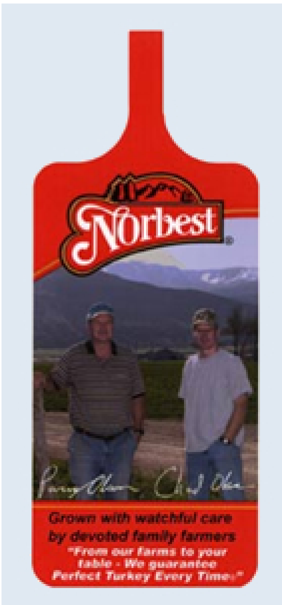
Developing the Branding Strategy Content:

a. Thorough understanding of current competitive selling “hooks” (in region and in targeted non-EU and EU potential Export markets.) to understand “white space” for Kosovo products;
b. Anchoring trade content upon consumers’ perceptions of Kosovo peppers’ performance and attributes vis-à-vis competitive offerings. This research could be small scale qualitative research among primary product users (the housewives of Kosovo as primary purchasers for their households);
c. Identification of the Kosovo Peppers USP – “unique selling proposition” – functional and emotional components.
d. The required product characteristics that are necessary to support the USP. It is assumed that only 1st quality products would be able to use the Brandmark and the assets should be visually apparent.
e. Creation of a Brandmark and logo which symbolizes the USP and can be used on products which fulfill the 1st quality description.
f. The Brandmark usage would be pilot tested with 2-4 large growers (likely members of the Anadrini and Perdrini Associations). Compliance would be monitored by other stakeholders in the chain (e.g., traders, brokers, supermarket buyers).

<u>Developing the Branding Vehicles for Fresh Products:</u>

The following vehicles are recommended for trade marketing:

- Brandmark tags
- Brandmark stickers for ship cases (Fresh for Fresh)
- Sales brochures “sell sheets”
- Internet site
- Visit to/participation in key trade fairs



Example of a simple tag which could be placed on mesh bagged products. This example features the local farmer. We would feature our Brandmark and relevant claim.

1. Brand mark Tags and Brandmark Stickers

<u>Fresh Market Consumers:</u>

Currently the unbranded peppers and potatoes are sold either in bulk (50 kg) or in household units (2kg, 5kg, 8kg, 10kg. etc.). The products (regardless of quality grading) are undifferentiated vis-à-vis any other product (imported or domestic). One suggestion could be that 1st quality products carry a small tag on the closure. There may be other branding tactics that could be used (a survey of current practices in Kosovo, within the region, and in more developed markets, is recommended).

Local Processing Customers

This branding could also be placed on acceptable (e.g., smaller) products destined for processing, as long as the products were sorted (not rotten, spoiled, bug infested, etc.). One current drawback to quality sorting and branding is that it adds cost. There is a wide degree of acceptance among their processing clients as well (in other words, they will accept sub-par products as a portion of the sales lot).

Traders/Brokers for Export (Fresh for Fresh)

1st Class peppers for Export could carry the Brandmark, along with other Co-branding requirements. “Fresh for Fresh” would carry the Brandmark on the case itself.

Traders/Brokers for Export (Fresh for Processing)

Export processing customers will be shipped bulk products (vehicles might vary from customer to customer). The Brandmark could potentially be applied as a Brand tag, or paper/card insert into the bag itself. Again, a review of current methods being used in more developed markets should be undertaken.

Overall, there are two good methods for understanding how trade branding is carried in the developed fresh vegetable market. One is to take several data points: Interviews with the traders/brokers/buyers, observations at wholesale markets in more developed countries, interviews with consultants who have experience in more developed markets, etc. The second is to visit important trade fairs within the region and for the EU markets. A trip to Fruit Logistica (with related infield visits to traders, producers, supermarkets, etc.) is important for this kind of data gathering as well as customer prospecting as well as in-market visits to non-EU countries such as Turkey. See Section 5 below.

3. Sell sheets and sale materials:

Other selling materials which offer depth on the product line should be developed. These materials would utilize insights from the consumer and trade partner research. They would serve as the definitive content source for the products sold in Kosovo. A small quantity could be printed for use at trade fairs. The content should be developed for use on the “Kosovo Fruits & Vegetables” website. (Intercooperative HPK is a good source for product characteristics and descriptions).

4. “Kosovo Fruits and Vegetables” website

If traders want any information on products from Kosovo, their default “go to” source is a website. This should be developed after the work on the Brandmark and the Branding Strategy is completed. This website would be for the use of supply side stakeholders as well as potential clients who need an easy way to get in touch with Kosovo producers.

The components of the website could include the following (though this is not meant to be the content plan nor the comprehensive overview of the site).

a) Welcome letter from Ministry of Agriculture or Associations Perdrini and Anadrini

b) Major sections include Suppliers, Product Availability, Consumers, About Kosovo, in the News, Recipes and Contact Information.
    a. Overall description of the type of products available to traders and clients from Kosovo, with specific focus on peppers' varieties, seasons, etc.
    b. Complete descriptions of all peppers available (similar to information in sell sheet)
    c. Section for frequent updates on conditions in the market
    d. Information that could be useful to all stakeholders along the value chain (e.g., information on supply side issues such as seed varieties and inputs; information on marketing and branding activities, etc.). Much of this information is available in fruit and vegetable websites and organizations such as Land O'Lakes which could be translated for use on the site
    e. Annual calendar of key events such as Fruit Logistica, etc.
    f. PR news releases which would be sent to an opt-in email list.
    g. Contact information for KPEP, Perdrini, Anadrini, other stakeholders.

Site Updating and Maintenance:
The site could be maintained at KPEP during the life of the project. A transition plan would need to be developed during the final year of KPEP, but it is envisioned that the website will become such a useful tool that either Association would want to maintain and expand it (to include timely information on pricing, as well as become a portal for bids and pricing – a longer term goal).

Serbia Fruit – developed by USAID project in Belgrade – is a good example, but a comprehensive review of all branded fruit and vegetable websites is recommended. (www.serbianfruit.com).

5. Visit to Key Trade Fairs

It is essential that the Kosovo stakeholders expand their competitive mindset. Currently there appears to be no significant acknowledgement of the lost business potential represented by import substitution domestically, nor the higher margin opportunity in products packaged for export. One way to "open the eyes" and to challenge current perceptions is to visit key trade fairs (Fruit Logistica being the most important) coupled with in-market visits to traders, wholesale markets, and supermarkets.

Additionally, a visit to Antalya in Turkey is recommended as an example of a non-EU country which is a successful in exporting to sophisticated EU countries.

ANNEXES:

Annex I	List of stakeholder interviews
Annex II	Questionnaire for interviews of stakeholders.
Annex III	Detailed Marketing Plan
Annex IV	Detailed Trip Notes
Annex V	Information Sources
Annex VI	Table of Albanian Diaspora Population
Annex VII	Fresh Produce Websites
Annex VIII	Information on pepper requirements from EU and UNECE

ANNEX I - LIST OF STAKEHOLDER INTERVIEWS

Monday, November 23, 2009
Briefing with John MacKillop, Competitiveness Director and Agriculture Specialist

Monday, November 23, 2009
Briefing meeting with students from American University at Kosovo and description of tasks

Monday, November 23, 2009
Supermarket visits

Tuesday, November 24, 2009
Meeting with Musli Berisha and Branimir Dimitrijevic (Bane), Agricultural Specialists

Wednesday, November 25, 2009
Meeting with Neil Parker and Faton Nagorg of Intercooperative HPK

Thursday, November 26, 2009
Meeting with Head of Perdrini Association, Mr. Isa Dina and local farmer, Mr. Ruzhdi Krasniqi

Thursday, November 26, 2009
Meeting with Anadrini Association – Mr. Fehim Rexhepi in Xerxe

Thursday, December 26, 2009
Meeting with Mr. Tahir Kokollari of Etlinger Processing in Shtimje/Štimlje

Friday, November 27, 2009
Telephone Conversation with Remer Lane of Serbian USAID Project

Monday, November 30, 2009
Meeting with Mr. Ardian Kelmendi, Potato Farmer, member of Agroqyshku Association in Qyshk, Pejë/Peć.

Monday, November 30, 2009
Mr. Fatos Islami, Vice President, ETC Supermarket Chain, ELKOS Group

Monday, November 30, 2009
Mr. Shefqet Kelmendi, Trader, Kelmendi Importers

Wednesday, December 2, 2009
Meeting with Mr. Agron, Mikullovci, President/Owner of Emona Supermarkets

Wednesday, December 2, 2009
Meeting with Mr. Bedri Kosumi, Pestova

Thursday, December 3, 2009
Interview with Mr. Irfan Fusha, Owner and Mr. Afrim Arzuallxhiu, Director of & ELIF 19
Processors of fresh fruit and vegetables, sauces, dairy processors

Thursday, December 3, 2009
Meeting with Mr. Daut Esse, President of EuroFood
Processor of jams, ketchup, and mayonnaise, snack cakes

Thursday, December 3, 2009
Meeting with Mr Agim Jemini - packaging supplier

ANNEX II – Questionnaire for Interviews of Stakeholders

Date: ____
Stakeholder Name: ____
Company: ____
Primary Product Line: ____
VMPP – Vegetable Marketing PowerPoint on Value Chain (Check One):
Producer/Farmer ___
Association ___
Processor ___
Trader ___
Supermarket ___
Other ___

Producer/Farmer/Association Questionnaire:

1. How many years in business? How long? Types of products sold? Volume sold for fresh consumption (for consumers)? Volume sold for processing?
2. Who is your most important customer domestically, within Kosovo? What is his/her market share of your production?
3. How does that customer currently access your products?
4. How would you characterize your relationship with him?/Her?
5. Where would you like to see improvements? What are your first priorities?
6. Do you currently Export your products to other markets ? Yes___ No ____
7. If "yes", where do you currently sell (which markets) and to whom? Who is your currently largest Export customer? What percentage of your product does he represent? (Market share):
8. If "No", have you tried to export your products to other markets (which ones) and what happened?
9. Where would you like to sell your products, and why?
10. What do you see as the current barriers/difficulties in selling your products to the Export market?
11. What steps have you taken to address these barriers or difficulties?
12. What would you say is unique about your products? How differentiating is that from other competitive products on the market?
13. Who do you consider "Best in Class" (who do you admire) in peppers/vegetable marketing in Kosovo? Outside of Kosovo?
14. Do you think you have a good understanding of what it is that the customers want?
15. If you had a "Wish List" what would be at the top of your "Wish List"? Money excluded.
16. Association: What do you see as the association's role in helping to Export fresh peppers and peppers for processing?
17. Association: What are the barriers? What could be done better?

18. Association: What do you think is unique about Kosovo peppers and potatoes (other vegetables)?
19. Association: What successes do you think the Association has achieved?
20. Association: What would you like to see the Association do better than it has in the past?
21. Association: Do you think the association members have a good idea of what it is the Customers want and need?
22. Association: Do you have a vision for the Association for future success of the Kosovo Vegetable sector – and what would it take to achieve that Vision?
23. Farmers and Association: We know that products from Rahovec/Orahovac have a great reputation within Kosovo and within the region? Is that important to you – is that something you think could be leveraged with our customers in the region and in other countries?

Questionnaire for Traders:

1. How long have you been an Export Trader for Kosovo peppers?
2. Any other products?
3. Which markets?
4. Which market is your highest volume market?
5. What is the main reasons you are successful in selling to your Export markets?
6. What is unique about Kosovo peppers? Potatoes? Other vegetables?
7. What does Kosovo not have that your important customers ask for?
8. What could farmers/producers/associations do that would make you more successful in exporting your products?
9. What are the key barriers now that you see to selling more products in the Export markets?
10. Who is doing a better job of Exporting within the region? Why? What makes them successful?
11. What will it take for Kosovo to be a "Best in Class" exporter to customers within the region?
12. Are their consumer user activities that would help to drive demand in the Export markets? In-store displays, advertising, promotion, etc.
13. We are thinking about a packaging claim that leverages the "Made in Rahovec/Orahovac". How would that "play" with your customers?

Questions for Supermarket Retailers:

1. What products of Kosovo do you currently buy? Fresh? Canned or pickled?
2. How satisfied are you with these products?
3. What are Kosovo products current weaknesses?
4. Kosovo products' strengths?
5. What do you currently import that you would like to see made domestically?
6. Thinking specifically about packaging and branding, what is your assessment of the products from Kosovo?

7. Who is doing the best job of marketing in the vegetable sector in your view? Why?
8. What do you think it will take for Kosovo vegetable sector, especially peppers and potatoes, to be successful?
9. How can you help?
10. If we were to create a Kosovo Vegetable Marketing Communications campaign, which elements would be most effective, and why?
11. If you had a “wish list” for Kosovo vegetables, what would be on top of the list?

Questionnaire for Processors:

1. What is your current product line?
2. Do you sell domestically as well as Export?
3. Who are your most important customers within Kosovo?
4. What is the market share of your largest customer within Kosovo?
5. To whom do you Export to? Which Countries? Which customers?
6. Who is your largest customer and what is their share of your business?
7. How did you develop this Customer? What was the process?
8. Who do you see as your biggest competitor?
9. Do you have a competitive advantage over them and what is it?
10. Do they have a competitive advantage? What is it?
11. What steps have you taken/can you taken to overcome their strength?
12. What do you see as the biggest threat to your business?
13. What is the biggest opportunity of which you’d like to take advantage?

ANNEX III - DETAILED MARKETING PLAN

(PowerPoint presentation entitled “Strategic Plan for Kosovo Vegetable Sector”, Presentation to USAID December 7, 2009)

ANNEX IV: DETAILED TRIP NOTES

Monday, November 23, 2009
Briefing with John MacKillop, Competitiveness Director and Agriculture Specialist

The Agricultural team has been gradually improving the Export situation within Kosovo, especially with fresh peppers to Macedonia and Albania. Musli Berisha on the team has taken several members of the agricultural association with him to visit the export markets and there is increasing awareness of the opportunities to develop the export of peppers within the region.

Historically farmers received 18 cents EU which was the prevailing wholesale price at the Pristina market. Musli tried to negotiate 20 cents EU for them and worked out a MOU (Memorandum of Understanding) with six groups. During the pepper harvesting season the prices increased to the range of 23-26 cents EU which caused the team to re-negotiate again with the farmers to hold the prices.

At the same time Albania had prices of 13 cents EU for their harvest which was the best in 10 years, but did not have enough to meet their demand. Kosovo was able to sell about 400 tons at the 23 cent EU price. We exported 2,000 metric tons of fresh peppers during the season (the harvest is at the end of July). Early peppers, as in all agriculture, get the best prices and the season ends at the first frost (which happened in October, 2009).

The project also works with a local processor who has a new facility in Kosovo (originally funded and developed by Austrian company). This year this processor, Etlinger, exported 800 tons of processed peppers into Austria and expects to triple that volume in 2010 (2,400 tons). From a future development standpoint, there is a Swiss investor who wants processed peppers and a German distributor who has indicated an interest in both fresh and processed peppers. (This product is shipped through Serbia which does not recognize Kosovo but there is a work-around.)

From a domestic market standpoint, it is believed that peppers' market share will increase as there are serious investments in infrastructure and the buyers for some of the supermarket chains (ETC for example) are meeting with our team and indicating an interest. In contrast, our people are not developed as business men: the buyers for ETC and other supermarket chains can get easy, reliable, high quality product from Greece, Turkey, and other countries which puts us at a disadvantage. There are some mitigating factors, however: ETC has an EU loan which is partially contingent on developing the Kosovo fruit and vegetable sector.

Other market developments: Bane and Musli attended the Fancy Food Show in New York City this summer and developed some contacts which are likely to result in distribution of canned products for the US market (primarily to the Diaspora cities, New York, Chicago, etc.)

The types of peppers that are grown here are a wide variety: 11 different varieties of sweet (Bell, long of varying colors, and spiral) and hot (long). Common varieties are Sumborku Kurtovska. We do not have a good idea of what are the preferred types among potential Export customers. This is the country's first experience with Exporting in nearly a decade (and the old system and infrastructure is not relevant). There is a need to systematize the processes and knowledge base.

Etlinger is a processor in Kosovo who worked with 111 farmers and has been trying to develop them as a regular supply for his processing needs. He works with 7-10 really good farmers and got them to sign a MOU. Several of the benefits to working with Etlinger are that the processing varieties are not popular in the green market, thus being less vulnerable to opportunistic selling and violation of contracts. He has a large scale production capacity so there is potential for growth. He is making strides at integrating process and production to be better competitive on the markets. Turkey and India are large competitors.

Etlinger processes tomato peppers (for stuffing and cabbages) and he works with Migros who is a distributor in Kosovo (but not of the French Migros chain).

Some of the products that Etlinger is looking at that can be effectively pickled and exported are: Cucumbers, tomatoes, peppers, zucchini, and eggplants. Others could be green beans, peas and sweet corn (the latter requiring commercial farming).

At this point we need to focus on market development and understand how we can commit to the farmers and get their compliance. The average stakeholders are very small -- .88 ha per farm-- although some are moving toward larger 5-6 ha farm sizes.

All farmers and markets operate independently and preserve their own selling relationships. There are huge variations in prices – as much as 10-15 X.

It is recommended that we meet with Intercooperative HPK a local development project in Pristina who has been working with domestic fruit and vegetable marketing in Kosovo for many years. They have been working on the supply side, to improve the products to the requisite standards for domestic and Export and will be partnering with KPEP to help better drive demand domestically. The standards work is considered a long-term development initiative as there are many current barriers

<u>Implications from this discussion:</u>

1. Currently there does not seem to be a problem at the farmer/producer level. They are able to sell what they make (albeit prices vary considerably and may be less than optimum) and there appears to be demand that they could fulfill.
2. The farmers (as family-owned businesses of many years) have a set way of doing business. It has worked for them in the past and since their labor is essentially free; they are willing to drive to the markets and do not factor in that COGS (cost of goods sold, i.e., sunk costs.
3. There is a seeming disinterest in acting collaboratively within the industry. The Associations have no “teeth”.
4. There is a distrust of traders. The farmers view them as skimming off profits off the top and do not validate the effort involved (contacts, relationships, etc.)
5. There does not appear to be any significant relationship between the individual farmers and the supermarkets, nor is there an understanding of what it will take to be competitive with sophisticated supermarket systems, processes, expectations, etc.
6. As in most markets, one cannot trust the supermarkets to honor their relationships with farmers so some of the distrust is warranted. The Category Managers seek only the best/lowest price and “hold all the cards.”
7. On the other hand, in-store merchandising that celebrates local farm-grown produce has been proven to be an effective selling technique in the U.S. and could help redress the balance issues between buyer and seller.
8. The best long-term opportunity for the Kosovo vegetable sector may be canned products of high imagery and quality. Etlinger could be a good partner in this effort as he has capacity and has already explored possibilities with a range of vegetables.

9. It is unclear as to whether Kosovo has the full range of peppers sought by the end users in the Export markets.

Monday, November 23, 2009
Briefing meeting with students from American University at Kosovo and description of tasks.

We met with three students from the University, along with the founder of Communications Agency BeePro (Ardian Hasanaj), the purpose of which was to outline the project and the tasks for which we needed help.

Assigned tasks included a) Setting up the meeting schedule with the core stakeholders: large farmers, traders, processors, supermarkets, Pestova; b) Market Research to determine the extent to which there was Market Information available within the region (Macedonia, Albania, Montenegro, Serbia; c) and d) Prospecting research into supermarket chains' buyers/category managers in EU and non-EU countries. These tasks were divided among the four personnel.

We also discussed the range of supermarkets in Pristina to do market checks of local fresh and canned vegetables.

Follow up Tasks with AUK team:
Team developed a list of retailers in the EU. They began to develop a list of trade contacts (wholesalers and traders). Information gathered from these sources is incomplete but will be expanded with more research.

Implications from this Discussion:
1. Work with contact data base already established by Bane and Musli
2. Collect experience and information from other US/AID projects, to learn from their experience. Projects in Albania, Macedonia, Macedonia, Serbia will be accessed. There is a wholesale market website in Zagreb for the Croatia market. A new project in Bosnia has just gotten started.
3. Pursue participation in the region's/EU's most important trade fairs of which Fruit Logistica is the best (February, 2010). World Food in Moscow (good for packaged and fresh), World Fruit & Vegetables Expo (London), and Freshanatalia (Turkey) are good ones. At present, no plans for a booth are underway at any of these shows but they would be a great contact opportunity (for buyers, sellers, traders).

Monday, November 23, 2009
Supermarket visits

We visited several supermarkets: Interex, ETC, and City Park as well as a local wholesale trading market.

Observations: Except for City Park (where the produce section is rented by a wholesale trader and was well merchandised, clean and neat), most of the fresh produce sections were under-merchandised and featured a large share of imported product. City Park also had its produce section as one walked into the store and was a quality draw. (There were no customers in the section during the 15" we were there, however.) Locations for the others were deep in the store (ETC) and over to the side in the periphery near the meat case in the case of Interex. Interex had plenty of customers during our visit (3PM).

ETC had the poorest showing of fresh produce (and few customers) with spoiled apples, potatoes, etc. on display. The section of domestic products included one section of local apples and a short 8' section of potatoes, onions, and pumpkins. There was a wide range of products in all markets. Interex had a cleaning, trimming section near the section. Their fruit and vegetable display gondolas were specifically created for the store (made from wood panels with mesh storage places below) which created a good appearance. Peppers in the stores were imported from Macedonia and Albania.

In the canned section of ETC there were rows and rows of canned pickles and other vegetables. Some of the quality of the domestic pickled cucumbers was objectively poorer than that of imported products. Some of the domestic labels were sub-par.

<u>Implications from this visit:</u>

1. Imported fresh produce does a better job of grading and merchandising than does the domestic produce in general. When handled directly by a trader, the product has a better appearance – though the lack of traffic caused concern about prices (no price comparisons were done).
2. A better job of sorting, cleaning, and grading of potatoes needs to be done. Domestic potatoes looked and smelled bad and were in all shapes and sizes in the open bins. Including rotten ones. This might be an opportunity for Pestova who may already have a potato cleaning machine.
3. There is no branding on fresh produce to speak of. Some of the imported crates had quality branded labels but most packing crates had only the distributor's name stamped on (hard to read). There were some mandarin oranges that were individually wrapped in branded papers, but most had been taken off and thrown away (probably by the store so consumers could see the product. Any in-store branding has to be done at the crate level or on in-store signage. Individually branding product lines is likely to be expensive (stickers, for example, as is done on individual bananas and apples in the US). A higher priority would be to invest in better shipping materials to provide a higher quality end product for the consumer to buy.
4. Improving the labeling on the domestic processed/canned products is called for. The products do not compete well versus the imports. We can demonstrate this easily to the processors.
5. Partnering with the supermarkets will be critical in the years to come, as supermarkets become more sophisticated and demanding. Stepping up business processes and higher product quality offerings will enable the people in Kosovo to better compete with the all-but-certain encroachment in Kosovo of serious competitors from the region.
6. It is critical to get a better understanding of what it is that the supermarkets need from Kosovo producers/farmers/processors and who is currently "Best in Class" in in-store marketing and merchandising.

Tuesday, November 24, 2009
Meeting with Musli Berisha and Branimir Dimitrijevic (Bane), Agricultural Specialists

Musli Berisha is responsible for Fruit and Vegetable marketing for the project and Bane for the non-wood forestry products (juniper berries, rose hips, mushrooms, raspberries, other berries). Most of these products are to be marketed to the medicinal herbs and aromatherapy industrial markets in EU and many have organic certification possibilities.

<u>Non-Wood Forestry Products (Bane):</u>
Bane is working with the Albanians to jointly sponsor a booth at the Fancy Food Show in New York in 2010, featuring some dried and preserved specialty foods. One of the advantages of Kosovo's relationship with the US is that it has duty free status on imports for

3,000 products which is an advantage for some of our specialty foods. The minimum is 51% Kosovo-sourced. Vega-Fruit is a specialty food distributor in the US who covers 300 US markets, specializing in ethnic foods (mostly for the Diaspora).

Fruit and Vegetable Export Priorities (Musli):
Priority No. 1 is regional countries such as Macedonia, Albania, Montenegro, to which 2,000 tons of fresh peppers (sold for processing) and 600 tons of potatoes were exported during the 2009 season. There are challenges to Bosnia and Serbia (neither recognizes Kosovo so there are trade barriers). Some goods are shipped to Croatia through Montenegro and Croatia is an opportunity.

Though Macedonia and Albania both represent good Export potential for Kosovo, they are (Macedonia especially) advanced marketing people in the fresh vegetable industry. We have had good success there with peppers and potatoes and can expect to continue these good results.

Processing Competitors within Kosovo and Region:
Turkey is the current market leader (in multiple products) and Macedonia is also an aggressive processed competitor within the region, with excess capacity. It is claimed that Kosovo peppers are better (historically) but this is anecdotal/perceptual, not objectively verified. Nonetheless, it is a perception upon which one can market. Bonum of Macedonia (which has a good image on shelf) is a large processor and we made a sale of 500 EU to them in a single transaction.

Fresh/Processing Vegetables:
In fact, there is a large region within Kosovo called "Rahovec/Orahovac" which is a miniature "Garden of Eden" within the region, blessed with good soil (field grown vegetables), constant misty watering from the mountains of Montenegro that border the region, good varieties, etc. It has a long-standing reputation and may be the region responsible for the good reputation of Kosovo peppers, especially the red long ones.

One opportunity is to may be to complete legal trademark protection of "Made in Rahovec/Orahovac". This may be meaningful only within the region but still will provide positioning distinctiveness and the essence of the region applied to current products range. A longer term opportunity would be to have specific varieties that are unique to Rahovec/Orahovac region, and gain *appellation d'controlee* designation,

Kelmendi of Pejë/Peć was a first-time customer for exported fresh peppers to Germany in 2009 (150 tons) for fresh consumption. He wanted 16 trucks. The Association used carton boxes made of recycled materials which did not hold up and they lost the volume. Andriy cautioned that shipping crates need to be 80% cellulose (first time use wood fibers) with 20% max of recycle product.

Implications from this discussion:

1. Repeating the orders of 2009 to Macedonia and Albania is viewed as likely.
2. It was difficult to manage through the pricing situation (locked in contracts at 20 cents when open market was 23 cents). The case for long term contracts for short term ad hoc opportunistic buying has to be made compelling (if it can be) to the farmers. Or we will have broken contracts.
3. The Fancy Food Show in New York in 2010 may be an opportunity to increase the visibility of Kosovo-produced processed foods' investors. A communications program to reach potential Diaspora investors and invite them to the show (in addition to the distributors and buyers which is already planned) may make some

sense. One would need to buy a direct mail list or find a way to invite pre-qualified visitors to the show.

4. Understanding the needs of the current Export market customers in Macedonia and Albania in terms of varieties, sizes, pricing, timing, etc. is required. We may be missing sales opportunities because we don't know end market requirements (likely).
5. Having the right packaging systems is critical (shipping, storage, display).

<u>Processors in Kosovo:</u>
Euro-Food in Prizren is private and small. They are HAACP certified.

Etlinger currently processes sweet spiral peppers mostly and will expand (to pickles, cherry peppers, etc). He is Pre-HAACP.

Etlinger ships fresh product to his factory in 300 kg bulk packages. He is not concerned with packaging nor sorting, post harvest handling, etc. The traders that service his business do not have to work. (In a subsequent discussion with Intercooperation, we talked about calling these Pack Houses instead of collection centers as now the farmers bring everything to the collection center, even rotten fruit. A name change would indicate a quality requirement which would have to be reinforced).

Idea – Pristina

Agro-Albi is a vegetable and spice processor (could be HAACP certified in near future).

All have some capacity. Current demand for these processed products is bigger than the capacity. Capacity overall is still very small. 80% of Radovec is open field with irrigation and opportunities to increase sales of fresh to ASDA and Waitrose as well as peppers has been considered. Pestova, a potato chip processor is GlobalGAP certified, using unique Dutch seeds specially designed for potato chips, is recently expanding into French fries based on a $35,000 grant from the EU (but Andriy cautioned that to go into serious French fry production is a significant investment).

<u>Collection Centers</u>
None of the Associations are willing to invest in a collection center as they are concerned over the ownership issues. If we were to invest in a collection center, one would be in Krusha for certain and probably three other locations. But the location would need to be integrated with the traders' requirements. And Andriy noted that if we are planning on storage, we need to select specific varieties that are grown specifically for storage. The current varieties are grown for fresh sales only. The other concern (expressed by Andriy) is that storage does not always make money. It is totally dependent on pricing fluctuations of the market. Moreover, the farmers should assume the risk and responsibilities of the storage, not the trader. All the risk of the market should not be on the trader.

<u>Pricing for Processed Peppers:</u>
Average prices for processed peppers are 10-12 cents EU/kg while fresh peppers have garnered 20-25%/kg this year with 5 cents EU fluctuations.

<u>Packaging Options:</u>
Plastic foldable carton used by Walmart in US and other European manufacturers has been tested and found to be good with a +10% sales increase in some markets (Source: Andriy). This could be a branded option for one of the supermarket partners (e.g., ETC).

<u>Post Harvest Handling:</u>

The "Best Practices" in Post Harvest Handling is for the product to be handled as little as possible. Ideally commercial farmers need sorting machines which are a significant investment. For our farmers to capitalize upon the Export opportunity they would need to have a shippable display box that is ready for display at retail. All needs to be first quality (and there is no grading system in Kosovo at the present time).

Associations:
Both Pedrini and Anadrini Associations work in the Rahovec/Orahovac region. 150 farmers are active in the association with over 500 ha of fields for 40 tons each, or 20,000 tons annual capacity for which 2,000 has been imported in 2009. The main market for this product is Krusha. The Association works with the large processors (Etlinger, Euro Foods, Progress, Pestova, Agro-Juice in Pejë/Peć, as well as traders).

Wednesday, November 25, 2009
Meeting with Neil Parker and Faton Nagorg of Intercooperative HPK

Neil Parker provided the first draft of a report they have developed on Exports from Kosovo. The report summarizes the highest potential Export markets, and how better to compete. The report spanned the range of end usage: a) Fresh for fresh resale, b) fresh for processed, and c) processed for direct retail.

Brief conclusions from this report for peppers:

EU Countries:
Fresh for fresh re-sale – not possible in the near term
Fresh for processed – possible in the near term
Processed for re-sale – possible

Non EU Countries:
Fresh for fresh – possible
Fresh for processed – possible
Processed for retail – possible.

Possibilities for potatoes: Can export fresh to non-EU countries (as is currently being done).

In terms of non-EU sales of peppers to Macedonia, Albania, Serbia, and Montenegro, there is a demand for peppers for processing. Other products could be onions, tomatoes (for the peak tourist season in Albania and Montenegro), strawberries (which reach saturation in the local market during the season, and potentially raspberries. Raspberries will compete directly with Serbia, however, and our competitive advantage is unknown. APC is working with mushrooms and wants to broaden their range to other wild fruits, berries.

Possibly the biggest potential is herbs, berries for export for medicinal uses (e.g., blueberries, rose hips, raspberries). They are doing work now to understand the opportunity and process. Prior to the war there was an aromatic herbs industry but it collapsed and the benefit of the virgin territories here is that it could be restarted with compelling competitiveness. Since 2002 projects have been encouraging the industry and a possibility for organic certification is possible as well. The two products that have been focused upon are gentian and primula (cowslips). The project has a contact with a German company.

We asked the question about sweet corn and peas. Intercooperative HPK has not been working with those products, but some have been talking about freezing these products for the local market.

<u>"Deep Dive" on peppers:</u>
The challenge is that one is working with individuals (farmers) who do not have a high opinion of the traders. They feel cheated when they see that the traders get 3 cents EU per kg. for their sales commission. They see traders as disruptive not collaborative. In terms of farmers supplying direct to the supermarkets, they don't abide by the contracts that are necessary. There are requirements for continuity, for quality etc., and this will require efficiency in assembly and consolidation.

They have had some success in a minor way with a pilot program in which traders and producers worked together (10 farmers) to supply ETC ELKOS with 60 trucks (one year period). The trailer was a cooled container. The peppers were brought to an area for consolidation, and one farmer consolidated and transported to ETC. ETC inspected each load and took the products on a wholesale basis, paying the green market price. The profit for the farmers in this transaction is unknown. The traders buy in the wholesale markets but the farmers can sell directly to the end users/customers at a lower price and undercut the traders. Lots of mistrust all around. The farmers here have a language barrier which is an impediment to market growth.

APC, a local freezing facility (which is claimed has organic certification) has the ability to manage contracts and knows the markets.

<u>Commercial Farmers:</u>
There are not enough commercial farmers in Kosovo. Few can honor an entire year contract. Farmers are interested in selling in bulk and want to sell large quantities. Andrini Association, organized in 1999, has the ability to replicate commercial farmers in part, but is finding that the farmers do not honor their contracts.

<u>Contracts:</u>
One of the "work arounds" that the project has experience with is for two farmers in Krushe, with which a two part system was developed. A quantity of produce was guaranteed by the farmer upon signing the contract and a second part of the quantity was left open for the farmer to sell on an *ad hoc* basis. This worked well. The farmers know their business, and trust needs to be developed between them and the traders. The contract system can work, but needs to be built up over time.

One hectare is equivalent to 40,000 kg of pepper produce. The farmers want to sell their entire production. A case history to demonstrate how they can unload everything is the key to helping to build up trust. There may be some incentives that could be developed.

<u>Pack Houses:</u>
The marketing is currently done by the traders. Some small steps are being done to reach the supermarkets. In terms of supermarkets, ETC for example, they were OK with the produce that was available in the market. There remains a need to have a grading system for products (the farmers could still sell the lower grades themselves). A "Pack House" system such as in the EU is necessary.

A feasibility consultant was brought in to see what could be done for tomatoes in the region of Mamusha. A grading machine would be required. Insights that are developed for tomatoes, however, are not projectable to other product lines (which all have their own specifications for Pack Houses). Tomatoes are greenhouse grown and suppliers are not interested in pre-cooling which is essential.

In terms of consolidation there is only some movement in peppers, not in potatoes. Farmers are doing some consolidation. Planting of peppers is done by machine and there is a need for better planting, better varieties. They are all picked by hand.

Pricing:
From a pricing standpoint, there is no Farm Gate pricing. The pricing mechanism is the weekly wholesale market (which provides an opportunity to gather prices), coupled with the weekly retail prices. Prices are generally set in the Pristina market for the other markets. Xerxe and Krushe are the largest suppliers of peppers for Kosovo.

One of the problems with the central market during the season is that many smaller markets sell as well and there is a need to consolidate the produce to set a common price (which could benefit everyone).

Future Trade Conditions:
Current supermarket share of total food products is estimated at 5-10% but is rapidly accelerating. In five years it will be much larger, but by how much no one knows.

We asked Intercooperative HPK about what would be No. 1 on the wish list of the farmers and they said that if they had better information on what it is that the processors will require for the next season (now), they could make better plans.

Implications from this discussion:

1. One of the key gaps is a structured marketing channel system. Collection centers and cold storage systems are a key part of this.
2. The lack of a systematized market chain can build mistrust at each part of the chain and is not efficient.
3. Case histories (based on actual experience) that demonstrate the pluses and minuses of contract relationships should be developed based on KPEP experience. This will require detailed record keeping and pricing/sales histories.
4. There is a need for a quality grading system which will be clear and transparent to the farmers and buyers alike. This will de-mystify the process and encourage trust.
5. The creation of a Pepper Trade Fair in Krushe or Xerxe which will draw everyone could help develop this major market as the center of trading (helping to eliminate the smaller markets). It could also be leveraged to increase the PR value of the growing area (Rahovec/Orahovac) and could draw tourists as well. This is a concept that should be developed for the program.
6. “Hand Picked” from the Valley of Rahovec/Orahovac may be a competitive claim arena.
7. It is clear that the famers do not have a clear idea of what it will take to compete effectively with a consolidating supermarket industry. They don’t know where to start and the added value requirements (branding, packaging, programs, etc.) are all on costs and their income and margins are very low.

Thursday, November 26, 2009
Meeting with Head of Perdrini Association, Mr. Isa Dina and local farmer, Mr. Ruzhdi Krasniqui

The Perdrini Association was effusive in its gratitude to KPEP for his interventions and help to the sector. They view the relationship as mutually beneficial and productive and hope to continue it for many years.

A productive meeting with the Perdrini Association head yielded some insights about the supply side of the (primarily) pepper industry in Kosovo. The products that are produced in this area (Krushe and Madhe-Kosovo) are red peppers, bell, Bianca, long (sweet red). Mr. Dina stated that these peppers (especially the long sweet red ones) are very good for Exports. In the past they worked with a wider variety of exports. The sense was of a wider variety of products but it could have meant customers. This was unclear.

They work with 150 members and each pays EU10 to be in the association. They expect the number of farmers to increase.

In 2008 the Association exported 130 tons for Export for processing. In 2009 they exported 2,700 tons. They are grateful for the help of KPEP in machinery (seedlings transplants), expertise and legal help. They export mostly to Macedonia but also to Serbia. The benefits to Exports that they see are the following: Increased production which benefits employment (they have the potential to double their production of exports but they need the resources and expertise of KPEP. (As an aside he mentioned that there were 207 people in the area who were killed during the war and they are really helping their families.)

To increase yields they will need new hybrids and they explored the possibility of hybrids from Turkey. Traditional yields are 40 tons/hectare and the hybrids can yield 120 tons/ha per year, but will need modern technology to achieve that level of productivity. The cost of the traditional seed is 100-120 EU per kg. The cost (stated by Perdrini) for hybrids was 2,000-3,000 EU per kg. (Note: Andriy stated that hybrids are sold by so much per seed, so he wonders if they are making the correct calculations).

However, they would like to expand with this new technology and new hybrids in 2010. They think they can capitalize on the continued trend in Macedonia exports (as in 2009) and he has had some interest in peppers from London and Croatia.

2009 was the first year they worked with contracts (for Export). They showed us some of the contracts which were specific in terms of product specs.

The Association itself works only with Exports, not local sales. The farmers themselves sell locally but Perdrini did not know how much of their production went into the local market. Total production capacity of the Association members is annually 40,000 tons (40 tons per hectare for the 1,000 hectares under the Association). We asked if the Association members wanted to produce more and they said they did, especially in September. Export gives them a market for their Grade 2 product (which can be used for processing) but they do get a higher price in the local markets for their Grade 1 products. As example:

Grade 2: 20-22 EU cents Export
Grade 2: 15-20 EU cents Domestic
Grade 1: 30-40 EU cents Domestic

<u>Grading:</u>
In terms of how the products are currently graded, the farmers themselves make the subjective determination. Though they have a lot of experience in discerning pepper quality, there are likely to be specifications with potential customers in the EU and non-EU which are unfamiliar. This will be required for a more market-driven marketing system. Musli Berisha of KPEP drew up the Export contracts with which the Perdrini Association works, based on the input from the (largely Macedonian) clients. The Traders do tell them what they need. As an example, they could not work with Sidne in Albania because they wanted peppers that were 7cm and the Association did not have them.

The Export Customers do not buy solely on shape. Other considerations are: Length (the tolerance is 7-25cm), color, and quality etc., all characteristics described specifically in the contracts. The Association stated that they can get 50 cents EU for 1st quality peppers.

Pricing History:
They have kept records on weekly pricing since 2004 both for processing and on the fresh market. They will give us access to these records at our request. Prices vary based on market demand. We asked if production was varied from year to year depending on the demand, but the answer was "No", that they were controlling the prices through supply, but that the buyers were setting the prices. Perdrini plans to increase production due to the promise of contracts in 2010 and they expect to see contracts for processing from Macedonia (who exports to markets as far away as Australia).

The strength of Rahovec/Orahovac:
We asked about the features and benefits of products from Rahovec/Orahovac. It's know for its grapes, as well as its climate, its steady sunshine during the summer months, its hard-working people, a longer growing season on the vine, tradition of over 50 years of growing great products and the fact that over 80% of the people work in agriculture. Perdrini stated that the Macedonian buyer, Borum, knows of the quality of the Kosovo peppers. In comparison to Macedonian peppers which are seen as less sweet and having less flesh, the Kosovo peppers have: More flavor in the pepper itself, sweeter, consistent color, a good smell.

"What they need"
The Association needs a way to classify the peppers (grading).

They do want a Pack House to do the sorting (this was offered and they won't say "No".) We asked if they had any experience with growing tunnels. They would like them but it's a problem with the credit. They are looking for a bank to finance tunnels for peppers and tomatoes.

They do not currently export tomatoes and would need a greenhouse to do this (but they didn't request that) though they said that Albania has a demand for tomatoes. There is also potential demand in Montenegro for processing. They would like to cultivate new types of peppers. Other crops could be watermelons, cabbage.

We asked if they have tried to extend the season (early vegetables through greenhouses). They have tried and found that they did get better prices (50 cents EU plus).

Implications from this Visit:

1. The Export clients have specific requirements for their peppers for potential customers in EU and non-EU countries. It might be useful to develop a visual chart which depicts quality characteristics so the farmers can do some pre-sorting and develop their acuity for quality. Visual pictures of new varieties to grow (based on what it is that the clients want) could be useful, too. This work should be completed after an analysis of Customer Requirements is completed.
2. Clarify cost of hybrid seeds with Musli, and do financial Pro Forma (current seeds with current yields; new hybrid seeds with higher yields) to help the farmers make the decisions.
3. They are interested in more Export sales to offload Grade 2 peppers. One of the major opportunities is to increase Grade 1 peppers as a percent of total production (but this may require major interventions plus new varieties, etc.). Could Branding increase prices for Grade 1 pepper locally? Branding and grading are necessary for Fresh for Fresh sales in Export markets. The value of Branding to increase Kosovo

peppers imagery for processing Exports is unknown and may be unnecessary and too costly (as well as not sustainable).

4. Launching their own label of a Consumer Brand is unlikely to be an opportunity in the near term. Customer branding (private label) is more likely a bigger opportunity. This branding would be on the ship case, on the display case, in-store signage, etc.
5. A long-term project based on ensuring that Kosovo fresh product meets the EU and non-EU customer requirements.
6. Diversification of crops seems to be desired (beyond peppers). This could help the farmers/association better control the prices to the traders and clients (in the absence of competition; with competition it's a different story).
7. The product and Brand claims that could be made are:
   a. Brand claims: From the Rahovec/Orahovac Valley, a tradition of over 50 years of the region's finest peppers, known the region over. Raised to maturity on the vine and hand-picked and hand selected. From a more fertile earth.
   b. Product claims: Sweeter, more fuller flavor (from the flesh), consistent color that denotes quality
   c. Product claims for the processor: Consistent shape and color. Rich, full flavor. Preferred by consumers from within the region.
8. The promises that would need to be fulfilled to the processor are:
   a. Good to do business with (reliable, consistent supplier, on-time, on-spec, minimal defects, fulfills contracts, etc.)
9. The Trade Promise for the supermarket and clients include:
   a. Good to do business with (reliable, consistent supplier, on-time, on-spec, minimal defects, fulfills contracts, etc.)
   b. Brings new ideas to drive sales, new products, innovative, good business systems, etc.
   c. A broader product range.

Thursday, November 26, 2009
Meeting with Anadrini Association – Mr. Felim Rexhepi in Xerxe

There are 500 members in the Association which is led by a 5-member board. The average size of the farm is 1.5 to 1.8 ha with a total yield of about 800 ha farmed. The crops are mostly peppers but also some watermelons, onions, tomatoes, carrots, and potatoes.

The critical time in the year is the time of hyper-production (August to September 15th) at which time there is a lot of production available and the prices are low. People go on vacation and sell everything, sometimes it's thrown away, depending on the year.

They sell to the green markets domestically (Xerxe, Prizren) and they also supply Etlinger for processed peppers. Benhof and Albi have also been clients. Kelmendi who exports to Germany is a large client and he distributes to markets all over Germany. Anadrini's important clients are Etlinger for processing and Kelmendi for Grade 1 peppers (fresh).

The average tonnage is 30 tons/hectare for a total of about 24,000 tons. 60-70% of that is sold.

Daily Process for Association Members:
Early morning (7-11AM) the peppers are picked, packed in 50 kg. bags, and taken to a shady collection area. From mid-afternoon (11-3PM) the products are picked and sorted and packed out into 2, 5, 8, and 10 kg. bags for resale (informal grading). They are packed in mesh bags with no branding.

Classification:
The Association has begun the process of classification and they have had professional help with the work (but need more). First class peppers are classified by size and color but they also have statistical analysis on quality from German experts (Kelmendi sponsored).

Etlinger will take the Grade One highest quality peppers. Anadrini defines quality as small, good for the smaller processing jars, good shape, no damage, good even color.

We asked if they can get a higher price for the longer peppers. (No answer). Kelmendi is known for being particular about its specifications and will reject the products that are sub-par. Kelmendi pays 30 cents EU for Grade One peppers. Etlinger will take Grade Three peppers but does not take all that are produced. Kelmendi takes only fresh peppers (not for processing) and sells in the EU. His detailed specifications includes size and weight and the Association communicates these specs to the farmers (Mr. Rexhepi knows the specs well; he works for Kelmendi).

Price comparison is as follows:

Fresh – 30 cents EU during hyper season; 50 cents EU in other times
Processed Spiral – 30 cents EU for first quality; 20 cents EU for Class 3 but it's a different pepper.

Customers:
In 2008 Kelmendi took only fresh peppers. In 2009 he took small volumes of tomatoes and cucumbers too – 100 tons tomatoes, 115 tons cucumbers – and Anadrini feels this volume may increase in 2010. In 2010 he feels there may be opportunity for apples and plums, cucumbers for pickling (for the housewife) and cabbage (which is shrink-wrapped and sold for long-term storage, e.g., sauerkraut).

In terms of other potential customers, Switzerland, Germany, Albania, Macedonia, and Serbia are possibilities. He has the best relationship with Kelmendi and feels this is a relationship that could be developed.

Exports are more attractive to Anadrini than the domestic market and the reason is that there is more opportunity to get a better prices. The pepper market locally is flooded during the season. But no one is growing early peppers except for a very small quantity grown in greenhouses. It's not seen as worth it. There is also the question that there are not the right seeds available or used here.

The farmers are poor, there is lack of education, seed prices are high and only small changes have been able to be made as the cost and price is too high for major investments (such as greenhouses).

Pricing:
Since 2000 the Association has monitored the prices during the season and this information is captured in emails (and could be made available to the KPEP project). The price information is daily.

Packaging:
Mr. Rexhepi showed us a shipping package that had been developed by a local supplier for him. It's hand assembled, holds 5 kg. of product, can stack 10 high. Anadrini did not get the right amount of the boxes nor in the right quality. (This is the box that was made from the recycled materials and fell apart upon shipment).

The boxes carry the message: "Fresh Peppers, Kelmendi, 1st Class, Product of Kosovo with a map in two languages: German and Albanian. Each box cost 60 cents EU but Kelmendi supplied them free to the farmers.

Competition:
The biggest threat to the Anadrini farmers is Albania which has no frost, can start and harvest earlier, and has a large production. In terms of early production, Turkey imports into Kosovo from June until early July and the local harvest. Macedonia and Serbia are also competitors.

Consumer Consumption Behavior:
Fresh during the season and pickled during the off season. The unique characteristics of Kosovo peppers were described as: Sweeter, taste better, shiny (which can connote freshness), better shape (more consistent), and more flesh (the latter was prompted).

Implications from this Visit:

1. On the bags that go to the green market, create a branded tag that helps extol the virtues of the peppers, to help differentiate them from other farmer-sold peppers. Begin to own the branding. Create the logo. Even though this goes mostly to the domestic market, it could help differentiate on quality and start trading the price higher. "Perception is reality."
2. Need to create a more formal grading system instead of it being the current subjective *ad hoc* system.
3. Opportunity to do some in-store signage in stores with Kelmendi's customers (a case card?) which extols the virtues and extends the country branding idea. Other retailers may see them and search out a supply.
4. Create a website "Kosovo Fruits & Vegetables" as a way for traders, buyers, etc. to find access to suppliers of Kosovo peppers.
5. Capturing the early market appears to be an opportunity. We are also missing the late season import substitution opportunity as product comes in from the region and Turkey.
6. The biggest question is does anyone outside Kosovo (and outside the region) objectively understand the sensory/taste satisfaction/processing performance qualities of Kosovo peppers? There is lots of anecdotal evidence, but it's all internal from Kosovo. There could be the opportunity for a blind taste test that would qualify the differences (whether it would be believed or not is another question). Moreover, the differences may be slight and not marketable. Within the EU Diaspora there may be an opportunity –largely for processed but perhaps for fresh which meets the EU requirements.

Thursday, December 26, 2009
Meeting with Mr. Tahir Kokollari of Etlinger Processing in Shtimje/Štimlje

We met Mr. Kokollari who processes vegetables for Export (his production is 100% export, he claims, but there were some products for the domestic market in his warehouse). He has the capacity to expand. At the time of our visit his warehouse was 3/4th filled with products to be shipped to Austria with a small amount for the local market. The jars for Export were unbranded (to be branded in Austria). There are some old pasteurizers which appear to be adequate.

The peppers were filled by hand (80 women during the season) which was typical. Cucumbers could be processed by machine but that would require investment. He packs: hot peppers, spiral peppers, mixed salad, tomato peppers with cabbage, red peppers and cherry peppers. Every product he makes has a specific taste from the brine recipe.

His initial investment in this enterprise was $10,000 EU and after five years his gross sales are $600,000 EU. He paid back his initial investment in two years.

Customer Base:
He claims the demand is high domestically, but he does not have capacity. He said he needed about 10X more capacity than he currently has. We asked if he had interest in growing his own supply but he said "No".

His goal is to sell more Exports. His base of business is Austria where he worked and knows the customers/consumers who demand this range of products. He claims the No. 1 product in Kosovo is the spiral pepper. He wants to translate his Austrian experience here to the domestic market.

From an Export standpoint, he thinks there are opportunities in Switzerland and Germany. Kelmendi, for example, asked for 100 trucks but he was unable to fulfill these. He works with about 70 farmers with whom he has a contract for supply. He provides the seeds for the spiral peppers and cucumbers. 50-60% of the farmers honor their contracts. Because of this, we contracts for an over-supply so he will have sufficient product and over time will winnow out the farmers that are not cooperative. His ideal is 10 good farmers.

He has gotten technical assistance from USAID and other projects in the areas of irrigation, fertilizer, and growing knowledge (though he was at pains to say that practical experience is of greater benefit than theoretical knowledge). In his experience, the farmers of Kosovo have better knowledge, are better farmers, than those in the Western world (his reference was to Austrian farmers specifically).

Competitive Set:

We asked about the wide range of Macedonian peppers in Kosovo and his response that it's cheaper for the supermarkets to buy from Macedonia (and Macedonia has support from the state). That Macedonia has a well-developed business system and value chain in which everyone in the chain understands his role. In Kosovo, by contrast, there is no government strategy.

His experience in selling locally within Kosovo is to Viva-Fresh Supermarkets and to some wholesalers such as Deponise. His experience with ETC Elkos supermarket is that they were impolite.

Growth Plans:
Cucumbers and cabbage represent an opportunity. Other products are not a good opportunity as they change color after 60 days. IQF (which Bonduelle does) is of no interest to him. Further processed products such as Ajvar are of no interest as his present facilities are not large enough for these types of products. He does own land around his facility and could expand.

What keeps him awake at night is the question about his overall purpose in Kosovo. Why he came, how can he execute his vision with no support from the government. He talked about the taxes, the lack of investment, the lack of credits. The raw materials are here (the land and the climate) but it's difficult to do business. He is working with 70 farmers, was the first one to make an investment in them, gave them seeds to grow the products, and now has impacted 200 families in the region (Ferijai) but feels he is doing it without support from the government.

Implications:

1. Pickled peppers appear to be an Export growth opportunity, based on Etlinger's experience. His constraints are raw materials, machines, and space.
2. There is a need to educate the farmers in "Best Practices" which will build on their knowledge. There may be resistance to new ideas. "Not invented here" is a common concept.
3. He has not developed a good working relationship with the supermarket chains in Kosovo and some assistance in branding and marketing may be helpful.
4. Education in the conditions at shelf of the full range of pickled peppers is warranted (in the Export markets). In most cases the Kosovo people believe that they products are the best but one gets the sense that they don't look at them in an objective way, within the competitive set. Pictures that show the products at shelf in the EU and other markets may be useful to help convince them to do better product quality and branding.

Friday, November 27, 2009
Telephone Conversation with Remer Lane of Serbian USAID Project

The most important factor to consider is the variety of peppers sold within the EU countries. The types of peppers sold in Kosovo are pepperoni/peperoncini. Bell peppers are increasing in popularity in EU countries (fresh, frozen diced) with demand for the latter increasing, particularly in Germany. Most likely for processing, not for family consumption.

Macedonia is the largest supplier of Kosovo-type peppers they are characterized as plump and thick, sold marinated in brine. From a development standpoint, Serbia drove its business through a network of relationships with traders and brokers. Sometimes they discouraged direct buying networks, but the Serbian project was able to break through to talk directly with some supermarket buyers. After visits to Serbia to visit the modern factories, they were able to sell directly.

Some of the Serbian advantages were that there was a reputation as a significant exporter upon which the project could build. For example, Serbia is the 4th largest producer of plums, gaining on No. 3 rank. Historically it had been No. 1. It is the No. 1 exporter of raspberries. It has a processing tradition and it has made great strides in improving its quality practices and end products.

Pepperoni/peperoncini Variety from Kosovo:
It is felt that this type of pepper is popular largely within the region and not too much in the EU except in Diaspora markets (such as the Berlin Terminal market which has a large Turkish Diaspora). These are sold pickled/processed, not fresh, though fresh can sometimes be found *ad hoc* in at least one small specialty store.

Insights about Kosovo:
Mr. Lane consulted with KCBS project 4 ½ years ago. His assessment was that the current pepper product line has limited appeal beyond the region. There will need to be significant infrastructure developments to enable a more effective trading system. Current border issues with Serbia limit Exports to that country which could be a natural trading partner.

Implications:

1. The Diaspora regions may be the best opportunity for Kosovo pickled peppers. Support for Kelmendi and Etlinger who have already developed distribution networks may be the best opportunity.

2. Determining where/how to develop capacity in Kosovo for Exports is a key challenge. Etlinger has current capacity constraints.

Monday, November 30, 2009
Meeting with Mr. Ardian Kelmendi, Potato Farmer, member of Agroqyshky Association in Qyshk, Pejë/Peć.

96 hectares are farmed within the Association. He himself has an annual crop of 670 tons of potatoes, but the association can produce 2,000 tons overall. Little are sold domestically. These potatoes are shipped mostly to Albania. They have additional storage for onions. Historically they have had some demand from Romania and Bulgaria, but this year's crop will be sold to Albania. These are table potatoes, not processing potatoes.

They could sell more if they could produce more. For example, they had a request from Brothers Missouri (Dura) for 5,000 tons which they are not able to fulfill. They sell for 15 cents EU/kg. to their customers.

We asked whether it would be possible to sort, clean, and wash their potatoes to improve the appearance and sale-ability of his potatoes. At present, he told us that his customers in Albania do not want them this way (more likely they would not pay the upcharge for the added value). They spoil quickly after washing and they are not stored properly by the retailers.

The sense that they would sell better in the domestic Kosovo market if they were cleaned is right, but would require an investment in technology. He could potentially make 2-3 cents more per kg. with washing/cleaning/sorting. He would be interested in that a machine but his first priority is to be able to store potatoes for year-round sales. And he believes that Pestova failed when he tried to sell washed potatoes.

His average yield is 30-32 tons per hectare (30 is the base of saleable potatoes; the higher number includes poor quality unsaleables). He is using Agria seeds and he buys them from Pestova for 70 cents/kg. Sometimes 75 cents. He is getting the Elite (first use) seeds.

An observation is that this land is not ideal for growing potatoes (his father, who was killed in the war, started the potato farm). The soil is heavy (which interferes with harvesting), the elevation is low. The reason why he's into potatoes is tradition, with some small onions and some cabbages. There is no tradition of peppers in this area.

For his onions he gets good prices after the New Year but he does not have good onion storage. He has one very small cooling unit which was designed for apples.

We asked him what other crops did he think would be good for his operation and he thought cauliflowers could be an opportunity (though there is no tradition here in the Kosovo diet).

He has implemented EuroGAP in his product line but thought it would improve production and it didn't improve. Right now he can sell all he needs to Albania and does not need to sell to other export markets, though he is worried about the EU for the future. He has also seen that Albania has increased its domestic production and that may be a threat for the future.

His No. 1 wish is for a storage facility and his second wish would be for marketing – cleaning, packaging, etc. We worked through some basic economic projections with him as he told us he does not have enough working capital to expand production and has decreased production in 2009 from 2008.

Implications from this Visit:

1. He could make more money by planting more but he has working capital problems.
2. EuroGap didn't improve his sales nor his profitability, but the linkages to markets other than Albania were not made (so the benefit was not perceived).
3. He needs a storage facility before other value added technology.

Monday, November 30, 2009
Mr. Fatos Islami, Vice President, ETC Supermarket Chain, ELKOS Group

The biggest problem for this large supermarket group is the lack of grading for the fresh fruits and vegetables. All sizes and all qualities are sold to him by domestic producers/traders, despite their specific specifications. They have been taught the requirements, but still they get a mix of products. There is no trading or collection facility from where to buy and the individuals make their own subjective grading. Currently ETC sorts product in an open area for their own use.

They are willing to share their detailed specifications with us. They state they would be willing to offer a price premium for the Grade A products over the Grade B and smaller sizes.

We asked if ETC would be interested in a Pack House for himself and he indicated that he would be, in Rahovec/Orahovac. For collecting, pre-cooling, packaging, sizing, etc. GlobalGAP would be the second priority after domestic requirements. He is interested in exporting, but right now has a very small quantity for export and it's not good. He stated they have the knowledge and contacts to be able to do it effectively but are not aggressively doing it. Right they are continually updated on pricing across the markets (tomatoes, potatoes, peppers, etc.) and they could export to EU countries, Greece especially.

He has a few store brands, yogurt is one. He might think to put the brand name on fresh fruits and vegetables. They have visited Albania and seen what they have done in agriculture, especially in the greenhouses.

We asked about his interest in pickled peppers and he would be interested in private label pickled peppers. He understands that it's a big market here. Ajvar, for example, was supplied to him by Idea, a local processor, but he thinks it could do better. It would take some large-scale farmers to do processing well.

What he thinks would be a good idea would be to take some farmers/producers to Antalya (Turkey) to show them how it's done. How the markets are organized. What are the demands of the markets. What is the right mentality of doing business..

Overall, he said he'd like to buy Domestic. He knows there is capacity, but it has to be a solid plan overall to reduce imports and he needs their partnership. When he needs 100 tons and gets only 20, despite commitments, then it's hard to do business. He thinks the bottleneck is tradition, lack of training and no one has asked for this in the past. "I don't blame them (the farmers." He said. But he wants to move forward in a positive way.

In a separate conversation with the Produce Manager, he said he needed a detailed . Planning calendar against which to work. He would like to see this calendar from the Associations so he can plan out what he needs to buy and when (and presumably at prices).

If he cannot count on the domestic suppliers, he is forced to import. He thinks the Association can play a key role here in systematizing this business system.

Potatoes: We asked about clean vs. dirty potatoes. In theory clean potatoes are preferred, but since really fresh potatoes have only a 3-day shelf life it is the perception among some of their customers that the dirty ones are fresher. Plus they are low income and cannot pay for the clean and shiny packages. There is a mistrust around shiny packaging with his low income customers.

Implications from this Visit:

1. The sense is that the Kosovo fresh fruit and vegetable suppliers here do not understand the full requirements of doing business the way ETC wants and needs. And if they cannot do it for a domestic supplier, then it will be difficult for them to do it for an EU buyer/trader who is likely to be more demanding.
2. We should schedule tours of key Association members in peppers, along with KPEP and potentially the vegetable manager for ETC or other supermarket chain to Anatalya as a start (probably other markets too) to train in "Best in Class" vegetable marketing. These participants should, in turn, communicate what they've learned to their association membership.
3. ETC is very favorably disposed to the domestic pepper industry and could be a good working partner for us, but the farmers/association members would need to step up their sophistication and business systems to meet his needs.

Monday, November 30, 2009
Mr. Shefget Kelmendi, Trader, Kelmendi Importers

Mr. Kelmendi has been exporting Fruits and Vegetables since 2001 into Germany (three major cities from which product is shipped elsewhere). The rest of his company (he has six brothers operating in Cologne, Italy, Switzerland, etc.) focus on selling these product to EU and non-EU countries. It appears to be a strong and robust organization. He has contracts in Kosovo for Beer from Pejë/Peć as well as processed foods such as pickles, ajvar, cucumbers, peppers, ketchup, etc. through Albi in Prizren. He does resell to other countries such as Sweden.

For three years he has been exporting peppers to Germany from Kosovo. It is the classic Sumborku pepper (paprika in German). We has also done some small shipments of white beans and apples and plums. This variety is popular because the name is Hungarian and that is its original source so a well-developed preference over the years.

This season he had orders for 30 trucks of fresh peppers but did not have enough shipping boxes. The packaging was not done to specifications and the quality was poor when delivered. (Later in the conversation we talked about the significant cost borne by Mr. Kelmendi because of this: Not only were the peppers thrown away, the logistics and travel costs absorbed, the cost of customers paid, he also had to pay for disposal of the "garbage" in Germany).

The distribution time from Kosovo to Germany is one day through Serbia, plus another two days. Through Croatia is three days.

We asked Mr. Kelmendi what it will take for Kosovo to be more competitive. The key problem is packaging.

1) There is not adequate acknowledgement of the need to have consistent grading in the box. Often there will be small, damaged products underneath the first quality in the shipping crate.
2) Secondarily , with the packaging that was used, the 5 kg was packaged and looked good at outset, but then after the shipment began the moisture from the peppers softened the packaging (which could not withstand the) and the product was unsaleable. And he paid more for the packaging boxes than for the product itself.

If he cannot find a better shipping solution, he will not export peppers at all. It's not worth it. We talked about the foldable shipping box as an option. He is interested but raised some issue about customs duties on the empty box, the need to sterilize the boxes after each use etc. He is also concerned with the amount of paperwork required for Exporting from Kosovo (which is standard, we explained).

There are no peppers that are shipped to Germany for *processing* use. They are all for fresh customers (probably the Diaspora).

"Is it a good business to Export from Kosovo? " We asked. "Yes", he replied and he expects it to improve. If it doesn't, there will be nothing for the farmers here. On compliance with his requirements, he said that they say they will do what he asks (e.g., clean the peppers, for example,) but then they cheat. The real solution is a collection center for sorting, cleaning, classifications, etc.

Other Products:
His experience with Kosovo apples was that he was able to sell one truck, with 70% of the volume being sold in Luxembourg. However, the other 30% was scattered across markets. The sense we got was that the 70% was profitable, but that he lost money on the balance.
He said that he shipped 90 trucks of pickles in jars, but even if he knew he had more demand, he is not confident he could fulfill it here.

He has never exported to Macedonia but he has experience in using a small processor in Tetova who processed pickles for him from Maded (sp?) and was able to ship to Germany.

He plans to do a small scale shipment of vacuum packed cabbage for sauerkraut for Germany.

Wish List:
His No. 1 want is for a collection center. We asked if he would be willing to participate in the costs of it and he said he would. The most likely place for two collection centers would be in Pejë/Peć and Prizren. The most likely owner of such a collection center should be a larger farmer.

Implications from this visit:
1. Kelmendi is a good partner for fresh exports to Kosovo. His heart is here and his distribution system and family ownership are strengths.
2. Key to solving exports through Kelmendi, however, is the need to get the packaging right. The produce has to arrive in the same condition as which it was packed and not degraded through the distribution chain through poor packaging supplies.
3. In subsequent conversations with Musli, we discovered that there is the opportunity to develop a better crate made of higher quality cellulose (which will cost more)
4. Kelmendi is paying for the packaging and the costs are high, but he is still making his margin on the sales/exports to Germany. There is no way that the individual farmers

nor the association could absorb the cost of packaging for now, with their current model, without realizing greater sales on a different Export model.

Wednesday, December 2, 2009
Meeting with Mr. Agrom, Mikullovci, President/Owner of Emona Supermarkets

We met with Mr. Agrom, a first for this project (it is believed). In addition to being a supermarket retailer (one store in Vushtri/Vučitrn), he is also a wholesaler to other markets in Pristina and is vertically integrated for some of his fresh vegetables. (His vegetable section in the store was small, but well maintained (though much of the product was less than optimum condition).

He imports from Macedonia, Greece and Turkey and he would like to do more domestic buying, especially peppers, during the season. When we asked him whether he had a high degree of satisfaction with how the farmers/producers serviced his business, he talked instead about how difficult it is to be a farmer in Kosovo, that the farmers themselves are abused with low return on investment and it's too much work for too little money. He thinks the packaging of domestic product is average to below average and could be improved.

He currently produces tomatoes here (600 tons) but doesn't know where to sell his excess. He does not believe he would get a good price for his tomatoes in Export.

He carries domestic and imported pickled peppers, from Macedonia, as well as from Progress in Prizren. He does not buy Etlinger peppers. He imports cucumbers (pickles) and ajvar.

He stated that – if he had his preference – he would rather be all day in his fields instead of in the office. What he needs is a vegetable facility – a green house with drip irrigation. He would like more volume and he already employs a lot of people but would like to employ more. He has looked at property nearby for storage for product.

We asked if he knew Kelmendi and he did but he was not familiar with the trader from Podujevë/Podujevo, Xhevat Zymeri, and he passed that contact information on to him as he was interested in knowing him.

From a private label standpoint, under the Emona name he sells tea from Sri Lanka (in a wide variety of sizes and varieties), white beans from Kyrgyzstan, rice from Macedonia and Italy (Modena). We told him we thought about white beans as a crop here and asked if he would be interested in private label branding, but he misunderstood our question and replied that he would much prefer to partner for additional capacity in cucumbers and tomatoes. His response to white beans is that he knows the quality would be better here, but he gets a good price in Kyrgyzstan (even if the quality is lower) and he can sell it because the people here don't have a lot of money.

<u>Implications from this visit:</u>
1. It is clear that he would be interested in better products from Kosovo packaged better, but that he feels there is a supply problem for tomatoes and cucumbers, which is his first priority.
2. As a farmer himself (his family has farmed for many decades in Vushtri/Vučitrn and are well regarded and pillars of the community), he identifies with the struggles of the farmer.
3. A greenhouse or cold storage facility would best support his business.

Wednesday, December 2, 2009

Meeting with Mr. Bedri Kasumi, Pestova

Mr. Kasumi took us through his plans and business (though he was pressed for time). His business is 35% domestic sales with Vipa Chips (the balance sold to Albania, Macedonia, Greece. He has made good progress this year – he has doubled his capacity with the 100 hectares in Pestova that they own plus the 250 he accesses through arrangements with local farmers (total 350 ha capacity). He feels he needs at least 600 ha to be an effective Exporter.) In 2005-2006 he exported to Romania but because of the political situation, he cannot now export to them.

His growth areas are frozen French fries (*pommes frites*) and "hash brown balls". He is also looking to launch smaller chips in kids' shapes for more snacking business ("Vipa Snacks"). He has changed the packaging design for his frozen products (he recognizes that the current package is bad).

From an economical standpoint, this year has been tough (though he feels he's weathered it better than most with a good jump in sales) but it has become a cash business. He believes the economic crisis is not over.

He showed us his new fresh potato mesh bags (moving from the branded plastic bags he's sold in for two years). These new bags are just now on the market. The label is not very good though the branding is VIPA (instead of Pestovo Potatoes) which is smart. He said that the consumers are having to adjust to the new see-through mesh bags and there is some adjustment period (the selling price is the same).

He sells fresh potatoes to Benhof, Albi, Elkos, etc. He does not clean them (he does have a cleaning facility for processing potatoes). He tried a test of cleaning potatoes but because the supermarkets did not store them at the 6-7 degrees required (only at 26 degrees), they began to spoil immediately and he had to take them as unsaleables.

What is planning to do now is to brush the potatoes (after they go through the vibrating machine) to get most of the fine dirt off of them so they can be sold in better condition (both in mesh bags and in bulk).

He is grateful to the project and for past help.

<u>Implications from this visit:</u>

1) His is a good operation and is constrained by capacity.
2) We promised to send him pictures from the US market for chips (showing what Frito Lay is doing, especially with package backs (which stress fresh and minimal ingredients).
3) His fresh potato label needs help. He has added the VIPA brand name to the package. The old package had PESTOVA in larger letters and consumers are not taking the time to read the new label, even if it's in a better, more convenience mesh bag. He would benefit from a packaging design consultation.

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Thursday, December 3, 2009
Interview with Mr. Irfan Fusha, Owner and Mr. Afrim Arzuallxhiu, Director of & ELIF 19
Processors of fresh fruit and vegetables, sauces, dairy processors

Our meeting with Mr. Fusha and Mr. Arzuallxhiu covered the status of their business (which appears to be very successful) and some of their plans for the future. They are licensed to operate a commercial enterprise which had formerly been owned by the state, but they do not have full ownership yet. That is one of the reasons why their facilities are old – until they have full ownership, they haven't invested in modern processing equipment. Their key brand of processed vegetables, sauces, ketchup, etc. is Pro●Gres. They also produce a limited range of private label here for Export clients. In addition to processing, they also have IQF capabilities.

Domestically they service 300 clients with direct delivery to wholesalers. We asked specifically about the quality of their raw material supply and they discussed the former situation in which there was lack of trust among the farmers because of non-payment of buyers. They were able to turn this around in one year and now have a good relationship with the farmers and currently they are able to source 95% of their processing raw material needs here in Kosovo. They do import some red peppers from Turkey.

Export:
They export to countries within the region (Serbia, Macedonia, Albania, Montenegro) as well as EU countries (Holland, Germany, England, Belgium, Sweden). In addition they sell to Switzerland, Australia and Dubai. Their No. 1 export item is tart cherries which they sell frozen (to Netherlands and Belgium). They also sell ajvar to Germany and England. We asked him about peppers and he told us that his Sumborku peppers are everywhere in Europe.

He is not HAACP certified and claimed that as long as he passes the quality certifications, he's not had a problem. He sends his products to Germany for analysis and he fulfills all quality standards. He would like to have it but it would be a year long process and he has an old factory so it would not be worth it.

Exports are 10-20% of their total business and the demand is stable. They are not really interested in selling abroad as there are some systemic reasons why it is difficult for them. Most countries want five year contracts which they cannot do. Because of their legal status (commercialized, renting from the Kosovo government), they are forbidden to enter long term contracts.

Domestic:
Their demand has increased every year. They claim they cannot fulfill all their needs and they could sell more with more capacity (raw materials). He claimed, however, that the market in Kosovo is not loyal to specific brands. He also talked about the systematic barriers to competition in Kosovo. He pays VAT of 27% to import the glass jars into Kosovo, he pays import duties on sugar (and his jams are 60% sugar), his packaging is imported from Serbia, etc. In Macedonia, there are no custom duties so the trade conditions for imported Macedonian products are better than they are for domestic suppliers. Moreover in Macedonia the infrastructure costs such as water are subsidized, which makes for lower COGS for them. There is no support in the government of Kosovo for the agricultural industry.

Implications from this Visit:
This is a good enterprise that has made a lot of headway in the challenging decades.
Not having HAACP is a concern and the fact that they do not own their assets make them less attractive as a processing partner for the project.

Thursday, December 3, 2009
Meeting with Mr. Daut Esse, President of EuroFood
Processor of jams, ketchup, and mayonnaise, snack cakes

This business began in 1999 (started by his father) and is involved in all aspects of the chain from production, to wholesale distribution, to sourcing. They sell directly to supermarkets.

They are just beginning a test of pickles and ajvar. He is well known in Europe, is well connected with buyers and has contacts and he has capacity to develop these export relationships. He is confident he can export at a good price.

They expect to be totally privatized by 2014. In the past six years they have invested a lot of their own money to make this business work and they feel confident they will be able to own their business (they have a contract with the Ministry of Privatization).

His No. 1 product is ketchup, followed by mayonnaise, and third the marmalade (jams).

Export:
They just shipped product to Germany that was Value Added (blackened, skin removed). I believe this was small scale shipment. Pickled peppers are new in their plan for 2010. His products have been tested for analyses and have passed HAACP certification. He said that the customer in Germany who is interested in his peppers (I believe he was referencing the pickled peppers) wants a large quantity – 50-300 trucks. This relationship with this buyer is over 3 years and it is mutually beneficial – he can meet the demand with high quality and low price.

Only 5% of their sales are in Export, the balance in domestic sales.

One key area of help from KPEP could be in helping him with his Export development of Pickled peppers on the supply side. He needs to expand his capacity of production and processing and he would like help with new products too, but his main interest is in high quality raw materials supply and in the right product design for exports.

Domestic:
Their perspective is that the key lever in domestic sales of their product lines price. They have not raised their prices in ten years and still have been able to grow their business. (It is worth noting that they have several other business enterprises including car services, etc.). He claims he is happy with the current pepper supply but this is his first year with ajvar and he wants to see how 2010 goes. He sees the needs for training and education of the farmers. There is a technical problem with quality and this is where the project could help him. He did not ask for money, but suggested that technical help in supply would be helpful. He would like to see the farmers more serious about quality and would appreciate help in that area. His is open to any concepts and ideas we have for his business.

Currently he is operating at full capacity and works 12 months of the year. He employs 39 people directly in production and has 200 in total including supply.

HAACP:
We asked him if he had worked with our project on getting his HAACP certification (or Intercooperative HPK). He advised that he worked with a commercial company named Timbus (sp?) from Croatia, a branch of a company in Germany. Bane from KPEP has worked with him on forest fruits and John MacKillop has also visited his operation.

Macedonian Imports:
His sense of why Macedonia has penetrated so well into the Kosovo market is their reputation from the former Yugoslavia. They have a brand name known for agriculture. He said that Kosovo is not known for its natural resources, although the imagery of the Krushe region was well regarded. He thinks that the domestic market does not believe in the quality of Kosovo products – that they have been educated or trained to think that imported is best. We asked if he would be interested in developing products that are even better than those

from Macedonia and he said "Yes." He is proud of his quality but thinks it could be even better.

Implications from this visit:

1. This is an impressive organization with impressive leadership. They would be a great partner for KPEP to develop the processing business for domestic and export.
2. This would be a great case history for the Value Added model for peppers as they are just beginning and are asking for help in improving raw material supply.
3. He needs help with packaging design. His products are good price and good quality, but the label design is sub-par compared to competition and that is hurting his imagery.

Thursday, December 3, 2009
Meeting with Mr Agim Jemini - packaging supplier

We met with the packaging/cartoner for fruit cartons in Xerxe. He showed us the box that had been developed for Kelmendi and claimed that the specs were too vague and that is why the product did not hold up in shipping. He can make a stronger 5-ply ship case for the fresh peppers at 65 cents EU. He can get any ply/quality of paper for use in cartooning. He showed us two cartons: one for 5 kg (the Kelmendi size) and another for 8 kg.

He buys his paper in rolls from Macedonia (there is no domestic supply and is the only complete packaging supplier in Kosovo. He also collects, bundles and ships recycled materials to Macedonia.

He can do the packaging design as well as production and total time from initiation of project to completion is very short but it's necessary to give him detailed specifications. He can produce 5,000 boxes per day and he claims that his lead time is 2 weeks to gear up for production. The paper itself is always available (taking less than 2-3 days to come from Macedonia). He requires 50% down payment on job initiation. 50% on delivery.

He expects to gear up for Kelmendi in January or February of 2010.

Implications from this visit:

1. The quality that had the shortcomings does not appear to be a permanent supply problem, but one of mixed signals on quality. The 5-ply product should be able to be used and the price at 65 cents EU not that much higher than the 50-0 cents EU quoted for the old box which fell apart.
2. The foldable plastic crate is a competitive alternative and should be explored.

ANNEX V - INFORMATION SOURCES

1. “ Kosovo: Economic Performance Assessment”, Nathan Associates, Inc. USAID, May, 2008
2. “Audit of the Kosovo Fruit & Vegetable Sector” , Lee Agribusiness Connections, Inc., KPEP and USAID, January 17-February 2, 2009.
3. “Horticultural Promotion in Kosovo (HPK) September 20009
4. CBI website – ‘Center for the Promotion of Imports from Developing Countries”
5. Willard Bishop (www.willardbishop.com) consultants on trade relationships (retailer/suppliers)
6. “Breaking into the Trade Game” A small business guide to exporting” U.S. Small Business Administration”
7. “Linking Producers to Modern Food Retailers” May, 2005
8. USAID LAMP Project “Implications of Supermarket Segment Growth on Agricultural Producers and Processors in BiH, April, 2006
9. “The Rapid Rise of Supermarkets in Croatia: Implications for the Farm Sector Development and Agribusiness Competitiveness Programs”, September, 2003
10. USAID Vegetable Value Chain Assessment”, June 2008, DAI
11. “Enterprise Development and Export Markets Services (EDEM) 2003-2008 Albania, Final Report, October 2008
12. “The German Market for Sweet Peppers” Target Market Confirmation Study July 2006 (Moldova)
13. “Final Report of the brainstorming sessions at the workshop’ Challenges for Improving the Competitiveness of the Private Sector in Macedonia”, CEA, Skopje August 2009
14. “Produce, Buy Domestic” Report on the campaign at the conclusion of Phase 1, May 2005 (Bosnia)
15. Business Environment and Competitiveness “Serbia in a Regional Perspective” Analytical Report, DAI May 2008
16. Kosovo Cluster and Business Support quarterly and annual reports, 2006-08

ANNEX VI - Table of Albanian Diaspora Population

Country	Albanian population	Year	Source(s)
Albania	3,900,000	(2008)	[10]
Kosovo	2,200,000	(2007)	[11]
Turkey	5,000,000	(2007)	[12]
Macedonia	809,083	(2002)	[13]
Montenegro	81,163	(2007)	[14]
Greece	1,003,491	[*citation needed*]	
Italy	838,000	[*citation needed*]	
USA	1,513,661	(2001)	[15]
Serbia	261,647		
Canada	214,935	(2001)	[15]
Sweden	65,000		
United Kingdom	350,000	[*citation needed*]	
France	50,000		
Switzerland	370,237	(2000)	[16]
Germany	550,000- 800,000	[*citation needed*]	
Netherlands	30,706	[*citation needed*]	
Belgium	60,352		[17]
Slovenia	26,186	(2002)	[18]
Croatia	34,621	(2001)	[18]
Romania	15,234		
Norway	37,000		
Austria	30,212	(2001)	[16][19]
South Africa	22,000		
Egypt	25,000		
Bosnia and Herzegovina	25,340		
Denmark	38,000		
Luxembourg	4,802		
Ukraine	13,308	(2001)	[15]
Finland	23,293	(2000)	[16]
Spain	25,427		[20]
Russia	113,220		[21]
Czech Republic	2,221		[22]
Slovakia	1,251	(2001)	[23][24][25]
Australia	21,315		[26]
Kazakhstan	446	(1999)	[15]
Moldova	904	(1989)	[15]

New Zealand	15,531	(2001)	[16]
Cyprus	297	(2001)	[23]
Philippines	1,495	(2000)	[23]
Bulgaria	10,141	(2001)	[23]
Ireland	5,301	(2002)	[23]
Luxembourg	4,309	(2001)	[23]
Poland	2,937	(2006)	[23]
Bolivia	5	(2002)	[23]

References

1. ^ Data on immigrants in Greece, from Census 2001
2. ^ Istituto nazionale di statistica: *La popolazione straniera residente in Italia*
3. ^ http://www.focus.de/politik/ausland/kosovo-ende-der-geduld_aid_169033.html
4. ^ 200,000 Albanians resided in Switzerland as of 2000 (1.3% of the total population of Switzerland). Eidgenössiche Volkszählung 2000: Sprachenlandschaft in der Schweiz
5. ^ Migration Information Source
6. ^ Chronology of Albanian Immigration to Italy, Migration Information
7. ^ http://english.peopledaily.com.cn/200609/23/eng20060923_305623.html
8. ^ http://www.migrationinformation.org/Profiles/display.cfm?ID=284
9. ^ http://news.bbc.co.uk/1/hi/world/europe/1356196.stm
10. ^ CIA - The World Factbook – Albania
11. ^ CIA – The World Factbook – Kosovo
12. ^ “Türkiyedeki Kürtlerin Sayısı!” (in Turkish). Milliyet. 2008-06-06. http://www.milliyet.com.tr/default.aspx?aType=SonDakika&Kategori=yasam&ArticleID=873452&Date=07.06.2008&ver=16. Retrieved 2008-06-07.
13. ^ Republic of Macedonia 2002 census –
14. ^ Montenegrin Ministry of Foreign Affairs 2006 census – [hhttp://www.experiencefestival.com/a/Albanians/id/1906781]
15. ^ *a b c d e* [1]
16. ^ *a b c d* [2]
17. ^ [3]
18. ^ *a b* [4]
19. ^ [5]
20. ^ [6]
21. ^ [7]
22. ^ [8]
23. ^ *a b c d e f g h* [9]
24. ^ [10]
25. ^ [11]
26. ^ [12]

Retrieved from “http://en.wikipedia.org/wiki/Albanian_diaspora”

ANNEX VII - FRESH PRODUCE WEBSITES

1. http://www.thefoodworld.com/company/petrov-company
   A website with information on food, beverage and agricultural industries. It includes a list of the biggest producers and exporters throughout the world.

2. http://www.fruitnet.com/category-list.aspx?ccidl=98
   FRUITNET is a global fresh produce portal.

3. http://www.freshproduce.org.uk/

   The **Fresh Produce Consortium** (FPC) web site is the trade association for the fresh produce sector in the UK. It includes wholesalers, importers, packers, food service, retailers and floral.

4. http://www.freshfel.org/site/members_h.asp
   A web page that provides a list of companies specializing in the vegetables and produce industry

5. http://www.careersinfood.com/index.cfm/fuseaction/showResourcesLinks/CatID/47/produce-companies.htm
   Freshfel is a forum for the European fresh fruits and vegetables companies. The web page includes a list of fresh producers, wholesalers, and retailers.

6. http://www.ezilon.com/business/agriculture_and_forestry/vegetables/index.shtml
   EZILON is a Europe International Web Directory and Search Engine. It contains information on economy, health, agriculture, transport, construction, etc.
   The direct link to vegetables is:

7. http://www.nunhems.com/
   An international company active in research, plant breeding, production, processing, marketing and sales of vegetable varieties.

8. http://www.vegetableexpert.co.uk/

   Offers information on how to plant, grow, harvest, store and cook vegetables.

9. Freshplaza.com

   FRESHPLAZZA is an independent news source for companies operating in the global fruit and vegetable sector

10. http://www.dmoz.org/Business/Food_and_Related_Products/Produce/Import_and_Export/
    It is a directory with world food producers

11. http://www.fresh-market.pl/en/companies_database
    A portal with producers, importers and exporters and other market information in Poland

12. http://www.globalgap.org/cms/front_content.php?idcat=4GLOBALGAP is a private sector body that sets voluntary standards for the certification of agricultural products around the globe. It is open to all producers worldwide.

13. http://www.unitedfresh.org/membership - An association of fresh producers. United Fresh Produce Association is the industry's leading trade association committed to driving the growth and success of produce companies.

14. http://www.fruchthandel.de/index.php?id=161&L=1

15. http://readymealsinfo.com/cgi-bin/manufacturers/directory.pl?Category=Prepared%20Salads&action=GETSection
A directory of Europe food manufacturers.

16. http://www.trademart.in/food-products/product/search-exporters.htm
A directory of world food producers.

17. http://europe.bloombiz.com/default.cgi/action/viewcompanies/maincatid/02/classification/Vegetables/incountryid/267/incountry/Macedonia/
A food producer portal which includes companies throughout the world.

18. http://www.unitedfresh.org/
Fresh Produce Association is the industry's leading trade association committed to driving the growth and success of produce companies. United Fresh includes member companies throughout the global, fresh produce supply chain, including family-owned, private and publicly traded businesses as well as regional, national and international companies.

19. http://producedirectory.com/links.htm
A web page that has several links of fresh produce companies, marketing and other information related to fruits and vegetables.

20. http://fruits-vegetables.europages.co.uk/business-directory-europe/did-legu01/hc-01510B/Vegetables-fresh.html

A permanently updated and qualified European database

21. http://www.eurofruitmagazine.com/
Eurofruit Magazine is Europe’s leading fresh produce marketing magazine. It is published monthly.

ANNEX VIII: Information on pepper requirements from EU and UNECE

Link to UN Brochure on Pepper Standards: December, 2009

From: Frederic Rosseneu on behalf of FRESHFEL EUROPE
Sent: Wed 12/2/2009 11:20 PM
To: Zana Dobruna
Subject: Fw: [UNECE-AGR-FFV - 110] Explanatory brochure for December meeting of the OECD Scheme

Dear,

By coincidence we were send the attached draft this week, while still a draft, the pictures will surely help.

Kind regards,

Frédéric Rosseneu
FRESHFEL EUROPE
The forum for the fresh produce industry

Avenue de Broqueville 272
B - 1200 Brussels
Tel: +32.(0)2.777.15.80
Fax: +32.(0)2.777.15.81
info@freshfel.org
www.freshfel.org
www.freshquality.org
www.freshcongress.com

-----Forwarded by Frederic Rosseneu/FRESHFEL on 12/02/2009 11:04PM -----
To: UNECE-AGR-FFV@LISTS.UNECE.ORG
From: Serguei Malanitchev <Serguei.Malanitchev@UNECE.ORG>
Sent by: "UNECE Specialized Section on Fresh Fruits and Vegetables (WP.7/GE.1)" <UNECE-AGR-FFV@LISTS.UNECE.ORG>
Date: 12/02/2009 02:28PM
Subject: [UNECE-AGR-FFV - 110] Explanatory brochure for December meeting of the OECD Scheme

Dear delegate,

I am pleased to send you the electronic version of the UNECE Explanatory Brochure on Sweet Peppers. The brochure was prepared in relation to the possible transfer of the activities of the OECD Scheme to UNECE, which had been recommended by the UNECE member States.

Work on the brochure was carried out by the UNECE Specialized Section on Standardization of Fresh Fruit and Vegetables, and the secretariat. You will find that the brochure has a distinct new look, both in format and in layout.

Since this is the first time we are preparing an explanatory brochure, we thought it would be appropriate to send it to you at this point. Should the OECD Scheme member States have comments on the brochure, we would be pleased to take them into account. We would then finalize the brochure and print it in English, French and Russian.

Thank you for your cooperation which is very much appreciated.

(See attached file: Peppers brochure 2Dec09.pdf)

Mr. Serguei Malanitchev
Agricultural Quality Standards
UNECE Trade and Timber Division
serguei.malanitchev@unece.org
Tel: +41 22 917-41-46
Fax: +41 22 917-06-29


ETC, Prishtina

‘Best in Class” Pepper Marketing Plan Recommendation

Presentation to USAID

Marilyn Phillips and Andriy Yarmak

December 7, 2009

KPEP Fresh Fruit and Vegetable Marketing

- Export
- Domestic

    Supermarkets < 5% market share

    Green markets > two-thirds domestic products

BACKGROUND AND KEY CHALLENGES

- Marketing Plan Vision, Objectives, Strategies, and Action Plan can help define priorities and assist KPEP and USAID in resource allocation.
- The sector has many systemic shortcomings which need to be addressed step-by-step. This plan specifically focuses on the near-term issues of driving volume and developing Export capability, to better position KVS for the long-term.
- Near term focus: Peppers

LONG TERM VISION

- Kosovo Vegetable Sector (KVS) becomes one of the recognized “Best in Class” vegetable competitors within the region.

SHORT TERM VISION: PEPPERS

- Peppers from Kosovo become the regionally-preferred Brand among Export and Domestic customers.
- The segment demonstrates profitable growth through strengthened position within domestic and Export markets.
- Pepper marketers (stakeholders) are viewed as "leading edge" product marketers within the sector, creating a "Best in Class" business and marketing model which can be successfully applied to other Kosovo vegetables (longer-term).

WHY PEPPERS?

- 2nd largest crop in Kosovo (hectares, production) with opportunity for value add; 60% of population rely on agriculture for a living.
- 2nd largest EU import product.
- Kosovo is known for its peppers: Strong and positive perceptual imagery of Kosovo peppers is a strong base upon which to build (and we need differentiation)
  - With claimed recognition outside Kosovo and within the ethnic markets of EU and non-EU countries (e.g., Macedonia, Albania**)
- We have a degree of success upon which to build.

* Second to potatoes Potatoes are a lower Value-Added crop and have less potential for broadening Export beyond current.. **Export Opportunities for Kosovo Horticulture Crops in the Region, Intercooperation HPK)

WHY PEPPERS?

- It is a currently profitable segment for stakeholders, with the opportunity to generate even greater revenue along the chain with good marketing practices.
- It is unlikely we can, in the near term, be competitive in other vegetable segments without significant investment.
- Peppers will also require investment, especially in long-term capacity building to capture market opportunities (e.g., early season sales).

KEY ENVIRONMENTAL CHALLENGES

- Numerous small stakeholders with lack of Export/Domestic marketing experience and requisite skills;
- Currently able to sell most of their products with current Value Chain (Export model needs to prove greater ROI to encourage greater risk-taking).
- Industry is less competitive than other regional competitors (e.g., Macedonia) which has positive business climate and support initiatives (e.g., Export promotion board)
  - Strong export position within the region, especially processed*
- Access to financing/credit; positive trade policies

*90-95% of Macedonian processed fruits and vegetables are exported. Source: HPK

KEY ENVIRONMENTAL CHALLENGES (continued)

- Supermarket channel (currently small share 5-10%) will continue to consolidate share:
  - increasing their demands on domestic suppliers, or
  - Shifting purchasing to more adept importers

NEAR TERM STRATEGIC OBJECTIVES

ETC, Prishtina

City Park, Prishtina

- Increase KVS stakeholders' fresh pepper competitiveness to better compete for profitable business opportunities
  - Within region
  - Within Europe (non-EU and EU countries)

NEAR TERM STRATEGIC OBJECTIVES

ETC, Prishtina

- Increase KVS stakeholders processed pepper <u>competitiveness</u> to better compete for profitable business opportunities
  - Within region
  - Within Europe (non-EU and EU countries)

KOSOVO PEPPERS OPPORTUNITY TARGETS

Fresh for Fresh Customers/Consumers		Fresh for Processing Customers	Processed/Pickled	
Export	Domestic	Non-EU Export	Domestic	Export
● EU and Non-EU Diaspora* ● Balkan Region	● Supermarkets ● Early season ● Import substitution	● Established processors with known consumer demand (e.g., Bonum)	● Market Share among Kosovars	● Market Share among EU/Non-EU Diaspora

KEY CHALLENGES AND OPPORTUNITIES

Fresh for Fresh Customers/Consumers

Export

- EU and Non-EU Diaspora*
- Balkan Region

+/-

- EU: Saturated supply (Turkey) – Highly competitive
- Must meet quality and packaging expectations
- Dependent on trader network
- Customer brand building required
-- Need quality supply
-+ "Dead-head distribution opportunity
+ Kosovo reputation

Domestic

- Supermarkets
- Early season
- Import substitution

+/-

+ Kosovo reputation
+ Good will/positive intent
- Need high quality products
-- Importers out-marketing us
-- Need presentation and packaging investment
- Need business skills development/training

Fresh for Processing Customers

Non-EU Export

- Established processors with known consumer demand (e.g., Bonum)

+/-

+ Kosovo reputation
+ Long-standing trading network
+ Outlet for 2nd class
+ Existing customer base
- Increased supply in home country with potentially lower COGS

Processed/Pickled

Domestic

- Market Share among Kosovars

Export

- Market Share among EU and Non-EU Diaspora

+/-

+ Potentially lower COGS than domestic imports/export competitors
+ Diaspora opportunity
- Require more capacity
-Need for technical support to deliver unique and differentiating product proposition/Brand to overcome developed brand preferences.

KEY SUCCESS FACTORS

- Become “Best in Class” in understanding consumers’ and customers’ requirements all along the value chain;
  - Training and leadership and investment
- Changing the current “mindset” – adopting a more competitive business model:
  - Value Added (quality in product, packaging, presentation);
  - Placing greater emphasis on supermarket channel as proxy for more developed markets;
  - Recognizing the broader, more competitive set (outside region)

KEY SUCCESS FACTORS

- Investment and partnership with others
- Strategic partnerships:
  - Supermarket channel: ETC- ELKOS
  - Processed fruits and vegetables: EuroFood
  - Fresh Export EU/Non-EU: (Potentially) Kelmendi
  - Two-three large growers

Short term Marketing Plan Recommendation 2010

MARKETING OBJECTIVES: NEAR TERM 2010

Objective

Increase KVS stakeholders' fresh and processed pepper competitiveness for profitable business opportunities
-Within region
-- Within Europe (non-EU and EU countries)
-- Domestic market

Strategies

1. Drive **demand** for Kosovo peppers in existing and new Export markets

2. Increase the **capacity** of current Kosovo pepper stakeholders to better compete for Export customers.

MARKETING OBJECTIVE/STRAEGIES: NEAR TERM 2010

Objective

Increase KVS stakeholders' fresh and processed pepper competitiveness for profitable business opportunities
-Within region
-- Within Europe (non-EU and EU countries)
-- Domestic market

Strategies

1. Drive demand for Kosovo peppers in existing and new Export markets

2. Increase the capacity of current Kosovo pepper stakeholders to better compete for Export customers.

NEAR TERM MARKETING INITIATIVES

Strategy

1. Drive demand for Kosovo peppers in existing and new Export markets and Domestic.

Initiatives

Initiative No. 1
Better understand the requirements and expectations of buyers for Export and Domestic markets

Initiative No. 2
Expand prospecting list and evaluate competition.

Initiative No. 3:
Improve presentation of Kosovo products to the Export market.

Initiative No. 4
Create awareness and build positive imagery of Kosovo peppers.

NEAR TERM MARKETING INITIATIVES

1. Drive demand for Kosovo peppers in existing and new Export markets and Domestic

Initiative No. 1

Better understand the requirements and preferences of buyers in non-EU and EU markets as well as Domestic markets.

Action Plan

1.Build knowledge base: Exhaust secondary data sources for insights (internet)

2.Create method/database for collecting pricing data from around the region and from historical files of stakeholders (Associations).

3.Include pricing data collection of actual Kosovo supermarket retail prices to gain better understanding of pricing demand and mark-up within Kosovo during the season.

4.Conduct primary research among high potential traders/buyers to assess interest, confirm specifications and requirements.

5.Benchmark Kosovo fresh peppers and Kosovo business practices vis-à-vis competitors

6.Communicate visual specifications to farmers/producers to eliminate subjective quality evaluations.

7.Facilitate stakeholder trip to leading EU and/or non-EU markets to gain insights from competitive presentation.

1b: Understanding Specific Buyer Requirements

- Demand-driven key to growth for industry
  - Best long term strategy for sustainability
- Drives quality
  - Best long term strategy for ROI/sustainabilitiy
- Offers efficiency
  - Essential to compete

1a. Building our Knowledge Base: Observations

Information Resources:

- Good sources found for EU standards
  - UN has just produced primer on quality
- CPI* is a rich resource for support to developing nations who want to penetrate new markets

Information Gaps:

- Need more insights into specific buyer/trader requirements for Kosovo peppers:
  - Timing, price, grades

1b. Benchmarking Kosovo: Business Systems Gaps vs. Competition

- Kosovo pepper industry must compete not only with pepper quantity and quality, but also in terms of business systems, what is called the "Trade Promise"– the characteristics of a good buyer/seller relationship.
  - Critically important for supermarket channel which is increasing in importance.
  - Currently under-developed asset for Kosovo vegetable marketers/producers
  - Requires new business model
  - Requires skill set development
  - Requires leadership
- Study will help convince that a new business model is needed and will winnow to "Best in Class" suppliers (over time we foresee industry consolidation).

Key Initiative No. 1: Build Knowledge Base with Primary (Custom) Research

Actions

1b. Buyer Benchmark Research: Two-part primary research study: a) Ascertain specific buyer pepper requirements, b) Rank Kosovo as business partner within competitive set

Action Steps

- Target: Working from existing database of prospects (KPEP), select 20-25 highest potential Export/ Domestic partners (e.g., ETC) for fresh+ processing end use.
- Method: Telephone interviews (traders, buyers, hypermarkets)
- Question areas:
- a) Pepper Buyer Specific Requirements
    - Awareness, perceptions of Kosovo peppers ,demand, constraints, variety, quality and packaging requirements, timing, pricing expectations, etc.
- b) Pepper Buyer Ratings of Kosovo Peppers in competitive context (peppers from Turkey, Macedonia, Albania)
    - Pepper quality
    - Pepper packaging
    - Business systems and practices
- Identify gaps and business skill set development needs

Deliverables:

- We will know specific buyer requirements and expectations in terms of product and business dealings vis-à-vis our competitors.

Timing/Responsibility

STTA: Strategy
Local research firm: Questionnaire Development: and fieldwork:
Jan 2010
Analysis/Implications Presentation to Stakeholders: KPEP
Timing: Feb. 2010

NEAR TERM MARKETING INITIATIVES

1. Drive demand for Kosovo peppers in existing and new Export markets.

Initiative No. 1
Better understand the requirements and preferences of buyers in non-EU and EU markets

Initiative No. 2
Expand prospecting list and evaluate competition

Action Plan:
1.Attend Fruit Logistica (Feb. 2010) to meet potential clients/ prospects.
2.Continue to mine other projects for "Best practices" and contacts
3.Continue "Marketing Roundtables across projects for shared learning and contacts.
4.Mine fruit produce websites for additional names of buyers and traders.

Key Initiative No. 2: Observations

- Identified need for communication tools for effective selling:
  - Sell sheets with product characteristics on product offerings;
  - Website for efficient information flow and buyer-seller dialogue
- Cold calling is difficult
  - Telecommunications infrastructure limitations
  - Lack of telemarketing expertise (selling skills)
  - Advantage: Multi-lingual
- Contacts from other projects as well as from KPEP's existing database more fruitful
  - E.g., Lithuanian trader operating in Albania provided client in UK (ASDA) who expressed interest in Kosovo peppers.

Kurtovska

Kosovo Pepper

Characteristics

Color:
Red

Length:
12-15 cm

Best for:
Processing

Packaging:
To your specifications

Season
August 15 - October 15

Quantity:
To your specifications

Certification:
GlobalGAP

Contact Information:

Mr. Musli Berisha - USAID KPEP
Branimir Dimitrijevic - USAID KPEP

Address: Radovan Zogovic
Str.No.1- Pejton,
10 000 Pristina, Kosovo.

Phone: +381 (0) 38 233 006
+381 (0) 38 233 007
Fax: +381 (0) 38 233 008
E-mail: administrator@usaidkpep.org

Supported by:

USAID KPEP

Sumborka

Kosovo Pepper

Characteristics

Color:
White - Yellow

Length:
8-10 cm

Best for:
Fresh market and processing

Packaging:
To your specifications

Season:
End of July - End of October

Quantity:
To your specifications

Certification:
GlobalGAP

Contact Information:

Musli Berisha - USAID KPEP
Branimir Dimitrijevic - USAID KPEP

Address: Radovan Zogovic
Str.No.1- Pejton,
10 000 Pristina, Kosovo.

Phone: +381 (0) 38 233 006
+381 (0) 38 233 007
Fax: +381 (0) 38 233 008
E-mail: administrator@usaidkpep.org

Supported by:

USAID KPEP

Key Initiative No. 2: On-going Efforts to Expand Prospecting

Initiative

Attend Fruit Logistica Trade fair and meet prospects

Action Steps

- Finalize attendee list
- Buy list of registered attendees at Fruit Logistica. Arrange meetings.
- Finalize and print sell sheets
- Observe competitive offerings and determine “Best in Class” at show and in market in terms of brands/products/packaging.
- Visits with key wholesalers
- Visits to retail outlets
- Collect sales materials to understand “Best in Class” and selling strategies, competitive strengths
- Review findings and insights (Association) with membership

Timing/Responsibility

Team Leaders: Berisha/ Dimitrijevic
Execution: TBD
Timing: December-March 2010
Fruit Logistica Feb 3-5, 2010

Initiative

1. Continue to mine other projects for “Best practices” and contacts
2. Continue “Marketing Roundtables across projects for shared learning and contacts.
3. Mine fruit produce websites for additional names of buyers and traders.

Timing/Responsibility

Team Leaders: Berisha/ Dimitrijevic
Execution: TBD
Timing: On-going

NEAR TERM MARKETING INITIATIVES

Strategy

1. Drive demand for Kosovo peppers in existing and new Export markets.

Initiatives

Initiative No. 1
Better understand the requirements and expectations of buyers for Export and Domestic markets

Initiative No. 2
Expand prospecting list and evaluate competition.

Initiative No. 3:
Improve presentation of Kosovo products to the Export market.

1. Close-in Analogy: Assess competitive strengths and weaknesses in developed non-EU competitor market (Antalya)
2. Develop Brand Identity, Brandmark and logo design.
3. Create Kosovo Vegetables & Fruits website.
4. Fresh Pepper Packaging Improvements
5. Packaging Design seminars
6. In-store marketing and merchandising best practices.

Key Initiative No. 3: Improve Presentation of Kosovo Products

Initiative	Action Steps	Timing/Responsibility
3. Improve presentation of Kosovo products to the market – domestic and Export	1. Market Intelligence: • Arrange visit to Anatalya market to gain insights into product presentation, packaging, "Best in Class" merchandising features, etc. in non-EU market. • Potentially include buyer from Kosovo (ETC) to have him help explain the importance of such added value concepts.	Team Leaders: Berisha/ Dimitrijevic Timing: Jan. 2010
	2. Branding: • Develop brand identity, Brandmark and logo design based on consumer research (within Kosovo) • Explore trademark protection for name and claim for peppers from Rahovec • Determine legal status/ownership implications • Collect examples of fresh product branding from US market to share "Best Practices"	Team leaders: Berisha/ Walter/Dimitrijevic Strategy: STTA Creative: TBD Timing: Jan 2010
	3. Kosovo Vegetables & Fruits Website: • Create website to provide information on products, suppliers, good practices, updates on technology, contact info • Develop content plan and maintenance plan	Team leader: Berisha/ Dimitrijevic Strategy: STTA Creative: TBD Timing: Feb . 2010

Key Initiative No. 3: Improve Presentation of Kosovo Products - Observations

- Kosovo processed peppers not "Best in Class" in product quality nor presentation
- Market is flooded with high quality imports (Bonum)
- Limited branded and portfolio differentiation vs. competition ("me too")
- No leverage of Kosovo origin
- No superior domestic leverage with Kosovo supermarkets
- Regional competitors have other marketing assets
    - E.g., Support (Export Promotion Boards)

Key Initiative No. 3: Improve Presentation of Kosovo Products

Initiative	Action Steps	Timing/Responsibility
3. Improve presentation of Kosovo products to the market – domestic and Export	4. Fresh Peppers Packaging Cases: • Review potential for foldable case option for fresh product. Confirm sourcing, costs, timing. • Survey other packaging options from more developed markets for application to Kosovo. • Develop pro-forma business case for potential use of crate • Test market with shipment with Kelmendi • Pursue Private Label branding partnership with domestic supermarket (e.g., ETC) 1. L	Team Leaders: Berisha / Dimitrijevic STTA: TBD. Timing: Jan 2010 Test market During Season
	5. Processed Peppers/Vegetables Packaging: • Conduct seminar on packaging label design for Kosovo processors and supermarket partners • Include tactics for highlighting quality improvements • Demonstrate higher quality appearance and shelf appeal of competitive products (in Kosovo and other developed markets)	Team Leaders : Berisha Dimitrijevic STTA: TBD Timing: Jan 2010
	6. In-store Handling/Merchandising "Best Practices" Training • Following Fruit Logistica, conduct in-store merchandising "Best Practices" seminar for supermarket partners, key Association stakeholders, other partners (e.g., HPK) • Examples of US in-store merchandising shared	Team Leaders: Berisha /Dimitrijevic STTA A. TBD Timing: Feb. 2010

Good Merchandising Practices In-Store

City Park, Prishtina

ABI, Prizren

NEAR TERM MARKETING INITIATIVES

Initiative No. 1
Better understand the requirements and preferences of buyers in non-EU and EU markets

1. Drive demand for Kosovo peppers in existing and new Export markets and domestic

Initiative No. 2
Expand prospecting /potential customer contact database

Initiative No.. 3:
Improve presentation of Kosovo products to the market.

Initiative No. 4
Create awareness and build positive imagery of Kosovo peppers.

Action Plan Steps:
1.Create "first ever" pepper trade fair in Xerxe, Rahovec Valley
2.Develop PR news releases for produce websites.
3.Create email marketing campaign to potential traders/buyers via "opt in" on website.
4.Use RTK Television 's Bujku show to highlight capability and branding activities for peppers.
5.Seek opportunity to be conference speaker on Kosovo peppers in EU and non-EU countries.

Key Initiative No. 4: Build Awareness and Positive Perceptions of Kosovo Peppers

Action Plan

1. Create first-ever Pepper Trade Fair in Xerxe, Rahovec Valley

Target: Buyers, traders, exporters, key domestic partners (sponsors, media, supermarkets, etc.)

Action Steps

- Define scope, strategy, budget, key elements.
- Prepare prospectus, cost-sharing plan for co-sponsors
- Determine inward bound potential clients for Year 1
- Develop Action Plan (event, PR, municipal permits, etc.)
- Develop theme and materials
- Include in-store merchandising events with leading supermarket partners during fair weekend to drive sales in Pristina and other cities.

Timing/Responsibility

Team Leaders: Berisha/ Dimitrijevic
Strategy: STTA
Execution:
Planning: Q1
Execution: end Aug 2010

Key Initiative No. 4: Build Awareness and Positive Perceptions of Kosovo Peppers

Action Plan	Action Steps	Timing/Responsibility

2. Develop PR plan for fresh produce websites/portals across EU and non EU countries	• Develop editorial calendar for press releases. Based on project activities.
	• Topic Examples:
	  • New identity and Brandmark
	  • First harvest,
	  • New packaging,
	  • Release of findings from research (if positive),
	  • Outlook for pepper harvest,
	  • Lead up to Pepper Fair,
	  • Results of pepper fair, etc.
	• Create standardized format
	• Create circulation list
		Team and Strategy: Berisha//Dimitrijevic
		Execution: TBD

3. Create features for RTK Television program "Bujku"	• Develop editorial calendar for press releases. Based on project activities. • (As above)	Team and Strategy: Berisha/ Dimitrijevic Execution: TBD

4. Seek opportunity to be conference speaker on Kosovo peppers in non-EU and EU Country	• Create list of 2010 industry conferences for potential speeches
	• Develop list of subjects
	• Examples of topics:
	  • "Revitalizing the Kosovo pepper industry: Case History to Date"
	  • "The History of Kosovo Peppers"
		Team leader: Berisha/ Dimitrijevic
		Legwork: TBD
		Speechwriting: TBD

CAPACITY DEVELOPMENT
Marketing

SUPPLY SIDE MARKETING INITIATIVES: NEAR TERM 2010

2. Increase the capacity of current Kosovo pepper stakeholders to better compete for Export and tic Domestic customers.

Initiative No.1.
Capacity

Initiative No. 2.
Quality

Initiative No. 3.
Process and Technology

Initiative No. 4.
Strengthen relationship between Association/farmers and key supermarkets

Initiative No. 5
Develop better selling skills among Association members

Initiative No. 6
Pilot test a new business model of Value Added throughout the chain.

SUPPLY SIDE MARKETING INITIATIVES: NEAR TERM 2010

2. Increase the capacity of current Kosovo pepper stakeholders to better compete for Export and Domestic customers.

Initiative No.1.
Capacity

Initiative No. 2.
Quality

Initiative No. 3.
Technology

Initiative No. 4.
Strengthen relationship between Association/farmers and key supermarkets

Action Plan Steps:
1.Communicate supermarkets requirements/expectations more broadly to producers/farmers.
2.Working with findings from Benchmark research, lay out action plan to address competitive business system disadvantages.
3.Explore private label partnerships with supermarkets for processed (capacity dependent). Example: Bylmeti in yogurt.
4.Create customer specific in-store marketing events and signage. At relevant high-interest time periods (e.g., seasonal).

- Continue to monitor produce/vegetable websites for concepts/ ideas.

"Poor" and "Better" Product Section Merchandising

ETC, Prishtina

City Park, Prishtina

MARKETING INITIATIVES: NEAR TERM 2010

2. Increase the capacity of current Kosovo pepper stakeholders to better compete for Export and Domestic customers.

Initiative No.1.
Capacity

Initiative No. 2.
Quality

Initiative No. 3.
Technology

Initiative No. 4.
Strengthen relationship between Association/farmers and key supermarkets

Initiative No. 5
Develop better selling skills among Association members

Action Plan Steps

1.Identify high potential young agricultural marketing Kosovar_talent (Leader)

2.Training in marketing and sales.

3.Export marketing training

   1. Translations of existing manuals
   2. Seminars

MARKETING INITIATIVES: NEAR TERM 2010

2. Increase the capacity of current Kosovo pepper stakeholders to better compete for Export and Domestic customers.

Initiative No.1.
Capacity

Initiative No. 2.
Quality

Initiative No. 3.
Technology

Initiative No. 4.
Strengthen relationship between Association/farmers and key supermarkets

Initiative No. 5
Develop better selling skills among Association members

Initiative No. 6
Pilot test a new business model of Value Added throughout the chain.

Action Plan Steps:

1.Develop business plans based on Value Added Business models.

2.Develop Case History vs. commodity model:

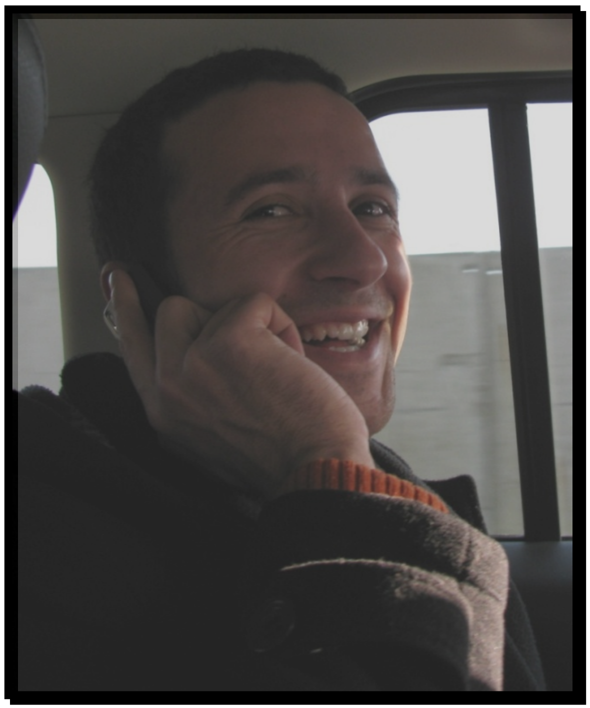
- Demonstrating higher value /ROI interventions along the value chain to Point of Sale.

3.Anchor initiatives in final end user by benchmarking consumer awareness, attitudes, preferences pre-post interventions.

PRIORITY RANKING: Essential to do

- Demand:
  1. Thoroughly understand pepper buyer/client requirements with primary research study (fresh and processed);
  2. Create the Brand Identity, Brandmark, Logo and positioning USP/tagline.
  3. Improve presentation of products sold for Export
  4. Packaging design and product quality presentation for processed.

The BeePro and AUK Team



Thank you !

Long Term Strategic Marketing Plan

- 2011-2014

MARKETING OBJECTIVES: LONG TERM 2011-2014

Objective

Increase KVS stakeholders' fresh and processed pepper competitiveness for profitable business opportunities
-Within region
-- Within Europe (non-EU and EU countries)
-- Domestic market

Strategies

1. Drive **demand** for Kosovo peppers in existing and new Export markets

2. Increase the **capacity** of current Kosovo pepper stakeholders to better compete for Export customers.

MARKETING OBJECTIVE/STRAEGIES: NEAR TERM 2010

Objective

Increase KVS stakeholders' fresh and processed pepper competitiveness for profitable business opportunities
-Within region
-- Within Europe (non-EU and EU countries)
-- Domestic market

Strategies

1. Drive demand for Kosovo peppers in existing and new Export markets

2. Increase the capacity of current Kosovo pepper stakeholders to better compete for Export customers.

LONG TERM MARKETING INITIATIVES: 2011-2014

Strategy

1. Drive demand for Kosovo peppers in existing and new Export markets and Domestic markets

Initiatives

Initiative No. 1
Adapt learning from peppers' Case History to other pepper varieties and (potentially) to other vegetable sectors with regional/EU and Non-EU market demand.

Initiative No. 2:
Identify and exploit opportunities along the value chain for Kosovo peppers competitive advantage

Initiative No. 3
Identify and exploit high potential consumer market gaps (processed, fresh, frozen) with new products.

Initiative No. 4
Create awareness and build positive perceptions of Kosovo vegetables in regional and Export markets (consumer level).

LONG TERM MARKETING INITIATIVES: 2011-2014

Strategy

1. Drive demand for Kosovo peppers in existing and new Export markets and Domestic markets

Initiatives

Initiative No. 1

Adapt learning from peppers' Case History to other pepper varieties and (potentially) vegetable sectors with regional/EU and non-UE demand.

Action Plan

Action Plan Steps:

1.Identify successful interventions at each stage of the value chain, with ROI and Business Case implications.

2.Identify strategic changes and adaptations based on "What worked" and what "Didn't work", changes in assumptions, market conditions, etc.

3.Repeat Benchmark study to ascertain new client requirements and changes as well as improvements or declines in "Trade Promise" dimensions.

4.Invest in pepper quality improvement program to continue to create and sustain competitive advantage.

5. Prioritize investments for highest potential pepper segment (fresh, processed) for market demand.

6.Evaluate pros and cons of expanding investments to other product categories or continued investment in peppers.

LONG TERM MARKETING INITIATIVES: 2011-2014

Strategy

1. Drive demand for Kosovo peppers in existing and new Export markets and Domestic markets

Initiatives

Initiative No. 1
Adapt learning from peppers' Case History to other vegetable sectors with regional/EU and Non-EU market demand.

Initiative No. 2:
Identify and exploit opportunities along the value chain for Kosovo peppers competitive advantage

Action Plan

Action Plan:
1.Create "bids and offers" system to opportunistic sales and strengthened trading relationships.
2.Explore potential for different varieties of peppers with incremental demand in target countries.
3.Build the business case for investment in tunnels and greenhouses for new investors.
4.Expand partnerships to other supermarkets. to drive demand with consumers.
5.Explore the potential to sell direct to end users in EU and non-EU counries.

LONG TERM MARKETING INITIATIVES: 2011-2014

Strategy

1. Drive demand for Kosovo peppers in existing and new Export markets and Domestic markets

Initiatives

Initiative No. 1
Adapt learning from peppers' Case History to other vegetable sectors with regional/EU and Non-EU market demand.

Initiative No. 2:
Identify and exploit opportunities along the value chain for Kosovo peppers competitive advantage

Initiative No. 3
Identify and exploit high potential consumer market gaps (processed, fresh, frozen) with new products.

Action Plan

Action Plan:
1.Explore Value Added new pepper opportunities in frozen.
2.Explore Value Added new pepper opportunities in pickled, processed

LONG TERM MARKETING INITIATIVES: 2011-2014

Strategy

1. Drive demand for Kosovo peppers in existing and new Export markets and Domestic markets

Initiatives

Initiative No. 1
Adapt learning from peppers' Case History to other vegetable sectors with regional/EU and Non-EU market demand.

Initiative No. 2:
Identify and exploit opportunities along the value chain for Kosovo peppers competitive advantage

Initiative No. 3
Identify and exploit high potential consumer market gaps (processed, fresh, frozen) with new products.

Initiative No. 4
Create awareness and build positive perceptions of Kosovo vegetables in regional and Export markets (consumer level).

Action Plan

Action Plan:
1.Create Communications Plan to drive consumption and preference of Kosovo peppers within Kosovo and re-position imported peppers as second class.
2.Create Communications Plan to build awareness, preference, and consumption of Kosovo peppers in key Export markets with priority set by:

- Sales volume
- Expected ROI
- Greatest competitive opportunity for differentiation