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ANNUAL PROGRESS REPORT

For the period September 1, 2010-August 31, 2011

FOSTERING AGRICULTURAL MARKETS ACTIVITY

FARMA

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COVER PHOTOS FROM TOP LEFT CLOCKWISE:

- (1) Swedish Expert Eva Kristina Mattsson (Grolink) during practical training on animal husbandry standards, inspections and certifications schemes
- (2) Bee pollinating a nectarine blossom in Mostar area, spring 2011
- (3) Control of beehives at Bisina- EkoMozaik
- (4) Practical training- good practices in berry farming

SOURCE: FARMA Project

FOSTERING AGRICULTURAL MARKETS ACTIVITY (FARMA)

Contract No.168-C-00-09-00102-00
FARMA - Bosnia and Herzegovina (BiH)

United States Agency for International Development (USAID)/BiH Economic Restructuring Office
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LIST OF ACRONYMS

APS	Annual Program Statement
ACED	Agency for Cooperation, Education and Development
B2B	Business-to-Business
BAM	Bosnian Convertible Mark
BBI	Bosnia Bank International
BiH	Bosnia and Herzegovina
BHEPA	BIH Export Promotion Agency
CEFTA	Central Europe Free Trade Area
COP	Chief of Party
CCA	Cluster Competitiveness Activity
CIM	Centre for International Migration and Development
CRP	Center for Development and Support
CRS	Catholic Relief Services
CzDA	Czech Development Agency
DAI	Development Alternatives Inc.
DAN	Development Agency North
DCA	Development Credit Authority
DF	Development Fund
DFID	Department for International Development (UK)
DGP	Development Grants Program
EC	European Commission
EPPO	European and Mediterranean Plant Protection Organization
EU	European Union
EUR	Euro
F&V	Fruit and vegetable
FADN	Farm Accountancy Data Network
FARMA	Fostering Agricultural Markets Activity
FBiH	Federation of Bosnia Herzegovina
FDI	Foreign direct investment
FTC	Foreign Trade Chamber
FRK	Farm Record Keeping
GAP	Good Agricultural Practice
GAP II	Governance Accountability Project, Phase II
GBP	Good Beekeeping Practices
GDP	Gross Domestic Product
GFP	Good Feeding Practice
GHP	Good Hygienic Practice
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
Global GAP	Global Good Agricultural Practice
GP	Good Practices
Ha	Hectare
HACCP	Hazard Analysis and Critical Control Points
HPLC	High Pressure Liquid Chromatography
ICS	International Control System
IEE	Initial Environmental Examination
IMF	International Monetary Fund
IPA	Instrument for Pre-Accession Assistance
IPARD	Pre-accession Support for Rural Development
IOAS	International Organic Accreditation Service
ISO	International Organization for Standardization
KRA	Key Result Area
LAMP	Linking Agricultural Markets to Producers Project
LGSA	Local Government Support Activity
LLC	Limited Liability Company
LINK	Association for Entrepreneurship and Jobs
LoP	Life of Project
MAP	Medicinal and Aromatic Plants
M&E	Monitoring and Evaluation
MEDI	Micro Enterprise Development Initiative
MIMIS	Municipal Management Information System
MFI	Microfinance Institution
MoFTER	Ministry of Foreign Trade and Economic Relations

MOU	Memorandum of Understanding
MT	Metric Ton
NERDA	North-East Regional Development Agency
NIB	National Institute of Biology
NRMP	National Residue Monitoring Plan
OK	Organic Control
OSCE	Organization for Security and Cooperation in Europe
PDO	Protected Designation of Origin
PEA	Programmatic Environmental Assessment
PERSUAP	Pesticide Evaluation Review and Safe Use Action Plan
PFS	Partners for Financial Stability
PGI	Protected Geographic Indication
PHA	Plant Health Administration (BiH)
PIR	Project Intermediate Result
PLOD	Center for Promotion of Local Development
PMP	Performance Management Plan
PO	Partner Organization
PUM	Netherlands Senior Experts Program
RCI	Regional Competitiveness Initiative
RDA	Regional Development Agency
R&D	Research and development
REZ	Regional Development Agency for the region of Central Bosnia
RFA	Request for Applications
RMP	Residue Monitoring Plan
ROI	Return on Investment
RS	Republika Srpska
SAA	Stabilization and Association Agreement
Sida	Swedish International Development Agency
SIPPO	Swiss Import Promotion Programme
SMS	Short Message Service (text messaging via cell phone)
SPIRA	Streamlining Permit and Inspection Regimes Activity
SPS	Sanitary and Phytosanitary
STTA	Short-term Technical Assistance
SVO	State Veterinary Office
TA	Technical Assistance
ToT	Training-of-Trainers
TSG	Traditional Specialty Guaranteed
UHT	Ultra-high temperature
UNDP	United Nations Development Program
UNCTAD	United Nations Conference on Trade and Development
USAID	United States Agency for International Development
USC	Una-Sana Canton
USD	U.S. Dollar
USK	<i>see</i> USC
VCE	Value Chains for Employment
WTO	World Trade Organization

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EXECUTIVE SUMMARY

The Fostering Agricultural Markets Activity (FARMA) project started at the end of the 2009 crop cycle. This allowed the project personnel to get the program up and running before the commencement of the 2010 agricultural cycle, when their expertise was put to use in the field, working with farmers. However, this also meant that FARMA was to be almost halfway through its three-year time frame by the time the first crop cycle was completed.

After identifying the existence of severe deficiencies in skills required to operate modern, efficient farms in all sectors, FARMA commenced intensive farmer training programs in selected subsectors to address those deficiencies. Some of these programs were established as “schools” within specific sectors with set curricula on a particular topic. This training model was used successfully in the dairy, MAPs, and honey sectors.

In Year 2, these programs were expanded and supplemented by practical, hands-on training, delivered to farmers and organizations across all FARMA sectors. For example, FARMA’s technical experts delivered training and practical assistance to almost 12,000 farmers through over 750 training events during the year. Moreover, three new products became eligible to enter the EU market¹ and 24 producers² achieved certifications aligned with EU standards and requirements as a result of this hands-on assistance and training.

Over this period, sales of the project beneficiaries (in relation to previous year) increased by 3.47% to exceed 42 million BAM (roughly 29 million USD) in new sales since the beginning of the project. Exports by project beneficiaries increased by 3.11% over the year. The slower pace of growth in sales and exports is a result of the severe European debt crises (and its effects on BiH economy) and the fact that major exporters have entered into long-term supply contracts with their foreign partners. Foreign direct investments in project beneficiaries (which increased by 5.8 million USD in the first project year as a result of foreign owners’ investments in the domestic subsidiaries) were not recorded in this year. This is yet another result of the European and global financial crisis, which negatively affects the investment climate, along with the generally non-investment conducive climate in BiH. However, the project beneficiaries attained an additional 6% of commercial financing (almost 10 million BAM during the life of the project), while simultaneously adding 5% more people to the payroll and increasing their part-time and seasonal workforce by 30% in this year (over 700 new agricultural jobs during the life of the project).

On the policy front, FARMA identified and analyzed 13 crucial policy reforms necessary to enable agricultural producers to comply with the EU standards and quality requirements, while simultaneously completing two action plans to eliminate certain policy constraints. The project published an analysis of the cooperative sector and one on the constraints in the land market³.

By the end of the second year, every dollar spent by USAID and Sida on the FARMA project had resulted in almost six dollars of increased economic activity as measured by actual farm sales. From the perspective of each donor’s 50 percent contribution each dollar spent on the project created roughly eleven dollars of benefits in agricultural economy⁴.

¹ Exceeded LoP goal of 2 products

² Since the start of the project

³ To be available online soon.

⁴ It is important to note that this calculation takes into account direct benefits only.

ABOUT THE PROJECT

FARMA is a \$10.6 million, three-year (plus one option year) program co-financed by the U.S. Agency for International Development (USAID) and the Swedish International Development Agency (Sida), and implemented by Chemonics International.

The program is designed to provide technical assistance in BiH targeted subsectors of agriculture through demand-driven assistance aimed at improving the competitiveness of BiH agricultural products. FARMA reflects donor faith that the agricultural sector of Bosnia and Herzegovina can spur economic growth, establish a foundation for sustained access to regional and international markets, and advance the country toward EU accession.

FARMA's approach focuses on four integrated components:

- Building sustainable market linkages for BiH producers;
- Increasing access to finance;
- Building the capacity of partner organizations and other counterparts; and
- Enhancing the policy environment to benefit the competitiveness of BiH agricultural goods.

FARMA's objective is to achieve rapid, sustainable and broad-based economic growth through demand-driven assistance aimed at improving competitiveness of BiH agriculture. FARMA is working to expand environmentally sustainable production, processing, domestic sales, export sales, and the production of value-added products. It also works to improve business management practices, compliance with international standards, improve access to finance, and help improve the coherence of key government policies and services.

In FARMA, Sida and USAID have created a program that is helping BiH accomplish several critical objectives: to increase agricultural competitiveness; to meet European Union accession standards; and to reduce poverty.

CONTEXTUAL BACKGROUND

The purpose of this section is to describe the wider environment and conditions that affect, the project, the country, and the region. Understanding the accomplishments and challenges of FARMA requires this larger context. While these factors negatively affect FARMA's work, they do not change the project's implementation approach. Readers who are familiar with the times and conditions pertinent to BiH in 2011 may skip this section.

EUROPE

Economy

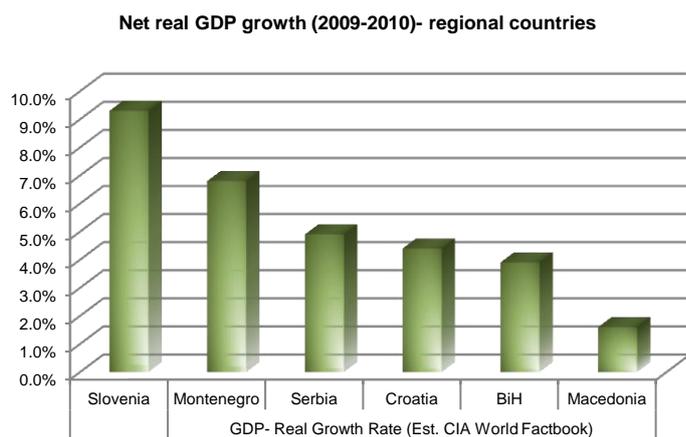
The year 2011 in Europe included problems with sovereign debt for several members of the EU which threatened the recovery from the lingering world financial crisis. The banking sector in Europe is in a period of difficulty that dampens BiH growth potential. On the other hand, as the BiH Mark (BAM) is tied to the euro, the weakening of the euro directly affects BiH. Exports to non-EU countries become more competitive while imports of products from non-EU countries become more expensive.

The risks and threats for the BiH economy are increasing and the potential consequences more dangerous. This turbulence is reflected in FARMA's results in the difficulty of achieving credit and investment objectives as well as the increasing difficulty of establishing and maintaining markets and business relationships.

Agriculture

During the year there have been some serious food born contamination problems, including the death of 44 people in Germany from *E.coli*. Spanish agriculture suffered a precipitous decline in demand in foreign markets when it was erroneously suspected the outbreak was from Spain. This example highlights the importance to implementing international standards and traceability.

REGION



The financial crisis had a significant effect on regional countries. The real GDP growth in regional countries was negative in 2009 and had low positive figures in 2010 (except in Croatia). However, the pace of growth (graph left) was strikingly different among countries. Slovenian net growth rate between 2009 and 2010 was 9.3% for example. In this regards, BiH was outpaced by all countries of former Yugoslavia except Macedonia.

In June, Croatia received approval to join the EU in 2013. Montenegro won candidate status last December; Serbia hopes to follow this December. Croatia is BiH's largest foreign trade partner and this will have a negative effect on the BiH trade balance. Croatian goods will still be available in BiH but BiH goods, which are not permitted to enter the EU, will not be able to enter Croatia. The same will happen with Serbia (second largest trade partner) if they become an EU member-state. If the BiH economy does not progress rapidly towards regulation and standardization in line with the EU *acquis*, very important export markets will

be lost. At the same time, Kosovo has introduced measures to make the import of BiH goods more difficult.

During 2011 agricultural producers in Croatia and Serbia engaged in frequent protests, including blocking the roads and streets of the capitals, as the continuing financial crisis forced their governments to reduce agricultural subsidies. Consumer prices and unemployment rose in both countries fueling concerns over not only economic but also social stability.

DOMESTIC

General

National elections were carried out in October 2010. No government at the national level was formed by the end of August 2011.

Economy

Despite IMF loans, the Entities' budgets operated in deficit. Unemployment remained in the range of 40%-45%. The share of GDP spent on the government is 47% (60% in FBiH). Inflation is rising. The BiH Consumer Protection Association reported a 3.6% increase in the price of the basket of consumer goods in the 1st half of 2011. Public corporations increased prices of services (e.g. power companies raised the price of electricity by 15% on average). Moody's downgraded BiH's rating from stable to "negative" in May 2011.

Agricultural Business

In December 2010, BiH was hit by the worst flooding the country has seen in a century. The flood intensity challenged officials in three countries (BiH, Montenegro and Serbia) and prompted authorities to declare a state of emergency and evacuate thousands of people. Schools were closed, power and heating were lost and water supplies contaminated. Crops were lost. Important tree crop areas were flood damaged. Estimates put the amount of damages in BiH at 212 million BAM (FBiH- 72 million BAM, RS -130 million BAM). This is almost 1% of the country's GDP in 2009.

The EU introduced an import duty on BiH plums exported to EU. These taxes came into effect on May 1, 2011 and remained in effect until September 1, 2011. This was a temporary measure of the EU, effective for the duration of the harvest season. These taxes are not longer in effect but there are no guarantees that similar taxes will not be introduced on BiH products by the EU in future.

Farmers' Protests

In August, farmers in Federation BiH started protests. The protests took place in front of the FBiH Government building in Sarajevo, while farmers from Herzegovina blocked border crossings with Croatia. Protests were launched in response to governments subsidy policy, specifically the division of 54 million BAM in agricultural subsidies.

FBiH subsidies for plant production amount to 6 million BAM (a reduction from previously proposed 11.5 million BAM), while animal production subsidies amount to almost 25 million BAM (an increase from previously proposed 22 million BAM). Capital investments (barn construction, herd purchase, procurement of equipment, procurement of cooling facilities etc.) will be subsidized by 4 million BAM (an increase from proposed 2.5 million)⁵.

⁵ Government of the Federation BiH- official press release of the Minister of Agriculture (<http://www.fmpvs.gov.ba>)

ANIMAL AND DAIRY SECTOR

YEAR 2 HIGHLIGHTS

- Production of E-class (the highest quality class) and 1st class milk increased by 41% compared to the base year. At the same time, the production of the lowest quality milk (class 4) decreased by 37.5% during the same period. This improvement translates into tangible monetary benefits for individual farmers. For example, a FARMA beneficiary who produced class 4 milk before and now produces class E milk will have attained 43% higher income per liter. FARMA's contribution to this trend has included the increase of milk cooling equipment, training on hygienic practices, and better quality feed.
- FARMA-assisted POs introduced a number of new, value-added dairy products, such as: feta cheese, smoked cheese, cheese with spices, and products made of whey. Sixteen new cheese varieties were made available in supermarkets across the country.
- Dairy schools were organized in Una Sana Canton in cooperation with Ag. Institute Bihac and in the Republic of Srpska in cooperation with the Agency for extension services RS. In total 21 dairy schools were organized and 755 farmers (18% women) attended classes and received certificates.
- Artificial Insemination training attended by 68 dairy farmers and this was the first time that farmers from FBiH, following the adoption of Livestock law, were able to perform artificial insemination (AI) of their dairy own cows. This activity increased management of their farms and results achieved until now are showing great increase of reproductive abilities of their cows because of timely AI.

The primary objectives of the dairy program include: (1) improving hygiene and milk quality; (2) improving the quality and volume of on-farm forage while reducing costs; (3) improving dairy herd genetics; and (4) increasing production of higher value products.

FARMA-assisted organizations attained little over 162 million BAM in sales (a 2% increase in relation to previous period; a 22% increase over the LoP target) and attained almost 46 million BAM in exports (a 4% reduction in relation to the previous year; a 24% increase over the LoP target). However, milk quality increased significantly and 14 new value-added products saw their market debut. In addition, 2,453 dairy farmers attended 209 training events and thirteen study tours held throughout the year.

YEAR 2 MILESTONES

Milestones	Status	Explanation
Training on market requirements for dairy products delivered	Completed	
BiH Business Growth Strategy and Action Plan developed for dairy sub-sector (follow up Y3)	Completed	
Pilot program – specific dairy products launched (organic milk and/or other products processing) (follow up Y3 & Y4)	Partially Completed	New cheese types introduced. Must reconsider organic milk.
At least 50 farmers received training on farm record keeping in Year2	Completed	
At least five POs (5% of targeted POs) successfully applying for funds	Completed	
Training of trainers	Partially Completed	TBC by the end of 2011
Presentation of booklets and materials prepared by FARMA staff	Completed	
Increase quality and quantity of raw milk and profit for farmers	Completed	
Increased profit of POs and processors through usage of better quality of milk and production of value added products	Completed	

YEAR 2 MILESTONES

Milestones	Status	Explanation
At least 5 study tours (in country and outside) organized and performed	Completed	
At least 10 dairy schools organized in cooperation with dairy processors and extension services	Completed	

Improving Hygiene and Milk Quality

To produce an abundant, safe supply of high quality milk, dairy cows must be healthy. Dairy farmers must make sure that each animal is kept in appropriate housing and must be fed high-quality diets containing protein, vitamins, and minerals. Dairy cows must be vaccinated to ensure good herd health and prevent disease. FARMA provided training to dairy farmers on all of these issues throughout the year.

The project continued its collaboration with Agricultural Institutes and Extension Services throughout the country in the organization of schools for dairy farmers. Each school curriculum consists of 15 different modules with emphasis on practical implementation of each subject area covered in classroom. The topics included:

1. Agro-technical issues of fodder crops;
2. Preparation of corn silage;
3. Preparation of grass silage, haylage and hay;
4. Barn construction and reconstruction;
5. Good Feeding Practice (GFP);
6. Good Hygienic Practice (GHP);
7. Good Agricultural Practice (GAP);
8. Good feeding practice of heifers and calves;
9. Metabolic diseases of cows;
10. Cattle reproduction;
11. Hoof trimming;
12. Farm record keeping;
13. Animal records keeping;
14. EU Nitrates Directive, and
15. EU standards in milk production.

Between the dairy school and other dairy related courses a total of 2,453 farmers, 17% of them women-farmers, were trained during the year in 209 training events.

The results of the dairy schools and training are visible in the overall increase of the quality of milk. The increase in milk quality is one of the central tenets of the project's intervention in the dairy sector, as the income of individual farmers is directly affected by the quality of milk they produce- the higher the quality of milk, the more money they receive from the processors.

In the last year alone, production of E-class (highest milk quality class) and 1st class milk increased by 41% (as compared to the base year). An even more encouraging result is the reduced production of the lowest quality milk (class 4) by 37.5% during the same period. This means that more farmers produce milk of higher quality than before. We can see from the graph (Figure 1) that the production in each quality class in 2010 (green) exhibits a strong shift toward higher quality product.

Additionally, because HACCP adoption is often used by the dairy industry and individual dairy producers in developed countries as an additional tool to ensure the safety of dairy products, the FARMA project organized and delivered training on HACCP system

implementation for dairy producers. The training program was delivered in 5 sequential modules, specifically tailored to cover only sector-relevant issues.

Prior to the training, FARMA assisted these organizations with HACCP implementation by conducting a systems and procedure assessment in accordance with HACCP, documented all points of non-compliance, and provided recommendations to team leaders and managers in those organizations. Following the training, 3 dairy processors attained HACCP certificates: ZZ PROMILK, Zlatna kap OPZ and ATZ BH Milch and two more (EKO-FLORA AZ and Eko Vlastic) commenced the certification process.

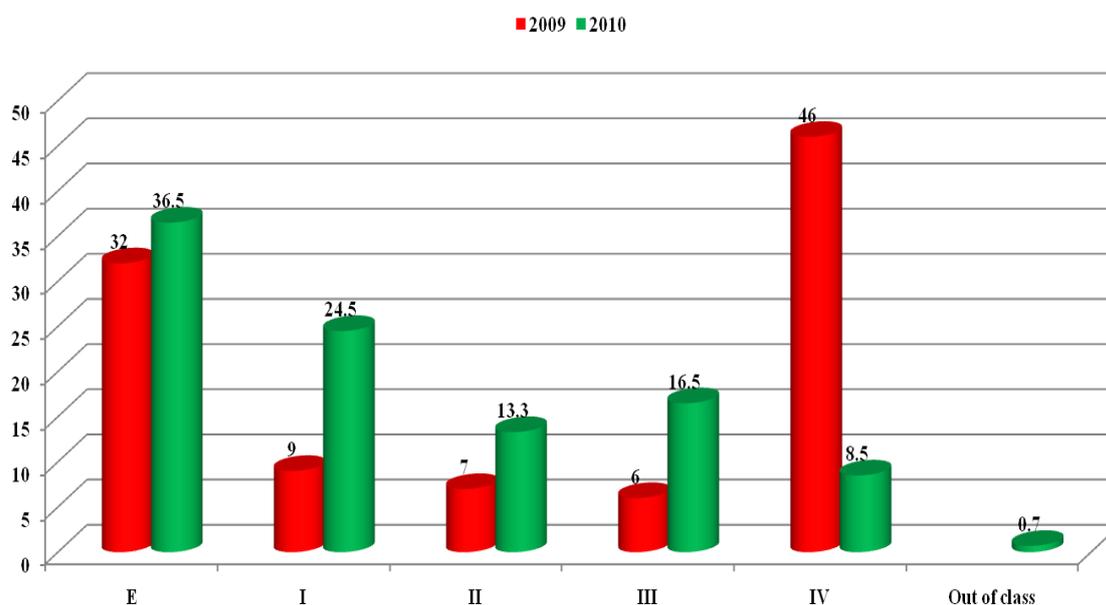


Figure 1- Distribution of Produced Milk by Quality (in percentages, 2009-2010)

As stated before, increasing quality translates into tangible monetary benefits for individual farmers. For example, a FARMA beneficiary who produced class 4 milk before and now produces class E milk will have attained 43% higher income per liter.

Quality	Quality Class	Purchase price (liter/BAM)	% Difference above the 4 th Class Price
Best	E-class	0.60	43%
Very good	1 st class	0.55	31%
Good	2 nd class	0.50	19%
Adequate	3 rd class	0.45	7%
Poor	4 th class	0.42	0%

Hence, each dairy farmer has a very tangible economic incentive to improve milk quality in addition to quantity. The farmer attendance at dairy schools is a reliable indicator that farmers found the training helped them achieve these objectives. In order for farmers to attain certificates of attendance to dairy school, s/he had to be present to at least 80% of the classes provided. These improvements led to higher sales of FARMA- assisted organizations (table 2). Unfortunately, a reduction in exports was a result of the debt and financial crisis and especially reduced purchasing power of regional consumers.

TABLE 2- CHANGES IN SALES AND EXPORTS OF FARMA BENEFICIARIES

YEAR	SALES		EXPORTS	
	Value (BAM million)	% change	Value (BAM million)	% change
* 2009	132.46	-	37.31	-
** 2010	158.93	20%	47.72	28%
*** 2011	162.05	2%	45.91	-4%

* 2009 actual
** 2010 actual
**
* 2011 estimate

Improving the Quality and Volume of On-Farm Forage while Reducing Costs

Women-Farmers Improve Milk Quality

FARMA provided a grant to the Tesanj-Usora Women Association in order to improve milk production in this region.

The latest data (August 2011) indicate an average increase of 20-30% in milk production. Half of the Association members that received milking machines now have Extra class milk, thus increasing their incomes.

Moreover, the Association added 70 new members. This was a result of improved member-services and support provided by the Association.

In order to address the second factor affecting farmers' economic benefit (i.e. economic benefit is a function of milk quality and the volume produced), FARMA focused on proper animal feed. The project and the Agricultural Institute of Una-Sana Canton completed the project "Analyses of Forage for Increased Milk Production." The purpose of this activity was to conduct analyses of grass and corn silage and feed concentrate to enable better control of feed quality to attain proper nutritional balance of forage on 100 farms in BiH.

All 100 farmers received the results of the animal feed testing and recommendations from the Agricultural Institute. In addition, experts from the Institute held four training sessions on proper feeding of dairy cows and visited each farmer with Agricultural Extension Services personnel. Data from 20 farms indicated an increase in average milk production of 2 liters per cow per day. This increase was achieved in three months following the completed analyses of forage on those farms.

Going back to our farmer example- if his or her cow produced 20 liters of Class 4 milk, his daily income would amount to 8.40 BAM (per cow). If this hypothetical farmer increased production by 2 liters per day along with increasing milk quality to E-class, the daily income for that cow would amount to 13.20 BAM (a 57% increase) by implementing very simple and low-cost FARMA suggested changes in operating practices.

FARMA organized activities to transfer new technologies and production methods. A number of study tours to Slovenia were organized so that local farmers could learn methods for producing grass and alfalfa silage and new cheese varieties.

After receiving a grant to procure new equipment, members of the Agricultural Cooperative Agromilk from the Srebrenica-Bratunac area were able to plant 80% more grass, corn and alfalfa than last year and had already prepared 50% more alfalfa and grass silage than only a year ago. Feedback from the Cooperative indicates that the quality and the volume of feed as well as the profitability in their milk production increased significantly, as a result of the new animal feed.

The latest data from the cooperative from August 2011 are showing that each of the members has planted an average of 20-30% more land surface. Their average production of corn silage per hectare was around 45 tons, despite dryer weather than last year. The results of the usage of new equipment received through grants and training resulted in

increased milk collection. The cooperative was able to collect 342,085 liters of milk which is 35% more than for the same period last year.

Grants totaling 543,424 BAM (roughly 372 thousand USD) were awarded to 10 dairy organizations by the end of the year. It is expected that the grants will generate new sales, and increase production and quality of the final products. Fifteen direct new jobs and 699 indirect jobs were created in the sector.

Improving Dairy Herd Genetics

FARMA improved the process of artificial insemination (AI) through training as well as a grant to 28 farmers from the association Stocar from Bijeljina to procure AI equipment. During November and December 2010, the FARMA project in collaboration with the RS Veterinary- Livestock Center, Agriculture Institute of Una-Sana Canton and the RS Extension Services Agency organized two schools teaching AI Techniques for dairy farmers.



Photo 1- Equipment recipients and AI equipment
SOURCE: FARMA

The first school was held in Bosanska Krupa and the second in Bijeljina. Attendees of both schools had their practical training at Farmland – the largest dairy farm in BiH - where farm experts teamed up with the experts from the Veterinary Livestock Center to train and assist the farmers. A total of 60 dairy farmers successfully completed the training.

Until now, there was a 70% success of AI on 20 farms, which is excellent as farmers normally required 2 to 4 attempts at AI to have successful insemination. This not only decreases costs of AI, but also increases milk yield on a yearly basis and improves herd management.

This training is an important milestone. For the first time, certified farmers are legally allowed to artificially inseminate their own herds. Previously, the farmer had to contact a licensed veterinarian. For herds of significant size this represents both a cost saving as well as improved insemination success because of the elimination of the wait time while the veterinarian fits the work into his schedule. It is an important dairy farm management improvement.

New Value-Added Products

FARMA supported small dairy processors to expand their product line. Cheese producers introduced 14 new products to the local market after attending a school for cheese producers in Slovenia and after additional hands-on training provided by the Slovenian experts at producers' facilities in BiH. The first economic effects of this intervention will be known in early 2012 (end of the BiH fiscal year). FARMA also assisted, and will continue to do so, in improving marketing and promotion of new products, including marketing research and online marketing.

NEW CHEESES IN BIH

Cheese production in BiH was primarily focused on production of few traditional cheese varieties: Livno cheese (similar to Gruyère cheese) and Travnički cheese (white sheep milk cheese). Due to activities of the FARMA project (such as, study tours to Slovenia, organization of cheese production school in Slovenia and facilitating on-site technical assistance of Slovenian cheese production experts to local cheese producers) domestic cheese production now includes 14 new cheese varieties that were not produced in BiH before. Those are:

- Tešanj feta
- Smoked Tešanj feta
- Tešanj feta with garlic
- Spiced Tešanj feta (4 varieties)
- Smoked Tešanj semi-hard cheese
- Smoked Kupres semi-hard cheese
- Spiced Kupres cheese (4 varieties)
- Kupres feta cheese.

New high value-added products are expected to generate higher sales and increased profits.



MEDICINAL AND AROMATIC PLANTS (MAPS) & HONEY

YEAR 2 HIGHLIGHTS

- 52 beekeepers were certified as 'Professional Beekeepers' after completing a 9-month training program in beekeeping with the Faculty of Agriculture and Food technology in Mostar
- FARMA established the 12-month MAP cultivation school through a subcontract with Women for Women International, which trained more than 100 women in the cultivation of MAPs.
- More than 200 Ha of land are under MAP cultivation as a result of FARMA efforts to replace MAP collection with MAP cultivation.
- More than 600,000 BAM worth of sales were generated as a result of participation in BioFach in Germany.
- Three honey processors obtained HACCP certification, which is one the requirements for BiH honey to be exported to the EU.

The primary objectives in this sector include: (1) increasing the cultivation of MAPs instead of the wild collection; (2) increasing efficiencies in processing; (3) improving marketing of MAP products; (4) installing value added products; (5) reaching EU standards in the honey sector.

FARMA-assisted organizations in this sector increased their sales by 22% (a 41% increase over the LoP target) while simultaneously increasing exports by 32% (a 72% increase over the LoP target) during the previous year. In addition, 4,279 farmers (MAPs and honey producers) attended 215 training sessions during the same period. Further, three MAP/Honey POs ("Medicom", "Apimed" and "Andjelic") obtained HACCP certification (a requirement for exporting honey) with the project's assistance and one new product (organic buckwheat) was exported to EU markets in the past year.

YEAR 2 MILESTONES- MAPs

Milestones	Status	Explanation
Facilitate contacts for at least 25 MAPs POs with international/local buyers	Complete	
B2B meeting in BiH with regional and international buyers organized	Complete	
Analysis developed and potential markets for MAPs products identified	Ongoing	
Regional B2B organized	Partially complete	postponed until January 2011 in order to attract a larger number of international buyers
At least 5 MAP POs (10% of targeted POs) successfully applying for funds	Complete	
At least 10 grant requests of assisted PO approved in year two	Partially complete	90% (9 grants approved). Expect 100% completion by the end of 2011.
At least 20 farmers started MAPs cultivation or introduced new herbs in existing production programs	Complete	
Demo plots established	Complete	
At least 5 MAP companies have improved design of products and approach to the market	Complete	
At least 7 women-owned businesses or women farmers started cultivation	Complete	
New technologies accepted by at least 3 companies	Complete	

YEAR 2 MILESTONES- MAPs

Milestones	Status	Explanation
Proposed amendments to existing regulation on NWFP	Ongoing	TBC in September/October 2011
At least 8 POs eligible for certification	Complete	

Cultivation of Medicinal and Aromatic Plants

FARMA worked intensively to increase the land plots under MAP cultivation through several means: direct technical assistance of a local MAP cultivation expert, MAP cultivation school, demonstration plots and close cooperation with the EkoMozaik project. The project organized a number of training sessions around the country with 390 attendees, who demonstrated their interest for cultivation and aims to continue with these efforts in order to reduce collection of these plants from the wild.

Women from the Doboj region demonstrated particular interest for cultivation and have established a Women Association "Srce" in order to achieve better coordination and new market linkages for its members.



Photo 2- Lavender Fields near Mostar
SOURCE: FARMA

For instance, FARMA engaged a local expert on MAP cultivation to provide technical assistance to companies and individual farmers in efforts to increase the MAP cultivation (lavender, marigold, chamomile, different spices, immortelle, artichoke, sage, balm, rosemary etc.). FARMA estimated that more than 200 hectares is being cultivated with these MAPs among the following POs: Bee Association Vucjak, Udruzenje zena Podrinje, Prirodno bilje, EkoMozaik, UPIP, Arome, Roing, Ljekobilje, Elmar, Elmar Aroma Care, Arome, as well as numerous individual farmers. Moreover, FARMA established a "MAP cultivation school" through a subcontract with "Women for Women International." This one-year program included theoretical and practical education in MAP cultivation with the objective of promoting cultivation as a viable economic activity among vulnerable population in BiH, specifically targeting 100 unemployed, poor women.

The project and its partners established 6 MAP demonstration plots in Jablanica, Doboj, Srebrenica, Ahmići, Olovo, and Vareš, covering 0.4 hectares with different kinds of MAPs, to enable practical training of the attendees in cultivation of: Hyssop, White Horehound, Echinacea, Calendula, Sage, Chamomile, Dill, Flax, Yarrow, Basil, Thyme, and Savory. At this stage, approximately 25 women expressed interest to continue this production and to increase MAP cultivation. FARMA put them in contact with the BiH MAP processors that are interested in purchasing the cultivated plants. For example, a B2B meeting with 5 potential buyers (Smrcak, Neven, Faveda, Ljekobilje and Heljda Eko) will take place in September in Srebrenica.

In addition, a demonstration site with lavender seedlings was established in Bosanski Brod through donation of 150 seedlings of "Ljekobilje" to the Bee Association "Vučjak." This marks the first time lavender has been cultivated in that region. If the demonstration plot is

successful, members of the Association may decide to cultivate lavender for bee pasture and for processing.

FARMA also worked closely with Eko Mozaik from Sekovici, which established one of the largest greenhouses in BiH with a 5,017 m² area for production of medicinal plants, fruit and vegetables and flowers. The greenhouse is a part of the project “Ecoplants - Strengthening Women through Organic Production of Medicinal Plants” - a project funded by USAID directly with the aim of providing employment for 100 women from rural areas and extensively supported by FARMA through technical expertise and training. More than 100 Ha of land will be cultivated with MAPs grown in the greenhouse. Eko Mozaik is also involved in honey production and has the potential to become one of the largest producers in the region.



Photo 3- USAID Program Officer Ms. Aller Grubbs, Mayor Momir Ristic and Mozaik Foundation Director, Mr. Zoran Puljic in the Eko Mozaik greenhouse opening ceremony
SOURCE: FARMA

New Value-Added and Secondary Products

FARMA works on improving MAP processing efficiency to enable producers not only to attain higher production but also to enable production of value-added products, such as essential oils, and better use of secondary products, such as the hydrolates and compost.



Photo 4- Technical Assistance in Production of Essential Oils
SOURCE: FARMA

To do this, FARMA engaged an expert to provide technical assistance in production of essential oils, hydrolates and compost to several POs: Roing from Ljubuski, Elmar Aroma Care from Bileca, Elmar Trebinje, Andjelic and Ljekobilje from Trebinje, Halilovic and Faveda from Sarajevo, Zene Podrinja from Skelani, UPIP from Zepce and Arome from Mostar. A French expert from Essences Naturelles Corses- one of the first companies in the world to cultivate immortelle and lavender on an industrial scale- provided training and expert advice. As a result, many processors in Herzegovina expressed their interest to start production of essential oils, hydrolates and compost locally. The project will engage this expertise again during harvesting and distillation season to ensure quality and adequacy of final products.

In order to support companies to produce new value added products and to enlarge their potential market, FARMA also provided grant funds to improve production of hydrolates. Hydrolates are used in the pharmaceutical and cosmetic industry. For example, "Elmar Aroma Care" from Bileća uses hydrolates to produce cosmetic products and cooperates with a German company in the production of final products such as creams, shampoos, lotions etc. Elmar accessed the German market with their final products and the project provided them with a grant to improve production technology in an effort to develop standardized products as required by the EU market.

Improving Marketing of MAP Products

FARMA worked on improving market linkages both locally ("farmer-processor") and internationally ("local processor- international market integrator"). The project also provided assistance in improving marketing activities and positioning to assisted organizations.

National level

At the national level, FARMA organized a study trip for 80 women to attend MAP cultivation school at the Faveda processing company in Sarajevo to observe processing operations, storage conditions and proper treatment of collected and dried medicinal and aromatic plants. Attendees received information on plant procurement (terms and conditions) and on other benefits for Faveda's collectors and cultivators. Additionally, the project organized a B2B meeting between "Prirodno bilje" and 35 farmers from Una Sana Canton interested to start cultivation for this company. Similar efforts will continue in future.

The project supported the annual Tea Festival and Bee Fest which were held in Sarajevo. FARMA creatively engaged people by organizing an open competition for the most innovative way of using tea. This also served to gain public interest. Winners received awards at the 9th International Festival of Tea and Herbs, TEA-FEST 2011 in Sarajevo. The first prize (200 BAM) and the second prize (100 BAM) were awarded to students of Sarajevo University for their proposals. "Biljana" and "Vispak" filter teas were awarded for their quality during a tea cupping event which attracted public and media interest. The best filter teas were, according to different juries, "Biljana" and "Vispak" teas. Marketing ideas such as these were noted in the "Strategy for Improvement of Tea and Bee Festival's"- a document created by FARMA's local marketing expert in coordination with the Fest organizer.

Further, to enhance promotion of MAP products, the project started negotiations with the BiH Airport Duty Free Shops to start sales of local MAP products in their shop at the Sarajevo International Airport. FARMA plans to organize a B2B meeting where all interested companies will be invited to demonstrate their products to BiH Airport Duty Free Shops. In preparation of this event, FARMA's expert will assist and educate producer organizations how to prepare their product presentations at these events.

This is an extension of continual marketing improvement activities. For example, FARMA's marketing expert developed marketing analyses and recommendations for improvements for

Faveda, Apimed, and Bee Association Kesten in addition to development of marketing and promotion plans for the certification body “Organska Kontrola” (in progress).

International Level

The survey of the export potential of the BiH MAP companies was completed by FARMA’s international expert. Analysis of the U.S. markets is ongoing.

At the international level, the BH Foreign Trade Chamber, the BiH Agency for Export Promotion (BHEPA), and the USAID/Sida FARMA and SIPPO projects supported 18 representatives of BiH companies to participate in the largest trade fair for organic producers, BioFach, held in Nuremberg, Germany. The 80m² booth included displays for

6 producers and processors: Elmar d.o.o. Trebinje, Elmar-Aroma Care Bileća, Halilović d.o.o. Ilijaš, Roing d.o.o. Ljubuški, Anđelić Trebinje and Smrčak d.o.o. Zvornik. They showcased their businesses and presented their organic certified products to visitors. Representatives of 12 additional companies had an opportunity to make new business relationships and establish contacts, in anticipation of obtaining organic certification in the near future.



Photo 5- Mushroom production at Smrcak
SOURCE: FARMA

The Post-fair sales results (results collected four months after the fair) from the participating local organizations who attended the 2011 BioFach trade fair were very encouraging. Local producers sold almost 600,000 BAM (roughly 428,000 USD) of medicinal and aromatic plant products.. Partner organizations that attended BioFach expect new sales negotiated there will exceed 2 million BAM (about 1.59 million USD) by the end of the calendar year. Encouraged by these results, FARMA will support attendance of MAP organizations at the BioFach Fair in February 2012.

Increasing Quantity and Quality

Grants totaling BAM 295,360 were awarded to 6 organizations by the end of the year. It is expected that the grants will enable the generation of new sales, enable increasing production and quality of final products. Thirty-eight direct new and 878 indirect jobs were created in the sector.



Photo 6- Lamaruz Soaps Sold in Sarajevo Street Fair
SOURCE: FARMA

For example, in addition to technical assistance and expertise, FARMA provided grant funds to Lamaruz from Grude- a small, women-owned company which produces unique soaps for the national market using MAPs as raw production materials. Demand for their product outstripped supply. This grant will provide additional equipment which will enable the production of greater quantities of natural soaps. This grant will rectify this imbalance, enabling the company to attain greater sales and profits.

Another example is Faveda, which received a grant to procure equipment for packaging teas. The company now sells their teas both nationally and internationally (Kosovo, Turkey and Qatar).

Reaching EU Standards in Honey Sector

FARMA implemented a multi-pronged program to help the beekeeping industry move towards the EU. This has included training to raise the standards at the primary production level (beekeeping), introducing HACCP at the processing level and working with the State Veterinary Office to implement institution level changes to overcome impediments for the export of honey to the EU.

Several study tours were organized locally and regionally:

- 80 women from all over BH visited Faveda as part of MAP cultivation school
- 55 beekeepers from Una Sana Canton visited Bee Fest in Sarajevo, supporting its Association in promotion of chestnut honey
- 50 beekeepers from Una Sana Canton visited Gorazde region in order to share experiences and knowledge
- 20 beekeepers from BH visited Slovenian Bee Association in order to learn from their experiences (GPs, EU projects etc.)

At the beekeeper level, FARMA organized numerous training sessions throughout the country in which more than 3,000 beekeepers were trained during the year. The benefits of such training include implementation of improved and modernized production technologies and increased production per hive. For example, 52 beekeepers completed a “Beekeepers School”, which was organized in collaboration with the Faculty of Agriculture and Food Technology in Mostar. Attendees who completed the 9-month program were certified as a Professional Beekeeper.

FARMA was very encouraged by the success of this model and applied it to similar schools in other sectors in which the project operates. For instance, FARMA supported organization of a beekeeping school for 42 members of the Bagrem Association from Jablanica. The school (modeled on the successful beekeeping school in Mostar) lasted three months, with the participation and cooperation of the Jablanica municipality, the Sarajevo Veterinary Faculty, the Institute for Agriculture, Sarajevo and the Medicom, Grude. Additional beekeeping schools were also held in Posusje, Zepce and Jablanica.

The Association “Kesten” from Cazin, benefited from the ongoing technical support and marketing expertise provided by the FARMA project. Kesten is working on meeting all the requirements to attain a Certificate of Geographic Origin for chestnut honey from Cazin region. The certificate was already awarded by the BiH Intellectual Property Institute yet the final decision (certificate award) will be made by the Food Safety Agency. After that, the Association's chestnut honey will become the first BiH product with this certificate.



Photo 7- Beekeeper School in Mostar
SOURCE: FARMA

The project also provided assistance to organizations in implementation of HACCP. Three MAP/Honey POs (“Medicom”, “Apimed” and “Andjelic”) obtained HACCP certification. HACCP is one of the requirements for companies to export honey to the EU.

At the institutional level, FARMA engaged experts from the Serbian Veterinary Office to provide insight into Serbian experience on the implementation of the national residue monitoring program, laboratory accreditation, and conformity with EU legislation and to

provide guidance on overcoming those issues. The consultants had a number of meetings with the BiH State Veterinary Office, entity Ministries of Agriculture, heads of Entity Veterinary Inspectorates, and the Veterinary Faculty of Sarajevo laboratories personnel. In addition, FARMA also trained 30 cantonal and regional veterinary inspectors in proper sampling of honey. FARMA will continue the efforts of institutional capacity building to overcome constraints for the export of honey to the EU.

FRUIT AND VEGETABLE (F&V)

YEAR 2 HIGHLIGHTS

- Over 10,000 small producers of fruit and vegetables cooperated to gain access to Mercator, the largest supermarket chain in SE Europe, through the 'Our Garden' ('Naša bašta') program. This opportunity was the result of a collaborative effort between FARMA and the Cooperative Association of the Federation BiH.
- Six POs from BiH exhibited at the Fruit Logistica Fair in Berlin, which resulted in sales contracts for fruits to the EU. This was first time that BiH companies were present at this fair. This activity was organized together with SIPPO.
- A historical moment for the Berry Sector in BiH – fresh raspberries and high bush blueberries were sold for the first time to the EU (Austria, Italy and Slovenia). Twenty tons of berries were exported, valued at 200,000 BAM. The quantities are anticipated to be three times larger next year.
- The Czech Development Agency (CzDA) has signed a contract with the Agriculture Faculty from Sarajevo to continue the trial of new berry varieties using different production technologies. This activity is a result of a MoU signed between USAID, Sida and CzDA.
- FARMA invested more than 543,115 BAM to improve the cold chain facilities in 8 POs. The improved cooling facilities will help POs sell both fresh and processed products on for the local and export markets.
- Cooperative Vocar, Kozluk/Zvornik exported 4,000 tons of pickles, valued at 3,500,000 BAM to EU processing companies from, which is 40% more than the previous year, as a result of FARMA's support to expand their cooling facilities.

To achieve FARMA's goals, the project concentrated its activities in three segments: (1) Introducing new production technologies and standards in production and processing; (2) Introduction of new berry varieties to ensure the sector gains a competitive advantage in the long run; (3) Facilitating market linkages, through participation in fairs and direct contacts with potential buyers, to help POs access higher paying markets.

FARMA-assisted organizations in this sector increased sales by 2% (a 13% increase over the LoP target) and exports by 3% (a 20% increase over the LoP target) in the past year, while simultaneously accessing 6% more in commercial financing (a 62% increase over the LoP target) than in the year before. In addition, 3,227 farmers attended 159 training sessions and four study tours during the same period. Moreover, four producer organizations attained certifications necessary for successful exports into EU, while two new products (raspberries and blackberries) were exported to European markets in the past year.

YEAR 2 MILESTONES

Milestones	Status	Explanation
List of new varieties prepared and demo plot established	Complete	-
POs linked and two sales contracts achieved	Complete	-
Established business relationships and sales contract signed	Complete	-
Improved branding, packaging etc. of assisted POs	Complete	-
At least 5 POs (14% of targeted POs) successfully applying for funds	Complete	-
At least ten (10) grant requests approved in Y2	Complete	-
MOUs signed with POs who are identified periodically	Complete	-
Implementation of latest growing technology which results in increased productivity (higher yields) and better product quality, reduced volume losses and extended shelf-life of produce.	Complete	-
POs are implementing relevant standard requirements and have better market access	Complete	-

Introducing New Production Technologies and Standards in Production and Processing



Photo 8- Field Training in Velika Kladusa
SOURCE: FARMA

FARMA continued its intensive training programs for farmers on topics such as tree fruit pruning, berry growing, greenhouse vegetable production, pickles/gherkins production, and the installation of drip irrigation systems with an aim to increase yields and improve farm productivity. FARMA supported initiatives that improve the cold chain in the country to reduce post-harvest losses, and improve market access.

FARMA cooperated with MCO 'Partner' to train the recipients of 'Vocko' loans. This was a combination of theoretical and practical training.

In addition to training, FARMA organized two in-country study tours, to introduce new berry varieties and to learn new technology methods regarding the production of these new varieties. During the 2010 calendar year, 164 farmers planted 35.3 ha of raspberries and 1.1 ha of blueberries. In spring 2011, 44 people planted 4.4 ha of raspberries, 0.41 ha of blueberries, and vegetables in greenhouses and open field.

Moreover, the project collaborated with the German NGO Pharos e.V. to develop a feasibility study for developing the berry sector in the Bratunac region. This study was completed, along with analyses of markets and opportunities for fruit sales in Germany and the EU. Pharos and FARMA presented these results to key regional players and stakeholders.

Improved Post-Harvest Management Reduce Costs for Producers

FARMA's international STTA provided assistance to Linija Voca, a Brcko-based company, in the introduction of proper post-harvest management and storage improvements.

Linija Voca reduced its post-harvest losses by 5% and reduced maintenance costs by 6%, thus directly improving their bottom-line.

The project in cooperation with the Slovenian Agriculture Institute from Maribor held training sessions for 48 people on implementing EU quality standards for production of seedlings in order to produce virus-free plant material locally. Follow up training was held in Slovenia, with 17 BiH producers and institutional representatives attending. Training topics were fruit transplant production, new growing technologies and varieties of tree fruits, as well as certification of plant transplants in accordance with the EU legislative requirements.

FARMA also worked intensively on improvement of quality standards to ensure successful HACCP certification of several project's beneficiaries (ZZ Vocar, PZ Agro Koraj and ZZ Insieme). In addition, Maocanka Commerce successfully increased the number of their GlobalGAP certified partner-farmers from 68 to 115 plum producers (a 69% increase).

As a part of ongoing collaboration with the PUM program, funded by the Dutch Government, FARMA organized site visits of a Dutch blueberry expert to farmers in NE BiH. The expert provided technical assistance to 20 start-ups in Zavidovići, Banovići, Kladanj, Milići, Bratunac, Tuzla and Brčko District during his 3-day visit. General observations were that all blueberry orchards visited were in good condition (some were excellent), while some improvements must be made in the areas of fertilization and weed control.



Photo 9- Dutch experts visit BiH farmers
SOURCE: FARMA



Photo 11- FARMA grants in action- cold storage facility
SOURCE: FARMA



Photo 10

In some regions where production expanded in recent years, there was a lack of cold storage facilities which resulted in low product quality (leading to lower prices), which meant that some markets (such as supermarkets for fresh produce) could not be accessed. As goods are highly perishable, lack of cold storage facilities and related equipment (sorting, calibrating machines etc.) also leads to substantial product losses or lower quality.

Therefore, FARMA invested more than 543,115 BAM in 8 POs (Agromont, Baso, Bojin, Frutti Funghi, Gracanka, Heko, Maocanka, Vocar) to improve their cooling facilities, thus improving their supply chain capacities. With these increased capacities, the POs were able to store highly perishable fruit and vegetables extending shelf life, increasing quality and providing an opportunity for producers to access desired domestic and international markets (either as fresh or frozen products). For example, the cooperative Vocar increased exports by more than 65% compared to the previous year, securing sales contracts with domestic and regional buyers. In addition they signed a contract with buyers from the Czech Republic and Germany. None of this would have been possible without the FARMA cold chain support.

Overall, FARMA awarded 893,333 BAM (roughly, 610 thousands USD) in grants to 15 organizations from this sector.

FARMA arranged visits and assistance of international experts to local POs to enhance production techniques and expertise. For example, a number of grant requests have been for dryers. A survey of dryers that are available revealed that their prices are very high. In many cases they are more than double the cost of dryers in other countries. In order to determine if better designs, construction, or materials could reduce their costs, an international expert who designs and builds dryers that cost one third to one half of the cost of those available in BiH, was contracted to assess the situation. The conclusion was that dryers used in BiH are of good quality. In general they are adequately designed, efficient and

effective for the purposes they are being used, with some opportunities for improvement. However, there were no major opportunities for dramatic reductions in cost. The reason for this is that BiH law requires the dryer screens, which represent a major percentage of the material costs, be made using stainless steel. This is a very high cost material, the use of which elevates the overall cost of the dryers in use.



Photo 12- Masonry double tunnel dryer- Iverak Agro Koraj
SOURCE: FARMA

On a negative note, orchards were flooded in the valleys up-river from Trebinje, in the vicinity of Ravno, at the end of 2010. An inspection of those orchards this spring showed that the damage was extensive. Peaches, nectarines, and cherries were harmed. In many cases the trees were entirely submerged in flood waters for several weeks. As the flood waters were slightly above freezing it appears that trees came out of senescence, expecting that spring had arrived. When the flood waters subsided cold winter temperatures froze the young sap filled branches. These were pruned out resulting in the loss of the fruit bearing branches. This led to very low

harvests for this year and diminished harvests for an additional two to three years. In some instances the damage was so severe that the orchards need to be completely replanted. The FBiH Ministry of Agriculture estimates the value of the damage to be on the order of 212 million BAM across the 3,500 Ha that were flooded.



Photo 13- Trebinje area floods and residual damage 6 months later
SOURCE: FARMA

Introducing New Varieties

FARMA introduced 20 new berry varieties to BiH and promoted the already-existing Polka variety. Red, black and golden raspberries were imported from the U.S. and U.K. and include early and late bearing varieties. A demonstration plot was established in collaboration with the Faculty of Agriculture and Food Sciences in Sarajevo to test their viability under BiH agro-climatic conditions. Thus far, it was established that the majority of the new varieties are compatible with local conditions and the ones with the highest potential are being tested in other BiH regions. The Polka variety, in particular, is seen to have a high potential with a high price in the fresh fruit market.

Four new varieties were added to the National Variety List by the BiH Plant Health Administration and the other varieties should be added shortly, but how soon depends on the BiH authorities. These new varieties were crucial in allowing berry producers to maintain a competitive edge by extending the harvest season and providing handling characteristics that are ideal for fresh market sales. Some also improved resistance to disease. In addition, the demonstration plot was used by 3 students of the faculty to complete their bachelor degree dissertation, while 2 students completed a master's thesis. The demonstration plot will be expanded in the coming period to test additional varieties and growing technologies, with the support of the CzDA.

Commercial propagation started with the promising Polka variety. FARMA collaborated with the UNDP VCE project to import and plant 200,000 Polka berry seedlings in Una-Sana Canton, Visoko and Konjic municipalities. Five and a half hectares of the new Polka variety were planted in the Una-Sana Canton in 2011.

Facilitating Market Linkages

Fruit Exports to Russia and Serbia

FARMA beneficiaries exported a total of 50 tons of cherries to Russia at a premium price (1.68 USD per kilo) during June. This represents 5% of total exports of all FARMA beneficiaries to Russia in 2010. This is the first time fresh cherries were exported to Russia.

Upon confirmation of the Russian buyer, an additional 84 tons of cherries will be exported by the end of the season. Jaffa Commerce expects to sell an additional 200 tons of strawberries to Russia.

Moreover, 23,000 raspberry seedlings were exported to Serbia. This is the first time ever that the BiH producers successfully exported any type of seedling material.

SIPPO and FARMA jointly supported BiH companies in their participation at the Fruit Logistica Fair in Berlin (February 2011). Fruit Logistica is the world's leading trade fair for the fresh produce industry. Attended by all key industry decision-makers, the event generated business transactions worth billions and attracted a record number of exhibitors and visitors. More than 56,000 trade visitors from 132 countries attended the event. The project assisted the following BiH companies: Agroimpex d.o.o., Maocanka Commerce DOO, PMG VIP PZ, Unaplod, Voce i povrce Krajine in the development of their marketing presentation and marketing approach.

All of these efforts created positive momentum for producers. For example, after the FARMA-assisted presentation of Maocanka Commerce at the Fruit Logistica Fair in Berlin, the company signed a purchase contract with a large German retail chain

"EDECA" for 600 tons of fresh plums. Maocanka secured export sales of 1,000 tons of plums for 2011. Hence, combined sales were expected to exceed 1,600 tons (approximately a 50% increase compared to 2010- before investments of the project into cold storage capacities). This would not be possible without the project's interventions and support in construction of cold storage capacities.

However, a major issue affecting export of fruits from BiH to the EU was that the EU introduced an import duty on BiH plums exported to EU. These taxes came into effect between May 1, 2011 and September 1, 2011. As a result, BiH producers were no longer price competitive in the EU market. For example, Maocanka had to cut exports to EU by half, despite the fact that they were fully prepared to procure local plums and large sums were allocated for packaging. The situation was made all the more difficult as the production season was very good and the local market was flooded with plums. Farmers had no choice but to sell plums locally. Maocanka made urgent arrangements and had sold more than 1,000 tons of plums for processing to Prijedorcanka in Prijedor, which then sold semi-final products to Croatia. Events like these had a profound impact on sectoral sales and exports⁶. These effects were evidenced by the slower pace of sales and export growth in this year as compared to previous year (table 3).

Year	SALES		EXPORTS	
	Value (BAM million)	% change	Value (BAM million)	% change
* 2009	80.51	-	28.94	-
** 2010	88.92	11%	33.90	17%
*** 2011	90.64	2%	34.99	3%

* 2009 actual
 ** 2010 actual
 *** 2011 estimate

While it is possible that the expiration of these taxes induces the beneficiaries to go back to normal production and exports, the definitive answer will be provided by the annual plans of these companies (end of calendar year). The EU's signal may cause some producers to carefully consider their future export plans.

Additionally, FARMA collaborated extensively with GIZ and CIM in BiH to ensure coordination of activities and to capitalize on the opportunities for leveraging of activities of the projects. CIM experts and FARMA will collaborate in organization of the B2B meetings during the Anuga Fair, while GIZ may provide their support in development of the exhibition catalogues for domestic producers. GIZ and CIM experts visited a few FARMA clients (Mladegs Pak, Prijedorcanka, Mushroom and Heko) to learn more about them and to better prepare B2B contacts.

⁶ Despite the fact that Maocanka did technically export 1,000 T to Croatia, they had to do so at severely reduced price.

EU INTEGRATION, STANDARDS AND ENVIRONMENT

YEAR 2 HIGHLIGHTS

- The National Monitoring Program for potato quarantine pests was implemented for the first time in 2011. This was the first national monitoring program in plant health in Bosnia and Herzegovina.
- Since the start of the project, 24 FARMA-assisted POs, have achieved certifications required for market access (thus exceeding the LoP target of 20 POs).
- A new BiH product entered the EU market: Organic buckwheat from Bionatura. This was a direct result of FARMA's efforts to ensure organic certification issued by Organska Kontrola is recognized in the EU.
- A cooperative audit database was established in both entities' cooperative associations with the aid of the cooperative association from Vojvodina, engaged by FARMA.

The project continued with planned interventions in three key areas: (1) assisting POs to implement standards to prepare them for certification so they increase food safety standards and reach desired markets; (2) improving the quality infrastructure and the general business environment to align with the EU *acquis*, improve market access and increase competitiveness of the BiH agriculture sector; and (3) ensuring environmental compliance to satisfy the requirements of the project IEE and promote sound environmental practices in alignment with environmental sustainability goals.

YEAR 2 MILESTONES

Milestones	Status	Explanation
Safe pesticide use brochure	Completed	
Pest Management/Integrated Production Plans develop for at least 4 farmer groups or pests/disease	Completed	
Conduct 2 meetings with Cooperation Body and Advisory Council	Completed	
20 POs are able to obtain GlobalGAP certification in Yr 2	Completed	
15 POs are able to obtain HACCP certification in Yr 2	Completed	
5 POs are able to obtain organic certification in Yr 2	Completed	
Organic certification brochure developed for wild harvested production and processing	Completed	
Organic certification brochure complete on plant production and livestock	Completed	
At least 5 lab staff completed detailed training in diagnostic methods pertinent for F&V and honey	Completed	
CB organic standards for animal husbandry are developed and approved by EU	In progress	This milestone is in progress. Training was conducted by GroLink in April.
Laboratory assessment report complete	Completed	

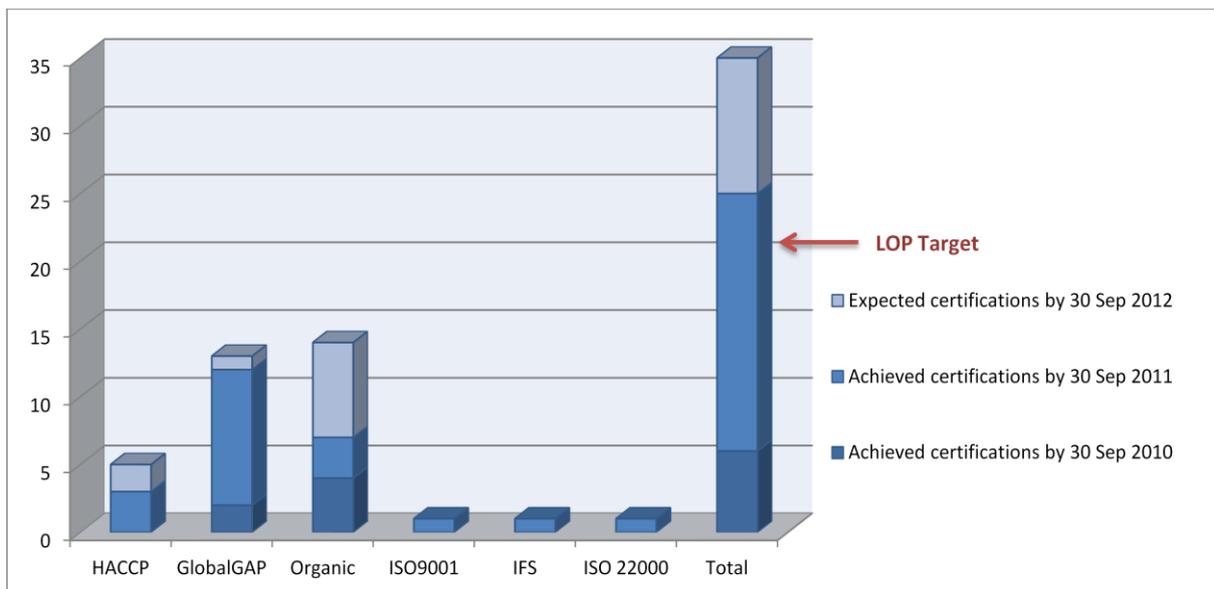
YEAR 2 MILESTONES

Milestones	Status	Explanation
Proposed amendments to existing Cooperative Laws	Completed	Cooperative Unions have different views how this needs to be approached and this is a highly sensitive topic politically. FARMA completed a study on the cooperative sector, which included an assessment of issues pertaining to cooperative assets, which can be used by Cooperative Associations to advocate for policy reform. The report also highlighted the inconsistencies between the entities on cooperative law and made recommendations on needed improvements.

FARMA identified and analyzed 13 crucial policy reforms necessary to enable agricultural producers to comply with the EU standards and quality requirements, while simultaneously completing two action plans to eliminate certain policy constraints. The project published an analysis of the cooperative sector and one on the constraints in the land market. Moreover, three new products became eligible to enter EU market⁷ and 24 producers⁸ achieved certifications aligned with EU standards and requirements as a result of this hands-on assistance and training.

Assisting Producers to Implement Standards

Since the start of the project, FARMA assisted POs to implement standards and obtain certification in HACCP, GlobalGAP, organic standards or ISO 9001. The process of implementation and certification is a very long and an expensive process, however by the end of Year 2, FARMA exceeded the LOP target. Twenty four POs have achieved desired certifications at the end of Year 2 of the project, while another 10 are expected to do so in Year 3.



⁷ exceeded LoP goal of 2 products

⁸ Since the start of the project

Hazard Analysis Critical Control Point- HACCP

The Hazard Analysis Critical Control Point (HACCP) is a systematic preventative approach to food safety. It is used in the food industry to identify potential food safety hazards, so that key actions can be taken to reduce or eliminate the risk of the hazards being realized. The implementation of HACCP is a requirement for companies wishing to export processed food products to the EU as well as those selling on the domestic market. As such, the FARMA project places significant emphasis on assisting food producers to implement HACCP.

The project initially held two-day "Introduction to HACCP" training in Čapljina for the POs from the Herzegovina region. Subsequently, a two-month HACCP system implementation program started in Sarajevo on 6 October 2010 and was completed on 29 November 2010. The program was tailored to three specific sectors (F&V, MAP/Honey, and dairy sector), which participated in weekly modules. Additionally, on-site technical assistance was provided to participating POs. The goal of this program was to build the capacity of HACCP teams in companies to understand, implement and properly apply the HACCP requirements. The training included both theoretical and practical training, including the analysis of the current status and recommendations for necessary adjustments to conform to HACCP requirements. Following this intensive training, FARMA continued to provide TA to POs that expressed an interest to implement all of the requirements of HACCP and achieve HACCP certification. FARMA helped these POs to develop and finalize relevant documentation and records (and implement them in their daily work) in order to ensure conformity with the requirements for certification. As a result of these efforts, 3 POs achieved HACCP certification during Year 2 of the FARMA project: Medicom, Andjelic, Apimed, while OZZ Insieme became certified under ISO 22000, which incorporates HACCP, as well as the IFS. In addition to HACCP, Andjelic doo was also certified under ISO 9001:2008. Two honey processors (Medicom and Apimed) obtained HACCP certification, which is very important as HACCP is one of the prerequisites for export of honey to the EU and both companies have the capacities to export honey as soon as BiH becomes eligible to export honey to the EU.

GlobalGAP

One of FARMA's goals is to improve access to EU markets by ensuring that local producers meet EU standards and obtain necessary certifications. BiH producers wishing to export fresh fruit and vegetables are almost always required to obtain GlobalGAP certification. GlobalGAP is an auditable standard promoting Good Agricultural Practices (GAP) managed by FoodPlus in Germany. Implementation of GlobalGAP in BiH will improve farm management, achieve higher product quality and improved environmental outcomes as well as assist producers maintain or access new EU markets.

FARMA has been providing direct assistance to POs to meet the requirements of the GlobalGAP standard. This has included general awareness raising, intensive 3-day training events and direct technical assistance to more than 20 POs. The GlobalGAP training-of-trainers (ToT) training was held in Sarajevo (20-22 October) and Banja Luka (27-29 October). This training was aimed at POs that are implementing GlobalGAP as well as professionals in public and private agricultural extension services.

As the process of GlobalGAP implementation and certification is resource intensive and time consuming, FARMA also leveraged with other projects to assist POs to obtain GlobalGAP certification. For example, FARMA provided training to several POs in North-Eastern Bosnia in the GlobalGAP standard while CRP in Tuzla continued to work intensively with the same POs to prepare them for certification. Similarly, FARMA trained several farmers in the GlobalGAP standard in the Banja Luka region, and the same farmers were supported by Integrated Fruit Producers in Laktasi to obtain GlobalGAP certification, through USAID DGP funds. Also, UNDP Value Chains for Employment Project supported three POs (Šumski Plod, Herbos and Frutti Funghi) to obtain GlobalGAP certification. In this instance, the introduction of the GlobalGAP standard was conducted by Organska Kontrola, whose

employees were trained in the GlobalGAP standard by the FARMA Project. Overall, 10 FARMA-assisted POs obtained GlobalGAP certification in Year 2 of the project.

The FARMA team believes it is very important to continually build capacity of consultants who assist POs in meeting the GlobalGAP certification requirements, so that these consultants are kept up to date with the new trends in GlobalGAP and are able to provide up-to-date advice to farmers. A new GlobalGAP version 4 has been developed and is valid from January 2011 and obligatory from 1 January 2012. Therefore, FARMA cooperated with UNDP to train 6 people from BiH in GlobalGAP version 4 at the GlobalGAP international workshop and conference which was held in the period of 13-15 September 2011 in Warsaw, Poland. This was a unique opportunity for BiH participants to learn in an international setting and therefore share experiences with their counterparts from other countries.

Organic

FARMA assisted POs in the process of obtaining organic certification, which helps BiH producers in accessing potentially higher paying domestic or foreign markets.

Ongoing support on the development of an Internal Control System (ICS) Manual, processes and documentation, was provided to several POs including Mozaik, Bionatura, ZZ Insieme, Andjelic doo, and Emira Vukovic- an individual farmer. In addition, FARMA provided grant support to Lubrikum in Tarcin to expand the production of manure compost, which is suitable for organic production. This will help other POs in BiH meet organic certification requirements.

In addition to direct support to POs, FARMA also conducted training with the Foreign Trade Chamber and Organska Kontrola on the organic certification requirements in beekeeping. FARMA also drafted a guide for organic certification with a description of basic requirements and procedures for certification, and developed a brochure on fertilization and plant protection in organic farming and distributed it to producers wishing to certify its cultivated production as organic. Furthermore, FARMA provided advice to Pharos e.V. Stuttgart project regarding the development plan for organic production and requirements for certification for smallholders.

Quality standards in nurseries

FARMA undertook several activities to improve the quality standards in nurseries. Experts from the Agricultural Institute in Maribor (Slovenia) visited 8 nurseries in BiH in April 2011, to assess the standard of production. A round-table discussion was organized for 40 participants on the topic Quality standards and EU regulatory requirements for certification of nurseries, which included the discussion on the current conditions in BiH and conditions which local nurseries must achieve in order to obtain certificates for their production of seeds and seedling material. In addition, FARMA cooperated with the Agriculture Institute in Maribor to organize a study tour in Slovenia for 15 participants in June 2011. Participants learned about new fruit varieties and requirements for the production and certification of standard seedling material (CAC - *Conformitas Agraria Communitas*).

Sustainability of consulting services beyond FARMA

FARMA recognizes the importance of having the provision of technical assistance on standardization and certification beyond the FARMA project. To build the capacity of local consultants and inspectors in auditing, FARMA cooperated with UNDP to organize a 5-day Lead Auditor training in accordance with the ISO 19011 standard in March 2011 in Sarajevo. This training enabled several inspectors to perform certification (for standards such as GlobalGAP, organic) for accredited certification bodies. The training was conducted by Ms Polonca Repic, from the Institute of certification in Maribor, Slovenia. FARMA also provided

assistance to Organska Kontrola to maintain and increase the scopes of accreditation to be able to provide services and certifications in accordance with the EU requirements.

Improving the quality infrastructure and the business environment

FARMA is actively supporting the implementation of the MoFTER Road Map for overcoming constraints for the export of products of animal and plant origin, to improve the BiH quality infrastructure and align with the EU *acquis*. This mainly involved overcoming plant health, veterinary and food safety issues. FARMA actively contributes to roundtables organized by MoFTER, to coordinate with other projects and agencies to implement the Road Map. Specifically, FARMA's focus has been on removing the impediments for the export of potatoes and honey. FARMA has also collaborated with the EU funded EU Expro project and has provided its input to the draft export strategy for the food and agriculture sector.

TABLE 6- POLICY RELATED PRODUCTS DEVELOPED BY FARMA

No.	Products	Year 1	Year 2
1	EU Market Access Constraints for Agricultural and Food Products from Bosnia and Herzegovina (FARMA Report)	x	
2	Road map to create conditions to enable exports of products of plant and animal origin (Report, adopted by the Council of Ministers)	x	
3	Regulation on honey and other bee products (public discussion with the BiH Food Safety Agency)	x	
4	Regulation for honey and other bee products quality control (public discussion)	x	
5	The capacity of BiH phytosanitary laboratories to perform analytical tests on quarantine pests of potatoes according to EU standards (report by FARMA)	x	
6	National Variety list updates with new berry varieties	x	
7	The State of Laboratories in Bosnia and Herzegovina (joint report by FARMA and FIRMA)		x
8	Agricultural Cooperatives in BiH		x
9	Moving the Land Market Forward in BiH		x
10	Progress Report Card on Road Map Implementation		x
11	Progress Report Card on the export of potatoes and honey		x
12	Monitoring program for <i>Erwinia amylovora</i>		x
13	Regulations on geographic indication and traditional products (public discussion with the BiH Food Safety Agency)		x

These reports are counted towards PMP indicator no. 12 in the PMP (items No. 1,2,10 and 11 are also counted towards indicator no. 13)

Plant health issues



Photo 14- BiH laboratory personnel trained at the National Plant Health Institute in Ljubljana, Slovenia
SOURCE: FARMA

FARMA worked very closely with the BiH Plant Health Administration (PHA) in a number of areas related to plant health, with a focus on overcoming constraints for the export of BiH potatoes to the EU. The key requirement for this is the full implementation of the national monitoring program for quarantine pests of potatoes. For the monitoring program to be implemented, it was necessary to build the capacity of BiH phytodiagnostic laboratories as well as inspection services, in accordance with the EU requirements. Therefore, FARMA cooperated with the BiH Plant Health

Administration to prepare laboratories and inspection services to implement the monitoring program. Initially, FARMA organized a visit for a representative of the BiH Plant Health Administration to the Plant Health Administration, and Inspection Services in Slovenia in order to provide guidance to BiH in terms of the organization of inspection service related to monitoring and harmonization of the BiH system with the EU requirements.

In coordination with the BiH Plant Health Administration, FARMA organized training on diagnostic methods for quarantine nematodes affecting potatoes between in October 2010 at the Agriculture Institute in Ljubljana, Slovenia. Four BiH laboratory staff participated in this intensive 5 day training. A supplemental five-day workshop on EPPO (Euro-Mediterranean Plant Protection Organization) standards and quality systems in phytodiagnostic laboratories was held in November and December 2010 in Sarajevo to help prepare BiH phytodiagnostic laboratories to work according to EPPO standards. In addition, FARMA cooperated with Sida's Quality Infrastructure project to include representatives of phytodiagnostic laboratories in ISO 17025 training held in March and April 2011 in Sarajevo. To ensure BiH laboratories continue to follow EU standards in laboratory analysis, FARMA coordinated with the BiH Plant Health Administration, the Slovenian Agriculture Institute, the National Institute of Biology (NIB) and the BiH phytodiagnostic laboratories activities related to proficiency testing as a follow up to previous assessment of diagnostic capacity of laboratories in BiH. The aim of proficiency testing was an objective assessment of the degree to which the diagnostic laboratories have implemented the basic screening methods for detection of quarantine pests of potatoes and their competence in diagnostic and analytical methods.



To ensure inspectors were fully aware of potato sampling procedures, the BiH Plant Health Administration and FARMA organized training for agricultural and phytosanitary inspectors from FBiH, RS and District Brcko on proper sampling and visual inspection of potatoes. The training was held in Gradiska on in December 2010 and Sarajevo in February 2011, and included a practical component in a warehouse. The training was conducted by a phytosanitary inspector from Slovenia.

Photo 15- Training of phytosanitary inspectors in potato sampling
SOURCE: FARMA

BiH Plant Health Administration and FARMA organized a workshop on the start of the implementation of the national monitoring program for quarantine pests of potatoes. The workshop was held in Teslic in January and February 2011. The workshop was attended by representatives from Entity Inspectorates, Ministries of Agriculture and Institutes that have been nominated by the BiH Plant Health Administration to conduct the phytodiagnostics. This year (2011) was the first year that the monitoring program was implemented and this was the first national monitoring program in plant health in Bosnia and Herzegovina. This was a major achievement in plant health in Bosnia and Herzegovina. Potato samples were soon being collected and analyzed in BiH laboratories. Funding for the laboratory analysis for 2011 was obtained from the World Bank's ARDP Project. In year 3, FARMA will organize another assessment of PHA-authorized laboratories to determine if they are following the required EU standards.

Aside from potatoes, FARMA also provided technical support to the BiH Plant Health Administration in the drafting of three regulations pertaining to seedlings. A workshop with key stakeholders was held in November 2010 in Jahorina. This was followed by public forums, which included all relevant public and private sector stakeholders, which were held in mid-December in both Banja Luka and Sarajevo. Technical support was provided by a fruit production expert from the Agriculture Institute in Maribor, Slovenia.

In addition, FARMA coordinated with BiH Plant Health Administration and Swiss Caritas activities related to the management of the fire blight disease caused by *Erwinia amylovora*. This is further described under environmental compliance.

Veterinary issues

FARMA was working with the BiH Veterinary Office to facilitate successful implementation of the National Residue Monitoring Program (NRMP) for products of animal origin, focusing on honey. In March 2011, a series of site visits and workshops for Veterinary Office staff and veterinary inspectors was organized. Two experts were engaged from Serbia to provide advice technical advice to the BiH Veterinary Office to help BiH overcome barriers for the export of honey to the EU. A consultant report on the current barriers recommendations to overcome them was submitted to the State Veterinary Office. FARMA also facilitated discussions between the BiH Veterinary Office and PZ Apimed, a honey processor in Una Sana Canton, with an aim to prepare and guide it to become authorized to export honey to the EU, once the NRMP is approved. In year 3, FARMA will work with the State Veterinary Office to train veterinary inspectors in honey sampling. In addition, FARMA will train selected laboratory staff in honey residue analysis, in cooperation with the Czech Development Agency.

One major issue, however, is that BiH needs to fully fund the implementation of the national residue monitoring program for residues in products of animal origin. The shortfall in funds is approximately 350,000 BAM annually. Without the full implementation of this program BiH will not be able to export products of animal origin to the EU. FARMA has met with government representatives as well as donors to highlight this issue and develop a project proposal so that adequate funds are allotted to this crucial activity. Sida has agreed to provide funding for this activity in 2011/2012 through the World Bank ARDP project. FARMA emphasized the importance of the NRMP in the export strategy document for food and agriculture products prepared under the EU Expro project

Food Safety

In cooperation with the BiH Food Safety Agency, FARMA organized a seminar for interested POs on the procedures for the protection of products and the benefits of obtaining protected marks (PDO-Protected Designation of Origin; PGI-Protected Geographic Indication; TSG-Traditional Specialty Guaranteed). The seminar was held in May 2011 in Sarajevo. The presenters were Ms Eva Mattson from Grolink, Sweden, engaged through FARMA, as well as staff from the BiH Food Safety Agency. Forty participants now have a better understanding of the procedures for the protection of products. FARMA received a certificate of appreciation from the BiH Food Safety Agency for supporting Agency's activities, which was presented at the first international conference on food safety in BiH.

Organic

In the organic sector, FARMA provided TA to Organska Kontrola in an effort to obtain EU recognition of OK's certificates (OK is already IFOAM accredited). The request is pending. Assistance included support during the assessment by the IOAS (International Organic Accreditation Service) to increase the scope of accreditation for food safety programs that include GlobalGAP, IFS and BRC standards. In order to expand the scopes of certification,

FARMA, in cooperation with Grolink from Sweden and Organska Kontrola, organized a two-day workshop on animal husbandry standards and inspection and certification systems in organic production in May 2011 in Tuzla (Spreča farm). The goal of the workshop was to help prepare BiH inspectors to work in the area of certification and organic animal husbandry standards in accordance to the EU Regulation 834/2007.

FARMA worked with Organska Kontrola and company Bionatura, which produces organic buckwheat to meet the required production standards and access the EU market. More detail is further below under the section 'new agricultural products in the EU'.

FARMA met with representatives of the Sector for agriculture within MoFTER and UNDP, to discuss how the Sector can be supported to implement the Activity #13 of the Road Map – Draft BiH Law on Organic Agriculture in accordance with EU regulations. At this stage, the RS expressed preference to establish these laws in the entities rather than the state level, which is not directly in accordance with the adopted Road Map.

Cooperatives and Associations

FARMA continues to strengthen cooperatives and associations in several ways and FARMA staff's expertise has often been sought by other donors. FARMA continues with these efforts because farm holdings in BiH are small and it is often useful for small farmers to organize themselves into cooperatives or associations. In this way they can have a better access to final markets or intermediaries; as well as to improve their position for market negotiation, and public advocacy.

In cooperation with the Swiss Caritas, FARMA conducted training in Gorazde for the Association of fruit producers 'Drina' on the management of business associations as well as training on the 'Development of a successful association' for raspberry producers in Busovaca area. In cooperation with the German-funded Pharos project, FARMA conducted training on the 'Management of associations' for raspberry producers in Fakovici-Bratunac area. FARMA has agreed with Swiss Caritas and the Pharos projects on a training plan for the next 12 months to strengthen raspberry producer associations 'Willamette' and 'Miker' Bratunac. Support has also been provided to individual organizations such as a group of farmers in Gornji Vakuf for activities related to cooperative formation; Development Agency in East Sarajevo to support agricultural associations in this municipality; farmers from Prozor-Rama on how to set up an association; farmers in Romanija region on the management of a business association. FARMA has agreed on a training plan with a micro-credit organization, Mi-BOSPO, for their clients in the implementation of their project "Network of women in business."

FARMA worked closely with cooperative associations in BiH. FARMA engaged two auditors from Vojvodina Cooperative Association, in November 2010, to help development of a data base of audited cooperatives and in continued practical training in auditing. As a result, Cooperative Associations of the RS and FBiH have operational databases of audited cooperatives. Furthermore, an intern engaged by FARMA completed research reports on 'Agricultural Cooperatives in Bosnia and Herzegovina' and 'Moving the Land Market Forward in BiH'. These reports were presented to Cooperative Associations as well as representatives of the USAID, Sida, and the FARMA Advisory Council and Coordination Body. The reports were extremely well received and will be useful in the development of cooperate strategies. The RS Cooperative Association was in the final stages of completing this strategy while the BiH and FBiH are waiting for the government to form.

Environmental Compliance



Safe pesticide use brochure produced by FARMA and the BiH Plant Health Administration

FARMA continually follows USAID environmental regulations, particularly the IEE, PEA and PERSUAP pertaining to FARMA.

In reference to the PEA, FARMA reviews grant applications to determine any adverse impact on the environment, in accordance to procedures set forth in the USAID-approved PEA. Compliance to recommended mitigation measures are being checked by FARMA staff, often resulting in PO-specific recommendations or recommendations for FARMA to address at a sector level. Sector level recommendations include the promotion of good agricultural practices (described above under standards) and assistance to POs to acquire environmental permits as per local laws. Consequently, FARMA has engaged additional STTA to provide training and TA to FARMA-assisted POs in the area of environmental permits and tools for improving environmental performance including ISO 14001. The first training was held in Bihac in September in coordination with the USK Agriculture Institute.

The table below summaries FARMA's efforts to implement mitigation measures for indirect, cumulative and sector specific issues, as described in the PEA.

RECOMMENDATIONS IN THE PEA	FARMA ACTIVITIES
<i>Fruit and Vegetables Sector</i>	
A) FARMA shall prepare and implement a PERSUAP for the main crops supported by FARMA.	FARMA prepared the PERSUAP in Year 1 and was approved by USAID in May 2010 (DCN:2010-BOS-007). FARMA's implementation of PERSUAP's recommendations is described below.
B) FARMA shall implement a comprehensive plan to introduce Good Agricultural Practices in BiH...Facilitating the introduction of GlobalGAP in BiH should be the cornerstone of this plan.	FARMA developed a comprehensive plan to introduce and implement GlobalGAP on farms. By the end of Year 2, 12 FARMA-assisted POs have obtained GlobalGAP certification, as described in other sections of this report. FARMA's efforts included direct assistance to POs to meet the GlobalGAP standard. The Fruit and Vegetable team organized numerous technical training sessions Integrated Pest Management, drip irrigation, soil nutrient management etc.
C) Promote organic agriculture in BiH, as a sustainable farming technique in areas where this technique will provide not only positive environmental outcomes but also appropriate level of food security and economic return desired by the farmer.	FARMA provided comprehensive assistance to several POs to meet the organic standard. This included assistance in technical aspects of organic farming as well meeting organic certification requirements. At the end of Year 2, four FARMA-assisted POs, in the fruit and vegetable sector, obtain organic certification. FARMA also provided a grant to a company which produces organic fertilizers, permitted for use in organic agriculture.
<i>Dairy Sector</i>	
A) Promote Good Agricultural and Hygiene Practices in Dairy Farming, through training materials and training, to minimize adverse environmental and health effects. Examples of such practices include:	FARMA provided comprehensive training to farmers on Good Hygiene practices and Dairy Farming. FARMA Dairy team produced several technical materials on these topics and conducted numerous training sessions and study tours on these topics (as described under the Dairy section of the report)

RECOMMENDATIONS IN THE PEA	FARMA ACTIVITIES
Dairy Sector	
B) Promote Good Practices according to the EU Nitrates Directive through training materials and training.	FARMA Dairy team conducted several training sessions and study tours on the topic of EU Nitrates Directive and its practical implementation. The Dairy team also produced a handbook of the EU Nitrates Directive – the first handbook on this topic in Bosnia and Herzegovina.
Medicinal and Aromatic Plant Sector	
A) Promote Good Agricultural and Collection Practices (GACP), through training materials and training, to minimize the chance of over-harvesting of wild plant materials.	FARMA is currently developing materials for the promotion of Good Agricultural and Collection Practices, which will be used in training sessions on this topic.
B) Assist BiH institutions in the implementation of GACP/ISSC-MAP by building capacity in resource assessment which can be used to determine the sustainable harvest rate. <u>AND</u>	FARMA has been in regular contact with several institutions with responsibility in the area of collection of non-wood forest products. A round table on the existing regulations is planned in October 2011. General observation is that the public sector's interest to improve the implementation of these regulations is low.
C) Assist the BiH institutions in the process of regulatory reform based on GACP/ISSC-MAP principles.	
D) Work only with SMEs that are collecting wild plants in a sustainable manner or have or are working towards organic certification, GACP or ISSC-MAP.	FARMA provides most of its support to SMEs in the MAP sectors that have organic certification. For example, it is a requirement for attendance at the BioFach Fair, which FARMA supports together with the Foreign Trade Chamber. FARMA also actively supports MAP POs to reach organic certification and implement GACP.
E) Provide assistance to SMEs where funding will be used for value-adding rather than additional harvesting from the wild.	FARMA's grants in the MAP sector are focused on value-adding and MAP cultivation. Several grants were focused on POs that are producing value added products such as creams and teas, as well as for the improved distillation techniques and MAP cultivation.
F) Promote cultivation of plants that are currently being harvested to a significant extent.	FARMA's MAP team developed a comprehensive program on MAP cultivation. This was done both through STTAs and subcontracts. By working with Women for Women International, more than 100 women participated in a year-long school on MAP cultivation. In addition, FARMA provided training and TA directly to POs involved in MAP cultivation, including Eko-Mozaik, an organization which is working with 100 women to grow medicinal and aromatic herbs as bee pasture.

In reference to the PERSUAP recommendations, FARMA:

1. Advised potential users of the least toxic pesticides available on the BiH market and approved in the PERSUAP, under the broader framework of Integrated Pest Management (IPM).
2. Promoted IPM and safe use practices described in the PERSUAP through the following means:
 - a. Reference guides for permissible pesticides for raspberries as well as a guide for pest management in fruit and vegetables following organic principles.
 - b. IPM plans for potato quarantine pests (described above) and *Erwinia amylovora*. FARMA provided technical support to the BiH Plant Health Administration for the development of the *Erwinia amylovora* (fire blight) monitoring plan, in cooperation with Swiss Caritas. A stakeholder discussion on the draft "Fire blight Monitoring and

Management Program" was held in Banja Luka in November. The draft monitoring program was completed with FARMA technical support and was reviewed by Entity Ministries of Agriculture. The plan will be further discussed at the Plant protection Symposium planned which will be held in November 2011. Additionally, FARMA supported the Association Drina together with Swiss Caritas to raise awareness about the fire blight disease among farmers, extension office and government in general. A database was formed which includes information on the presence of the disease in apple and pear orchards. The presence of *Erwinia amylovora* has been confirmed on a pear farm in Ilijaš through laboratory tests conducted at the Agriculture Institute in Banja Luka. Relevant government bodies, including the Federal Ministry of Agriculture, the BiH Plant Health Administration and the FBiH Inspectorate were informed about the presence of this disease, which is on the EPPO list of quarantine pests. FARMA has also initiated activities to develop a monitoring plan for *Phytophthora fragariae* – a causal agent of root rot disease in raspberries. In addition, FARMA has been promoting the GlobalGAP standard among at least 20 POs.

- c. FARMA and the BiH Plant Health Administration jointly published a brochure on "safe use of pesticides." This brochure is important as it provides guidance to farmers how to use pesticides safely to avoid adverse impact on the environmental and human health. This publication was produced in accordance to USAID environmental regulations and specifically FARMA Pesticide Evaluation Report and Safer Use Action Plan (PERSUAP).
3. Building the capacity of farmers, agricultural advisers, agricultural inspectors, in aspects of IPM, safe pesticides use, phytosanitary control, so that best practices continue to be promoted post-FARMA. Specifically, FARMA has:
- a. Conducted training for fruit and vegetable growers on pest management practices including IPM and safe pesticide use.
 - b. Agreed with the BiH Plant Health Administration to support a training program for agronomists working in agricultural supply stores, once the relevant regulations are adopted by the BiH Government. Thus far, FARMA assisted two individuals from BiH to participate in a 3 week course in Israel – R&D in Integrated Pest Management, which will help build BiH capacity in this area. The course was organized by the Centre for International Agricultural Development Cooperation (CINADCO) in Israel.
 - c. In cooperation with the BiH Plant Health Administration, trained internal and border phytosanitary inspectors in product sampling of major pests and diseases with an aim to prevent the spread of pests and diseases in BiH. FARMA has thus far focused on potato quarantine pests as well as *Erwinia amylovora* (in cooperation with Swiss Caritas), which affects pears and apples.
 - d. Developed and implemented a comprehensive program to facilitate the implementation of the GlobalGAP standard. This was conducted in Year 1 of the FARMA project and further assistance was provided to POs in Year 2, leveraging with other donor-funded projects (as described above under the heading GlobalGAP).
 - e. Agreed to work with the BiH Plant Health Administration and other relevant parties to assist them in the process of control at the point of entry, removal and proper disposal of pesticides that are not registered.

FARMA assisted two recipients of USAID DGP funds to meet US environmental requirements. Mozaik was assisted to prepare environmental review for a project which included the construction of a greenhouse, reconstruction of distillation facilities, and cultivation of medicinal and aromatic plants on 100 ha of land. FARMA assisted CRP in Tuzla to prepare and environmental assessment for capacity building of agricultural business in drought adaptation- establishment of small scale irrigation demonstration sites.

NEW AGRICULTURAL PRODUCTS IN EUROPEAN UNION

FARMA was working to introduce at least 2 new BiH products to the EU. During the past 2 years, FARMA focused on overcoming institutional constraints for the export of potatoes and honey to the EU, facilitating certification of products, as well as introducing new varieties and improving the cold chain to facilitate the export of other new fruit and vegetable products. FARMA has succeeded in helping POs sell three new products to the EU.

Polka Raspberry



Photo 16- Fresh raspberry for export
SOURCE: FARMA

Over the past 2 years, FARMA helped the raspberry industry to diversify its portfolio of raspberry varieties grown in the country. The dominant varieties in BiH are Willamette and Meeker. These are suitable mainly for the processing sector (freezing). Polka, however, is an excellent variety for the fresh market, with a long shelf life. FARMA worked intensively to introduce the Polka variety by including it in the demonstration plot with the Agriculture Faculty, as well as raising awareness through a study tour to Poland. Furthermore, based on the suggestions of FARMA staff, the UNDP VCE Project decided to support the commercial propagation of the Polka variety for the fresh market. The first harvest of Polka occurred in 2011. FARMA assisted two POs in BiH to prepare small packaging (125 g) for the EU market and the first 5 tons of the fresh Polka raspberry was exported to Austria in 2011.

Blueberry



Photo 17- Fresh blueberries and raspberries for export
SOURCE: FARMA

For the past two years, FARMA established the American High Bush Blueberry in Bosnia and Herzegovina continuing efforts initiated by LAMP II and REGA. FARMA cooperated closely with Partner MCO, to provide continual technical assistance and market linkages to farmers who planted blueberries under the USAID REGA project. Blueberry growers were linked with Frutti Funghi and Vocar Piramida from Visoko. In addition, FARMA provided assistance to Frutti Funghi to introduce small packaging for fresh blueberries. As a result of these efforts, the first ever fresh cultivated blueberries were sold to Austria and Germany.

Organic Buckwheat



Photo 18- Organic buckwheat
SOURCE: organic.lovetoknow.com

FARMA worked with Organska Kontrola and company Bionatura, which produces organic buckwheat (photo 17), to ensure equivalence of applied production standards with the requirements under Regulation (EC) No. 834/2007. This has been confirmed in writing by the Federal German Authority for Food and Agriculture (BLE), which is responsible for approval of import of goods from non-EU countries to the EU. This is a direct result of meetings held with the BLE during the BioFach 2010 in order to ensure EU recognition of certification issued by Organska Kontrola. As a result, Bosnia and Herzegovina was able to export organic buckwheat (certified by Organska Kontrola) to the EU for the first time.

ACCESS TO FINANCE

YEAR 2 HIGHLIGHTS

- Two POs were assisted in the development of their business plans and loan applications valued at BAM 1,530,000. Both loans were financed by the older DCA line of credit.
- In Y2 a total of 39 POs obtained financing with FARMA assistance to the value of KM 1.56 mill (20 POs after finance schools with PLOD and ACED totaling KM 858,000 KM; 17 POs after finance schools with NERDA, REZ, LINK totaling 703,550 KM with FARMA assistance got DCA loans totaling KM 1. 53 mill KM . The sector coverage was as follows: Dairy 20 POs, F&V 13 POs, MAP 4 PO, and other 2 PO).
- Five trainings on Accessing EU funding were organized by FARMA leveraging costs with other firms (Ag.institute Maribor, GIZ, RS Chambers of commerce, REZ, LINK, AG.institute USC, ACED, etc). A total of 187 POs attended.

The primary objectives of activities in this cross-cutting project component include: (1) increasing the ability of POs to obtain new financing from commercial institutions; (2) increasing the ability of POs to attract new foreign investments; (3) disseminating information on available financial products for agriculture; and (4) preparing local POs for accessing EU pre- and post-accession agriculture and rural development funds. In Year 1, results were negatively affected by the global financial crisis and the resulting reduction of credit. The economic difficulties were evidenced by declining GDP, exports, and employment. Unfortunately, this macroeconomic situation persisted in Year 2, exerting its effects on BiH agriculture and FARMA achievements.

FARMA-assisted organizations in this sector increased the level of attained commercial financing by 6% (a 56% increase over the LoP target) in the past year. In addition, 721 farmers attended finance-related training sessions during the same period.

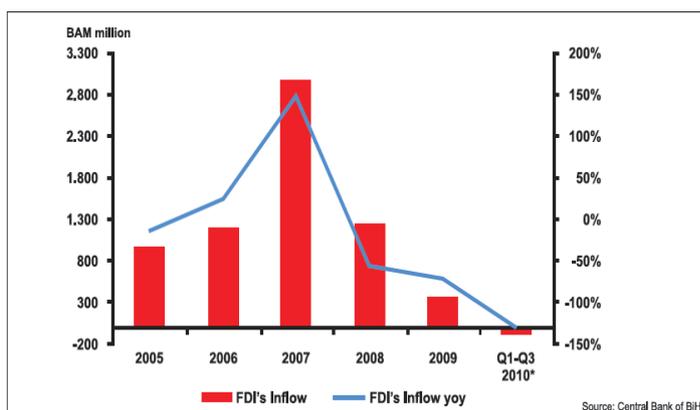
YEAR 2 MILESTONES

Milestones	Status	Explanation
At least one workshop held every year for POs interested in attracting foreign investors during the LoP.	Partially completed	In 2009 the global economic crisis hit the inflow of FDI in BiH, and it dropped 45%. This situation persisted throughout 2011. Few POs were interested in attracting FDI, so we worked one-on-one to strengthen their capacities to attract investments if, and when, the situation improves.
At least 100 trainings on filling loan applications delivered during LoP	In progress	In Y2 12 trainings on business planning/completing loan applications delivered (10 by subcontractors + 2 by FARMA Finance Manager) resulted in 227 POs trained. In Y1 8 trainings delivered. Y3 target to deliver 80 trainings on business planning/completing loan applications.
At least 100 trainings on farm record keeping delivered during the LoP	In progress	We are on track to accomplish this goal. In Y1 10 trainings were delivered by subcontractors, in Y2 18 trainings were conducted (12 by subcontractors, 5 by FARMA Finance Manager, 1 ToT for FRK according to EU directives by subcontractor) when 385 farmers and 48 agronomists were trained).
At least 10 POs strengthened and assisted to attract FDI.	Completed	-
At least 300 farmers received training on farm record keeping	Completed	-

YEAR 2 MILESTONES

Milestones	Status	Explanation
Coordinating with other projects (Excellence in Innovation, PARE, IFAD, etc) designed at least 3 financial topics that will be added to regular training topics for all 3 sub-sectors	Completed	-
At least 20 POs successfully applying for funds during the LOP	Completed	-

Foreign Direct Investments (FDIs)



The inflow of foreign direct investments in BiH in 2010 declined by almost 45% in comparison to 2009⁹. The major reason for this decline (which started in 2007) is not only the global financial crisis, but slow progress in national economic reform. It is worth noting that even at 2007 the level of FDIs, BiH ranked 93rd of 151 countries, right below Guatemala but ahead of Tanzania¹⁰.

The 2011 Foreign Investors Council's White Book notes that "...policy reform efforts have been (greatly) inadequate and uncoordinated and the business climate continues to suffer due to persisting structural rigidities..." Legal obstacles, constitutional reform and tax administration are the most significant reasons why BiH remains unattractive to foreign investors¹¹. Judging by the level of FDI inflows, this seems to be a universal consensus. It is deeply worrying that according to the United Nations Conference on Trade and Development (UNCTAD) report, most of foreign investments in the region in 2010 have gone to Serbia first and Albania second.

An FDI not meant to be

The FARMA Finance Manager developed a business plan for the dairy farm Vlado Usorac, as a part of their joint application with a Dutch farmer for PSI funds. The total investment in this dairy farm amounts to 2,523,788 BAM, of which 1,194,088 BAM (47% of the total funds) should have been from direct Dutch investment. The FDI failed because the Dutch investor gave up, due to economic climate and uncertainty sparked by the EU debt crisis. Mr.Usorac took the loan and continued the project on his own.

Despite the highly negative economic situation, FARMA continued to pursue foreign direct investments (FDIs) and to train farmers in the EU accession processes. The project's Finance Manager attended a two-day finance and matchmaking event in Skopje, organized by USAID's projects Partners for Financial Stability (PFS) and Regional Competitiveness Initiative (RCI). This was an inaugural event and the organizers plan to host annual events in other countries in Eastern Europe. More than 100 foreign investors (capital funds, banks, leasing companies, financial institutions etc.) and SMEs (mostly from Macedonia, Kosovo and Montenegro) were

⁹ CBBiH, November 2010 – <http://www.cbbh.ba/index.php?id=741&lang=bs>

¹⁰ United Nations Conference on Trade and Development (UNCTAD)

¹¹ EBRD Transition Report 2010

present at the event. FARMA's Finance Manager presented four BiH projects¹² to five potential investors¹³ at this event. At the moment of development of this report, no information was received in regards to potential investments.

Sharing Experiences in Accessing EU Funds

The FARMA project, in collaboration with the RS Chamber of Commerce Banja Luka and Bijeljina, Mostar LINK, and the Agricultural Institute of Una-Sana Canton, held four presentations on Slovenia's experiences in using EU grants for rural development. The Agricultural Institute Maribor's expert talked about ways these funds were being used in Slovenia, what projects were funded by the EU grants, common mistakes in developing grant applications and how to get additional funding. All attendees (161 farmers, agriculture

SMEs, cooperatives, agricultural associations, development agencies and municipal extension service workers) were given an opportunity to review *actual* project documentation (business plans, grant applications and farm drawings) of a Slovenian agricultural farm that received EU funds for rural development. Attendees were able to hear how they should prepare themselves as BiH awaits EU accession.

Increased access to finance

Monitoring of the increased access to finance continued following training on the improvement of businesses skills of agricultural organizations in North-West BiH delivered by sub-contractors ACED and PLOD in the second half of 2010, showed results as follows:

- PLOD assisted 14 POs with developing business plans totaling 1,419,000 BAM. By the end of Year 2, 2 POs (14% of the total) obtained financing totaling 95,000 BAM (7% of total business plan values).
- ACED assisted 32 POs with developing business plans totaling 4,454,555 BAM. By the end of Year 2, 18 POs (56% of the total) obtained financing totaling 763,000 BAM (17% of total values of business plan). LINK, REZ and NERDA as FARMA subcontractors delivered trainings on business planning in the first quarter of 2011, monitoring of their results at the end of September 2011 shows:
 - LINK reported that 10 POs obtained financing totaling KM 148,350.
 - NERDA reported that one PO obtained loan of KM 500,000.
 - REZ reported that 6 clients obtained financing of KM 55,200.

FARMA, GIZ and REZ also organized a presentation of Croatia's experiences in using EU grants for rural development. An expert from the Varazdin Development Agency (DAN) presented information on funds use in Croatia, what projects were funded, etc. She also presented a business plan of a Croatian farm funded by IPARD. This presentation was attended by 40 individuals, mostly farmers, agriculture SMEs, cooperatives, agricultural associations, development agencies and municipal extension service workers.

Sharing Knowledge to Access New Financing

FARMA subcontractors REZ, LINK, NERDA delivered 10 training sessions on completing loan applications and business planning with 202 POs in attendance. FARMA providers also delivered 12 training sessions on farm record keeping. Total of 318 farmers were trained.

Moreover, the FARMA project was invited by the BiH CRS (Catholic Relief Services BiH) to organize three-day training for their employees on the topic: Financial Company Evaluation and Analysis of Business Plan. Following this training, one-on-one training on evaluating loan applications was provided to the Catholic Relief Services (CRS) staff and two loan applications were jointly analyzed. Mr. Jacob Hershman, director of CRS BiH, expressed his

¹² Those of companies: MS-Alem, Vitaminka, Vitinka, Fructa Trade

¹³ The potential investors were CVCA, Serbian Business Angels Network, 7L Capital Partners, Crimson Capital, NCH Capital

gratitude on the collaboration and expressed his hope that the two projects will continue successful cooperation in the future.

The cooperative sector also went through FARMA training. Project's Finance Manager designed and managed 2-days of training for eleven BiH Coop auditors on 'Financial Analysis of Cooperatives', after which coop auditors were able to apply new financial knowledge in analyses of agriculture cooperatives.

MARKET INFORMATION

This past year saw a major advance in FARMA's efforts to improve the availability of wholesale agricultural price information to farmers and other participants in the BiH agricultural economy. AgroLink, a private company, submitted a grant request which was approved. The grant provided funds for the dissemination of the daily prices it collects from five BiH wholesale markets. The grant had several components:

1. Pay the cost of disseminating wholesale price information over the radio, nationwide, every day for ten months.
2. Provide a data management platform, including a server and software for managing prices. The software is the Commodity Price Database that is in use in other countries and is a web based program designed for this purpose.
3. Work with AgroLink to initiate the dissemination of prices via SMS messaging.

FARMA brought in a short term consultant who worked with AgroLink to install a server and the Commodity Price Database for their use. This is a database management software package that will allow them to produce customized market reports and price histories. He also worked with them to initiate the service of making price information available via SMS text messages. This service went into operation in December of 2010.

Starting in February, 2011 radio broadcasts began (in collaboration with the Excellence in Innovation project). During January and February, the server and software were installed. Training was provided and follow-up monitoring conducted. FARMA will continue to monitor compliance by AgroLink to achieve the data dissemination objective. The FARMA project continues to support the grant to AgroLink to disseminate daily prices over the radio and via SMS messages throughout BiH¹⁴.

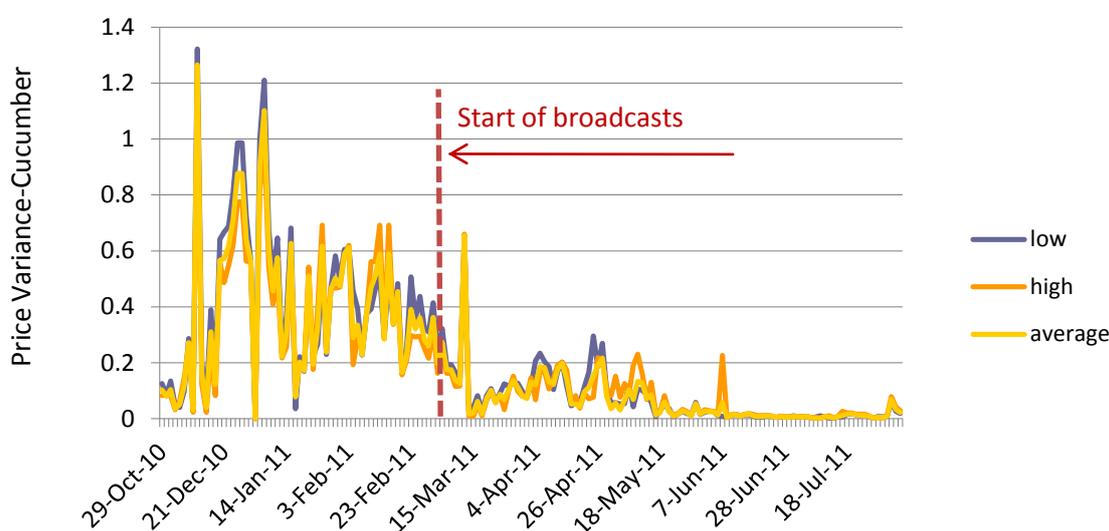


Figure 2- Price Variance of Cucumbers

When price information is not widely available, there is greater variance of prices among markets. Analyzing a number of perishable products it was found that the price variances were cut in half, on average, between the periods before and after the prices began to be

¹⁴ A new intern joined the project to measure the impact of the availability of price information on the lives and upon the economy of BiH. Her results will be reported as they develop.

broadcast over the radio (figure 3). The graph is for cucumber prices, which showed the most dramatic pattern and a substantially larger reduction in variance than other products. This reduction in variance is an indication of increased market efficiency, which is an important FARMA objective. It is expected that this reduction in variance will continue. The awareness of the agricultural community of the availability of the price information still needs to be improved.

Below is a price history for granny smith apples for the quarter for four BiH wholesale markets:

Price History Report Price History 1-1 to 3-31 2011 BiH														
Currency: Marks			BiH, Sarajevo			BiH, Caplina			BiH, Doboja			BiH, Arizona		
Exch Rate: 1.3200														
Sale Date	Low	High	Avg	Low	High	Avg	Low	High	Avg	Low	High	Avg		
04Jan11	0.72	0.72	0.72	1.08	1.53	1.31	0.81	0.90	0.85	0.72	1.08	0.90		
05Jan11	0.63	0.72	0.68	1.08	1.53	1.31	0.81	0.90	0.85	0.72	1.08	0.90		
10Jan11	0.63	0.72	0.68	1.08	1.53	1.31	0.81	0.90	0.85	0.72	1.08	0.90		
11Jan11	0.66	0.70	0.68	1.08	1.44	1.27	1.14	1.14	1.14	0.70	0.88	0.79		
12Jan11	0.67	0.61	0.69	1.05	1.49	1.27	1.14	1.14	1.14	0.70	0.88	0.79		
13Jan11	0.67	0.61	0.69	1.05	1.49	1.27	1.14	1.14	1.14	0.70	0.88	0.79		
14Jan11	0.67	0.61	0.69	1.05	1.49	1.27	1.14	1.14	1.14	0.70	0.88	0.79		
15Jan11	0.67	0.61	0.69	1.05	1.49	1.27	1.14	1.14	1.14	0.70	0.88	0.79		
16Jan11	0.67	0.61	0.69	1.05	1.49	1.27	1.14	1.14	1.14	0.70	0.88	0.79		
17Jan11	0.67	0.61	0.69	1.05	1.49	1.27	1.14	1.14	1.14	0.70	0.88	0.79		
18Jan11	0.67	0.61	0.69	1.05	1.49	1.27	1.14	1.14	1.14	0.70	0.88	0.79		
19Jan11	0.67	0.61	0.69	1.05	1.49	1.27	1.14	1.14	1.14	0.70	0.88	0.79		
20Jan11	0.68	0.73	0.71	1.18	1.65	1.36	1.08	1.08	1.08	0.68	1.08	0.90		
21Jan11	0.68	0.73	0.71	1.18	1.65	1.36	1.08	1.08	1.08	0.73	1.08	0.91		
24Jan11	0.74	0.78	0.76	1.10	1.56	1.33	1.10	1.10	1.10	0.52	1.10	1.01		
25Jan11	0.73	0.73	0.73	1.19	1.65	1.42	1.10	1.10	1.10	0.52	1.01	0.97		
26Jan11	0.68	0.73	0.71	1.10	1.50	1.30	1.10	1.10	1.10	0.52	1.01	0.97		
27Jan11	0.74	0.83	0.78	1.02	1.57	1.29	0.65	1.11	0.88	0.74	1.11	0.93		
28Jan11	0.65	0.69	0.67	1.11	1.57	1.34	1.02	1.11	1.06	0.53	1.11	1.02		
31Jan11	0.69	0.74	0.71	1.10	1.56	1.33	1.01	1.10	1.06	0.74	1.10	0.92		
01Feb11	0.70	0.74	0.72	1.11	1.57	1.34	1.02	1.11	1.06	0.74	1.10	0.92		
02Feb11	0.70	0.74	0.72	1.11	1.57	1.34	1.02	1.11	1.06	0.74	1.10	0.92		
03Feb11	0.70	0.74	0.72	1.11	1.57	1.34	1.02	1.11	1.06	0.74	1.10	0.92		
04Feb11	0.70	0.74	0.72	1.11	1.57	1.34	1.02	1.11	1.06	0.74	1.10	0.92		
05Feb11	0.70	0.74	0.72	1.11	1.57	1.34	1.02	1.11	1.06	0.74	1.10	0.92		
06Feb11	0.70	0.74	0.72	1.11	1.57	1.34	1.02	1.11	1.06	0.74	1.10	0.92		
07Feb11	0.70	0.74	0.72	1.11	1.57	1.34	1.02	1.11	1.06	0.74	1.10	0.92		
08Feb11	0.70	0.74	0.72	1.11	1.57	1.34	1.02	1.11	1.06	0.74	1.10	0.92		
09Feb11	0.70	0.74	0.72	1.11	1.57	1.34	1.02	1.11	1.06	0.74	1.10	0.92		
10Feb11	0.70	0.74	0.72	1.11	1.57	1.34	1.02	1.11	1.06	0.74	1.10	0.92		
11Feb11	0.70	0.74	0.72	1.11	1.57	1.34	1.02	1.11	1.06	0.74	1.10	0.92		
12Feb11	0.70	0.74	0.72	1.11	1.57	1.34	1.02	1.11	1.06	0.74	1.10	0.92		
13Feb11	0.70	0.74	0.72	1.11	1.57	1.34	1.02	1.11	1.06	0.74	1.10	0.92		
14Feb11	0.70	0.74	0.72	1.11	1.57	1.34	1.02	1.11	1.06	0.74	1.10	0.92		
15Feb11	0.70	0.74	0.72	1.11	1.57	1.34	1.02	1.11	1.06	0.74	1.10	0.92		
16Feb11	0.70	0.74	0.72	1.11	1.57	1.34	1.02	1.11	1.06	0.74	1.10	0.92		
17Feb11	0.70	0.74	0.72	1.11	1.57	1.34	1.02	1.11	1.06	0.74	1.10	0.92		
18Feb11	0.70	0.74	0.72	1.11	1.57	1.34	1.02	1.11	1.06	0.74	1.10	0.92		
19Feb11	0.70	0.74	0.72	1.11	1.57	1.34	1.02	1.11	1.06	0.74	1.10	0.92		
20Feb11	0.70	0.74	0.72	1.11	1.57	1.34	1.02	1.11	1.06	0.74	1.10	0.92		
21Feb11	0.70	0.74	0.72	1.11	1.57	1.34	1.02	1.11	1.06	0.74	1.10	0.92		
22Feb11	0.70	0.74	0.72	1.11	1.57	1.34	1.02	1.11	1.06	0.74	1.10	0.92		
23Feb11	0.70	0.74	0.72	1.11	1.57	1.34	1.02	1.11	1.06	0.74	1.10	0.92		
24Feb11	0.70	0.74	0.72	1.11	1.57	1.34	1.02	1.11	1.06	0.74	1.10	0.92		
25Feb11	0.70	0.74	0.72	1.11	1.57	1.34	1.02	1.11	1.06	0.74	1.10	0.92		
26Feb11	0.70	0.74	0.72	1.11	1.57	1.34	1.02	1.11	1.06	0.74	1.10	0.92		
27Feb11	0.70	0.74	0.72	1.11	1.57	1.34	1.02	1.11	1.06	0.74	1.10	0.92		
28Feb11	0.70	0.74	0.72	1.11	1.57	1.34	1.02	1.11	1.06	0.74	1.10	0.92		
29Feb11	0.70	0.74	0.72	1.11	1.57	1.34	1.02	1.11	1.06	0.74	1.10	0.92		
30Feb11	0.70	0.74	0.72	1.11	1.57	1.34	1.02	1.11	1.06	0.74	1.10	0.92		
01Mar11	0.70	0.74	0.72	1.11	1.57	1.34	1.02	1.11	1.06	0.74	1.10	0.92		

Price History Report Price History 1-1 to 3-31 2011 BiH														
Currency: Marks			BiH, Sarajevo			BiH, Caplina			BiH, Doboja			BiH, Arizona		
Exch Rate: 1.3200														
Sale Date	Low	High	Avg	Low	High	Avg	Low	High	Avg	Low	High	Avg		
01Mar11	0.70	0.74	0.72	1.39	1.49	1.44	1.39	1.39	1.39	0.93	1.31	1.12		
02Mar11	0.65	0.70	0.68	1.40	1.40	1.40	1.40	1.40	1.40	0.93	1.21	1.07		
03Mar11	0.65	0.70	0.68	1.40	1.40	1.40	1.40	1.40	1.40	0.93	1.23	1.07		
04Mar11	0.65	0.70	0.68	1.40	1.40	1.40	1.40	1.40	1.40	0.93	1.23	1.07		
05Mar11	0.65	0.70	0.68	1.40	1.40	1.40	1.40	1.40	1.40	0.93	1.23	1.07		
06Mar11	0.65	0.70	0.68	1.40	1.40	1.40	1.40	1.40	1.40	0.93	1.23	1.07		
07Mar11	0.65	0.70	0.68	1.40	1.40	1.40	1.40	1.40	1.40	0.93	1.23	1.07		
08Mar11	0.65	0.70	0.68	1.40	1.40	1.40	1.40	1.40	1.40	0.93	1.23	1.07		
09Mar11	0.65	0.70	0.68	1.40	1.40	1.40	1.40	1.40	1.40	0.93	1.23	1.07		
10Mar11	0.65	0.70	0.68	1.40	1.40	1.40	1.40	1.40	1.40	0.93	1.23	1.07		
11Mar11	0.65	0.70	0.68	1.40	1.40	1.40	1.40	1.40	1.40	0.93	1.23	1.07		
14Mar11	0.65	0.70	0.68	1.40	1.40	1.40	1.40	1.40	1.40	0.93	1.23	1.07		
15Mar11	0.65	0.70	0.68	1.40	1.40	1.40	1.40	1.40	1.40	0.93	1.23	1.07		
16Mar11	0.65	0.70	0.68	1.40	1.40	1.40	1.40	1.40	1.40	0.93	1.23	1.07		
17Mar11	0.65	0.70	0.68	1.40	1.40	1.40	1.40	1.40	1.40	0.93	1.23	1.07		
18Mar11	0.65	0.70	0.68	1.40	1.40	1.40	1.40	1.40	1.40	0.93	1.23	1.07		
19Mar11	0.65	0.70	0.68	1.40	1.40	1.40	1.40	1.40	1.40	0.93	1.23	1.07		
20Mar11	0.65	0.70	0.68	1.40	1.40	1.40	1.40	1.40	1.40	0.93	1.23	1.07		
21Mar11	0.65	0.70	0.68	1.40	1.40	1.40	1.40	1.40	1.40	0.93	1.23	1.07		
22Mar11	0.65	0.70	0.68	1.40	1.40	1.40	1.40	1.40	1.40	0.93	1.23	1.07		
23Mar11	0.65	0.70	0.68	1.40	1.40	1.40	1.40	1.40	1.40	0.93	1.23	1.07		
24Mar11	0.65	0.70	0.68	1.40	1.40	1.40	1.40	1.40	1.40	0.93	1.23	1.07		
25Mar11	0.65	0.70	0.68	1.40	1.40	1.40	1.40	1.40	1.40	0.93	1.23	1.07		
26Mar11	0.65	0.70	0.68	1.40	1.40	1.40	1.40	1.40	1.40	0.93	1.23	1.07		
27Mar11	0.65	0.70	0.68	1.40	1.40	1.40	1.40	1.40	1.40	0.93	1.23	1.07		
28Mar11	0.65	0.70	0.68	1.40	1.40	1.40	1.40	1.40	1.40	0.93	1.23	1.07		
29Mar11	0.65	0.70	0.68	1.40	1.40	1.40	1.40	1.40	1.40	0.93	1.23	1.07		
30Mar11	0.65	0.70	0.68	1.40	1.40	1.40	1.40	1.40	1.40	0.93	1.23	1.07		
31Mar11	0.65	0.70	0.68	1.40	1.40	1.40	1.40	1.40	1.40	0.93	1.23	1.07		

These reports can be generated with many different options, including changing the currency of the report for which the CPD makes the appropriate currency exchange rate calculations for all of the dates and markets on the report. The above report is a price history. The report below is a market report.

Market Report BiH 8/24/2011														
Currency: Marks			BiH, Arizona			BiH, Rama Luka			BiH, Doboja			BiH, Sarajevo		
Exch Rate: 1.3200														
Date: 08/23/2011														
Product	Sale Unit	Low	High	Low	High	Low	High	Low	High	Low	High			
Apples, Golden Delicious	Kilogram	1.20	1.25	1.60	1.70	1.60	1.50	1.50	1.70					
Apples, Granny Smith	Kilogram	1.10	1.20	1.80	2.00	1.50	1.50	1.50	1.50	1.10	1.20			
Apples, Idared	Kilogram	1.10	1.25	1.20	1.40	1.50	1.50	1.50	1.10	1.20	1.20			
Apples, Jonared	Kilogram	1.40	1.70	1.20	1.30									
Bananas	Kilogram	1.00	1.05	0.90	1.00	1.16	1.16	0.65	1.00					
Beans, Barent	Kilogram	2.61	3.01	2.71	2.81	2.31	3.01	2.31	3.01					
Beans, Wente	Kilogram	1.90	2.61	2.41	2.51	1.60	1.60	1.00	1.00					
Beet	Kilogram					3.01	3.01							
Broccoli	Kilogram			0.10	0.30	0.30	0.30	0.30	0.30					
Cabbage, green	Kilogram			1.00	1.20	1.00	1.00	1.00	0.50	0.50				
Cabbage, red	Kilogram			1.00	1.20	1.00	1.00	1.00	0.50	0.50				
Caritacoupe	Kilogram	0.55	0.60	0.25	0.30	0.50	0.50	0.60	0.65					
Carrots	Kilogram	0.70	0.90	0.90	1.00	0.90	1.00	1.00	1.00					
Cauliflower	Kilogram	0.70	0.70	0.80	1.00	1.00	1.00	1.00	1.00					
Celery	Kilogram													

PARTNERS DEVELOPMENT FUND

Grants

In compliance with the terms of the contract, Chemonics developed a Partners Funds Manual (PDF) which incorporates FARMA's subcontracting rules and procedures and the Development (Grant) Fund (DF) Manual. The DF is designed to comply as closely as possible with the European Commission Grant Award Processes and future IPARD funding requirements to the extent feasible.

Although there are differences in general funding structures, the FARMA DF fund is similar to IPARD's basic management rules and eligibility criteria. The FARMA DF objective, structure and characteristics do not differ from key IPARD principles.

During the second year, the project received and processed 163 concept papers as a response to Annual Program Statements Published in May 2010 and in March 2011. Nineteen concept papers did not meet mandatory requirements, 82 were not been accepted and 62 were recommended for development into a full grant application.

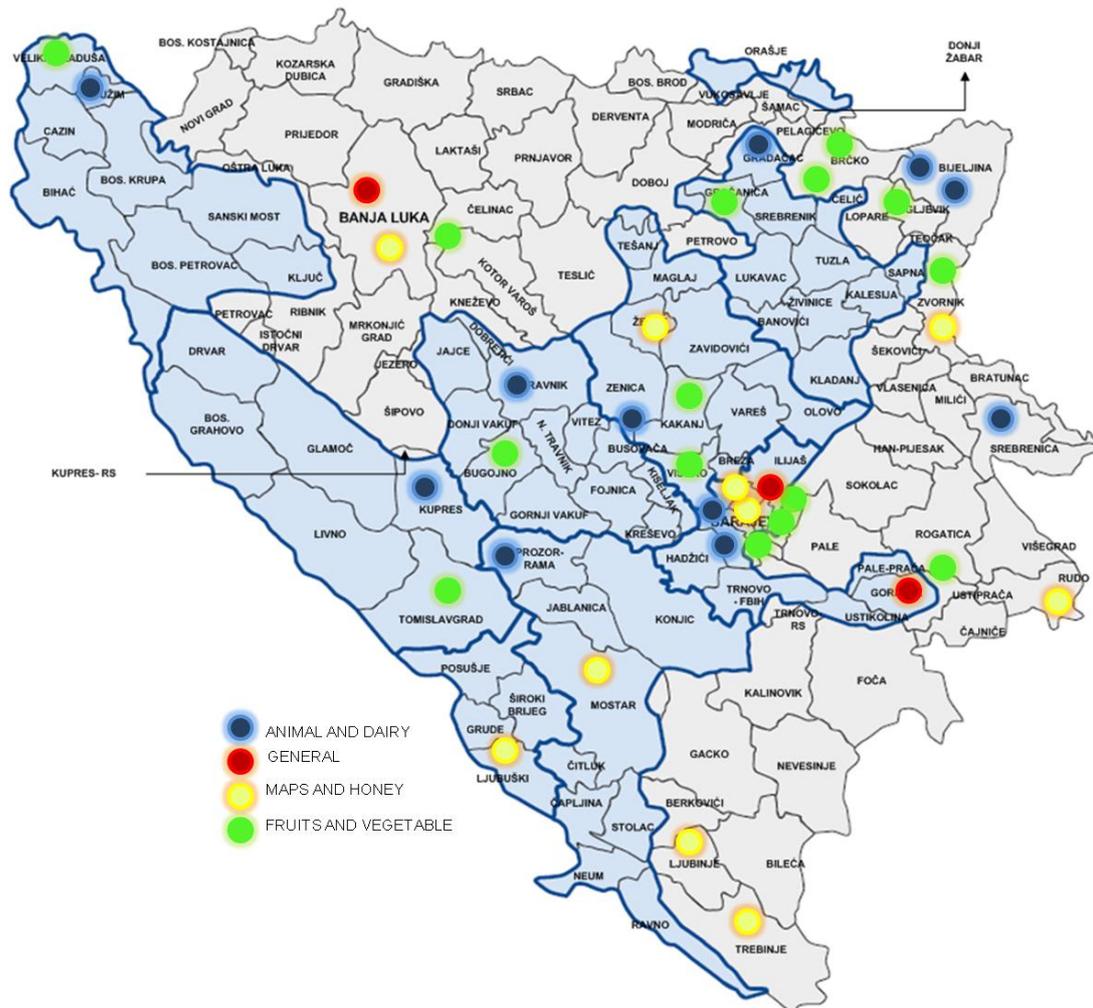


Figure 3- FARMA Grants- territorial and sectoral coverage

In October 2010, FARMA published Request for Applications for Improvement of Post-harvest Cooling and Storage Technologies to Upgrade Fruit and Vegetable Quality, to Facilitate EU Market Access Thus Increasing Export Potential and Providing Increased Income for Producers/Farmers. With this RFA, FARMA intended to award grants to BiH POs to implement projects that will improve post harvest cooling and storage technologies in BiH

with the goal to significantly improve fruit and vegetable quality, sales and ultimately farmers' income. Thirteen applications were received as a result of this RFA, eight were accepted by JMC.

A total of 34 grant requests with a value of 1,820,080.01 BAM were approved during the year. The majority of these grants were used in procurement of new and essential equipment for agricultural production.

These grants are expected to contribute to creation of 94 new direct and 3,000 indirect jobs. Overall, 2 million BAM was awarded (about 1.4 million USD), while the awardees' contribution amounted to 4.1 million BAM (roughly 2.05 BAM on each 1 BAM in grants).

GRANTS SUMMARY

Sector	No. of Grant Awards	Total Value (BAM)	Avg. grant amount	% Total
MAP	6	295,360.55	49,226.76	16.9
F&V	15	893,332.88	59,555.52	49.1
Dairy	10	543,424.58	54,345	31.0
All	3	88,684.00	29,561	3.0
Total	34	1,820,080.01	51,523.59	100

GRANTS SUMMARY

Geographic Coverage	No. of Awards
Federation BiH	20
RS	12
BD	2
Total	34

GRANTS SUMMARY

Type of Organization	No. of Awards
Private Company	15
Cooperative	12
NGO	2
Association	3
Craft Organizations	2
Total	34



Photo 19- Prirodno Bilje in Banja Luka, one of the grant recipients
SOURCE: FARMA

As of the end of July 2011, FARMA disbursed 76.30% of total approved grants and committed almost all available funds. As of the end of the second project year, there are 15 full grant applications in pipeline with the total value of approximately 800,000 BAM which exceeds current available grant budget. In addition, 24 concept papers valued at approximately 1 million BAM, which were recommended to develop into a full grant application, are on hold due to the insufficient funding.

The effects of the grants program are highlighted under the sections describing individual sectors. Grants monitoring is an ongoing activity, and the project will continue to report on impacts of grants as the data becomes available (i.e. as the financed project comes online).

Subcontracts

During the second project year FARMA concluded 5 subcontracts of which all are with local organizations. The table below shows subcontracts committed during the second project year:

Subcontractor	Topic	Approved Amount	Total Disbursed (BAM)	To be reimbursed (BAM)
REZ	Improving Business Skills of Agricultural POs	16,009.00	16,009.00	0.00
LINK	Improving Business Skills of Agricultural POs	26,466.00	26,466.00	0.00
Zene za zene	MAP Cultivation School for Women in BiH	55,667.00	48,990.00	6,677.00
Nesto vise	Farmers Survey on Land Registration and Agricultural Cooperatives	4,042.00	4,042.00	0.00
NERDA II	Improving Business Skills of Agricultural POs	33,134.00	33,134.00	0.00
Grand Total		135,318.00	128,641.00	6,677.00

FARMA is committed to an approach that delivers rapid results so during the first year the project committed most of available subcontract funds to support different activities that will produce an output or products that fit into the larger scheme of the project. However, during the second project year FARMA continued to support local organizations to provide a Bosnian-owned assistance to maximize FARMA's resources.

ANNUAL RESULTS

FARMA PERFORMANCE MONITORING TABLE	LoP Goal	DAIRY	MAPS AND HONEY	F&V	EU INTEGR.	FINANCE	2010 Total	2011 Total	LoP Total	% of LoP Goal Attained
		2011	2011	2011	2011	2011				
PROJECT OBJECTIVE										
Percent change in sales of participating producer organizations	35%	2%	22%	2%	0%	0%	16%	3%	19%	54%
Change in employment in participating producer organizations	25%	-4%	3%	3%	0%	0%	-1%	20%	19%	76%
Number of new products eligible to enter EU markets	2	0	1	2	3	0	0	3	3	150%
Return on investment*	6.8:1	2.9:1	0.7:1	1.0:1	-	1.1:1	4.4:1	5.7:1	5.7:1	84%
PIR 1: SUSTAINABLE MARKET LINKAGES FOR BIHPRODUCERS BUILT										
Percent change in the value of international exports of agricultural commodities linkable to FARMA assistance (F)	11%	-4%	32%	3%	0%	0%	24%	3%	27%	245%
Number of producers in selected sector/sub-sectors achieving certifications aligned with EU standards and requirements	20	<i>shown under EU integration</i>			22	n/a	2	22	24	120%
PIR 2: ACCESS TO FINANCE INCREASED										
Amount (USD) of private financing mobilized with DCA-guarantee (F)	4,000,000	0	0	1,042,474	0	1,042,474	86,253	1,042,474	1,128,727	28%
Value of FDI (USD) accessed by selected POs with FARMA assistance	2,000,000	0	0	0	0	0	5,843,328	0	5,843,328	292%
Percent change in the value of loans and investments in assisted POs	25%	983%	-11%	6%	0%	7%	49%	7%	56%	224%
PIR 3. PRODUCER ORGANIZATIONS AND OTHERS COUNTERPARTS' CAPACITY BUILT										
Number of agriculture-related POs benefiting directly from the FARMA project (F-indicator)	236	65	40	55	0	41	314	201	515	218%
Number of farmers, processors and others who have adopted new technologies or management practices made available for transfer as a result of FARMA assistance (F-indicator)	12,800	2,453.00	4,279.00	3,227.00	1,005.00	721.00	6,592.00	11,685.00	18,277.00	143%

FARMA PERFORMANCE MONITORING TABLE	LoP Goal	DAIRY	MAPS AND HONEY	F&V	EU INTEGRATION	FINANCE	2010 Total	2011 Total	LoP Total	% of LoP Goal Attained
		2011	2011	2011	2011	2011				
PIR 4. ENHANCED POLICY ENVIRONMENT TO BENEFIT COMPETIVENESS OF BIH AGRICULTURAL GOODS*										
Number of policy reforms analyzed with FARMA assistance (F-indicator)	15	<i>shown under EU integration</i>			7	n/a	6	7	13	87%
Specific policy constraints identified and action plans developed (qualitative)	2	<i>shown under EU integration</i>			4	n/a	2	2	4	200%

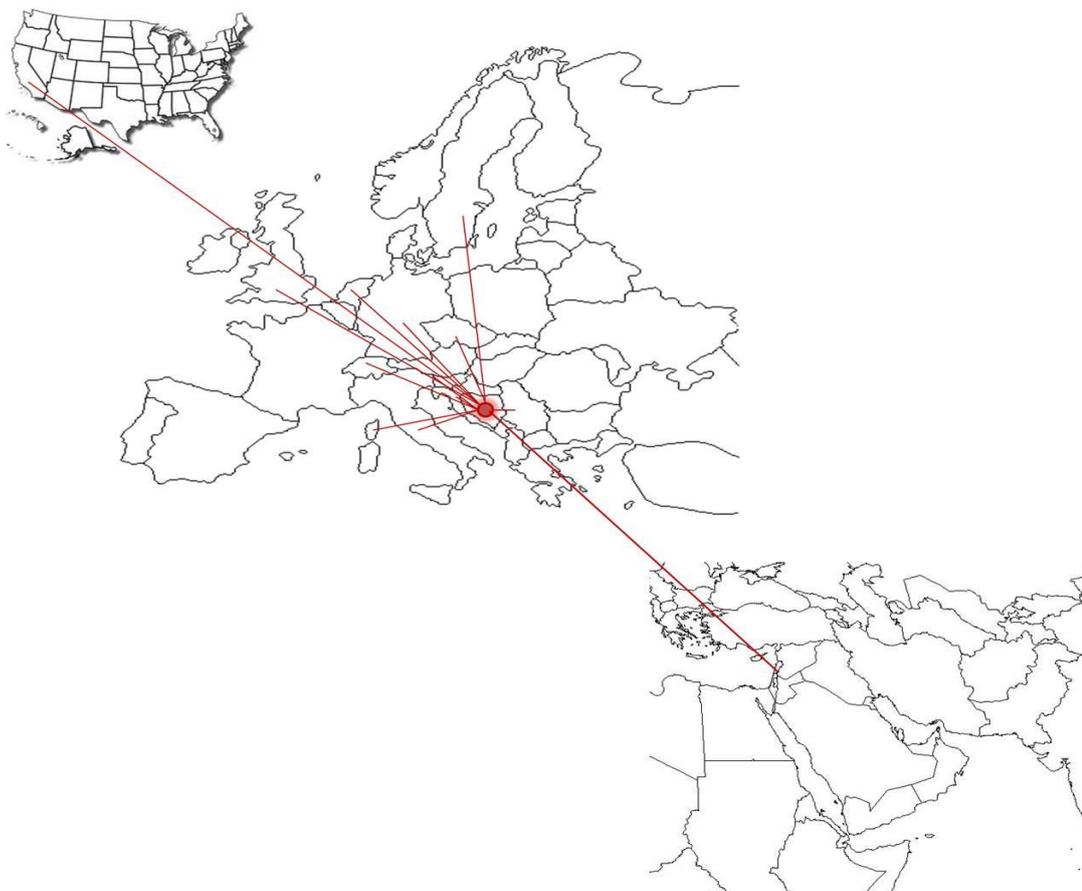
**includes investments and loans attained with assistance of the FARMA project*

The FARMA project carries out data collection once per year, at the end of the first calendar quarter, to measure results from the previous year. The table above represents estimates provided by FARMA beneficiaries on their 2011 sales, exports, employment etc.

Due to the effect of seasonality (the second project agricultural season is ongoing during the development of the Year 2 annual report) the project is not yet able to report on the actual results achieved for the second agricultural cycle, but is able to report on the estimates of the project beneficiaries. Upon completion of the agricultural cycle (first quarter of 2012), FARMA will collect the data and information required to report on actual changes in these indicators.

By way of perspective, the project was 70 percent through its life of project at the end of August 2011.

LEVERAGING ACROSS NATIONS



FARMA collaborated and leveraged its activities with businesses, organizations, agencies and institutions from Bosnia and Herzegovina and 13 nations across the globe: U.S., Sweden, Czech Republic, Slovenia, Swiss, Germany, France, Croatia, Serbia, Italia, Netherlands, Israel and U.K. Examples of this collaboration are given in following paragraphs.

Czech Development Agency

A memorandum of understanding was signed on the 14 July at between the Czech Development Agency (CzDA), the US Agency for International Development (USAID) and the Swedish International Development Cooperation Agency (Sida). This memorandum was signed to ensure cooperation between the three donors to avoid duplication of activities in the field, reduce costs and improve the effectiveness of the donor funded projects. The cooperation will be through the USAID/Sida FARMA Project and will include activities related to the improvement of dairy production in northeastern Bosnia, overcoming constraints for export to the EU, and expansion of varieties and increased production of berry fruits. Specifically, FARMA and the CzDA are cooperating in these projects:

1. Maintaining and expanding a berry demo plot to include new varieties and test new production technologies, with the Faculty of Agriculture and Food Sciences at the University of Sarajevo at Butmir. The contract between the CzDA and the Faculty is expected to be signed in September 2011.
2. Conducting a regional workshop on post-harvest handling with experts from the UC Davis. The workshop will include participants from the countries in the Balkans as well as

Eastern Europe. CzDA will also engage a Czech expert who will conduct training on meeting EU requirements for the export of fresh fruit and vegetables to the EU.

3. Training of BiH laboratory staff in residue testing of honey. The training will be conducted at an institution in the Czech Republic, while participants will include representatives of BiH laboratories selected in coordination with the BiH Veterinary Office. The training is likely to take place in late November.
4. Continuing the provision of agricultural extension services in the region of Bratunac, Milici and Srebrenica, through the Agricultural Extension Service in Bratunac.
5. Activities that strengthen the dairy sector in north-eastern BiH, primarily through the local organization CRP in Tuzla. FARMA will provide technical assistance to farmers in milk hygiene, feed production and financial management, while CzDA will provide milking and other equipment to farmers as well as provide training in barn design and animal reproduction.

Swiss Caritas

Swiss Caritas and FARMA jointly funded activities of the Association Drina from Gorazde, which is working to increase awareness and build capacity of local institutions in the monitoring and management of the fire blight disease caused by *Erwinia amylovora*. This has involved training both in BiH as well as Switzerland.

In addition, FARMA has been cooperating with Swiss Caritas and Pharos e.V. Stuttgart in activities related to the strengthening of associations and cooperatives.

UNDP Value Chain for Employment Project

FARMA has been cooperating with the UNDP Value Chain for Employment (VCE) Project to coordinate assistance to beneficiaries in terms of selection, and prioritization of type of assistance. For example, FARMA and the VCE Project provided joint assistance to one of the beneficiaries to improve their cooling facilities. Also, FARMA and the VCE organized and jointly funded several activities related to the capacity building of consultants in standardization, namely training in ISO 19011 as well as GlobalGAP training-of-trainers (ToT) that was held in Poland.

SIPPO

FARMA has been cooperating with the Swiss Import Promotion Programme (SIPPO) to help MAP companies participate at the BioFACH Fair in Germany and generally to support the MAP industry in BiH; in the introduction of new financial services (factoring) and the preparation of a business planning guide.

MASHAV/CINADCO

FARMA is cooperating with Centre for International Agricultural Development Cooperation (CINADCO) in Israel, to increase BiH participation in agricultural courses organized in Israel and funded through the Israeli Center for International Cooperation (MASHAV). Two participants from BiH attended a 3-week course in Integrated Pest Management in Israel. FARMA is exploring opportunities for more intensive cooperation with MASHAV/CINADCO in the future.

CIM

FARMA has been cooperating with the German-funded Centre for International Migration and Development (CIM) in the facilitation of market linkages, so far focusing mainly on the Anuga Fair.

EC Project - Support Export Development and Promotion in Bosnia and Herzegovina (EU Expro II)

FARMA has collaborated with the EU Expro II project, by providing suggestions on the approach and baselines information and participating in workshops organized by the project with the aim to develop a strategy for the export of food and agricultural products.

Pharos e.V. Stuttgart

FARMA has been collaborating with the German-funded Pharos e.V. Stuttgart in the organization of training for agricultural associations, namely 'Miker' and 'Vilamet' in the Bratunac region.

CRS - Catholic Relief Services

FARMA conducted training for CRS staff in financial management and business application/loan application analysis.

Eko Mozaik

Eko Mozaik has received a grant from USAID to establish pastures for beekeeping. FARMA has been providing substantial TA in technical aspects of lavender production, organic certification, environmental compliance, greenhouse management, and vegetable & fruit production.

CRP (Association Centre for Development & Support)

FARMA has been collaborating with CRP in three key areas. One is the cooperation to support dairy producers in northeastern BiH, under the program funded by the CzDA. FARMA will be providing training to farmers in technical areas and financial management. Secondly, FARMA cooperated with CRP in GlobalGAP implementation in north-eastern BiH. FARMA conducted initial awareness raising and technical assistance while the CRP continued these efforts with individual POs under an EC-funded project. Thirdly, FARMA has supported CRP in meeting USAID contractual requirements (administrative and environmental) under the DGP drought mitigation program.

BiH Foreign Trade Chamber

FARMA has been cooperating with the BiH Foreign trade Chamber to assist producers participate in international fairs such as BioFach and Anuga, in addition to joint organization of training/informational events on sector issues.

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