



**USAID** | **MACEDONIA**  
FROM THE AMERICAN PEOPLE

# AGBIZ PROGRAM

FIRST FISCAL QUARTER 2009 REPORT

OCTOBER-DECEMBER 2008

**JANUARY 2009**

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## **DISCLAIMER**

The authors' views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.



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# ACRONYMS; ABBREVIATIONS AND TERMS

Activity	A value chain competitiveness event that is designed for <u>multiple</u> customers in one of more value chains and includes trade fairs, study tours, HR capacity enhancement/training, value chain profiles, assessments, policy reform evaluations and B2B Meetings
AH&SP	Asbestos Health and Safety Plan
APPRM	Agency for Promotion of the Entrepreneurship
B2B	Business-to-Business
BEA	Business Environment Activity (USAID funded)
BEO	Bureau Environmental Officer
Biofach	Annual Springtime World Organic Trade Fair in Nuremberg, Germany
BizCLIR	Business Climate Legal and Institutional Reform
BOD5	Biological Oxygen Demand
BW	Bottled Wine
CAP	Common Agricultural Policy
CBI	Centre for the Promotion of Imports from Developing Countries
CEED	Centre for Entrepreneurship and Executive Development
CENA	Capacity Enhancement Needs Assessment
CERM	Confederation of Employers of Republic of Macedonia
CIAA	Confederation of the Food and Drink Industries of the EU
CINADCO	Centre for International Agricultural Development Cooperation
CIRKO	Mechanical Engineering Systems Center of Excellence
CLIR	Commercial Legal and Institutional Reform
CO	Contract Officer
COD	Chemical Oxygen Demands
CoP	Chief of Party
COTR	Contracting Officer's Technical Representative
CPA	Cleaner Production Assessment
DCoP	Deputy Chief of Party
DOC	Development Outreach and Communication
EC	European Commission
ECMP	Environment Compliance Monitoring Plan
EDD	Environmental Due Diligence
EG	Economic Growth
ELSA	Expedited Local Short-term Technical Assistance
EU	European Union
FACE	Foundation Agri-Centre for Education
FAS	Foreign Agricultural Service
FDI	Foreign Direct Investment
FFPS	Firm Fixed Price Sub-contract
FP7	Seventh Framework Program
FPOPM	Federation of Producers of Organic Products of Macedonia
FT	Fast Track
FV	Fresh Vegetables
FY	Fiscal Year
GDA	Global Development Alliances
GDP	Gross Domestic Product
GlobalGAP	Global Good Agricultural Practices
GoM	Government of Macedonia
GTZ MAFP	Deutsche Gesellschaft für Technische Zusammenarbeit (EU Approximation and Regional Cooperation in the Agro & Food Sector)
HACCP	Hazard Analyses and Critical Control Points
ICD	International Cooperation Department
ICE	Italian Institute for Foreign Trade

InterFest	International Wine Festival in Novi Sad, Serbia
IPARD	Instrument for Pre-Accession Assistance for Rural Development
IPM	Integrated Pest Management
IPPC	Integrated Pollution Prevention and Control System
ISO	International Organization for Standardization
ITC	International Trade Center
JRIP	Judicial Reform Implementation Project (USAID funded)
LoI	Letter of Intent
LoP	Life of Program
M&E	Monitoring & Evaluation
MAASP	Macedonian Agricultural Advisory Support Program (SIDA funded)
MAFWE	Ministry of Agriculture, Forestry, and Water Economy
MAP	Macedonian Association of Processors
MAR	Market Analysis and Research
MASHAV	Ministry Of Agriculture and Rural Development (Israel)
MC	Monitoring Committee
MCA	Macedonia Competitiveness Activity
MEO	Mission Environmental Officer
MIS	Management Information System
MKD	Macedonian Denar
MLGA	Macedonia Local Government Activity (USAID funded)
MoE	Ministry of Economy
MoH	Ministry of Health
MoU	Memoranda of Understanding
Mt	Metric Ton
MTV	Macedonian Television
NGO	Non-Government Organization
NL	Netherland
NR	Not Required
OFAC	Office of Foreign Assets Control
OIV	International Organization of Vine and Wine
OSEC	Official Trade Promotion Organization of Switzerland
PA	Paying Agency
PC	Project Coordinator
PD	Position Description
PEP	Primary Education Project
PERSUAP	Pesticide Evaluation Report & Safer Use Action Plan
PMP	Performance Monitoring Plan
PO	Producer Organization
PPA	Pollution Prevention Assessment
PR	Public Relations
Program	Macedonia Agribusiness Activity/AgBiz Program
Project	A set of business expansion interventions jointly funded by a <u>single</u> customer and AgBiz designed to increase the competitiveness and export sales of the customer; AgBiz contributions are supplied via a grant
PV	Processed Vegetables
QAS	Quality Assurance System
RASFF	Rapid Alert System for Food and Feed
RCI	Regional Competitiveness Initiative
RfP	Request for Proposal
RLA	Regional Legal Advisor
SAPARD	Special Accession Programme for Agriculture and Rural Development
SEAF	Small Enterprise Assistance Fund
SIPPO	Swiss Import Promotion Program
SME	Small and Medium Enterprise
SNV	Nederlandse Vrijwilligers (Foundation Netherlands Volunteers)
STTA	Short-term Technical Assistance
SUAP	Safer Use Action Plan
TA	Technical Assistance
TAIEX	Technical Assistance Information Exchange Unit

TCP	The Competitiveness Project
TG	Table Grapes
UK	United Kingdom
UNDP	United Nations Development Programme
US	United States
USAID	United States Agency for International Development
USDA	United States Department of Agriculture
VC	Value Chain
VCC	Value Chain Coordinator
WDC	Washington DC
WGP	Wild Gathered Products



# I.0 EXECUTIVE SUMMARY

## ***Program Development:***

Field trips to visit and review AgBiz Projects were organized for the Mission Director, the US Ambassador's wife, the Washington DC (WDC) Desk Officer, the Regional Legal Advisor (RLA), the Mission Environmental Officer (MEO), and our Contracting Officer's Technical Representative (COTR). During one of these field trips the Mission Director presented grantees with marking plaques describing the United States Agency for International Development (USAID) and the American people's support for the Project. We submitted requests to USAID for additional Program funding and an additional obligation, and drafted a request to update/modify our Performance Monitoring Plan (PMP) which was submitted in early January. Staff attended more than eight workshops where their skills and knowledge of key AgBiz-related topics were enhanced. Outreach results included 20 media exposures and development and distribution of two Success Stories. To effectively leverage our resources there were more than 15 occasions when we invested significant time and effort in cooperation with other relevant entities including the Government of Macedonia (GoM), other donors, and other USAID projects. For example, we launched a joint policy reform Activity with USAID's Business Environment Activity (BEA). Staff contributed to more than seven outside meetings where topics of specific relevance to our objectives were discussed. During the Quarter we signed 32 agreements worth more than \$77,000 with local entities.

## ***Value Chain Competitiveness Enhancement Activities:***

At the end of the Quarter there were 10 Activity Concepts Under Review, three Activities had been internally approved and were Being Developed, four Activities had been approved by USAID and were in the process of Being Implemented and ten were Completed. Activities Being Implemented at the end of the Quarter were the "ProWein", "Fruit Logistica" and "Biofach" trade fairs, and a "Profile of the Croatian Market for Fresh Vegetables and Table Grapes". Activities completed during the Quarter were Study Tours to Poland and Sweden, a "Profile of the Wild Gathered Products Value Chain", roundtables with participants in the Wild Gathered and Table Grapes Value Chains, support for participation in the "Vino-Skop Wine Festival", "Salon Vina in Serbia" and "Organic Production Day in Macedonia", an "Assessment of the Contribution of Agribusinesses to Macedonian Economic Growth" and a comprehensive training program on "Oak Aging of Wines". An internal process for the identification, prioritization, development, and implementation of value chain competitiveness enhancement activities that produces a clear rolling three month Activities Plan was established and implemented. The total direct cost of Activities completed during the Quarter was \$137,700 and the AgBiz direct cost was \$34,600 for a cost share of 34.6%.

## ***Export Focused, Business Expansion Projects:***

All 19 signed Projects progressed during the Quarter with no significant implementation problems reported. Grantees made good progress on the Environmental Mitigation Measures specified in their grants. Cleaner Production Assessments (CPAs) were completed for the eight grantees requiring one. The AgBiz Pesticide Evaluation Report & Safer Use Action Plan (PERSUAP) was approved by USAID during the Quarter and Asbestos Health and Safety Plans (AH&SPs) were provided to the two grantees that required them. Grant implementation procedures were closely monitored and conformed to, and Value Chain Coordinators (VCCs) met with the Chief of Party (CoP) on a bi-weekly basis to review the progress of each of their Projects. An Environmental Compliance Monitoring Plan was developed and put into place. Implementation of the plan will track compliance with all Mitigation Measures. Quarterly Reports were received from all grantees. Based on an internal assessment, a decision was made to expand the Table Grapes Value Chain into a Fresh Fruits Value Chain, with an initial focus on fresh apple exports. This will add \$24 million to the value chains we are supporting and take total exports of the value chains we support to \$150 million. Lack of progress on the more than one year old Vitalia Fast Track Project stimulated a reassessment of the Project, and it will be dropped in the next quarter. Failure of the Ohrid Winery to activate a shift from bulk to bottled wines will result in that Project being replaced by an Agrolozar/Dalvina Winery Project next quarter. By the end of the Quarter, AgBiz had contributed a total of \$242,937 to the nineteen signed Projects, not including environment-related work, and grantees had contributed \$3,972,369. This represents 50% of the AgBiz agreed support and 22% of the value of

customers' contributions to Projects. Twenty four percent, or \$1.3 million, of planned total Project expenditures had been completed by the end of the Quarter.

### ***Enhanced Access to Finance:***

During the Quarter AgBiz provided detailed improved access to finance assistance to six companies and five individuals. We helped them identify the most appropriate sources of finance, and the most reasonable financing products for their circumstances. Based on the results from this analysis we assisted them to develop application for loans, leases, equity, or other types of financing. These six companies and five individuals are applying for \$1,030,300 in loans. An additional five companies and ten individuals received more general information regarding available sources and types of finance in Macedonia, and an explanation of the different product characteristics and advantages to using loans, leases, equity, or other types of financing, depending on the company's needs and situation.

### ***Policy and Institutional Reform:***

Policy and institutional reform needs identified, prioritized, and discussed with sources of reform during the Quarter included "Slow Approval of Wild Gathered Exports" by the Ministry of Environment, "Inadequate Pesticide Packaging Disposal Regulations", and serious issues associated with the "Collection of Producer/Gatherer Withholding Taxes by Processors and Marketers". As previously noted, we developed a joint Activity with USAID's BEA to complete an assessment of the latter issue and develop recommendations for reducing the impact of the current unacceptable situation.

### ***Operational Challenges Encountered:***

Three of the external operational challenges previously reported remained in effect during the Quarter, including "Lack of Effective Cooperation between Producers and Processors/Marketers", "Confusing GoM Communications Regarding Hazard Analyses and Critical Control Points (HACCP)", and "Slow Development of the Instrument for Pre-Accession Assistance for Rural Development (IPARD)". However, several new challenges presented themselves. External challenges are a) weakening demand and slow receivables payment – especially in export markets, b) problems with customs duty on imported tomato paste and peppers for processing and c) Ministry of Agriculture, Forestry, and Water Economy (MAFWE)'s focus on the social benefits of their policies and programs rather than on the economic growth and competitiveness of agriculture-based value chains, and their lack of coordination with the Ministry of Economy – where post-harvest policy and support originates. An internal challenge is the amount of Program funding available to expand our value chain and customer coverage and fully implement the value chain competitiveness enhancement Activities we need to accomplish over the Life of the Program (LoP).

### ***Performance Indicators:***

All but two of the indicators that we report on a quarterly basis exceeded 25% (3/12ths) of our Fiscal Year (FY) 2009 indicators projection. While indicator achievement does not take place on a straight line basis, the first quarter is 25% of the fiscal year. The two indicators we were short on are "Success Stories Produced" and "Domestic Investment Stimulated". We will easily catch up on "Success Stories Produced" in the next quarter. The value of "Domestic Investment Stimulated" will be much larger in the next quarter as more grantees complete their Project investments. Indicator 2.4, "Number of Agriculture-related Firms Receiving Assistance" shows that 70 agribusiness-related firms received AgBiz assistance during the Quarter. This includes firms that also received assistance in the past. The number of new customers that have received AgBiz assistance this Quarter was 27. During the Quarter customers did not participate in any trade fairs so the "Value of New Orders" and "Number of New Customers" from Trade Fairs, Business-to-Business (B2B), and Fast Track (FT) projects was zero. However, there are strong indications that some of the customers that participated in the Study Tours to Poland and Sweden are likely to sign contracts with the businesses they met with. Therefore, we anticipate Value of Orders and New Customers will significantly increase in the coming quarter.

# 2.0 FIRST QUARTER ACCOMPLISHMENTS

## 2.1 PROGRAM DEVELOPMENT WORK

This section describes Program development work that is not directly related to Project implementation, Activity development and implementation, enhanced Access to finance, or Policy Reform.

### 2.1.1 USAID

AgBiz works intensively with USAID in all aspects of Program implementation. This section describes some of the more significant work that took place during the Quarter.

#### ***MD Visit to Valandovo, Vipro and Badzo***

In November the Mission Director and representatives from USAID, the US Embassy, and AgBiz visited Valandovo Winery, Badzo (the fresh vegetables company in Bogdanci), and Vipro (the vegetables processing company in Gevgelija). Vipro and Badzo signed Grant Agreements on July 3 and Valandovo Winery three months later on October 3. The purpose of these visits was to introduce the Mission Director to the types of companies AgBiz is supporting, and to review the implementation of Projects funded by AgBiz.

AgBiz is providing Valandovo funds for technical assistance to help enhance the quality of their wine grapes, adopt new technologies for the production of high quality wine, and to shift from sales of bulk wine to high quality bottled wine. AgBiz support to Badzo will enhance the competitiveness of the company's fresh vegetable exports through construction of a vegetable chilling and ripening room, and implementation of HACCP food safety principles for existing and new facilities. AgBiz supported the construction of Vipro's new facility that will expand their vegetable processing capacity and help to enhance the competitiveness of their exports.

The Mission Director used this opportunity to present a marking plaque to each company manager that describes AgBiz assistance as being "from the American people." The plaque recognizes the successful cooperation between USAID through the AgBiz Program and the company in developing and successfully implementing their export focused business expansion Projects.

#### ***USAID Personnel Visit to Flores***

In December the Regional Legal Advisor, the Macedonia DC Desk Officer, the Program Officer and MEO, and AgBiz staff visited Flores, an AgBiz wild gathered products company located in Radovish. The visitors met with the manager responsible for the AgBiz Project and discussed Project implementation, and the environmental monitoring and mitigation recommendations stated in the Grant Agreement. This Project is helping Flores to enhance the competitiveness and added value of its organic herbs and medicinals in export markets by introducing a new line of organic products, remodelling and expanding their facilities to separate the conventional and organic product processing lines, providing training to collectors and consolidation point personnel, and certifying collection areas for organic products.

Flores committed to implement environment-related recommendations related to Asbestos, Dust, Good Agricultural Practices (GAP), Permits regarding Integrated Pollution Prevention and Control System (IPPC) and the environmental, and conducting Public Participation Meeting with neighbors and others potentially affected by operations at their processing facility.

The visitors noted that Flores has posted warning signs in their facilities with asbestos roofs, has received organic certification for two of their products, separation of organic processing from conventional processing is proceeding, and the process of issuing IPPC/environmental permits is underway.

### **Request for Additional Funding**

AgBiz Program funds are limited and constrain our ability to provide the level of services to customers needed to substantially enhance the competitiveness of the value chains we are working with, especially when we expand the Table Grapes value chain to include other fresh fruits. This will mean many new potential customers. Therefore, during the Quarter an official request to increase total Program funding by \$350,000 was submitted to USAID, the amount being based on preliminary USAID indications of intermediate term budget availability. We await a USAID decision on this request.

### **Request for Additional Obligation**

In September 2009 AgBiz received an additional obligation of \$773,000 that, given current expenditure projections, will be sufficient through only April 2009. Given the obligations implied in the grants we have already signed, other projected cash flows, and the need to commit funds well in advance to secure floor space at trade fairs, we will need an additional obligation of around \$650,000 to carry us through the end of FY09. We have informed USAID of this need, and plans are to provide an additional obligation by mid-February 2009.

### **Request to Modify the PMP**

Based on experience in obtaining baseline data, annual projections, and quarterly reports, and especially during development of the Monitoring & Evaluation (M&E) Management Information System (MIS), indicator reporting issues were identified. These relate to what is to be reported according to the PMP versus what is possible to report given the availability of information from grantees. As we identified these issues we discussed them internally, with USAID, and reported them in previous Quarterly and Annual Reports. During the Quarter we developed what we consider to be the best solution to resolve these issues. A proposal to update the PMP was then developed and discussed with USAID. In very early January a formal request to modify the PMP was sent to USAID. We anticipate a USAID response early in the second fiscal quarter. (USAID approval received January 15<sup>th</sup>).

### **Ford Focus Request**

AgBiz informed the Hope Fellowship Project and the COTR about our official interest in a property transfer of the Fellowship Projects' Ford Focus vehicle. The Hope Fellowship Project needs to update the registration for the vehicle, obtain permission for a property transfer from USAID, and then AgBiz will be able to transfer the vehicle with a notary certification.

### **FY08 Indicators Results Explanation**

In December, AgBiz received a request from USAID for confirmation of our FY08 indicators that are included in the Mission level Annual Report. Twelve of the PMP indicators required from AgBiz were entered into the Missions reporting software upon AgBiz PMP approval. The AgBiz Deputy Chief of Party (DCoP), COP, and the Mission's M&E Specialist reviewed the indicator targets and our results for FY08. It was decided that the number of indicators that are to remain in the Mission's reporting software will be reduced to nine. During the Quarter AgBiz drafted a proposal to modify the approved PMP as explained previously.

## **Budget Utilization by Sub-objective Report**

In December the Mission requested AgBiz provide a breakdown by sub-element of AgBiz obligated resources under USAID's program element Agricultural Sector Productivity. A breakdown of the \$175,000 committed to this program element was provided to the Mission as follows 1) Research and Technology Dissemination - \$69,610; 2) Agribusiness and Producer Organizations - \$15,000 and 3) Markets and Trade Capacity - \$90,390.

### **2.1.1 Staff Development**

Optimizing the relevant experience and skills of AgBiz staff is important for both the efficiency and effectiveness of our operations as well as for legacy reasons. This section describes activities that took place during the Quarter that increased the knowledge of staff regarding AgBiz-related work.

### **Updated Position Descriptions (PDs) and Performance Reviews**

Performance Commitment Plans for technical staff were updated during the Quarter, including revised position descriptions for Value Chain Coordinators (VCC) as well as establishing a quarterly performance evaluation process. VCCs successfully developed FY09 Q1 goals and objectives that will be evaluated at the beginning of the next quarter. Other staff, including the DCoP and support staff, will continue to monitor their performance via updated position descriptions and performance commitment plans that will be reviewed on a semi-annual basis.

### **SNV Workshop on Common Agriculture Policy (CAP)**

At this workshop a basic presentation outlined the functioning and recent history of the European Union (EU) Common Agriculture Policy (CAP). A comparison of the production and consumption quantities of agriculture products between EU and Macedonia was also presented. The workshop was structured to encourage participants to explore in depth the contents and possibilities of the CAP rather than to provide extensive and in-depth information about the policy. The information provided is useful background for helping staff to understand the agriculture-related policy context for EU accession.

### **USAID's GDA Training**

In November the CoP and Finance Manager attended Global Development Alliances (GDA) training at USAID where WDC personnel explained the principles behind GDCs and how they are developed. Discussion included if and how GDAs might be developed in Macedonia. While GDAs are highly desirable, it is questionable if there are significant GDA opportunities related to agribusinesses in Macedonia due to the comparatively small size of Macedonian agribusinesses, the limited supply of raw materials for export markets, and the small size of the domestic market. Therefore, while AgBiz will remain vigilant to GDA opportunities, especially as related to international GDAs developed by WDC, we will not be placing any emphasis on GDA development.

### **Flores Organic Training of Gatherers and Supply Center Operators**

As part of the Flores project, organic certification of their collection area, supply centers, and processing facility was planned and implemented. AgBiz supported this organic implementation and certification work by reimbursing the cost of engaging a local expert to provide training regarding the requirements for organic collection of wild crafted products to individual collectors and supply centers operators. The training covered all herbs that are collected by Flores, outlined the principals for organic production and sustainable practices for gathering of each of the medicinal and aromatic plants. Personnel from four Flores supply centers and 56 gatherers were trained during the two-day sessions. The AgBiz Wild Gathered Products VCC participated in the training and answered general questions connected with organic collecting, e.g., about personal income taxes and AgBiz Program activities.

## **Equity Financing for Businesses**

The AgBiz Finance Specialist attended the Equity Financing Workshop held in early December where Macedonian companies heard from a number of private equity investors and business advisers regarding how to make their companies as attractive as possible to potential strategic partners. Speakers described their investment requirements and current investment focus. Other presentations included taxation and audits and their value in a potential transaction, and the different types of equity investments available to Macedonian firms, along with their respective advantages.

Organizers explained to the 17 Macedonian companies attending the seminar the process of acquiring capital, such as how to attract and negotiate with investors, how to prepare proper documentation, and how to choose a financial advisor. The Small Enterprise Assistance Funds (SEAF) and Phalanx Capital presented their respective investment portfolios in Macedonia.

Information obtained from this seminar will be useful for the Finance Specialist when assisting customers, and to support any Foreign Direct Investment (FDI) possibilities.

## **Using Market Analysis Tools**

Two AgBiz staff attended training organized by the USAID Competitiveness Project on using the Market Analysis and Research (MAR) service. This service is part of the Market Development Program of the International Trade Center (ITC). Through MAR services, ITC provides online tools, tailored market research and trade analysis, and conducts training programs in developing countries on market analysis for trade policy makers, trade support institutions, and the business community.

The training introduced basic guidance on using the five ITC web portals (Investment Map, Trade Competitiveness Map, Market Access Map, Trade Map, and Product Map) that enhance the transparency of global trade and market access. All portals are easy-to-use interactive internet tools that allow online access to the world's largest trade database, and present market analysis profiles, indicators on export performance, international demand, alternative markets, and the role of competitors from both the product and country perspective. They also provide combined statistics on foreign direct investment and international trade, customs tariffs (import duties), most favored nation, and preferential data analysis by country, trading partner, and sector.

AgBiz will utilize these tools to facilitate strategic market research; monitor national and value chain trade and macro-economic performance; and analyze markets to identify new market opportunities and design activities that will support exporters and trade promoters in our five value chains. The portals' advanced features can be used by trade associations to do policy analysis by simulating the effects of tariff reductions, and to assist in identifying trade barriers that should be addressed. Also, AgBiz will transfer info about MAR to our customers on how to use the tools to find export/import tariffs duties, compare competitors, and utilize other market information needed to design and implement successful export growth strategies.

## **Workshop on Agro-environmental Measures under IPARD**

In December two AgBiz staff participated in a workshop on "Support to IPARD Preparation and its National Program for Agriculture and Rural Development 2007-2013". Organizers were the Managing Authority of MAFWE, in collaboration with the EU funded project "Support to IPARD Preparation." At the workshop the strategy for implementing Agroenvironmental Measures was elaborated. The purpose of the event was to share information with all stakeholders on the actual situation, objectives, and current background issues of Agroenvironmental Measures, and to prepare for later involvement in implementing that program under IPARD. The Head of the Agricultural Development Department from Germany presented GAP as basic elements for sustainable Macedonian agriculture and talked about agroenvironmental measures as a challenge for rural development.

The meeting was organized for and focused on key stakeholders such as national and local authorities, universities and research institutions, Chambers of Commerce, small and medium enterprise (SME) agencies, environmental non-governmental organizations (NGOs), donor projects, and the

IPARD paying agency (PA). AgBiz applied for membership in a working group that will participate in preparing Macedonia's Agroenvironmental Measures. This will provide AgBiz direct insights into further developments regarding IPARD support.

### **TAIEX Seminar/Workshop on IPA Rural Development**

The most crucial objective in the process of EU approximation as related to agriculture and rural development is achieving the full functionality and accreditation of the paying agency that is responsible for the implementation and payment of all agricultural and rural development related subsidies. MAFWE is coordinating the completion of all major tasks including the development of these support programs, guidelines for support applications, and monitoring implementation of the national IPARD program. According to the action plan for IPARD agreed with the European Commission (EC), national accreditation is an ongoing process. Currently, the IPARD Agency is entering into the second phase toward accreditation by defining their functions according to the accreditation criteria.

The two day event *"IPA Rural Development Seminar in the Republic of Macedonia"* was organized in November by MAFWE, in cooperation with the European Commission Technical Assistance Information Exchange Unit (TAIEX) – Brussels and attended by the AgBiz IPARD Specialist. The main objective of the seminar was to explain the rationale, potential, methodology, and procedures behind IPARD funds, and the role of the IPARD Agency in the implementation of the IPARD Program.

Sharing and discussing the experience of several external experts provided an opportunity for all participants to learn the procedures required, and to obtain firsthand information about the IPARD-related activities. This includes "From application to payment," a roadmap to IPARD funding, co-financing obligations (standards, control process), and final approval of payment. This seminar was a good opportunity to learn the best practices to be used as a guide to future effective fund access during IPARD implementation.

The conclusion of the seminar was that Macedonia must very soon prepare the necessary financing and institutional capacity to manage IPARD allocations, which is an obligation that will significantly increase public expenditures on agriculture. It is anticipated that Macedonia will be able to start utilizing IPARD funds no earlier than mid-2009.

### **Faculty of Food Science and Agriculture and Agribusinesses**

The current Macedonian framework for establishing quality partnerships with, and transferring agricultural technology and knowledge between, higher education and research institutions on one side and agribusinesses on the other is ineffective. The mechanisms for interaction between research institutions and agribusinesses are not developed, and this leads to insignificant private investment and participation in applied research and innovation.

The AgBiz IPARD Specialist attended the 33<sup>rd</sup> traditional meeting between the Faculty of Food Science and Agriculture and agribusiness companies titled "From Farm to Fork." Faculty members presented their contributions and accomplishments related to information and support activities to agribusinesses, including information on food safety issues provided, and expressed willingness for closer and more efficient collaboration between faculty members and agribusinesses. Based on information obtained at this meeting and shared with AgBiz staff, VCCs will be able to inform our customers about the types of assistance the Faculty of Food Science and Agriculture can provide.

#### **2.1.2 Outreach**

The following section provides an overview of the Program's extensive outreach events during the Quarter.

## **Macedonian Wines Article Published in Harpers Magazine**

As a follow-up to “Vino-Skop 2008”, AgBiz continued cooperation with the wine judges and writers that participated in the wine judging panel at the festival. Based on their notes, interviews, relevant data and information provided by AgBiz, Mr. Darrel Joseph created an article that was published in *Harpers*, one of the most respected wine magazines in Europe. The article titled “When It Comes to Quality, Size Doesn’t Matter” summarized the judges’ positive impressions of the Macedonian wine industry and its quality wines. The article said: “tiny Macedonia is starting to turn heads in the UK by producing quality wine and it is a region that is gaining international attention for its diversity.” This positive article is a big step forward in supporting the market entry efforts of several wineries that are focused on penetrating the UK market, a benchmark that will gain increased credibility for Macedonian wines.

## **TV Program “Voice of the People”**

In October the DCoP participated in the Macedonian television (MTV) (Public TV) program “Voice of the People” and presented USAID’s AgBiz Program activities and achievements, then participated in an open discussion with the public via telephone calls. Questions and comments focused on the development of Macedonian agriculture. Other guests in the two hour live program included the Minister of Agriculture and the President of the Federation of Farmers of Republic of Macedonia. This was the second time an AgBiz staff member has participated in this live TV show.

## **“Food and Drinks Industry during EU Accession” Seminar**

The Employers Association of Macedonia (Confederation of the Food and Drink Industries of the EU [CIAA] - Confederation of Employers of Republic of Macedonia [CERM]) sponsored a seminar in October on the importance of the food and beverage industry in the EU as related to EU accession. Speakers were primarily from EU Chambers of Commerce. Considerable emphasis was placed on the role of trade associations and chambers of commerce in helping industries to develop, and the country they are based in to successfully join the EU. This means that for industries to survive with more open borders they must work together for their mutual benefit. The CoP and DCoP did a presentation at the seminar regarding USAID’s AgBiz Program, how we are helping to enhance the competitiveness of Macedonian agribusinesses, and how we are very interested in providing support for the development and sustainability of trade associations. The presentation was well received.

## **Other:**

- **Success Stories:** Two Success Stories were produced during the Quarter. These were “*Macedonian Dried Vegetables Conquer European Markets*” and “*Macedonian Fresh Produce Exporters Learn from Polish Experts*.” Both were sent to the Home Office, USAID, and the Regional Competitiveness Initiative (RCI). The “*Macedonian Fresh Produce Importers Learn from Polish Experts*” Success Story has been posted on [http://www.usaid.gov/locations/europe\\_eurasia/countries/mk/](http://www.usaid.gov/locations/europe_eurasia/countries/mk/). Four Stories: “*Macedonia Agribusiness Grantees Plan to Expand Export Sales*”, “*Macedonian Producers Embrace Food Safety Standards*”, “*Exchange Provides Seeds for Innovation in Table Grape Industry*”, and the “*Bumper Crop, USAID Support Gives Exporter Entrée to the U.K. Market*” were posted to the AgBiz website.
- **Development Outreach and Communication Office Meetings:** The AgBiz Outreach Specialist participated in two half-day Communications Workshops organized by USAID’s Development Outreach and Communication (DOC) office, the first at the Primary Education Project (PEP) and the second in the offices of the Judicial Reform Implementation Project (JRIP), both USAID funded projects. The Outreach Specialist and the Acting CoP attended a Christmas reception for several journalists and editors at the residence of Mission Director Michael Fritz in December. The purpose of the event was to informally provide information on the future activities of USAID funded projects, and to attract media attention to covering future AgBiz activities.

- **“Bottled Wine Media Tour”:** In November a very successful media tour for the Bottled Wine Value Chain took place. The goal of the “tour” as an outreach Activity was to inform the media about the types of support AgBiz is providing to the Bottled Wine Value Chain and to provide firsthand information on the “ground” to the media representatives about the types and quality of wines produced in Macedonia and the opportunities for improving their competitiveness in regional and world markets. The tour visited three wineries - Tikvesh, Bovin and Grkov.

At all three venues the journalists had an opportunity to meet and ask questions of the managers and oenologists, to visit the winery facilities and to sample wines. Five journalists from three newspapers,

PHOTO CREDIT: AGBIZ STAFF



**Tikvesh winery oenologist (left) being interviewed by Ms. Borjana Dicevska, from the daily business newspaper *Biznis*.**

Radio “Kanal 77”, and electronic media representatives from “Total” and “Porta 3” participated in the tour. Several articles followed from the journalists (free of charge) that covered what they had seen and learned on the tour, frequently mentioning USAID’s AgBiz Program. A total of four media exposures resulted from the “Bottled Wine Media Tour.

The AgBiz Bottled Wine Value Chain Coordinator, international wine expert Mr. William Talbot, and local expert Goran Milanov, Deputy Director of the Institute of Agriculture, Department of Oenology and Viticulture were part of the Media Tour and were interviewed by journalists. This resulted in a lengthy

interview with them and a large article being published in “Kapital”.

In addition to the media representatives, Information Officers from two USAID’s Economic Growth (EG) funded projects (Competitiveness and E-Gov) as well the USAID DOC Officer joined the tour.

- **Media Exposure:** During the Quarter a total of 20 media exposures were accomplished, three on national TV stations and 17 in printed/or electronic newspapers.

After the “Second Grant Agreement Signing Ceremony” held in October, a half page article titled “AgBiz Program of USAID Provided American Grant for Agribusiness with a Value of \$200,000” was published in the daily newspaper “Biznis”.

As a result of the successfully organized and AgBiz supported “Vino-Skop” trade fair Activity, a high level of media coverage was reached, including four newspaper and magazine articles. One month later, Darrel Joseph wrote an article titled “Macedonia Reaching to the World” for Wine Business International and, as noted above, in December for “Harpers” Wine Magazine UK another three page story was written, titled, “When It Comes to Quality, Size Doesn’t Matter.”

In October a two day event named “Festival na zimnica 2008” was organized by the City of Skopje. Exhibitors on this venue included AgBiz customers in the Processed Vegetables Value Chain such as Vipro, Bonum Plus, Kim, and Hina. The festival was not financially supported by AgBiz, but received wide media attention. Four articles were published in local media mentioning that this Activity was supported by USAID’s AgBiz Program.

During the Quarter two media interviews were accomplished. Processed Vegetables VCC Zlatko Edelinski and DCoP Jeton Starova were interviewed for the electronic newspaper “Total” about the current situation and challenges of the Macedonian vegetables processing industry. The second interview was about using alternatives to expensive oak barrels, published in the monthly business newspaper “Kapital”. Senior Marketing and SME Development Manager Goran Damovski, international wine expert William Talbot, and AgBiz CoP James Maxwell were interviewed for the national TV station MTV. Eight minutes of taped material was broadcasted for the TV show “Agrar”, presenting the interview with AgBiz staff and the wine expert.

In November AgBiz provided outreach support for organizing the second “Day of Organic Production” which took place in Ramstore City Mall. The organizers were MAFWE and Federation of Producers of Organic Products of Macedonia (FPOPM). Minister Mr. Aco Spasenovski was the key speaker at the venue. The event was supported by a number of donor organizations such as GTZ and the Swiss Agency for Development and Cooperation. Two articles were published in “Macedonian Daily News” and there were media exposures on national TV station “Kanal 5” (See “Organic Production Day in Macedonia”, section 2.2.4).

During the Quarter marking plaques were developed for 16 grantees celebrating the good partnership between USAID and the grantee for successful project implementation. These plaques will be prominently displayed on the grantees’ premises. The remaining three marking plaques will be completed in January.

Grantees Profiles Fact Sheets were developed and completed for all 19 of AgBiz’s grantees. The purpose of this resource is to provide a rapid review of the grantee, including grantee information, period of grant, project cost, best time to visits, products, markets, and a short description of the grant as well a listing of all support the company is receiving from AgBiz. These profiles are now a ready resource with a wide range of uses.

The AgBiz website was updated on a regular basis.

### **2.1.3 Cooperation with Other Projects & Entities**

To have an optimal impact on export competitiveness and effective growth, AgBiz must leverage its support to its customers. One of the better ways to achieve this is cooperation with other projects, to share experience, learn from each other and, when appropriate, to jointly support activities. The following section describes some of the ways AgBiz cooperated with other entities during the Quarter.

#### **Forms of Associating in Agriculture**

In October, an AgBiz representative participated in a workshop organized by the GTZ MAFP Project. The objectives of the workshop were 1) to review the need for accelerated development of producer organizations, 2) to review various models used to date for farmer association development in Macedonia, and 3) to discuss guidelines for the legal and regulatory reforms needed to improve the process of farmer association and producer organization formation. At the workshop, representatives from farmers associations and donor funded activities discussed the various aspects and problems of farmer associations and producer organizations. Some of the conclusions and recommendations of the workshop were; 1) there is a need for developing and implementing a strategy for supporting the development of producer organizations, especially those that focus on joint marketing; 2) MAFWE is to complete development of the farm registry, and to clarify the criteria for registering producer organizations; and 3) an analysis of taxation policies in agriculture needs to be performed and recommendations developed to mitigate the negative influence of present taxation policies on the development of producer organizations.

As follow up related to these conclusions, AgBiz, in cooperation with BEA, initiated an assessment that will address item three of the workshop conclusions, and will share the findings with interested stakeholders. This producer withholding tax Activity will be implemented during the next quarter (See “Assessment of Regulations and Practices in Personal Income Tax Withholding from Farmers and Gatherers”, section 2.2.2).

#### **MAFWE Organic and Forestry Departments**

AgBiz is focusing on adding value to Macedonian agricultural products. Organic certification and achieving other quality standards are important opportunities for adding value to wild gathered product exports, and a way for the majority of enterprises involved in the value chain to improve their competitiveness. Staying current on developing trends in the area of organic production and marketing is important for early recognition of the possibilities organic certification offers. EU regulations on organic production are becoming more complex, and subsequently the GoM needs to incorporate these changes

into Macedonian regulations by developing and enacting a more comprehensive law on organic production. To keep up with the deadlines imposed by the National Plan for Accession, a substantial part of EU Reg. 889 on organic production will be transposed into Macedonian sub-law acts and regulations instead of the previously planned complete law on organic production. During the Quarter the AgBiz Wild Gathered Products VCC participated in two work sessions of the MAFWE committee that is drafting the new Macedonian organic production regulations that will harmonize legislation with the EU Regulation on Organic production (EU Reg. 889).

AgBiz staff also contributed to drafting of the GoM 2009 subsidy program for the development of the organic production.

During the Quarter AgBiz, in collaboration with the MAFWE Forestry Department, obtained and disseminated official information on forest treatments against pests done by the Forestry Department. This information is now available to all operators in the Wild Gathered Products Value Chain, and is an important document for companies certifying organic collection of wild gathered products. Ready availability of this information reduces organic certification costs, and the time required for certification.

### **MAFWE Projects Review Meeting**

In October the International Cooperation Department (ICD) of MAFWE organized a Project review and coordination meeting with active implementers and donors involved in the development of Macedonian agriculture and agribusiness. Representatives of various agriculture-related donor and GoM funded development projects presented their activities, achievements, and future plans. Some of the conclusions from this coordination meeting included:

- The ICD will organize quarterly meetings with donor funded activities to facilitate better information flow and coordination;
- The ICD will develop and implement an internal database on the ongoing and planned work of individual projects and activities, to be updated on a quarterly basis;
- The ICD will request the appointment of a key contact within each development project to enter information on activities, events, and other information relevant to agriculture in the MAFWE administered web portal;
- Implementers of agriculture-related development projects will submit to the ICD a table with information on their activities planned in the following period such as training, workshops, conferences, support to trade fairs and study tours; and
- The ICD will inform all implementers on the way to register their development activities with the Secretariat for European Questions in the GoM.

As a follow up to this meeting AgBiz submitted all requested information to the MAFWE ICD, assigned Natasha Stankovic, our Outreach Specialist, to enter the requested information into the MAFWE data base and to update information as needed to the MAFWE web portal.

### **Using MAFWE's Projects Web Portal**

The AgBiz Outreach Specialist participated in a two hour training session on the use and maintenance of MAFWE's web portal [www.mafweprojects.gov.mk](http://www.mafweprojects.gov.mk). Prior to the training, AgBiz signed a Memoranda of Understanding (MoU) with MAFWE wherein we agreed to regular maintenance and updating of the webpage, posting documents, news, and information related to AgBiz's activities. AgBiz will start posting this information in January.

### **MAFWE Conference on a Joint Wine Marketing Strategy**

The AgBiz Bottled Wine VCC contributed to a workshop on a National Marketing Strategy for Macedonian Wines. The workshop was organized by MAFWE in cooperation with the National Vineyard Monitoring and Management System (Phase II), an EU-funded project managed by the European Agency for Reconstruction. At the workshop an international expert from the International Organization

of Vine and Wine (OIV), Patrick Argen, presented his findings and statistics. He requested wineries as well as related institutions and projects to comment on the recommendations presented regarding export opportunities and proposed target markets for Macedonian wines. AgBiz agreed with the general principals expressed and shared our insights on how to best approach the selected markets. This workshop was useful to better understand current MAFWE activities in the wine sub-sector, and to put forward our suggestions regarding better coordination of all parties involved in supporting the wine value chain.

### **Cooperation Regarding Wine Tourism**

Recently several Macedonian wineries have invested in their facilities to develop the fixed assets needed to be competitive, and to capitalize on wine tourism opportunities. Investment in wine tourism-related infrastructure such as appropriate road signs to mark their location and to communicate support services such as lodging and restaurants being available is crucial for attracting visitors to the wineries. Several wineries consider this expansion into wine tourism a priority interest, and some have already started applying to the relevant authorities for licenses to placing individual road signs. During the Quarter, based on initiatives from several wineries, AgBiz started investigating the opportunity for creating a wider platform to develop this concept by meeting and discussing the issue with Macedonia Local Government Activity (MLGA) and United Nations Development Programme (UNDP) (Capacity Building at the Local and National Level for MDG Based Planning). The objective of these meetings was to coordinate and potentially develop a more comprehensive project for wine tourism road signs. In addition, AgBiz met with the Kavadarci-based Wine Route Foundation which applied for and received funds from the Ministry of Economy to implement a project for wine route road signs. All these actions, if not coordinated, will create an inconsistent and unbalanced presentation of the wineries to potential and actual tourists. Therefore, AgBiz will continue to play a minor role in helping to coordinate wine tourism development efforts.

### **Coordination with Other USAID Project CoPs**

The CoP routinely meets with the CoP of MLGA, and occasionally with the CoP of the Judicial Reform Implementation Project (JRIP), to coordinate our efforts and share information and experience. ARD is the prime contractor for both AgBiz and MLGA, and the president of DPK, the prime contractor for JRIP, reports to the President of ARD. In the second quarter of FY09 further consultations will take place between the three CoPs regarding information sharing and cooperation, especially between MLGA's Local Economic Development activities and AgBiz.

During the quarter the CoP met with the CoP of the new project in Kosovo that has a significant agribusiness component. Potential areas of cooperation were discussed as well as how the two projects are implementing value chain competitiveness enhancement. This information exchange will continue.

In December AgBiz staff met with the CoP and DCoP of the Competitiveness Project to review our mutual work, exchange information and discuss potential cooperation. This type of coordination meeting will take place on an at least quarterly basis.

AgBiz staff frequently coordinates with BEA as they are our partner in policy reform. The most notable example of this cooperation is the joint implementation of the "Producer/Gatherer Withholding Tax Assessment".

In November, the CoP met with the CoP and DCoP of the Serbia Agribusiness Project and shared lessons learned and information about the Serbian market and local consultants. The Project had just started an assessment of the fresh vegetables cold chain. Their support is focused on root crops that can be stored. This report should be available in the second fiscal quarter and we will follow up with them to get a copy. They held a cold chain management workshop in Novi Sad in December, and we will get a copy of the proceedings. They had a Short-term Technical Assistance (STTA) Producer Organization (PO) development expert working in Serbia during the first fiscal quarter and we will try to get a copy of their report. Serbia Agribusiness has found Dubai to be a high potential market, and believes India represents very good potential for processed vegetables.

## **Assessment of Business Climate Legal and Institutional Reforms**

In October the AgBiz DCoP participated in a BEA-organized workshop about the USAID-funded assessment of the Macedonian business environment titled Commercial Legal and Institutional Reform (CLIR)/ Business Climate Legal and Institutional Reform (BizCLIR) Assessment. The main objective of the assessment was to pinpoint areas where improvements in the business environment are needed, and at the same time demonstrate the accomplishments and progress of previous and/or ongoing reforms. The CLIR is a diagnostic methodology created by USAID that covers the entire system needed for effective implementation of and amendments to commercial legislation and overall reforms, as a method for improving a Macedonian market-based economy. The CLIR is an analytical approach that includes all implementing institutions, as well as civil society (bar associations, business associations, banks, notaries, etc.), that is directly or indirectly involved in the reform system. The business environment aspects targeted with this assessment included business startup, employment, access to finance, contracts enforcement, property registration, external trade and investor protection. The workshop presented the preliminary results of research that used the BizCLIR methodology. Participation in this workshop contributed to AgBiz policy reform objectives. As follow up, AgBiz will continue communicating with BEA to enhance the process of identifying and prioritizing the policy and institutional reforms needed to enhance the agricultural/agribusiness business environment, and selectively develop joint or coordinated activities to address those with the highest priority.

## **Policy Constraints to Exports Conference**

In October BEA and the Ministry of Economy (MoE) completed development of the Macedonia External Trade Report for 2007, and the Report was presented at a conference on October 2, 2008. The objectives of this were to present GoM actions and policies to increase export competitiveness in 2007 and 2008 in reflection of issues identified at the previous similar event and to identify, reaffirm, and discuss issues and obstacles for export competitiveness identified in 2008 and review progress on same. After the plenary session at which the External Trade Report for 2007 was presented and GoM actions were reviewed, conference participants were asked to attend breakout sessions designed to serve as venues for identifying and prioritizing issues associated with export competitiveness development in 2008. The theme-based breakout sessions were 1) the enhancement of the export of industrial products, 2) the enhancement of the export of agricultural products, and 3) the enhancement of the export of services.

AgBiz staff and some customers participated in the breakout session related to the agriculture. A report on the influence of the various trade agreements signed by the GoM, the development of which was funded by AgBiz earlier in FY08, was presented at the breakout session by the Foundation Agri-Centre for Education (FACE). Policy and institutional constraints to the export performance of agricultural products were identified during the discussion. The lack of a comprehensive national program for the promotion of Macedonian wine exports, and the cumbersome and inefficient process for clearing exports of wild gathered products were two of the issues identified. AgBiz will continue to identify and prioritize the policy and institutional reforms needed to increase the competitiveness of its supported value chains in collaboration with BEA. Active participation in meetings such as this supports that objective.

## **Launch of the National Internship and Job Placement**

In November, AgBiz staff attended the Competitiveness Project's launch of the National Internship and Job Placement Program, and the internship and job placement web portal. The USAID Mission Director, the Minister of Economy, the Deputy Minister of Education and Science, and the State Counselor of the Ministry of Labor and Social Policy were among the keynote speakers. The launch was attended by more than 150 participants, representatives of the educational institutions, business community, the Macedonian Government, and human resources organizations. International experts from Bulgaria, Romania, and Greece shared their internship experience including the role of recruitment agencies in placing interns/job seekers in companies, the role of the Human Resource Department in matching the needs of companies with recruitment of talented people, Internship Methodology as a required mechanism for quality internships, and Career counseling as a tool for reconstructing economies. The

web portal [www.mojakariera.com.mk](http://www.mojakariera.com.mk) is an efficient, low cost, widely accessible, and easy to use matchmaking tool between students and job seekers and companies that AgBiz will use if the need arises.

### **Training Inspectors in the Use of a RASFF**

A request for assistance to develop a Rapid Alert System for Food and Feed (RASFF), sent to USAID by the Ministry of Health (MoH) and the Veterinarian Directorate during October 2008, was forwarded to AgBiz by USAID. USAID asked AgBiz to investigate the need and suggest a potential response to the request. We assessed the background of RASFF development, as well as the feasibility and need for USAID and/or AgBiz involvement. RASFF is an integrated system for the identification, development, and publishing of food and feed hazard alerts. The system is to be developed and function on a national basis, and is to be part of a European RASFF network headed by European Commission (EC) Institutions.

The need for development and implementation of such system in Macedonia is mandated by the EC, and progress in its development and implementation is monitored on an annual basis. At this time the competent authority to send and receive alerts to and from the network via the EC is the Food Directorate in the MoH, in close collaboration with the Veterinarian Directorate. However, development of the system to full functionality on both a national and EU level is still in progress. In the past, some EU support was provided to the Food Directorate and the Veterinarian Directorate to develop functionalities, mostly as related to identification and reporting of food and feed hazards during border control. This was accomplished through cross-border assistance provided by a Greek consulting company. Hardware was purchased to be installed on the border crossings, but the entire Activity was stopped due to reasons which could not be determined. This request for support concentrates on training food and veterinarian inspectors, but further assessment needs to be conducted to get a better picture of the plans, schedules, and clear strategy for RASFF development by the GoM. This should include clarity of RASFF development responsibility between the Food and Veterinarian Directorates. This assessment needs to be completed before a recommendation regarding offering technical assistance (TA) to the GoM entities involved in RASFF development, and then training their staff, can be made. This was communicated to USAID.

### **Potential Collaboration with USDA/FAS**

In October the CoP and DCoP met with a representative of the Economic Section of the US Embassy and the new Agricultural Attaché, Hoa Van Huynh, based in Sofia. We introduced the Attaché to AgBiz, and discussed possible areas of cooperation. Emphasis was placed on United States Department of Agriculture (USDA)/Foreign Agricultural Service (FAS) support for continued development of the regional market information database as supported by FAS in Serbia. We also encouraged the Attaché to participate in the upcoming RCI meeting in Belgrade. It is unclear if FAS has a significant budget for the region, and what FAS objectives are in the Balkans. However, we will continue to liaise with the Embassy Economic Section representative and the Agricultural Attaché to determine if there are opportunities for cooperation.

### **Work with the Regional Competitiveness Initiative**

In late November the CoP attended an RCI Agribusiness meeting in Belgrade. Useful information obtained at that meeting included:

- 1) The Serbia competitiveness project has developed a manual on how agribusinesses can access loans; Lovre checked their website for same and found that it has info useful for our Access to Agribusiness Finance Manual update. [www.infomoney.org](http://www.infomoney.org) is a Bulgarian website that has extensive lists of sources of funding SMEs, as well as consultants that can help access those funds. It is in Bulgarian but has useful information for our Finance Manual update.
- 2) The Excellence in Innovation project in BiH created a report on the market potential and sustainability of a Export Promotion Center for Agribusiness, developed a rough business plan for an agricultural e-Biz center (apparently the same as an export promotion center), and identified local

- firms that would be interested in developing and managing such a center on a 50% cost shared basis, but with the objective of eventual self sustainability. We will try to obtain that report.
- 3) The Croatian government is emphasizing Production Organizer GlobalGAP certification versus individual producer certification. This involves the International Organization for Standardization (ISO) 9001 standard and improved control of producers. The Croatian government says certification can only take place during the production season. GTZ is doing extensive GlobalGAP training for consultants in BiH. GTZ has a GlobalGAP implementation manual; we will ask GTZ Macedonia for a copy. Renewal of certification costs 70% of the first time.
  - 4) Special Accession Programme for Agriculture and Rural Development (SAPARD)/IPARD – A government Agricultural and Rural Development Plan is an EU required predecessor to an IPARD program. The majority of Croatian SAPARD applications were received in the few days before the deadline in all three of the first SAPARD rounds in Croatia. Received a PowerPoint presentation that shows Croatia SAPARD utilization levels. Nearly all approved support was for larger farming companies and medium to large size processors/marketers. There were some issues with companies getting approval for a project cost as utilizing new equipment, then recipients bought used. Croatian Regional Development Agencies and trade associations helped companies apply for SAPARD funding. (Since neither exists in Macedonia, who will provide “free” application development assistance here?) USAID/Croatia took company managers, consultants and relevant government officials to the Czech Republic to study their use of SAPARD funds. Croatia found that it was essential to involve banks in SAPARD-related training. Croatia is about to close round three of SAPARD funding and is preparing for round four. Funding from banks to launch a SAPARD supported project in Croatia was greatly facilitated by a government SAPARD loan guarantee program. The EU won't approve SAPARD/IPARD support for wineries, but Slovenia wineries put together wine tourism applications under a rural development heading and got funded. Estonia had 60% utilization of available SAPARD funds.
  - 5) The Croatian government will only disburse subsidies via producer organizations. (That's a good way to stimulate the formation of POs.)
  - 6) The Competitiveness Enhancement and Enterprise Development Project in Moldova also supports bottled wine companies, and we will investigate possible cooperation. They have some good export market reports on their website.
  - 7) USDA/FAS is bringing to the region oenology and viticulture specialists and is interested in exchanging their experts with ours.

### ***Netherland Office Regarding Collaboration with the CBI Program***

The AgBiz technical team met with the head of Netherland (NL) Office, a representative of the Holland-based Centre for Promotion of Imports from Developing Countries (CBI). In addition to the existing Export Coaching Program for Wine, which is open to Macedonian wineries, this year CBI decided to open a Fresh Fruits and Vegetables Export Coaching Program to Macedonian enterprises as well. Several Macedonian companies, some of which are AgBiz customers, applied for this CBI support. An assessor from CBI will visit the applicants early in 2009 to assess their operations and select companies that will be granted assistance under the program. It is assumed that no more than two fresh fruit and vegetable companies will be offered CBI assistance due to the fact that the Export Coaching Program is open to companies from over 20 developing countries. The one-time cost to a Macedonian company is EUR 1,000 and thereafter all support from this multi-year program, including training in Holland and participation in trade fairs, is free of charge. AgBiz will continue to liaise, cooperate, and coordinate with CBI on both their wine and fresh fruits and vegetables support programs.

### ***Agency for Promotion of Entrepreneurship Conference***

In November AgBiz was invited and participated in a Donor Conference organized by the Agency for Promotion of the Entrepreneurship (APPRM). The conference was organized within the framework of the Global Entrepreneurship Week, and was sponsored by the Embassy of the United Kingdom. APPRM is an agency of the Macedonian Government which develops and implements programs focused on general improvement of entrepreneurship skills in Macedonia through educational and training programs. Most of the work of APPRM since its establishment has been focused on creating and supporting a

national network of business service providers who focus on increasing entrepreneurship skills, stimulate SME start-ups, and offer continuous support in various operational aspects to young entrepreneurs.

Sixteen project concepts and proposals were presented at the donor conference for consideration and support. Only one of the proposals, named Support for Agribusiness SMEs in Leveraging Accession Benefits, was identified by AgBiz as closely corresponding to our objectives. As follow up, AgBiz contacted the proponents, APPRM and the Etika 2008 NGO. An assessment of potential collaboration on the proposal will be completed during the next quarter.

#### **2.1.4 Significant Meetings**

AgBiz staff contributed to the following program relevant meetings during the Quarter.

##### ***“Soli” Regarding Development of a Planting Materials Nursery***

After several meetings between AgBiz and the Israeli company “Soli”, both sides agreed to cooperate and share information regarding the construction of a vegetable planting material nursery. Modern agriculture must use high quality young plants for transplanting. The use of seeds sown directly in the field or at the producer’s farm does not lend itself to high yield and quality production. Nursery production is also the best way to introduce new varieties since new seeds rather than saved seed is used.

“Soli” estimates they need a half hectare greenhouse, including a fully controlled germination room of about 30 m<sup>2</sup>, storage, a sowing area of 200 m<sup>2</sup>, and office and service area of 100 m<sup>2</sup>. The greenhouse will have growing tables, as well as automatic irrigation, heating, and cooling facilities. Manpower will include 10 workers, a project manager, a secretary, and a maintenance manager. “Soli” estimates a first stage investment of about \$500,000, not including buying the land, i.e., including only infrastructure and equipment.

“Soli” is ready to research the planting material market and determine the price growers are willing to pay for high quality young plants. Comparative production costs will also be researched. “Soli” plans for a nursery expert to determine the best location for constructing the nursery based on the need for a good water and energy supply, the availability of manpower, and climatic conditions. “Soli” also plans to use an economist for data collection. Some of this consulting work can be supported through our new ELSA Activity.

##### ***MAFWE Department for Analyzing Agricultural Policies***

During the Quarter the Department for Analysis of Agricultural Policies and Agricultural Information Systems within MAFWE requested closer collaboration with AgBiz to identify and compile relevant information on Macedonian agriculture. The mandate of the Department is to produce general and specific analysis and assessment papers on a periodical and as needed basis. These reports are to be used to assess the influence of various agricultural policies on Macedonian agriculture and identify areas for policy improvement. At a meeting with the Department Head, AgBiz presented materials maintained in the AgBiz bibliography and the AgBiz DCoP discussed ways of potential cooperation with the Department in producing specific analyses and assessments. The Department Head was informed of specific policy reforms identified by participants in AgBiz supported value chains as priority issues, and of activities connected with identifying and prioritizing the policy and institutional reforms needed for increased export competitiveness of Macedonian agribusinesses. AgBiz will continue communication and cooperation with the Department.

##### ***Italian Institute for Foreign Trade***

During the Quarter AgBiz established closer collaboration with the Italian Institute for Foreign Trade (ICE). ICE and AgBiz agreed to exchange information and explore the possibilities for partnering and cooperation in offering assistance to Macedonian SMEs in the agribusiness sector as related to trade fair participation, study tours, conducting promotional activities, B2B meetings as well as providing training

and technical assistance. In November several AgBiz customers and a staff member participated in an ICE organized training course and workshop on food quality systems and international marketing strategies. This workshop was a good opportunity for participating companies to enhance understanding and implementation of quality standards in accordance with the latest EU market regulations.

### **Union of Macedonian Chambers of Commerce**

During the Quarter AgBiz held a meeting with the President and the Executive Coordinator of the Union of Macedonian Chambers of Commerce. Potential collaboration in developing and implementing activities aimed at increasing the export competitiveness of Macedonian agribusiness was discussed. No specific activities were identified during this initial familiarization meeting, but the Union of Macedonian Chambers of Commerce took on the responsibility to develop and submit to AgBiz concept papers for specific activities to be proposed for joint implementation which will be reviewed next quarter.

### **IPARD Monitoring Committee**

The third meeting of the IPARD Monitoring Committee (MC) was conducted in November. AgBiz was invited to participate as an observing member of the Committee and present AgBiz activities and achievements as they relate to the development of the Macedonian IPARD Program. The IPARD MC is the body that oversees and reviews the implementation of Macedonia's IPARD Program, with a mandate to give recommendations and feedback to the IPARD Management Authority, and assure that the objectives of the program are met. The Committee also produces reports that are reviewed by the European Commission, with the objective of assuring effective IPARD implementation. The IPARD MC is comprised of representatives from various Macedonian agriculture sector stakeholders such as personnel from Ministries and governmental institutions involved in institutional and policy reforms to be implemented as preconditions for IPARD, agriculture/agribusiness trade associations, research and academic institutions, the donor community, local authorities, etc.

The third IPARD MC meeting was devoted to reviewing progress of the preparatory activities for IPARD such as national accreditation of the IPARD Management Authority and the Payment Agency, development of the IPARD Program Evaluation System, and presentation of the activities planned for IPARD awareness building in calendar year 2009. AgBiz will continue attending IPARD MC meetings as an observing committee member to better understand IPARD funds availability timing and conditions, and if and how we can contribute to successful IPARD development and implementation.

### **MAP Annual Meeting**

One of the objectives of the AgBiz Program is to create an environment where our customers can work together to provide value chain stability and increased economic Activity, as well as a favorable environment for further investments.

To create a "business friendly" environment and strengthen the cooperation between AgBiz and viable actors within the processed vegetables value chain, the AgBiz Processed Vegetables VCC frequently attends Macedonian Association of Processors (MAP) meetings. The main objective of these meetings is to review MAP's activities and achievements as well explore possibilities for further cooperation and well coordinated activities. AgBiz and MAP closely collaborate in identifying, developing, and implementing activities that will increase the competitiveness of MAP members, as well as other participants in the value chain. Several MAP meetings are conducted each year that serve as a venue to exchange information on the issues faced by the members, and create common strategies to overcome development obstacles. To make optimal use of the information and contacts obtained from these meetings, AgBiz is in constant contact with MAP management. However, attending the regular annual MAP meetings gives AgBiz an opportunity to get firsthand information from members on their specific requests for Activities that would provide positive, broad based development of the value chain.

## **Tikvesh Wine Tourism Route Trial Run**

During the Quarter the CoP participated in a wine tourism trial run with several journalists, travel agents, and a representative of the Dutch NL Office. The trip took place on a local holiday, and was a useful way to understand the current state of development of Macedonian wine tourism. At the end of the tour participants completed an extensive questionnaire regarding the tour that will be used to optimize wine tourism. Considerable work remains for Macedonian wine tourism to reach the international level, and AgBiz will be working with the Wine Route Foundation, wineries, and possibly MLGA to support those efforts. Useful discussions regarding wine value chain development took place with the NL Office representative during the tour, and a meeting at AgBiz with the representative followed.

### **2.1.5 Agreements Signed Report**

Table 1 shows the 32 agreements that were signed in Macedonia during the Quarter as well as their value. As can be noted from Table 1, more than \$77,081 worth of agreements were signed during the Quarter, nearly all with Macedonian companies or individuals.

**TABLE I. AGREEMENTS SIGNED**

TABLE I. AGREEMENTS SIGNED								
ACTIVITIES								
Number	Company/Person	Type of Contract	SUMBITED TO USAID	USAID Contract Officer (CO)	USAID COTR	Signed	Person responsible	US\$
061	GWIAZDA Poland	Firm fixed price sub-contract (FFPS)	3-Sep-08	NR	9-Sep-08	24-Sep-08	Lovre	\$2,090
LOI 022/1	Avtoria	LOI Poland Study Tour B2B	3-Sep-08	NR	9-Sep-08	22-Sep-08	Lovre	\$1,244
LOI 022/2	Badzo	LOI Poland Study Tour B2B	3-Sep-08	NR	9-Sep-08	24-Sep-08	Lovre	\$1,244
LOI 022/3	Vizba Valandovo	LOI Poland Study Tour B2B	3-Sep-08	NR	9-Sep-08	24-Sep-08	Lovre	\$1,244
LOI 022/4	Ledra Agro	LOI Poland Study Tour B2B	3-Sep-08	NR	9-Sep-08	24-Sep-08	Lovre	\$1,244
LOI 022/5	Vigan	LOI Poland Study Tour B2B	3-Sep-08	NR	9-Sep-08	22-Sep-08	Lovre	\$1,244
LOI 022/6	Angro Marketing	LOI Poland Study Tour B2B	3-Sep-08	NR	9-Sep-08	22-Sep-08	Lovre	\$1,244
LOI 022/7	Emita Trade	LOI Poland Study Tour B2B	3-Sep-08	NR	9-Sep-08	24-Sep-08	Lovre	\$1,244
LOI 022/8	Peca Komerc	LOI Poland Study Tour B2B	3-Sep-08	NR	9-Sep-08	24-Sep-08	Lovre	\$1,244
LOI 022/9	Turan dooel	LOI Poland Study Tour B2B	3-Sep-08	NR	9-Sep-08	23-Sep-08	Lovre	\$1,244
LOI 022/10	Vivi Prom	LOI Poland Study Tour B2B	3-Sep-08	NR	9-Sep-08	23-Sep-08	Lovre	\$1,244
	Old Grips, Vino Skop	LOI		NR		10-Oct-08	Damo	\$2,436
	Sweden ST , MAP, MAASP	LOI	30-Oct-08		31-Oct-08	31-Oct-08	Zlatko	\$957
	Sweden St Sasho Ristevski	Cons Agreement	30-Oct-08	NR	31-Oct-08	31-Oct-08	Zlatko	\$2,685
	Wine Oak Ageing, Goran Milanov	Cons Agreement	31-Oct-08	10-Nov-08	10-Nov-08	10-Nov-08	Damo	\$3,108
	Wine Oak Ageing, Talbot	Cons Agreement	31-Oct-08	6-Nov-08	6-Nov-08	BTV	Damo	\$9,361
LOI	ProWein 2009, Popova Kula	LOI	19-Nov-08	NR	19-Nov-08	27-Nov-08	Damo	\$4,831
LOI	ProWein 2009, Skovin	LOI	19-Nov-08	NR	19-Nov-08	25-Nov-08	Damo	\$4,831
LOI	ProWein 2009, Bovin	LOI	19-Nov-08	NR	19-Nov-08	25-Nov-08	Damo	\$4,831
LOI	ProWein 2009, Dalvina	LOI	19-Nov-08	NR	19-Nov-08	25-Dec-08	Damo	\$4,831
	Regulations and Practices in the Personal Income Tax	MOU	29-Dec-08	NR	29-Dec-08	14-Jan-09	Jeton	TBD
	Fruit Logistica 2009, Antares	SOW	5-Dec-08	NR	5-Dec-08	20-Dec-08	Vlado	\$265
	Fruit Logistica 2009, Anva Fungi	SOW	5-Dec-08	NR	5-Dec-08	20-Dec-08	Vlado	\$265
	Fruit Logistica 2009, Intermaak	SOW	5-Dec-08	NR	5-Dec-08	20-Dec-08	Vlado	\$265
	Fruit Logistica 2009, Altra	SOW	5-Dec-08	NR	5-Dec-08	20-Dec-08	Vlado	\$265
	Fruit Logistica 2009, Vivi prom	SOW	5-Dec-08	NR	5-Dec-08	20-Dec-08	Vlado	\$265
	Fruit Logistica 2009, Turan	SOW	5-Dec-08	NR	5-Dec-08	20-Dec-08	Vlado	\$265
	Fruit Logistica 2009, Badzo	SOW	5-Dec-08	NR	5-Dec-08	20-Dec-08	Vlado	\$265
PO	Panex Fruit Logistica	PO	5-Dec-08	NR	5-Dec-08	16-Dec-08	Vlado	\$13,400
<b>INTERNAL SUPPORT</b>								
Number	Company/Person	Type of Contract	SUMBITED TO USAID	USAID CO	USAID COTR	Signed	Person responsible	US\$
060	Epicentar/ Imact of Agricul Value Chain (VC) to MK EG	FFPS	23-Sep-08	NR	23-Sep-08	24-Sep-08	Jim	\$2,000
062	Epicentar/Wild Gathered profiling	FFPS	1-Oct-08	NR	3-Oct-08	13-Oct-08	Goran A.	\$4,725
063	Croatian Market Profiling	SOW, FFPS	17-Dec-08	NR	17-Dec-08	18-Dec-08	Jim	\$2,700
<b>TOTAL</b>								<b>\$77,081</b>

\* COTR approval proceeds CO approval and is internal to USAID

\*\*NR- Not Required

\*\*\* Submitted for information

## **2.2 VALUE CHAIN COMPETITIVENESS ENHANCEMENT ACTIVITIES**

The following section briefly describes the Activities AgBiz worked on during the Quarter.

### **2.2.1 Activities under Review**

The following Activities were Under Consideration at the end of the Quarter, but implementation arrangements have not been developed, nor has approval of the potential Activity been requested from USAID.

#### ***Inward Trade Mission for Dutch Importers of Fresh Vegetables***

Based on initial consultations and discussions with Mr. Pieter Imanse of NL Agro Invest, a formal concept paper for supporting an inward trade mission to Macedonia of Dutch importers of fresh vegetables will be received during the next quarter. The objectives of the trade mission will be for several Dutch fresh fruit and vegetable importers to visit Macedonia and familiarize themselves with Macedonian producers and marketers of fresh produce, and potentially establish trade links. The Dutch group may also include potential investors interested in establishing agricultural production, consolidation, postharvest handling, and export businesses in Macedonia. We will assess if and/or how AgBiz can support this inward mission during the next quarter.

#### ***School Economic Project in Cashka Municipality***

During the Quarter, AgBiz followed up on an initiative to assist the Cashka Municipality Elementary School to establishing a small agricultural project. A feasibility study outline was developed and delivered to the Cashka School Principal for consideration. The school will identify a local consultant that can conduct the feasibility assessment of the various concepts previously proposed by AgBiz. AgBiz will follow up with the school principal on the development of this initiative during the next quarter.

#### ***Study Tour to the Tutto Food Fair in Milano***

During the Quarter AgBiz reviewed an Activity concept to support a group of 12 Macedonian companies participating in the fresh and processed vegetables value chains to visit the “Tutto Food Trade Fair” in Milano, Italy in June 2009. Tutto Food is one of the most relevant trade fairs for companies from the fresh, processed, and wild gathered value chains. Last year this trade fair had 35,000 visitors, more than 20% of which were from EU member countries. The 1,267 exhibitors were rewarded by a flow of Italian and foreign visitors that was significant both in quantity and quality. The major Italian and international distribution chains that were present were able to find a vast range of products to suit all needs, from niche products to the quantities required by private labels.

The results that AgBiz expects from this proposed Activity include:

- Companies will learn about and analyze market trends and understand the evolution of consumption and buying patterns for products in their respective value chains;
- Information regarding new and innovative concepts, ideas, and technologies for product packaging, labeling, and promotion;
- Refined skills in business-to-business contacts; and
- Contacts with producers, processors, and Italian and foreign distributors in all forms, from the specialist shop to large private label buyers.

A decision on participation in Tutto Food will be made by the middle of next quarter.

## **Vegetable Processing Companies Study Tour in Bulgaria**

The requirement for the Macedonian vegetable processing companies to produce and deliver high quality products, using modern technologies and processing practices was identified as an ongoing need that must be to be addressed to achieve increased competitiveness. Expanding processing capacities and increasing productivity is essential for export oriented processed vegetables companies. Improvement and replacement of current technologies and equipment must be done in compliance with the latest and forthcoming EU requirements.

The Processed Vegetables Value Chain seems to be ready for the cost sharing investment opportunities that will be available with implementation of IPARD. IPARD is a major investment subsidy program that will eventually help Macedonian vegetable processing companies finance competitiveness enhancement investments and prepare them for entering EU markets.

The SAPARD program was a special European Union pre-accession support instrument for agriculture and rural development to assist Croatia, Bulgaria, and Romania to overcome problems related to the structural adjustment of their agricultural sectors and rural areas. The IPARD program, currently available to Croatia and Macedonia, was designed using SAPARD principles. Observing and analyzing the good practices and experience gained from the implementation of the SAPARD Program can be of great importance for potential IPARD applicants from the Macedonian processed vegetables value chain. This is especially true as related to issues such as application procedures and eligibility criteria, making decisions on how to design the most practical and effective IPARD investment program, and familiarization with approval procedures.

During the Quarter AgBiz and MAP initiated an Activity concept for a “Study Tour to Bulgaria” for up to ten Macedonian processed vegetables companies. The objective of the study tour would be to learn from the experience of Bulgarian companies and consultants that have received SAPARD benefits. This Activity, if approved, will be fully developed and implemented during the next quarter.

## **Wild Gathered Organic Certification Training**

Monitoring developing trends is important for early recognition of the possibilities for maximizing the value-adding opportunities of organic certification. During the next quarter AgBiz will evaluate supporting a study tour to Germany for seven Macedonian companies in AgBiz supported value chains that are interested in achieving organic certification and adding value to their products. The objective of this Activity is to demonstrate the process and requirements for organic certification of wild gathered products to companies who want to achieve organic certification, and to provide the companies insights into the growing European market for organic products.

As follow up, and based on the level of interest from participants in the value chain, during the next quarter AgBiz plans to implement training on “Organic Certification for the Collection of Wild Gathered Products”. The training would be provided by a local expert with sufficient experience in implementing the requirements for organic certification of wild crafted products.

## **Export in Practice Training Program**

During the Quarter AgBiz requested that the Centre for Entrepreneurship and Executive Development (CEED) develop and propose a concept for a training Activity titled “Export Marketing Entry and Development.” The potential training will be designed to address export capacity enhancement of employees of companies participating in the processed vegetables and bottled wine value chains. This type of training was identified in the Capacity Enhancement Needs Assessment (CENA) Report as one of the five priority needs for capacity enhancement.

It is assumed that this training, to focus on building export marketing and foreign customer relationship management capacities in the Macedonian companies, would include three sessions. Topics will include: 1) the importance of having an export strategy; 2) factors influencing the export strategy; 3) creating an export product; 4) marketing strategy; 5) market research; 6) the role of the Export Manager; 7) developing a sales strategy; and 8) approaching large foreign/regional retail and wholesale chains.

A revised CENA concept paper, draft budget, and other supporting documents, including CVs, will be submitted to AgBiz in January, be evaluated by management and technical staff, and a decision will be made as to whether or not to proceed with the Activity in the next quarter.

### **Study Tour to California for Macedonian Table Grapes Exporters**

During the Quarter AgBiz began the development of a study tour for participants in the table grapes value chain to update participants' knowledge and understanding of advanced table grapes post-harvest handling techniques.

There is strong interest in quality fresh grapes of the existing Macedonian varieties in EU markets such as Poland. This interest gives the Macedonian table grape industry an opportunity to expand into EU markets. However, existing table grape production and post-harvest technologies do not allow Macedonia exporters to meet EU standards. Local production and post-harvest technologies are out of date. Pruning techniques, and the use of chemicals in both production and post-harvest, need substantial upgrading. Packaging in wooden boxes, as commonly practiced in Macedonia, is banned in the EU, and the added-value packaging required by EU markets is almost nonexistent in Macedonia. Marketers of table grapes need to be exposed to the current practices associated with successful exports to the EU and the region.

Therefore, a "California Table Grapes Study Tour" is currently anticipated to take place next quarter. This study tour will enlighten leaders of the Macedonian Table Grapes Value Chain about the new technologies that are available. Participants will have a chance to see integrated production and post-harvest systems, the effective application of which would allow Macedonian table grape companies to be more competitive. They will receive explanations of how new systems will allow supermarket shelf life specifications to be achieved, even when transporting fresh grapes for 2,000 to 3,000 km. The study tour will improve participants' knowledge of responsible pesticide use and stringent post-harvest residue requirements, and will expose participants to advanced pack house systems and layouts, for facilities that add significant value to fresh grapes by grading and packaging.

By participating in this study tour, Macedonian table grape producers and exporters will be able to upgrade their knowledge and experience obtained in South Africa, and have an opportunity to observe the most sophisticated and advanced table grape industry in the world.

During the Quarter AgBiz requested the College of Agriculture and Environmental Sciences at the University of California Davis propose a study tour program that would fit the objectives of this Activity. Early in the next quarter AgBiz will develop and submit for approval and Activity proposal for this study tour.

### **Establishing a Wild Gathered Food Processors' Association**

The low profile of the wild gathered value chain, in spite its importance as one of the bigger agriculture exporters, and the lack of information on and transparency regarding the entire value chain have until now contributed to neglect of the value chain when it comes to GoM support for enhancing its international competitiveness. Many of the development activities and GoM programs implemented in Macedonia focusing on agriculture and agribusiness have as an objective support for industry trade association development as legacy institutions, and as a tool for sustainable development of the value chain. The wild gathered products value chain, due to the absence of a common vision, collaboration, and information exchange between participants has, to date, not been able to establish a viable trade association that would genuinely and openly serve the needs of its members. Due to a lack in transparency and visibility this sector is, unfortunately, often perceived as semi-legal. On the supply side, 90% of the land that serves as the natural resource for wild products gathering (forests and pastures) is owned and managed by the GoM, which regulates the utilization of these resources. Without a strong trade association, participants in the Wild Gathered Value Chain cannot impact policies regarding the management and utilization of most wild plants, or impact GoM support policies, legislation, and actions on issues directly linked to development of the value chain. Slow and unnecessary bureaucratic procedures for simple activities regarding wild gathered export are still a significant impediment. Also, the Ministry for Environment and Physical Planning enforces an "ecology tax" on companies prior to export.

As there is no clear definition on how the funds are used, different public enterprises managing the state forests and pastures pressure exporters for additional payments.

Historically, only two attempts to organize a wild gathered products trade association can be identified. Both attempts ended without significant results. The first attempt was via the Wild Crafted Products Group within the Macedonian Chamber of Commerce, an attempt that failed due to a lack of dedicated leaders and the inability of the organization to follow through on activities initiated. The second attempt was initiated by one of the companies, but other value chain participants did not take this effort seriously due to the perception that the trade association would primarily serve the needs of the initiator.

Stimulating the “Development of a Wild Gathered Products Association” with active participants that can work together to enhance the competitiveness of the value chain and speak to the GoM with one voice is an obvious need. This association could also help with the delivery of AgBiz assistance and support to value chain participants, and make that support more efficient and effective.

For AgBiz to evaluate the willingness and readiness of value chain companies to organize and cooperate in an association, a questionnaire was developed and distributed to value chain participants during the Quarter. An expression of interest in becoming a founding member from a minimum of 10 companies was established as a threshold for AgBiz to consider supporting an association. During the Quarter, seven companies accepted the proposed objectives, and a draft budget for the trade association prepared by a founding committee comprised of several value chain companies. These companies confirmed their commitment to become members and pay the proposed membership fees. Over the next quarter AgBiz will assist the founding committee to assess the level of interest of other value chain participants.

It is important that the trade association be formed and operated based upon “best practices” in association development and management. Once a sufficient number of companies commit to forming and maintaining such an association, AgBiz will provide support to the cost for hiring a legal consultant for developing the needed Statute and other legal association documents. When all companies involved in forming of the association accept the legal documents, a request for official registration can be submitted to the GoM. AgBiz will consider ongoing association support if a potentially viable/sustainable association is formed.

### **Reestablishing a Bottled Wine Association**

The MakVino Association was established in 2005 with the support of USAID’s Macedonia Competitiveness Activity (MCA) Project. The main stimulus for developing the association was the formation of a wine cluster and the Fine Wine Export Group that consisted of six wineries who would implement a wine presentation in UK organized by MCA. After the promotion in London, and an obscure and not very successful follow up, almost all of the association activities were stopped. Based on various informal meetings involving the Bottled Wine VCC and winery managers, opportunities were identified for joint efforts to develop the Macedonian wine industry. In November, a General Assembly was held for revitalizing the Association. At that meeting more than 30 participating wineries elected a President and established the Management Board as the governing body. The Management Board consists of representatives from five wineries and has held several meetings at which association documents and strategic objectives were revised and developed. AgBiz has closely cooperated with Association reorganizers, and stands ready to provide support to the fledging association to help it achieve its goals, with an emphasis on bottled wine export enhancement activities. We anticipate developing a specific support proposal with MakVino in the coming quarter.

### **Value Chain Enhancement Activities with MASHAV/ CINADCO**

Leveraging USAID funding by utilizing additional technical and financial resources offers AgBiz the opportunity to increase our support for value chain competitiveness enhancement activities. During previous quarters AgBiz started developing specific value chain enhancement Activity concepts that can be implemented in collaboration with MASHAV (Israeli Ministry of Agriculture and Rural Development), and its international technical assistance arm, Centre for International Agricultural Development Cooperation (CINADCO). Post-harvest handling of fresh produce, commercial seedling production,

table grapes vineyard management, and packaging fresh vegetables for extended shelf life are some of the technical areas where contributions from Israeli experts would be quite valuable.

During the previous quarter, MASHAV expressed interest in developing a technical assistance program for Macedonian agriculture/agribusiness enterprises in FY09. A team of MASHAV/CINADCO experts was expected to visit Macedonia, conduct an assessment of the technical assistance needs in the value chains supported by AgBiz, and propose an activities plan.

No progress on developing and implementing activities was achieved during the Quarter regarding this potential collaboration. The AgBiz CoP and DCoP met with the Israeli Ambassador to Macedonia to assure follow up and stimulate MASHAV and CINADCO to respond to the series of communications initiated by AgBiz. However, this resulted in no more than a very positive telephone call from the Director of CINADCO.

AgBiz has tentatively budgeted resources to be used for implementation of competitiveness enhancement activities in collaboration with MASHAV/CINADCO. Should no progress in the identification, development, and implementation of joint MASHAV/CINADCO activities be achieved in the next quarter, AgBiz will reallocate these funds to other activities, or explore alternative ways to address the capacity enhancement needs of Macedonian fresh vegetables and table grapes participants in the identified technical areas.

## **2.2.2 Activities Being Developed**

The following activities were Under Development at the end of the Quarter, but implementation had not started. These activities have been approved by USAID, and agreements with partners and participants are being developed but have not been signed.

### **Assessment of Regulations and Practices in Personal Income Tax Withholding**

The obligation for buyers to pay personal income tax withholding for income generated by individual farmers or gatherers from the sale of agriculture commodities to legal entities (consolidators, processors and retailers) has been a requirement since 2002. This regulation was selectively and inconsistently enforced over the years. A viable solution that can be consistently applied for collecting personal income tax from farmers and gatherers has not yet been found and implemented. Regional Offices of the Ministry of Finance and the Public Revenue office have in several instances tried to enforce the collection of personal income tax by requiring registered consolidators, processors, and retailers to withhold personal income tax and pay it to the state budget. In 2005 this resulted in a situation where several consolidators and exporters of wild crafted products were charged with large amounts of back tax withholding due in the name of their suppliers. An effort to enforce payment of this overdue personal income tax withholding led to the bankruptcy of most consolidators and exporters of wild crafted products, and huge fines to a limited number of companies and managers for tax evasion. Some milk processing plants were also targeted with a similar approach in 2008.

Since 2002 the GoM has issued several ad-hoc regulations to deal with the problem of not being able to calculate and collect personal income taxes due from unregistered farmers and gatherers. Solutions range from relieving various types of farmers from the obligation, based on their ability to prove they are farmers, and that they pay other taxes such as a cadastral income tax based on the agricultural land they own, or in some cases declaring the entire Activity as personal income tax free (e.g., wild plant gathering and sales).

The implications of this issue being resolved in a consistent and transparent way are important to the increased competitiveness of Macedonian agribusinesses. Some of the implications of this issue not being properly resolved or being postponed are:

- An inconsistent level of competitiveness between larger registered agricultural enterprises and small holders or individual gatherers since their taxation burden would not be the same;
- Farmers not being interested in registering as enterprises since they will be taxed, and hence they cannot participate in some GoM support programs;

- The formation and development of registered for-profit producers and/or gatherer organizations, a process stimulated with other GoM support measures, would be discouraged;
- GoM investments in welfare programs being very inefficient since most of the unregistered farmers are officially unemployed and on welfare while producing and marketing agricultural products;
- Stimulating producers to continue or even increase their focus on informal transactions; and
- Buyers of agricultural products having a large potential liability hanging over their heads should various GoM entities decide to enforce the 2002 withholding tax law.

This issue was identified as a priority policy constraint to the competitiveness of AgBiz supported value chains in the previous quarterly report. To assess and potentially produce policy and regulatory reform recommendations to address this issue – that very much defines the current business environment for agricultural production and processing – AgBiz and BEA decided to collaborate to develop and implement an assessment and policy recommendation paper on the issue.

The most important objectives and the scope of this Activity are:

- Produce a detailed assessment of the issue of personal income tax withholding for private unregistered farmers and gatherers by reviewing all present regulations regarding this issue as well as how the regulations are implemented in practice in various value chains (livestock, arable crops, cash crops, wild gathered products);
- Research and assess the implications of not resolving the withholding tax problem on the competitiveness and sustainable development of Macedonian agribusinesses;
- Identify the most important threats to the export performance of Macedonian agribusinesses arising from the personal income tax withholding problem;
- Assess the likely impact on producers and collectors of a viable and transparent system for collecting producers/collectors personal income tax;
- Identify the impact of a viable and transparent system and alternatively, continuation of the current difficult “system,” including the impact on the number of registered farmers and collectors, on MAFWE/Paying Agency subsidy payments, and on the amount of tax that would be collected; and
- Produce recommendations in the format of a policy paper for presentation to interested groups such as the Macedonian Federation of Farmers, Chambers of Commerce representing agribusinesses, and GoM Ministries and Agencies.

The Assessment will be conducted by a local consulting company that will be selected following an open bidding process, and will be co-financed by AgBiz and BEA. Request for bids to implement this Activity were sent to six qualified Macedonian consulting companies late in the Quarter. The Activity will be implemented and completed in the second fiscal quarter.

### **Cost-efficient Group GlobalGAP Implementation and Certification**

Due to the increased emphasis on Food Safety Standards on the part of EU buyers, and the introduction of private standards by EU retail consortiums, quality and food safety standards have been viewed as non-tariff barriers by Macedonian exporters. This is despite the fact that the standards are aimed at producing a safe product, simultaneously demonstrating care for workers’ welfare and the environment.

Since the introduction of the GlobalGAP (Good Agricultural Practices) standard in Macedonia in 2004, the number of companies producing fresh agriculture produce that have been certified remains very low (approximately 10-15/year), while the number of individual farmers involved in certification schemes also remains a fraction of the total number of farms, i.e., not more than 20-30 farms/annually.

The main reason for the current situation is the significant cost of GlobalGAP implementation and certification. Furthermore, customers in traditional regional export markets served by Macedonian fresh produce exporters have not, until recently, required this type of certification. However, currently many Macedonian exporters face the problem of not being GlobalGAP certified, and therefore miss opportunities when negotiating with foreign buyers, especially at trade fairs and during discussions with EU buyers representing large retail chains.

GlobalGAP implementation consulting costs alone, not including the associated expenditures to meet the standard, are estimated to be between 1,000 and 5,000 Euros depending on the selected option and

number of hectares involved. Annual certification renewal ranges from between 600 and 2,000 Euros. For comparison, the average certification cost in Germany is 400 Euros. The reason for these high costs is the comparatively higher cost of adopting the management practices required for successful certification, the small number of companies applying for certification, and the limited number of accredited certification providers in Macedonia. GlobalGAP certification of Macedonian fresh produce value chain participants is therefore locked in a vicious cycle.

This Activity proposes grouping companies interested and willing to commit to GlobalGAP implementation and certification, and the provision of implementation services through a single Service Provider, who, based on economies of scale, will be able to provide implementation services at a significantly lower cost.

The anticipated Activity will take a place from January 2009 through November 2009 in several locations in Macedonia. It will support several (up to 10) companies – leaders in Macedonian export-oriented agricultural production and marketing – working with several different crops (tomatoes, cucumbers, gherkins, table grapes, asparagus, peaches, watermelons, etc.) to establish low cost introduction and maintenance of the Quality Assurance System (QAS) needed for access to EU retail markets. Participants will receive technical assistance for implementing GlobalGAP that will lead to certifying their usage of integrated pest management (IPM) practices, improved worker care, and improved post-harvest systems that will in turn enable sustainable export possibilities. Implementation of the QAS on their production will assure conformity with existing requirements of GAP of both the EU as well as the Macedonian Codex on GAP.

Conformity to the requirements for the use of plant protection chemicals and fertilizer will allow the companies to adapt their production to the upcoming enforcement of new laws and by-laws based on EU regulations, to be implemented by the Agriculture Inspectorate, and will allow companies to fulfill the requirements to apply for GoM subsidies and rural development support.

Early during the next quarter AgBiz will issue a Request for Proposal (RfP) to prospective Macedonian consulting companies with experience in GlobalGAP implementation to bid to become service providers for cost-efficient group implementation of GlobalGAP. AgBiz will support GlobalGAP implementations for up to 10 companies committed to implement and certify their GlobalGAP QAS under Standard Option one or two, using a 50% up to US \$700 cost sharing arrangement.

### ***Expedited Local Short-term Technical Assistance (ELSA)***

The primary objective of AgBiz is to stimulate the sustainable growth of Macedonian agribusinesses participating in value chains with good potential in export markets. AgBiz value chain competitiveness enhancement activities include support for Short-term Technical Assistance (STTA) that improves exporters' competitiveness. Examples of this type of STTA include developing business plans, structuring marketing plans, market research, upgrading accounting systems, adopting international quality standards, feasibility studies, adopting new technologies, and developing value added products. Most of these types of STTA assignments can be effectively implemented by Macedonian consultants. Using qualified local consultants has cost and local understanding advantages when compared to international consultants.

During the Quarter AgBiz developed and received USAID approval to implement a series of STTA interventions under an Activity named Expedited Local Short-term Technical Assistance (ELSA). AgBiz will support the procurement of technical assistance services from Macedonian consultants or consulting firms by Macedonian agribusinesses participating in the value chains we support with predominantly Macedonian ownership, that have at least 8 million Macedonian Denar (MKD) in export sales of products from one of these value chains. Early in the next quarter, AgBiz will publish an open call for proposals for technical assistance intervention under the ELSA concept. Consulting services to be supported must have the objective of increasing the export competitiveness of the applicant. AgBiz support to a technical assistance intervention will be less than 50% of the total cost of the intervention, and will not exceed 180,000 MKD for any one intervention. Additional criteria for selecting interventions in response to the requests received and that AgBiz will support include: the applicant cannot be a current AgBiz grantee; the applicant must be a registered legal entity; the consulting assignment must be implemented with an AgBiz approved detailed scope of work; the requested support is not readily available from other sources; and AgBiz will pay their share of the cost of the consulting assignment

directly to the consulting company once the proponent certifies that the work has been successfully completed and they have paid their full share to the service provider.

The advertisement announcing the Activity will be published in the Macedonian media very early next quarter. AgBiz expects that delivering STTA under ELSA will start before the end of the next quarter.

### **2.2.3 Being Implemented**

The following Activities were Being Implemented at the end of the Quarter. The activities had been approved by USAID, agreements with partners (letters of intent [LoIs]) and participants (MoUs) had been negotiated and/or sub-contracts signed with service providers. The projected direct cost and cost sharing are shown for each.

#### **ProWein 2009**

In 2008 three Macedonian wineries, Bovin, Skovin, and Popova Kula, supported by AgBiz, exhibited their wines at ProWein '08, a specialized wine trade fair in Germany. Participation at ProWein 2008 positively influenced their understanding of specific market preferences, and their knowledge and opportunity to enter new markets. During the fair, Popova Kula identified a potential buyer and established a business relationship resulting in a shipment to the Belgium customer. Bovin strengthened their presence in the Swedish market and Skovin is currently in intensive negotiations with new German buyers. All these developments are based on contacts established at ProWein '08. These three wineries expressed a strong interest to exhibit again and make presentations of their wines at ProWein 2009, which will be held from the 29<sup>th</sup> to the 31<sup>st</sup> of March in Dusseldorf, Germany. This year, another winery, Dalvina will join the group at the Macedonian National Stand. Dalvina is a new winery, fully equipped with advanced technology and focused on the production of quality wine using oenologists from Germany. It is therefore looking for an opportunity to present their wines to German and international markets. During the next quarter AgBiz will support exhibiting at ProWein '09 by contracting a vendor to build a contemporary stand and contracting a wine expert to optimally present the wines of Popova Kula, Skovin, Bovin, and Dalvina at the fair. Participation in ProWein '09 will offer exhibitors new opportunities to enhance their understanding of how to successfully utilize major trade fairs to effectively develop new sales contracts and to establish new and sustainable EU sales; refine their skills in business-to-business meetings; identify and adopt product technologies that EU buyers require; and initiate better cooperation in developing sales strategies for large and competitive EU markets.

The four wineries that have committed to participate in ProWein '09 are diversified in size and structure, produce a wide range of wines in differing price categories, varieties, and volumes, and therefore will together be in a position to respond to different market segments and customer sizes. AgBiz is coordinating the overall organization of local companies' participation in ProWein with the Ministry of Economy and MAFWE, who have provided an initial commitment to contribute toward the costs. (Projected total cost \$57,626, AgBiz projected share 34%)

#### **Fruit Logistica 2009**

Fruit Logistica is an international trade fair in Berlin, Germany for fruit and vegetable marketing. This trade show provides industries involved in fresh fruit and vegetables trading an opportunity to present their range of products and services from growing to selling. One of the main attractions of Fruit Logistica is that it is a compact, highly effective show focusing on specific target groups. In particular, it offers third-world exhibitors marketing opportunities for "exotic" produce, and gives newcomers from Central and Eastern Europe an excellent venue for presenting their products to the international trade and public, and for establishing new business contacts. An aspect of particular interest to Macedonian companies is that the fair offers an exchange market where trade visitors have the opportunity to approach exhibitors with their services and products. Participants include growers; fresh produce importers and exporters; wholesale markets; wholesale and retail outlets; packing, shipping, and disposal companies; institutions; and associations.

Marketing perishable fresh produce such as fruits and vegetables makes tough demands on logistics management. In addition to product presentations, Fruit Logistica introduces the technical know-how and skills required for effective logistics management. The range of products featured includes fresh fruit and vegetables, dried fruits, nuts, spices, organic produce, flowers and plants for self-service outlets. A technical center showcases hardware for produce packaging, storage, transport, shipping, and display. A services market offers computerized solutions for logistics management, transport company services, marketing know-how, training and further education, as well as trade forums. Also, trade forums organized during the fair, covering current topics related to fruit and vegetable marketing, provide an ideal opportunity to exchange experience and enhance relevant business knowledge and skills.

In FY08 AgBiz, GTZ's MAFP Project and the Swiss Import Promotion Program (SIPPO) organized and facilitated a four-day study tour for Macedonian fresh produce consolidators and exporters. The study tour included a visit to the Fruit Logistica 2008 fair, touring German produce markets and Business-to-Business meetings. The successes and the results from this Activity were reported in the FY08 Second Quarterly Report. During the follow-up activities from the '08 Study Tour a clear interest was identified from the participating companies to present their products and services at the 2009 Fruit Logistica Trade Fair.

MAFWE, GTZ MAFP, Osec/SIPPO, and AgBiz have therefore developed a joint Activity to support Macedonian agribusinesses to exhibit at Fruit Logistica 2009 during February 2 - 7. As per the final registration and LoIs signed during the Quarter, seven Macedonian companies will exhibit their products in the Macedonian national stand. Exhibiting in the national stand will enable the companies to establish and strengthen business contacts, and to improve their prospects for increased exports of Macedonian fresh products. (Projected total cost \$81,150, AgBiz projected share 16%)

## **Biofach 2009**

Biofach is traditionally the biggest trade fair in the EU dealing with organic products and trade logistics. Companies from countries other than the EU visit the fair as buyers or sellers, representing their services and products. This is one of the reasons for several Macedonian export orientated companies, dedicated to offering high quality organic products, to pursue this promotional opportunity. This would be a new approach for Macedonian companies, and an attempt to change the perception of EU buyers regarding Macedonian organic products, and establish or enhance their perception of Macedonian suppliers as a viable source of high quality organic products. Several Macedonian companies certified for organic production will exhibit at Biofach 2009. In cooperation with SIPPO, AgBiz is supporting exhibition-related costs for four companies in our supported value chains that produce and market organically certified products.

By exhibiting at Biofach – Nuremberg 2009, the companies can directly communicate the quality of their products to potential buyers, and demonstrate their strong commitment to satisfying the expectations of the most refined European consumers. In addition to the exhibition, SIPPO will organize B2B meetings with potential buyers for all companies exhibiting at the fair. These B2B meetings will take place on the fairgrounds during fair working hours, and will open new possibilities for these recently certified companies.

In addition to support for the exhibitors, AgBiz will help finance a study tour for seven additional Macedonian companies in AgBiz supported value chains who are interested in organic certification to add value to their products. By visiting Biofach – Nuremberg 2009 the companies participating in the study tour will understand new trends in global organic markets such as size, demand, product specifications, etc. A better understanding of the market potential for organically certified products will be obtained by the study tour participants. It is anticipated that as follow up to this Activity, several Macedonian companies in the wild gathered value chain will choose to implement organic standards as a means of adding value and competitiveness to their products. (Projected total cost \$43,922, Agbiz projected share 12%)

## **Profile of the Croatian Market for Selected Macedonian Exports**

The objective of this Activity is to develop a profile of the Croatian market for Macedonian exports of products from the fresh vegetables and fresh fruits value chains. These profiles would be used by AgBiz and AgBiz customers to help grow the market share of Macedonian origin products in Croatia.

AgBiz has completed value chain profiles on four of the five supported value chains – Fresh Vegetables, Processed Vegetables, Table Grapes, and Wild Gathered Products. These reports profile the items, volume and value of production and exports, and export destination markets for participants. One of the findings of these profiles is that for table grapes and fresh vegetables of the former Yugoslav markets account for more than 75% of export destinations. However, these profiles represent "one side of the coin", i.e., the view from Macedonia, but do not include much useful information on regional destination markets.

It is essential for Macedonian exporters to continue to export to former Yugoslav markets as a source of earnings while they enter and increase their share in other markets – such as in EU countries. However, some of AgBiz value chain participants are under pressure in their former Yugoslav markets from products from non-traditional origins, e.g., from Italian table grape marketers, because they are doing a better job of serving the current needs of Serbian and Croatian buyers by offering better quality and better packaged fresh table grapes.

For Macedonian exporters to know how to not only protect their regional markets, but also grow their share in them, they need better information on the structure and trends in the regional markets they are selling to. This would include information such as import volumes and value, countries of origin, trends in the imports market, and the importance and dynamics of specific channels such as importers, wholesalers, and retailers. For example, AgroCor recently acquired a Macedonian fresh fruits and vegetables cold store and pack house and plans to build and operate one or more new facilities in Macedonia; what impact is that likely to have on their Croatian import plans?

A sub-contract with a Croatian consultant for the profile was signed in December. Completion of the Profile is scheduled for late February/early March 2009. Depending on the benefits derived from this Profile, adding other value chains in Croatia, and doing profiles selected value chains for Serbia will be assessed. (Projected total Activity cost \$2,700; Agbiz projected share 100%)

### **2.2.4 Completed Activities**

The following Activities were Completed during the Quarter. The direct cost and cost sharing are shown for each.

#### **Vino-Skop Wine Festival for Macedonian Wines**

Based on the successes achieved in improving the market positioning of Macedonian wines brought by the Vino-Skop 2007 and the consistency with Program objectives, AgBiz supported a specific part of the Vino-Skop 2008 festival – wine judging by highly relevant international wine judges (See section 6.2.2). This support was provided to assure that a wine judging panel would be organized in a transparent and competitive manner, and to encourage the development and publishing of positive articles about the Macedonian wine industry in recognized international magazines. Support provided by AgBiz included coordinating the participation of international experts in the wine judging panel, including all logistic arrangements; coordinating with the wineries in submitting their entries for the judging; facilitating and monitoring



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preparation of a proper wine tasting/judging and presentations of the results; and identifying specific follow-up for developing a joint UK market export program with the UK judges.

Based on impressions and the notes taken during Vino-Skop 2008, wine judges and journalists Kevin Moore and Joseph Darrell published very complimentary articles in *International Wine Business* in Germany and the distinguished *Harpers Magazine* in the UK, thus increasing the visibility of Macedonian wines among readers and wine consumers in international markets. The festival also resulted in considerable domestic public relations (PR) that communicated USAID's AgBiz contributions to the overall relevance of the event by setting up a prestigious wine judging panel. These efforts support the creation of greater awareness for Macedonia as a wine producing country as well as the positive presentation of Macedonian wine brands, and influenced many wine consumers to become interested in Macedonian wines. (Total Activity cost \$41,800; Agbiz share 6%)

## **Profile of the Wild Gathered Food Products Value Chain**

The Wild Gathered Products Value Chain plays a significant role in the Macedonian agribusiness sector since nearly all output is sold on exports markets. This value chain provides income or additional income to a significant number of households in rural areas of the country. The sector is considered to be a generator of subsistence income for the most vulnerable groups in Macedonia. Detailed information on the quantities of various products collected and processed and the type of markets to which they are sold is either not officially available or very vague.

To better assess the value chain, during the Quarter AgBiz commissioned the development of a wild gathered products value chain profile. A domestic consulting company was selected via an open bidding process to develop the Profile. This Activity had the objective of providing in-depth information on the structure and sales performance of the value chain. The Profile will also be utilized by AgBiz to define priority issues and constraints, and better position our competitiveness enhancement interventions. The Profile focused on three main groups of wild gathered products: mushrooms, berries, and medicinal and aromatic herbs in an attempt to:

- Develop a wild gathered mushrooms and berries export profile and trends by researching and analyzing historical production and export volumes, values and the primary destination markets of the selected wild gathered products;
- Identify the main opportunities and threats associated with the export performance of the wild gathered products value chain via research and analysis;
- Profile the important types of participants in the value chain and their numbers, and provide a comparative analysis of their importance in the value chain;
- Compile and analyze information related to the number of full-time employees and seasonal labor engaged by the value chain; and
- Analyze the findings and develop conclusions into a comprehensive report to serve as a basis for preparing a workshop presentation for value chain participants to be organized by AgBiz.

Basic findings from the Profile included:

- Macedonian exports of wild gathered products vary dramatically from year to year, mainly due to the fact that supply availability depends on weather conditions;
- EU markets, and especially the Italian, German and French markets, are the most important destinations for Macedonian wild crafted products, representing over 90% of total export destinations;
- The Macedonian wild gathered industry competes with similar industries in the region, and with global suppliers for some items (e.g., Chinese boletus mushrooms);
- The number of participants in the value chain is estimated to include over 12,000 seasonal gatherers, about 200 independent and contracted first stage consolidators and no more than 20 serious processing/exporting companies;
- There is conflicting information regarding the amount of natural resources available and utilized for different products. The more expensive species such as boletus and morchella mushrooms are under pressure, whereas other less attractive species are utilized at a level of less than 15%. Detailed

evaluation of Macedonian resources in commercially interesting wild plants is needed, but represents a costly Activity; and

- Macedonian wild gathered products are predominantly exported in semi-processed (dried, frozen, and chilled) forms for further processing and blending by foreign buyers, and limited attempts have been made to increase unit values through producing and marketing value-added products.

The completed Profile can now be utilized to help AgBiz develop its plans for enhancing the competitiveness of individual value chain companies and the value chain as a whole. To effectively distribute the information obtained from the Profile a presentation of Profile findings and conclusions was organized during the Wild Gathered Products Roundtable. (See *Wild Gathered Products Value Chain Roundtable*, section 2.2.4 below.) Profile findings were presented and discussed at that time. (Total Activity cost \$4,725; AgBiz share 100%)

### **Importance of Agribusiness to Macedonian Economic Growth**

The objective of this research was to define the importance and potential impact of agriculture-related value chains on the economy of Macedonia with a special focus on household incomes, employment, and exports. The research focused on the collection and analysis of secondary quantitative data including macroeconomic indicators, employment, external trade in agriculture-based products, and Foreign Direct Investment in agriculture-related value chains.

The output of the research was quantitative and comparative multi-year data including how agriculture/agribusiness compares to other economic sectors. The results were presented in excel worksheets with raw data as well as tables, graphs, charts etc. The results of this research were used to build a case for the importance of agribusiness in Macedonian economic growth. Specific findings from the research are summarized in the table below. As can be noted from this table, agriculture related enterprises account for 13% of Gross Domestic Product (GDP) and all other manufacturing accounts for 13.8%, thus agriculture related enterprises are the largest single sector and a very important part of the economy. Macedonian economic growth is not likely to be significant unless agriculture-related enterprises are included in any economic growth stimulating support. These data (See section 6.2.4) also show that exports from AgBiz supported value chains accounted for an important 62.6% of agriculture-related exports in 2007, not including tobacco exports. (Total Activity cost \$2,000, AgBiz share 100%)

<b>Component</b>	<b>Production Agriculture</b>	<b>Post Harvest Agribusiness</b>	<b>Total</b>	<b>Agriculture/ Agribusiness Percent</b>
GDP \$7,295 mil.	\$764 mil.	\$185.9 mil.	\$949.9 mil.	13.02%*
Employment 485,062	50,320	13,748	64,068	13.2%
Exports \$3,356 mil.**	NA	NA	\$476.2 mil.	4.5%

\* Total Manufacturing less Food & Beverage = 13.8%

\*\*AgBiz Value Chain Exports = \$150.6 million or 32% of total agricultural exports, but 62.6% of non-tobacco agricultural exports.

### **Poland B2B and Study Tour**

During the Quarter AgBiz facilitated and co-funded B2B meetings and a “Study Tour to Poland” for participants in two of the AgBiz value chains – Fresh Vegetables and Table Grapes. The objectives of this Activity were to 1) identify potential buyers in Poland, and 2) update participants’ knowledge and understanding of advanced post-harvest handling techniques and the marketing of fresh produce according European standards.

Poland is the sixth largest market for fresh fruit and vegetables in the EU. Total consumption (industrial and consumer) of fruit in 2006 was 3.6 million tons. With a population of 38.2 million people, this was equivalent to a consumption of 94 kg of fruit per capita. The Polish market is considered to be a good opportunity, and of particular interest to AgBiz customers from the fresh vegetables and table grapes value chains. Visiting the market provided Macedonian companies involved in fresh fruits and vegetables trading with an opportunity to present their range of services from growing to selling.

Participation in this Activity provided an opportunity for nine Macedonian companies to meet eighteen of the biggest Polish export-import companies, visit the Agricultural Development Institute and the Warszawa stock market. During the B2B meetings, and after reviewing the AgBiz presentation on export and trade opportunities with Macedonia as they relate to the table grapes and fresh vegetables, the participants had a chance to present their companies to eight of the largest Polish importers. During these B2B meetings the large Polish importers and distributors had an opportunity to present their requirements and product specifications on a one-on-one basis to Macedonian exporters.

This Activity positively influenced the participants understanding of the specifics of Polish wholesale markets preferences, and the technologies that can be adopted to secure successful sales to those markets. This was an excellent opportunity to have direct meetings with the largest wholesale market buyers and evaluate competitive imported fresh products. During the study tour, the participants also had an opportunity to observe and analyze the competition by comparing pricing, packaging, labeling, and the presentations of South African, Italian, and Spanish products sold on the Polish market. Competitors' strategies for approaching and sustaining Polish sales were assessed during the B2B meetings with the importers and distributors.

This Study Tour and the B2B meetings (See sections: 6.2.1 and 6.3.5) gave the participating companies an opportunity to 1) directly approach potential customers in Poland; 2) identify whether their products satisfy the requirements of the Polish market; 3) assess their overall competitiveness; 4) identify new buyers including wholesalers, aggregators, and/or logistic agents for direct sales to retailers; 5) understand the latest trends and know-how in post-harvest handling techniques of fresh produce including storing, grading, packing, and shipping to meet EU market requirements; and 6) exchange experience in fresh fruits and vegetables marketing with the more experienced Polish companies.

As follow up to this Activity, AgBiz will continue working with participants in the table grapes value chain to facilitate the continuation of their export capacity and knowledge improvement and facilitate potential export transactions with the Polish buyers identified during the B2B meetings. (Activity total cost \$16,948; AgBiz share 46%)

## **Sweden Study Tour**

Participants in the AgBiz Processed Vegetables Value Chain are export oriented companies who export 80 to 95% of their total output. In cooperation with MAP, in November AgBiz supported an effective and efficient Study Tour to Sweden for Macedonian vegetable processing companies to identify new customers. The Study Tour was jointly developed and implemented with the SIDA-funded Macedonian Agricultural Advisory Support Program (MAASP) Project, and consisted of visiting four leading Swedish importers and processed/fresh products dealers, as well as a visit to the largest food distribution center in Scandinavia. During the Study Tour participants also toured numerous retail shops that carry traditional East European and Balkan products. They visited large supermarkets in Sweden to get insights into the range, diversity, and differences between retail shops, so that Macedonian products could be modified to meet specific customers' needs.

Numerous opportunities were identified for development of the Swedish market for Macedonian processed vegetable products. Strong demand for ethnic products and a flavor profile fit of Macedonian products was also identified within the current trends in retail and food service channels. Furthermore, Swedish imports of processed vegetables have shown an upward trend over recent years. Most Macedonian processed vegetables products, including pepper-based spreads such as ajvar and lutenica, have found their way onto Swedish retail shelves in via German-based distributors.

This Activity resulted (See section 6.2.3) in participants obtaining first hand information on the Swedish market for processed vegetables products, especially those based on peppers such as ajvar, lutenica, pindjur, roasted and preserved peppers, as well as the market for other Balkan ethnic foods. Activity

benefits to the study tour participants included 1) the opportunity to evaluate Sweden as a new potential market, 2) familiarization with distribution dynamics and principles, and 3) insights into the opportunities and obstacles for accelerated entry of Macedonian products into the Swedish market such as competition, pricing, product quality, and general market entry costs. A significant objective of the Study Tour was to analyze the competition, compare prices, packaging, labeling, distribution channels, and product presentation of competitive products imported from Turkey, Bulgaria, Croatia, and Bosnia and Herzegovina. Competitors' strategies in approaching and sustaining themselves in the Swedish market were evaluated during the study tour by assessing the operations and programs of some of the best Swedish importers.

During the B2B meetings that were organized as part of this Study Tour, all participants had a chance to present their production facilities and products, discuss import procedures and taxation issues and payment terms, and exchange ideas for further direct collaboration with Swedish customers. All Swedish companies, including potential importers, expressed an interest in starting cooperation with the Macedonian companies. Also, some buyers requested price lists and offers for available quantities. Therefore, the Activity stimulated the participants to focus on establishing and developing new trade links, and to identify opportunities to work together and develop sales strategies for large and more competitive EU markets such as Sweden.

AgBiz will closely monitor, participate in follow up exchange visits, and potentially offer support for the development of business relations between the Macedonian participants and Swedish importers. (Total Activity cost \$38,940; AgBiz share 9%)

### **Market Opportunities at “Salon Vina”**

Wine Salon is one of the most important wine events in Serbia in that it brings together relevant experts in wine, opinion makers, sommeliers, distributors, buyers, restaurateurs as well as the general public, and has a very influential role in creating awareness and defining wine consumer trends in Serbia. Therefore, the AgBiz Bottled Wine VCC attended the event to identify new market opportunities for Macedonian wines in the Serbian market. Based on an initial understanding, and opinions expressed by winery personnel and wine distributors, it is evident that the Serbian market is becoming increasingly competitive. However, there is space for expanding the sales of Macedonian wines in Serbia. The key opportunity is most likely offering high quality red wines. The current good general awareness of Macedonian wines is a starting point. However, in addition to a competitive price and consistent quality, Macedonian wineries will need very effective marketing programs to achieve significant and sustainable sales. To optimize their competitiveness, the wineries should work on developing long-term marketing strategies, rather than sporadic transactions and events. A report on the Salon Vina trip, including key considerations, recommendations, contacts with potential buyers, restaurants, specialized wine shops, and the promotional materials gathered was communicated to the wineries. (Total Activity cost \$350; AgBiz share 100%)

### **Organic Production Day in Macedonia**

During the Quarter AgBiz supported the National Organic Producer's Federation and MAFWE to develop and conduct a promotional event named “Second Organic Production Day,” which is becoming a traditional event. The main objective was promoting organic producers and their products and stimulating domestic consumption of organically certified food products. Raising public awareness about the availability of domestic organic products is an important means of contributing to development of the organic market and organic production in Macedonia.

The event was conducted in Skopje in the Ramstore Mall. The Ramstore retail chain already sells Macedonian organic products in its supermarket. The Minister for Agriculture and the Swiss Ambassador to Macedonia sponsored the event. During the event organic products were displayed in special stands and organic products were made available for tasting by consumers shopping at the mall. AgBiz supported the event via staff making a significant contribution to the overall coordination and via support for organizing PR for the event. The results of the Day were increased public awareness of organic products and their availability in Macedonia, production of organic products was stimulated by creating

more demand, and new producers were attracted to seek the organic certification. (Total Activity cost \$13,100; AgBiz share 0%)

## **Improving Oak Aging Technology of Macedonian Wines**

Based on substantial interest shown by the wineries, AgBiz developed and conducted an Oenology Training Program to increase value chain participants' capacity to improve their oak aging technology. AgBiz engaged Mr. William Talbot, a well respected international expert, and Mr. Goran Milanov, the Deputy Director of the Wine Institute in Macedonia as a counterpart, to do the training and training follow up via individual technical assistance interventions. As a preparatory Activity, and under the specific direction of the international expert, Mr. Milanov implemented and monitored a pilot project that used oak barrel aging alternatives on Macedonian wines. Also, samples of Macedonian wines aged in barrels were analyzed, and their quality parameters were evaluated and assessed against international standards. After Mr. Talbot's arrival in Macedonia both experts visited several wineries of differing sizes and technology where the international expert got familiar with local wine making conditions and practices, and assessed the current utilization of barrique technology. He then visited the Wine Institute where the local expert introduced their recently upgraded lab and the testing that can be done there, the system of cooperation with the wineries, and the results of the analysis of Macedonian wines aged in barrels or produced by using alternatives.

PHOTO CREDIT: AGBIZ STAFF



**Experts training wine makers on oak aging.**

Subsequently a two-day training workshop on “Enhancing Oak Aging Technology for Macedonian Wines” was conducted on the 18<sup>th</sup> and 19<sup>th</sup> of November in the premises of Grkov Winery. Twenty-three oenologists from Macedonian wineries participated, exchanged their experience with oak aging and learned about the latest trends in oenology and wine making from the experts, with special emphasis on advanced barrique techniques.

The participants expressed great appreciation for the workshop content, especially regarding using oak alternatives for maximizing the results while reducing costs, and underlined the usefulness and practical character of the training.

Following the workshop, three one-day individual technical assistance interventions were conducted for Bovin, Tikvesh, and Popova Kula. The two experts examined the current operations in the wineries and gave practical recommendations for improving their oak aging technology. Subsequently, these findings and suggestions for improvement from both experts were provided to the wineries in a written format.

To reinforce the likelihood of winery owners and managers taking into consideration the outcomes and lessons learned from the training when developing their wineries investment strategies, AgBiz organized a closing working dinner with decision makers, owners, and managers of the participating wineries. At the dinner a facilitated blind testing exercise was completed for comparing wines aged in oak barrels versus wines produced by using alternatives. This helped to confirm participants understanding that the specific applications of oak aging technology should be well considered, that all variables including cost must be analyzed, and that the best balance should be achieved regarding the desired price and quality positioning of wines.

This comprehensive program assisted Macedonian wine makers in upgrading their techniques and the application of oak barrel aging methods, as well as the proper utilization of oak alternatives. The wineries will have to continue a serious push towards improving the quality and consistency of “oak aged” final products, and to define the most appropriate combination of oak alternatives versus the use of oak barrels. The experts recommended that in the future, experiments carried out by individual wineries be closely monitored and evaluated and the results shared with others in order to attain relevant indicators

for the entire value chain, which will assist all wineries to identify the best of combination of barrels and alternatives for their product and positioning objectives. (Total Activity cost \$17,763; AgBiz share 76%)

### **Table Grape Value Chain Roundtable**

In November, AgBiz facilitated a roundtable with Table Grape Value Chain participants. The event was attended by managing and marketing staff from eight companies, and was used to present and make available the table grapes value chain profile developed by AgBiz, and to present the report on the Poland study tour conducted in October. Following the presentation of the two reports a discussion was facilitated between value chain participants. The discussion concentrated on 1) opportunities identified for direct and potentially joint approaches to potential customers in Poland; 2) identifying whether Macedonian products satisfy the requirements of the Polish market and how competitive they are; 3) reviewing potential Polish buyers, including wholesalers, aggregators, and/or logistic agents for direct sales to retailers; 4) reviewing the latest trends and know-how in post-harvest handling techniques of fresh produce including storing, grading, packing, and shipping to meet EU market demands; and 5) exchanging experiences. AgBiz Fresh Vegetable VCC Vladimir Kokarev presented the results of recent research on the “Moscow Market for Fresh Vegetables and Table Grapes. A discussion followed on the identification of opportunities and constraints to exporting Macedonian fresh vegetables and table grapes to Russian markets in general, and the Moscow market specifically. This presentation and discussion further increased participants’ understanding of advanced market demand, import requirements in Russia, and how to establish direct contact with buyers in the Moscow wholesale market.

AgBiz staff and Table Grape Value Chain participants explored the need and potential objectives for organizing a Study Tour to California or Italy in FY09. Specific things potential participants want to learn from such an Activity were discussed, and the common opinion was found that a Study Tour to learn from the California table grape industry would be more beneficial for gaining experience regarding post harvest handling and transportation of grapes, to see more advanced techniques and technologies, and to update participants’ knowledge and understanding of advanced pre- and post-harvest handling of fresh grapes to meet European standards.

Value chain participants revisited the need to establish and develop a Table Grape Trade Association. The idea of forming and developing such an Association has been proposed in numerous previous meetings, with the aim of value chain participants establishing an entity that will sustainably support the enhanced competitiveness of the value chain, and serve as a forum to identify regulatory issues, suggest solutions, and communicate them to relevant bodies of the GoM. AgBiz will be following up on the possibility of supporting the development of a Table Grape Association in the next quarter. (Activity total cost \$200; AgBiz share 100%)

### **Wild Gathered Products Value Chain Roundtable**

The AgBiz developed and managed Wild Gathered Products Value Chain Roundtable had the objectives of 1) presenting to participants in the WGP VC the benefits of joint approaches towards resolving issues and capitalizing on opportunities for the development of the VC, 2) presenting the alternative organizational forms for establishing a trade association, 3) identifying key value chain constraints and development threats, and 4) stimulating discussion and follow up on establishing a trade association.

Representatives from 19 companies participated in the Roundtable. AgBiz facilitated and moderated the discussion, emphasizing and focusing on the identification of key constraints to value chain competitiveness. The unclear personal income tax withholding regulations issue remains a concern to value chain operators in spite of the fact that the gathering and sale of wild crafted products is presently not taxed. Also, Macedonian Forests, the public company that manages the majority of wild crafted resources, has increased its pressure to impose a non-timber forest products usage payment scheme at the exporter level. The lack of a common vision of the companies in the sector seriously impedes the entire value chain’s ability to speak with a stronger voice when lobbying the GoM for actions and support.

After identifying the major problems and constraints, possible solutions were discussed. Forming a trade association to be professionally managed by a dedicated executive person was recognized by the participants as a priority. A genuine consensus was achieved during the Roundtable that identifying and

developing actions to overcome the constraints identified earlier can be best achieved by joint work through a trade association.

As the possibilities for AgBiz support are limited, the sustainability of the organization was also discussed. Different opinions were expressed regarding the ability of the companies to financially support a trade association by paying the annual membership fees needed to insure ongoing operations. The participants concluded there is a need, and elected a trade association formation committee. The committee will, with assistance from AgBiz, develop and distribute a questionnaire to all companies involved in the value chain, including a draft budget of yearly expenses for hiring a dedicated person to administer the association. The survey contains questions as to the objectives that companies believe the association should have.

In follow up during the next quarter, AgBiz will work with the formation committee to assess the feedback from the companies, and determine their genuine commitment to form, join, and support a trade association. Based on the outcome of the assessment, AgBiz will consider support to the formation committee, including conducting an association founding meeting. (Total Activity cost \$800; AgBiz share 100%)

### **2.2.5 Activities Considered & Dropped**

No Activities were considered and dropped during the Quarter.

### **2.2.6 End of Quarter Activities Status**

Table Two (2) shows the status of all Activities at the end of the Quarter, as well as the achieved impact of Activities.

**TABLE 2. ACTIVITY STATUS REPORT**

Last Updated: December 31, 2008

UNDER REVIEW								
MIS Code	ACTIVITY	COORDINATOR	VALUE CHAINS	PARTNERS	*ACTIVITY COST (US\$)			DESCRIPTION / COMMENT
					TOTAL	AGBIZ	AgBiz Percentage	
208	Vegetables Processing Companies Study Tour in Bulgaria	Zlatko Edelinski	PV	MAASP, SIDA funded	0	0	0%	Provide AgBiz customers with first hand information on Bulgarian processed vegetables entities' experience in using EU SAPARDS funds
209	Value Chain Enhancement Activities with MASHAV / CINADCO (Post-harvest Storage)	Jeton Starova	FV / TG	MASHAV / CINADCO	0	0	0%	Provide Israeli experts to conduct training and technical assistance interventions in Macedonia, especially for the fresh vegetables and table grapes value chain participants
211	Study Tour in California for Macedonian Table Grapes Exporters	Lovre Ristevski	TG		0	0	0%	Increase Macedonian table grapes value chain's customers knowledge in advanced production and post-harvest handling technologies practiced in California
112	Export in Practice Training Program	Natasha Stankovic	PV / BW	CEED	0	0	0%	Allocate the problems and weaknesses Macedonian producers and exporters have in production, promotion, and sales of their products
212	Study Tour to Tutto Food in Milan, Italy	Vladimir Kokarev	FV / PV / WG		0	0	0%	AgBiz will support twelve Macedonian companies to visit Tutto Food as one of the most relevant trade fairs for companies involved in fresh and processed vegetables and wild gathered products value chains
826	School Economic Project in Caska Municipality	Jeton Starova	N/A		0	0	0%	Feasibility study model delivered
113	Wild Gathered Organic Certification	Goran Angelovski	WG		0	0	0%	AgBiz will support seven Macedonian companies that have expressed interest to enter organic certification and add value to their products
829	Inward Trade Mission for Dutch Importers of Fresh Vegetables	Jeton Starova	FV		0	0	0%	Promotion of Macedonian agriculture trade and investment via Dutch electronic newsletters presented to over 20,000 readers
831	Establishing a Wild Gathered Food Processors' Association	Goran Angelovski	WG		0	0	0%	Support the establishment of WG VC Association to enhance the competitiveness of the value chain and facilitate joint approach to the GoM
832	Reestablishing a Bottled Wine Association	Goran Damovski	BW		0	0	0%	AgBiz will provide support in reestablishing the Bottled Wine Association
<b>TOTAL</b>					<b>0</b>	<b>0</b>	<b>0 %</b>	

**APPROVED AND UNDER DEVELOPMENT**

APPROVED AND UNDER DEVELOPMENT								
MIS Code	ACTIVITY	COORDINATOR	VALUE CHAINS	PARTNERS	*ACTIVITY COST (US\$)			DESCRIPTION / COMMENT
					TOTAL	AGBIZ	AgBiz Percentage	
830	Expedited Local Technical Support Assistance Activity (ELSA)	Jeton Starova	All	Local Consultants	0	0	0%	Provide support in the procurement of technical assistance services from Macedonian consultants or consulting firms by Macedonian agribusinesses
817	Cost-efficient Group GlobalGAP Implementation and Certification	Vladimir Kokarev	WG		0	0	0%	Organize Macedonian agricultural producers interested in implementation/certification of the QAS Globalgap v.3.0 through a single service provider
820	Assesment of Regulations and Practices in the Personal Income Tax Witholding from Farmers	Jeton Starova	All	BEA EPICentar	0	0	0%	Raise the level of dialogue between the private and the public sector (the GoM in general) in developing sound economic policies
<b>TOTAL</b>					<b>0</b>	<b>0</b>	<b>0 %</b>	

**ALL AGREEMENTS SIGNED AND IN IMPLEMENTATION**

ALL AGREEMENTS SIGNED AND IN IMPLEMENTATION								
MIS Code	ACTIVITY	COORDINATOR	VALUE CHAINS	PARTNERS	*ACTIVITY COST (US\$)			DESCRIPTION / COMMENT
					TOTAL	AGBIZ	AgBiz Percentage	
307	Fruit Logistica 2009	Vladimir Kokarev	FV	MAFWE / GTZ MAFP / SIPPO	\$81,150	\$13,400	16%	Seven Macedonian companies will be enabled to establish and strengthen business contacts, and their prospects for increased exports will be improved
308	ProWein 09	Goran Damovski	BW		\$57,626	\$19,324	34%	Exhibiting and promoting wines at ProWein will create wider awareness of visitors for Macedonian wines
309	Biofach 09	Goran Angelovski	WG	SIPPO	0	0	0%	This trade show provides producers involved in organic production an opportunity to present their

ALL AGREEMENTS SIGNED AND IN IMPLEMENTATION														
MIS Code	ACTIVITY	COORDINATOR	VALUE CHAINS	PARTNERS	*ACTIVITY COST (US\$)			DESCRIPTION / COMMENT						
					TOTAL	AGBIZ	AgBiz Percentage							
								range of products and services						
823	Profile of the Croatian Market for Macedonian Exports From Selected AgBiz Supported Value Chains	James Maxwell	FV; PV	Moc Znanja	\$2,700	\$2,700	0%	To gain reasonable understanding of the structure and trends in these markets for AgBiz supported value chains customers						
<b>TOTAL</b>					<b>141,476</b>	<b>35,424</b>	<b>25 %</b>							
COMPLETED														
MIS Code	ACTIVITY	COORDINATOR	VALUE CHAINS	PARTNERS	*ACTIVITY COST (US\$)			# of Producer Organization / Business Assos. that received assistance	# of Agribusiness firms that received assistance	# of New/Improved Technologies & Management Practices	Value of new orders	# of New Customers	# Individuals Received Assistance (evaluation score)	
					TOTAL	AGBIZ	AgBiz Percentage						TOTAL	Average score
310	Organic Production Day in Macedonia	Goran Angelovski	WG; BW;	WG Participants	\$13,100	0	0%	0	6	1	0	0	27	4,00
109	Oenology Training for Improving Oak Aging Technology for Macedonian Wines	Goran Damovski	BW; Other;	BW Participants	\$17,763	\$12,469	70%	0	17	4	0	0	17	4,56
110	Table Grapes Value Chain Round Table	Lovre Risteovski	TG; BW;	TG Participants	\$200	\$200	100%	0	8	4	0	0	12	4,77
111	Wild Gathered Products Value Chain Round Table	Goran Angelovski	WG / PV	WG Participants	\$2,060	\$800	39%	0	18	1	0	0	26	0,00
205	Poland B2B and Study Tour	Lovre Risteovski	All	GWIAZDA, Poland	\$16,948	\$7,721	46%	0	9	5	0	0	12	4,73
206	Sweden Study Tour	Zlatko Edelinski	PV / WG	MCG	\$38,941	\$3,570	9%	1	9	2	0	0	9	4,79
805	Enhancing Customer Access to Finance	Lovre Risteovski	All	None	0	0	0%	0	0	1	0	0	11	0,00
311	VinoSkop - Wine Festival for Macedonian Wines	Goran Damovski	BW	Old Grip	\$41,800	\$2,436	6%	0	17	0	0	0	0	0,00
821	Importance of Agribusiness to MK Economic Growth	James Maxwell	All	EPICentar	\$2,000	\$2,000	100%	0	0	0	0	0	0	0,00
822	Profile of the Wild Gathered Food Products Value Chain	Goran Angelovski	WG	EPICentar	\$4,725	\$4,725	100%	0	0	0	0	0	0	0,00
213	Market Opportunities "Salon Vina"	Goran Damovski	BW	None	\$350	\$350	100%	0	0	0	0	0	0	0,00
<b>TOTAL</b>					<b>\$137,887</b>	<b>\$34,271</b>	<b>25%</b>	<b>1</b>	<b>65</b>	<b>18</b>	<b>0</b>	<b>0</b>	<b>114</b>	<b>4,57</b>

BW= Bottled Wine; FV = Fresh Vegetables; PV = Processed Vegetables; TG = Table Grapes; VC = Value Chain; WG = Wild Gathered

## 2.3 EXPORT FOCUSED, BUSINESS EXPANSION PROJECTS

The following section outlines progress on Projects during the Quarter, and includes information on the specific support being provided to each Project by AgBiz, the overall progress of the Project, and information about environmental protection work associated with the Project.

### 2.3.1 Proposals under Development

Only one Proposal was in Development at the end of the Quarter.

#### **Ohrid Winery**

AgBiz continued to monitor development of the Ohrid Winery and their compliance with what was planned and projected in the assessment document used during Proposal review. During the Quarter several meetings were held with representatives from Ohrid Winery to evaluate the situation and the opportunities to continue the development of an AgBiz Project, and if successful sign grant documents. After the Ohrid Winery Proposal was accepted by the review committee, the winery had significant foreign investments, including in their basic processing operations, equipment for expanding their capacity and for implementation of HACCP and the ISO standard. The proponent has confirmed that they are not in a position to achieve the projections for 2008 and 2009 for shifting large quantities of wine from bulk to bottled as planned in the Project application. Therefore, AgBiz will do a final review of the potential Project, most likely cancel it in very early January, and replace it with another high ranking bottled wine Proposal already reviewed and scored by the review committee.

### 2.3.2 Projects Being Implemented

#### **Agros 2004**

*Establishing a new model of harvest and post-harvest activities on 30 hectares of peppers by introducing a harvest aid machine:* The work of the Project Manager and Production Manager supported by the AgBiz grant was focused during the latter part of the Quarter on calculating the results of the season and attempting to finalize contracts, i.e., payments to farmers and creditors as well as billing buyers, before the end of the year.

In parallel, negotiations for the next season have started by examining markets, demand and supplier credit opportunities, and evaluating payment terms and past rates of potential buyers.

Once the Project supported harvest aid was received and examined by the grantee, it was determined that it was much more complex than a simple conveyor, due to the many adjustable values that control the work rate for different crops. Therefore, for proper assembly the grantee hired a local contractor who then preformed a satisfactory assembly and did a test run of the harvest aid. Following a test run on cabbage, some bending of the conveyor arm was noticed when more than 40 kg of product was on the conveyor. The test was therefore terminated and the manufacturer, Weening Brothers Manufacturing of Canada, was contacted.

During that discussion the manufacturer suggested that if the harvesting aid is to be used for moving more than 50 kg of produce at one time on the conveyor, the arm would need to be strengthened. This adjustment would be a preventive measure in case a worker leaned on the conveyor during maximum loading, potentially bending or even buckling the aluminum support bracket.

On the basis of this recommendation from the manufacturer, at the end of the Quarter the person who assembled and tested the harvest aid was in the process of manufacturing and mounting an additional brace on the harvesting aid conveyor, as well as a lid to cover and protect the electro-valves from corrosion.

Unusually warm weather, and significant differences between day and night temperatures, caused slow ripening of the crop and the pepper harvest season to be extended to the end of October. Production quantities were substantially reduced. Therefore, red peppers were not available in any quantity until the 15<sup>th</sup> of October. When combined with a two weeks delay in the traditional ajvar (15<sup>th</sup> of September – 5<sup>th</sup> of October) season in households, this late harvest resulted in staggering demand and prices that rose by a multiple of three. However, the overall impact was limited as the supply of red pepper was depleted.

On the 15<sup>th</sup> of October the harvest of green and flame peppers began, and included all peppers larger than 5 cm. Prices of green and flamed peppers increased during this period by up to 20%.

By mid-October Agros 2004 had sold 1,000 tons of product, and by the end of October approximately 1,300 tons of peppers. The total production of the Association and its members is estimated at 2,800 – 3,000 tons.

Results from this period:

- Production and sale of 1,150 Mt of peppers, despite unusually warm weather and climate conditions;
- Successful payment MKD 11,000,000 from MKD 13,0000;
- Customer satisfaction with the equipment purchased and its excellent quality; and
- A 20% increase in the average price of products and a 25% increase in exports.

Currently, farmers are making end of season calculations, and although increased prices at the beginning and end of the season accounted for some extra profit, the overall increase in the price of production inputs, especially abnormal fertilizer price increases, is causing concern. Standard 15-15-15 fertilizer is now sold at \$50/50 kg bag, or \$1/kg, which is five times the price of that same fertilizer in 2004 when the Agros association started group input procurement.

#### Environment Related Mitigations:

Pesticide Training – Agros 2004 provides continuous advice and updates to their members through their own advisory service and from agricultural chemical dealers. This includes the selection of proper pesticides and their proper use. Advice is also given to members regarding proper disposal of unused pesticides and pesticide packaging as per Macedonian law.

Harvester Maintenance – Agros contracted a qualified company to properly maintain the harvest aid machine. The company is obligated to perform all the needed maintenance activities in a proper and environmentally friendly way.

Public Participation – Agros, through its advisory service, serves their members and all the inhabitants in the areas where Agros is active. Therefore, they are constantly updated regarding any concerns that may arise.

### Dentina



Dentina products prepared for the Kaufland special promotion in Croatia.

#### *Improving the Competitiveness of Processed Vegetable Exports:*

After the project supported equipment was successfully installed and tested during the previous quarter, Dentina staff conducted training on how to complete processing using the newly installed equipment. During the Quarter the Project supported promotional campaigns for creating better visibility in key Dentina export markets. Based on Dentina's request to design and print a flyer and launch additional marketing activities, mainly in-store promotions, AgBiz authorized Dentina to sign a contract with Kaufland on the basis of their offer and conduct a campaign for introducing Dentina brand products in the Kaufland chain in Croatia by utilizing special end-cup positioning

in their supermarkets, along with a special promotion in Kaufland's in-store promotions circular. These promotional activities were successfully conducted in two phases during November and December. All

documentation for reimbursement of the Dentina promotional campaign in the Kaufland retail chain has been completed.

Dentina exports to Kaufland during this market entry and promotion campaign were around \$131,000, of which \$15,000 was for 3,000 packages of six jars per package of the promotional items. The grantee's contribution to the promotion was around \$4,000 and AgBiz contributed up to \$10,000 toward both phases of the market entry program.

Another event during the Quarter was helping and supporting the organization of a promotional sampling of Dentina products in the larger supermarkets of the Gastro Group chain in Croatia. This is part of an overall plan to improve and increase the productivity and processing capacity of Dentina, and significantly increase export sales and market shares over the next three years by expanding exports of a range of processed vegetable products – primarily to Croatian and Slovenian markets.

Concerning compliance with Environmental Mitigations measures, several actions were taken by the grantee. Wastewater treatment is problematic due to the lack of a municipal infrastructure, i.e., the municipality has no proper piping for discharging wastewater. Therefore, the Austrian water treatment system has been selected. The Environmental Mitigation measures regarding the chemical storage has been implemented. Acetic acid is being properly stored.

The Dentina Cleaner Production Assessment (CPA) for improving process efficiency has been completed by the Mechanical Engineering Systems Center of Excellence (CIRKO), and Macedonian and English versions will be delivered to Dentina early in the next quarter.

## Bonum Plus

***Entering New Processed Vegetable Export Markets:*** Due to food safety issues in the Macedonian food industry, quality management and food safety systems recently became obligatory for every food plant. This issue/requirement leaves Macedonian companies with considerable, costly work to be done in a very short time to introduce HACCP and other quality control systems into their processing plants.

As global demand recovers, and trade liberalization and market integration go forward, traditional markets, including Serbia, for all Bonum Plus processed vegetable products will become increasingly competitive. Bonum Plus needs to improve product quality if it wants to retain and increase their market share, and its products must satisfy the required EU standards. Therefore, to successfully enter and then sustain their position in Serbia and other foreign markets, Bonum Plus is continuously improving its production operations to meet strict food hygiene and safety requirements.



PHOTO CREDIT: AGBIZ STAFF

**Bonum Plus branded products found during the Study Tour in Sweden.**

During the Quarter the AgBiz Project helped Bonum Plus with the adoption of and conforming to these standards. Significant progress was made on ISO22000 implementation and certification of the company's processing and storage facilities. This will allow Bonum Plus to offer quality and value added processed vegetables products to its customers and consumers.

Because the Serbian market is a major opportunity for Bonum Plus, and to become more competitive, the Project also helped Bonum Plus enter key grocery chains as a means of developing the market. This was accomplished by reimbursing Bonum Plus for the entry fees (slotting allowances) for five of their branded products – roasted peppers, ajvar, lutenica, gherkins and chili peppers. AgBiz

approved the offer from Global Logistics of Serbia to pay the in-store promotion fees to the targeted supermarkets, and authorized Bonum Plus to sign a contract with Global Logistics on the basis of their offer and references. This brand awareness campaign was implemented during September and October 2008 in the largest Serbian retail chains Mini Maxi and Tempo.

The Project therefore enabled Bonum Plus to implement an aggressive program for entering and expanding their export sales in an important target market. As a result of this AgBiz support, during the Quarter the grantee exported processed vegetables with valued at around \$194,000.

During the Quarter a CPA was completed for Bonum Plus.

AgBiz reimbursements to Bonum Plus for the successfully completed promotional campaigns for five branded products in two Serbian retail chains, and HACCP implementation, were completed during the Quarter.

## Popova Kula

***Improving the Competitiveness of Bottled Wine Exports to Poland:*** During the Quarter the business expansion Project with Popova Kula for penetrating the Polish market progressed very well. The first shipment of 16,000 bottles was sent in early November. Currently Popova Kula wines are present in Kaufland, Zabka, Hala Banaha, and the Pjotr & Pavl retail chains in Poland; sales are reaching a satisfactory level in the whole market. Popova Kula Polska is currently negotiating with several other distributors to expand the retail coverage and penetrate into new retail chains.

Constraints were encountered in the process of registering a company in Poland and going through all procedures required for getting the needed licenses. Therefore, developing the required infrastructure and establishing trade relations with buyers was somewhat delayed. To resolve these constraints Popova Kula Poland hired an experienced manager that was able to complete the procedures. Ultimately, Popova Kula Poland was registered and all licenses and concessions for importing wine were received. The company invested in the fixed assets and necessary equipment, including leasing a pickup truck, acquiring laptops, a printer, a fax, mobile phones, etc. to become fully operational.



As planned, the Popova Kula exhibit at the Enoexpo fair in Krakow resulted in establishing new trade relations with companies dealing with wine, and increased the awareness of consumers about Popova Kula wines. This opportunity was also used to analyze the competition and observe their approach to attracting consumers. Restructuring the web portal and adding a Polish version, issuing the first two advertisements in wine magazines *Magazyn Vino* and one in *Swiat Win*, and the design of a Polish catalogue and photographs were successfully completed in-line with other marketing program activities. So far, AgBiz has reimbursed Popova Kula \$7,308 with \$32,718 in expenditures remaining.

Popova Kula possesses all the necessary permits for construction and environmental compliance. As a part of the Environmental Mitigations measures Popova Kula is investigating a wastewater treatment system and will provide information regarding the system and a report on the selected system before the end of the grant period. Sample analyses for Biological Oxygen Demand (BOD5), Chemical Oxygen Demands (COD), suspended solids, and pH will be provided during the next harvest. Popova Kula has conducted a public participation meeting with neighbors and all other entities that might be affected by its activities where it was concluded that Popova Kula activities do not represent any threat to the neighbors.

Due to delayed registration of the Polish company, sales projected for the project were not fully realized. But considering current progress, it is expected that all Project work will take place by May 2009. The implementation of items such as printing catalogues, leaflets, and display stands, as well as exhibiting at the Euro Gastro Trade Fair in Warsaw that will be held from 25<sup>th</sup> to 27<sup>th</sup> of March 2009, will follow in the next quarter.

## Badzo

***Improving the Quality and Consistency of Fresh Vegetable Exports:*** Badzo's main activity is buying agricultural products from the local farmers and calibrating, packing and exporting them. In the spring of 2008, Badzo exported 480 tons of spring cabbage to a company in Minsk, Belarus and received damage claims for 14 trucks of product for not being properly cooled before loading. This resulted from loading the goods directly in a truck on days when the temperature in the greenhouses was more than 30° Celsius. Last year Badzo had the same problems with tomatoes and table grapes.

During the Quarter Badzo finished building their modern packing center. The new facility includes sophisticated packing and calibrating machines for tomatoes, cucumbers, onion, peppers, potatoes, broccoli, cabbage, watermelons, and table grapes. The AgBiz Project is supporting the construction of the new center. Badzo finished construction of the cooling/heating chamber needed for keeping and providing good quality products to its customers. Such products can now be easily prepared for transport, and transported to longer destinations such as Belarus, Russia, and Latvia.

For the first time in the company's history, Badzo did not receive any claims due to quality after they started to use the pre-cooling chamber. Badzo used the cooling chamber to prepare and maintain 510 tons of table grapes, 140 tons of broccoli, and 210 tons of cauliflower.

When using the same chamber for heating, Badzo is able to keep products like fresh tomatoes, cucumbers, and peppers at temperatures well above 0°C, even when the outside temperatures is well below 0°C. During the Quarter Badzo used the chamber to warm 160 tons of tomatoes and 24 tons of sweet and hot peppers.

Therefore, the impact of this Project is very positive. Badzo is gaining new customers and providing high quality products to its satisfied customers.

### **Environmental Mitigations:**

Asbestos – The required signs have not been posted yet. During 2009 asbestos roofing tiles will be removed and the signs will be posted. Badzo will hire a qualified person to prepare an AS&HP prior to having asbestos roofing removed.

Cleaner Production – The CPA report has been submitted to Badzo by AgBiz.

Public Participation – Badzo organized a public participation meeting. No concerns were identified by neighbors.

During the next quarter Badzo will start HACCP implementation.

## Kokolanski

***Improved Competitiveness by Increasing and Improving Processing Capacity and Adopting HACCP Principles:*** Kokolanski is a WGP VC company that is focusing on three main products Lactarius and Boletus mushrooms and juniper berries. During this season, due to weather conditions, the regional Boletus yield was surprisingly low. Additionally, Kokolanski experienced some difficulties with the branch office of the public enterprise that is managing the forests. For this reason Kokolanski was not involved in buying and selling juniper berries during this season. Because of this, Lactarius mushrooms were the company's main profit-generating product. During the season, approximately 6,000 kg of Lactarius mushroom were purchased, processed, and sold by Kokolanski, resulting in a turnover of 510,000 MKD. Kokolanski managed to achieve planned Project activities, although short delays were experienced, mostly due to the unavailability of the construction company during the period planned for doing construction work.

Kokolanski delivered all the necessary documents for AgBiz approval to start the implementation of planned activities as established in the Project Award Budget. Construction work for improving and increasing processing capacity for blanched and brined Lactarius mushrooms is now finalized, and the acquisition of two INOX blanching vats is in progress. Final installation of the INOX vats is planned for the beginning of February. Kokolanski purchased a FIAT Doblo delivery vehicle, which was part of their investment in the Project, and managed to increase the amount of fix assets in the company despite the

slow season. AgBiz reimbursed Kokolanski for the successfully completed construction work. Soon after the installation of the equipment, extension of the HACCP scope and HACCP certification, which is scheduled for March, is to be conducted. The company is making good progress in implementing the environmental mitigations and monitoring recommendations.

## Lars

***Improve and Increase the Productivity and Capacity of Vegetables Drying:*** To maintain and to further upgrade its position as a leading producer, marketer, and supplier of dehydrated products to its international food processing clients, AgBiz helped Lars to secure additional equipment, including a centrifuge for preparing vegetables for drying. The centrifuge increased productivity by 25%, reduced production costs by 20%, and assured environmentally friendly production. It therefore enabled the company to export more dehydrated products. This in turn allowed them buy up to 16 tons per day of raw materials grown by local producers, in comparison to the 12 tons purchased before the AgBiz-supported Project. Project reimbursement by AgBiz has now been completed.

Successful completion of the Project enabled Lars to improve its competitive position via forward agreements with its customers, including agreed quantities, prices, and delivery period for the next season. Lars is now exporting dehydrated vegetables products directly to food processing companies, mainly in Holland and Croatia, thus avoiding intermediaries and their margins. This makes Lars very price competitive. Product demand from Lars customers is constantly increasing; therefore Lars anticipates growing its exports by nearly 20% to regional and international markets. Also, Lars is prepared to apply for IPARD support with a new proposal for the construction of cooling facilities that will enable the company to optimize their production, to store more products during the harvest season and to prolong the processing season.

Following the required Environmental Mitigations Monitoring System, an AH&SP was developed during the Quarter, translated into Macedonian, and delivered to the responsible people at Lars.

## Vipro

***Improving the Competitiveness of Processed Vegetable Exports:*** To become more competitive and maintain and further upgrade its position as one of the leading Macedonian companies for processing and exporting processed vegetables, Vipro – supported by the AgBiz Project – has started improving and increasing its processing capacity. During the Quarter, investments planned under the Project, including roof construction over one of the main buildings of the new processing facility was successfully completed, and AgBiz reimbursed Vipro for our contribution.



Preparation for the installation of equipment in Vipro's new processing facility is progressing according to schedule, and in a manner that will meet the latest EU requirements. This expanded capacity will enable Vipro to maximize its raw material purchases during the forthcoming season, and to process and store a wide range of processed vegetables products.

Also, the new facility will enable the company to meet increasing demand for its products, and fulfill its food safety and environmental obligations. Several environmental mitigations such as asbestos removal, wastewater treatment and cleaner production were provided for the AgBiz

project with Vipro to reduce environmental impacts. During the Quarter, asbestos was removed from the site. Following the required environmental mitigations monitoring system, an AH&SP was developed,

translated into Macedonian, and delivered to the responsible people at Vipro. Monitoring of wastewater will be performed next year after the facility starts operating. Implementation of a water treatment system is planned using IPARD funds. Another recommendation from the Vipro Environmental Due Diligence (EDD)/Pollution Prevention Assessments (PPAs) was for a CPA, and the CPA was completed by CIRKO during the Quarter.

## **Avto Ria**

***Establishment and Operation of a New Processing System for Onions:*** This Project supports Avto Ria in achieving a competitive advantage in international markets for their processed vegetables products, especially onions.

During the Quarter AgBiz provided support for Avto Ria to acquire and install modern technology and equipment, including a machine for chopping onions, a freezer, and a freezing chamber in the production process. This increased the company's sales potential and therefore enabled them to stimulate more interest from local producers in the Bucin region for increasing the production of onions. AgBiz reimbursement for the cost of transporting the cold store panels, a compressor, and a machine for chopping vegetables as has now been completed as per the Award Budget.

Timely installation of the equipment during the harvest season enabled it to be effectively utilized and significantly increased Avto Ria's processing capacity and therefore sales of fresh and frozen onions.

To achieve optimal utilization of these new technologies, AgBiz is also supporting Avto Ria to hire two technical specialists, and is reimbursing their salaries for six months. During the Quarter four monthly salaries for the Development Manager and a machine operating instructor were reimbursed.

This Project also involves HACCP implementation. Three companies bid on the implementation work and a vendor has been selected.

## **Agrohemija**

***Establishing a New Pack House for Fresh Produce:*** Agrohemija is creating the largest export-focused, produce packing center in Macedonia; and implementing EU standards in vegetable production and handling in the process. The company installed and tested equipment from the Netherlands for vegetable grading and sorting. After finalizing the construction project, Agrohemija will be ready to start the season and offer EU markets high quality product according buyers requirements.

To finalize the packing center, as per the AgBiz-supported Project, Agrohemija contacted local construction companies and provided them with technical specifications for the construction project. Three companies responded and sent quotations. After evaluation of the quotations, Agrohemija selected a company that will be contracted for the construction project. They expect the project will be completed within 60 days after signing the contract if the needed equipment is delivered on time.

### **Environmental Mitigations:**

Agrichemical Storage – The new packing center is separated by a great distance from other Agrohemija facilities that contain agrochemicals. There are no pesticides used or stored in the packing center.

Pesticide Use – Agrohemija employs two experts who provide training to farmers on the proper use of pesticides, including mixing, quantities, application frequency, personal protection, and disposal of unused pesticide and pesticide packaging.

Permits – All required permits have been obtained.

Public Participation – When the new facility is put in use Agrohemija is planning to organize a public participation meeting with neighbors and other affected parties.

## Ledra Agro

**Improved Quality and Competitiveness of Seedless Table Grape Exports:** The Ledra Agro project involves implementation of ampelotechnical measures and an upgraded pack house to improve the quality and competitiveness of seedless table grape exports. This Quarter, Ledra Agro finished digging two 30 meter deep wells. With these wells Ledra Agro has a much improved water supply. They also purchased a drip irrigation system for 45 hectares of table grapes that is in the process of being installed. This new drip irrigational system will improve yields by 10 – 15%, reduce water usage, and improve the quality of Ledra's table grapes. They also invested in modernizing the pack house; this will result in improved post-harvest handling, better quality preservation, and an improved presentation of Ledra's table grapes. These investments cost \$130,000.

Plans for the next quarter include finishing installation of the drip system for irrigation and feeding, and continuing construction of a building for initial storing of grapes in the orchards.

Ledra Agro financial results for 2008 were good. They achieved sales of approximately \$155,000 this quarter, with export sales of \$60,000 and domestic sales of \$95,000. A total of 18 permanent workers, 17 male and one female were engaged during the Quarter. Five people received training during Project implementation.

No significant difficulties or problems in implementation of the Project were experienced.

Regarding Environmental Mitigation and Monitoring recommendations, Ledra Agro has signed a contract with members of the Faculty of Food and Science to provide pesticide training on an annual basis. Ledra Agro performs regular analysis of their water as per Macedonia law. Ledra Agro arranged a meeting on their premises with neighbors regarding the Project.

## Vigan

**Construction of a New Mushroom Processing and Storage Facility:** ZD Vigan DOOEL started operations in 2003. The main business of the company is purchasing, sorting, freezing, packing, and selling mushrooms, mostly to foreign markets. After signing the AgBiz grant agreement, Vigan delivered all the necessary documentation, and was approved to start construction of their new cooling and freezing facilities. Vigan implemented the construction of the new processing facilities, including the cooling and freezing facilities. During construction, Vigan did not experience any difficulties, and the work was finished on schedule. The overall construction project included processing and cooling and freezing facilities, establishing a power supply, and drilling water wells. Since construction of the cooling and freezing facilities was satisfactorily finished, and the request submitted for reimbursement was in order, Vigan was reimbursed by AgBiz. For the next quarter a wastewater treatment solution will be implemented, drying facilities will be constructed, and HACCP implementation will be finished.

As a result of Project implementation this season, Vigan acquired products with a value of approximately \$89,000 from nearly 1,000 gatherers. 110 seasonal workers were employed. Vigan's sales were approximately \$13,000 to the domestic market and approximately \$313,000 to export markets. Vigan has shown significant interest and progress in conducting the required Environmental Mitigation and Monitoring recommendations.

## Valandovo Winery

**Shifting from Bulk to Bottled Wine Sales:** During the quarter Valandovo Winery invested more than \$180,000 in expanding their vineyards as well as \$105,000 for acquiring equipment such as pumps, a heat exchanger, and a chiller with air condensation, all necessary for improving the quality of their wine and achieving a significant shift from bulk to bottled products. This equipment was installed and used at the end of the season and contributed to a sales growth of 13.2% in comparison with 2007. This expansion and the resulting improvements encouraged Valandovo Winery to hire 16 new employees during 2008, most of them in the last quarter.

Changes in the ownership structure of Valandovo Winery, and very extensive work at the end of the processing season slightly postponed engagement of the planned STTA for improving the quality of grapes and adopting new technologies for the production of quality bottled wine. Valandovo has completed the process of selecting experts for providing the required technical assistance. They have identified Dr. Mihail Petkov and Dr. Prof. Zvonimir Bozinovic, accepted their proposals and scopes of work, and requested AgBiz approval for purchasing their service. The STTA will therefore start in January 2009 and last 12 months. After the required reporting and confirmation documents AgBiz will reimburse Valandovo up to \$21,500 for the STTA, and \$3,500 for participation in a wine trade fair in Croatia where they will present their new high quality bottled wine.

Valandovo possesses all the necessary permits for construction required by Macedonian Authorities. The IPPC, a certificate that was suggested in the CPA for improving processing efficiency, is not obligatory. Valandovo will comply with AgBiz recommendations regarding wastewater treatment, and will continue working in compliance with the requirements of HACCP, which has already been implemented. Sample analyses for BOD5, COD, suspended solids, and pH will be provided during the next harvest and processing season. The winery holds occasional meetings with and has well established relations with their neighbors, and there have been no complaint from neighbors regarding winery operations.

## Bovin



PHOTO CREDIT: AGBIZ STAFF

Current status of the construction Bovin project showing where the barrel storage section will be.

### *Enhancing the Premium Image of Bovin Wines:*

The Bovin Winery Project progressed satisfactorily during the Quarter. As part of Bovin management's constant efforts to improve their operations, and their dedication to quality enhancement and adding value to their products, Bovin is enhancing its barrique product line. They also purchased and installed a high-tech grape crusher/de-stemmer, and were able to use it at the end of the crushing season. This has allowed separating and differentiating the crushing process for white grapes from that of red grapes, and therefore improved control over

crushing and the quality of grape juice being produced. This will result in significant improvements in the quality and consistency of Bovin wines.

In 2008 Bovin increased their sales to the domestic market by more than 20%, and almost doubled their intraregional exports by increasing sales from \$90,600 in 2007 to \$175,500 in 2008. However, a decline was experienced in sales to other export markets; international (other than regional) sales were \$70,000 for the Quarter. Further investment in the infrastructure of the winery, and building the barrel aging section of the wine cellar as planned by the project, will contribute to enhancing the premium image of Bovin wines, and lead to additional export sales.

Based on previous positive experience, and a very satisfactory level of cooperation with the company, Bovin selected Granit construction company for the construction work included in the Project, including the barrel section of the wine cellar to be supported by AgBiz. A sole source justification for selecting Granit as a vendor of construction services was completed. As part of other commitments under the Grant, Bovin conducted training on the use of pesticides to be sure that all pesticides used were of EU origin and possess certificates for environmental protection. Bovin will continue, in coordination with AgBiz, to pursue opportunities to apply cleaner production principles. They have already implemented and comply with ISO 22000 and ISO 9001 standards that control and manage the entire winemaking

process. The winery is very isolated from the nearest neighbors, and there is no direct influence from the work of the winery on their neighbors.

## **GD Tikvesh**

**Improved Quality and Presentation of Table Grapes:** Improving the quality of table grape production and establishing a packing center is the primary focus of the Project with GD Tikvesh. During the Quarter GD Tikvesh purchased and installed a new drip irrigation system, and made it operational. Sixty hectares of table grapes now have a new, sophisticated drip irrigation system, the most important benefit of which will be saved water, the cost of pumping water from wells, and water delivery as needed by the orchards. GD Tikvesh's investment in the project this Quarter was \$125,000.

PHOTO CREDIT: AGBIZ STAFF



The new GD Tikvesh drip irrigation system.

During the coming quarters GD Tikvesh will prepare a packing centre in their existing cold storage facility. The objective of the packing center is to have all grapes harvested taken to it and packed in adequate packaging under better working conditions, and thus comply with the requirements of the international market. In this way, GD Tikvesh will

strengthen its position on traditional former Yugoslav Republic markets and expand in other foreign markets.

GD Tikvesh's financial results show a positive trend. They achieved sales of approximately \$2.4 million this season, and this Quarter sales were \$120,000. Because of the highly seasonal nature of the fresh table business, the largest portion of the company's sales is made in the previous quarter, i.e., in quarter four of FY08. A total of 210 permanent workers, and 50 seasonal workers (210 male and 50 female) were engaged during the Quarter.

No significant difficulties or problems in Project implementation were experienced.

GD Tikvesh has implemented GlobalGAP. The person responsible for GlobalGAP implementation provides training on and monitors pesticide use. All the necessary documentation for construction of the packing center, including the building permit, has already been received. Public participation meetings with neighbors regarding GD Tikvesh's activities are done on a regular basis.

## **Intermak II**

**Improved and Increased Mushroom Processing Capacity:** The main business of Intermak is the acquisition, processing, and sale of wild mushrooms and wild forest fruits, such as blueberries, blackberries, and juniper fruits. Wild mushrooms represent the primary business activity. After signing the Grant Agreement, Intermak delivered all necessary documentation and was therefore approved to start construction activities included in the Project.

Construction is progressing on the southern facility supported by AgBiz, and the fully equipped eastern processing facility paid for by Intermak is finished. This facility is equipped with cooling, freezing, and drying facilities, as well as power and water supplies. Due to the size of the southern facility, and low winter temperatures, this construction is not expected to be finished until March. Despite the delay, the facility is anticipated to be completed without significant problems.



PHOTO CREDIT: AGBIZ STAFF

**New Intermak facility under construction.**

Investment in the Project by Intermak during the Quarter was approximately \$200,000.

By this recent doubling in their processing capacity, Intermak managed to achieve export sales of approximately \$2 million this season. A total of 100 seasonal workers were engaged during the season, \$445,000 worth of wild gathered products were acquired from 350 gatherers.

## **Flores II**

***New Line of Organic Herbs and Medicinals for Export Markets:*** The main business activity of Flores is the collection, purchase, processing (sorting, cleaning, cutting and/or dust extraction), packaging, and export of medicinal herbs, aromatic plants, and wild fruits. After signing their Grant Agreement, Flores delivered all the necessary documentation, and was approved to start with work specified in the Award Budget. Organic certification of the collecting regions and Flores processing facilities is advancing quite nicely. Training of collectors and supply chain operators was implemented in early November. A total of 56 gatherers and four Flores supply centers operators were trained. Following the training, organic certification for the collection areas was completed, and a certificate was issued. Flores contributed \$4,500 for certification-related activities.

Regarding other Award Budget Items to be covered by Flores, a vertical cutting machine of was purchased by the Grantee for approximately \$85,000 and installed by a technical team from the Polish manufacturer. A clear deadline for finishing the planned construction activities included in the Award Budget is not yet available. Separation of the organic and conventional processing lines and certification of the processing facilities depends on finalization of the construction work. A short delay in construction activities is expected as Flores is waiting for the construction permit to be issued by local municipality authorities, but the construction is anticipated to be finished in by June. Flores has already implemented the Environmental Mitigations and Monitoring recommendations regarding asbestos warnings and dust emissions, and is working on implementation of the remaining recommendations.

## **Peca Komerc**

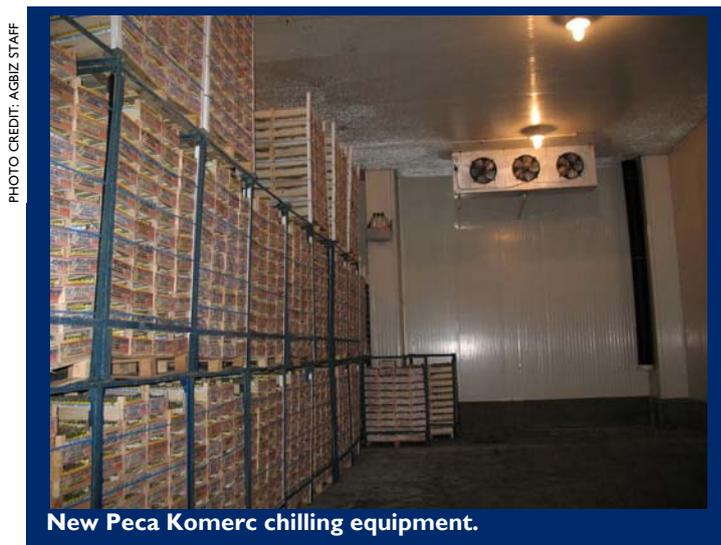
***Increased Standardization and Quality of Table Grape Exports:*** Establishing a modern produce packing center is the focus of the Peca Komerc Project. The main objective of the Project is to increase the standardization and quality of the company's products, and to create additional capacity for expansion into new markets. During the Quarter, Peca Komerc constructed a modern fresh produce packing center on the company's land with the required equipment for packaging and storing fresh products, including table grapes. AgBiz supported transport and installation of the ecological-panels and the compressors

required for the new facility. The completed facility allowed the packing of the company's fresh table grapes, tomatoes, peppers, cabbage, cucumbers, peaches, and apricots into standard size boxes with standardized weights and quality.

In the next quarter, equipment will be acquired to comply with implementation of HACCP, improved temperature control and modernization of the sulfur adding process.

Peca Komerc financial results were as projected. They achieved sales of approximately \$270,000 this Quarter and purchased agricultural products from small producers worth around \$150,000 from approximately 619 growers. A total of 16 permanent workers and 90 seasonal workers, 74 of them male and 32 female, were engaged during the Quarter.

AgBiz helped Peca Komerc to identify the best source for \$140,000 worth of financing during the Quarter.



No significant difficulties or problems were experienced in implementation of the Project.

Peca Komerc use eco-Freon as a cooling fluid without any possibility of chemicals escaping into the area around the facility. All use of CO<sub>2</sub> is controlled by experienced and properly licensed personnel.

All the necessary documentation for expanding and remodeling the packing center, including a building permit has already been developed and issued. A public participation meeting with neighbors regarding the Peca Komerc Project was held.

## **Koro Company**

***International Marketing Campaign for Herbal Teas:*** The main business activity of Koro is the production of high quality teas and vinegar. In addition to domestic market sales, Koro is the second largest Macedonian exporter of filter teas. After signing the Grant Agreement Koro delivered all necessary documentation, and was approved to start implementation of Award Budget specified activities. Koro has developed a multi-brand strategy including new brands positioned for different markets, redesigned their packaging and completed significant market research on pricing and customer preferences in the Serbian market. Koro also purchased and installed their new processing equipment, and completed preparation work for construction of a new processing facility. These items are Koro expenditures in the Project Budget and involved a Koro investment of approximately \$22,000. The plan for next quarter is to complete development of the new packaging and enter the Serbian market with the redesigned product line. Participation in regional exhibitions and promotional events is also planned.

Koro's financial results show positive trends with total sales of approximately \$141,000 on the domestic market, approximately \$21,000 on regional export markets, and approximately \$22,000 in exports to other markets. No significant difficulties or problems in implementation of the Project were experienced by Koro.

## **Project Administration and Control**

AgBiz operates in compliance with USAID rules and regulations, especially as related to Grant implementation and the associated procurement. We maintain proper documentation and control of all Grant implementation activities. This involves utilization of procedural check lists by Proposal/Project Coordinators and the contracts department to ensure that proper procedures are being followed from

Grant signing through to final Grantee reimbursement and Project reporting. These Checklists include confirmation that Grantees and their vendors are not on the Office of Foreign Assets Control (OFAC) list, that Grantees are contributing their portion of Project costs, that we are not over obligating our Grant Budget, that Grantees are following proper procurement procedures, that all requests for reimbursement are consistent with approved Award Budgets, that we are not reimbursing a Grantee for more than the approved cost of an item, and that their Environmental Mitigation Measures are being implemented. The Project Coordinator assigned to each Project is responsible for on-site monitoring and ensuring that proper procedures are followed by the Grantee. The contracts department doublechecks that proper procedures are being followed before any AgBiz supported procurement is approved by the CoP, and that all requirements are fulfilled before a Grantee is reimbursed. An ongoing record is kept in the AgBiz MIS of Grant payments versus individual and cumulative approved Award Budget.

In addition, the CoP and the each Project Coordinator hold bi-weekly meetings to review the status of all Grant activities. Information discussed in these meetings is derived from the regular contacts and visits the Project Coordinator makes to Grantees to check their conformity with the terms and conditions of the Grant, monitor the progress of their Project, and provide any assistance that may be required. In addition to the Expense Report and request for reimbursement submitted by Grantees, each Grantee submits a Quarterly Progress Report that provides their assessment of work progress, the constraints encountered, and actions to remove the constraints and/or correct problems.

Monitoring the Environmental Mitigations included in Grants is an indispensable part of Grant management procedures. Six CPAs were completed for Grantees during the Quarter, and two Grantees were provided with an "Asbestos Health and Safety Plans." During the Quarter, a positive determination approval sheet for the AgBiz Program PERSUAP was signed by Mohammad Latif, USAID's Bureau Environmental Officer (BEO), and we developed an Environment Compliance Monitoring Plan (ECMP) to ensure proper and successful implementation of Grantees' Mitigation Measures. A more complete review of Project-related Environmental monitoring work can be found in Section 2.3.4.

### **Expanded Table Grapes Value Chain**

When AgBiz first considered which value chains to focus on we believed optimal utilization of our resources would be at least initially achieved by concentrating on just table grapes rather than a broader range of fresh fruit. We have provided substantial support to the Table Grapes Value Chain over the last 1.5 years, and that has resulted in significant improvements in the current and future competitiveness of the VC, especially as related to upgraded production, post-harvest handling, and understanding export markets.

Table grapes represent around 40% of total fresh fruit exports. Apples represent just over 50% of total fresh fruit exports, and participants in the apple business have many of the same challenges and opportunities as do participants in table grapes. Adding fresh fruit to the value chains AgBiz supports would increase our coverage of Macedonian exports from 27% to 32%, and 41% of non-tobacco agriculture-based exports. A significant difference between table grapes and fresh apples is that the largest portion of apple exports comes from individual growers selling to traders who add no value to the product and immediately export their purchases. More than 56% of the fresh apples produced in Macedonia are exported. There is very little cold storage of apples to wait for in-season prices to improve, although this is not a difficult procedure.

AgBiz believes that we should change the name of our Table Grapes Value Chain to Fresh Fruit, and initially assess how we can enhance the competitiveness and value added of Macedonian apple exports. If and when we believe we have done what we can and the price is affordable for fresh apple exporters, we will move on to other key fresh fruits with good export potential such a sour cherries and peaches.

The current Table Grapes VCC is also responsible for our enhanced access to finance work, and we do not want to overburden him. Therefore, and since the M&E MIS is now operational we will make the current M&E and Environment Consultant a Value Chain Associate and assign him on a 50% basis to assist Lovre to expand the Table Grape Value Chain to include apples.

By the end of the next quarter, we will have sufficient knowledge of fresh apple export growth opportunities and constraints to develop a special support plan for fresh apple exports. In the interim we

will investigate ways to include fresh apple participants in relevant Activities already being developed or implemented for our other customers.

### **2.3.3 Completed or to be Dropped**

#### ***Vitalia Fast Track Project***

Fast Track Project #003 with Vitalia was signed on October 29<sup>th</sup>, 2007 and involved the development of a new crunchy muesli product line and expanding sales to EU and Ukraine markets. Due to gasoline availability delays and the re-direction of Vitalia's market entry objectives to the Bulgarian market, Project work in these two areas has not started. There are technical issues related to the start of the new crunchy muesli line. Vitalia anticipated being connected to the main gas station by Gama in order to run their muesli toaster/dryer. Construction of the Gama gas station, one of the crucial factors for the connection to be made, is still ongoing. According to Gama, Vitalia should be connected to the system sometime in 2009.

Vitalia had many difficulties expanding its network into Ukraine markets, mostly due to the unfavorable environment there for developing businesses. Examples include poor communications with retail chains, language barriers, non-transparency of custom authorities, and difficult and long procedures for importation of foreign products. Therefore, Vitalia canceled its activities in Ukraine markets and shifted their focus to Bulgaria.

Major delays in Project implementation, and a shift in target market emphasis, have resulted in AgBiz reevaluating our support for this early FT Project. It is likely that early in the next quarter we will terminate the Project.

### **2.3.4 Project-Related Environment Work**

The following section describes work during the Quarter related to environmental protection. This work is being implemented consistent with the Environmental Mitigations included in all Project Grants.

#### ***Cleaner Production Assessments***

CIRKO, the Mechanical Engineering Systems Center of Excellence, completed CPAs for Dentina, Lars, Bonum Plus, Valandovo Winery, Kokolanski, and Bovin Winery during the Quarter (See section 6.2.1). English versions were sent to the home office and USAID for their information. An English and Macedonian version of the CPAs will be provided to each Grantee that requires one for full implementation. This will occur in the second fiscal quarter. Before each Grantee's Project ends, all CPA requirements, as well as all other mitigation measures, must be completed.

During the process of developing CPAs for all eight Grantees, including Vipro and Badzo which were completed last quarter, fourteen people were trained in CPA principles and implementation, out of which eleven were male and three female. (Total cost \$2,713; AgBiz Share 100%)

#### ***Asbestos Health & Safety Plans***

During the Quarter Vipro, the vegetable processing company, posted asbestos warning signs on their facilities as required in the AH&SP provided by AgBiz (both English and Macedonian). Lars, who also required a AH&SP, has not yet reported any actions related to their AH&SP.

Other AgBiz Grantees that require posting asbestos warning signs according to environmental mitigation recommendations are Flores, Dentina, and Badzo. During the Quarter, Flores and Dentina posted signs on their facilities with asbestos, while Badzo plans to complete this recommendation in 2009 and hire a qualified person that will prepare an AH&SP, if they remove any of their asbestos roofing. During the next quarter, AgBiz will provide our AH&SP to the above three grantees for their information and implementation if such a need occurs.

## **PERSUAP Approval and Model SUAP**

During the Quarter a positive determination approval sheet was obtained for the AgBiz Program PERSUAP, signed by Mohammad Latif, the USAID's BEO. During the next quarter the Popova Kula Safe Use Action Plan (SUAP) model will be distributed to each of the eight Grantees that require a SUAP, in Macedonian, to provide a format for preparing their own SUAP. Grantees that require a SUAP are Agros 2004, Agrohemiya, Lars, Bovin, Flores, GD Tikvesh, Ledra Agro, and Valandovo Winery. The individual SUAPs have to be developed by the companies and submitted to us before the crop season.

## **Environment Protection Monitoring Plan**

One of the important tasks of the M&E Task Force during the Quarter was the development of an Environment Compliance Monitoring Plan (ECMP). Since AgBiz is the sole USAID Program that deals with Environment Mitigation Measures related to agriculture, and in the past Grantees have not been required to fulfill this type of requirement, it was a challenge for AgBiz to develop an efficient ECMP that is not burdensome for the Grantees, but also good for AgBiz staff. Therefore, we have compiled an ECMP that takes into consideration current circumstances, but at the same time will produce the needed results.

The draft version of the Plan was developed in the beginning of the Quarter and sent to AgBiz staff for review. After the draft ECMP was reviewed by Project Coordinators and other AgBiz staff, the draft version was amended with the proposed modifications, finalized, and put into use.

The intent of the ECMP is to prescribe and enforce the means for properly and successfully implementing the mitigation measures identified in the EDD/PPA for each Grantee. Monitoring and documenting the implementation of Mitigation Measures will be coordinated by AgBiz responsible staff.

The ECMP contains information about the roles and responsibilities of AgBiz staff and the responsibilities of the Grantees. It also covers the verification methods to be used for each Mitigation Measure and implementation responsibility. Tables included in the ECMP present the Mitigation Measure prescribed for each Grantee, the implementation schedule, the effectiveness criteria, and the current status. These tables will be used for tracking implementation of the Mitigation Measures, as well as for reporting to USAID.

Commencing this Quarter, Grantees are obligated to report on each of the Mitigation Measures that are included in their Grant Agreement. The reported implementation of a Mitigation Measure has to be backed up with relevant proof, or confirmed by the responsible AgBiz staff member via a site visit. We believe obligating Grantees to report on their Mitigation Measures each quarter will not only track the status of the measures, but also keep their attention on the requirement for implementing the measures, which will ultimately increase their awareness regarding environmental issues.

In January, the second quarterly reports will be collected for the first batch of Grantees and first quarterly reports for the second batch of Grantees. Starting with the second fiscal quarterly report we will be able to inform USAID about progress on Mitigation Measures, as well as use the information for planning actions to successfully fulfill the recommended mitigations.

### **2.3.5 End of Quarter Projects Status**

Table 3 lists all Projects on which any work was done during the Quarter and for Projects Under Development, in Implementation and Completed – the indicators associated with that Project.

### **2.3.6 Project Expenditures Report**

Table 4 lists the value of all signed Projects and the value of AgBiz and Grantees expenditures on each at the end of the Quarter. By the end of the Quarter AgBiz had contributed a total of \$242,937 to the nineteen Projects, not including environment-related work, and Grantees had contributed \$3,972,369.

This represents 50% of the AgBiz agreed support and 22% of customers' reported contributions to Projects. 24%, or \$1.3 million, of planned Project expenditures had been used by the end of the Quarter. It is useful to note however that these data are for reported customer expenditures. Several large customer-paid Award Budget items are under construction and will not be reported until they are complete.

**TABLE 3. PROJECT STATUS REPORT**

Last Updated: 31.12.2008

					TOTAL PROJECTED COST			PROJECTED RESULTS FOR LIFE OF THE PROJECT						
PROPOSAL NUMBER	PROPOSAL COORDINATOR	CUSTOMER	VALUE CHAIN	PRODUCTS	TOTAL COST (US\$)	AGBIZ COST (US\$)	AGBIZ (%)	TOTAL SALES GROWTH (US\$)	EXPORT SALES GROWTH (US\$)	INCREASED RAW MATERIAL PURCHASES (US\$)	FINANCING PLANNED (US\$)	CUSTOMER INVESTMENT (US\$)	RURAL HOUSEHOLDS BENEFITED	INCREASED EMPLOYMENT
<b>UNDER DEVELOPMENT</b>														
20	Goran Damovski	Ohrid Winery	BW	Wine	692,941	20,000	3%	5,342,798	3,372,209	312,557	47,579	672,941	470	15
<b>Total:</b>					<b>692,941</b>	<b>20,000</b>	<b>3%</b>	<b>5,342,798</b>	<b>3,372,209</b>	<b>312,557</b>	<b>47,579</b>	<b>672,941</b>	<b>470</b>	<b>15</b>
<b>IN IMPLEMENTATION</b>														
GRANT AGREEMENT NUMBER	GRANT COORDINATOR	CUSTOMER	VALUE CHAIN	PRODUCTS	TOTAL COST (US\$)	AGBIZ COST (US\$)	AGBIZ (%)	TOTAL SALES GROWTH (US\$)	EXPORT SALES GROWTH (US\$)	INCREASED RAW MATERIAL PURCHASES (US\$)	FINANCING PLANNED (US\$)	CUSTOMER INVESTMENT (US\$)	RURAL HOUSEHOLDS BENEFITED	INCREASED EMPLOYMENT
4	Edelinski	Avto Ria Doel	PV	Various	124,600	19,800	16%	406,236	406,236	378,788	182,222	182,222	16	11
5	Edelinski	Bonum Plus	PV	Pepper	269,806	39,925	15%	704,900	430,273	94,970	799,999	2,049,999	101	98
6	Edelinski	Dentina	PV	Various	187,401	40,007	21%	538,742	682,572	250,744	N/A	337,218	27	17
8	Edelinski	Lars	PV	Dehydrated Veggies	196,928	20,000	10%	460,658	578,795	118,272	58,687	1,548,920	23	20
1	Edelinski	Vipro	PV	Various	379,313	24,000	6%	1,234,219	1,207,172	531,498	100,000	355,313	47	23
<b>Subtotal:</b>					<b>1,158,048</b>	<b>143,732</b>	<b>12%</b>	<b>3,344,756</b>	<b>3,305,048</b>	<b>1,374,272</b>	<b>1,140,908</b>	<b>4,473,672</b>	<b>214</b>	<b>169</b>
2	Kokarev	Agros 2004	FV	Pepper	107,479	38,900	36%	114,186	17,567	101,010	N/A	302,222	30	10
10	Kokarev	Agrohemija	FV	Pepper	2,055,500	30,000	1%	2,635,047	2,635,047	658,762	N/A	2,025,500	8	8
3	Kokarev	Badgo	FV	Various	70,749	30,000	42%	7,326,189	7,133,623	5,870,919	956,664	1,060,287	115	11
<b>Subtotal:</b>					<b>2,233,728</b>	<b>98,900</b>	<b>4%</b>	<b>10,075,421</b>	<b>9,786,236</b>	<b>6,630,691</b>	<b>956,664</b>	<b>3,388,009</b>	<b>153</b>	<b>29</b>
11	Damovski	Bovin	BW	Wine	230,660	25,000	11%	1,898,601	1,006,023	-17,405	N/A	205,660	9	9
9	Damovski	Popova Kula	BW	Wine	209,494	40,026	19%	944,805	762,912	105,402	244,444	169,468	45	7
17	Damovski	Valandovo Winery	BW	Wine	220,456	25,000	11%	4,653,786	3,864,447	768,050	N/A	195,456	364	119
<b>Subtotal:</b>					<b>660,610</b>	<b>90,026</b>	<b>14%</b>	<b>7,497,192</b>	<b>5,633,382</b>	<b>856,048</b>	<b>244,444</b>	<b>570,584</b>	<b>418</b>	<b>135</b>
13	Risteovski	GD Tikves	TG	Various	210,500	30,000	14%	1,185,771	746,597	439,174	333,333	1,469,998	24	24
16	Risteovski	Ledra Agro	TG	Diverse varieties	170,000	20,000	12%	197,456	338,547	0	136,666	150,000	7	7
18	Risteovski	Peca Komerc	TG	Diverse varieties	177,237	30,000	17%	901,400	901,400	585,796	N/A	361,710	109	9
<b>Subtotal:</b>					<b>557,737</b>	<b>80,000</b>	<b>14%</b>	<b>2,284,628</b>	<b>1,986,544</b>	<b>1,024,970</b>	<b>469,999</b>	<b>1,981,708</b>	<b>140</b>	<b>40</b>
12	Angelovski	Flores	WG	Herbs; Spices	125,927	15,000	12%	2,302,375	2,302,375	551,153	15,000	135,555	564	14
7	Angelovski	Kokolanski	WG	Mushrooms	42,430	7,050	17%	109,146	109,146	110,264	27,333	35,380	8	8

					TOTAL PROJECTED COST			PROJECTED RESULTS FOR LIFE OF THE PROJECT						
GRANT AGREEMENT NUMBER	GRANT COORDINATOR	CUSTOMER	VALUE CHAIN	PRODUCTS	TOTAL COST (US\$)	AGBIZ COST (US\$)	AGBIZ (%)	TOTAL SALES GROWTH (US\$)	EXPORT SALES GROWTH (US\$)	INCREASED RAW MATERIAL PURCHASES (US\$)	FINANCING PLANNED (US\$)	CUSTOMER INVESTMENT (US\$)	RURAL HOUSEHOLDS BENEFITED	INCREASED EMPLOYMENT
14	Angelovski	InterMak	WG	Mushrooms	474,600	20,000	4%	2,836,685	2,836,685	2,102,881	N/A	454,600	129	77
15	Angelovski	Koro	WG	Berries; Herbs	123,000	15,000	12%	1,868,557	438,974	1,104,537	N/A	108,000	606	6
19	Angelovski	Vigan	WG	Mushrooms	195,000	15,000	8%	169,003	160,220	109,794	23,808	180,000	419	19
<b>Subtotal:</b>					<b>960,957</b>	<b>72,050</b>	<b>7%</b>	<b>7,285,767</b>	<b>5,847,400</b>	<b>3,978,628</b>	<b>66,141</b>	<b>913,535</b>	<b>1,726</b>	<b>124</b>
<b>Total:</b>					<b>5,571,080</b>	<b>484,708</b>	<b>9%</b>	<b>30,487,763</b>	<b>26,558,610</b>	<b>13,864,609</b>	<b>2,878,156</b>	<b>11,327,508</b>	<b>2,651</b>	<b>498</b>
					TOTAL COST			UP TO DATE RESULTS						
PROJECT NUMBER	PROJECT COORDINATOR	CUSTOMER	VALUE CHAIN	PRODUCTS	TOTAL COST (US\$)	AGBIZ COST (US\$)	AGBIZ (%)	TOTAL SALES GROWTH (US\$)	EXPORT SALES GROWTH (US\$)	INCREASED RAW MATERIAL PURCHASES (US\$)	FINANCING PLANNED (US\$)	CUSTOMER INVESTMENT (US\$)	RURAL HOUSEHOLDS BENEFITED	INCREASED EMPLOYMENT
<b>COMPLETED</b>														
501	Kokarev	Agrohemija - Bambolino	FV	Watermelon	N/A	N/A	N/A	145,000	145,000	54,666	N/A	N/A	N/A	N/A
502	West	Univerzal Promet	PV	Pepper	8,100	3,000	37%	8,000	8,000	1,000	N/A	N/A	N/A	N/A
503	Starova	Intermak	WG	Various	32,933	12,185	37%	300,000	300,000	N/A	N/A	200,000	N/A	N/A
504	Damovski	Kartal	BW	Bottled Wine	5,480	2,055	38%			N/A	N/A	2,500	N/A	N/A
508	Starova	Tajmishte	WG	Various	7,087	4,230	60%			N/A	N/A	N/A	N/A	N/A
509	Damovski	Fonko Wines On-line Sales and Marketing	BW	Bottled Wine	41,500	21,700	52%	200,000	200,000	N/A	N/A	19,900	N/A	N/A
<b>Total:</b>					<b>46,513</b>	<b>17,240</b>	<b>37%</b>	<b>653,000</b>	<b>453,000</b>	<b>55,666</b>	<b>0</b>	<b>222,400</b>	<b>0</b>	<b>0</b>
<b>ON HOLD</b>														
501	Kokarev	Vitalia	FV	Muesli	53,900	24,500	45%	1,100,000		700,000	N/A	29,400	3	3
<b>Total:</b>					<b>53,900</b>	<b>24,500</b>	<b>45%</b>	<b>1,100,000</b>	<b>0</b>	<b>700,000</b>	<b>0</b>	<b>29,400</b>	<b>3</b>	<b>3</b>
<b>Grand Total:</b>					<b>6,364,434</b>	<b>546,448</b>	<b>9%</b>	<b>37,583,561</b>	<b>30,383,820</b>	<b>14,932,832</b>	<b>2,925,735</b>	<b>12,252,249</b>	<b>3,124</b>	<b>516</b>

**TABLE 4. GRANT DISBURSEMENTS REPORT**

Items Paid by AgBiz					Items Paid by the Grantee			
Customers	Approved Budget	Exp. to date	Remaining Balance	% Paid	Approved Budget	Exp. to date	Remaining Balance	% Paid
Agrohemija	30,000	0	30,000	0%	2,025,500	0	2,025,500	0%
Agros 2004	38,900	21,489	17,411	55%	68,579	37,180	31,399	54%
Avto Ria	19,800	8,546	11,254	43%	104,800	90,000	14,800	86%
Badgo	30,000	24,500	5,500	82%	40,749	42,752	-2,003	105%
Bonum Plus	39,925	29,980	9,945	75%	229,881	0	229,881	0%
Bovin	25,000	0	25,000	0%	205,660	0	205,660	0%
Dentina	40,007	33,311	6,696	83%	147,394	113,168	34,226	77%
Flores	15,000	3,138	11,862	21%	110,927	0	110,927	0%
GD Tikves	30,000	22,063	7,937	74%	180,500	125,500	55,000	70%
InterMak	20,000	0	20,000	0%	454,600	0	454,600	0%
Kokolanski DOOEL	7,050	2,700	4,350	38%	35,380	0	35,380	0%
Koro	15,000	0	15,000	0%	108,000	0	108,000	0%
Lars	20,000	19,769	231	99%	176,928	148,000	28,928	84%
Ledra Agro	20,000	7,344	12,656	37%	150,000	110,001	39,999	73%
Peca Komerc	30,000	24,000	6,000	80%	147,237	38,101	109,136	26%
Popova Kula	40,026	7,308	32,718	18%	169,468	79,935	89,533	47%
Valandovo Winery	25,000	0	25,000	0%	195,456	0	195,456	0%
Vigan	15,000	13,744	1,256	92%	180,000	171,000	9,000	95%
Vipro	24,000	23,878	122	99%	355,313	158,366	196,947	45%
	484,708	241,771	242,937	50%	5,086,372	1,114,003	3,972,369	22%

**Total Grants**

Customers	Approved Budget	Exp. to date	Remaining Balance	% Paid
TOTAL	5,571,080	1,355,774	4,215,306	24%

## **2.4 ENHANCED ACCESS TO FINANCE**

During the Quarter AgBiz provided improved detailed access to finance assistance to six companies and five individuals. We helped them identify the most appropriate sources of finance, and the most reasonable financing products for their circumstances. Together we analyzed the companies' financial statements, collateral issues, and future projections. Based on the results from the analyses we assisted them developing application for loans, leases, equity, or other types of financing. These six companies and five individuals are applying for \$1,030,300 in loans.

An additional five companies and ten individuals received information regarding available sources and types of finance in Macedonia, and also an explanation of the different product characteristics and advantages to using loans, leases, equity, or other types of financing depending on the companies needs and situation.

We focused on estimating the impact of the global financial crises on our financial sector, and how that may impact our clients' loan application process and approvals. At meetings with financial institution representatives we identified changes in their loan approval procedures. Procedures have become slower, collateral requirements have increased, the average approved loan amount was lower, the pay-back period become shorter, and there were restrictions on real estate loans. The period from application to disbursement has also becomes significantly longer. All of these restrictions resulted in discouraging the applicant. We worked on understanding the situation and lenders new policies and procedures. When the optimal financial product is selected by the company, and a well prepared and realistic business plan is provided that enables the bank to fully understand the potential borrowers business and its potential, even with much tighter financing conditions, we have managed to help our customers gain access to the financing they require.

Our understanding of the comparative availability of finance in the current environment, and the new procedures and demands from financial institutions, increases our ability to help our customers obtain access to finance in the current situation. On a regular basis our Finance Specialist holds meetings with financial institution representatives where we collect information regarding new products and the conditions they require from customers. When obtaining information about new financing products, we identified the emergence of factoring in Macedonia. We also took a part in the equity financing workshop where we established a contact with relevant regional equity financing companies such as Euro Fenix and Falanks Kapital.

During the next quarter AgBiz will continue to support our customers in understanding and applying for loans, leases, equity, or other types of financing. We will continue to keep up to date on available financing and new financial products. We will explore financing for IPARD-related projects for our customers from financial institutions. In the next quarter we will assess the need to update the agribusiness financial manual, which is likely to take place in the third fiscal quarter.

## **2.5 POLICY AND INSTITUTIONAL REFORM**

Policy and institutional reform and improvement needs identified, prioritized and discussed with sources of reform during the Quarter are outlined below.

### **2.5.1 Slow Approval of Wild Gathered Exports by the Ministry of Environment**

One of the documents that the wild gathered exporters need to present to Macedonian customs upon each export transaction is a permit issued by the Ministry of Environment (MoE). The document contains a specification of the products allowed to be exported. This document should be issued by MoE within 30 days after receiving a request from the potential exporter. Due to the fact that this permit must be signed by the Minister and at least three other officials in the Ministry, exporters frequently face delays in obtaining the permit, which in turn limits their ability to fulfill export orders. This problem surfaces in a cyclical pattern associated with personnel changes in the MoE, the availability of the Minister to sign permits and in some instances hints of general non-transparency in issuing the permits on the part of the Ministry. At the beginning of the first quarter of FY09, this issue was identified by several exporters. Suggestions to simplify the process of obtaining this permit and the delegation of signing authority were

conveyed to the MoE by AgBiz and AgBiz customers. However, the lack of an effective trade association to serve the advocacy needs of wild gathered exporters in respect to this and other issues was again apparent. This policy issue needs regulatory change. It has an important impact on export competitiveness, occurs frequently, and its resolution is related to the general efficiency and transparency of GoM institutions. AgBiz will continue assisting this and other value chains in establishing and developing sustainable trade associations that will be able to identify and address institutional and retaliatory reform needs.

## **2.5.2 Pesticide Packaging Disposal**

A roundtable on management and disposal of packaging waste from plant protection products was held during the Quarter at the 23<sup>rd</sup> Traditional Plant Protection Meeting organized by the Plant Protection Association. This roundtable was envisioned to stimulate discussions and propose regulatory recommendations for dealing with the issue of safe disposal of used pesticide containers an issue of significant importance for Macedonia EU accession.

Although the MoE is responsible for solid waste disposal issues, the MoE representative who was supposed to moderate this event was prevented from attending the roundtable. As a substitute the roundtable was chaired by the former director of the Food Directorate. Agricultural and environmental consultants presented solutions for pesticide packing material collection and safe disposal as applied in Australia. During the very active discussion that followed, a number of participants shared their views including GAP experts, the Institute for Agriculture, and the Phytosanitary Directorate. Used packaging containers for pesticides are classified as hazardous waste in Macedonian legislation. As such this packaging requires costly special treatment for collection, transport, or recycling. Current legislation is not enforced due to a lack of implementation capacity and sufficiently detailed regulations. Relevant policies are expected to be fully implemented by 2013.

Roundtable participants argued that the successful introduction of GAP practices at the producer level can be achieved by appropriate handling of the waste packaging material by end users who properly rinse the used packaging and appropriately store it, which will effectively assure elimination of the pesticide from the packaging and render the waste as non-hazardous. Currently, the MAFWE has partly financed a project for setting up a pesticide packaging collection and recycling system which, if successful, can be used as a national model. AgBiz may work with the European Crop Protection Association regarding the pesticide packaging disposal issue in an Activity involving both Bosnia and Macedonia.

## **2.5.3 Collection of Producer/Gatherer Withholding Tax Issues**

One of the policy issues that gained increasing importance during FY08 and the first quarter of FY09 was the official requirement for buyers of agriculture produce (processors/consolidators) to collect producers' personal income tax withholding. The Macedonian government is currently implementing an interim solution to the problem of not being able to tax individual, unregistered agricultural producers by giving personal income tax exemption to all farmers that own agricultural land, and hence pay tax on cadastral income. This is not a sustainable solution since it places unregistered farmers in a more favorable positioning than registered farming entities and producer organizations. In fact, this interim regulation exerts a negative influence on the process of establishing the commercial producer organizations that are much needed for the increased competitiveness of Macedonian production agriculture, since it encourages farmers to not register as agricultural producers. During the Quarter, and in collaboration with BEA, AgBiz developed an assessment Activity to carefully investigate the issue and develop policy reform recommendations. The objectives and the expected results from that Activity are presented in "Assessment of Regulations and Practices in Personal Income Tax Withholding from Farmers and Gatherers", section 2.2.2 of this Report.

## **2.6 MONITORING & EVALUATION**

The main accomplishments of the M&E Task Force during the last quarter were the finalization and launching of the M&E MIS, the development and putting into practice the Environment Compliance

Monitoring Plan, and the collection of baseline and other required data regarding activities that have been implemented during the quarter from Grantees.

## 2.6.1 MIS Finalization

During the Quarter the M&E MIS was finalized, and after testing was installed in each computer at the AgBiz office. All relevant historical data was entered into the system, and the M&E Task Force continuously enters new data into the system as it becomes available. Starting in the second fiscal quarter the MIS will be used both as a management tool for tracking the development of Projects and Activities and their success, as well as for preparing internal and external reports. Training on using the M&E MIS was conducted for all AgBiz staff in December. Through the MIS, Project Coordinators will have access to complete data related both to the results achieved by each Grantee, results achieved by their Value Chain, participation of the Grantees, and customers in any of the Activities organized by AgBiz, as well as relevant financial data related to both AgBiz payments and customer/Grantee contributions and investments.

As noted in the previous quarterly report, directly comparative historical quarterly data is not available from Grantees, therefore comparative results for some of indicators will not be available until January 2010. For this reason the performance indicator table in this quarterly report contains only results that are not directly linked to Grants. However, since we have collected 2007 calendar year baseline data for Grantees, by end of January we believe we will have complete data for all Grantees for the 2008 calendar year, and we will be able to report value and percentage growth for the 2008 calendar year versus 2007. We are confident that we will collect complete data for 2008 by end of the next quarter and present the results in the next quarterly report.

During the MIS data entry process we came to understand that some additional MIS functions or reports are useful to have, but were not included in the contract with the MIS vendor that developed the system. Also during the Quarter we restructured some of the indicators, added new ones, and dropped some. Therefore, during the next quarter we will continue working with the MIS vendor to enhance the system so that it has the needed functions and produces the reports that AgBiz requires.

M&E work during the Quarter has been completed in a satisfactory manner. However, the M&E MIS development and implementation is a continuous process that requires constant attention to the changing environment, and the M&E Task Force will continue working to identify issues such as regular and on time collection of quality data, updating the M&E system, enhancing the MIS and updating the PMP.

## 2.6.2 First Quarter Accomplishments vs. Objectives

### Program Development Activities

Activity	Expected Result	Results
Staff Evaluations	Staff evaluations and salary adjustments due are completed	All due evaluations completed
Success Stories	Monthly stories developed and published	Success Stories released
CPAs	Sub-contract with provider completed	CPAs completed and translated
Facilitate Mission Director visits to AgBiz projects	Demonstrate effectiveness of USAID assistance provided through the AgBiz Program	One visit completed
M&E Data Input	All data input current, including history	All historical data entered
M&E Information Technology (IT) System	System fully functional	System fully functional
Efficient local STTA providing system	Methodology, criteria, and procedures for supporting local STTA development and in implementation	ELSA system finalized and operational; APS to be issued in very early January
Budget Supplement Justification	Proposal for increased LoP funding provided to USAID	RfA for increased budget submitted to USAID
November RCI Workshop in Belgrade	Regional Market Information System Successfully Promoted	Successfully participated in the Workshop
Additional Indicators	Additional indicators requested and approved by USAID	RfA for modification of indicators drafted
Expanded Value Chain	Assessment completed and USAID concurrence received	Assessment completed; will expand the TG chain to Fresh Fruits and seek USAID approval in January

## Value Chain Competitiveness Enhancement Activities

Activity	Expected Result	Results
Formalize the activities development and implementation process; develop and start implementing activities checklists to monitor the process	Streamlined VC competitiveness enhancement activities identification, prioritization, development, and implementation system in use	Activity development and monitoring system finalized and being implemented
Continue development, review, and decision making on value chains enhancement Activities as planned or close to plan	Effectively expedite the development, approval, and implementation of Activities	System functioning relatively smoothly
Training on Oak Barrel Aging Techniques	Training and follow up STTA in oak barrel aging and alternative technologies completed	Completed with very good customer satisfaction
Profile of the Wild Gathered Food Products Value Chain in Macedonia	Profile completed and Workshop for VC participants provided	Completed and presented to VC participants
Vino-Skop – Wine Festival for Macedonian wines	Assistance to evaluating and rating Macedonian wines provided	Successfully completed; targeted international publicity achieved
Value chain enhancement joint activities with MASHAV / Centre for International Agricultural Development Corporation (CINADCO) (Post Harvest, Storage)	Strategy agreed on and budget determined	Met with Israeli Ambassador and have her full support but, CINADCO is still non-responsive
Fruit Logistica 2009	Activity developed and commitments received	Activity fully developed; Lol and MoUs signed; USAID has approved
Biofach 2009	Activity developed and commitments received	Activity close to fully developed; Lol signed; USAID has approved
Enhancing Customer's Access to Finance	Customers assisted to identify and secure financing	All requested customer support provided
Poland Study tour and B2B	Study tour and B2B meetings in Poland successfully completed	Successfully completed with very positive customer feedback
Table Grapes Value Chain Profile	Profile completed and participants workshop held	Completed and presented to VC participants
Importance of Agribusiness to MK Economic Growth	Report completed	Completed and the information included in various presentations
Support to the WG Association	Workshop conducted	Wild Gathered VC Profile presented to participants, formation committee for establishing WG trade association elected
AgBiz Role in IPARD and the Seventh Framework Program (FP7)	Specific plan developed	Plan still to be developed; participation in most related activities by other donors and the GoM
BEA, TCP, AgBiz Issues Task Force	Decision made and appropriate action taken	Pending
Country Market Profiles for Croatia and Serbia	Decision made and appropriate action taken	Croatia market profile contracted and underway
Study Tour for Processed Vegetables VC to Sweden	Decision made and appropriate action taken	Successfully completed with very positive customer feedback and good follow-up
Study Tour - Table Grapes VC to Italy or the US	Decision made and appropriate action taken	US study tour under development
Training in Export Capacity Development	Decision made and appropriate action taken	Likely a decision will be made not develop the Activity
MLGA Coordination – Wine Route, etc.	Decision made and appropriate action taken	Pending return of CoP
Policy Issues Prioritization and Plan	Issues prioritized and actions planned with BEA	Completed

## Project Implementation

Project	Expected Result	Results
Grant-related Procurement Procedures	Staff and grantees properly utilizing checklists	Procedures being properly followed
PERSUAP approval from USAID	Received PERSUAP approval from Bureau Environmental Officer (BEO)	USAID approval received

SUAPs	SUAPs developed by grantees requiring one	Model SUPA sent to all grantees needing a SUAP for them to develop same
Cleaner Production Assessments	Completed for all six projects requiring one	All completed
Asbestos Health and Safety Plan	Completed for all projects requiring one and shared with the grantees	AH&SPs completed for the two grantees requiring one
Quarterly reports from nine grantees in Batch 1 (signed July 3, 2008)	Quarterly report received and information entered in MIS/M&E system	Received & entered in the MIS
Baseline and FY09 projection information from 10 grantees in Batch 2 projects signed October 3	Baselines received and information entered in MIS/M&E system	Received & entered in the MIS
EDD/PPA Mitigation Measures Compliance Monitoring	Mitigation measures implemented by grantees	Monitoring Plan completed
Vitalia Project	Decision on shifting market entry support from Ukraine to Bulgaria	Decision will be made to terminate the Fast Track project
Ohrid Winery	Decision made on grant	Decision likely be made to cancel grant approval
Grant Expenditures	Reimbursement and Direct Procurement are proceeding smoothly, in compliance and as projected	Reimbursement proceeding smoothly and in compliance
Project Implementation Monitoring & Support	Value Chain Coordinators closely monitoring project implementation to help keep them on schedule and achieving projected results	Project Coordinators (PCs) closely monitoring the progress of each project and review project performance with the CoP monthly

### 2.6.3 Performance Indicators

Table 5 shows progress on the indicators to be reported on a quarterly basis. This excludes indicators that come directly from the Grantees such as the “Increased Purchase of Raw Materials”, “Increased Sales in Domestic, Intra-regional and International Markets”, “Number of Rural Households that Benefitted from Interventions”, and “Number of New Employees”. We will start presenting these indicator data when comparable data are available after January, 2010. Also we have removed from the table the “Number of New Technologies and Management Practices”, and the “Number of New Hectares under New Technologies” indicators as we requested and USAID approved in January, these are excluded due to the impracticability of obtaining accurate data for them.

During the Quarter customers did not complete any trade fairs so the “Value of New Orders” and the “Number of New Customers from Trade Fairs, B2B and FTs” is zero. However, there are indications that some of our customers that participated in the Study Tours to Poland and Sweden are likely to sign contracts with the businesses they made contact with during their meetings.

Except the indicators for “Value of Domestic Investment Stimulated”, the “Number of Success Stories Produced”, and the “Number of Producer Organizations and Trade Associations Receiving Assistance”, all indicators have exceeded 25% (3/12ths) of the FY09 projection. While indicator achievement does not take place on a startline basis, the first fiscal quarter is 25% of the fiscal year.

We will be able to easily catch up on “Success Stories Produced”. It is also likely that “Domestic Investment Stimulated” will be much greater in the second fiscal quarter as Grantees complete their Project investments. There are almost no producer organizations in Macedonia, and the assistance we have planned for those that do exist is for the first half of calendar 2009 when we will be linking them with processors/marketers. We are working with the MakVino association regarding assistance but have not provided then any support yet. We are also stimulating the formation of a Wild Gathered and a Table Grapes Association, but this work has not progressed to the point that we are actually providing them with support. We anticipate that will take place in the first half of calendar 2009.

Indicator 2.4, the “Number of Agriculture-related Firms Receiving Assistance” shows the total number of firms that received AgBiz assistance during the Quarter, including firms that received assistance in the past. The number of new customers that have received AgBiz assistance this Quarter is 27.

**TABLE 5. FIRST QUARTER INDICATOR ACHIEVEMENTS**

INDICATOR	1 <sup>st</sup> Quarter FY09	FY09 Objective	Percent FY09 Performance (%)
<b>1 Increased Production and Marketing</b>			
1.11 Value of new orders from Trade Fairs, B2B, and FT Projects	0.00	€ 1,000.00	0%
1.12 Number of new customers from Trade Fairs, B2B and FT Projects	0	40	0%
<b>2 Increased Coverage of AgBiz Customers</b>			
2.1. Number of producer organizations receiving assistance	0	3	0%
2.2. Number of trade and business associations receiving assistance	1	5	20%
2.4. Number of agriculture-related firms receiving assistance (trader/buyer, processing and distribution levels of the value-chain)	70	167	42%
<b>3 Building Human Capacity</b>			
3.1 Number of male individuals who have received short-term agriculture or agribusiness productivity enhancement training	90	324	28%
3.2 Number of female individuals who have received short-term agriculture or agribusiness productivity enhancement training	24	36	67%
<b>4 Value of Investment Stimulated</b>			
4.1 Value of domestic investment stimulated (000US\$)	\$ 379.99	\$ 5,014.75	8%
4.2 Value of third party domestic investment stimulated (000US\$)	0.00	0.00	0%
4.3 Value of total customer investment stimulated (000US\$)	\$ 379.99	\$ 5,014.75	8%
4.4 Value of foreign direct investment stimulated (000US\$)	0.00	0.00	0%
4.5 Leveraging Achieved by AgBiz (%)	20 %	11 %	(40%)
<b>5 Increased Access to Finance</b>			
5.1. Value of customer financing identified (potential loans) (000US\$)	\$ 1,154.83	\$ 1,844.73	63%
5.2. Number of customers provided access to finance assistance	7	15	47%
<b>7 Policy and Institutional Reform</b>			
7.1 Policy and Institutional Constraints Identified	0	10	0%
<b>8 Outreach</b>			
8.1 Number of success stories produced	2	12	17%
8.2 Number of media exposures (TV, Radio, & Newspaper)	20	12	167%



# 3.0 OPERATIONAL CHALLENGES ENCOUNTERED

Many of the external operational challenges previously reported remained in effect during Quarter. These include lack of effective cooperation between producers and processors/marketers, confusing GoM communications regarding HACCP and slow development of IPARD. However, several new challenges are outlined below, separated into external and internal challenges.

## 3.1 EXTERNAL

### 3.1.1 Producer with Processor/Marketer Communication & Cooperation

Relationships between producers and processors/marketers are still non-trusting, especially after the turbulence caused with changes in procedures for personal withholding tax. Domestic vegetable processors suffered from a lack of raw materials that in turn negatively affected their export contracts. This was caused by low production yields, and vegetables for industrial use being exported. Also, serious quantities of good quality wine grapes were shipped to neighboring countries without any value adding. The system of GoM subsidy disbursements based on raw materials delivered to a registered domestic processor slightly reduced apprehension for establishing linkages between producers and processors/marketers.

All this hindered AgBiz efforts toward making significant improvements in the level of cooperation between supply chain participants. However, horizontal cooperation was encouraged through joint Activities such as Study Tours and Trade Fairs where groups of companies were exposed to markets that demand higher volumes, thus enforcing consolidation and further cooperation. During the next quarter AgBiz will continue to provide coordination assistance along the continuum of the five Value Chains, putting emphasis on supporting linkages that have the best potential to enhance the competitiveness of each Value Chain.

### 3.1.2 HACCP and IPARD Timing

**HACCP** – When thinking about starting HACCP implementation, many Macedonian food companies are confused or limited in their understanding of HACCP standards. In the last year many projects and the Food Directorate have started the promotion and education of standards and increasing the advanced knowledge of people involved in the food sector.

The general confusion regarding standards is based on issues associated with the implementation or certification of GlobalGAP or HACCP, certification by an accredited company, and previous documentation. These issues were explained in the previous quarterly report. There has been minimal progress on resolving these issues over the last Quarter.

**IPARD** – IPARD is a major investment subsidy program that will eventually be available to Macedonian agribusinesses to help finance competitiveness enhancements that will help prepare them for EU entry. If Macedonia wishes to direct IPARD resources towards improving the competitiveness of the agribusinesses, and assure IPARD access and absorption, it must actively support the capacity of potential beneficiaries to obtain these resources. Building the capacity of beneficiaries to access IPARD funds involves additional expenditures in public information campaigns, application support to potential beneficiaries, and pre- and co-financing requirements.

As explained in the previous quarterly report, the timing of when IPARD funding will be available, and the requirements for applying and receiving IPARD support is so unclear that it is difficult for AgBiz to

know what emphasis to place on IPARD-related support. Clarity on IPARD support timing did not significantly improve over the Quarter.

### **3.1.3 Weakening Demand and Slow Receivables Payment**

#### ***Influence of the Economic Slowdown on the Financial Sector***

Although Macedonia is not in a formal recession yet, the financial sector started experiencing recession type problems during the Quarter. Bank loan review processes, terms, conditions, and approval procedures are becoming restrictive and slower. The collateral required to secure a loan has become a larger percentage of the loan value, the average approved loan smaller, the payback period shorter, and additional restrictions are imposed on real estate connected loans. In general, banks have adopted measures that discourage potential borrowers. As banks become more conservative, and their collateral requirements more difficult for the borrowers to meet, opportunities are created for new types of financing that are not well established and understood in Macedonian financial markets. Equity financing is an opportunity to raise finance for making new investments and supporting companies' business expansion plans. Leasing and factoring also become more important sources of finance. It can be expected that the current situation will open doors for new, alternative sources of agribusiness finance in Macedonia. The net impact of more restrictive access to finance is likely to be a somewhat slower development of Macedonian agribusiness, especially as related to facilities upgrading and expansion.

#### ***Influence of the Economic Slowdown on AgBiz Value Chains***

During the Quarter, no major impact of the global financial crisis and economic slowdown was identified by participants in the AgBiz supported Value Chains. However, there are significant indications that Macedonian exporters of agricultural products can expect reduced demand and delayed collection of receivables in the near future.

**Table Grape** exporters have not been significantly impacted so far. Results from the last season were for the most part as anticipated. In July and August market demand softened somewhat, but September sales returned to the anticipated level. Issues with receivables do exist, and the problem is greater with big retailers such as Konzum, Merkator, and Delta. However, delayed collection of receivables has not had a significantly negative impact on profitability, and cash flow is satisfactory. The fresh table grapes marketed by AgBiz customers are for the most part low value added products, and in a recessionary period this can be an advantage in that they sell for a lower price than competitors high value added products.

**Bottled Wine** Value Chain participants noticed initial signs of reduced demand, but the recession did not have a substantial impact on participants during the Quarter. Most customers for Macedonian wine did not show serious concerns or reduce their orders. They are however becoming more demanding regarding payment terms, and more cautious in expanding their product lines. As a result, Bovin winery, for example, experienced weaker international export sales in 2008. The hospitality industry will be the first to feel consumer spending conservatism. Restaurant wine sales are down, apparently also reflecting on wine tourism. Consequently, a slowdown is expected for up market wineries targeting new niche markets. There is also a lot of turbulence in the middle price segment where analysis shows customers shifting down in price category. However, that can be an advantage for some Macedonian wines. Serbia's currency depreciation makes Macedonian wines more expensive for consumers on this market, which is very important for many Macedonian wineries. The real impact on the Croatian market is expected to be in the summer season when peak sales occur. A slowdown is anticipated due to a decrease in the number of visitor spending their holidays on the Croatian coast. Most of the wineries are focused on the short-term impact of the recession on wine demand, but the wine business is all about long-term decisions and relationships. The current, more restrictive attitude of banks will negatively impact the ability of wineries to borrow money, and that will delay their expansion plans. The longer-term effects of the economic downturn have yet to be seriously considered or have an impact on our winery customers.

**Processed Vegetables** exporters are targeting markets that are already in recession such as Germany, and markets that will soon enter recession such as Slovenia, Croatia, and Serbia. The vegetable processing industry was 15-20% short of meeting its export goals in 2008. One of the main reasons was a shortage of

raw materials during the fall processing campaign. However, some indications of reduced demand were reported by Dentina, which had to cancel its promotional activities in the Croatian retail chain Gastro Group due to customer restructuring. Delayed collection of receivables from Croatian customers was also noted by Lars. Some of the measures the GoM enacted to assist businesses to cope with the global crisis, like reduced customs duties on imported inputs such as processing equipment, seed, fertilizer, and packaging jars, may be beneficial for processed vegetables value chain participants since they do more value adding to their products.

**Wild Gathered Products** companies did not feel a significant impact from the global crisis. This can perhaps be attributed to the fact that the collecting and processing season for mushrooms was almost over when the crisis started to influence consumers, and therefore buyers. Weak demand was experienced late in the season for the Lactarius mushrooms and juniper berries. Some dried boletus mushrooms that were kept in stock were sold, since production this year was below average. As most of the companies involved in this value chain are diversified and also involved in other businesses such as exporting vegetables, lamb, and fruits, they expect that these other parts of the business will be impacted more severely. Businesses like Koro, that are involved in more substantial value adding to wild gathered products, have reported smaller orders from customers, and less interest from potential new buyers. The main concern of all companies in the value chain is the availability of working capital finance for the 2009 season. As banks become more conservative, all companies in the value chain believe that the greatest challenge next year will be to finance operations, especially raw material purchasing, in the coming season.

**Fresh Vegetables** Value Chain companies reported a modest impact from the economic slowdown during the Quarter. Most of the buyers of Macedonian fresh vegetables are regional, and their markets were not in recession yet during the last season. However, companies in the business of adding value to fresh vegetables by freezing had a problem finding new customers.

AgBiz support to help customers access limited and more restrictive sources of financing will be of significant benefit to the value chains we support. The interesting dilemma facing many of our customers is how to improve their longer-term competitiveness by upgrading their facilities and going into value added products while at the same time achieving a best value presentation, especially in markets significantly impacted by the economic recession. All companies will need to keep very close control on their costs, and make sure their quality is highly competitive. Support AgBiz is providing to upgrade production operations such as drip irrigation and post-harvest activities such as cold stores will help our customers achieve cost and quality objectives.

### **3.1.4 Customs Duty on Imported Tomato Paste and Off Season Peppers**

**Tomato Paste Imports:** Tomatoes are considered one of the most important vegetable crops traditionally grown in Macedonia. Domestically produced tomatoes are widely used for fresh consumption, and by the canning industry for further processing. In addition, considerable quantities of fresh tomatoes are regularly exported, making tomatoes an important export crop.

The only vegetable concentrate produced in Macedonia is tomato concentrate (paste or puree). Tomato concentrate processors also produce ketchup for the domestic market. Tomato concentrate is packed in aseptic 210 kg barrels, while paste is packed in one to five kg sterilized metal cans. Most of these products are exported to neighboring countries who appreciate the high quality of Macedonian puree and paste.

The 2008 season was unsatisfactory for the two largest tomato processing companies (Domati in Sv. Nikole and Zora in Gevgelija) due to a lack of raw material, i.e., industrial tomatoes for processing. These ketchup processors indicate that the greatest obstacle to increased exports is not the availability of markets, but rather an insufficient supply of domestic, industrial tomatoes at a price that is competitive enough to meet both domestic and export demand.

High tomatoes prices, and the supply shortage of industrial tomatoes, resulted in a price increase of domestic tomato paste to levels prohibitive for Macedonian ketchup processors that use it as a raw material (e.g., Bonum, KIM, and Vitaminka). This situation put Macedonian processors in the difficult position of not being able to fully deliver on their export contracts for products containing tomato paste.

To mitigate this situation, in 2008 some of the processors established a partnership to import tomato paste from China. As a result of cooperation between the MoE and MAP, and based on a request from the processors, in December 2007 the GoM approved a customs free import quota for 1,100 tons of

tomato paste, to be used before June 1<sup>st</sup> 2008. Primarily due to very difficult approval procedures, and obstructions from the responsible institutions, the quota was not realized. Processors interested in importing under the quota were not able to do so, and therefore were not able to achieve their ketchup production and export plans in the first half of 2008.

In the second half of 2008 the same companies needed additional quantities of tomato paste to implement their 2008 production and export plans. Therefore, the processing companies initiated a request for an additional import quota of 1,250 tons, combined with a request to decrease the customs duty on tomato paste from 50% to 18%. This level of customs duty is applied by all neighboring countries for the importing of Chinese tomato paste. This request was refused by the GoM, so domestic processors were in a very difficult situation as related to maintaining their export competitiveness.

To improve the domestic and export competitiveness of Macedonian tomato-based products, a comprehensive analysis designed to reveal the long-term potential for reaching competitiveness on industrial tomatoes, tomato paste and final processed tomato-based consumer products needs to be conducted. Such research should take into consideration global market trends, threats and opportunities and draw conclusions as to the effectiveness of the GoM's tomato paste import protection policy.

***Industrial Pepper Imports:*** In 2008, the upward trend in demand for Macedonian industrial peppers and pepper-based products continued. Foreign buyers and their agents in Macedonia started purchasing industrial pepper when they were still green. In addition, the drought and low temperatures in September decreased the crop. A shortage of industrial pepper for further processing started becoming very evident in September. To be in a position to secure enough raw material for the production of Macedonian's flagship pepper-based products, processing companies were forced to ask the GoM for an import quota of 5,000 tons of raw peppers from Turkey to be able to meet export demands for their products. Again, during the process of requesting an import quota, obstructions by MAFWE in signing the quota request resulted in a situation that by the time the quota was finally approved only 10 days were available for conducting the import process. Subsequently, only 800 tons of the 5,000 approved tons were imported. At the conclusion of the 2008 processing season, capacity utilization among vegetables processors was only 40 to 60%.

In anticipation of the upcoming season, AgBiz will consult within our processed vegetables customers to see if there are ways to avoid these problems in the 2009 season.

AgBiz is helping to organize and will participate in a two-day conference that will take place in January on the constraints and opportunities in pepper production, processing, and export. This will be an excellent opportunity to discuss the above issues with a wide range of participants in pepper production, processing, marketing, as well as academics and GoM representatives. Proposals for improving the competitiveness of Macedonian peppers and pepper products, including solving the above issues, and suggestions for further cooperation with the industry will be presented at the conference. Active involvement of AgBiz in the design and implementation of the conference has the potential to make it much more pragmatic and market focused.

### **3.1.5 MAFWE Policy Focus**

MAFWE is the main policy making entity within the GoM charged with creating and implementing development policies affecting the competitiveness of Macedonian agriculture. The complexity of the issues that determine the ability of Macedonian agriculture/agribusiness to compete globally, and for Macedonian agriculture to smoothly integrate into the EU Common Agriculture Policy, is great. Achieving the institutional and policy reforms that influence Macedonian agriculture, and the specific value chains AgBiz supports, requires carefully orchestrated policy reform actions on the part of the entire GoM. Some reforms that are to be initiated and implemented by MAFWE are however of a greater priority than others. To address reform needs in a way that assures sustainable enhancement of the competitiveness of Macedonian agriculture, MAFWE will have to gradually move away from policies that are focused on retaining social peace and stability (and policies aimed at short term political gains) and concentrate on programs and policies that support the development of internationally competitive value chains. The political will to increase public investment in agriculture and rural development has been demonstrated over the last three years by gradually increased financial support to agriculture. But the extent to which these additional funds are linked to international competitiveness and Macedonian economic growth is questionable.

Some of the specific subsidy and support programs, as well as the modalities for their implementation, can be characterized as more social than competitiveness enhancement. For example, the program for renting public agricultural land clearly has a social aspect. One of the current main impediments of production agriculture competitiveness is the lack of economies of scale due to the small average size farm. Government encouraged fragmentation of land plots to be utilized by small scale farmers, as stimulated by the above mentioned new policy, will not improve the production, post-harvest handling, and marketing of agriculture produce.

Furthermore, a large portion of the 2008 agricultural subsidies, and the 2009 draft programs, were intended for crops such as grains and tobacco, for which the global competitiveness of Macedonia production is very questionable. Although there has been a gradual shift from production-based subsidies towards farm payment systems, these programs fail to offer a clear incentive for the farmers to increase their competitiveness.

MAFWE's focus remains on production agriculture. The export competitiveness of the agricultural sector however, depends on the competitiveness of entire value chains based on agricultural commodities. The capabilities of Macedonian businesses involved in post-harvest handling, consolidation, processing, and marketing of agricultural products determines the competitiveness, growth, and profitability of the entire value chain. Policies created and implemented for the production segment of a given value chain need to take into consideration the potential and ability of all value chain participants to competitively sell value chain end products, especially to international markets.

During FY09 MAFWE, will be concentrating on streamlining the farm payments system by developing and strengthening the associated institutions and the process, especially the payments agency. MAFWE needs to enhance their ability and inclination to analyze the effect of their policies on the competitiveness of entire agriculture-based value chains. This is likely to require closer cooperation between MAFWE and the MoE, which is responsible for most post-harvest agribusinesses.

## **3.2 INTERNAL**

### **3.2.1 Expanding Coverage**

AgBiz has provided some type of support to 128 customers as of December 31, 2008. While we are not clear about the number of potential export capable customers, we believe there are more customers that could be supported to enhance their export competitiveness. We also believe that there are opportunities to provide more substantial support to existing customers, and thereby enhance their exports. However, we have several limitations to doing so.

We have an aggressive cost sharing objective; 15% for Projects and 50% for Activities. We have been able to accomplish the 15% objective for Projects, but the 50% objective for Activities is proving to be quite difficult. Current and potential customers are not accustomed to such a high cost sharing requirement from donors, and other donors do not require such a high level. It is difficult for many customers to understand the value of some activities until they have experienced for themselves the benefits they can gain. Therefore, first time customers are hesitant to participate in Activities that require a significant cost share.

The objective of our cost share target is to be able to support as many Activities as possible, i.e., spread the utilization of our funds over as many Activities as possible by leveraging our support to each. The higher our cost share percentage the fewer total Activities we will be able to support, given current available resources. We have considered using a sliding scale where past customers pay a higher percentage of the cost of an Activity than first time participants, but this creates structuring issues and attitude problems with frequent customers when they are asked to pay significantly more for an Activity than other, first time participants.

We could also front load the utilization of our Activity funds by using a larger portion of our Activities budget earlier in the Program, but that runs the risk of not being able to support good Activities, some of which are follow-on events such as Trade Fairs, later in the Program. This also has implications on staffing in that if there are fewer Activities late in the Program when many of the Projects will be completed, fewer staff would be required unless they were shifted to direct customer support, something they may or may not be able to do.

The additional funding (\$350,000) requested from USAID will make a contribution toward resolving this issue, but is not significant enough to solve the challenge. AgBiz management would like to discuss this issue with USAID and get a better idea of anticipated additional program funding, so we can optimize our FY09 operations, i.e., have a clear knowledge of LoP Activity funding, including the possibility of additional Program funding.

# 4.0 PLANS FOR THE SECOND FISCAL QUARTER

## 4.1 PROGRAM DEVELOPMENT ACTIVITIES

Activity	Expected Result	Projected Completion Date
Staff Evaluations	Staff evaluations and salary adjustments due are completed	31 March
Success Stories	Monthly stories developed and published	31 January, 28 February, 31 March
M&E Data Input	All Activity and project data generated and entered in a timely manner	31 March
Indicators and PMP Modification	Requested PMP modifications approved by USAID and PMP document updated and modified	31 March
M&E MIS	System completed and signed off on	31 January
Additional Funding	USAID formal approval of additional funding request	28 February
Additional Obligation	Additional \$650,000 approved by USAID	15 February
Transfer Ford Focus	All details for the transfer completed	15 February
2009 Staffing Plan	FY09 staffing decisions made	31 March
Market Information Service	Decision made on if and how a type of market information service should be developed	31 March
MAFWE web portal updating	Portal updated on a monthly basis with AgBiz information	31 January, 28 February, 31 March
Marking plaques	All marking plaques distributed to grantees	15 February
CoP Cooperation	Monthly coordination meetings with related CoPs	31 January, 28 February, 31 March
Report gathering from similar regional projects	Reports from Serbia agribusiness and other regional projects collected and analyzed	28 February
Intern	Decide on the use of an intern and hire one if that is decided	28 February
CBI wine and fresh vegetable support programs	Determine which AgBiz customers can be included in the CBI program and cooperate with CBI on program implementation	31 March
Expanded Value Chain	Develop and implement a plan for effectively expanding the Table Grapes Value Chain into the Fresh Fruits Value Chain and establish a staffing and initial work program	28 February

## 4.2 VALUE CHAIN COMPETITIVENESS ENHANCEMENT ACTIVITIES

Over the next quarter AgBiz will continue to identify, develop, seek approval for, and implement value chain competitiveness enhancement activities. The table below lists activities on which AgBiz will be working on in the second fiscal quarter. Preparation for implementing of some of these activities was done during this quarter.

Activity	Expected Result	Projected Completion Date
Continue development, review, and decision making on value chains enhancement activities as planned or close to plan	Effectively expedite the development, approval, and implementation of Activities	Ongoing FY09
Value Chain enhancement joint Activities with MASHAV/Centre for International Agricultural Development Corporation (CINADCO) (Post Harvest, Storage)	Strategy agreed on and budget determined	TBD FY09
Fruit Logistica 2009	Activity developed and commitments received	28 February
Biofach 2009	Activity developed and commitments received	31 March
Enhancing Customer's Access to Finance	Customers assisted to identify and secure financing	Ongoing FY09

Support to the WG Association	WG Trade association foundation meeting conducted	31 March
AgBiz Role in IPARD and FP7	Specific plan developed	28 February
Inwards Trade Mission by Dutch FV buyers	Decision made and appropriate action taken	31 March
Chashka School Economy	Feasibility Study Developed	31 March
BEA, TCP, AgBiz Issues Task Force	Decision made and appropriate action taken	31 March
Country Market Profiles for Croatia	Profile completed, information disseminated	28 February
Study tour - Table Grapes VC to Italy or the US	Decision made and appropriate action taken	31 March
Tutto Food Trade Fair	Decision made and appropriate action taken	June
Bottled Wine Association Development	Decision made and appropriate action taken	31 March
ProWein Trade Fair	Activity completed	31 March
Wine Tourism	Decision made and appropriate action taken	31 March
MLGA Coordination – Wine Route, etc.	Decision made and appropriate action taken	28 February
Policy Issues Prioritization and Plan	Issues prioritized and actions planned with BEA	31 March
Expedited Local Short Term Assistance (ELSA)	10 STTA assignments conducted	Ongoing FY09
Bulgaria Study Tour for the participants in PV VC	Familiarization with SAPARD procedures	31 March
Assessment of Personal Income Tax for Farmers	Assessment completed and policy recommendations developed	31 March
TA in GlobalGAP Implementation and Certification	Implementer selected, sub contract signed, and implementation commenced	Ongoing FY09
Pepper Conference in Strumica	Conference conducted	31 January
Wild Gathered Organic Certification	Training conducted for employees of WG enterprises	31 March
Export Capacity Development Training	Decision made and appropriate action taken	23 January
Poland and Sweden Study Tours	Follow up completed	31 March

### 4.3 PROJECT IMPLEMENTATION

Project	Expected Result	
Grant-related Procurement Procedures	Staff and grantees properly utilizing checklists and grant implementation procedures	Ongoing
SUAPS	At least half of the grantees requiring one have completed draft SUAPs	31 March
Cleaner Production Assessments	CPAs translated, communicated to grantees, and being utilized	31 March
Asbestos Health and Safety Plans	Any grantee that removes asbestos completes an AH&SP	31 March
Environmental Mitigations	All mitigations are being implemented as prescribed	31 March
Vitalia Project	Decision is made on modifying or canceling the fast project	30 January
Ohrid Winery	Decision made on grant and proponent officially informed	30 January
Grant Expenditures	Reimbursement and direct procurement are proceeding smoothly, in compliance and as projected	Ongoing
Project Implementation Monitoring & Support	PCs closely monitoring project implementation to help keep them on schedule and achieving projected results	Ongoing
Project implementation schedules	Grantee and AgBiz investment schedules updated based on first six months experience	15 February

# 5.0 FINANCIAL REPORT

The First Quarter Financial Report is shown below.

<b>CONTRACT No. EDH-I-03-05-00006-00</b>					
<b>Macedonia AgBiz</b>					
<b>Quarterly Report</b>					
<b>CONTRACT EXPENDITURES through December 31, 2008</b>					
<b>Category</b>	<b>Contract Budget</b>	<b>Incurred as of 9/30/08</b>	<b>Period Costs 10/1/08-12/31/08</b>	<b>Total Costs Accrued as of 12/31/08</b>	<b>Remaining</b>
Personnel	\$ 1,443,571	\$ 633,243	\$ 80,368	\$ 713,611	\$ 729,960
Fringe Benefits	\$ 570,495	\$ 238,238	\$ 38,436	\$ 276,674	\$ 293,821
Travel and per diem	\$ 173,028	\$ 92,853	\$ 13,750	\$ 106,603	\$ 66,425
Allowances	\$ 312,743	\$ 212,405	\$ 15,360	\$ 227,765	\$ 84,978
Grants	\$ 500,000	\$ 104,513	\$ 96,892	\$ 201,405	\$ 298,595
Subcontracts	\$ 302,322	\$ 210,991	\$ 28,882	\$ 239,873	\$ 62,449
Activity Costs	\$ 726,205	\$ 410,163	\$ 79,199	\$ 489,362	\$ 236,843
Equipment	\$ 51,089	\$ 47,497	\$ 1,457	\$ 48,954	\$ 2,135
Other Direct Costs	\$ 265,763	\$ 175,458	\$ (36,034)	\$ 139,424	\$ 126,339
Indirect Costs	\$ 929,141	\$ 434,860	\$ 52,374	\$ 487,234	\$ 441,907
<b>Sub-total</b>	<b>\$ 5,274,358</b>	<b>\$ 2,560,222</b>	<b>\$ 370,683</b>	<b>\$ 2,930,906</b>	<b>\$ 2,343,452</b>
Fee	\$ 225,601	\$ 100,942	\$ 15,828	\$ 116,770	\$ 108,831
<b>TOTALS</b>	<b>\$ 5,499,960</b>	<b>\$ 2,661,164</b>	<b>\$ 386,511</b>	<b>\$ 3,047,676</b>	<b>\$ 2,452,284</b>

# 6.0 REPORTS PRODUCED DURING THE QUARTER

This section lists the Reports produced by AgBiz during the Quarter. Due to the total size of the documents they are presented in a separate CD.

## 6.1 EXTERNAL REPORTS

### 6.1.1 Bonum CPA

### 6.1.2 Bovin CPA

### 6.1.3 Dentina CPA

### 6.1.4 Kokolanski CPA

### 6.1.5 Lars CPA

### 6.1.6 Valandovo Winery

## 6.2 INTERNAL REPORTS

### 6.2.1 Poland B2B and Study Tour Report

### 6.2.2 VinoSkop Report

### 6.2.3 Sweden Study Tour Report

### 6.2.4 Importance of Agribusiness to MK EG – Statistical Data

## 6.3 OUTREACH RELEASES

### 6.3.1 AgBiz Press Clippings for October, 2008

### 6.3.2 AgBiz Press Clippings for November, 2008

### 6.3.3 AgBiz Press Clippings for December, 2008

### 6.3.4 USAID's AgBiz Program Lars Success Story

### 6.3.5 USAID's AgBiz Program Poland Study Tour Success Story

**U.S. Agency for International Development**

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