

*USAID's AgBiz Program has helped Macedonian agribusinesses to identify, understand and sustainably enter export markets for value-added products, as well improve their business management, operations and competitiveness.*



**USAID Mission Director Mr. Michael Fritz presenting a plaque to Mr. Riste Endzhechev, (left) Manager and Tome Shapkarev (right) Owner of Badzo vegetables marketing company**

*AgBiz was pleased to host on several occasions USAID Mission Director Mr. Michael Fritz to present grantees with plaques that describe the USAID and American peoples' support for customers' export business expansion Projects*

## Accomplishments Over the Last Six Months

In the six months since we released our "First Year Accomplishments Newsletter" the AgBiz team has continued to utilize the same winning spirit, working side-by-side with our customers to make the businesses we support more export competitive and help managers become more knowledgeable about new technologies, management practices and export markets. Activities that helped accomplish this included:

- Presented and analyzed Value Chain Profiles for table grapes and wild gathered products at workshops for managers of companies participating in these value chains;
- Organized three media tours to promote the achievements of bottled wine, processed vegetables and wild gathered products processing companies;
- Completed intensive technical training workshops - the first on "Oenology Training for Enhancing Oak Aging Technology for Macedonian Wines" and the second on "HACCP Systems for the Table Grapes, Fresh Vegetables and Wild Gathered Products Businesses";
- Planned and conducted two B2B Meetings and Study Tours; one to Poland for ten AgBiz customers in the table grapes and fresh vegetables value chains, and the second for a group of Macedonian processed vegetables companies to identify new market opportunities in Sweden;
- Supported two trade fairs that resulted in seven companies in the fresh vegetables value chain exhibiting at "Fruitlogistica '09", and companies in the wild gathered products value chain exhibiting at the "Biofach" Trade Fair, both in Germany;
- Signed ten grants for export business expansion projects resulting in more than \$220,000 being contributed to these Projects by AgBiz out of a total investment in the Projects of \$4.6 million;
- Implemented human resource capacity enhancement activities involving over a hundred participants from 90 agribusinesses;
- Provided access to finance assistance to six companies and five individuals, including helping them to apply for more than \$1 million in loans; and
- Provided outreach support for organizing the "Day of Organic Production" in Skopje, and organized a number of visits to our customers by USAID officials from Macedonia and abroad.

## Expedited Local Short-term Assistance (ELSA)

In February 2009 AgBiz launched its new product for assisting Macedonian agribusinesses, trade associations and producer organizations to enhance their exports to regional and international markets. ELSA provides financial support for short-term technical assistance provided by Macedonian consultants that will improve the export competitiveness of Macedonian agribusinesses participating in the value chains we support. Potential participants must have at least MKD 8 million in export sales of products from one of the AgBiz supported value chains to qualify for ELSA support. Trade associations and producer organizations applying for support have to be primarily composed of current or potential members that are exporters of products in a current AgBiz value chain, and the required support must benefit the majority of members. Examples of the type of STTA that AgBiz will support via ELSA 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. AgBiz support to approved ELSA projects will be 50% of the total cost up to US\$4,000.

## Expanding the Table Grapes Value Chain into a Fresh Fruits Value Chain

In the past two years, AgBiz has helped accomplished significant improvements in the current and future competitiveness of table grape value chain participants, 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. More than 56% of the fresh apples produced in Macedonia are exported. We believe expending the table grapes value chain into Fresh Fruit will benefit a larger group of agribusinesses, not just apple producers but also firms involved in sour cherries and peaches. This will add \$24 million in exports to the value chains we support, and take total Macedonian exports of AgBiz supported value chains to more than \$150 million. We believe the Macedonian fresh apples business has the potential to successfully participate in our competitiveness enhancement activities, especially ELSA.

## Second Grant Agreement Ceremony

On October 3rd USAID's AgBiz Program held the Second Grants Agreements Signing Ceremony for Macedonian agribusinesses. The companies that signed grant agreements with AgBiz to support their competitiveness improvement and export business expansion projects were "Intermak", "Vigan", "Flores" and "Koro" for wild gathered projects; "GD Tikves", "Ledra Agro" and "Peca Komerc" for table grape projects, "Valandovo" and "Bovin" for bottled wine projects; and "Agrohemija" for a fresh vegetables project.

These ten grant agreements will result in more than \$220,000 being contributed to the projects by AgBiz out of a total value for the projects of \$4.6 million. By the end of 2010, the total projected export sales growth resulting from these projects is US\$26.6 million, and they will benefit 2,651 rural Macedonian households with increased income.

***"Signing this Grant Agreement today means starting implementation of a project that will increase exports, stimulate value-added product sales and create new jobs in my company!"*** said Mr. Toshe Kostadinov, owner of "Intermak" a Wild Gathered Products processing company.



USAID Mission Director, Grantee Representatives and their AgBiz Proposal Coordinators after the Second Grants Signing Ceremony

## Improving Oak Aging Technology of Macedonian Wines

Analysis of wine market trends enabled Macedonian wineries to identify an opportunity to increase their sales to existing customers and enter new markets by offering oak aged wines. International buyers have expressed interest in Macedonian wineries including oak aged wines in their portfolio for consumers that prefer the taste and aroma of fine, barrel aged wines. Few Macedonian wineries have the expertise required for this process, yet have begun investing in locally made oak aged barrels as well as barrels produced in neighboring countries such as Hungary, Austria, France and even from the United States.

Acknowledging this lack of oak aging expertise, and understanding export market demand and Macedonian wineries commitment to world markets, AgBiz implemented a very successful two day, intensive workshop for oenologists from seventeen wineries on enhancing their knowledge and understanding of oak aging technology for Macedonian wines. This proactive workshop was conducted at a local winery, and was lead by the well-known international wine expert Mr. William Talbot. The workshop successfully transferred this new technology and knowhow to Macedonian winemakers, and presented the latest developments and trends in oenology and wine making, with emphasis on introducing advanced practices in oak aging. The training helped domestic wine makers to develop sound techniques for wine oak aging and the correct use of oak. The oenologist training was followed by a meeting with winery owners where the results of various oak aging techniques was assessed by tasting a range of oak aged wines.



Mr. James L. Maxwell, AgBiz Chief of Party (center) Presenting a Certificate to an Oak Aging Oenology Training Participant Accompanied by the Trainer, Mr. William Talbot from California

## VINO SKOP

As part of its mission to improve the competitiveness of Macedonian bottled wine exports, AgBiz participated in organizing "Vino-Skop 2008", the four day wine trade fair held from the 16<sup>th</sup> to the 20<sup>th</sup> of October in Skopje's main square. This modest size trade fair has become a highly relevant event that brings together wineries, wine experts, visitors and journalists from around the world. It enables great exposure and increased awareness of Macedonian wines to consumers, not only in Macedonia but from around the region. To support "Vino-Skop" AgBiz engaged international experts and wine testers Mr. Kevin Moore from Harpers Wine and Spirits magazine, Mr. Darrel Joseph - judge of international competitions including the Decanter World Wide Awards and the International Wine Challenge in London, and a freelance wine journalist and contributor to wine publications such as Harpers and Decanter in Great Britain and other magazines in Austria, and Dr. Bernard Kozina - a wine judge and professor of oenology and viticulture from the Wine Institute in Zagreb. These experts judged a wide range of Macedonian wines and made very complimentary comments about them.



Goran Damovski, Bottled Wine Value Chain Coordinator, (second left) Discussing AgBiz Support with Media Representatives at Grkov Winery

Based on the positive experience of the well organized "Vino-Skop" trade fair, and the quality of the wines he judged, Darrel Joseph wrote an article **"WHEN IT COMES TO QUALITY, SIZE DOESN'T MATTER"** that was published in Harpers. The article summarized his very positive impressions of Macedonian wines by stating that "tiny Macedonia is starting to turn heads in the UK by producing quality wines, and is gaining international attention for its diversity."

***"This type of positive international publicity is a giant step forward in our support to the market entry efforts of Macedonian wineries focused on penetrating the UK market, and provides a benchmark for gaining credibility for Macedonian wines"***, said Goran Damovski, the AgBiz Bottled Wine Value Chain Coordinator.

## Fruitlogistica International Trade Fair

***“Seven Macedonian companies had an opportunity for the first time to exhibit under a National Stand of fresh products exporters at “Fruitlogistica” an international trade event that took place in Berlin, Germany. During the trade fair the participating companies were exposed to the most recent know-how, and new improved technologies and management practices that can be adopted for improving their productivity and enhancing their competitiveness. Also, participants had an opportunity to learn from highly relevant institutions regarding Food Safety Standards and buyers packing and sorting requirements. All of this plus an excellent opportunity to market their products.”*** said Vlado Kokarev, AgBiz Fresh Vegetables Value Chain Coordinator.

One of the main attractions of “Fruitlogistica” is that it is a compact, highly effective show focusing on specific target groups. In particular, it offers developing country 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 establishing new business contacts.

The Ministry of Agriculture, Forestry and Water Economy (MAFWE), GTZ Macedonian Agro and Food Promotion Project (GTZ MAFP), and the Swiss Import Promotion Program of Osec (Osec/SIPPO) and USAID’s AgBiz Program jointly supported the Macedonian National Stand at “Fruitlogistica” 2009.

## Macedonian Fresh Produce Exporters Learn from Polish Experts

In October, nine Macedonian companies from the fresh vegetables and table grape value chains traveled to Poland to better understand their opportunities in the sixth largest EU market for fresh fruit and vegetables. With a population of 38.2 million people, Poland is an important potential market for Macedonian fresh produce companies. Prior to this study tour, none of the participants had experience working with Polish importers.

Thanks to USAID’s AgBiz Program, study tour participants met with 18 of the largest Polish fresh produce import companies, visited three research institutes related to vegetable crops and toured the Warsaw produce market. During four busy days, company presentations were given by each Macedonian participant and their Polish counterparts. Then B2B (one-on-one) meetings took place between every AgBiz customer and Polish companies that are potential importers of Macedonian fresh produce.

***“Each of the companies identified potential new buyers and wholesalers, studied the latest trends, and now understand the post-harvest handling techniques required for market success! Five months after the study tour, three out of the nine participants succeeded to arrange shipments for exporting fresh Macedonian products to Poland. Our customers have started to adopt the newly gained technologies, especially for grading, packaging and distributing fresh fruits and vegetables.”*** said Lovre Ristevski, Fresh Fruits Value Chain Coordinator.

## Constraints and Opportunities in Pepper Production, Processing and Export

In January, AgBiz was involved in organizing the “Shortcoming and Perspectives in Pepper Production, Processing and Export” conference held in Strumica. The need for a serious workshop on this subject was identified by the University of “St. Cyril and Methodius” through the Faculty of Agriculture, Sciences and Food in conjunction with the Macedonian Association of Processors (MAP). Pepper based products are one of the most important Macedonian value added exports.

***“The main goal of this two day workshop was to study the existing challenges, but also to determine how to enhance the performance of the pepper-based products value chain. This was an excellent opportunity for more than 70 attendees directly related to pepper production, processing, marketing to discuss issues and possible solutions involved with peppers and pepper-based products with academics, Federation of Macedonian Farmers and donor representatives. Significant follow up activities were identified, and subsequent meetings have been held to address the most significant challenges identified at the workshop.”*** said Zlatko Edeliniski, AgBiz Proceed Vegetables Value Chain Coordinator.



Vladimir Kokarev, Fresh Vegetables Value Chain Coordinator working with AgBiz Fresh Vegetables Customers at “Fruitlogistica” in Germany



Lovre Ristevski, Fresh Fruits Value Chain Coordinator (right), discussing with Mr. Ivan Turanov, one of the Poland Study Tour Participants



Zlatko Edeliniski, Processed Vegetables Value Chain Coordinator (first on right) Participating in the Peppers Workshop in Strumica

## Fast Track Project

Fast Track Projects were an efficient way to enhance customer export competitiveness that AgBiz used early in the Program before our other services were fully operational. Intermaak was one of the five early Fast Track Projects AgBiz supported. Intermaak has for more than 10 years been in the business of consolidating, processing and selling wild mushrooms. The company is located in Veles, and employs 20 people full time and around 100 people on a seasonal basis.

The objective of the Intermaak Fast Track Project was to give the company an opportunity to improve their competitiveness and returns by adding significant value to its production, and thereby increase its sales and provide additional employment opportunities in the Veles region, where unemployment is a significant problem. Under the Fast Track Project, AgBiz provided Intermaak international technical assistance to assess its current marketing plan and recommend specific enhancements by identifying, assessing and recommending new product, packaging and distribution strategies. Based on a recommendation from this work, AgBiz assisted Intermaak and its consolidator network to achieve organic collection, consolidation and processing standards for wild gathered products collected from an area of over 10,000 hectares. Then AgBiz supported Intermaak to develop a brochure and a website to promote the company's new value added products, and develop value added product samples to test market at various trade fairs such as the Croatia International Fair. Intermaak is off to a good start in implementing their competitiveness enhancement activities since their 2008 sales increased by more than 162,000 Euros.

## Export Focused Business Expansion Projects

The AgBiz Program has awarded 19 grants for export-focused business expansion projects that are enhancing the competitiveness of agribusinesses by supporting training, marketing activities, technical assistance, physical facilities expansion and advanced equipment acquisition.

***"These Projects are supporting Macedonian agribusiness to move into value added products, develop or expand their share in new export markets, expand their processing or packaging capacity and improve productivity. By the end of 2010, the total projected export sales growth resulting from these projects will be US\$26.6 million, and they will benefit 2,651 rural Macedonian households with increased income."*** said James L. Maxwell, AgBiz Chief of Party.

## Enhanced Access to Finance

Lovre Risteovski, the AgBiz Finance Specialist, provides technical support to AgBiz customers on the advantages and disadvantages of financing alternatives, how banks evaluate applications and how to enhance their chances of a bank approving an application for financing. AgBiz support has increased our customers' understanding of loan applications, leases, equity or other types of financing. We will continue to keep our customers up-to-date on available financing and new financial products as well as exploring financing for IPARD-related projects for our customers. This is especially important in the current international financial crisis environment.

This type of AgBiz support has been provided to our customers for almost two years, and requires ongoing contact with local and international sources of finance, and many one-on-one meetings with managers of agribusinesses seeking financing.

## Policy and Institutional Reform

One of the policy issues that gained increasing importance during 2008 was the 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. In collaboration with USAID's Business Environment Activity, AgBiz developed an assessment activity to carefully investigate the issue and develop policy reform recommendations.

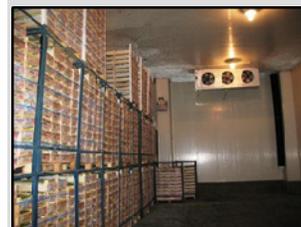
***"One of the objectives of this comprehensive study was to research and assess the implications of the personal income tax collection problem for farmers and collectors that, if unresolved, will have a negative impact on the competitiveness and sustainable development of these Macedonian agribusinesses. The assessment identified the most important threats to the export performance of Macedonian agribusiness from the personal income tax withholding problem, and provided recommendations that were presented to interested groups such as the Federation of Farmers, Chambers of Commerce representing agribusinesses and GoM Ministries and Agencies in the format of a policy paper. This will help built private sector capacity to dialogue with the GoM on this important issue."*** said Jeton Starova, AgBiz Deputy Chief of Party.



Goran Angelovski, Wild Gathered Products Value Chain Coordinator (first on left) working with Intermaak's Consolidators



New equipment at Dentina's Vegetable Processing Facility Supported by AgBiz



Chilling Chamber at Peca Komerc Supported by AgBiz



Badzo's Fresh Vegetables at the Packing Center Supported by AgBiz



Jeton Starova, AgBiz Deputy Chief Of Party

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