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AGBIZ PROGRAM

FOURTH FISCAL QUARTER 2009 REPORT

JULY – SEPTEMBER 2009

FISCAL YEAR 2009 ANNUAL REPORT

OCTOBER 2008–SEPTEMBER 2009

OCTOBER 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 AND ABBREVIATIONS

| | |
|-------------|---|
| AAC | Albania Agriculture Competitiveness Project |
| ACDF | Agricultural Credit Discount Fund |
| AFM | Agribusiness Finance Manual |
| AH&SP | Asbestos Health and Safety Plan |
| ANUGA | Bi-annual Food Trade Fair in Cologne, Germany |
| AoF | Area of Focus |
| ARD | Associates in Rural Development |
| ASDA | British Supermarket Chain |
| AWP | Annual Work Plan |
| BAS Program | Macedonia Business Advisory Service Program |
| B2B | Business-to-Business |
| BEA | Business Environment Activity (USAID funded) |
| BEO | Bureau Environmental Officer |
| Biofach | Annual Springtime World Organic Trade Fair in Nuremberg, Germany |
| BSP | Business Service Providers |
| CAP | Common Agricultural Policy |
| CBI | Centre for the Promotion of Imports from Developing Countries |
| CEFTA | Central European Free Trade Agreement |
| CENA | Capacity Enhancement Needs Assessment |
| CERES | Certification of Environmental Standards |
| CMO | Common Market Organization |
| CoC | Chamber of Commerce |
| CoP | Chief of Party |
| COTR | Contracting Officer's Technical Representative |
| CPA | Cleaner Production Assessment |
| CY | Calendar Year |
| DCoP | Deputy Chief of Party |
| DG | Directorate General |
| DOC | Development Outreach and Communication |
| DPM | Deputy Prime Minister |
| EBRD | European Bank for Reconstruction and Development |
| ECP | Export Coaching Program |
| EDA | Economic Development Agent |
| EDD | Environmental Due Diligence |
| EMMP | Environment Mitigation Monitoring Plan |
| ELSA | Expedited Local Short-term Technical Assistance |
| EU | European Union |
| FDI | Foreign Direct Investment |
| FF | Fresh Fruits |
| FFPC | Firm Fixed Price Sub-contract |
| FFRM | Federation of Farmers of the Republic of Macedonia |
| FTE | Full Time Equivalent |
| FT | Fast Track |
| FV | Fresh Vegetables |
| F&V | Fruit & Vegetable |
| FY | Fiscal Year |
| FYTD | Fiscal Year to Date |
| 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) |

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| ha | Hectare |
| HO | Home Office |
| HACCP | Hazard Analyses and Critical Control Points |
| HoReCa | Hotel/Restaurant/Café - business term referring to a sector of the food service industry |
| HR | Human Resources |
| IEA | Initial Environmental Assessment |
| IPARD | Instrument for Pre-Accession Assistance for Rural Development |
| ISO | International Organization for Standardization |
| IWA | International Women's Association |
| KPEP | Kosovo Private Enterprise (Project) |
| LoE | Level of Effort |
| LoI | Letter of Intent |
| LoP | Life of Program |
| M&E | Monitoring & Evaluation |
| MAASP 2 | Macedonian Agricultural Advisory Support Program 2 |
| MAFWE | Ministry of Agriculture, Forestry and Water Economy |
| MAP | Macedonian Association of Processors |
| MAPs | Medicinal and Aromatic Products |
| MBEP | Macedonian Bank for Export Promotion |
| MCP | Macedonia Competitiveness Project (USAID funded) |
| MD | Mission Director |
| MFD | Macedonian Food Directorate |
| MIS | Management Information System |
| MKD | Macedonian Denar |
| MLGA | Macedonia Local Government Activity (USAID funded) |
| MoE | Ministry of Economy |
| MoEPP | Ministry for Environment and Physical Planning |
| MOPF | Macedonian Organic Producers' Federation |
| MoU | Memoranda of Understanding |
| MT | Metric Tones |
| MTV | Macedonian National Television |
| NEA | National Extension Agency |
| NGO | Non-Government Organization |
| NR | Not Required |
| OFAC | Office of Foreign Assets Control |
| PERSUAP | Pesticide Evaluation Report & Safer Use Action Plan |
| PIR | Policy and Institutional Reform |
| PMP | Performance Monitoring Plan |
| PO | Producer Organization |
| PPA | Pollution Prevention Assessment |
| PRP | Plastic Recycling Project (USAID funded) |
| PV | Processed Vegetables |
| QAS | Quality Assurance System |
| RAPEX | EU rapid alert system for all dangerous consumer products |
| RCI | Regional Competitiveness Initiative |
| RCO | Regional Contracting Officer |
| RfP | Request for Proposal |
| RMI | Regional Market Information |
| SAPARD | Special Accession Programme for Agriculture and Rural Development |
| SEI | Sector for European Integration |
| SEMP | Sector Export Marketing Plan |
| SIDA | Swedish International Development Cooperation Agency |
| SIPPO | Swiss Import Promotion Program |
| SME | Small and Medium Enterprise |
| SNV | Nederlandse Vrijwilligers (Foundation Netherlands Volunteers) |
| SoW | Scope of Work |
| SPPA | Supplement Pollution Prevention Assessment |
| STTA | Short-term Technical Assistance |

| | |
|--------|--|
| SUAP | Safer Use Action Plan |
| SWOTOR | Strengths, Weaknesses, Opportunities, Threats, Objectives and Recommended (Activities) |
| TA | Technical Assistance |
| TAIEX | Technical Assistance and Information Exchange Instrument |
| UAR | United Agriproducers from Resen |
| UK | United Kingdom |
| US | United States |
| USG | United States Government |
| USAID | United States Agency for International Development |
| VAT | Value Added Tax |
| VIP | Very Important Person |
| VC | Value Chain |
| VCC | Value Chain Coordinator |
| WGP | Wild Gathered Products |
| WTO | World Trade Organization |

EXECUTIVE SUMMARY

Program Development: During the Quarter AgBiz provided USAID/Macedonia with significant input on the Mission's 2009 Operational Plan, submitted a Prioritized Agribusiness Policy and Institutional Reform Paper and held extensive discussions on the AgBiz Midterm Evaluation. Deputy Chief of Party Jeton Starova resigned to accept a management position in Mongolia and was replaced by Activities and Policy and Institutional Reform Manager Vasko Hadzievski. Twelve significant outreach events were completed during the Quarter and three Success Stories were released. Significant cooperation with other projects to leverage AgBiz resources included consultations with the BAS project regarding possible joint support for standards implementation, a USAID environmental procedures consultation with the Kosovo Private Enterprise Project, work with MCP regarding utilization of their EDA network - starting with an opportunity for exporting apples to India, fresh apples value chain development discussions with the USAID Albania Agribusiness Activity and the Dutch SNV project and an opportunities for cooperation discussion with the SIDA/MAASP project. At the GoM level we prepared an Agribusiness Objectives Paper for the Ministry of Foreign Affairs, had a brief Program review meeting with the new Minister of Agriculture and updated the MAFWE donor coordination web page monthly with AgBiz activities.

Value Chain Competitiveness Enhancement Activities: At the end of the Quarter there were five Activity Concepts "Under Review", three Activities had been internally approved and were in "Being Developed", eight Activities had been approved by USAID and were "Being Implemented" and twelve Activities were "Completed". Activities Being Implemented at the end of the Quarter were the ANUGA 2009 Trade Fair, a bi-monthly Market Information Newsletter for Each Value Chain, a Field Trial of Table Grape Production Techniques Learned in South Africa and California, the FruitLogistica 2010 Trade Fair, HACCP Implementation Support to WGP Consolidators, Pilot Regional Market Information Dissemination in Moja Zemja Magazine, an Assessment of "Grey Areas" in HACCP Implementation for WGPs and Cost-efficient Group GlobalGAP Implementation and Certification. Activities completed during the Quarter were Training in the Requirements for WGP Organic Certification, Establishing a Wild Gathered Food Processors' Association, the World Food Moscow Trade Fair, a Study Tour to Korca for Prespa Apple Participants, Training and STTA to Improve Post-Harvest Handling for Fresh Fruit and Vegetable Exports, the Tirana International Agriculture Trade Fair, Organic Certification Training in Russia, IPARD Training for Managers of Processed Fruits and Vegetables Companies, IPARD Training for Wineries, Grape Growers and Wine Tourism Companies, a Vertical Integration in Macedonian Agribusiness Assessment, a Horizontal Integration in the Macedonian Agribusiness Assessment and Development of SWOTORs for the Annual Work Plan Workshop. During the Quarter 71 companies, producer organizations and trade associations received assistance from Activities and 112 individuals received training. Twenty two new export customers were identified by Activity participants and more than \$1.5 million worth of initial orders were received as a result of completed Activities. The total cost of Activities completed during the Quarter was \$115,063 and the AgBiz direct cost was \$54,573, for an AgBiz cost share of 47%.

Export Focused, Business Expansion Projects: All 20 signed Projects progressed during the Quarter with no major implementation problems reported. However, slow payment of receivables and difficult access to finance delayed implementation of some Projects. Grantees made good progress on their Environmental Mitigations. Grant implementation procedures were closely monitored and conformed to, and Value Chain Coordinators met with the CoP to review the progress of each Project. Quarterly Progress Reports were received from all grantees, but with some delays. By the end of the Quarter AgBiz had contributed a total of \$381,673 to the twenty Projects, not including environment-related work, and grantees had contributed \$7,030,084. This represents 76% of the AgBiz agreed support and 129% of customers' reported contributions to Projects. One hundred and twenty five percent, or \$7.4 million, of total Project expenditures had been completed by the end of the Quarter. The higher percentage of expenditures than projected is due to the fact that Grantees invested more in fixed assets than projected in Grant Award Budgets. Assuming Projects currently being implemented achieve their initial projections, AgBiz quantitative Project indicators will include \$28.7 million in increased exports, \$14.6 million in increased raw material purchases, \$9.3 million in investments stimulated, 2,704 families benefited with additional income and 500 new jobs created. These are impressive results for an AgBiz/USAID investment of less than \$500,000.

Enhanced Access to Finance: Improved and detailed access to finance assistance was provided to three companies who then applied for \$672,530 in loans. In addition, presentations regarding access to finance were provided to more than 30 participants where we explained all relevant sources of financing, government programs and future IPARD possibilities, as well as the impact of the global financial crises on the Macedonian financial sector. As a result six individuals asked and received help in applying for loans. Together with Chief of the Credit Insurance Department of MBEP, we presented Export Insurance, its advantages and the possibility to use it as collateral to seven companies, and provided information regarding all other MBEP credit products and conditions, and Guaranty Fund possibilities. These companies then signed a Memorandum for Cooperation with MBEP and subsequently applied for MBEP Export Insurance. An additional three companies received information regarding available sources and types of finance, 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. Estimations of the impact of the global financial crises on the Macedonian financial sector, and how that may affect our customers' loan application process and approvals was developed for internal and USAID use. Changes in the loan approval procedures of the leading lending institutions were identified. To provide assistance to our customers and transfer IPARD knowledge, AgBiz staff attended comprehensive training sessions and gained advanced familiarity about the entire process of applying for and successfully accessing IPARD funds.

Policy and Institutional Reform: Policy and institutional reform (PIR) needs that were identified, prioritized and discussed with sources of reform during the Quarter included the Unclear Procedures for Acquiring Wine Export Documentation, Uncertainties Regarding the New Law on Forests and continued work on the Ban on Exports of Morchela Mushrooms. During the Quarter we developed an extensive Prioritized Agribusiness Policy and Institutional Reform Paper and advised the USAID Policy Reform Consultant on agribusiness-related PIR needs. During the Quarter AgBiz continued to work closely with the Sumski Plod Association to help its members understand the current provisions of, refine and develop proposals to be incorporated in the new Law on Forests that is very unclear on how it impacts WGs. The Prioritized Agribusiness Policy and Institutional Reform Paper developed for USAID included a description of PIR needs and recommendations for their resolution, including Uncoordinated GoM Approach to Competitiveness Enhancement of Agricultural Products, Weak Control over Seasonal Traders, Weak Coordination of and Support for Export Promotion of Agribusiness Products, Weaknesses in the MAFWE Direct Subsidies Scheme and Problems Associated with Multiple Food Safety Authorities.

Operational Challenges Encountered: Most of the external operational challenges previously reported remained in effect during the Quarter, including the lack of effective cooperation between producers and processors/marketers, weak GoM enforcement of HACCP implementation, slow development and limited clarity on IPARD application specifics and the global economic crisis resulting in weak export demand, slow receivables payment and difficult access to finance. Also, the absence of a developed and focused GoM-private sector partnership for export promotion makes it difficult for AgBiz to stimulate an integrated approach to export promotion. An internal challenge is the amount of Program funding available to support our customers and fully implement the value chain competitiveness enhancement Activities we need to accomplish over the LoP, especially during the current economic crisis when these Activities are so needed by customers.

Performance Indicators: Nearly all qualitative Program objectives were accomplished during the Quarter; however completion of ELSAs was delayed. The trend of overachieving quantitative indicators continued this Quarter in that all but two of the FY '09 indicators were exceeded by a large amount. The number of agricultural firms receiving assistance was achieved at a 78% level due to fewer agribusiness firms than anticipated being export qualified. Number of trade and business associations supported was under achieved due to the absence of viable trade associations in the value chains we support, and the longer than expected time required to develop new ones. Four AgBiz fresh fruit and vegetable value chain customers exhibiting at the World Food Moscow Trade Fair, and the participation of seven fresh fruit customers at the Tirana International Agriculture Trade Fair, resulted in nearly \$1.5 million worth of new orders. When the 22 new customers identified and the value of new orders received at these Activities are added to previous FY '09 achievements, both Number of New Customers (158) and Value of New Orders (\$3.8 million) exceeded our FY '09 annual projections. AgBiz contributed an average of 35% of the total direct cost of the Activities and Projects implemented during the Quarter, thus achieving very good resource leveraging.

I.0 FOURTH QUARTER ACCOMPLISHMENTS

I.1 PROGRAM DEVELOPMENT AND IMPLEMENTATION

This section describes Program development work not directly related to Project implementation, Activity development and implementation, Enhanced Access to Finance or Policy Reform.

I.1.1 USAID

AgBiz works intensively with the United States Agency for International Development (USAID) on all aspects of Program implementation. This section describes some of the more significant work with USAID that took place during the Quarter.

AgBiz Midterm Evaluation and Agribusiness Sector Assessment

In May and June of 2009 USAID contracted for EPICentur International to conduct a mid-term AgBiz Program Evaluation and an Agriculture Sector Assessment Review. AgBiz provided substantial input into the Evaluation and Review. Evaluation findings were released in July and were followed by several meetings between USAID and AgBiz managers to discuss Evaluation findings and their implications on the AgBiz FY'10 Annual Work Plan (AWP). Specific findings of the Evaluation included:

1. “The official AgBiz indicators and feedback received during the field research shows that the Program achieves its objectives successfully. The Program is widely known in the field, and all participants in the selected Value Chain (VCs) have indicated appreciation with its results.”
2. “The Program has numerous success stories, and the methodologies, knowledge and experience developed through its activities should be utilized for other support assistance for all other players in the VCs. These results should also be replicated on a national level through partnerships with relevant institutions and organizations that will become the legacy institutions after the completion of the Program.”
3. “The proposed follow-up activities should address the key issues which, to a great extent, are common for all VCs and can be grouped as: a) upgrade of the contract farming relations, b) support of the GlobalGAP and standardization processes, c) organization of replicable education models, d) support for association and Producer Organization (PO)s, e) preparation of common market strategies, f) support the creation of national origin and other branding activities, g) improvement of access to finance and Instrument for Pre-Accession Assistance for Rural Development (IPARD)”.
4. “All of the five supported VCs maintain great performance in terms of their measured indicators. However, the continuation of AgBiz Program support, due to the numerous proposed follow-up activities, should be more narrowly defined and focused in the future. This would mean eliminating activities already covered by other donors, and excluding VCs that are less likely to be improved in the timeframe of the Program, like the Wild Gathered Products (WGP) VC.”
5. “The general recommendations for the AgBiz Program cover five main groups:
 - a. **Focus of the Intervention** – Considering the available time and available financial and human resources, we recommend that the Project should continue supporting the Processed Vegetables (PV) VC, Bottled Wine VC, and Fresh Vegetables (FV) VC (table grapes included), which are listed according to their priority of importance as sectors with the highest potential for increased competitiveness and impact. The WGP VC and Apples VC should be gradually phased out, potentially leaving some sustainable structures behind;
 - b. **Improvement of Networking and Market Linkages** – The Program should consider increased involvement in the facilitation of links between primary producers and

processors, testing different models, and sharing the lessons learned from these activities;

- c. **Replication of the Successes & Better Information Dissemination** – The Program partners, as key stakeholders, should be crucial in the organization of efficient replication of successful models gained through Program activities; the dissemination of information and knowledge could be improved by active cooperation with Federation of Farmers of the Republic of Macedonia (FFRM), regular meetings with Government of Macedonia (GoM), study tours experience exchange, roundtables, etc.;
- d. **Identification of Policy Issues** – Even though it is considered a minor Program activity, it should continue identifying policy issues affecting the competitiveness of the VCs, and address these issues through joint activities with the key stakeholders and appropriate donor supported projects such as USAID’s Business Environment Activity (BEA); and
- e. **Synergies Among Donor Projects** – Improvement of the coordination among donor activities, identifying the complementary objectives, and overall planning support for the agricultural sector could lead to appropriate, effective and efficient use of funds and resources.”

Our Evaluation response, past efforts and how we will be incorporating the recommendation into our FY’10 plans were summarized for each recommendation. This was presented to and discussed with USAID. Since one of the objectives of the Evaluation and Review was to help USAID/Macedonia plan for future agriculture related programs, we developed a matrix that categorized into Short Term, Intermediate Term and Longer Term impact the specific actions in each of the types of Evaluation and Review recommendations. This matrix illustrates how most AgBiz plans are focused on having an impact within the remaining term of the Program, but some of our work is designed to start progress toward objectives where the impact should be felt beyond the current term of the program.

The development of these matrixes and discussion of them with USAID helped increase all parties understanding of the implications of the Evaluation and Review, and how the results will be used to optimize the AgBiz FY’10 AWP and to help USAID/Macedonia develop a new agribusiness development strategy.

Agribusiness Policy and Institutional Reform Input to USAID

DESCRIPTION In preparation for a Mission Policy and Institutional Reform (PIR) needs assessment, USAID asked AgBiz to suggest key PIR needs related to agriculture and suggest individuals that a TDYer could interview regarding PIR needs.

OBJECTIVE Prepare a listing of key PIR needs related to agribusiness and present same to USAID and the visiting consultant. Meet with the consultant to explain the PIR document and answer any questions he may have.

OUTCOME A document identifying and prioritizing key PIR needs was developed and communicated to USAID and the consultant. The document included suggestions for resolving several of the PIR needs. The Chief of Party (CoP) met with the consultant and discussed the AgBiz perspective on agribusiness-related PIR needs. The document is included in the 5.0 REPORTS PRODUCED DURING THE QUARTER section of this report (Appendix 5.2.10).

FOLLOW-UP None needed unless the consultant has further questions.

1.1.2 Staff Development

Optimizing relevant experience and skills of AgBiz staff is important for both the efficiency and effectiveness of our operations as well as for legacy purposes. This section describes staff development activities that took place during the Quarter.

New Activities and Policy and Institutional Reform Manager

Deputy Chief of Party (DCoP) Jeton Starova resigned to accept a management position in Mongolia and was replaced by Activities and Policy and Institutional Reform Manager Vasko Hadzievski who will be

responsible for managing all Activities and Cross-Cutting Initiatives and will have direct responsibility for Policy and Institutional Reform. Vasko started to work with AgBiz on 1 October.

1.1.3 Outreach

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

WGP VC, Shumski Plod Assn. & Extra Fungi Profiles in Moja Zemja

DESCRIPTION As a result of the successful Wild Gathered Products Media Tour organized last



Article in Moja Zemja, August edition.

Quarter, significant media coverage was generated in national electronic and print media. One of the lengthy articles published was a profile of the “Shumski Plod” Association represented by the Management Board President Mr. Toshe Kostadinov. AgBiz WGP Value Chain Coordinator and AgBiz customer Extra Fungi and its owner Sasko Antovski were also featured.

OBJECTIVE Present the achievements of AgBiz funded Projects to the general public. Communicate the very positive impact of the AgBiz Program on Macedonian agribusinesses. Increase the awareness of appreciation for USAID’s contributions to Macedonian economic growth.

OUTCOME The only agribusiness magazine in Macedonia published a one page article that emphasized AgBiz achievements in the Wild Gathered Products value chains by featuring positive examples from agribusinesses supported by AgBiz. These articles were shared with the respective customers and with the USAID Contracting Officer’s Technical Representative (COTR) and Development Outreach and Communication (DOC) as Press Clippings for

their information (for additional information see Appendix 5.1.1.2: “AgBiz Press Clippings for period of July-Sep 09”).

Articles in “Biznis” Daily “Kapital” and “Moja Zemja”

DESCRIPTION Other examples of positive coverage from the Wild Gathered Products Media Tour include the following titles: “Forest, the Opportunity for Existence” published in Kapital; “Want to Become Exporters of Organic Cosmetics” profiling AgBiz customer Flores in Kapital; and “Over 60,000 People Collect Wild Gathered Products” in Moja Zemja. Journalist from the daily newspaper “Biznis” published an article titled “Export Wine in Barique” as result of the Wine Market Information Newsletter.

OBJECTIVE Present AgBiz Program achievements to the general public. Communicate the very positive impact of the Program on Macedonian agribusinesses and increase the awareness of and appreciation for USAID’s contributions to Macedonian economic growth.

OUTCOME These three magazines – “Kapital”, “Biznis” and “Moja Zemja” are the most relevant business/agribusiness magazines published in Macedonia. These articles were shared with the respective customers and with our COTR and DOC as Press Clippings for their information (for additional information see Appendix 5.1.1.2: “AgBiz Press Clippings for period of July-Sep 09”).

“Day in the Life of the AgBiz CoP”

DESCRIPTION In compliance with USAID’s Development DOC strategy and recommendations of the DOC and Mission Director (MD) shared after completion of filming the USAID MD, a “*Day in the Life of the AgBiz CoP*” script was developed and shared with the DOC and MTV Macedonian National Television). This is part of a 2009 DOC office agreement with MTV. Filming AgBiz CoP was the first trial of all active USAID projects.

OBJECTIVE Help Macedonians better understand and get closer to American culture by featuring an American family living and working in Macedonia. Present their lifestyle, culture and views about Macedonia.

OUTCOME During this Quarter the second part of the filming was completed. This involved featuring the CoP working for USAID funded projects in Macedonia, discussing Macedonian traditional cuisine and sampling the Macedonian wine Vranec. The 10 minutes film will be presented in the next Quarter, most likely at the end of October, on MTV’s Morning Program (for additional information see Appendix 5.2.1: “The *Second Day with Jim Maxwell Script*”).

AgBiz Photos in the 2010 ARD Calendar

DESCRIPTION ARD Inc, Home Office (HO) identified the AgBiz Program as one of the ARD projects to be featured in its annual calendar.

OBJECTIVE The idea was communicated with all AgBiz staff members and each provided suggestions for the best picture to be used. The nominated pictures from Projects and Activities were provided to the HO and a picture of the harvesting machine provided to Agros 2004 in operation was chosen by the HO; and text for the caption was been provided by AgBiz.

FOLLOW UP Hard copy of the calendar will be provided to the Program office and to AgBiz staff after completion.

“Wines from Macedonia” Promotional Video

DESCRIPTION As a result of the successful cooperation between USAID/Macedonia and the MTV regarding the promotion of USAID activities, an Activity to promote “*Wines from Macedonia*” was initiated by MTV officials as being complementary to their objective of promoting wine as a Macedonian strategic export. “Wines from Macedonia” is the very first attempt of this kind to promote Macedonian wines. The “Wines from Macedonia” concept includes: selecting 10 wineries to be filmed; developing a common general scenario for filming the individual wineries; filming 10 - 20 minutes of video material for each of the wineries that includes informative, promotional and educational information; creating one 5 - 10 minute summarized presentation by compiling the ten individual films to include all the best promotional information from the 10 wineries. This will then be presented on MTV’s Satellite Program and made available for use by GoM representatives for promotional purposes.

OBJECTIVES Increase the positive awareness of quality Macedonian wines, promote individual brands and enhance the positive impression of Macedonian wines all over the world; ultimately to increase the export potential of individual wineries in the region and the world.

OUTCOME The Activity has been acknowledged as extremely important not just by the wineries, but also from the point of view of AgBiz Wine Value Chain development. An Memoranda of Understanding (MoU) with MTV, AgBiz and USAID has been developed, the scenario and the questionnaires have been drafted and all will be finalized or/and signed at the beginning of the next Quarter, prior to on site filming.

1.1.4 Cooperation with Other Projects and Entities

To have an optimal impact on export competitiveness and sustainable economic growth, AgBiz must leverage its support to customers. One of the better ways to achieve this is by cooperating 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.

Agribusiness Objectives Paper for the Ministry for Foreign Affairs

Lidija Chadikovska of Ministry of Agriculture, Forestry and Water Economy (MAFWE) asked AgBiz to provide insights into a vision of potential United States Government (USG) continuous assistance in the development of Macedonian agriculture and agribusiness for use, along other inputs, by the Ministry for Foreign Affairs to prepare for a visit to the US by Minister Miloshovski. AgBiz provided MAFWE with our thoughts and suggestions. The Ministry expressed its appreciation.

BAS Program Support to Standards Implementation

DESCRIPTION: The Macedonia Business Advisory Service (BAS) Program has the objective of increasing the availability of consultancy services provided by Business Service Providers (BSP), including food safety, through cost sharing of expenses for consultancy services provided to Macedonian companies.

OBJECTIVE: AgBiz also supports local consultant work so during the Quarter a coordination meeting was organized with BAS.

OUTCOME: AgBiz is interested in providing export focused competitiveness enhancement support to agribusinesses, often via local consultants. BAS support to companies via local consultants should be available to agribusinesses. Therefore, interesting possibilities for cooperation are present. However, BAS is currently without funds for providing local consultant support and is waiting for the next round of financial support from their donors, so possible joint activities will be discussed after these support funds are available.

FOLLOW-UP: Check on the availability of support funds from BAS and discuss possible joint activities when they have funds available. In the meantime, liaise with BAS regarding any agribusiness customers they have and cannot support.

Environmental Procedures Discussion with the Kosovo Private Enterprise Program

DESCRIPTION To present the AgBiz environmental program and experience gained working with local consultant companies and recommend list of Macedonian consulting companies AgBiz staff held a meeting with Kosovo project managers.

OBJECTIVE As per a recommendation provided by the USAID Bureau Environmental Officer (BEO), the Kosovo Private Enterprise Program DCoP and Environmental Specialist contacted AgBiz to understand management of USAID's environmental impact assessments and identify Macedonian firms that can successfully provide environmental services to the Kosovo Private Enterprise Program.

OUTCOME At a meeting held in the AgBiz office we presented and discussed the Initial Environmental Assessment (IEA), the process of developing an Environmental Due Diligence (EDD)/Pollution Prevention Assessment (PPA) Checklist and the field performance of the three local consulting companies and international expert utilized to develop our environment-related deliverables such as the Summary Report, the EDD/PPA Checklist and the approval process. The Pesticide Evaluation Report & Safer Use Action Plan (PERSUAP) and the number of other environmental mitigation measures such the Cleaner Production Assessment (CPA), a Safer Use Action Plan (SUAP) and an Asbestos Health & Safety Plan (AH&SP) were also discussed. Contact information for the three consulting companies we utilized for environmental work (B2; Enviro-L and Point Pro) were presented to our colleagues as sources of experience and knowledge to help build the capacity of Kosovo firms to provide similar services.

MCP Cooperation on Export Opportunities for Agribusiness Products

DESCRIPTION The Macedonia Competitiveness Project (MCP) and AgBiz have launched an activity to cooperatively investigate and implement agreed pilot activities regarding how the two USAID-supported projects can effectively and efficiently work together to synergize their efforts at agribusiness related Foreign Direct Investment (FDI) attraction and export development. MCP will screen agribusiness related prospects from their Economic Development Agent (EDAs) and AgBiz will provide MCP the requested basic information, including an opinion regarding the preliminary viability and level of potential partner interest regarding the proposed investment. MCP will lead any additional work associated with development of the potential FDI, and AgBiz will provide contacts and introductions for approved prospects when requested. AgBiz support to MCP for an approved agribusiness-related FDI

prospect will be outlined in a brief MoU for that specific prospect, delineating the expected Level of Effort (LoE), specific responsibilities and costs to be incurred by AgBiz. If and when AgBiz identifies a bottleneck or impediment that presents a business opportunity in one of the value chains that AgBiz supports, and AgBiz assesses that a potential FDI of any sort (Greenfield, Brownfield, Strategic Partnership) can provide a solution, it will provide MCP with a one page description on the opportunity. The MCP will distribute this information to the network of EDAs in search of a potential investor. The same procedure will be followed in the event that AgBiz identifies a company that is open to investment of any sort. AgBiz will provide, through MCP, the selected pilot market EDAs with reasonably detailed information regarding the products available from Macedonian agribusiness exporters for the selected product lines. MCP will send AgBiz information on export prospects identified by the pilot EDAs. AgBiz will screen the EDAs' prospects and collect the information needed to respond to the prospect from AgBiz customers, after internally qualifying each prospect. AgBiz will provide MCP the requested basic information, including an opinion regarding the preliminary viability and level of potential exporter interest regarding the export prospect. AgBiz will identify two pilot markets (most likely Russia and the UK) and a product line for each (most likely bottled wine and processed vegetables) to use as test markets. If MCPs EDA can contribute to this effort in identifying potential prospects and assist the organization of Business-2-Business (B2Bs), they will engage. Both MCP and AgBiz will report to USAID successful export development and FDI accomplishments related to agribusiness.

OBJECTIVES Better enable agribusinesses to understand, identify and enter new export markets for agriculture-based products; Increase producers' and processors' capacity to understand and meet market demand for added food products; Enhance market linkages between producers, processors, and traders; Improve business management and operations throughout well integrated agribusiness value chains; and Produce greater incomes for agricultural producers and processors, and create new employment opportunities.

OUTCOMES One pilot project has already started. Samples of apples from Prespa will be sent to India as a trial. And, there may be potential for FDI into apple processing.

FOLLOW-UP/RECOMMENDATIONS AgBiz and MCP will follow up on the possible apple exports to India and/or possible FDI in a cooling and packing facility in the Prespa area by India companies. AgBiz will also identify two or three specific product lines and two markets to do proactive export development testing with the MCP EDAs.

USAID/Peace Corps Suggestions for an Agribusinesses Volunteer

DESCRIPTION The Peace Corps, via USID requested suggestions for Volunteers to could be recruited for specific assignments in Macedonia. USAID requested suggestions from AgBiz.

OBJECTIVE Provide the Peace Corps with suggestions for situations where Volunteers could be assigned that would be indirectly in support of AgBiz objectives.

OUTCOME AgBiz provided several suggestions to the Peace Corps. However, the Peace Corps recruiter replied that they do not normally recruit Volunteers for agribusiness-related assignments.

FOLLOW-UP None needed.

Fresh Apples Information and Experience Exchange with SNV Albania

DESCRIPTION During the Tirana Agricultural Trade Fair an AgBiz staff member had a meeting with Nederlandse Vrijwilligers [Foundation Netherlands Volunteers (SNV)] Albania Project staff. AgBiz experience regarding developing the Access to Finance Manual was shared with SNV Albania Project staff and they were given guidelines for developing a Financial Manual and promoting it. Macedonian experience regarding developing loan application, guiding companies through the application process, collateralizing loans and solving collateral issues and exploring new, alternative sources of finance was also discussed. The possibility of exporting Macedonian second grade apples for industrial purpose in Albania was investigated. Information was exchanged regarding the apple sector in Macedonia and in Albania.

OBJECTIVES Increase exports of Macedonian apples to Albania; pursue the possibility of a new market for second grade apples that are currently exported just to Serbia; sharing experience in improving the capacity of apple production; and increase SNV Project staff understanding of developing, promoting and using a Financial Manual.

OUTCOMES We exchanged our Macedonia and Albania Apple Sector Profiles, and a Macedonian exporter and an Albanian importer exchanged contact information and will investigate the possibility of organizing the collection and export of second grade apples.

FOLLOW-UP/RECOMMENDATIONS AgBiz staff will follow up on the possibility of apple exports to Albania.

Opportunities for Cooperation with the MAASP Project

DESCRIPTION The Swedish International Development Cooperation Agency (SIDA) funded Macedonian Agricultural Advisory Services Project (MAASP) is in its sixth year or second phase of implementation. The main goal of MAASP is to improve access of the Agricultural Advisory Services to farmers and other related players. In addition to intensive work with MAFWE on policy reform, direct assistance for IPARD facility development and reforming the National Extension Agency (NEA), the project utilizes a value chain approach, which is also the AgBiz methodology.

OBJECTIVE Develop a closer relationship with MAASP to identify the possibilities for enhanced cooperation with local and central government structures such as NEA that have the potential to influence early links in the value chains AgBiz supports, and thus help improve the weak linkages among different Value Chain (VC) players, especially between producers and processors/marketers. Cooperate with MAASP to enhance the AgBiz understanding of EU Common Agricultural Policy (CAP) and its direct implications to Macedonian agriculture and rural development, and the government's approach to agricultural policy and institutional reform as a short and medium term condition for EU agriculture-related harmonization.

OUTCOME An introduction meeting was held with MAASP management to assess how to exchange experience and information that would lead to improved relationships and procedures between the major players in AgBiz value chains, and also to gain quicker access to MAFWE structures for addressing AgBiz identified PIR needs.

FOLLOW-UP AgBiz and MASSP will meet again early in the next quarter to develop a specific cooperation plan.

Meeting with the Minister of MAFWE

DESCRIPTION The first short meeting with the new MAFWE Minister, Mr. Ljupco Dimovski, was utilized to overview the AgBiz Program, address the possibility of AgBiz contributing to the marketing component of the Wine and Viticulture Strategy currently being developed by MAFWE and to assist MAFWE to get private sector wineries' input into the draft Strategy.

OUTCOME The Minister agreed with the idea, particularly because of the need to enhance the marketing component linked specifically to export competitiveness enhancement of bottled wine. The Minister also conveyed his readiness to support AgBiz to invest resources and time into assisting the Ministry to get private sector input on the Strategy.

FOLLOW-UP Soon after the meeting with the Minister, AgBiz staff held an operational level meeting with the Deputy Minister who is responsible for managing the development of the Wine and Viticulture Strategy. The draft version of Strategy will be sent to AgBiz for review and to develop a plan for achieving private sector input after the GoM approves the Strategy.

I.1.5 OTHER

FY '10 Annual Work Plan Workshop

The FY '10 planning process started with the USAID/Macedonia discussions about the AgBiz Evaluation described in the previous section. The results and implications of these discussions with USAID were incorporated into planning for the AWP Workshop that was held between the 9th and 11th of September. At the workshop the priority of AgBiz objectives was reviewed, progress on achieving the objectives was assessed and input from the Evaluation and USAID discussions of the Evaluation were taken into account.

During the Workshop a Strengths, Weaknesses, Opportunities, Threats, Objectives and Recommended Activities (SWOTOR) assessment was presented for each Area of Focus (AoF). Special presentations on Vertical (later Backward) Linkages and Horizontal (later Association Development) Linkages were

presented by Macedonian consulting companies sub-contracted to do special assessments of these two AoFs as described below. The objectives and especially the proposed Activities for each AoF were discussed by Team AgBiz. Proposed Activities were then regrouped to optimize the homogeneity of the AoFs and roughly prioritized within each AoF. USAID managers participated in the opening and closing sessions of the Workshop and provided their input into Annual Work Plan preparation.



An important part of the FY '10 planning process was determining how to allocate scarce AgBiz resources among the ten AoFs to achieve an optimal return on USAID resources. The starting point of this process was to develop a reasonable resources allocation model, then use it to assess several different approaches to the “focus” recommendation in the Evaluation, and USAID’s concurrence with the recommendation. The next step was to estimate the value of Activity funds available for FY '10. This is a complicated process, and good available funds information was not available until after the close of FY'09. The underlying principle for determining the Activity budget for FY '10 was to “squeeze” all other budget categories to optimize the

Activities budget. The available new Activities budget for FY '10 was determined to be around \$217,000, and that was used in the Activities budget allocation model.

After considerable assessment and review of the alternatives of supporting five, four and three value chains using the allocation model, the approach using three value chains was selected as described above.

Once the Activities budget available for each AoF was known, the Team categorized proposed Activities into three groupings under each AoF. The categories are: High Priority – will be included as an FY '10 Activity utilizing the allocated FY '10 Activities budget for that AoF; Priority – an important Activity, but one for which there is not sufficient funds; and Lower Priority – a good activity, but of lesser importance than those above it.

The results of the AWP workshop were incorporated into the AgBiz AWP submitted to USAID/Macedonia.

Subcontract with MAP for Processed Vegetables VC Coordination

To support the importance and sustainability of trade associations, and as a legacy institution starting on 1 October we will sub-contract with the Macedonia Association of Processors (MAP) to be responsible for coordinating AgBiz support for the Processed Vegetables value chain. This means an association that has managed to form themselves and sustain their presence is “rewarded” with a significant source of revenue and responsibility for helping its members effectively utilize AgBiz support. It is anticipated that this will also enable MAP to expand its membership and become a model or example for the other fledging or “thinking about it” trade associations AgBiz supports or wants to develop.

1.2 STRUCTURE OF THE QUARTERLY REPORT

1.2.1 Organization

The following six sections present Program work and results from the perspective each of the value chains AgBiz was supporting during the Quarter. Value chain work is presented in a comprehensive format, i.e., value chain development, Activities and Projects are presented in an integrated section. These single value chain presentations are preceded with a section on cross-cutting activities, i.e., Activities that relate to more than one value chain. This structure makes it easy to understand the range of work that took place during the Quarter in each value chain. Each individual value chain section was authored by the relevant Value Chain Coordinator (VCC) and the Cross-Cutting Activities section by the Activities Coordinator.

1.2.2 Definitions

Each of the following sections presents Activities and Projects in the stage of development they were in at the end of the Quarter. The definition of these stages of development used for all Activities and Projects is shown below and are not repeated within each section.

FURTHER REVIEW Activities that were being considered at the end of the Quarter, but implementation arrangements had not been developed, nor had USAID approval of the potential Activity been requested.

UNDER DEVELOPMENT Activities that were being developed at the end of the Quarter, but implementation had not started. These Activities have been approved by USAID, and Agreements with partners and participants were being developed but have not been signed. Total Cost and AgBiz Share Projections are shown when available.

BEING IMPLEMENTED Activities/Projects that were underway at the end of the Quarter. These Activities had been approved by USAID, agreements with partners [Letter of Intent (LoI)] and participants MoU had been negotiated and/or sub-contracts signed with service providers. The projected direct cost and cost sharing are shown for each.

COMPLETED Activities/Projects that were completed during the Quarter. The direct cost and AgBiz cost share are shown for each.

ON HOLD OR DROPPED Activities that were considered but not pursued during the Quarter. The reason they were dropped is noted.

An **ACTIVITY** is a value chain competitiveness enhancement event that is designed for multiple customers in one or more value chains and includes trade fairs, study tours, Human Capacity (HR) capacity enhancement/training, value chain profiles, assessments, policy reform evaluations and B2B meetings. AgBiz usually supports Activities by direct payments to service providers.

An **ELSA** or Expedited Local Short-term Assistance is used to support customers to implement short term technical assistance activities that have the objective of enhancing the customer's export competitiveness. ELSAs are developed and implemented by the customer utilizing USAID procurement requirements. AgBiz support is provided via a three party agreement with the customer and the selected services provider whereby the customer and AgBiz direct pay the service provider upon successful completion of the work. The maximum value of AgBiz support to an ELSA is \$4,000.

A **PROJECT** is a set of business expansion interventions jointly funded by a single customer and AgBiz designed to increase the competitiveness and export sales of the customer. Typical Project expenditures are to construct new facilities or buy new equipment, to design new packaging or brochures, to enter a new market via paying for slotting allowances, in-store demos or advertizing or promotion programs, or to provide technical assistance. AgBiz contributions to a project are supplied via a grant.

I.3 CROSS-CUTTING ACTIVITIES

The following section describes the cross-cutting value chain competitiveness enhancement Activities AgBiz worked on during the Quarter. These are Activities designed to enhance the competitiveness of more than one AgBiz supported value chain. This type of activity is an important FY '10 Area of Focus for AgBiz.

I.3.1 Competitiveness Enhancement Activities

Further Review

Regional Fresh Vegetables and Fruits Conference

DESCRIPTION As part of AgBiz work to provide technical assistance to our fresh produce customers in export competitiveness enhancement we support marketing capacity enhancement Activities in post harvest handling, grading and packaging as well as in food safety assurance. AgBiz is also supporting several business expansion Projects in the fresh vegetables and table grapes value chains that have the objective of improving post harvest handling physical facilities and technologies. This post harvest technical transformation needs to be supported by local and regional technology development and transfer capacity enhancement. Therefore, a workshop involving regional academics presenting the results of the post harvest handling work is consistent with AgBiz objectives.

OBJECTIVE Improve the capacity of Macedonian fresh produce operators to adopt and utilize more productive, cost efficient and quality improving post harvest technologies for fresh produce and thereby enhance the export competitiveness of fresh vegetable and fruit products.

ANTICIPATED OUTCOME Macedonian agribusinesses participating in the production, consolidation and export products from AgBiz supported fresh produce value chains will be the main beneficiaries of this Activity to be held on the 9th and 10th of November 2009 in Strumica.

EXPECTED RESULTS At least 50 companies, consultants and farmers will be trained in optimal post harvest handling of fresh produce. All Macedonian fresh produce exporters attending the workshop will complete a sign-in sheet and an Activity Evaluation form.

ANTICIPATED COST Total Cost \$24,159; AgBiz Cost \$2,480 or 10%

PLANNED FOLLOW UP AgBiz will develop a series of other activities to further stimulate the adoption of improved post harvest handling practices for fresh produce such as study tours to Croatia or Bulgaria to observe appropriate technologies in a fresh produce post harvest handling, local and international Technical Assistance (TA) in cold chain design and management, and follow up Short-term Technical Assistance (STTA) on the application of comprehensive post harvest plans for the more advanced AgBiz customers.

Under Development

No Activity Concept was Under Development at the end of the Quarter.

Being Implemented

Regional Agribusiness Market Information with FFRM's "Moja Zemja"

DESCRIPTION Moja Zemja is the only specialized agriculture magazine in Macedonia that publishes monthly information relevant to farmers and agribusinesses. Subscribers to this magazine are mostly farmers and farmers' associations, and a small number of agribusinesses. AgBiz signed a MoU with Moja Zemja to collaborate on publishing three additional pages with relevant Regional Market Information (RMI) for a trial pilot period of six months.

OBJECTIVE Enhance, increase and make more useful the Commodity Exchange/Stock Exchange Information in Moja Zemja and position it as a relevant, sustainable and useful source of regional market information for readers; provide relevant, useful, accurate and up-to-date Regional Market Information (RMI) to owners and managers of agribusiness Small and Medium Enterprises (SMEs) from AgBiz supported value chains; and build a sustainable agribusiness information product within the Moja Zemja publication as a legacy service.

OUTCOME Through AgBiz with Moja Zemja collaboration, the content of the magazine has been expanded to include additional RMI coverage. This represents a win-win situation where AgBiz can disseminate relevant RMI to customers, using Moja Zemja's logistics and distribution channel, and Moja Zemja will increase its content and diversify its customer base. To date six significantly expanded RMI sections in Moja Zemja have been published. The first was distributed to 104 AgBiz customers free of charge as a means of stimulating agribusiness managers' interest, and to encourage them to become subscribers. As an early result, 12 AgBiz customers have subscribed to Moja Zemja. After six months of cooperation a total of 17 new AgBiz customers have subscribed, whereas 12 additional companies and institutions have advertised their goods and services in Moja Zemja. In addition to the RMI section, AgBiz has published relevant, usually Program-specific, information that complements other information in Moja Zemja. This practice is of interest of both parties as AgBiz is able to disseminate relevant Program information to a wider public, and Moja Zemja is able to enrich their magazine with highly relevant information for readers. Starting in September, MAFWE has become the third partner in the RMI, through publication of price information of agriculture commodities in Macedonia (for more details, see Appendix 5.2.4: "Regional Market Information AgBiz Activity Report").

FOLLOW-UP After an internal review it was decided that cooperation with Moja Zemja to publish relevant regional agriculture information will continue, as it is currently the only sustainable way to provide this type of information to the agribusinesses. AgBiz and FFRM will therefore sign an MoU for publishing the RMI for the next 11 months. With the new MoU, FFRM has agreed for a 50% reduction in the previous price to provide the same services to AgBiz.

COST Total Cost: \$9,035; AgBiz Share: 87%.

Bi-Monthly VC Market Information Newsletters

Wine and WGP VCs' Market Information Newsletters

DESCRIPTION To enhance customers' interest in and appreciation of market information, and broaden our customer and stakeholder coverage, during the Quarter we initiated a Value Chain Newsletter pilot program with the objective of publishing a semi-monthly "Market Information Newsletter" from each VCC to their entire potential customer base. The Newsletter will contain market and competitiveness enhancement focused information and graphics/pictures.



Cover Page of the WGP Market



Cover Page of the Wine Market Information Newsletter.

OBJECTIVES Develop a two to three page overview of export markets and competitiveness enhancement information that current and potential customers in each of the AgBiz value chains would find useful, as well as USAID, various GoM officials, the Agribusiness Chamber of Commerce (CoC), FFRM, Other Donors would also find of interest.

OUTCOME During the Quarter, two Value Chain Market Information Newsletters were completed. The first pilot Newsletter presented market trends for the Wine Value Chain participants and the second for Wild Gathered Products current and potential customers. The Newsletters were distributed to over 370 recipients including the USAID Mission and its projects in Macedonia, MAFWE, MoE, the Regional Competitive Initiative, partner projects, participants in the two value chains, FFRM, MAP, Business Service Providers, University Academics and the media. Distribution was via e-mail, and the Newsletters were posted on the AgBiz website (for more details see Appendices 5.1.1.1.1 and 5.1.1.1.2: “USAID’s Agbiz Wine Market Information Newsletter” and “USAID’s AgBiz WGP Market Information Newsletter”, respectively).

FOLLOW UP In the next Quarter the Fresh Fruits and Vegetables Market Information Newsletter will be completed. Printed copies of the first three Value Chain Newsletters will be provided and distributed to selective groups of recipients.

Completed

IPARD Training for Wineries, Grape Growers and Wine Tourism Companies

DESCRIPTION The AgBiz Capacity Enhancement Needs Assessment (CENA) conducted in 2008 clearly recognized the need of organizing EU funds related session, especially “How to Design Proposals, Apply for and Manage IPARD funds”. Based on this, AgBiz developed the scope and engaged a Vendor to provide separate training sessions for processed Vegetables VC and for wine VC managers and consultants. Training for the wine VC participants provided wineries and grape producing company managers and potential IPARD consultants with up-to-date and comprehensive knowledge regarding the procedures and parameters for successfully applying for IPARD funding.

OBJECTIVES The objective of the two-day IPARD Training for Managers of Wineries and Grape Producing Companies as well as consultants who have an interest in supporting wineries and grape producing companies to successfully develop and implement IPARD-supported projects was to increase their capacity to understand and utilize IPARD benefits when they become available.

RESULTS The training took place on August 6 and 7 in Skopje.

Twenty two managers of wine and table grape production companies and consultants involved in that sector increased their capacity to understand the overall IPARD program, the roles and responsibilities of national and EU institutions, and to utilize IPARD benefits when they become available. The training also enabled participants to:

- gain an in depth understanding of the three measures that are of interest to the sector and updated materials and procedures relevant to IPARD scheme for the companies and consultants;
- understand the eligibility criteria, criteria that Payment Agency staff will be using to evaluate and select applications for support, as well as reimbursement schemes;
- become familiar with the guiding documents, technical criteria and food safety and environment requirements needed for successful applications;
- understand the business plan model, and the format and key elements needed for proper completion of the a plan; and
- identify the potential gaps and shortcomings that currently exist and learn to start their preparations soon enough so that once the call for proposals is announced, they are able to apply with completed applications, as requested



PHOTO CREDIT: AGBIZ STAFF

Wine and table grape production companies and consultants increase their capacity to understand the overall IPARD program.

(For more details, see Appendix 5.2.3: “*AgBiz Activity Report IPARD Wine Training*”).

COST Total Cost: \$ 5,328; AgBiz Share: \$ 2,353 or 44%

FOLLOW-UP AgBiz recorded comments obtained from participants regarding further clarification of the issues related to eligible and non-eligible costs, specific requirements and project identification. AgBiz will monitor the IPARD finalization process and if needed will prepare a written request that will be sent to the Payment Agency and the Ministry of Agriculture to delineate companies’ concerns that need to be taken into consideration before the IPARD call for applications takes place.

IPARD Training for Managers of Processed Vegetables Companies

DESCRIPTION A workshop was provided to increase the capacity of managers in the Processed Vegetables Value Chain to understand and utilize IPARD benefits when they become available. To help companies successfully apply for IPARD support, greater awareness of IPARD measures, and an increased capacity of potential IPARD beneficiaries and their consultants must be achieved.

OBJECTIVE Help customers in the Processed Vegetables Value Chains better understand the eligibility criteria, procedures and kind of projects that can qualify for IPARD funding, and increase the capacity of managers to utilize IPARD benefits when they become available. The workshop was organized in partnership with the Macedonian Association of Processors. In addition to AgBiz customers, several local consultants participated on the workshop. Highly relevant workshop sessions provided company managers and potential IPARD consultants with comprehensive and up-to-date knowledge on the measures, business plan model, guiding documents, technical criteria and the food safety and environment requirements needed for successful IPARD applications. This helped participants understand the process, the role and responsibilities of participants, types of investments, eligible and non-eligible costs, financing of investments, reimbursement and project evaluation criteria.



PHOTO CREDIT: AGBIZ SATFF

Participants gaining an in depth understanding of the two (101 and 103) measures of interest to the processed vegetables sector.

OUTCOME 25 participants from vegetable processing companies and their consultants attended a two-day intensive workshop on “How to Design Proposals, Apply for and Manage IPARD Funds”. This will help them to be ready for the application call and to submit applications that have a good chance to succeed. Managers and consultants involved in the value chain increased their capacity to understand the overall program, roles and responsibilities of national and EU institutions, and to utilize IPARD benefits when they become available. The participants gained an in depth understanding of the two (101 and 103) measures of interest to the sector, were provided updated materials and procedures relevant to IPARD.

Participants now understand the eligibility criteria, criteria that Payment Agency staff will use to evaluate and select applications for support, as well as reimbursement schemes. Participants got familiar with guiding documents, technical criteria and food safety and environment requirements needed for successful application. Participants now understand the business plan model, the format and key elements need for proper completion of the plan (for more details, see Appendix 5.2.2: “*AgBiz Activity Report IPARD PV Training*”).

FOLLOW-UP Participants identified the potential gaps and shortcomings that currently exist and learned to start application preparation soon so once the call for proposals is announced, they can quickly apply with properly completed applications. Based on participants’ requests for further clarification of issues related to eligible and non-eligible costs, specific requirements and project identification, MAP will prepare a written request that will be sent to the Payment Agency and the Ministry of Agriculture. The purpose of the request will be to specify the issues that need to be resolved and encourage the two entities to take them into consideration during the finalization process.

COST Total Cost: \$3,772; AgBiz Cost \$ 1,514 or 40%.

International Expert in Fresh Produce Post-Harvest Handling

DESCRIPTION As part of our ongoing work to provide our fresh produce customers technical assistance for value chain export enhancement, AgBiz conducted an assessment and prioritization of technical and capacity enhancement needs of Macedonian fresh produce operators. The objective was to better understand the sectors' needs, and to plan Activities to address the highest priority needs. This resulted in a strategy for conducting related TA and capacity enhancement Activities over the LoP. Some of the planned actions were implemented in FY'08 and '09, mostly as related to identified needs in export marketing capacity enhancement and food safety assurance. Also, during FY '08 and '09 AgBiz supported several business expansion projects implemented by individual companies in the fresh vegetables and table grapes value chains that had the objective of improving post harvest handling physical facilities and technologies.

OBJECTIVE Improve the capacity of Macedonian fresh produce operators to adopt and utilize more productive, cost efficient and quality improving post harvest technologies for fresh produce that has good export potential by implementing a series of technical assistance interventions and training.

OUTCOME During the Quarter AgBiz developed an updated strategy for addressing the post harvest handling capacity enhancement needs of participants in our fresh produce value chains. An Activity Description and a Scope of Work (SoW) for an international consultant to conduct training and follow-up technical assistance interventions with several fresh produce operators was developed, and identification of a well qualified international consultant commenced.

RESULTS During his two week assignment international expert Dr. David Picha visited 15 of the largest exporters of Macedonian fresh produce. Each AgBiz customer received onsite technical assistance for improving their post harvest handling. After this intensive field work, a one day, highly technical training workshop on "How to Improve Fresh Fruit and Vegetable Post-Harvest Handling for Export" was organized by AgBiz and attended by 11 representatives of six companies. After the workshop intensive on-site individual technical assistance was provided to five SMEs involved in consolidation and marketing of fresh produce to help them develop post harvest handling improvement plans and adopt modern management practices and new technologies. Therefore, a total of 26 owners and managers of Macedonian fresh produce SMEs were trained in improved post harvest handling technologies. The export competitiveness of ten Macedonian SMEs was enhanced as a result of the training and STTA they received (for more details, see Appendix 5.2.5: "*Macedonia AgBiz Postharvest Horticulture Report*").

COST Total Cost \$16,342; AgBiz Share 98%

FOLLOW UP Macedonian fresh produce companies have become more aware and knowledgeable about harvesting techniques, steps for preparing fresh products for market, cooling and storing, humidity, efficient operations and standards and conditions for pack houses. Many of the techniques Dr. Picha transferred to customers will be implemented at a very modest cost and involved enhanced management practices. Macedonian fresh produce marketers better understand how to handle fresh produce and minimize produce quality deterioration through such low cost techniques as proper storage temperature and humidity control and effective use of sulfur. AgBiz is planning a series of follow-up events to further develop the post harvest handling capabilities of our customers. The first such event will be cooperation with the Cyril and Methodius University's Faculty of Agriculture to support for their Second Regional Post Harvest Handling Conference.

Vertical and Horizontal Linkages Assessments and SWOTORs

Special assessments on Vertical (later Backward) Linkages and Horizontal (later Association Development) Linkages were presented by Macedonian consulting companies sub-contracted to do detailed assessments of these two Areas of Focus.

Vertical Linkages

DESCRIPTION After the transformation of the Macedonian political system and establishment of independent state in the early '90s with subsequent transformation of the economic and political systems of the country, significant changes occurred. This was especially significant in agriculture because of the transformation of Agricultural Kombinats, these established systems of vertical integration between small farmers and agribusiness did not exist anymore. In the subsequent 20 years of independence, there were many efforts to establish vertical integration links in all VCs, some more successful than the others. But today there is still not an established system of vertical integration that will satisfy the needs of the small farmers and the requirements of integrators (processors or traders). The lack of Vertical Integration

models has been identified as one of the biggest obstacles to achieving stable growth and the development of VC participants.

OBJECTIVES Provide a significant body of information and useful insights to help AgBiz develop Activities that will enhance the number, effectiveness and sustainability of vertical linkages in the supported value chains.

RESULTS Recommendations from the assessment were:

- Create operational links with other donor or governmental initiatives for supporting of vertical linkages enhancement;
- Develop a pilot demonstration model for a backward linkages system that will enable future formal links between the producers/POs and buyers/exporters;
- Improve the knowledge and awareness of the need to create vertical links between producers and buyers/exporters;
- Develop better communications and transfer of field information to policy makers for changing the approach to agricultural support policies related to the development of vertical linkages; and
- Improve the visibility of the Program among primary sector players.

(For more details, see Appendix 5.2.7: “*Vertical Linkages Report*”).

COST Total Cost: \$3,572; AgBiz Share 100%

FOLLOW-UP The output from this assessment was used in the AWP Planning Workshop, and will be utilized during FY '10 to implement many of the recommendations in this high priority Area of Focus.

Horizontal Linkages

DESCRIPTION Many of the agriculture and agribusiness focused donor funded development activities and GoM programs implemented in Macedonia have provided support for improving horizontal linkages, i.e., establishment and institutional support of trade associations as legacy institutions. Enhanced horizontal linkages and strengthening of the trade associations are viewed as tools for the sustainable development of value chains. Without strong horizontal cooperation among VC stakeholders, VC participants cannot impact policies and practices, i.e., support policies, legislation and actions on issues directly linked to development of the VC. Slow and unnecessary bureaucratic procedures are still a significant impediment to the competitiveness of the VCs, and the lobbying power in most of the VCs is still underdeveloped.

OBJECTIVES Collect, analyze and report information related to on-going and past experience in the organization and support of horizontal linkages in Macedonian agriculture and agribusiness with a special emphasis on the VCs that are of priority interest to AgBiz. Assist the AgBiz team to design future activities to effectively support the establishment and strengthening of horizontal linkages in the supported value chains.

RESULTS Recommendations from this assessment were:

- AgBiz should focus on improving horizontal linkages through promoting and supporting trade association;
- A bottom up approach should be utilized to achieve the maximum positive impact;
- Member ownership is one of the main prerequisites for the successful functioning and longevity of an association. Agbiz should only support associations with serious full membership ownership, and should continuously emphasize the importance of ownership so association members clearly understand the role and intentions of the Program;
- Support activities will vary according to the maturity of the supported association. Support to newly established entities should primarily focus on development and adoption of good management and organization practices, while support to more developed associations should include income generating services, intense lobbying, experience exchange initiatives, etc.;
- AgBiz VC coordinators should meet with core members from the respective VCs who are interested in establishing new associations to evaluate their readiness and commitment and, based on this initial assessment, propose specific types of support. For other associations, VC Coordinators should meet with the Management Board of the association and then draft an association support program. Support should be made official by signing appropriate MoUs;
- MAP should be made responsible for processed vegetables VC activities, including overall coordination and management of all technical and financial aspects, under AgBiz supervision;

- AgBiz support to association members for export promotion activities should be used by the associations as a very powerful tool for attracting new association members and generating additional income;
- Cooperation with other donor funded programs related to improving horizontal linkages should be developed and supported by VC coordinators; and
- Support to associations should be continuous and for an extended period of time (12 months minimum) for capacity building and strengthening the association to be a professionally planned and implemented and sustainable entity.

(For more details, see Appendix 5.2.6: “*Horizontal Linkages Report*”).

COST Total Cost: \$3,572; AgBiz Share 100%

FOLLOW-UP The output from this assessment was used in the AWP Planning Workshop, and will be utilized during FY '10 to implement many of the recommendations in this high priority Area of Focus.

Organic Certification Training in Russia

DESCRIPTION Russian company Kalista has been certifying organic wild gathering and cultivation of berries (Aronia, Lingdon berries etc.) over a vast area. Based on an invitation from the Russian company, the WGP VCC had the opportunity to take part in the large-scale inspection and certification of WGP, including a range of wild and cultivated berries and post harvest operations.

OBJECTIVES Enable the WGP VCC to join the inspection to acquire new knowledge and information regarding the methodology for organic certification of WGP gathering operations and cultivated berries, and observe the companies large scale post harvest and processing operations.

RESULTS The WGP VCC obtained important knowledge regarding the methodology for organic certification of large scale WGP gathering operations, berry cultivation and post harvest and processing operations.

COST Total Cost: \$3,150; AgBiz Share: \$500 or 15.9%

FOLLOW-UP Follow-up is planned with Macedonian companies from the WGP VC that are interested in organic production during their preparations for certification next season.

On Hold or Dropped

None

1.4 FRESH FRUIT – LOVRE RISTESKI, VALUE CHAIN COORDINATOR

1.4.1 Value Chain Overview

Currently the fresh fruit value chain is composed primarily of table grape and fresh apple participants. The latter are mostly located in the Prespa region of south west Macedonia. Fresh Fruits (FF), table grapes and apples only, is thought to be a US\$50 million export business, one of the largest in agribusiness. Many people are involved in inputs supply, production, harvesting and post-harvest activities, so maintaining and growing exports is important from both employment and social stability perspectives. In the last ten years nearly all FF exports went to Ex Yugoslav markets. Now competition is more substantial and aggressive in these traditional markets, so competitiveness enhancement is needed. Most products are being sold in bulk, but bulk sales are becoming less demanded, so more value added products are needed. Market diversification is needed for serious growth. There is a need to improve the image of Macedonian fresh fruits. Supporting investments for new, modern packing centers to meet EU standards will help maintain this large and important export business. Exposure to new technologies and improved access to finance is essential for competitiveness enhancement. Macedonia has a long standing fresh fruit growing tradition combined with good climatic conditions. Around 6,000 hectares are currently planted in table grapes, and potential vineyard land is around 10,000 ha. Cost of labor is comparatively low. New vineyards are using modern viticulture practices. 70% of the vineyards are owned by individual agricultural holdings. However, many large exporters have full control over their own vineyards. Grape production has been stable and increasing over the last 10 years with production of around 60,000 tons of table grapes and 120,000 tons of apples. The Government financially supports planting new vineyards. There are possibilities for loans with favorable interest rates and IPARD funds access is anticipated late in 2009. Therefore, developing an AgBiz methodology and synergy with IPARD will help our customers

and consultants become prepared to submit and be approved for IPARD support. The near term focus for Fresh Fruit export competitiveness enhancement is: Increase our export sales by putting more emphasis on B2B meetings with the most relevant European buyers; Increase cross-cutting activities with other VCs; Develop and communicate a clear understanding for available opportunities to customers; Focus on improvements in the post harvest handling, especially sorting, grading and packaging and strengthening customers through export promotion support, training, etc., and Provide customers with the latest information to support new table grape and apple investments, especially via IPARD. All of these Activities will help increase economic growth in Macedonia through expanded, environmentally sustainable production and sales of value-added agricultural products by enabling producers and processors to compete regionally and globally.

1.4.2 Work during the Quarter Summary

During the Quarter, harvesting and exporting fresh fruits was the main work of FF VC customers. The Fourth Quarter is the busiest of the entire year. The results from improved pre-harvest operations for table grapes supported by AgBiz, such as the installation of drip irrigation and improved pruning and trellising, resulted in better quality fruits. During the harvest companies worked on improving the quality of harvested products by educating harvest workers, but this did not achieve significant results due to the shortage of good workers. However, the positive impact of improvements in post harvest facilities such as pre cooling, enhanced existing cooling systems and modern packing centers was significant. To complete these investments, some of our customers applied and successfully accessed loans from the Agricultural Credit Development Fund (ACDF) fund with support from AgBiz. To enhance their export sales, and more safely enter new markets where they do not have established relations, customers increased their interest in and use of export insurance, as introduced to them by AgBiz.

The most significant AgBiz accomplishments during the Quarter included: transferring a significant amount of modern know how from international expert Dr. David Picha to Macedonian companies via on-site consulting and a workshop on post harvest handling of fresh products; supporting the implementation of field trials that tested the application of modern table grape production technologies as learned in South Africa and California; supporting fresh apple customers to attend the Tirana International Agricultural Trade Fair that resulted in potential purchase orders of \$300,000 and agreements with the major Albanian retail chains for Macedonian companies to be authorized suppliers for Fresh Fruits and Vegetables (FF&V); implementation of four ELSAs for Hazard Analyses and Critical Control Points (HACCP) implementation, a feasibility study, documentation development for an apple cool storage and packing center and the application of contemporary technologies to table grape production. Detailed access to finance assistance was provided to three companies who applied for loans and export sales insurance.

The most significant fresh fruit objectives for the next quarter are further work on improving post harvest handling via organizing workshops, export promotion activities through a B2B Meetings and Study Tour to Holland, ongoing help to access finance especially IPARD possibilities, finishing all ELSAs and completing implementation of the tree grants that are scheduled to be finished at the end of March 2010.

1.4.3 Value Chain Development

Cooperation with Other Projects and Entities

Establishing Linkages with Indian Marketing Agents

DESCRIPTION Several meetings were conducted with members of the Association of Apple Producers and other individuals in the Prespa area during the Quarter. Several apple orchards and storage facilities as well as other relevant sites were visited to familiarize staff with the fresh apple business in Prespa.

OBJECTIVES Become more familiar with the current situation of the fresh apple sector in Prespa and inform fresh apple participants about the opportunities provided by AgBiz for developing their businesses; identify individual firms and apple exporters and assess their capacity and readiness for

development and accepting new practices and involvement in export competitiveness enhancement activities developed and implemented in collaboration with AgBiz; identify activities enhancing the competitiveness of the value chain and assess their feasibility; discuss issues and ideas for overcoming policy and institutional constraints to competitiveness development.

OUTCOME Several Prespa region firms have been identified that are willing, and have the capacity, to be involved in activities that will support their further development. A number of issues and opportunities to develop export competitiveness enhancement activities were identified, including a study tour to similar fresh apple production and marketing companies in Albania.

FOLLOW-UP In the next quarter cooperation with fresh apple participants will continue and be expanded to include additional companies and or associations that work on development of the value chain. Preliminarily identified issues and opportunities will be refined and Activity Concepts developed, and implemented if they are approved.

Other

Presentation at the Tirana International Agricultural Trade Fair

DESCRIPTION Ag Biz participated in the USAID Albania Agricultural Competitiveness Project Fruit & Vegetable Conference held on September 25th at Tirana International Trade Fair. Lovre Ristevski, Fresh Fruit Value Chain Coordinator, gave a presentation on Macedonian experience in the development of fruits and vegetables exports. Keynote Conference speakers included the Albania Minister of Agricultural, the USAID Mission Director, the General Manager of Mercator Albania, the Manager of Max Albania and regional partners from Albania and Montenegro.

OBJECTIVES Share regional experience on improving F&V production and enhancing the competitiveness of F&V exports; Understand Macedonian and Albania experience on F&V value chain development, collection centers, cold storage, competitiveness, exports and recommendations regarding these experiences; Discuss how can F&V businesses better prepare to compete for shelf space in Albania hypermarkets; and GlobalGAP certification importance and procedures, organic production and HACCP certification and practices.

OUTCOME B2B meetings were arranged for Macedonian Exporters with Mr. Marko Gvardjancic, Manager of Mercator Albania and Mrs. Mirsije Saraci Manager of Euro Max Albania, the two biggest retailers in Albania and the Region. A one-day networking event brought together over 100 local producers, processors, traders, retailers, associations, donor organization and government officials involved in the Fruit &Vegetable business. How Albania can compete with imported F&V and better prepare for export was discussed. Macedonian and Albanian participants shared F&V trade development experience. Also discussed was how farm business practices could improve overall production quality, the importance of GlobalGAP and HACCP and how Albania farmers can be prepared to cultivate organic fruits and vegetables.

FOLLOW-UP A potential purchase order of \$300,000 was discussed during the meetings, which can be the start of successful cooperation. The Conference was very positively received by the participants, and all expressed strong interest in organizing a similar conference for sharing more detailed experiences. AgBiz will pursue the opportunity for further cooperation with the USAID Albania Agricultural Competitiveness (AAC) Project.

1.4.4 Competitiveness Enhancement Activities

Further Review

No Activity was proposed for Further Review at the end of the Quarter

Under Development

No Activity was Under Development at the end of the Quarter.

Being Implemented

Application of Contemporary Technologies to Table Grape Production

DESCRIPTION Alijansa Kavadarci produces and markets table and wine grapes, fruits and seedlings. The total area of their table grape vineyard is 20 Hectares (ha). Varieties include Ribier 7 ha, Kardinal 7 ha, Muskat Italy 5 ha and White Winter 2ha. The Ribier, Muskat Italy and White Winter varieties are cultivated using “odrina” and Cardinal is cultivated using the “shpalir” trellising system. Average yield is around 10 t/ha with a packed price of 18 MKD/kg. The company also has its own buy-out center and a cooling facility with 200 MT of refrigerating capacity. The cold store is used to hold grapes and other fruit before sale on both local and foreign markets. Alijansa needs personnel training and knowledge transfer to apply contemporary table grape production and post harvest handling technologies. The company is committed to performing a field trial application of new production and post harvest technologies for table grapes based on technologies observed during the AgBiz supported study tours to South Africa and California. Professional guidance for developing the trials, selection of appropriate inputs, their timely and appropriate application as well as analysis of the trial results and developing recommendations is needed. There is also a need to widely disseminate the trial results and increase the understanding and knowledge of other value chain participants about the benefits that can be derived from this technology transfer to their bottom line, and to their marketing and sales success.

OBJECTIVE Increase the export competitiveness of Macedonian table grapes via the adaptation and application of production and post harvest technologies observed during international study tours; increase competitiveness and maintain market share of Macedonian table grapes in existing regional markets, and increase market share on EU markets; increase table grape sector participants’ knowledge of new production, post harvest management and marketing technologies and practices, as observed during the study tours in South Africa and California; apply selected production and post harvest technologies on several commercial table grapes varieties in Macedonia; assess the cost: benefit results of the trials; and provide hands on training regarding the results of the trials.

PROCEDURE AgBiz signed a LoI with Alijansa and a sub-contract with Krum Boskov, the expert who will conduct the trials. The procedure followed included - assess the present table grape production in the Alijansa vineyards proposed for the trials; recommend the preliminary activities that need to be implemented to conduct production trials in Alijansa on the varieties: Ribier, Kardinal, Muskat Italy and White Winter Grape, and deliver the recommendations to Alijansa for consideration; develop a trial plan that includes all necessary activities for applying contemporary technologies in table grape production and post harvest handling as observed during the recent AgBiz-supported field trips to California and South Africa; prepare the procedures for utilization of the observed agro technical measures as a basis for successful development of grape cluster arrangement; conduct experiments with gibberellins acid on the Muskat Italia variety; develop recommendations for implementation of “Y” trellising for the Cardinal variety and deliver them to Alijansa for consideration; collect the relevant information needed to develop a cost: benefit analysis; determine all fixed and variables cost and all factors that contribute to profitability; and make comparisons between trails and standard harvested grapes regarding quality, cost, yield and reflection of this experiment on final price of the table grape; conduct a Field Training Day for no less than 10 participants from the value chain; and conduct a workshop to present the trial results and recommendations.

OUTCOME During the Quarter AgBiz monitored implementation of the trial to make sure it was being implemented according to specifications. **Unfortunately a significant part of the field trial was seriously damaged by hail.** After completion of the trial, with exception of the sections damaged by hail, the field day presentation and workshop is being developed. At the end of the Quarter all tasks have been completed and the Final Report is being prepared by Prof. Dr. Krum Boskov.

FOLLOW-UP: Next quarter the final report will be translated and made available to interested producers and companies involved in table grapes and the field day presentation and workshop will be presented.

Completed

Study Tour of Apple Growers to Korca

DESCRIPTION The Korca region of Albanian resembles the Macedonian Resen/Prespa region in that apple production and trading is the dominant agricultural activity of both regions. AgBiz has determined

that the apple business in Korca has significantly advanced in recent years. Consequently, during discussions with Resen/Prespa fresh apple participants, the idea of organizing a study tour to Korca to learn about development of the fresh apple business there was established. Several cold storage facilities have recently been put into operation in Korcha, and a nursery for the production of saplings was established there some years ago. Since Korca is very close to the Resen/Prespa region, AgBiz organized a one-day study tour to Korca. Study Tour organization and logistics was cooperatively developed by AAC representatives in Korcha and AgBiz staff.

OBJECTIVES Introduce new techniques, technologies and best practices for the production and marketing of fresh apples; enable Macedonian fresh apple participants to learn about new developments in the neighboring Korca region, which is an environment quite similar to theirs; establish trade contacts with operators in Korca and potentially benefit from the difference in the apple varieties offered to the markets by the two regions; learn about the best regional practices in the cultivation of other apple varieties; and establish contacts with sapling suppliers.



PHOTO CREDIT: AGBIZ STAFF

Macedonian apple growers visiting key players in the Apple Sector in Korca.

OUTCOME Six companies and 18 apple growers participated in the Study Tour.

The participants were able to visit key players in the apple sector in Korca, including sapling production, modern orchards and cold storage facilities, and learn at each of the sites visited about everything that was of interest for them from first hand sources – owners and managers. Participants had an opportunity to visit two cold storage facilities, one of which (Greenfield) was constructed only with metal, whereas the other one was an adapted old storage. The owners/operators of both cold storage facilities were present and answered all of participants' questions, including cost of construction, operating cost, origin of construction materials and other questions

related to management of a cold store. The participants visited two companies that produce saplings and learned about the quality, origin, varieties, and compatibility of the varieties with the climate in Korca and Resen, prices and the possibility of purchasing and importing apple saplings into Macedonia. All of the sapling varieties participants were interested are available for purchase. To date only one company from Resen has imported saplings from Albania, and no obstacles were encountered. Both of the cold storage operators are consolidators and traders. During the Study Tour these consolidators exchanged contact information with the Resen participants. One of the Korca operators trades many different fruits, mainly imported from Greece. He showed interest in establishing contacts with Macedonian fruit producers and traders (for more details, see Appendix 5.2.9: *"Korca study Tour Report"*).

FOLLOW-UP Cooperation with the USAID AAC Project and fresh apple participants in the Korca region will continue, primarily via the United Aggriproducers from Resen (UAR) Association. B2B meetings with consolidators and traders from the Korcha region with their Prespa region counterparts and apple growers may be organized. Also, contacts with the cold storage operators should be maintained by UAR members and AgBiz will consider organizing a B2B meeting for them and Macedonian fruit exporters.

COST Total Cost: \$1,437; AgBiz Share: 43%.

Study Tour to the Tirana International Agriculture Trade Fair

DESCRIPTION AgBiz learned about the Trade Fair in Tirana from AAC representatives and the web site of Trade Fair organizers. Participants in the fresh apples value chain were informed by AgBiz staff about the possibility of organizing a Study Tour, and their response was very positive. The issue of undeveloped trade with Albania was mentioned several times by value chain participants during our discussions, and therefore this potential activity was well accepted by value chain participants as a chance to improve trade linkages with Albania, and ultimately increase exports. Albania is one of the neighboring countries to Macedonia with a population of around 4 million. Albania and Macedonia, due to past politics, haven't had very good economic cooperation, and therefore trade linkages are not developed in a

satisfactory manner. Macedonian apple exporters see Albania as a potential market due to its proximity and the standard of living - which is similar to Macedonian and therefore suitable for placement of lower priced apples. According to statistics, Macedonian exports of apples to Albania are not very large, and therefore there may be an opportunity for increasing exports to the country. Total Albanian apple imports in 2008 were \$10.8 million, out of which the Macedonian share was only US\$1.1, or 10% of the total. Other importing partners in 2008 were Italy with 49% and Greece with 39% of total imports.

OBJECTIVES Obtain first hand information about their competition and the requirements of this market; have an opportunity to meet apple consolidators and distributors and discuss possible cooperation; and be able to learn about quality and packaging requirements and prices in this market.

OUTCOME Study Tour participants were able to meet and discuss business with the leading Albanian importers, producers, processors and retailers. It was a good opportunity for them to understand the Albanian market, varieties present and the demanded varieties. Also AgBiz customers had a chance to become familiar with the quality, packaging and prices of Albanian products. During the Study Tour, very successful B2B meetings were organized with Mr. Marko Gvardjancic, Manager of Mercator Albania and Mrs. Mirsije Saraci Manager of Euro Max Albania, the two largest retailers in Albania and the Region. Also individual meetings were organized with relevant importers and processor from Albania such as Agro Koni Durres, Loren Tirana, Er&Vi Kavaje, Fiol Tirana and Kantina e Pijeve Tirana. A potential purchase order for \$300,000 was agreed during these meetings, which can be the start of successful future cooperation. The participants met companies that produce saplings and learned about the quality, origin, varieties, and compatibility of the sapling varieties available as well as prices and the possibility of purchasing and importing saplings into Macedonia. At the Trade Fair there was a very interesting meeting with USAID AAC Project and the SNV ProMali Program. Both Programs actively support the apple sector. AgBiz therefore had an opportunity to exchange information and experience and provide our customers with contact information of companies from both sides to establish trade links. We also initiated a possible cooperation between companies from Macedonia and Albania for second grade apples. In Macedonia there are a lot of second grade apple, whereas in Albania there is demand for the same. During the trade fair, an AgBiz staff member participated in a panel discussion organized by the Albania Agricultural Competitiveness Project and shared with participants information regarding Macedonian fresh fruits and vegetables export potential and post harvest handling of fresh apples in Macedonia, as well as AgBiz post harvesting handling improvement Activities.

COST Total Cost: \$2,958; AgBiz Share: 27%.

FOLLOW-UP AgBiz staff will continue monitoring post Tirana Trade Fair developments and report on the number of new customers and quantities sold to importers resulting from the Study Tour. Also, participants will report on any shifts in production, post harvest technologies or marketing being implemented by them to sell to Albanian customers. We will also pursue the possibility of organizing B2B meetings in cooperation with the AAC and SNV projects.

Considered & Dropped

None

1.4.5 Export Focused, Business Expansion Projects

Projects Being Implemented

Ledra Agro

DESCRIPTION “Improved Quality and Competitiveness of Seedless Table Grape Exports” during the period from October 3, 2008 to March 29, 2010. This project involves implementation of ampelotechnical measures including installation of a drip irrigation system, improving water supply by digging two 30 meter deep wells and an upgraded pack house to improve the quality and competitiveness of Ledra’s seedless table grape exports.

OBJECTIVES Continuous high quality production of existing varieties of seedless table grapes and from newly planted vineyards; install drip irrigation on 45 hectares of table grapes to improve yields by 10 – 15%, reduce water use and improve the quality of grape production; improve post-harvest handling, quality preservation and the presentation of table grapes via upgrading the pack house and packaging grapes in modern carton boxes; improve the competitiveness of the company’s products and achieve a better price; and increase table grape exports by up to 20%.

OUTCOME The application of new ampelotechnical measures and modern science in the production process improved control over harvest timing and enabled obtaining a more attractive cluster. The application of special fertilizers and protective substances resulted in fewer residues, and thereby contributed to increasing the price of fresh grapes. Implementation of new pruning techniques increased yields. A total of 8 permanent workers, and no seasonal workers (7 male and 1 female) were engaged during the Quarter. Ledra Agro signed a contract with members of the Faculty of Food and Science to provide pesticide training on an annual basis, performs regular analysis of their water as per Macedonia law, and arranged a meeting on their premises with neighbors regarding the Project. By participating in the California Study Tour, Ledra Agro improved their level of knowledge and now has a better understanding and perception of new pre-harvest, harvesting and post-harvest techniques for table grape production. This resulted better quality table grapes being produced. During the Quarter regional export sales were \$110,000, and sales on domestic market were \$85,055; investments made by the grantee totaled \$170,000 in facilities and equipment.

COST Total Cost: US\$170,000; AgBiz Share 11.8%

ISSUES Implementation of the project is progressing without any problems. The use of California pruning techniques resulted in increased yield and quality.

LESSONS LEARNED During the California Study Tour, the owner of Ledra Agro had a chance to see new technique for trellising, pruning and chemical treatment of seedless grapes. The company is now implementing part of these findings in their vineyards. These changes resulted in significant improvements in the quality of grapes produced and increase yields.

FOLLOW-UP: Continue to monitor Project implementation, including grantee inputs. Make sure the grantee provides timely and correct Quarterly Progress Reports. Encourage Ledra to work with the faculty representative that accompanied the California Study Tour to improve and implement new methods of using gibberellins to improve the quality of their seedless varieties.

GD Tikvesh

DESCRIPTION “Improving the Quality of Table Grapes and Establishing a Packing Center” between October 3, 2008 and March 29, 2009. The main objective of GD Tikvesh is to become the leading Macedonian producer, marketer and exporter of table grapes, and in the near future to start producing wine. The biggest challenge for the company is to modernize its grape growing operations.

OBJECTIVE Increase the quality of table grapes produced by improving ampelotechnical measures, installing a drip irrigation system and improving post harvest handling; enable GD Tikvesh table grapes to become more competitive and attractive in foreign markets by installing a drip irrigation system and a grape packaging center; and produce value added products.

OUTCOME With the introduction of new ampelotechnical measures and installation of a new drip irrigation system GD Tikvesh is now able to produce higher quality grapes and consequently achieve a better market price. By using nebulizers (devices for the application of protective substances) The company is able to enhance grape protection, have less burning of grape skins and healthier grapes, better process soil, and achieve timely and quality polishing of the grapes - all leading to increased grape quality. With application of the new ampelotechnical measures, GD Tikvesh is able to control the time of harvesting and obtain a more attractive grape cluster. Based on participation in the “California Table Grapes Study Tour”, the company has improved their level of table grape production knowledge and now better understands the new techniques to be used for pre-harvest, harvesting and post-harvest management of table grapes. Gradba Promet finished construction work in the packing center and cooling facility. GD Tikvesh made several improvements in their cooling chambers, and by using modern equipment and techniques improved energy efficiency and quality of cooling. As a part of the packing center the company built a pre-cooling tunnel. With this tunnel they can more quickly lower the temperature of grapes to the desirable level. During the Quarter they also improved their humidity control and sulfur supply system. GD Tikvesh has implemented nearly all of the new post harvest techniques made available to them, including experience from the “California Study Tour”, trade fairs and experts with whom GD Tikvesh they exchanged experiences. GD Tikvesh is in the process of GlobalGAP certification for their table grapes. Inspection from CERES (Certification of Environmental Standards) has already taken place and a certificate will be issued very early next quarter. The GD Tikvesh person responsible for GlobalGAP implementation was provided training on and monitors pesticides use. Public participation meetings with neighbors regarding the company’s activities are completed on a regular basis. Based on previously established contacts, GD Tikvesh expects to start cooperation with several companies interested in buying their table grapes. A total of 218 permanent, and 260 seasonal workers (353 male and 125 female) were engaged during the Quarter. During the Quarter international

export sales were \$1,215,000 and sales on the domestic market were \$656,136. Investments in the facility made by the owners during the Quarter totaled \$97,000.

COST Total Project \$210,150; AgBiz Share 14.3%

ISSUES Project implementation is going well and without problems. The new packing center has been completed.

LESSONS LEARNED: GD Tikvesh was exposed to new techniques for trellising and pruning during the California Study Tour and during meetings with experts and participations in trade fairs, and had a chance to compare those practices with their methods and draw conclusions regarding adoption.

Improving nursery production, a GD Tikvesh function, will be accomplished based on lessons learned during the California Study Tour. With help from the Project supported marketing program, GD Tikvesh started planning to market value added products through packaging for EU markets in an acceptable and attractive way. Balkan and EU markets will continue to be the main focus for expanding GD Tikvesh's table grape sales.

FOLLOW-UP: Continue monitoring Project implementation, including grantee's inputs into the Project. Monitor and assure that the grantee provides timely and correct Quarterly Progress Reports. Implement "Y" trellising as an experiment, assess the positive aspect of that and provide the results to other table grape growers.

Peca Komerc

DESCRIPTION "Increased Standardization and Quality of Table Grape Exports" during the period from October 3, 2008 to March 29, 2010 by establishing a modern produce packing center.

OBJECTIVES Increase the standardization and quality of the company's products; create additional capacity for expansion into new markets; construct and equip a modern fresh produce packing center on company land with the equipment required for successfully packaging and storing fresh produce; the equipment will comply with the HACCP standard and will achieve improved product temperature control; enable packing the companies fresh table grapes, tomatoes, peppers, cabbage, cucumbers, peaches and apricots into standard size boxes with standardized weight and quality; modernize the process for adding sulfur to the storage chamber; and implement HACCP.

OUTCOME During the Quarter Peca Komerc started operating the new packing center. After plans approval from local authorities, product flow plans were finalized, construction was completed, new equipment was purchased for the pre cooling chamber, and all elements including special doors are in place. The pre cooling chamber was tested with satisfactory results. All project equipment has been purchased. A big success was achieved by the first table grapes from the new packing center, packaged in a new, modern way, being shipped to a French buyer. Peca Komerc now has the most up-to-date and largest capacity fresh produce packing center in the Tikvesh region. This modern center allows the company to purchase, classify and pack a much larger quantity of fruits and vegetables from Tikvesh region growers. Peca Komerc has become more competitive when marketing their products to Balkan and EU markets. Margins will increase due to improved product quality and therefore price. Through participation in the "California Table Grape Study Tour" and with the advice received from experts during workshops, Peca Komerc managers improved their knowledge and now have a better understanding of new post harvest techniques for pre-cooling, cooling and storing table grapes. They also have a better understanding of the different processes for adding sulfur to the cooling chamber, and how this method can be applied in Macedonia. Based on established contacts, Peca Komerc expects to start cooperation with several new table grape customers. GD Tikvesh and Ledra Agro have started to cooperate with Peca Komerc. During the Quarter international export sales were \$29,300 and sales on the domestic market were \$1,278,020. Investments made by the grantee totaled \$49,821 in facilities and equipment; and a total of 18 permanent workers (16 male and 2 female) and 10 seasonal workers (8 male and 2 female) were engaged. Peca Komerc will continue HACCP implementation with vendor Loznic early in the next quarter. The first phase, meaning developing documentation for DPP I DHP (good production and good hygienic practices) has already been completed. Peca Komerc uses eco-Freon as a cooling fluid without any possibility of chemicals escaping into the area around the facility. All use of CO₂ is controlled by experienced and properly licensed personnel. A public participation meeting with neighbors regarding the Peca Komerc Project has been held. Balkan, especially Serbian, markets will continue to be the main focus for expanding Peca Komerc sales.

COST Total Cost \$177,237; AgBiz Share 16.9%;

ISSUES Project implementation is progressing smoothly, without problems.

LESSONS LEARNED The Peca Komerc owner has applied information about new techniques for cooling and marketing table grapes obtained during the California Study Tour, and has compared these

with their current methods. Proper use of sulfur during pre-cooling and storage, using the recommended temperature for pre-cooling and storage, and managing, organization and operating the cooling chamber and efficient using of energy is now well understood.

FOLLOW-UP: Continue monitoring Project implementation, including grantees' agreed inputs. Make sure the grantee provides timely and correct Quarterly Progress Reports. Help the grantee to implement a new sulfur supply system and control the concentration of sulfur.

I.4.6 ELSAs

Being Implemented

Venec

DESCRIPTION Venec is an agricultural company from Dolni Disan that was registered in 1956. Its core business areas are wine and table grape growing on 300 of their own hectares, and wine production. Until 1993 the company performed well by exporting to Yugoslav markets, but then lost their traditional markets. Currently a large part of their production is sold to foreign markets, but through other Macedonian companies. Venec believes that by implementing HACCP in their table grape packing and wine production operations they will be able to increase their export sales and ensure fulfillment of domestic safety standards. In the near future HACCP will be a requirement in the domestic market. Venec submitted an ELSA application for technical assistance to implement HACCP in both the table grape packing center and the winery, and the application was approved by AgBiz.

OBJECTIVES Implement HACCP; improve the overall quality image of the company and the products the company sells; and increase export revenue and profitability.

OUTCOME A SoW for HACCP implementation was approved by AgBiz and delivered to Venec for them to solicit offers from qualified vendors. After receiving the implementation offers, AgBiz and Venec determined the best service provider and signed a three party contract for implementation with Goran Kolev as vendor. HACCP implementation is completed, and the certification process will start very soon.

FOLLOW-UP AgBiz support to Venec is contingent on them receiving HACCP Certification.

Migori

DESCRIPTION Migori is founded in 1991 and until 1998 its main business was agricultural equipment sales. Migori later started trading apples, first on the domestic market and later exporting to Russia and EU countries, mainly Greece and Bulgaria. In 2004 Migori begun producing apples, and in 2008 production totaled 20 tons. Migori also owns facilities it is planning to remodel into a cold storage and packing center. The Migori technical assistance activity is to provide support for developing a business and feasibility plan for adaption of its existing facilities into a cold storage and packing center.

OBJECTIVES Improve the post harvest activities of Migori's apple trading business by introducing new technology for apple storage and packaging; extend the storage life of their apples and reduce losses in fresh apple quality; expand their cold storage capacity and sales of value-added products, and thereby increase exports and profit.

OUTCOME A SoW for a feasibility study and developing a business plan for adapting its existing facilities into a cold storage and packing center was approved by AgBiz and delivered to Migori. AgBiz and Migori determined the best service provider and signed a three party contract for implementation of the SoW and completion of all deliverables with Mashinotehna.

FOLLOW-UP The results from this Activity and the business feasibility of such an operation can be shared with other interested parties in a way that sensitive information on Migori operation is not exposed to their competitors.

Stefanov

DESCRIPTION Stefanov is an agricultural company that was registered in 2005. The owner and manager have 20 years experience in the fresh fruits and vegetables business. The company has its own cold storage and other needed infrastructure, established by its own investment. Its core business is purchasing and exporting table grapes. In the last few years Stefanov has specialized in table grape exports to Russia, Belorussia and the Ukraine. The company believes that through HACCP

implementation export sales of table grapes will be expanded to other countries and will ensure fulfillment of the domestic safety standards. Therefore, Stefanov submitted an ELSA technical assistance application for implementation of HACCP, and their application were approved.

OBJECTIVES Fulfill the requirement for implementation of HACCP; improve overall quality image of the company and the produce it sells; and increase export revenue and profitability.

OUTCOME A SoW for HACCP implementation was approved by AgBiz and delivered to Stefanov for them to solicit offers from qualified vendors. After receiving the implementation offers, AgBiz and Stefanov determinate the best service provider and signed a three party contract for implementation with Goran Kolev as vendor. HACCP implementation has been completed, and the certification process will start soon.

FOLLOW-UP AgBiz support to Stefanov is contingent on them receiving HACCP Certification.

United Agroproducers from Resen

DESCRIPTION: The Confederation of Associations of United Agriproducers from Resen is a non-governmental and not-for-profit organization established in 2004 by association of 5 agricultural Non-Government Organizations (NGOs), with a registered office in Resen. Target members of the Confederation are all apple producers in the municipality of Resen. The Confederation cooperates with producers through their community associations. The Confederation was established to accomplish the common goals and tasks established in the programs of the founding associations which are to approach new, primarily western European markets, without disturbing the existing markets and enable Resen area apple producers to produce apples that meet world market standards. UAR submitted to AgBiz an ELSA technical assistance application to develop, organize and implement an educational program for its members on the methods for and benefits from soil, air and water pollution reduction.

OBJECTIVES Raise awareness among Resen area apple growers about the need for sustainable and ecologically clean production, a prerequisite for better apple quality; promote new and more efficient techniques for apple production; educate local apple growers about the need for reducing soil, air and water pollution caused by the use of inorganic (mineral) fertilizers and pesticides; and promote the results achievable from the introduction of integrated protection of apple production.

OUTCOME During this quarter a SoW for the Activity was reviewed and eventually approved by AgBiz and a three party contracts was signed with Andreevski Sasko for implementation of the Activity.

FOLLOW-UP During the next quarter the Confederation needs to finish the brochure, publish and hold 10 workshops where more than 100 farmers will be exposed to new techniques in apple production and harvesting.

ISSUES Delays in development of the SoW, and the limited time producers have available to participate in the workshops during the growing season, may cause this Activity to miss its target timing.

I.5 FRESH VEGETABLES – VLADIMIR KOKAREV, VALUE CHAIN COORDINATOR

I.5.1 Value Chain Overview

Of total of food and food product exports from Macedonia around \$254 million or 20.6% is accounted for by the top six fresh vegetables. In the last ten years, the total value of the exports for these six products increased from \$16.2 to \$52.2 million with the largest growth being derived from tomatoes and cabbage. Pepper exports showed a significant decrease in exports as a direct result of growth in the domestic vegetables processing industry where the peppers are one of the main raw materials, and production of outdated local varieties.

There are many problems regarding post harvest handling of fresh vegetables in Macedonia. Currently there is rarely any post harvest value adding or quality preservation taking place since most products are shipped directly from the field without any sorting, calibration, cooling or other post harvest activities that are needed for price improvement and compliance with European market standards and demands.

The near term focus for AgBiz fresh vegetables export competitiveness enhancement is: support for the creation of modern packing centers; organizing small individual producers and changing traditional procurement practices, i.e., paying different prices for different quality; increasing the shelf life and quality

of products, and insuring the standards required by EU markets. Grading and sorting, although such equipment does exist, is rarely done because it is perceived as not being required by ex-Yu markets. There are also significant cold chain development and continuity issues.

Export markets for fresh vegetable products are traditionally ex Yugoslav countries, but this is slowly changing. These markets are open for fresh vegetable products from other countries, multi unit retail chains are becoming more important and in the last few years consumers in these countries are also changing their habits. This is a big challenge for Macedonian fresh vegetable exporters since it is questionable if Macedonian exporters are ready for EU-style products and marketing, especially regarding the post harvest handling and packaging. The Russian market is also an option that has become more relevant in the past few years. However, very few Macedonian fresh vegetable exporters have developed links with Russian importers and the risks connected with selling to Russian markets have to be considered.

1.5.2 Work during the Quarter Summary

Macedonian agriculture continues to be one of the main generators of employment and revenues for the economy. There are many issues regarding post harvest handling of fresh vegetable in Macedonia. Export market for fresh products is still traditional ex-Yugoslav countries, but this is slowly changing. Local production in ex-Yugoslav countries is growing dramatically and becoming serious competition for Macedonian exporters. These markets are also opening for production from other countries, and in the last few years consumers habits are also changing. This combination is a big challenge for Macedonian fresh vegetable exporters, since Macedonian exporters are still not competitive in EU markets, especially regarding post harvest handling and packaging. The Russian market is also an option that has grown in importance in the past few years. Therefore, links with Russian importers and the big risks connected with selling to the Russian markets will have to be accommodated.

The most significant FV VC accomplishments during the Quarter included the substantial new orders received from the World Food Moscow Trade Fair where VC customers Rudine, Agrohemiija and Zegin (as well as FF VC customer GD Tikvesh) exhibited, the very successful and much appreciated by customers international STTA work of US expert Dr. David Picha to enhance the post harvest handling practices of FV VC customers, and establishing a linkage between a fresh pepper producers from Kosovo and Macedonian traders to help reduce the domestic shortage of peppers.

The most significant FV objectives for the next quarter are initiating an Activity to establish a fresh exporters association, supporting a Regional Post Harvest Handling Practices Seminar, developing an International Food Standards (IFS) training program and completed all ELSAs and the Group GlobalGAP Activity.

1.5.3 Value Chain Development

Cooperation with Other Projects and Entities

Baga Foods Imports of Peppers from Kosovo

DESCRIPTION Kosovo is currently recognized as a good source of the high quality peppers that are demanded in Macedonia for both the fresh and processing markets. As result of excess pepper production versus local demand in Kosovo, and an underdeveloped processing industry, most Kosovar producers need to export their peppers via establishing linkages with regional buyers. Fluctuations in the Macedonian market for peppers, and minimal linkages between processors and producers, have resulted in a shortage in Macedonia of high quality peppers for processing. To fulfill their export orders Macedonian processors seek peppers from the region and Kosovo peppers are perceived to be of high quality. AgBiz, in cooperation with the Kosovo Private Enterprise Program (KPEP) established linkages between pepper producers from Kosovo and pepper buyers from Macedonia.

OBJECTIVE Establish viable linkages between Kosovo pepper producers and Macedonian pepper products processors; reduce the shortage of high quality peppers in the Macedonian market and increase

the capacity utilization of Macedonian pepper products processors; stimulate cooperation between regional USAID agribusiness projects.

OUTCOME With the support of AgBiz and KPEP, representatives of Kosovo producers visited Macedonian pepper processing companies. A contract was signed by Baga Foods for the importation of 55 tons of high quality fresh peppers from Kosovo.

FOLLOW-UP Both sides agree to continue with such cooperation next year.

I.5.4 Competitiveness Enhancement Activities

Further Review

No Concept Activity was proposed for Further Review at the end of the Quarter

Under Development

No Concept Activity was Under Development at the end of the Quarter.

Being Implemented

Fruit Logistica 2010

DESCRIPTION FruitLogistica Berlin will be held in February 2010 and is an International Trade Fair for fruit and vegetable marketers that provides companies involved in fresh fruit and vegetables trading an opportunity to present their products and services - from growing to selling. Participants include growers, fresh produce importers and exporters, wholesale markets, wholesale and retail outlets, packing, shipping and disposal companies, institutions and associations. The Fair includes an exchange market where trade visitors have an opportunity to approach exhibitors with their services and products.

OBJECTIVES Promote Macedonian fresh produce companies and strengthen business relations of fruit and vegetable producers, traders and producers with EU current and potential customers, and increase EU exports of Macedonian fresh fruits and vegetables.

OUTCOME Six companies from the Fresh Vegetables and Fresh Fruits Value Chains contemplate participation in this Activity as exhibitors. All participants will have an excellent opportunity to meet buyers from various countries and establish contacts for future cooperation, as well as enhance their knowledge of up-to-date fresh produce safety, quality and packaging requirements for EU exports. During the Quarter a MoU was signed with SIPPO for co funding, a request for accommodation in Berlin during the trade fair was submitted and stand location information was received from the trade fair organizers.

ANTICIPATED COST \$65,000; AgBiz Cost \$15,000 or 23%

ISSUES The 2009 Macedonian exhibit at FruitLogistica was co-funded by Swiss Import Promotion Program (SIPPO) and AgBiz, but due to previous problems encountered in coordination with SIPPO pertaining to accommodation, AgBiz this year will have sole responsibility for organizing all aspects of the 2010 exhibition, with the objective of implementing a more professional and efficient Activity.

FOLLOW-UP Make a decision regarding space location together with customers; develop an Request for Proposal (RfP) for stand construction and after evaluation of received quotations select a stand construction vendor; continue developing the activity in concert with participants and co-supporters.

Cost-efficient Group GlobalGAP Implementation and Certification

DESCRIPTION The GlobalGAP standard is designed to assure customers and consumers that certified produce is produced in a manner that minimizes any detrimental environmental impact, reduces the use of chemicals and ensures a responsible approach to worker health and safety and animal welfare. This Activity was designed and is being implemented to support 14 Macedonian fresh fruits and vegetables producing operations to facilitate cost effective group GlobalGAP services by qualified Macedonian GlobalGAP implementation service providers. The Activity is taking place between February 2008 and November 2009. It is anticipated to result in GlobalGAP certification of over 1,000 hectares producing various annual and perennial vegetable and fruit crops in several Macedonian regions.

OBJECTIVES Increase the number of GlobalGAP certified companies and hectares managed under the GlobalGAP Quality Assurance System (QAS); achieve significant savings in GlobalGAP QAS implementation and certification by utilizing a group approach to acquire implementation and certification services; develop the capacity of Macedonian export-oriented producers to conform to EU retail chains' food safety requirements, and thereby enhance the competitiveness of Macedonian fresh produce exports; and create sustainable linkages between GlobalGAP service providers and export oriented companies.

COST PROJECTION Total Cost: \$51,366; AgBiz Share: \$7,656 or 15%

OUTCOME During the Quarter two companies, Agrolozar and GD Tikvesh, were successfully audited and received GlobalGAP certification. The certificates were issued by FoodPlus, owner of the GlobalGAP standard.

FOLLOW-UP Monitor GlobalGAP implementation with the remaining participants in the Activity and receive regular updates from the implementers - Biotehnikon and Fagrikom. It is anticipated that all companies will be certified by the end of October.

Completed

Expo Food Moscow Trade Fair

DESCRIPTION World Food Moscow, held from 15 to 18 September, was one of the most relevant trade shows in the Russian Federation for AgBiz customers, and where AgBiz customers demonstrated their products, shared their experience and analyzed current market trends and competitors' activities. Serious players in the Russian food products market — both well-established companies and those planning to enter the market — participated in and/or attended World Food Moscow. Four Macedonian companies participating in our fresh produce value chains expressed strong interest in exhibiting and presenting their products at World Food Moscow 2009. The participation of Agrohemiya, Zegin, GD Tikves and Rudine was a good initial step towards their understanding the specific preferences of Russian markets, and an opportunity to successfully enter those markets.



PHOTO CREDIT: AGBIZ STAFF

The Macedonian Stand at World Food Moscow

OBJECTIVE Establish direct contacts with Russian buyers of Macedonian produce; identify potential buyers in Russia and establish initial contacts with importers, distributors and wholesalers in Russian and Baltic country markets, and solicit orders for the 2009 season; and closely examine and get familiar with import procedures, requirements and custom regulations in the Russian Federation (for more details, see Appendix 5.2.11: "Expo Food Moscow Trade Fair Activity Report").

COST PROJECTION Total Cost: \$62,979; AgBiz Cost: \$20,874 or 33%

OUTCOME The four companies successfully exhibited at World Food Moscow. During the trade fair they established contacts with approximately 200 potential customers and obtained new orders worth at least \$740,000. The first shipment was made one week after the exporter returned from Moscow.

FOLLOW UP During the next quarter all four companies will continue to work with buyers from Russia and negotiate with buyers for exports next season.

Considered & Dropped

None

1.5.1 Export Focused, Business Expansion Projects

Projects Being Implemented

Agros 2004

DESCRIPTION Agros 2004 was founded in 2004 by the Farmers Association – Agros, joining some 500 members from five regions. This Project is addressing quantity and quality issues related to harvesting that directly affect the scale and professionalism of pepper production, through procurement of a harvesting machine. The Project will compare the reduction in farmers' workload from use of the harvest aid with the usual labor intensive manual harvesting.

OBJECTIVE Establish a new model of harvest and post-harvest activities to reduce the workload for farmers, increase farmer productivity and production competitiveness and reduce production costs through the introduction of specialized harvesting equipment. Specific objectives: increase the quality and value of production through proper harvesting, grading and packing; increase productivity and reduce the harvest season workload through harvest mechanization; increase efficiency and reduce the cost of post harvest activities; increase rural employment by creating new job opportunities; and produce to the GlobalGAP standard.

OUTCOME Buyout of peppers is proceeding as planned and in accordance with signed contracts. By the first of October approximately 400 tons of peppers have been harvested and sold by Agros 2004 and its members. The AgBiz supported harvesting aid was tested on watermelons, melons and industrial tomatoes with a more than satisfactory result. Operator training resulted in sufficient knowledge to utilize the full capabilities of the harvesting aid. A cost benefit analysis on the harvesting aid is being prepared. Marketing of peppers was successful, and only financially viable and prompt payment



PHOTO CREDIT: AGBIZ STAFF

The new harvesting equipment utilized to facilitate harvesting watermelons

companies are being supplied. So far on time payments have been satisfactory. The association is supplying Vitaminka – Banja Luka and Vipro – Gevgelija with peppers. Last year's largest buyers Medium Export and Petrov Company are not being supplied as they together owe Agros some 600,000 MKD.

COST Total Cost: \$107,479; AgBiz Cost \$40,000 or 37%

ISSUES Three buyers still owe 600,000MKD to Agros, which is a significant problem. Discussions indicate that the last payment on 2008 sales might be delayed until at least until December 2009.

The Agros production partner in Skopje, DSZ Ilinden, still owes approximately 3,000 Euros from the sales from 2008 production. Ilinden has promised to pay the remaining funds by end of December 2009. If they are not paid by December, Agros 2004 will initiate a request for a court order for payment of accumulated debt including interest.

LESSONS LEARNED A market for harvesting aids is slowly developing in Macedonia. Ongoing activities of farmer sales organizations are under constant strain due to the chronic buyer receivables problem. Significantly stronger purchasing power is noticed when dealing with exporters versus domestic buyers.

FOLLOW-UP Prepare an analysis of harvesting aid utilization and economics; contact potential customers and market their products for the 2010 season; and market the services of the harvesting aid.

Badzo

DESCRIPTION Badzo is a fresh fruits and vegetables trading company with annual exports of around 9,500 tons and has ongoing buy-out relations with vegetable and fruit producers all over the country.

AgBiz is assisting Badzo to succeed in export markets by partially supporting the construction of a new post harvest temperature control chamber, and improving the quality assurance of their products for EU markets through HACCP implementation. Badzo is developing a chilling and ripening room to enhance the competitiveness of their fresh vegetables exports by giving them additional shelf life, and quality that meets the requirements of the EU and Belorussian markets. The temperature control chamber supported by the Project also enables Badzo to heat products to stimulate ripening, reduce the temperature of products before loading, and will be used for up to 1,000 tons of different fresh products. The Project started June 1, 2008 and scheduled to conclude December 15, 2009.

OBJECTIVE Increase awareness of the company's value added products; increase the quality of exported fresh products; increase the stability of products during transport; and extend the shelf life exported products.

OUTCOME The new packing center is now operating according contract requirements and management expectations. HACCP implementation at the packing center has been started, and by the end of this coming quarter or beginning of the next quarter, Badzo expects to be HACCP certified by an internationally accredited certification body.

COST \$70,749; AgBiz Share: 42%

ISSUES Parts of the workers dressing room and toilets have to be reconstructive before HACCP certification.

LESSONS LEARNED Processing a packing center with cooling facilities and undergoing HACCP certification will be very useful in current negotiations with Metro markets from Slovenia.

Agrohemija

DESCRIPTION Agrohemija is one of the largest suppliers of seeds, fertilizers and crop protection chemicals in Macedonia, has a strong market position and has existed for more than 15 years selling to Macedonian as well as European markets. Agrohemija's strategy is to vertically integrate over a wide range of agribusiness activities. Based on the company's extensive agribusiness knowledge and experience they decided to address the difficulties associated with purchasing high quality fresh vegetables from farmers. One of the biggest challenges in Macedonian agribusiness is discrepancies in the supply and demand of fresh vegetables. Production and purchasing lacks organization, especially in the Strumica region where the largest volume of production is. Agrohemija plans to create the largest produce export complex in Macedonia, while implementing EU standards in vegetable production and marketing. AgBiz support to this objective involves supporting the construction of a packing center and implementation of HACCP standards at two refrigerated warehouses that will allow Agrohemija to start packing and marketing fresh vegetables. The project began on July 3, 2008 and is scheduled to conclude on December 15, 2009.

OBJECTIVES Establish a full-fledged model pack house including a calibration line and cooling chambers. Specific objectives are: increase the quality and value of production through proper grading, packing and cooling; decrease product losses and achieve uniform final products; increase the efficiency and reduce the cost of post harvest activities; increase rural employment generation by creating new job opportunities; and implement the HACCP standard.

OUTCOME The packing center started operations and this Quarter the total value of fresh products that moved through the center was \$530,000. HACCP implementation is ongoing and expected to be finalized by the end of grant. Also this Quarter a vendor was selected and approved by AgBiz to design the new Agrohemija brochure and an agreement was signed with vendor.

COST Total Cost: \$2,055,000; AgBiz Share: 1.4%

ISSUES None identified to date.

FOLLOW-UP Complete HACCP implementation. The approved draft version of the promotional brochure will be approved by Agrohemija before it is printed.

1.5.2 ELSAs

Being Implemented

Dusan Ciric

DESCRIPTION Dusan Ciric is a Rosoman-based agribusiness, a 100% export oriented company and one of the largest and most successful Macedonian producers, consolidators and exporters of fresh fruits and vegetables. To improve their marketing and sales, the company wants to develop a comprehensive,

new marketing plan. The reason for reexamining and reconfiguring their marketing strategy and plans is the cost inefficiencies the company has observed in marketing their fresh peaches in recent years. Also, the company plans to produce and market new products in late 2009. Dusan Ciric has a business plan to grow and start marketing 150 metric tons of asparagus annually. To increase its visibility and ability to reach a larger customer base with information on Dusan Ciric as an enterprise and its product offerings, the company applied for AgBiz support under ELSA to establish a World Wide Web presence.

OBJECTIVE Establish a high quality Dusan Ciric website to provide potential customers easy access to all of the company's marketing materials from anywhere in the world. The website must also attract and provide useful information to potential strategic partners interested in a joint venture with Disan Ciric.

OUTCOME The approved vendor has provided the final version of the website and all deliverables in the SoW.

FOLLOW-UP Payment will be completed by Dusan Ciric during the next quarter and then by AgBiz.

ViviProm

DESCRIPTION Vivi-Prom Bogdanci was established in 1991 and at present has seven employees, while the number of seasonal workers reaches up to 55. The main business of the company is production and trade of a variety of fresh fruits and vegetables. 95% of the companies' sales are to export markets. Vivi-Prom wants to expand into the production and export of calibrated and, in the future, chopped and frozen onions. To do so the company needs to build separate facility. The result of this expansion will be an increased number of employees, and an expanded assortment of products they can offer. At the moment, the biggest impediment for export expansion is the lack of modern equipment, specifically packing and sorting machines, to significantly improve the companies' operating efficiency and decrease the time necessary for product delivery. The ability to meet strict deadlines and quality requirements are the main determinants to the companies' success. Vivi-Prom applied for AgBiz support under ELSA to develop a feasibility study and prepare the technical documentation for building a cooling chamber and installing the required equipment. Their application was approved.

OBJECTIVES Assess the feasibility of a Vivi Prom business expansion project for enhanced post harvest handling of onions, including grading and packaging by developing a 1) a Feasibility Study for a post harvest handling facility for onions including calibration, packaging and cold storage, 2) complete technical documentation and a product flow layout for construction of the cooling, calibration and packaging facility for onion and the equipment for the same and 3) A Business Plan (investment program) for the purpose of raising a commercial loan.

OUTCOME Quotations were received from qualified vendors. The customer recommended Vendor was approved by AgBiz and a three party contract for implementation of the SoW through completion of all deliverables was signed. At the end of the Quarter the Activity is in its final stage and a first draft version of the feasibility study was delivered to Vivi Prom.

FOLLOW-UP After Vivi Prom review of the deliverables, and verification to AgBiz of their approval of the deliverables and full payment of the Vendor, Vivi Prom will be reimbursement for the agreed amount by AgBiz.

Completed

Vega-Mak Association

DESCRIPTION The Vega-Mak Association was established to protect the interests of buyers of agricultural products, help the membership achieve a more efficient buy-out, improve post harvest handling of produce - including calibration and achieve an organized approach to the GoM. In addition, Vega-Mak members are interested in cooperating on sales and marketing activities, providing timely information to members about changes in the business environment, joint promotion at fairs, organized participation in study tours and the more efficient functioning of members' individual operations and as an association. For AgBiz to evaluate the willingness and readiness of fresh vegetables value chain participants to positively contribute towards the development of a sustainable association, staff conducted several meetings with members of the Association. A clear commitment from 16 company representatives to actively participate in the association and provide the necessary financial support was established as a requirement for AgBiz to consider supporting the association. Association management proposed the development of a comprehensive Annual Activities Program/Operating Plan and Budget for the Association by an expert as a useful AgBiz contribution to the Association's success. Vega-Mak

applied for AgBiz support under ELSA to engage an expert to develop an Annual Plan and Budget to ensure a more organized approach to its members.

OBJECTIVE Assist Fresh Vegetables value chain companies who are members of the Vega-Mak Association to develop a viable Annual Association Operating Plan and Budget.

OUTCOME This Activity was successfully completed during the Quarter with all deliverables as specified in the three-party contract and SoW. AgBiz reviewed the Veg-Mak Operating Plan and Budget. The selected Vendor presented final documents to members of association. After submitting documents and proof of payment from the Association, AgBiz paid the Vendor

FOLLOW-UP The Association will use the documents provided to develop future activities.

COST Total Cost \$4,000; AgBiz Cost \$2,100 for a cost share of 75%.

I.6 PROCESSED VEGETABLES – VALUE CHAIN CONTRACTOR: MACEDONIAN ASSOCIATION OF PROCESSORS

I.6.1 Value Chain Overview

The processed vegetables value chain plays a very important role in Macedonian agribusiness. The industry is very export oriented, continuously improves its performance in terms of increases in production and value of exports over the last decade, and is very labor demanding. The VC consists of around 50 production companies. Most participants produce final products packed glass jars, but also in tins or plastic, a few have drying and/or freezing facilities, while the remainders have combined processing lines. The vast majority of participants are micro or small enterprises. The industry increased the quantity of vegetables purchased in 2008 in comparison to 2007 by 30% or 68,300 tons. Red peppers are the most important raw material for the industry, representing nearly 50% of total raw material purchases. Between 2003 and 2008 the industry had a continuous increase in production, mainly due to increased demand for Macedonian processed goods by the foreign buyers, and domestic market growth resulting from strong penetration of the retail chains and changes in the lifestyle of the population. In 2008 processed vegetables output reached a record high of 51,000 tons, or 20% more than the previous season.

The Macedonian processing industry has a strong export orientation and its processed products currently enjoy a positive reputation among food importers from the region and the EU. As a result, there is a positive trend of increases in exported quantities. The very favorable trading regime between Macedonia and the EU, and further liberalization, especially as a result of the Central European Free Trade Agreement (CEFTA) should enhance even more the industry's competitive position. EU and neighboring markets are the main export destinations for domestically produced processed products. Exports to the EU market in 2008 contributed 48% in volume and 52% in value to total exports of processed products, while the Serbian market was the second biggest destination accounting for 27% in volume and 23% in value of total exports. Overseas markets (particularly Australia and USA) are also very important export destinations due to the large communities of immigrants from Macedonia and other Balkan countries living there.

The VC is highly dependent on domestic production for its raw materials. High import tariffs and complicated procedures for importing fresh produce for processing purposes requires the industry to rely almost exclusively on arrangements with private farmers, enterprises and cooperatives involved in primary production and intermediaries such as traders that supply the industry. Contract farming is insufficiently utilized as an efficient mechanism that regulates the production and supply of raw materials for the industry. Also, the raw material prices vary significantly, depending on the demand for fresh produce in the region and fluctuations production. This acts as a serious impediment to the industry reaching its full potential and to complete larger export contracts. Lack of cooling and storing facilities within the industry is another obstacle that prevents better organization, planning and implementation of marketing plans.

The processed vegetable processing industry is represented through MAP - The Macedonian Association of Processors, a trade association established in March 2002. The Association has no political character, is a non-for profit organization and currently has 27 full time members. The overall objective of the Macedonian Association of Processors is to further develop the fruit and vegetable

processing industry, to contribute to the overall economic growth and to increase the employment in the Republic of Macedonia.

1.6.2 Work during the Quarter Summary

During the Quarter production planning, procurement of raw materials and processing and packaging were the main work of PV VC customers. Although the processing season started in June, processing peaks in September and October. Vegetable processing companies expect to process around 80,000 tons of fresh produce this season. Approximately half of the needed quantities were contracted by the processors, and the remaining amount obtained from open markets. The demand for Macedonian red pepper from neighboring countries was strong, and considerable quantities were exported to Bulgaria, Serbia and Croatia. Cash payments by these raw material exporters were again the norm, but domestic companies are required to make payments to sellers via bank transfers. Since many sellers do not want such records to exist, domestic buyers are at a disadvantage. The global economic crisis negatively impacted processing companies' sales projections, and extended receivables collection reduced the working capital they have available to buy fresh vegetables. Significantly reduced orders from foreign buyers for frozen products were experienced, while the market for canned products remained stable. During the Quarter a few companies made investments in warehousing and cooling facilities to extend their production season. The limited availability of seasonal labor was an ongoing problem during the Quarter, so MAP members tried to resolve the issue with the Ministry of Labor and Social Affairs, but negotiations are still ongoing. Regional employment agencies failed to provide seasonal workers as requested by vegetable processors. The requested direct payments (subsidies) to vegetable growers that deliver their produce to domestic processing companies, as a means of increasing the supply of local raw materials, were not approved by MAFWE.

During the Quarter AgBiz work on the VC was focused on the provision of IPARD related training to 26 VC managers and their consultants, identification of the main PIR constraints that impede the more rapid growth of the VC and MAP preparing a position paper to GoM and other stakeholders, export promotion activities important for the VC such as the Bi-annual Food Trade Fair in Cologne, Germany (ANUGA) Trade Fair were identified and technical and financial support to eleven vegetable processors to prepare to participate in the ANUGA Trade Fair in Cologne, Germany was planned, and intensive cooperation between MAP and AgBiz was formalized through signing of a MoU for MAP to take responsibility for overall PV VC coordination.

The most significant AgBiz work during the next quarter will be export competitiveness enhancement activities such as B2B meetings and export promotion events, further support to VC members in their efforts to modernize their production facilities utilizing IPARD opportunities and increased cross-cutting Activities with other VCs.

1.6.3 Value Chain Development

Cooperation with Other Projects and Entities

Other

Belgrade Workshop on Fruits and Vegetables Processing

DESCRIPTION The workshop was organized by European Commission's Technical Assistance and Information Exchange Instrument (TAIEX) program, Directorate-General (DG) Enlargement, that is responsible for developing and implementing various training programs designed to increase the capacities of governmental employees and association representatives from Non EU member states that have already started the stabilization and association process with the EU. The workshop took place in the premises of the Serbian Chamber of Commerce in Belgrade on September 23-24, 2009. Around 100 participants from the region and the EU participated in the Workshop.

OBJECTIVE The specific objective of the workshop was to provide updated information related to the situation with the F&V processing business in the EU and Serbia, with a focus on fruit juice and nectar production and trade. The production of fruit juices, nectars and concentrates in Serbia had an average

increase of 27% per annum over the period 2003-2008. Exports also increased over that period. Yet, in 2009, as a result of the global crisis, the export value and volume significantly decreased. According to official statistics the export value of fruit juices, nectars and concentrates for January – June 2009 compared to the same period from 2008 decreased by 42% or \$8.3 million.

OUTCOME In 2007 the European Commission started reforms regarding further development of the Common Market Organization (CMO) within the EU. The intention was to support and strengthen POs with the objective of 60% of all fresh fruits and vegetables to be traded via POs by 2013. At the end of 2006 the rate was only 35%, and it was very unlikely the target will be reached. Therefore, in 2007 the EU launched a new program for additional support to POs to improve their competitiveness, promote consumption of fresh produce within the EU and integrate the fresh fruits and vegetables sectors into a single direct payment system. The new legislation became effective on January 1, 2008, and the annual budget was projected to reach 1.5 billion Euros, out of which 50 % was for direct payments (subsidies) while the other half was for technical and financial support to POs.

FOLLOW UP The workshop was particularly interesting for fruit juice manufacturers and traders. All the materials and presentations will become publicly available and will be placed on official TAIEX web site.

1.6.1 Competitiveness Enhancement Activities

Further Review

No Concept Activity was proposed for Further Review at the end of the Quarter.

Under Development

No Concept Activity was Under Development at the end of the Quarter.

Being Implemented

ANUGA 2009

DESCRIPTION AgBiz has continuously supported the Macedonian processed vegetable VC through numerous activities, especially those related to strengthening export capacities and the export performance of VC participants. In 2007 AgBiz provided technical and financial support to companies that exhibited at ANUGA 2007. Detailed evaluations conducted after the trade fair proved that participation of the companies was successful and fruitful due to the new export contracts, pre-contracts and new contacts established with potential buyers. This year's participation is the 8th consecutive joint exhibition of Macedonian companies at ANUGA (the fair takes place every second year). Since 1995, food processing companies, in particular Macedonian vegetable processing companies have presented their products, opened new business contacts, and analyzed their competitive position in the world market at the ANUGA international food fair. Starting from 2003, the MAP took over responsibility for organizing the Macedonian stand at ANUGA.

OBJECTIVES Increase participants' potential to identify new buyers for sales to importers, wholesalers, retailers, distributors and/or logistics agents; enhance participants understanding of the latest trends and know-how in the vegetable processing industry, including export/import trends and packaging and food safety standards requirements; and offer the possibility for participants to identify opportunities to develop effective sales strategies for the large and more competitive EU markets. The beneficiaries of this Activity are 11 AgBiz customers participating in the processed vegetables value chain.

PROGRESS To secure successful participation of vegetable processors in ANUGA 2009, MAP first established formal cooperation with the Ministry of Economy (MoE) to be responsible for booking and paying for floor space at the fair. As in 2007, the main applicant for space rental at ANUGA is the MoE (they are responsible to pay for all space rent and related expenses according to their annual export promotion program). Since MAP, GTZ and AgBiz will be supporting participation in ANUGA, an MoU was signed between AgBiz, MAP and GTZ for financial and technical support to the participating companies. MAP is responsible for contacting potential suppliers of the stand, collecting offers from potential vendors and organizing a joint meeting of the participants to select the best offer. Also, MAP is involved in all other issues related to achieving a professional appearance for the ANUGA 2009

exhibitors. In August MAP requested bids from potential supplier of the exhibition stand. Seven companies were contacted (local, regional and from the EU). Five companies responded and submitted their quotations. The participating companies reviewed the proposals and selected the best offer (Glob Expo Company from Serbia) at a joint meeting on August 26th. Also, MAP identified and contacted the freight forwarding company (TIR specicija from Skopje) to collect and transport all exhibitors' samples on behalf of the members. The MAP coordinator was involved in all preparatory and logistic activities related to successful presentation of the Macedonian vegetable processors at ANUGA 2009.

FOLLOW-UP MAP coordinator will travel to Germany to support the participating companies. Upon returning to Macedonia AgBiz will host a meeting with participants to review the results of fair participation, draw conclusions on the success of the Activity and develop recommendations for further support. Constant follow-up to maintain and expand the relationships established at the trade fair, leading to export transactions, will be provided by the participants.

COST Anticipated Total Cost \$134,237; AgBiz anticipated contribution: \$8,891 or 6.6%.

Completed

None

Considered & Dropped

None

1.6.2 Export Focused, Business Expansion Projects

Being Implemented

Dentina

DESCRIPTION "Production Capacity Expansion and Export Marketing and Sales Support" during the period from October 3, 2008 to December 15, 2009. These investments will increase productivity, reduce production costs, result in exporting more processed products, and use more locally produced raw materials. The Project also includes support for conducting a promotion campaigns for creating better brand visibility in Dentina's target markets.

OBJECTIVE Improve and increase the productivity and processing capacity of Dentina, and design and launch additional marketing and promotional activities - mainly in store promotions.

OUTCOME The Project is progressing very satisfactorily and has not encountered problems so far. The only change was that due to economic slowdown and changes in the management structure of Gastro Group Dentina did not renew the Gastro supplying contract, and therefore requested AgBiz approval to organize an in-store promotion in Kaufland. Previous support for in-store promotion activities in Kaufland enabled Dentina to improve the positive perception and visibility of their branded products. The usual insufficient supply of raw materials, especially red peppers, during the season was well managed and the planned quantities of finished products were produced. The Serbian market initially accepted Dentina's products very well but the sales were stopped due to problematic payment.

Based on experience gained during the Bulgarian Study Tour and AgBiz IPARD training for PV companies, Dentina is interested in preparing an application for IPARD to help upgrade their processing facilities and replace some of their processing equipment with more advanced versions. The company is making good progress in implementing the required environmental mitigations and monitoring recommendations. During the harvesting and processing season sales go down, so domestic sales were \$10,000, regional export sales \$100,000 and international export sales \$12,000. Fourth calendar quarter sales are expected to be as projected.

COST Dentina has contributed around \$147,394 to the Project, and the AgBiz contribution via a Grant is \$40,007.

ISSUES As expected, Dentina experienced a slowdown in sales to the important Croatian market. Some Croatian buyers not only decreased their imports due to the financial crisis, but their payments have been prolonged. This was the case even more so with Serbian buyers.

LESSONS LEARNED Long term relationships and trust building with farmers enabled Dentina to secure the supply of raw materials they needed, so they are able to fulfill their contracts with buyers.

FOLLOW-UP Continue supporting Dentina to sustain their relationships with farmers and strengthen their position in international markets. Help Dentina to identify specifically how to apply for IPARD funds. Monitor Project implementation, including grantee inputs where AgBiz is supporting part of their marketing activities, and make sure the Grantee provides timely and accurate Quarterly Progress Reports.

Bonum Plus

DESCRIPTION “New Export Market Entry and International Organization for Standardization (ISO) Compliance” from July 3, 2008 to December 15, 2009. This Project will help Bonum Plus comply with export customers’ requirements by completing an ISO that includes HACCP.

OBJECTIVE Become more competitive and effectively market to multiple outlet retailers, particularly in Serbia.

OUTCOME During the Quarter Bonum collected offers from international certification bodies for implementation, final verification and certification of ISO 22000 and completed the last level of activities for implementation of ISO 22000 before certification with Food Consulting. During the Quarter domestic market sales were approximately \$510,000, regional exports were approximately \$50,400 - primarily to Serbia, and international export sales \$530,000.

COST Bonum Plus contributed goods and services valued at approximately \$176,928 to the Project and the AgBiz contribution to the Project via a Grant was \$20,000.

ISSUES ISO 22000 verification and certification was postponed until November. Bonum expects problems with seasonal labor in the forthcoming processing season. Recession-related obstacles have caused receivables payment delays by Serbian partners.

LESSONS LEARNED Implementation of the ISO 22000 Food Safety Standard will have a significant positive impact, primarily on the perception of Bonum’s key branded products, and is anticipated to increase demand and sales to target markets. Bonum participation in AgBiz supported regional and EU trade fairs and other promotional activities such as Novi Sad, Tutto Food Milan and the **Hotel, Restaurant, and Café (HoReCa)** event in Croatia, has enabled Bonum to establish new contacts, have face-to-face interaction with market participants and gain immediate information on trends, market prices, etc. Bonum’s active participation in and assessment of the conclusions from the AgBiz supported Pepper Conference in Strumica have stimulated the development of contracts between farmers and Bonum Plus. These contracts are very important, not only as a way for the processor to clearly state quantities, quality and price, but also as a planning tool to ensure the correct timing of raw material availability during the forthcoming harvest season. Through these forward contacts Bonum has helped farmers to remove the middleman and capture a greater percentage of raw material prices.

FOLLOW-UP Monitor the process of certification of ISO 22000. In next quarter Bonum is planning to remove an asbestos containing roof when funding is secured. A Cleaner Production Report for will be part of the HACCP report. Bonum is not planning to organized public participants meeting because the area around factory is a weekend rural retreat area and is not constantly inhabited. Make sure the Grantee provides timely and accurate Quarterly Progress Reports. Help Bonum engage and develop relationships with financial institutions for better and/or more effective access to finance, including utilization of the forthcoming IPARD funds.

Lars

DESCRIPTION “Improve and Increase the Productivity and Capacity of Drying” during the period from July 3, 2008 to December 15, 2009. This investment in a high capacity centrifuge will significantly improve and increase the productivity and capacity of the Lars drying plant.

OBJECTIVES Maintain and further upgrade Lars position as the leading Macedonian producer, marketer and supplier of dehydrated products to food processing clients by becoming a just-in-time supplier of high quality processed dehydrated vegetables, following strict quality and food hygiene/safety criteria, and building long-term partnerships with customers.

OUTCOME The additional equipment secured with AgBiz support significantly increased Lars productivity, which enabled the company to start expanding their export activities on both regional and international markets such as the USA and Canada. During the Quarter, Lars completed negotiations with a serious buyer from the USA for exporting preserved and dried vegetable products. As results of that, Lars introduced new products. The centrifuge equipment is functioning properly and significantly increases efficiency of the company. Lars is continuing to hold and organize supply chain meetings with farmers to discuss common interests and explain requirements for on- field activities to ensure that

farmers understand what it takes to be competitive in export markets. Value of export sales during the Quarter was \$439,024. Investments made by the owner during the Quarter were US\$85,366 in facilities and equipment. AgBiz assisted the company to complete the Export Insurance Procedure through MBEP successfully, and with that instrument to insure and increase their export sales.

COST Lars contributed goods and services valued at approximately \$176,928 to the Project; the AgBiz contribution via a Grant was \$20,000.

ISSUES Given the nature of the Lars business and the diverse number of vegetables it requires, it is difficult to plan exactly what vegetables it will require from producers, therefore forward arrangements are difficult. Lars has serious problems with seasonal labor in the forthcoming processing season. Lars lacks information about US import regulations for exporting goods to this market.

LESSONS LEARNED Because of the growing market opportunities for dried vegetables in EU and regional markets, Lars continues to focus on expanding their sales of dried vegetable products, including smaller packages with added value that can sell at a higher price and better profit. Lars needs to develop formal contracts with their farmers to assure a steady and timely supply of the raw materials they require.

FOLLOW-UP: Continue monitoring Project implementation, including grantee inputs into the Project. Monitor the required environmental mitigations, including an Asbestos Health and Safety Plan. Make sure the grantee provides timely and accurate Quarterly Progress Reports. Ensure that the AgBiz value chain support program continues to support activities that introduce the grantee to new domestic and international markets and strengthens their farmer/processor relationships. Engage and develop relationships with specific financial institutions for better and effective access to finance, and utilization of the forthcoming IPARD funds. Encourage Lars to effectively introduce new value added products that will have a positive impact, not only on the processor and their gross revenues, but also on farmer's income.

Vipro

DESCRIPTION "Construction of a New Vegetable Processing Facility" during the period from July 3, 2008 to December 15, 2009. By developing this new facility Vipro will be able to significantly expand their capacity and meet EU buyer requirements.

OBJECTIVE Support first phase of the new facility - the adaptation and reconstruction of buildings in into a HACCP certified processed factory that can respond to the needs of processed vegetables customers and help Vipro become more competitive.

OUTCOME During the Quarter Vipro continued to implement the Project and significantly progressed construction of their updated and expanded facilities, especially in the sections for preserving vegetables. Construction work is being finished on the new facility, including the 762 m² building between hall 3 and 2, continued work on reconstruction of hall 3 to install additional beams and walls and construction of worker changing rooms. Vipro completed construction of and put into operation a very modern 100 ton industrial scale. However, the GoM inspector has not provided official approval because Vipro does not have an EU certificate but rather a USA certificate because they imported the scale from the USA. So for now the scale can only be used for internal purposes.

COST Vipro has invested approximately \$355,313 in the Project, and the AgBiz contribution via a Grant was \$24,000.

ISSUES Vipro has suffered limited access to credit and insurance services, therefore implementation of a waste water treatment system will be delayed. Serious problems are anticipated with seasonal labor in the processing season, and serious shortages of raw materials such as gherkins and hot pepperoni are expected.

LESSONS LEARNED AgBiz support to Vipro's new facility will enable the company to expand its capacity, increase its raw material demand and more effectively respond to market requirements.

FOLLOW-UP Support and monitor completion of construction and other investments for finalizing the new processing facility including building a facade on hall 3 and 4 and installing doors and windows, installing incoming and outgoing water management services in the hall 3 and completing the partition walls in the hall 3. Engage and develop relationships with financial institutions for better and more effective access to finance and utilization of the forthcoming IPARD funds.

Avto Ria

DESCRIPTION “Establish and Operate a New Processing System for Onions” during the period from July 3, 2008 to December 15, 2009. The strategic commitment of Avto Ria is further processing of peeled onions.

OBJECTIVE Become a well known, respected and financially sustainable company for the production, processing and sale of fresh and frozen onions on domestic and foreign markets, conforming to all international norms and standards.

OUTCOME AgBiz support (grant) helped to secure the expansion of Avto Ria’s fresh onion sorting and packing activities, as well as entry into peeling onions. Currently the new equipment is functioning properly. Efficient processing and packaging of high quality fresh onions is being implemented. The pre-conditions for packaging fresh onions for export have been clearly established. Procedures for implementing HACCP standards begin and AgBiz sent a vendor approval letter to Avto Ria. All necessary measures for a clean environment have been undertaken regarding the small quantities of waste water, as well as for storing and saving chemicals, oils and greases that are important for the proper maintenance of the processing lines. Avto Ria managers visited the Tirana International Agricultural Trade Fair after which, based on contacts established there, they expecting to start cooperating with several companies interested in buying frozen vegetables such as peeled onion and sliced red peppers, and will purchased fresh onions from Albania when they are not available in Macedonia. Avto Ria was visited by international consultant David Picha and his recommendations and guidelines have been implemented in Avto Ria’s daily operations.

COST Avto Ria has contributed goods and services valued at approximately \$104,800 to the Project; and AgBiz has contributed \$19,800 to the Project via a Grant.

ISSUES To start implementation of HACCP the grantee made improvements in their physical facilities, e.g., preparation of sanitary premises and interior hall arrangements. These improvements will be completed soon. Due to the market situation in the EU and the recession, processing operations and export activities have slowed down, but this quarter it is an improvement over the last quarter. Significant obstacles related to customer receivables have been experienced, and the company is experiencing limited access to credit and insurance services. The grantee expects serious problems with the availability of seasonal labor in the forthcoming season.

LESSONS LEARNED Applying new equipment and the latest technologies to production processes, and following a system of food safety, has enhanced the opportunity to add value to Avto Ria’s finished products, and has enhanced their competitiveness in international markets. Primary producers from the Bucin region expect an increase in the volume of raw material purchased by Avto Ria, but this may not happen due to weak markets. However, Avto Ria expects significant new revenue from shifting into value added products.

FOLLOW –UP Monitor the implementation of HACCP; follow the required environmental monitoring and mitigation recommendations; ensure that AgBiz continues to support activities that introduce the grantee to new domestic and international markets and strengthens their farmer/processor relationships; and engage and develop relationships with specific financial institutions for better/more effective access to finance and utilization of the forthcoming IPARD funds.

I.7 WILD GATHERED PRODUCTS – GORAN ANGELOVSKI, VALUE CHAIN COORDINATOR

I.7.1 Value Chain Overview

Currently the Wild Gathered products value chain is composed primarily of companies dealing with mushrooms and medicinal and aromatic plants (MAP’s) while almost all of them also deal with berries and other fruits. The WGP companies are scattered across the country and are segmented in 3 levels: gatherers, consolidators and processors/exporters. The volume of export is about 17 million \$US on a annual base. Also precise information’s are not available it is believed that about 60.000 gatherers from the most economically challenged group which is living in the most rural areas are active in the gathering. The main export market for the WGP value chain is EU. The biggest importer of Macedonian WGP’s is Italy with more than 50% of the total export value. Germany and France are the second and third largest single country importers respectively, but together bought less than 25% of the value of Italian imports. Between 2004 and 2008 the value of Italian imports of Macedonian mushrooms increased by more than 48%. Mushrooms represent more than 60% of the total value of all WGP exports, and are mainly Boletus, Lactarius and Cantrell varieties. About 70% of total mushroom exports from Macedonia are

dried mushrooms followed by frozen, in brine and fresh.

A decade ago Medicinal and Aromatic Plants (MAPs) were the leading Macedonian export WGP, but with increased cultivation of MAPs, the export value of this segment has drastically reduced. Exports of wild gathered fruits are mainly berries such as blueberry, juniper berry and blackberry. Macedonian WGP companies are currently exporting almost exclusively bulk products, but are slowly beginning to orient themselves toward new value added products and markets, and therefore moving into semi-finished and finished products.

In spite its importance as the value chain with one of the largest value of agriculture-based exports, Wild Gathered Products low profile and lack of information and transparency have until now contributed to the relative neglect of the value chain when it comes to GoM support for export competitiveness enhancement.

In retrospective, 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 the lack of transparency and visibility this sector is, unfortunately, often perceived as semi-legal.

In spite its importance as the value chain with one of the largest value of agriculture-based exports, Wild Gathered products low profile and lack of information and transparency have until now contributed to the relative neglect of the value chain when it comes to GoM support for export competitiveness enhancement.

To address this issue the WGP companies formed the “Sumski Plod” Association. The Association is composed of the 10 biggest Macedonian exporters of WGP and is open for new members.

1.7.2 Work during the Quarter Summary

During the Quarter WGP VC participants were heavily involved in processing and sale of WGP. The Quarter was one of the most active periods of the year for processing raw products that were purchased earlier in the year. This processing involved cleaning, classification and packing of dried products. High July and August outdoor temperatures usually terminate gathering mushrooms so companies are mostly processing already purchased raw materials. However, this season was not typical since good weather conditions and sufficient rains enabling collecting and purchasing raw material during most of the Quarter. Regarding the Medicinal and Aromatic Plants (MAPs), during the Quarter gatherers were active collecting and drying MAPs, since almost all MAPs are purchased from gatherers as already dried.

The main AgBiz WGP work during this Quarter was focused implementation of food safety standards, value adding by organic certification and addressing critical policy and institutional reforms. Four ELSAs were being implemented (three HACCP-based food safety systems and certification and one organic certification), a “HACCP Implementation Activity in Support of WGP Consolidators” was underway and a “HACCP Grey Areas Identification and Recommendations for Resolution” Activity was nearing completion.

Key WGP VC accomplishments during the Quarter included the newly formed WGP trade association effectively addressing policy and institutional constraints, adding value to exported WGP by enlarging by 200% the number of WGP companies that have achieved organic certified production and collection areas and contributing to the implementation of food safety standards for 30 WGP companies.

The most significant AgBiz objectives for the next quarter are helping the new trade association resolve a major policy and institutional constraint, strengthening and seeking affordable means of ongoing support for the new trade association and successfully completing all ELSAs and closing out the grants scheduled to be completed at the end of December.

1.7.2 Value Chain Development

Cooperation with Other Projects and Entities

SIPPO and MAFWE Regarding Biofach 2010

DESCRIPTION Biofach is the largest trade fair in EU focusing on organic products. Based on interest and requests of Macedonian companies in AgBiz supported value chains AgBiz, in cooperation with SIPPO supported the presentation of Macedonian companies in the SIPPO stand at the International Trade Fair – Biofach 2009 in Nuremberg, Germany. Due to the encouraging first results and repeated interest from the companies AgBiz and SIPPO are discussing the possibility of supporting Macedonian companies to visit Biofach 2010. MAFWE is also interested in contributing to Biofach 2010 exhibition costs.

OBJECTIVE Promote and sell organic products from Macedonia to visitors at Biofach 2010.

OUTCOME Do to AgBiz “focusing” requirements and budget limitations, and since the majority of companies interested in exhibiting at Biofach are from the WGP value chain that AgBiz will only support via their trade association, it will be difficult for AgBiz to support Biofach 2010.

FOLLOW-UP Monitor the results of the companies that will exhibit at Biofach 2010 and recommend similar activities if needed.

Other

MAFWE Forestry Department Treatment of Forests in 2009

DESCRIPTION During the Quarter, AgBiz, in collaboration with the MAFWE Forestry Department, obtained official information on the chemical treatment of Macedonian forests against pests.

OBJECTIVE Facilitate Macedonian WGP companies access to the mandatory information and documentation needed for organic certification of WGP collecting areas.

OUTCOME This information is now available for all participants in the WGP value chain and is an important document for all companies wanting to certify organic collection of WGP. The ready availability of this information obtained by AgBiz reduces organic certification costs and the time required for organic certification.

FOLLOW-UP The information will be disseminated to all members of the Shumski Plod Association during their next general assembly meeting.

1.7.3 Competitiveness Enhancement Activities

Further Review

Web Sites for the WGP Association and WGP VC Companies

DESCRIPTION Despite its potentials and export orientation, the WGP VC remains underdeveloped as related to the promotion and marketing of its products. Only four exporters out of the 15 large companies operating in the sector have functional web sites. This has been identified as one of the main obstacles for potential customers to reach Macedonian WGP companies and inquire about their products. This also explains the fact that only a limited number of international buyers that have mastered the local language and know local conditions are present in Macedonia as buyers. The objective of this Activity is to offer the members of the WGP Association “Shumski Plod” an opportunity for joint acquisition of web site development services, and to use economies of scale to lower the price for developing and hosting individual firms’ web sites. Additionally, a web site for Shumski Plod will be developed that will contain information and links to the web sites of all members, and promote Macedonian WGP to international buyers and other interested parties. This interactive Association web site will also enable exchanging information that will be posted on the site between the members and other stakeholders.

OBJECTIVES Increase the visibility of the WGP Association “Shumski Plod” both locally and internationally; increase export-marketing possibilities for WGP companies; enable new potential buyers

access to information about the offers of companies selling WGP in Macedonia; stimulate exports the WGP; and develop the marketing potential of Macedonian WGP companies.

OUTCOME: The activity was developed and a number of WGP companies expressed interest to participate. However do to the AgBiz focusing strategy much of the financial support for the WGP VC was allocated elsewhere. As the funds for implementing the activity as originally designed are unavailable, AgBiz will try to optimize the cost calculation, and if sufficient funds are available a modified activity will be implemented.

Support for a Public-Private Dialogue on the New Forestry Law

DESCRIPTION MAFWE, as the responsible authority, in a more or less transparent way developed a new law on forests to be adopted by the GoM. The version recently presented is far from complete as it is missing most mayor components. Details eventually will be defined in bylaws after the basic law is passed. Under the new law the WGP segment is barely addressed, but the text of the law leaves open the possibility of different interpretations by different stakeholders. For example, the law describes the Public Enterprise “Makedonski Sumi” as the sole manager of public forests, including WGP products collected there from. “Makedonski Sumi” has the right to charge fees for using forestry natural recourses. Therefore, it is unknown to whom the public enterprise would charge fees (gatherers, consolidators or exporters), how much they would charge (annually or per kilogram), or how much can be collected by a certain company or gatherer in a certain region. Reporting and monitoring requirements are also completely missing. This is unacceptable to the WGP companies as they have already had bad experience with “Makedonski Sumi” branch offices when they tried to regulate wild collection and proposed unacceptably high fees to approve a WGP company to collect in a specific public forest. Nobody from the private sector (WGP companies) was involved in drafting the law, and transparency is one of the requirements in the normal procedure for adopting a new law.

OBJECTIVES Assist the Sumski Plod Association to advocate the needs of WGP VC companies during the drafting of the new Forestry Law, especially segments that regulate the management and utilization of non-timber forest products sourced from public forests. Prevent enacting into law provisions that will directly reduce the competitiveness of the value chain by increasing the cost of raw materials and creating additional bureaucratic obstacles. Members of Sumski Plod have already pointed out deficiencies in the draft law concerning the WGP segment. All comments and remarks were noted, and MAFWE representatives promised they will take them in consideration. However, since the GoM is in a hurry to pass as many new laws as possible to show progress to the EU Commission, it is highly unlikely that anything regarding WGP will be changed based on private sector input. AgBiz may consider facilitating a round table at which WGP VC participants and MAFWE Forestry Department representatives can discuss the provisions of the new Forestry Law before it is sent to the Parliament for adoption.

OUTCOME With the support of AgBiz, Sumski Plod Association members managed to contact stakeholders including MAFWE, Ministry for Environment and Physical Planning (MoEPP), Makedonski Sumi and the Forestry Faculty regarding the new Law on Forests. It was agreed that Sumski Plod will submit an Activity Concept to AgBiz for support to organizing a workshop with all participants and address issues connected to the new Law on Forests.

FOLLOW-UP In the following quarter AgBiz expects to receive an Activity Concept from Sumski Plod and will seriously consider supporting the workshop as important step for addressing issues regarding the new Law on Forests.

Under Development

No Concept Activity was Under Development at the end of this Quarter.

Being Implemented

STTA in Assessing Gray Areas in HACCP for WG Sector

DESCRIPTION Mandatory implementation of Food Safety Systems based on HACCP principles introduced by the GoM on January 1, 2009 represents a serious challenge for WGP companies, since HACCP-specific knowledge is very limited in the WGP value chain. Many “gray areas” exist regarding the specifics of HACCP implementation for WGP. The main issue for successful HACCP implementation is wide spread semi-processing by collectors (sun drying at collector’s homes) before delivery to

consolidation and processing centers. This applies to about 50% of the total Boletus mushrooms exported, and 100% of collected herbs. There is a gap in the HACCP-specific knowledge of both value chain participants and the GoM inspection services regarding the drying that takes place at the gatherer level. This Activity is assessing these knowledge gaps and developing specific recommendations for HACCP implementation to serve as a guide for both value chain participants and GoM inspection services. The assessment is being conducted by qualified international and domestic consultants in coordination with relevant GoM food safety inspection services. This Activity was developed by AgBiz and Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ). GTZ staff members are serving as domestic consultants, and providing all the necessary information to the international expert that was selected by both GTZ and AgBiz, and supported by AgBiz.

OBJECTIVES Develop a comparative analysis of the current practices and requirements in the EU and Macedonia in terms of food safety and mandatory food safety systems in the WGP VC. Help align Macedonian WGP food safety requirements and practices with EU requirements. Develop proposals for amendments to existing legislation regarding WGP food safety practices, and for optimal approaches to aligning WGP regulations with EU requirements. Build the capacity of WGP VC participants to comply with GoM and EU food safety requirements.

COST Total Cost: \$10,050; AgBiz Share: \$5,850 or 58%.

OUTCOME During the Quarter AgBiz signed a MoU with GTZ, selected and contracted an international consultant to implement and complete the Activity. The contracted consultant delivered a first draft of the analysis which was commented on by AgBiz and GTZ.

FOLLOW-UP In the next quarter the consultant will implement the modifications and deliver the Final Report. A workshop presenting the analyses will then be organized by AgBiz and GTZ.

HACCP Implementation Support to WGP Consolidators

DESCRIPTION This activity was designed to offer technical assistance for up to 30 WGP consolidators that supply Macedonian processing and exporting companies (exporters) who have already implemented HACCP. Implementation of food safety requirements is a legal obligation of all WGP companies. Companies that purchase and consolidate wild gathered products from gatherers are predominately microenterprises or individuals, often located in remote villages close to collection sites. The costs associated with implementing HACCP systems at the consolidator level are relatively high given the consolidators' size, location and internal human capacity. Consolidators supplying WGP to exporters is a necessity for the maintenance and development of WGP exports. One of the ways to assure a continued supply of WGP from consolidators to exporters is through effective support for HACCP implementation at the consolidator level.

OBJECTIVE Implement HACCP principles in food safety assurance for up to 30 WGP consolidators; reduce HACCP implementation costs at the consolidator level due to group implementation; maintain the supply lines of WGP from consolidators to exporters; and support the strengthening of long-term cooperation between WGP consolidators and exporters.

OUTCOME To date three WGP exporters (Intermak, Flores, Fungi Flora), with a total of 26 consolidators, have committed to implementing the Activity. During the Quarter LoI's were signed with all three exporters and a SoW for the service provider was developed. The exporters are currently seeking a competent service provider to be approved by AgBiz, and will start implementing HACCP-based systems at the consolidator level.

COST Total Cost: \$77,000; AgBiz Share: \$8,500 or 11%.

FOLLOW-UP When the three exporters that signed LoIs have selected a service provider and implementation has started, AgBiz will monitor the process of HACCP implementation at the consolidators through completion of the Activity.

Completed

Establishing a WGP Trade Association – additional activities

DESCRIPTION Previously, WGP VC participants had not been able to establish a viable trade association that would genuinely and openly serve the needs of its members. Without a strong association, participants in the WGP VC could not impact GoM support policies, legislation and actions on issues linked to enhancing the development and competitiveness of the value chain. Establishing a WGP Association was a staged activity and included: 1) assessing the commitment of association

members, developing draft association by laws and an annual operational program and budget, 2) conducting a foundation meeting of the association and adopting by laws a budget, and electing association officers and 3) implementing the proper registration process with the authorities. AgBiz supported this Activity by contracting an association development expert to work with the association initiation committee to complete a successful foundation meeting, develop the required legal documents and conduct the registration process.

OBJECTIVE Establish a WGP Trade Association that will serve the needs of WGP processors and exporters and improve the export competitiveness of the sector. Secondary objectives included providing a common organization and a forum where VC competitiveness and development impediments are identified and strategies to approach the GoM for solutions will be discussed and developed for advocacy actions. Creating a focal point for AgBiz and GoM delivery of more efficient and effective support for enhancing the competitiveness of the WGP VC was also one of the objectives of this Activity.

OUTCOME The WGP companies formed the “Sumski Plod” Association. The Association is composed of the 10 biggest Macedonian exporters of WGP and is open for new members. It has yet to be proven that the association will function in practice and not become yet another donor motivated NGO on paper only. The AgBiz WGP VCC participated in the General Assembly and clarified that the participants are committed to the sustainable functioning of the Association.

ISSUES Some value chain participants still fail to recognize the need for establishing an effective association. The issue of the membership fee was extensively discussed, and will probably be the biggest obstacle for the effective functioning of the Association. The founding companies showed readiness to pay a membership fee which is sufficient for covering only the most basic costs of the new Association. Due to the new AgBiz focusing strategy the WGP VC has lost much of its financial support.

LESSONS LEARNED WGP companies are feeling considerable competitive pressure and need to organize themselves for their own self interest. This has been demonstrated by their active participation in forming the “Sumski Plod” Association. From the start, the Association needed to be managed professionally and transparently. The Association needed to show a few initial successes perceived to be of value to a large number of participants in the value chain. The Association must also aggressively promote its activities through the founding members, and assure financial sustainability at a realistic level. This will give the Association momentum, and will increase interest and support from additional members.

COST Total Cost: \$1,665; AgBiz Share: 53%

FOLLOW-UP: On several occasions during the Quarter Sumski Plod members demonstrated unity in dealing with value chain constraints, e.g. by attending the public hearing of the new Law on Forests, meetings with the Food Directorate, Ministry for Environment and the Radiation Testing Laboratory, and participation in a joint HACCP implementation activities. Very limited AgBiz funds and opportunities for support to Sumski Plod are available, and optimization of these resources is needed for optimal impact. AgBiz will continue to offer focused support to the newly established association to avoid it becoming yet another donor created organization that will stop functioning when support is discontinued before the organization has a chance to reach sustainability.

Wild Gathered Organic Certification Training – additional activities

DESCRIPTION Organic certification has the potential to be an important future marketing tool, and represents one of the most feasible ways to quickly add value to Macedonian WGP in international markets. AgBiz supported a Study Tour for five Macedonian companies considering organic certification to visit the Biofach Trade Fair in February, and based on feedback from participants and ongoing follow up, a significant interest was identified from WGP companies to increase their knowledge about collecting and processing organic wild gathered products. This training will cover topics such as certification of collection areas, organic wild crafting training for gatherers, Good Collection Practices, processing facilities certification and logistics. It is anticipated that representatives of at least seven Macedonian WGP companies will participate in the hands on, practical training to be conducted at several different locations in Macedonia.

OBJECTIVE Increase participants’ level of understanding of the opportunities for adding value to their products via organic certification; enhance the capacity of wild gathered products managers to prepare for organic certification; increase the number of wild gathered products companies pursuing organic certification; and increase the value of exports of Macedonian organically certified wild gathered products.

OUTCOME 14 participants attended the training of which 11 were WGP companies. It is evident that the subject was interesting for Macedonian WGP companies. New approaches to fulfilling organic certification requirements for wild gathering and processing were obtained by participants interested in

organic certification, as well as those already certified. All participants expressed satisfaction with the information provided during the training, and acquired a sufficient knowledge level regarding the training topics.

ISSUES Beside the rainy weather and small limitations regarding the training site, no special issues were observed during the training.

LESSONS LEARNED According to the participants, wild gathering and processing organic certification requirements are not too difficult to fulfill. Depending on the interest from target markets for organic products, the companies will assess the cost: benefit for organic certification. Having in mind that the procedure for certifying wild collection is rather simple and the standards are easily applicable, organic certification is probably the next step in adding value to many WGP companies' products.

COST Total Cost: \$8,946, AgBiz Share: 29%

FOLLOW-UP: During the Quarter AgBiz reimbursed Macedonian Organic Producers' Federation (MOPF) for organizing of the event. Several companies in the WGP VC decided to implement organic standards to add value to their products and become more competitive. This was also confirmed by MOPF which is monitoring the progress of the organic movement in Macedonia.

On Hold or Dropped

None

1.7.4 Export Focused, Business Expansion Projects

Projects - Being Implemented

Vigan

DESCRIPTION The main business of Vigan is purchasing, sorting, processing, and packing forest mushrooms for sale to EU markets, primarily Italy and France. Currently Vigan sells only fresh, salted in brine and dried mushrooms. Vigan's objective is constant expansion of their capacity for processing mushrooms, and increasing the variety of products they sell on foreign markets. Due to present capacity limitations, Vigan plans to construct a new facility near Demir Hisar. To achieve full functionality of these facilities Vigan will buy new equipment, including fast freezers and freezer storage chambers. AgBiz will support installation of new, fast freezing equipment and freezing chambers in the new Vigan processing facilities. The project began on October 3, 2008 and will conclude in March 29, 2010.

OBJECTIVE Improve the quality and quantity of mushrooms sold on export markets, increase the capacity of production and implement HACCP standards. Specifically: increase margins by increasing the quality of processed mushrooms; increase processing capacity to be able to increase sales and exports; introduce a new product - frozen mushrooms; increase the quantity of forest mushrooms purchased; and increase the number of employees.

OUTCOME During the Quarter Vigan finished the main construction work on their new facilities, which were therefore operational during this season.

COST Total Cost: \$195,000; AgBiz Share: 7.7%

ISSUES No issues are identified at this time.

FOLLOW-UP Monitor Vigan's increased exports, especially of frozen mushrooms.

Intermak II

DESCRIPTION The main business of Intermak is the acquisition, processing and sale of wild mushrooms and wild forest fruits. The company has developed strong connections with WGP suppliers in their regions, and currently manages 25 collection centers around the country. Intermak sells several types of fresh, frozen and air-dried mushrooms categorized by quality. The main export destination for all types of mushrooms is Italy, and to a lesser extent Germany and France. The Project will increase Intermak's productivity by adding two new, fully equipped processing facilities to triple their current daily capacity. Organic certification will enable the company to expand into new markets, based on contacts with buyers from the US. AgBiz is supporting the construction of one (southern) of the two new Intermak processing facilities. The project began on October 3, 2008 and will conclude in March 29, 2010.

OBJECTIVE To maintain and further upgrade Intermak's position as one of the leading Macedonian companies for the processing and export of wild mushrooms by improving and increasing its processing and storage capacity. Specifically: increase processing and sales by 200%; optimize raw material intake in the best seasons; create inventories of dry and frozen mushroom products; be able to approach US and other foreign markets and customers; introduce organic production; expand the mushroom products line; and introduce new, smaller consumer and food service packs of mushrooms.

OUTCOME: During the Quarter Intermak finished construction work as defined in the Project Award Budget, submitted an Expenditures Report and Request for Reimbursement, and was reimbursed by AgBiz.

COST Total Cost: \$474,600; AgBiz Share: 4.2%

LESSONS LEARNED Offering products with added value such as organic certification results in sales to market segments that have less competition and offer more possibilities for profit.

FOLLOW-UP Intermak should be able to start operations in their new facility during the next quarter. AgBiz will monitor Intermak efforts to establish the planned operations and the enhancements of Intermak's business with startup of the new facilities.

Kokolanski

DESCRIPTION Kokolanski is a WGP company that focuses on three main products - Lactarius and Boletus mushrooms and juniper berries. The company's limitations on purchasing and processing larger quantities of fresh/chilled Boletus and Lactarius mushrooms in brine are due to their limited processing equipment and storage capacity. The present facility for blanching Lactarius mushroom does not meet food safety requirements. Kokolanski wants to achieve a greater volume of processing and increase labor productivity and company profitability. Therefore, the Project involves upgrading and expanding the companies processing facilities, and supporting the purchase and installation of new processing equipment for blanching Lactarius mushroom and fulfilling GoM and EU requirements for food safety. The Project began on June 1, 2008 and will be completed December 15, 2009.

OBJECTIVE Increase Kokolanski's export competitiveness by improving and increasing their processing capacity for blanched and brined Lactarius mushrooms and implementing the preconditions for HACCP certification. Specific objectives are improved competitiveness, increased processing, raw material sourcing and purchasing capacity, implementing a food safety system based on HACCP principles and complying with GoM and EU food safety requirements.

OUTCOME Kokolanski paid an advance to purchase the blanching equipment and submitted an Expenditures Report and Request for Reimbursement, and was reimbursed by AgBiz. Kokolanski reported an increase in their volume of the business this year, which is partially due to their improved processing facilities.

COST Total Cost: \$42.430; AgBiz Share: 16.6%

FOLLOW-UP Kokolanski expects the blanching equipment to be delivered in the next quarter and the final payment to be completed. Monitor Kokolanski business progress in the next quarter and the finalization of the installation of the blanching equipment.

Koro

DESCRIPTION Koro was established in 1992 as a privately company owned by the Kolovski family. Their main business activity is the production of high quality vinegar and teas. The company has a well developed network for the purchasing raw materials, involving close to 10,000 people throughout the country. Koro is presently selling on the domestic market, is the second largest producer of filter teas in Macedonia and has a well established brand name. Big export growth potential exists in neighboring countries, as well as in export markets where sales have already been established. Koro intends to establish a new organic product line. AgBiz is assisting Koro by supporting part of their marketing activities, including re-design of packaging, design of new promotional materials for target markets, newspaper advertising and entering new retail chains in export markets. AgBiz will also pay the cost of engaging a local expert for training in organic collection of WGP's to individual collectors and supply centers operators. The project began on October 3, 2008 and will conclude in March 29, 2010.

OBJECTIVE Establish and strengthen the company's presence on regional markets, primarily Serbia. Specifically: move from a supply push method of sales to demand pull sales in Serbia; improve competitiveness; enter major supermarket chains in Serbia; increase the Koro teas market share in Serbia; and enable total sales growth, and increased regional export sales.

OUTCOME During the quarter Koro delivered vendor offers to AgBiz from qualified certification bodies. The Koro preferred service provider was approved by AgBiz. Koro paid an advance for the certification. Accordingly, Koro submitted an Expenditures Report and Request for Reimbursement, and was reimbursed by AgBiz.

COST Total Cost: \$123,000; AgBiz Share: 12.2%

FOLLOW-UP During the next quarter Koro will finalize its certification and will then be able to offer organic products. AgBiz will closely monitor the progress of the certification, especially completion of all items in the Award Budget in a timely manner.

Flores II

DESCRIPTION Flores collects, purchases, processes, packages and exports medicinal herbs, aromatic plants and wild fruits, and sells its products to European wholesalers and agents specialized pharmaceutical products. Flores' major export markets are Germany, France and Italy, and to a lesser extent Spain, Switzerland, Greece and Slovenia. Flores intends to establish a completely new product line for organic production. With this Project Flores will be able to enter a new market segment and capitalize on the increasing demand for organic raw materials for the pharmaceutical business. AgBiz is supporting Flores via a contribution to construction work to adapt their current processing facilities, introduce a new organic product line and cover costs for engagement of a local expert for training for individual collectors and supply center operators on organic collecting of WGPs. The project began on October 3, 2008 and will conclude in March 2010.

OBJECTIVE Introduce a new organic product line for wild gathered medicinal herbs, aromatic plants and wild fruits, and create new regional and international export opportunities. Specifically: capitalize on the increasing demand for organic raw materials; implement complete physical separation of conventional and organic production lines; increase sales by 30%; introduce organic production; and be able to approach EU and other foreign organic products markets.

OUTCOME During the Quarter Flores finished construction work as defined in the Project Award Budget, submitted an Expenditures Report and Request for Reimbursement, and was reimbursed by AgBiz.

COST Total Cost: \$125,927; AgBiz Share: 12%

ISSUES No issues are present at this time.

1.7.5 ELSAs

Being Implemented

Extra Fungi

DESCRIPTION Extra Fungi became operational in December 2005 and trades and processes mushrooms. The company buys fresh or dried mushrooms and processes them before selling to EU markets. Raw mushrooms are purchased from local intermediaries who buy mushrooms from local and regional gatherers. Semi processed products are sold in bulk, and afterwards packaged by final marketers. Beginning this year the company built its own processing capacity according food safety standards. This will enable much more efficient processing and storage of their products. The total cold chamber space of the new facility is 1,600 m³ spread over 750 m² of building space. Total company owned property is 3,200 m² which would allow expanding the facility and building a proper transport and loading system around the main building. Long-term relationships have been established with customers from France and Italy. Extra Fungi approached AgBiz with an application for ELSA support to implement and certify a HACCP-based food safety system in their processing facilities to improve their competitiveness and comply with GoM food safety requirements.

OBJECTIVES Implement a functional HACCP based food safety system; certify a HACCP-based food safety system by an internationally accredited certification body; increase Extra Fungi's competitiveness by offering safer food; and comply with GoM and international food safety requirements.

OUTCOME During the Quarter the ELSA SoW for HACCP implementation was approved by AgBiz and delivered to Extra Fungi to solicit offers from qualified vendors. The Extra Fungi preferred service provider was then approved by AgBiz and a three party implementation contract was signed with the approved bidder.

FOLLOW-UP: Do to the ongoing season implementation of HACCP and the needed modifications in Extra Fungi facilities and equipment slightly delayed the process of implementation and certification. AgBiz will continue to monitor implementation through successful HACCP certification, which is expected by November 2009.

Val Fungi

DESCRIPTION Val Fungi is a Macedonia-based company that trades and processes mushrooms and vegetables. The company buys fresh or dried mushrooms and processes them before sale to EU markets. Mushrooms are sold as semi-finished products to large chains or are transported to a company branch in Italy. From the branch office products are sold to processors in Italy or placed in Italian retail chains. Raw materials are usually purchased from local gatherers and intermediaries who consolidate mushrooms. A very small part of production is sold on the local market, including to other exporters. Company facilities are located in s. Belindol, Gostivar. The company started operations in 1998, but the owner has more than 15 years experience working with WGs. Expansion of the companies processing facilities is planned for 2009 to satisfy HACCP requirements. Long-term cooperation has been established with Italian customers as main buyers. The son of the owner lives in Italy and is running the Italy-based branch company. The operation based in Italy is using subcontractors for retail products packaging.

OBJECTIVES Implement a functional HACCP-based food safety system; certify a HACCP-based food safety system by an internationally accredited certification body; increase Val Fungi's competitiveness by offering safer food; and comply with GoM and international food safety requirements.

OUTCOME During the quarter the ELSA SoW for HACCP implementation was approved by AgBiz and delivered to Val Fungi to solicit offers from qualified vendors. The Val Fungi preferred service provider was approved by AgBiz and a three party implementation contract was signed with the approved bidder.

FOLLOW-UP Monitor implementation through successful HACCP certification, which is expected by the end of January 2010.

Fungi Flora

DESCRIPTION Fungi Flora's main operations are trade and processing of mushrooms, herbs and forest fruits. The company is involved in buying fresh or dried mushrooms, herbs and forest fruits for processing and sale to EU markets. Raw materials are purchased from local intermediaries who buy mushrooms, herbs and forest fruits from local or region pickers. A very small part of production is sold on the local market, including to Alkaloid. Seven varieties of mushrooms, 21 varieties of herbs and around six varieties of forest fruits are sourced and processed in Fungi Flora's facilities located in s.Oraovica, Radovis. The company started operations in 2004, but the owner has more than 20 years experience working with WGs. The company's products are sold primarily in bulk. Fungi Flora approached AgBiz with an ELSA application to implement and certify a HACCP-based food safety system in their processing facilities to improve their competitiveness and comply with GoM food safety requirements.

OBJECTIVES Implement a functional HACCP-based food safety system; certify the implemented HACCP system by an internationally accredited certification body; increase Fungi Flora's competitiveness by offering safer food; comply with GoM and international food safety requirements.

OUTCOME During the Quarter the Fungi Flora HACCP implementation SoW was approved by AgBiz and delivered to Fungi Flora for soliciting offers from qualified HACCP implementation service providers. A service provider was recommended by Fungi Flora, approved by AgBiz and a three party implementation contract was signed with the approved vendor.

FOLLOW-UP: Do to the season workload implementation of the HACCP and the needed modifications in the Fungi Flora facilities and equipment slightly delayed implementation and certification. AgBiz will continue to monitor implementation through successful HACCP certification, which is expected by the end of November 2009.

Igor Komerc

DESCRIPTION Igor Komerc, Gostivar was established in 1992 to purchase, process and trade various forest fruits, focusing on forest mushrooms. The company's processing activities consist of full processing, i.e., from raw material to final products that are mostly sold on foreign markets. Igor Komerc

operates out of the Polog region and sources its raw materials from individual collectors. Igor Komerc approached AgBiz with an ELSA application to support implementation and certification of a HACCP-based food safety system in their processing facilities as a means of improving their competitiveness and complying with GoM food safety requirements.

OBJECTIVES Implement a functional HACCP-based food safety system; certify the implemented HACCP food safety system by an internationally accredited certification body; increase Igor Komerc's competitiveness by offering safer food; comply with GoM and international food safety requirements.

OUTCOME During the Quarter a HACCP implementation SoW was approved by AgBiz and Igor Komerc solicited offers from qualified HACCP implementation vendors. An Igor Komerc selected service provider was approved by AgBiz and a three party HACCP implementation contract was signed with the selected vendor.

FOLLOW-UP Do to the season workload needed modifications in the facilities and equipment slightly delayed the process of HACCP implementation and certification. AgBiz will continue to monitor implementation through successful HACCP certification, which is expected by end November 2009.

Completed

Kastel

DESCRIPTION Kastel cultivates 9 hectares of its own land and produces medicinal and aromatic herbs, plums and apples as its main business activity. In addition to their main business activity, employees, members of the founder's family and seasonal workers also engage in collecting wild grown medicinal and aromatic herbs and forest fruits. Their agricultural land and raw materials are certified as organic. Drying, storing and packing of both the grown and collected plants are done at the company's 850 m² facility. Part of the production is sold as raw material to other companies in Macedonia, a smaller part is packed as a finished product (teas), and part is exported to Australia. Kastel's production includes final packed plants and fruits such as spices or teas, packed in 20 to 250 gram packages. Since Kastel is already certified for organic production on their cultivated land, they are now interested in expanding organic certification to their wild collection and processing activities. Kastel will therefore implement organic certification for 5,000 hectares of land and their processing facilities for wild gathered plants and fruits. This will increase the quantity and the range of organic certified varieties of cultivated and natural origin. Kastel approached AgBiz with an ELSA proposal for technical assistance to implement organic certification of its wild collection and processing activities. AgBiz approved this application.

OBJECTIVES Prepare Kastel for meeting WGP collecting organic certification requirements, including implementation of the requirements in the collection areas, processing facilities and logistics, training of gatherers and Good Collection Practices; certify Kastel's organic WGP collecting and processing by an internationally accredited certification body; and increase Kastel's competitiveness by offering a broader range of certified organic products.

OUTCOME Kastel's organic implementation SoW was approved by AgBiz. Offers from qualified service providers were collected and a three party contract for Organic Standards Implementation was signed with the approved Service Provider. Organic standards implementation is finalized and Kastel delivered the gained certificate.

FOLLOW-UP In the next quarter AgBiz will pay the consultant which was engaged by Kastel and successfully prepared the company for organic standards certification.

COST Total Cost \$8,274; AgBiz Cost \$3,274 for a cost share of 40%.

Anva Fungi

DESCRIPTION Anva Fungi is located in the village of Raven, Gostivar, where their main facility for processing is placed. There are several buy-out points, mostly in Western Macedonia, and a headquarters office in Skopje. They process mushrooms, forest fruits and medicinal herbs that are exported in fresh, marinated, dried and frozen forms. Anva Fungi has 5 permanent employees and 50-100 seasonal employees involved in processing. Anva Fungi's main challenge is maintaining the quality of its products, and promotion and branding. Anva Fungi is continuously developing new products, targeting export markets, and has identified a new product for the Canadian market. They have also identified a partner, Can-Mak, and have established initial relations. Anva Fungi has decided to target the Canadian market with their new product – the dried wild mushroom *Boletus Edulis* in small retail packages. Target customers are the large number of Diaspora from Balkan countries and Poland. Anva Fungi approached

AgBiz with an ELSA application to develop retail package designs for Boletus mushrooms aimed at the Canadian market, and their application was approved.

OBJECTIVES Expand the range of retail products offered by Anva Fungi; increase Anva Fungi's competitiveness and its export quantities; approach new market and explore new sales opportunities; add value to Anva Fungi's products via retail packaging and labeling.

OUTCOME: During the Quarter Anva Fungi delivered offers from qualified vendors to AgBiz. The Anva Fungi preferred service provider was approved by AgBiz and a three party implementation contract was signed with the approved bidder. Anva Fungi delivered the first draft of their label designs which were commented on by AgBiz.

FOLLOW-UP Monitor implementation of the suggestions made by AgBiz through to successful new label designs, which is expected by the end of October 2009.

COST Total Cost \$5,650; AgBiz Cost \$2,100 for a cost share of 37%.

1.7.6 Policy and Institutional Reform

Food Directorate to Resolve the RAPEX issue

DESCRIPTION During the Quarter non-compliance of a mushroom shipment with EU export regulations was reported by the EU rapid alert system for all dangerous consumer products (RAPEX). Soon afterwards the Macedonian Food Directorate (MFD) who was also informed by the EU authorities regarding non-compliance contacted AgBiz.

OBJECTIVE The MFD requested that AgBiz organize a meeting with the Sumski Plod Association for MFD to disseminate information on the correct export procedures and how to avoid future similar incidents. AgBiz considered this an important issue and organized and participated in such a meeting.

OUTCOME At the meeting with Sumski Plod and MFD the correct export procedures were presented. The WGP companies present on the meeting agreed that the procedures presented by MFD should be followed to avoid future similar incidents.

FOLLOW-UP AgBiz will closely monitor conformity to the correct export procedures and will continue to disseminate the information presented by MFD to all WGP export companies.

Ministry for Environment/Nature Department New WGP Collecting License

DESCRIPTION Recently the MoEPP introduced a new collecting license for WGPs that must be issued prior to a WGP export license being issued. However, WGP exporters do not collect WGPs themselves. This is done by a large population of individual gatherers. To receive a collecting license the companies need to go through a bureaucratic procedure and specify the quantities they intend to collect. This collection license for collecting license has no meaning to the exporters and is only an additional burthen for them to go through to export their products.

OUTCOME The Sumski Plod Association disagrees with the need of this additional procedure and will initiate discussions with MoEPP regarding their justification and the relevance of this new licensing procedure.

FOLLOW-UP AgBiz will monitor progress made by Sumski Plod on this issue and supports PIR activities leading toward increased exports.

1.8 WINE – GORAN DAMOVSKI, VALUE CHAIN COORDINATOR

1.8.1 Value Chain Overview

The Wine Value Chain is among three largest in Macedonia as measured by value of exports and number of industry participants, and provides employment or a source of additional income to 25 - 30,000 people. Due to its geographical location, climate and soils Macedonia has a good opportunity to be competitive in the global wine market place. It has over 15,000 private grape producers, most of which are concentrated around Negotino, Kavadarci and Rosoman, called the Tikvesh area of south-central Macedonia. Around 22,500 hectares are under vineyards, 87% of which are wine grapes (5% of the total cultivated land). There are currently 73 registered wineries, and the number is growing, with installed capacity ranging from 10 thousand and 55 million liters. Most wineries are small family owned businesses. Only 25 or so

are exports oriented or have significant export potential. These wineries are using modern equipment and have adopted new management practices to produce high quality wines.

In 2008 wine exports were \$57.5 million, but only 35% of the value was sold as bottled wine, while 65% was sold as bulk. The average price of bottled wine was \$1.75 per liter, while the average price of bulk wine was \$0.55 per liter. In the last several years there have been significant improvements in the quality and consistency of wine, enabling a continuous but slow shift from bulk to bottled wine exports. For example, the value of bottled wine exports as a percentage of the total wine exports increased by 8 percentage points between 2007 and 2008. The key export markets for bottled wine are regional markets while Germany is by far the biggest importer of Macedonian bulk wines.

Unfortunately, Macedonian winemakers lack uniform process control and monitoring as well as institutional guidance and support, especially in marketing and the promotion of Macedonia as an origin of quality wines. The existing limited institutional support infrastructure is insufficient and does not provide technical personnel with the essential analytical skills necessary to produce consistently high quality wines. Large wineries previously owned by the State and now privatized require large capital investments in their equipment to improve quality. The lack of a consistent National strategy has damaged backward linkages and created considerable rivalry and mistrust between wineries and grape growers. This has encouraged wineries to invest in their own vineyards so they can fully control the variety and quality of their raw material. Wine tourism has potential for generating important revenue but a very substantial effort must be placed by both wine value chain participants and municipalities regarding infrastructure development and enhancement, e.g., hotels, tasting rooms and road signs.

This season has been particularly difficult for Wine Value Chain participants. The impact of the global financial crisis and economic slowdown continued to affect Macedonian wineries during the Quarter. The overall insecurity and reduced comfort of consumers negatively impacted global wine consumption. Therefore, wineries experienced reduced export demand, delayed collection of receivables and difficult access to finance. Due to unsold inventory, wineries drastically reduced their external purchase of grapes for processing. The global economic crunch has created a significant global production surplus, and prices for bottled and bulk wine have declined, so Macedonian bulk exporters have also suffered enormous price pressure in their segment of the market. Most international buyers/distributors are trading down, and this negatively impacts wines positioned at high end markets. Many wineries are delaying or canceling planned investments in expanding or improving their facilities, modernizing their equipment and replanting old vineyards with more marketable varieties.

AgBiz Program support of the value chain is directed towards significant enhancement of the competitiveness of Macedonian wineries to enable them to compete regionally and internationally. This will increase their export sales of bottled wine to current markets. We are also helping wineries to sustainably enter new export markets, add value to their final products and generating better income throughout the value chain. We are also focusing on improving the VC integration/linkages and securing a broad-based positive impact. AgBiz assistance is contributing to an increased positive awareness of Macedonian wines on export markets. We are supporting activities aimed at increasing bottled wine exports from participation in various trade fairs and B2B meetings, to technology transfer such as oenology training by experienced international experts, HACCP support and IPARD access.

1.8.2 Work during the Quarter Summary

During the Quarter the top priority of wineries was optimizing harvesting season results. The financial slowdown and very limited bank lending for working capital resulted in wineries having limited ability to purchase grapes from growers. Also, based on more than average rainfall, harvested grapes were of lower quality than in previous years. Therefore, although intensive negotiations were conducted, grape prices mildly declined in comparison with 2008. Nevertheless, most quality focused wineries, by having full control over their grape supply, managed to secure good quality grapes from their own and selected out grower vineyards. Export oriented wineries continued their efforts to sustain current markets and identify new market opportunities. Wines from several wineries were awarded prizes at international and regional wine challenges.

The most significant AgBiz accomplishments during the Quarter were Wine VC participants became familiar with the latest procedures and eligibility criteria to apply for IPARD funds under all three Measures, private sector input into the MAFWE National Wine and Viticulture Strategy was provided prior to its passage and we helped a core group of exporting wineries confirm their commitment to form the Wines of Macedonia Association and helped them develop the required registration documents

The most significant AgBiz objectives for the next quarter are: Facilitate group of eight wineries to participate in the Centre for the Promotion of Imports from Developing Countries (CBI) Export Marketing Plan Development Training in Rotterdam; Organize and support four wineries to exhibit at the Russian Wine Trade Fair in Moscow; Identify opportunities to provide support for strengthening the new Wines of Macedonia Association; and Work with CBI to organize a workshop to investigate the level of commitment from all relevant Macedonian stakeholders to develop a National Wine Sector Marketing Plan.

1.8.3 Value Chain Development

Cooperation with Other Projects and Entities

MAFWE's Strategy for Macedonian Wine and Viticulture

DESCRIPTION As part of the overall National Agricultural Strategy, MAFWE is responsible for developing a Wine Sector Strategy. As a supporter of wine value chain competitiveness in Macedonia, AgBiz was invited to participate in the MAFWE coordination body consisting of wineries, grape grower representatives, Agricultural Faculty members, and Ministry of Economy representatives responsible to work on developing the Strategy. Initially an Export Marketing Strategy was envisioned for Macedonian wine but later, aiming to integrate the issues related to the whole value chain, it was changed to a Strategy for Wine and Viticulture. The new Deputy Minister organized an internal MAFWE task force and took leadership of the team that adopted a new outline and started working on drafting the document. The draft will be approved by Government and then offered to a public debate for further improvement and finalization.

OBJECTIVES The objective of AgBiz involvement was to provide support to the MAFWE to stimulate inclusion of the private sector in the Strategy development process so the Strategy addresses the issues and serve in the best interest of private sector wine value chain participants.

OUTCOME The AgBiz Wine Value Chain Coordinator participated on the initial meeting organized by the MAFWE coordination body. Later, AgBiz hold several coordination meetings with a group of export oriented wineries, reviewed the draft document provided, combined inputs from all participants and sent these to the MAFWE task force.

FOLLOW-UP AgBiz will request a meeting with the Deputy Minister of Agriculture to discuss further our contributions into the Wine and Viticulture Strategy and propose cooperation for securing adequate winery involvement into finalizing the document, as well as developing action plans for implementation of export promotion activities based on the final Strategy.

Meeting with the MoE Promotion Unit re: Joint Promotional Activities for 2010

DESCRIPTION Last year AgBiz signed a MoU and cooperated with the MoE Promotion Unit, particularly on organizing and facilitating several jointly supported trade fairs. While planning their promotional support program for the agribusiness sector for this year, MoE expressed interest to coordinate with AgBiz on future activities related to agribusiness export promotion that will allow Macedonian companies higher visibility and encourage additional export sales.

OBJECTIVES The objective of the meeting was for AgBiz to articulate interest from the private sector for joint presentations to target international markets, opportunities for participation in B2B forums and other activities that are identified and prioritized by AgBiz.

OUTCOME Based on AgBiz recommendations, MoE decided to include ANUGA, ProWein and the London International Wine Fair in their support program and agreed to further discuss with AgBiz opportunities to jointly organize B2B meetings and forums that are of particular interest to companies in AgBiz supported value chains.

FOLLOW-UP AgBiz will coordinate with the MoE Promotional Unit and develop Activities on a cost sharing basis.

Other

International Women's Association Support for a Fundraising Event

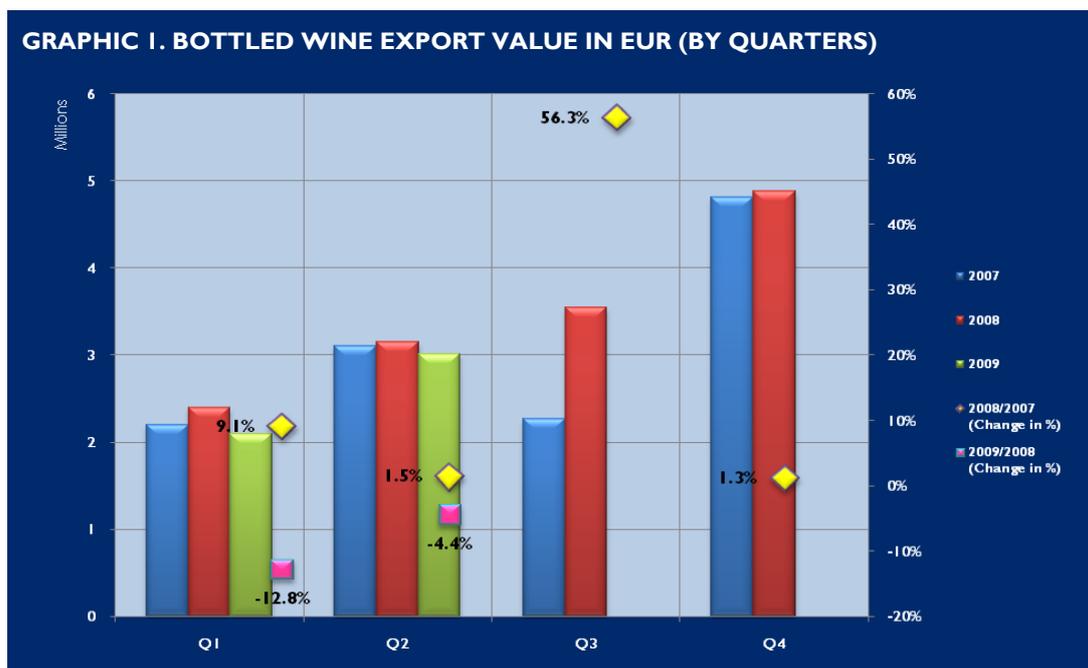
DESCRIPTION The International Women's Association (IWA) in Skopje is a volunteer-run non-profit organization that not only acts as a key social-networking base for women, but also helps the community through various charitable events. One of their key fundraising events is a wine and cheese tasting usually held in October. IWA have been hosting this for the last six years and it has proven to be a great social event and fundraising opportunity for the charities IWA supports. Two charities the IWA has been funding for the last two years are the SOS Children's Fund in Skopje and the Negotino Poraka Center – a day center for people with mental disabilities. Due to AgBiz support to the wine sector IWA approached the Program with a request to assist them in reaching out to the wineries and arranging for their participation in the event.

OBJECTIVES Being an event with a noble cause, but also a good occasion for many of the smaller Macedonian wineries to showcase their wines, especially those that don't often reach an international audience, AgBiz agreed to help coordinate the event. The AgBiz objective is to propose and coordinate with a minimum of five wineries to participate in the wine and cheese tasting and, as in previous years to support the charitable nature of the event by either donating several bottles of wine to a silent auction that will be held during the evening, or donating 10% of their wine sales on the night to the IWA charitable fund.

COST AgBiz would not make a financial contribution to the event.

Internal Wine Industry Database Update

DESCRIPTION We have developed an internal data base covering bottled and bulk wine exports. The data was obtained from the State Statistical Office, and secondary sources such as UN Comtrade and



International Trade Center Databases.

OBJECTIVE Develop a wine import/export data base for internal use to understand trends, and to communicate useful market information to customers that will enhance their understanding of the EU wine market and trends.

OUTCOME During the Quarter data for Macedonian wine exports in the second quarter of Calendar Year (CY) '09 was obtained from the State Statistical Office and processed. The key findings are that in the second quarter wine exports were 25.6M liters valued at €13.2 million, and 23% of that total value was bottled wine (€3 M). Eighty-seven percent of the bottled wine was exported to the Balkan region and only 9%, with a value of €264,283, was exported to the EU–27 countries. However, 67% of bulk wine was exported to the European Union, predominantly to Germany. Serbia continues to be the top importer of Macedonian bottled wine with purchases of 1.39M liters valued over €1.8M, with an average price of

1.31€ per liter, followed by Croatia and Slovenia. Compared to the same period in 2008, there was a 4.4% decrease in value of bottled wine exported in the second quarter of 2009. However, the average price per liter of bottled wine exported reached 1.51€ which is 9% percent higher than the average price of 1.39€ in the second quarter of 2008. Compared to the first quarter of CY '09, the second quarter is good news for the Macedonian wine value chain in that the value of bottled wine exports was 44% higher than the first quarter of 2009. Wine export trends are illustrated in the Graphic 1 below.

FOLLOW-UP An abstract of these data in charts and graphs will be included in the next Wine Value Chain Newsletter. We will continue to obtain relevant wine-related data, and explore **export** trends, which will be communicated to wine VC participants.

I.8.4 Competitiveness Enhancement Activities

Further Review

SAPARD/IPARD Experience Study Tour for Wine Companies

DESCRIPTION After significant delays and several postponements, the IPARD Management Authority and the Payment Agency anticipates that Pre-Accession instrument funds will become available before the end of 2009. Wine VC companies will be eligible to use IPARD funds under Measure 103 - Investments in Processing and Marketing of Agricultural Products - to restructure and upgrade to Community standards as well as for rural tourism under the Measure 302 - Diversification and Development of Rural Economic Activities. Several wineries are seriously considering applying for these funds to implement projects for advancing their standards and improving their competitiveness. Therefore, they have expressed interest in enhancing their understanding regarding the specific application procedures and criteria that need to be fulfilled when applying for and during implementation of IPARD-supported projects. SAPARD was a Special Pre-Accession Program of the EU for agriculture and rural development aimed at assisting accession candidate countries to facilitate structural adjustments to their agricultural sector and rural areas and thus very similar to IPARD. Therefore, a Study Tour for analyzing best practices and experience gained from utilization of the SAPARD Program in another country will be of great importance to potential IPARD applicants from the Wine VC.

OBJECTIVES Learn from the SAPARD experience in other countries and enhance Macedonian winery managers understanding how EU SAPARD funds have been utilized by wineries in candidate countries; increase winery managers' knowledge of EU wine-related standards and market requirements regarding quality, hygiene and food-safety; identify the specific costs associated with adopting new technologies and know-how in winemaking, management practices, distribution logistics, marketing and product presentation for EU markets; achieve a better understanding on how to restructure/modernize wineries for compliance with the latest EU requirements; better understand the principles for applying for EU Pre-Accession funds; and receive practical information on application procedures and eligibility and get answers on the most frequently asked questions related to SAPARD.

COST PROJECTION Estimated Total Cost \$8,000 estimated AgBiz Cost \$4,000.

FOLLOW-UP During the Quarter some preparations were made and initial contacts were established with possible host companies in Bulgaria that have successfully used SAPARD funds under the measures available for the wine sector as well as a representative from the Ministry of Agriculture responsible for SAPRD. Unfortunately based on prioritization completed at the Annual Work Plan Workshop, this activity was put in the Priority but Insufficient Funds Available category.

AgBiz/CBI Platform for Developing a National Sector Export Marketing Plan

DESCRIPTION As part of AgBiz cooperation with the CBI regarding the Export Coaching Program (ECP), a four member delegation of CBI staff including policy and institutional development experts visited Macedonia. At meetings with AgBiz and MAFWE CBI representatives expressed their interest to contribute to the development of the National Wine and Viticulture Strategy. CBI also presented their capacity to and interest in establishing and facilitating a process for developing a Wine Sector Export Marketing Plan (SEMP). The Plan would integrate private sector and GoM interests, and based on EU wine market analysis and identified competitive advantages of Macedonian wines, define specific national export marketing efforts, the optimal positioning of Macedonian wines on selected regional and international markets and promotional activities designed to create wider origin and wine quality

recognition. The CBI representatives shared their experience in successfully implementing such a concept in other countries, especially a very similar Plan development process currently undergoing in Moldavia. CBI requested full collaboration with AgBiz due to the close links AgBiz has with all relevant stakeholders in the Macedonian wine sector including with MAFWE, the MoE, the private sector, Sector for European Integration (SEI), etc. that should be included in the Export Marketing Plan development process, and suggested an initial meeting with all potential participants to explain and gain support for plan development.

OBJECTIVES Clearly present the concept for developing the SEMP with facilitation by CBI and achieve a concrete commitment from all parties to commit human resources to the process.

COST PROJECTION Estimated Total Cost \$15,000; AgBiz contribution \$1,300.

Under Development

Moscow Wine Trade Fair

DESCRIPTION During the current global financial crisis wine buyers from all around the world are asking questions about the cost of wine-making and finished production, prices in the supply chain, optimization of logistics, the reliability of financial relations and the readiness and ability of all partners to observe agreed sales terms and conditions. This serious cost and price sensitivity had had a major influence on exports of even the best known wineries. Macedonian companies have also experienced serious price pressure and declining demand that has resulted in significant quantities of wine that has not been sold. These conditions weaken the financial standing of the wineries, reduce their capacity to purchase grapes this season and have enabled the big traditional, primarily German, bulk and low end bottled wine buyers to exercise much greater bargaining power when buying Macedonian wines. It is therefore essential for the larger Macedonian wineries to be able to quickly identify new markets that can absorb their low and middle range of quality wines. The Russian market has been identified by several leading Macedonian export-focused wineries as one of the opportunities for successful market entry and achieving a large volume of export sales. Some wineries already establish relations with buyers in Russia, and two have a small presence in Russian Federation markets, but are interested in identifying additional customers. Therefore, they have expressed a strong interest in exhibiting at the annual international exhibition "Drinks Industry/Russian Wine Fair 2009" that will take place for the 9th time in Moscow from the 26th to the 28th of November 2009.

OBJECTIVES The overall objective for four Macedonian wineries to exhibit at the Wine Trade Fair in Moscow is to: present Macedonian wines and increase the awareness of the target audience; gain a better understanding of the wine market in Russia, including key competitors, sales channel structures, the latest trends in the Russian wine business and to open new business-to-business communications; identify the interest of buyers and pursue opportunities to find a distributor or agent who will represent an individual winery or a group of several/selected Macedonian wine brands and sell their wines; identify opportunities to establish direct collaboration with supermarkets and offer products for their private label programs or house wine brands, and assess Macedonian wineries ability to respond to larger volumes; attract local wine critics to become acquainted with Macedonian wines; and identify and adopt product technologies and presentations most appropriate for the Russian market.

PROJECTED COST Total cost is projected to be \$47,000; AgBiz contribution \$15,000 or a 32% share.

Coordination with CBI on Their Wine Export Coaching Program

DESCRIPTION The CBI recently opened its ECP, which supports exports of fresh fruit and vegetables and wine, to Macedonian companies. As part of this program, CBI offers qualifying companies training on export possibilities and contacts with potential buyers, experience sharing with representatives of business communities in EU member countries and presentation support at international trade fairs. An assessor from CBI visited 12 Macedonian wineries that applied to the ECP, some suggested by AgBiz, to assess their operations. They then selected 10 wineries to be granted assistance under ECP and receive CBI assistance and all forms of support from this multi-year Program, including Export promotion training (EXPRO 82) that will be held in the Netherlands, from October 26, till October 31, 2009 for developing individual marketing plans and participation in trade fairs. During the Quarter AgBiz held several meetings with the CBI team to share experience and views, and identify complementarities and opportunities for cooperation between our programs.

OBJECTIVES The ECP aims to assist producers and exporters of wine in developing countries and countries with economies moving toward entering the European market, to establish sustainable trade relationships with European buyers. The ECP is therefore very complementary to AgBiz objectives in the wine VC, and we want to cooperate and coordinate with CBI and their ECP to the greatest extent possible.

OUTCOME It was agreed that both programs will analyze their annual plans to avoid any overlap, and look for opportunities for joint activities.

FOLLOW-UP AgBiz will continue to liaise, cooperate and coordinate with CBI's wine support program activities, and closely coordinate the development and implementation of our respective wine VC competitiveness enhancement activities.

Being Implemented

No Activity has Being Implemented at the end of the Quarter.

Completed

None.

On Hold or Dropped

Assessment of Successful National Wine Export Promotion Programs

DESCRIPTION Wineries in Macedonia are striving to secure export sales and sustainably develop good export promotion programs, especially for bottled wines. To date the GoM has not been very supportive in developing international awareness of Macedonia as an origin for quality wine. Therefore, individual winery's efforts to promoting their wineries are obstructed by very limited awareness on the part of international buyers and consumers about Macedonian wines. A national origin promotion program is a prohibitively expensive undertaking for an individual winery, so any serious plan for developing and implementing a medium to long-term program for promoting a national origin requires a broad platform and a joint private sector with public sector effort. Unfortunately, previous attempts to organize wineries into the MakVino Association, as a well coordinated entity that would support the development interests of wineries, e.g., lead an effort to develop a national wine promotion program, have been less than successful. Based on an AgBiz preliminary investigation, it is becoming evident that other wine countries success is extensively based on well organized efforts at promoting national level origin and positive perceptions. National Export Promotion bodies secure very strong "umbrella" branding for a country, and allow jointly organized implementation of Export Promotion Programs. This enables wineries to economically and effectively promote themselves under the national "umbrella", as well as enter and increase their market share in target markets. Macedonian wineries need to understand what other wine exporting countries are doing in this area, and how they have developed and are implementing wine export promotion programs. AgBiz already developed a draft SoW and evaluated several potential international experts that could be engaged to investigate and profile the wine export promotion programs of leading wine exporting countries and their implementing bodies, create a concept proposal for development of a Macedonian national wine promotion entity, e.g., "Wines of Macedonia", that would do export promotion by building the image of Macedonian wines and thereby increase the competitiveness of the Macedonian wine industry.

OBJECTIVES Increase the knowledge and understanding among private and public stakeholders in Macedonia on how other leading wine exporting countries developed and are implementing wine export promotion programs, including the profile of their export promotion bodies and the comparative role of government and the private sector; develop a concept proposal for a sustainable model of a Macedonian wine export promotion body and recommend guidelines for both the initiation and sustainability of an optimal export promotion program; based on the additional knowledge gained from this Activity, AgBiz will be able to evaluate the real interest and commitment of wineries that represents the majority of the country's exports to support the concept. This information and subsequent value chain participant decisions can then become the basis for a viable proposal to the GoM to jointly support the establishment and functioning of such a wine export promotion body.

COST PROJECTION Estimated Total Cost \$24,000; estimated AgBiz cost \$12,000.

FOLLOW UP Since this activity has midterm implications and requires extensive coordination and commitment from the majority of private stakeholders and the GoM to work on further implementation of the concept, AgBiz characterized it as not being the highest priority under the limited available funding situation. AgBiz will continue working closely with the major exporting wineries to obtain their input on a serious joint approach towards a national export promotion program and coordinate with MAFWE to assess the level of political will and institutional readiness for such a concept to be included in the National Strategy for Wine and Viticulture that is currently under development.

1.8.5 Export Focused, Business Expansion Projects

Projects Being Implemented

Popova Kula

DESCRIPTION Expand exports of Popova Kula bottled wine through the establishment of Popova Kula Poland, which will be responsible for the marketing and distribution of bottled wine in the Polish market. AgBiz support is focused on the marketing and promotional program required for successful entry and share expansion of Popova Kula wines in the Polish market.

OBJECTIVE Increase export sales from the current 120,000 Euro to 700,000 Euro per year over the next three years; significantly expand exports of bottled wine to the Polish market and make it a key company growth driver; and support Polish market sales by achieving a superior mix of products, marketing support and promotional tools.

OUTCOME In this period Popova Kula increased efforts to enter several Polish market chains and succeeded to get into and place Popova Kula wines on the shelves in Polomarket, PGS group and Sobieski Group. Sobieski Group is the No 1 Company on the ranking list of the MoE of Poland and includes typical wholesalers and is the most important wholesale and retail seller of wine in Poland. Polomarket has around 300 supermarkets covering all regions of Poland. Popova Kula's wines are also present on the shelves of Kaufland, Żabka, Retom Trade, ML Delikatesy and Hale Banaha supermarket chains. Popova Kula is satisfied with the progress of their Polish market entry program. However, they have plans to make a better presentation to customers in these retail chains and to create better product awareness in the following period by focusing more on advertising in in-store circular leaflets. As a result of these entries into new supermarket chains, Popova Kula has exported an additional 9,500 bottles of wine with a value of more than \$32,000. During the Quarter Popova Kula received three offers for making promotional stands destined to be placed in Polish supermarkets. They have chosen the best supplier and are expecting to receive the stands very soon. These stands will offer an excellent opportunity to draw the attention of Polish consumers during the holiday season which is generally the most important time period for wine sales. The Polish market is divided into 16 provinces and Popova Kula is not present in all of them, so there is still a lot to do to increase distribution and presence in the Polish market.

COST Total Cost: \$209,494; AgBiz Share: 19.1%

ISSUES The global economic slowdown has had a significantly negative impact on Popova Kula's Polish sales, and is constraining their expected level of market penetration.

LESSONS LEARNED Based on experience gained in the Polish market Popova Kula modified their strategy for expanding their Polish market distribution network by a more direct approach to retail chains using their very strong influence on distribution channels.

FOLLOW-UP Popova Kula will continue to work on increasing their market share in established markets and identifying opportunities for new market entries and distribution in Poland. They will also continue to focus on more cost effective promotional activities that will allow better use of their limited financial resources during this period of economic slowdown.

Valandovo Winery

DESCRIPTION Engage local technical assistance to help produce grapes of higher quality as a precondition for the production of quality wine. Improve winemaking technology and transfer that knowledge to employees who can maintain the processes.

OBJECTIVE Shift from bulk to bottled wine sales; increase the quality of the grapes produced; successfully adopt new technology for the production of quality wines; enlarge the capacity of the winery, including production of barrique wines; enhance the image of Valandovo wines, opening new export

market possibilities and increasing total sales; establish new vineyards with high quality varieties; and facilitate new direct and indirect employment.



PHOT CREDIT: AGBIZ STAFF

The process of packing bottled wine in Valandovo Winery.

OUTCOME During the Quarter Valandovo made serious progress in implementation of the Project, but also in other aspects of the overall improvement of the company's operations. The AgBiz-supported STTA provided by the experts continued with even better results, especially through the harvest season. The experts' assistance in evaluating the degree of maturity of grapes and determining the best time for harvesting based on testing sugar content, total acidity, phenolic compounds and other parameters was key to

optimizing results and handling the issue of overly watery grapes due to high rainfall and the resulting lower bricks (sugar content). The winery started an extensive investment of more than \$1 million to renew their outdated mechanization, and purchased 40 new tractors of which 10 have already been delivered and put into operation. This will dramatically increase the operational capacity and effectiveness of the winery, and ultimately improve productivity. They also invested in advanced posts for 20 ha of new vineyards. Valadovo also purchased four new computers to completely computerize and improve their systems for record keeping and tracking stock, availability of resources and enhancing the planning process for use of crop protection chemicals, fertilizers and other inputs. Valandovo participated at the Vinovita Trade Fair in Zagreb where they successfully presented their wines. They were awarded the most valuable award "Fair Champion" for their special Vranec wine brand Aleksadar, but also received gold for their regular Vranec and silver for their high quality Smederevska. This made a serious contribution to the strengthening of their presence on the Croatian market through creating extensive PR and additional visibility, but also encouraged B2B meetings with the HoReCa channel that will have positive impact on their Croatian market share growth. During the Quarter Valandovo expanded their award portfolio with several prizes on very relevant international competitions such as a Silver Medal for their Aleksandar at Mundus Vini, as well as a bronze at the Decanter competition in London. This will surely open perspectives for securing additional export markets and an opportunity for an upper market move. During the Quarter Valandovo exported in bulk 1 million liters of Vranec and small quantities of Smederevka. The winery continued its efforts to expand their bottled wine market and identify new importers to penetrate new markets. Valandovo successfully finalized the negotiation and managed to contract Frutela, the best wine importer and distributor in Bosnia and Herzegovina, IDEA, one of the biggest supermarket chains in Serbia and Kiseljak, a well established a wine distributor from Belgrad for exporting bottled wine. Therefore, it is expected that their percentage of bottled sales will significantly increase by the end of the 2009.

COST Total Cost: \$220,456; AgBiz Share: 11.3%.

ISSUES Credit crunch has put additional pressure on the winery's ability to finance their business expansion.

LESSONS LEARNED Extensive efforts to identify new markets for Valandovo's bottled wines are very much required. The STTA provided has significantly contributed to the winery's effort to secure the quality of grapes needed and improve the overall quality and consistency of Valandovo wines.

FOLLOW-UP AgBiz-supported STTA program implementation will continue to work on improving the overall quality of wine, and particularly to work on transferring that knowledge to the winemaking process for the 2009 vintage.

Bovin

DESCRIPTION Increase the added value of Bovin wines by introducing oak barrel aging technology to increase total sales and open new export market possibilities. Finalize new winery construction, technical equipment, and purchasing of oak barrels, enological equipment and training of personnel.

OBJECTIVE Enhance the production of oak barrel aged (barrique) wines with technology that will enable the introduction of a new type of wine with a higher value, quality and price. Create the pre-conditions, including a modern tasting room, for developing wine tourism as an additional sales channel.

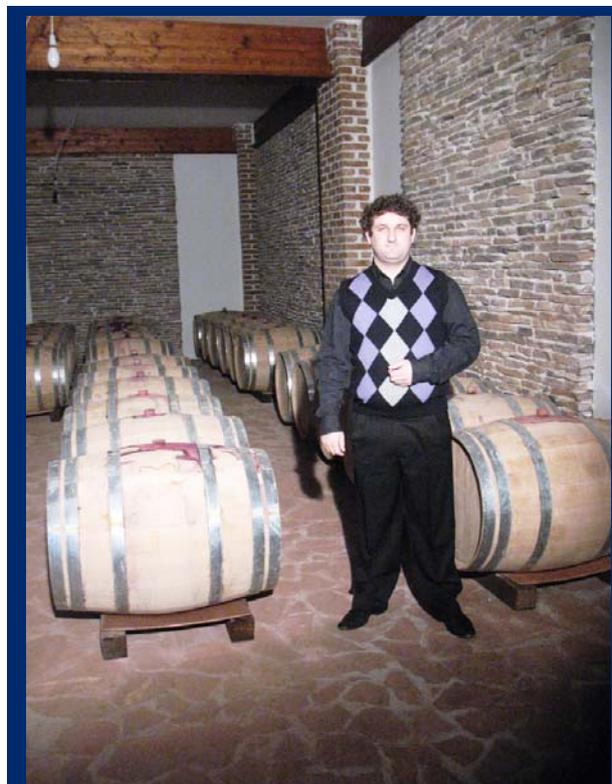


PHOTO CREDIT: AGBIZ STAFF

The new barrique section in Bovin Winery.

OUTCOME During the Quarter construction progressed, especially the barrique section that will be finished very shortly. The whole project is in its final stage, and after completion a grand opening will be organized. Construction is finished for Award Budget Item #1, so placing of windows and installation will follow. The old tasting room has been closed and work is now concentrated on the interior for which experienced workers are being utilized. Bovin also invested in building a new facility to accommodate 12 new open stainless steel tanks for grape fermentation that were purchased in the previous quarter. Due to the new production technology, and in cooperation with experts from the Faculty of Agriculture in Skopje various tests were conducted which yielded very positive results. At the same time the experts provided additional training for the staff. Besides their own production from some 65 hectares, Bovin purchased grapes from local farmers. The value of this year's investment in purchasing grapes was around \$55,800 and \$173,900 from own production.

COST Total Funding: \$230,660; AgBiz Share: 10.8%

ISSUES The negative impact of the global

economic slowdown on export sales continues to be a major concern.

LESSONS LEARNED Modifying the market strategy and concentrating on the best prospects and most profitable markets remains to be Bovin's focus in the current economic slowdown.

FOLLOW-UP Finalize the Project and focus on optimizing marketing efforts, including marketing of high quality barrique wines will be the Bovin priority in the next period.

Agrolozar/Dalvina

DESCRIPTION Agrolozar started an aggressive forward integration program for adding value to their grapes by building a modern winery and establishing the company Dalvina to process and market wine. Agrolozar applied for AgBiz to support to Dalvina to shift from bulk into bottled wine production, apply advanced production methods and oenology techniques, develop an adequate palette of high value added products, create visual identity for their products and winery and develop and implement an extensive export promotion program to enter and sustain their presence in new regional and international markets.

OBJECTIVE Enable full integration of the Agrolozar/Dalvina supply chain by securing backward and forward linkages, thus optimizing export competitiveness and enhancing business growth and sustainability. Add value to Agrolozar's grapes and successfully switch production and sales from bulk to high and consistent quality bottled wine. Considerably increase Company bottled wine sales and exports in 2009 and 2010.

OUTCOME During the Quarter Dalvina, with their new fully operational bottling line, almost exclusively shifted from bulk to bottled wine and offered the market a complete range of five high quality bottled wines that includes the three reds Vranec, Cabernet Sauvignon and Merlot and two whites Zuplanka and Rheine Riesling. Three new barrique wines are expected to be bottled in two mounts. The winery also prepared a small supply of Muscat Trolling that will be bottled in a specially designed, fully

transparent bottle with a couture style label, aimed at the German Market. After the first export shipment of 5,400 bottles to China, Dalvina continued to provide support to their Chinese distributor and arranged for Dalvina to participate in the most relevant wine trade fair in China. Following London International Wine Fair participation, Dalvina sent samples to ASDA, the biggest UK retailer. After passing the first quality wine assessment, the company continued to negotiate other parameters that, if accepted, would result in Dalvina's wines being present on the shelves in ASDA. Dalvina has invested serious effort into identifying market opportunities and arranging for experienced wine distributors on their target markets. Based on the expressed interest from serious potential buyers they have sent samples to Croatia, Slovenia and Serbia. Analysis of the German wine market and identification of a company representative in Germany to explore market entry is underway. Dalvina is continuously negotiating with several German agents and wine merchants for representing Dalvina wines on the German market. Management has started investigating the most effective entry point to the Serbian market and held a series of meetings with relevant Serbian wine importers/distributors. During the 2009 harvest the winery processed approximately 1.6 million kg of grapes and produced more than 1.2 million liters of wine, including two new varieties - Chardonnay and Sauvignon Blanc. The winery continued to extensively outsource oenology expertise, using a team of top German winemakers. Progress on developing a promotional catalogue and web portal was slow due to extensive harvesting season work, but they should be finalized soon. These promotional tools will improve the visibility of the company and contribute to the professionalism of presentations and communications with potential customers.

COST Total Cost \$371,000; AgBiz Share 5.4%.

ISSUES The hail damage to Agrolozar's grapes was a problem during the Quarter, but also significant rainfall affected the yield and quality of grapes. Dalvina, based on advice from their German experts, purchased special advanced equipment that uses a reverse osmosis principle to extrude water from the must before fermentation starts, and enables a much higher concentration of aromas and flavor in the grape juice.

LESSONS LEARNED Recruiting an experienced and proven marketing person that will manage the successful introduction of Dalvina wines in regional and international markets is a challenge. Different target markets have different specifics, therefore require serious research that is expensive and time consuming.

FOLLOW-UP Contract a German representative to represent Dalvina wines on the German market and continue to use the close supervision of the German oenologist on the winemaking process. Identify a reliable distributor in Serbia and Croatia, finalize the corporate promotional tools and hire a marketing professional.

1.8.6 ELSAs

Being Implemented

Vardarska Dolina

DESCRIPTION Vardar Valley Winery is a wine producer primarily engaged in exporting bottled wines to Russia, Germany, Japan, Serbia, the Czech Republic and Croatia. Ninety percent of production is targeted for export, but the company has also invested a substantial effort into developing the domestic market, and has entered all larger supermarkets and distribution networks. The company strategy is to expand their capacity and produce quality bottled wines under two programs: quality wines for wide consumption and easily accessible for every consumer budget, and wines of higher quality from selected harvests, prepared for more refined tastes and customers with higher purchasing power. Vardar Valley is interested in constructing a new winery in the village of Kurija, Negotino on a 2,680 m² site, which will allow them to increase their exporting capacity, improve their technical and technological capacity and implement all required quality control standards. Therefore, they applied for, and were accepted as ELSA support to engage SITTA for developing a concept and master project for the new winery.

OBJECTIVE Engage SITTA to develop a Master Project for the new winery and complete project documentation for construction of the new winery in Kurija consisting of a basement, ground floor, 1st floor, 2nd floor and attic that will satisfy all RoM requirements, result in proper and smooth operation and meet the requirements of the HACCP system for food safety.

OUTCOME Vardar Valley solicited bids from three qualified service providers. After evaluation they determine the most favorable offer and requested AgBiz approval to purchase the service. AgBiz accepted the preferred vendor and signed a three-party contract with Vardar Valley and the service

provider Trio Konsalting. The company started developing a Master Project and complete project documentation for construction of the new winery in Kurija.

FOLLOW-UP It is expected that Trio Konsalting will successfully fulfill all deliverables in the contract on time. After Dzumajlija confirms their satisfaction and pays their portion, AgBiz will cover the costs agreed in the contract.

Pivka Winery

DESCRIPTION Pivka Winery sells 30% of its wines on the domestic market and 70% is exported to the USA, Canada, EU and all countries of the former Yugoslavia. Currently they have nine quality wine items: white - Chardonnay, Rajnai Rizling, Traminac, red - Merlot, Cabernet Sauvignon, Pinot Noir, Vranec Barik, and Vranec, rosè - Pinot Rosè and two high quality wines Vranec 2004 and Cabernet Sauvignon 2004. These wines were introduced on the market at various times so there are four label variations, their quality wines do not have a unified visual identity and their labels do not effectively and convincingly communicate the desired image of the wines. This negatively impacts the overall image of the Pivka Winery. Therefore, Pivka identified the need for new label designs and applied for ELSA support to redesign six labels to refresh the appearance of the wines and improve their sales on both domestic and export markets. Their application was approved by AgBiz.

OBJECTIVES Engage SITTA to redesign the Pivka Chardonnay, Rhine Riesling, Merlot, Cabernet Sauvignon, Vranec and Rosè labels, present initial design proposal alternatives and develop approved label designs for each item in a format appropriate for printing.

OUTCOME During the Quarter Pivka solicited bids from three qualified providers of the services required in the RfP. AgBiz accepted the most favorable and preferred Pivka vendor and signed a three-party contract with Pivka and the selected supplier.

FOLLOW-UP During the next month the supplier is expected to successfully fulfill all deliverables from the contract. After delivering the full label designs in the required format and Pivka confirms their satisfaction and pays their portion, AgBiz will cover the rest of the costs as agreed in the contract.

Dzumajlija Lozovo

DESCRIPTION Dzumajlija, Lazovo Winery is a part of the large ex-state owned combinat Dzumajlija. The winery was build 25 years ago with a production capacity of 20 million liters of different grape varieties such as Smederevka, Zilavka, Cabernet Sauvignon, Merlot and Vranec. Dzumajlija cooperates with a strategic partner from Germany - Rizzi GmbH – to whom over 50% of their bottled wine is sold. The winery has a cellar for storing wine, as well as a bottling line with a capacity of 5,000 units per hour. Dzumajlija intends to invest in increasing their production and sale of bottled wine that will satisfy the most rigorous requirements of EU markets.

OBJECTIVE Engage SITTA to develop a business plan for a significant investment to increase the winery's capacity to produce and export of bottled wine, primarily to the German market.

OUTCOME During the Quarter Dzumajlija solicited bids from qualified service providers and requested AgBiz to accept the preferred one. After AgBiz accepted Trio Konsalting to be the supplier of the service, a three-party contract was signed between Dzumajlija, AgBiz and Trio Konsalting and they started to work on developing the business plan.

FOLLOW-UP It is expected that Trio Konsalting will successfully fulfill all deliverables in the contract on time. After Dzumajlija confirms their satisfaction and pays their portion, AgBiz will cover the rest of the costs agreed in the contract.

On Hold or Dropped

Skovin

DESCRIPTION Skovin Winery applied for support under ELSA to engage a short-term consultant to develop and implement a promotional program in Serbia. Forty eight percent of Skovin's bottled wine exports are to the Serbian market, making the market of great importance to Skovin. The current slowdown caused by the world economic crisis has decreased wine consumption; therefore it is necessary to develop activities to increase Skovin brand recognition and demand for Skovin wines. This will contribute to strengthening their negotiating and trading positions, sustain current, and even improve future sales of Skovin wines.

OBJECTIVES Provide Skovin technical assistance for developing, organizing and implementing a two-day promotional activity that will include the HoReCa channel; organize and fully facilitate a VIP event that will be held at the InterContinental Hotel in Belgrade; improve Skovin brand awareness, its positive recognition in the in the Serbian market, especially Belgrade, and ultimately increase Skovin’s sales and market share in the Serbian market.

OUTCOME As a result of the economic slowdown, the situation in Serbia has become very negative, especially in the trade of goods. Many companies are not in position to cover their liabilities and there is a significant hold back in accepting new products and expanding market opportunities. Therefore, having serious doubts about the effectiveness of the proposed promotion, Skovin decided to postpone at least until next spring organizing the HoReCa promotion and VIP presentation of Skovin wines. Skovin’s General Manager sent a letter with a full explanation of the situation and a requested AgBiz understanding to terminate the ELSA.

FOLLOW-UP AgBiz canceled the ELSA.

I.9 POLICY AND INSTITUTIONAL REFORM

The third AgBiz “component” is Policy and Institutional Reform. During the previous Quarter AgBiz implemented a procedure and utilized criteria for identification, prioritization and decision making regarding actions to address policy and institutional reforms constraining the export competitiveness of the value chains we support. At the end of each Quarter the AgBiz technical team reviews the Policy and Institutional Reform Needs (PIRN) forms developed and submitted by team members during the Quarter. Using standard criteria, the team prioritizes and develops an action or activity to address the highest priority PIRNs. Prioritization criteria include:

- Severity of the PIRN as a constraint to the export competitiveness of AgBiz supported VCs;
- Extent of competitiveness improvement that would be achieved by resolving the PIRN;
- Level of real and perceived interest on the part of AgBiz supported value chain participants to be actively involved in actions/activities aimed at resolving the PIRN; and
- Extent to which AgBiz involvement in actions/activities toward PIRN resolution can produce results within the Program LoP.

AgBiz considers developing and implementing activities to resolve specific policy and institutional constraints for highly priority PIRNs only. To effectively develop potential actions, AgBiz coordinates and attempts to collaborate with BEA. Involvement of private sector and trade associations in AgBiz supported value chains in developing assessments, recommendations and policy papers and in proposing resolutions, actions, policy reform and legislative actions is crucial for obtaining positive results and beneficial reforms. However, our policy and institutional reform efforts are constrained by the lack of private sector entities with interests and capabilities in policy and institutional reform, with the possible exception or MAP.

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

I.9.1 Unclear Procedure for Acquiring Wine Export Documentation

DESCRIPTION Several wineries and a representative from the Agricultural Institute, Department for Wine and Viticulture, have identified at least three recently passed wine export procedures as being inefficient and ill advised.

1. Macedonian Customs officially announced that the “Certificate of Quality” issued by MAFWE, based on findings of the Sensory Evaluation Commission in the Department for Wine and Viticulture, is no longer required to export wine. This decision was based on provisions of the Wine Law from 2001 (modified in 2007). MAFWE continued issuing a Certificate of Quality to exporters for a fee, but ceased compensating the Commission at the Agricultural Institute for their evaluations. Since the Sensory Evaluation Commission is no longer functional, MAFWE issued the Certificates based upon a quality statement and definition provided by the winery or exporters themselves. Due to the lack of coordination between MAFWE and Customs, until recently Customs continued asking for the document prior to export approval.

2. As of January 1st 2009 propositions for defining the geographic origin of wine were changed. The new regulations defined regional wine as coming from the entire Republic of Macedonia, the geographical origin of quality wine is a sub-region (vinogorje) and the geographical origin of premium quality wine are sections of a village territory (lokalitet) and/or a specific vineyard unit.
3. Previously, wineries asked inspectors from the Agricultural Institute to come and take samples of their wines for chemical analysis and for the Sensory Evaluation Commission. The Institute was obliged to keep the control samples for at least 6 months. The analyses are valid 6 months for bottled and 45 days for bulk wine. The current procedure for acquiring documentation is somewhat different. The winery requests sampling by the local Agricultural Inspector at least 3 days before export. The inspector draws three samples of which one is delivered to the Agricultural Institute for analysis and the other two control samples remain with the winery and the inspector respectively. The analysis results are presented with the request for Certificate which is issued by the Inspectorate if the export destination is an EU country or to the Chamber of Commerce for exports to other countries.

Some of the negative implications of this procedure are:

1. Wineries that have been exporting “quality wine”, with the specification “Tikvesko vinogorje” based on the geographic origin of the grapes, cannot continue doing since their facilities are not located in the Tikvesh area. Exporting wineries that were aware of the change started preparing their partners/buyers to accept the new regulations. Some lost credibility and some buyers got suspicious. At present there is no document that confirms wine quality based on geographic origin.
2. Local inspectors from the State Agricultural Inspectorate are responsible to all agriculture sectors, and many lack expertise in wine. Very often the process of sampling and obtaining the final analysis is delayed, which in turn delays exports by the wineries, and their flexibility to quickly respond to orders and make optimal transport arrangements. Inspectors also do not have appropriate facilities to keep the samples. That causes sample kept by the Inspector to deteriorate, and provides grounds for disputes if a matching analysis of the control sample is required.

OBJECTIVE Enhance the export competitiveness of Macedonian wines by developing and implementing a more streamlined procedure for quality certification of wine exports. The procedure needs to take into account all quality attributes, and be simple and transparent.

FOLLOW-UP The resolution of these constraints requires a comprehensive approach. AgBiz communicated these issues to the Institute of Agriculture and MAFWE where they confirmed that insufficiencies in the procedures are recognized, but will be resolved with the new Wine Law now under development. AgBiz will further explore the implications of the changes, and help to identify gaps in the procedures. The AgBiz Wine VCC will continue to investigate the possibility of greater inclusion of wineries in defining an efficient approach for addressing these constraints, and help make sure the most appropriate measures are proposed.

1.9.2 New Law on Forests

DESCRIPTION MAFWE, as the responsible authority, in a more or less transparent way pushed a new law on forests to be adopted by the GoM. The version presented is far from complete and is missing most major components. Details eventually will be defined in bylaws after the basic law is passed. Under the new law the WGP segment is barely addressed, but the text leaves open the possibility to be interpreted differently by different stakeholders. For example, the law describes the Public Enterprise “Makedonski Sumi” as a sole manager of the forests, including WGP products. “Makedonski Sumi” has the right to charge fees for using forestry natural resources. Therefore, it is unknown to whom the public enterprise would charge fees (gatherers, consolidators or exporters), how much they would charge (annually or per kilogram), or how much can be collected by a certain company or gatherer in a certain region. All reporting and monitoring is also completely missing. This is unacceptable to the WGP companies as they have already had bad experiences with “Makedonski Sumi” branch offices when they tried to regulate wild collection and proposed unacceptably high fees to approve a WGP company to collect in a specific public forest. Nobody from the private sector (WGP companies) was involved in drafting the law, and transparency is one of the requirements in the normal procedure for adopting a new law.

OBJECTIVES Assist the Sumski Plod Association to advocate the needs of WGP VC companies during the drafting of the new Forestry Law, especially segments that regulate the management and utilization of non-timber forest products sourced in public forests. Prevent enacting into law provisions that will directly reduce the competitiveness of the value chain by increasing the cost of raw materials and creating additional bureaucratic obstacles. Members of Sumski Plod have already pointed out deficiencies in the

draft law concerning the WGP segment. All comments and remarks were noted, and MAFWE representatives promised they will take them in consideration. However, since the GoM is in a hurry to pass as many new laws as possible to show progress to the EU Commission, it is highly unlikely that anything will be changed based on private sector input. AgBiz may consider facilitating a round table at which WGP VC participants and MAFWE Forestry Department representatives can discuss the provisions of the new Forestry Law before it is sent to the Parliament for adoption.

OUTCOME With the support of AgBiz, Sumski Plod Association members managed to contact stakeholders including MAFWE, MoEPP, Makedonski Sumi and the Forestry Faculty regarding the new Law on Forests. It was agreed that Sumski Plod will submit an Activity Concept to AgBiz for support to organizing a workshop with all participants and address issues connected to the new Law on Forests.

FOLLOW-UP In the following quarter AgBiz expects to receive an Activity Concept from Sumski Plod and will seriously consider supporting the workshop as an important step for addressing issues regarding the new Law on Forests.

1.9.3 Ban on Exports of Morchela Mushrooms

DESCRIPTION The MoEPP published an official ban on exports of all Morchela mushroom sub-varieties, with the justification that since this particular mushroom grows most intensively after forest fires, mushroom gatherers intentionally started forest fires during the summer of 2008 to create favorable conditions for growth of the mushroom. According to WGP companies, justification for the ban by MoEPP was totally unfounded, and this alleged criminal behavior of gatherers to increase mushroom yields was not previously noted, and not a single individual was charged with such a crime.

OBJECTIVE Permanently remove the ban on exports of Morchela mushrooms.

OUTCOME MoEPP assessed the well presented arguments of WGP participants and removed the ban on Morchela mushrooms sub-varieties for the 2009 season, at least those sub-varieties which grow in valleys and on river banks. In May 2009, MoEPP lifted the ban on exports of all Morchela mushroom sub-varieties through the end of July 2009, thereby allowing gathering, processing and exporting of these products to continue.

FOLLOW-UP Although the ban was lifted for the 2009 season only it is still an obstacle to exports of Morchela mushrooms for the next season. The WGP Association is planning to raise this subject once again in front of MoEPP. Hopefully the outcome will be a permanent lifting of the ban on exports of Morchela mushrooms.

1.9.4 PIR Needs for Effective and Efficient Program Implementation

The following PIR needs for effective and efficient AgBiz implementation and enhanced results were developed in response to a USAID request. Each includes a recommendation for addressing the PIR need.

Uncoordinated GoM Approach to Competitiveness Enhancement of Agribusiness Products

DESCRIPTION Responsibility for developing and implementing export competitiveness enhancement support programs and general business environment enhancement for participants in agriculture and agribusiness is split between the Ministry for Economy (MoE) and MAFWE. While production agriculture is under the auspices of MAFWE, food processing industry promotion and competitiveness enhancement is the responsibility of the MoE. Lack of close coordination between these policy making institutions reduces the effectiveness of the overall support provided by the GoM and the donor community. For example, some of the time AgBiz goes to MAFWE for a partnership in organizing trade fairs and occasionally study tours, and some of the time to MoE. AgBiz is pursuing a full value chain competitiveness enhancement approach, but MAFWE seems to be almost exclusively interested in production agriculture.

RECOMMENDATION A better coordination approach by the Ministry of Economy (MoE) and MAFWE in competitiveness enhancement of Macedonian agriculture and agribusiness. In reality, structural changes to MAFWE are needed. Include processing and marketing sectors in MAFWE and transform it into the Ministry of Agriculture, Food and Consumer Protection to strengthen the entire Macedonian agribusiness sector.

Weak Control over Seasonal Traders

DESCRIPTION Seasonal traders who buy for cash, especially as related to the purchase of peppers for processing, put domestic vegetable processing companies at a disadvantage because farmers would rather not have their sales proceeds deposited in their bank account due to income tax implications. This means that seasonal cash buyers are able to illegally acquire a significant portion of the domestic pepper crop and cause domestic processing companies to be short of raw material. Improved control of export documentation by Customs is also needed to reduce significant undervaluation of exports.

RECOMMENDATION Cause police to control seasonal traders that pay in cash. Offer a greater subsidy to producers who sell to domestic processors and marketers, or distribute all subsidies for fresh produce through permanent domestic traders/processors.

Weak Coordination of and Support for Export Promotion

DESCRIPTION Although export subsidies for agricultural and food products are not allowed by World Trade Organization (WTO) rules, alternative types of support need to be considered. Government support to marketing and promotional activities of domestic producers and exporters is allowed and limitless. These activities, if carefully plan and implemented, could significantly enhance the export success of agribusiness processing and marketing companies. Currently there is no government agency specialized in export promotion of Macedonian agribusiness products. Experience from EU and other countries, e.g., SOPEXA from France, Food from Britain from the United Kingdom (UK), CMA from Germany and AMC from Hungary, verifies that there is a need for a fully functional national agency responsible for the development and implementation of export promotion activities in close cooperation with the private sector.

Wine exports are at least \$57 million and are in danger of decreasing unless awareness of Macedonian bottled wine is enhanced and a shift from 85% bulk to a significantly larger share of bottled wine takes place. Bottled wine has a much higher return per liter and uses significantly more local labor. Macedonian wine is not well known in markets outside the Balkans and needs an export promotion entity to compete with other countries origin promotion entities. This entity needs to be a public private partnership to make sure promotional activities are commercially grounded and that the entity can become self sustaining in the intermediate to long term. MAFWE is not the best home for such an entity since they are overly produce oriented. The entity should be positioned under the Deputy Prime Minister (DPM) but the Board should include representatives from both MAEWE and the Ministry of Economy. Initially the Board should be chaired by the DPM, and be composed of an equal number of public and private sector members. Funding should be predominately public at the beginning, but a plan should be implemented for funding to shift over to majority private support sector based on a set aside from export sales.

RECOMMENDATION Conduct a feasibility and structure recommendation assessment of a private public partnership export promotion entity, starting with bottled wine. One aspect would be an assessment of how other wine exporting countries promote and support their bottled wine exports.

MAFWE Direct Subsidy Scheme Weaknesses

DESCRIPTION To overcome the frequent shortages of raw materials (fresh agricultural products) needed for export-focused processing and marketing activities, changes should be initiated in the program for direct support to agricultural production.

RECOMMENDATION Fruit and vegetable producers that deliver their produce to export-focused processors and marketers should be subsidized by 2 denars/kg., the same as wine grape growers that sell their grapes to local wineries. This measure will encourage primary producers to increase their cooperation with domestic export-focused processors and marketers, and will minimize the outflows of zero value added fresh produce from the country (often paid for via illegal cash transactions), thus allowing processing and pack house capacity utilization to increase and improve processors and marketers ability for fill orders.

Multiple Food Safety Authorities

DESCRIPTION Achieving high food safety standards is a major prerequisite for the competitiveness Macedonian food exporters. There is no single, independent and fully competent food safety assurance authority in Macedonia. The present split of authority between the Ministry of Health (Food Directorate) and MAFWE (Veterinary Service) reduces the ability of the GoM to establish clear systems and functionalities in food safety assurance and control. It is also the case that responsibility for laboratory testing is spread among several different agencies and some tests required by importers cannot be performed in Macedonia.

RECOMMENDATION Accelerate the process of coordination, organizational strengthening and functional consistency of food safety assurance authorities. And no further delays should be approved regarding the time when all companies handling food must be implementing HACCP.

I.10 ENHANCED ACCESS TO FINANCE

The fourth AgBiz “component” is Enhanced Access to Finance. The following section describes the substantial work that was done during the Quarter to improve customers’ access to finance, primarily by the AgBiz Finance Specialist.

DESCRIPTION The AgBiz Enhanced Access to Finance “component” helps customers obtain access to finance in the current difficult economic situation by understanding and communicating the comparative availability of finance and the new procedures and demands from financial institutions, tracking the impact of the global financial crises on the Macedonian financial sector and keeping up to date on available financing and new financial products as well as exploring and presenting our customers new alternative sources of finance, available to and most appropriate for them in the current economic situation.

OBJECTIVE Identify and help AgBiz customers gain access to viable and competitive sources of finance, including but not limited to loans, leasing, factoring and export insurance - as well as make companies familiar with and train them to successfully apply for IPARD as an emerging financing option; work with current and new suppliers of loans and loan guarantees and other financial products to understand their new products, procedures and regulations; identify sources of finance or financing guarantees for AgBiz customers; analyze companies’ financial statements, collateral issues, and financial projections; based on the result these analyses, assist companies to develop applications for loans, leases, equity or other types of financing; identify possible viable sources of equity for larger AgBiz customers; provide training to producers, processors and SMEs on how to assess their capital needs, including but not limited to working capital requirements, long-term financing, and equity investment; understand the impact of the global financial crises on the financial sector, and how that may impact clients’ loan application processes and approvals; explore financial sourcing options such as the Macedonian Bank for Export Promotion (MBEP) which could provide customers very competitive rates and terms; investigate and promote the MBEP Export Insurance and Guaranty Fund and explore and realize the possibility to use MBEP Export Insurance as collateral for customers’ short term loans; and understand IPARD terms and conditions and assist customers to prepare for and access IPARD financial support.

OUTCOME Improved and detailed access to finance assistance was provided to three companies who are applying for \$672,530 in loans. Presentations regarding access to finance were provided to more than 30 participants where we explained all relevant sources of financing, government programs and future IPARD possibilities as well as the impact of the global financial crises on the Macedonian financial sector. As a result six individuals asked and received help in applying for loans. Together with Chief of the Credit Insurance Department of MBEP, we presented the Export Insurance product, its advantages and the possibility to use it as collateral to seven companies. These customers also received information regarding all other MBEP credit products, and conditions and Guaranty Fund possibilities. Companies signed a Memorandum for Cooperation with MBEP and subsequently applied for MBEP Export Insurance. The credibility of their buyers in Russia, Ukraine, Serbia and Croatia was then estimated by the MBEP. An additional three companies received information regarding available sources and types of finance, 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. Estimations of the impact of the global financial crises on the Macedonian financial sector, and how that may affect our customers’ loan application process and approvals was developed. Changes in the loan approval procedures of the leading lending institutions were identified. To provide assistance to our customers and transfer IPARD knowledge, AgBiz staff attended comprehensive training sessions and gained advanced familiarity about the entire process of applying for and accessing to IPARD funds.

ISSUES During the Quarter the situation in the Macedonian financial sector has become more stable and transparent. Loan procedures have become faster, collateral requirements have not increased, the average approved loan amount was higher than last quarter, the pay-back period has become longer, but there are still restrictions on real estate loans. Interest rates are stabilized but are still at a level similar to four years ago for both new and current loans. This has a negative impact on companies' cash flow. The time period from loan application to disbursement has become more realistic. However, the conditions for borrowing money are still very difficult and uncompetitive for most borrowers. Central Bank restrictions have not changed and reflect commercial banks' loan conditions and disbursement policies. The 100 million Euro loan from European Bank for Reconstruction and Development (EBRD) managed by Macedonian Bank for Export Promotion and disbursed through seven commercial banks now is available to Macedonian companies.

LESSONS LEARNED Our understanding of the situation and lenders' new policies and procedures is crucial to be able to provide our customers with the most current and relevant information regarding where to apply, what documents to prepare and what to expect. A well prepared and realistic business plan has become one of the key documents requested by financial institution as a part of loan applications. A good business plan increases the chance of receiving a loan, and should also give direction to management regarding how to manage loan repayment and company development during the period of the loan. MBEP has become a more competitive and more relevant institution, and their products that are provided through eleven commercial banks with fixed interest rates from 7.5% to 8%, a grace period, longer terms for repayment and an export insurance opportunity are attractive for AgBiz customers. The potential impact on the economy from the MBEP new loan of 100 million Euros from EBRD, and the additional 100 million from partner commercial banks, with 6% interest rate for year one and 3%+EURIBOR, but not lower than 6%, disbursed through seven commercial banks has great potential. This loan product is designed, and contracts with commercial banks completed. ACDF funded loans still have the most competitive interest rate, but limitations on the loan amount that can be approved and the slow procedures of commercial banks that provide these loans are the disadvantages. Overall, accesses to finance processes continue to be conservative, difficult and inefficient for our customers.

FOLLOW-UP The AgBiz Finance Specialist will continue to meet with financial institution representatives to collect information regarding new products and the conditions they require from customers. We will continue to support our customers to understand and apply for loans, leases, equity, or other types of financing and keep up to date on available financing and new financial products. AgBiz is highly aware of the importance of IPARD funds for many of our customers. Due to new financial institutions in Macedonia, and new borrowing procedures and conditions, the Agribusiness Financial Manual will be updated in the November-December '09 period.

1.10.1 Work with the Macedonia Bank for Export Promotion

DESCRIPTION During the Quarter meetings with the Macedonian Bank for Export Promotion (MBEP) were held to understand their plans and ability to finance IPARD related loans application. MBEP plans to stimulate loan disbursement, especially investment loan and loans for export oriented companies, as a part of GoM measures related to the global economic crisis. MBEP, through the Ministry of Finance, have signed an arrangement with EBRD for receiving a loan of 100,000,000EUR. MBEP has agreements for disbursing loans with a 6% interest rate for year one and 3%+EURIBOR, but not lower than 6% with seven commercial banks, and starting from 2010 directly through the MBEP.

OBJECTIVE During the global economic crisis MBEP's objective is to take a lead role as a State owned bank to help the banking sector mitigate the negative impact; use the 100,000,000EUR EBRD loan to encourage commercial banks to support IPARD projects, to inject fresh money into the banking system that is essential to the survival of Macedonian companies and stimulate export sales by insuring export order receivables. To help companies to manage their receivables, MBEP will start also insuring domestic sales.

OUTCOME MBEP will increase their staff size and train them to introduce MBEP's own loan products (especially for exporters and investments) beginning in early 2010. MBEP have arrangements with seven commercial banks, including the biggest ones, for sharing the funds based on the principle of 50% participation per each. These funds will be disbursed as a specific credit line, with a fixed interest rate of no more than 6%, for year one and 3%+EURIBOR, but not lower than 6% and other specific requirements. MBEP understands their leading role for financing IPARD-related applications for financing.

FOLLOW-UP Have regular meetings with MBEP managers to obtain the most current information regarding their progress in creating new financial products. Stay up to date on information regarding which banks have signed cooperation contracts with MBEP, and under what terms and conditions. Follow the MBEP preparation process for being able to directly disburse loans, including staff development, collateral requirements and other terms and conditions.

I.10.2 Updating the Agribusiness Finance Manual

DESCRIPTION: The purpose of the Agribusiness Financer Manual (AFM) is to provide a simple, straightforward explanation of the range of financing products and services available to Macedonian agribusinesses. It is intended to better educate business owners on what types of finance may be appropriate for their businesses, the expectations/perspective of lending institutions, and how to improve the likelihood of receiving financing with the loan terms and conditions best suited to their circumstances.

OBJECTIVE: Because of new financial institutions and different financing conditions and products, the AFM needs to be updated. As a tool, the AFM has been proven very helpful for customers, because it is a place where they can find all necessary information, contact data of financial institutions and their terms and conditions. All this information in one place will help our customers to choose the most appropriate source of financing.

OUTCOME: During the next quarter we will identify the most relevant consultant company, active in access to finance for agribusiness customers and with experience for working with financial institutions who will update the AFM under AgBiz staff supervision.

FOLLOW-UP Next quarter the following steps will be utilized to update the AFM:

- Develop a master list of financial institutions and other relevant organizations to be included in the AFM;
- Develop and finalize the Table of Content for the AFM;
- Develop and finalize a one page format for a lending institution profiles for the AFM;
- Collect relevant information from past projects (MBRC, LoL, etc.) and other donors;
- Send an Information Request to all institutions on the master list;
- Make follow up phone calls to all institutions to stimulate responses;
- Arrange and have meetings with key institutions and lenders for detailed information;
- Research and collect information on sources of finance outside Macedonia;
- Follow up to get missing information;
- Update part two of the AFM (how to get financing):
- Draft AFM compiled and delivered to AgBiz:
- Receive Comments from AgBiz management and USAID;
- Finalize the AFM;
- Translate the finalized AFM;
- Release the updated AFM upon release of the IPARD call for applications;
- Upload the final AFM onto the AgBiz website and produce hard copies and CDs (with a calculator);
- Arrange and hold an AFM Official Launch Event; and
- Conduct workshops for AgBiz customers regarding using the AFM.

I.11 PROGRAM ADMINISTRATION AND CONTROL

I.11.1 Project Reports

I.1.1.1 Project Expenditures

Table 1 below 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 \$381,673 to the twenty Projects, not including environment-related work, and grantees had contributed \$7,030,084. This represents 76% of the AgBiz agreed support and 129% of customers' reported contributions to Projects. One hundred and twenty five percent or \$7.4 million, of total Project expenditures had been completed by the end of the Quarter. The higher percentage of expenditures than projected is due to the fact that Grantees invested more in fixed assets than projected in the Grant Award Budgets. The AgBiz

share of Project expenditures is lagging behind customers' expenditures due to delays in three Projects (Koro, Flores and Valandovo), the processing season and the unfavorable business environment caused by the economic crisis.

TABLE I. GRANT DISBURSEMENTS REPORT

| Customers | Items Paid by AgBiz | | | | Items Paid by Customers | | | | | Period of performance |
|-------------------|------------------------|---------------------|--------------------------|---------------|-------------------------|------------------|-------------------|------------------------|-------------|-----------------------|
| | Approved Budget | Exp. to date | Remaining Balance | Paid % | Approved Budget | Exp. to date | Remaining Balance | Additional Investments | Paid % | |
| Agrohemija | 30,000 | 18,453 | 11,547 | 62% | 2,025,500 | 2,015,595 | 9,905 | 0 | 100% | 7/3/08 - 12/15/09 |
| Agrolozar/Dalvina | 20,000 | 0 | 20,000 | 0% | 351,000 | 249,170 | 101,830 | 0 | 71% | 4/1/09 - 9/30/10 |
| Agros 2004 | 38,900 | 34,443 | 4,457 | 89% | 68,579 | 69,059 | 0 | 480 | 101% | 7/3/08 - 12/15/09 |
| Avto Ria Dooel | 19,800 | 12,415 | 7,385 | 63% | 104,800 | 90,000 | 14,800 | | 86% | 7/3/08 - 12/15/09 |
| Badzo | 30,000 | 24,500 | 5,500 | 82% | 40,749 | 42,752 | 0 | 2,003 | 105% | 7/3/08 - 12/15/09 |
| Bonum Plus | 39,925 | 29,980 | 9,945 | 75% | 229,881 | 1,943,045 | 0 | 1,713,164 | 845% | 7/3/08 - 12/15/09 |
| Bovin | 25,000 | 16,457 | 8,543 | 66% | 205,660 | 229,637 | 0 | 23,977 | 112% | 10/08 - 3/29/10 |
| Dentina | 40,007 | 33,311 | 6,696 | 83% | 147,394 | 147,394 | 0 | 0 | 100% | 10/08 - 3/29/10 |
| Flores | 15,000 | 15,001 | 0 | 100% | 110,927 | 85,940 | 24,987 | 24,987 | 77% | 10/08 - 3/29/10 |
| GD Tikves | 30,000 | 32,412 | 0 | 108% | 180,500 | 180,500 | 0 | 0 | 100% | 10/08 - 3/29/10 |
| Inter-Mak | 20,000 | 19,940 | 60 | 100% | 454,600 | 510,600 | 0 | 56,000 | 112% | 10/08 - 3/29/10 |
| Kokolanski DOOEL | 7,050 | 4,703 | 2,347 | 67% | 35,380 | 20,668 | 14,712 | 0 | 58% | 7/3/08 - 12/15/09 |
| Koro | 15,000 | 9,838 | 5,162 | 66% | 108,000 | 105,500 | 2,500 | 0 | 98% | 10/08 - 3/29/10 |
| Lars | 20,000 | 19,769 | 231 | 99% | 176,928 | 171,200 | 5,728 | 0 | 97% | 7/3/08 - 12/15/09 |
| Ledra Agro | 20,000 | 16,562 | 3,438 | 83% | 150,000 | 110,001 | 39,999 | 0 | 73% | 10/08 - 3/29/10 |
| Peca Komerc | 30,000 | 24,000 | 6,000 | 80% | 147,237 | 94,687 | 52,550 | 0 | 64% | 10/08 - 3/29/10 |
| Popova Kula | 40,026 | 24,128 | 15,898 | 60% | 169,468 | 122,068 | 47,400 | 0 | 72% | 7/3/08 - 12/15/09 |
| Valandovo Winery | 25,000 | 8,138 | 16,862 | 33% | 195,456 | 342,902 | 0 | 147,446 | 175% | 10/08 - 3/29/10 |
| Vigan | 15,000 | 13,744 | 1,256 | 92% | 180,000 | 341,000 | 0 | 161,000 | 189% | 10/08 - 3/29/10 |
| Vipro | 24,000 | 23,878 | 122 | 99% | 355,313 | 158,366 | 196,947 | 0 | 45% | 7/3/08 - 12/15/09 |
| | 504,708 | 381,673 | 125,449 | 76% | 5,437,372 | 7,030,084 | 511,358 | 2,129,057 | 129% | |
| | | Total Grant | | | | | | | | |
| | Approved Budget | Exp. to date | Remaining Balance | Paid % | | | | | | |
| | 5,942,080 | 7,155,533 | 636,807 | 120% | | | | | | |

* Grantee invested more in fixed assets than projected in the Grant Award Budget

1.1.1.2 Project Status

Table 2 below lists all Projects, the projected indicators for Projects being implemented and actual results for completed Projects. Assuming Projects currently being implemented achieve their initial projections, AgBiz quantitative Project indicators will include \$28.7 million in increased exports, \$14.6 million in increased raw material purchases, \$9.3 million in investments stimulated, 2,704 families benefited with additional income and 500 new jobs created. These are rather impressive results for a projected AgBiz/USAID investment of \$500,000! These projections will be adjusted in March of 2010 to take into account the global economic crisis.

TABLE 2. PROJECT STATUS REPORT

Last Updated: October 2, 2009

| IN IMPLEMENTATION | | | | | | | | | | | | | | |
|---------------------|---------------------|---|-------------|-----------------------|----------------------|-------------------|------------|---|----------------------------|---|--------------------------|----------------------------|----------------------------|----------------------|
| | | | | | TOTAL PROJECTED COST | | | PROJECTED RESULTS FOR LIFE OF THE PROJECT | | | | | | |
| 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 |
| 4 | Edelinski | Avto Ria Dooel | 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-based Products | 269,806 | 39,925 | 15% | 704,900 | 430,273 | 94,970 | 799,999 | 800,000 | 101 | 98 |
| 6 | Edelinski | Dentina | PV | Various | 187,356 | 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 | 176,928 | 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 |
| Subtotal: | | | | | 1,158,003 | 143,732 | 12% | 3,344,756 | 3,305,048 | 1,374,272 | 1,140,908 | 1,851,681 | 214 | 169 |
| 2 | Kokarev | Agros 2004 | FV | Peppers | 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% | 7,617,888 | 7,425,322 | 5,870,919 | 956,664 | 1,060,287 | 115 | 11 |
| Subtotal: | | | | | 2,233,728 | 98,900 | 4% | 10,367,120 | 10,077,935 | 6,630,691 | 956,664 | 3,388,009 | 153 | 29 |
| 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 | 219,456 | 25,000 | 11% | 4,653,786 | 3,864,447 | 768,050 | N/A | 195,456 | 364 | 119 |
| 20 | Damovski | Agrolozar/Dalvina | BW | Wine | 371,000 | 20,000 | 5% | 1,853,659 | 1,853,659 | 741,463 | 40,000 | 617,710 | 53 | 3 |
| Subtotal: | | | | | 1,030,610 | 110,026 | 11% | 9,350,851 | 7,487,041 | 1,597,511 | 284,444 | 1,188,294 | 471 | 138 |
| 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 |
| Subtotal: | | | | | 557,737 | 80,000 | 14% | 2,284,628 | 1,986,544 | 1,024,970 | 469,999 | 1,981,708 | 140 | 40 |
| 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 |
| 14 | Angelovski | InterMak | WG | Mushrooms | 476,600 | 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 |
| Subtotal: | | | | | 962,957 | 72,050 | 7% | 7,285,767 | 5,847,400 | 3,978,628 | 66,141 | 913,535 | 1,726 | 124 |
| Total: | | | | | 5,943,035 | 504,708 | 8% | 32,633,121 | 28,703,969 | 14,606,072 | 2,918,156 | 9,323,227 | 2,671 | 517 |
| COMPLETED | | | | | | | | | | | | | | |
| | | | | | 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 |
| 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 | Dehydrated Veggies | 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 | Wine | 41,500 | 21,700 | 52% | 200,000 | 200,000 | N/A | N/A | 19,900 | N/A | N/A |
| Total: | | | | | 46,513 | 17,240 | 37% | 653,000 | 453,000 | 55,666 | 0 | 222,400 | 0 | 0 |
| Grand Total: | | | | | 5,989,548 | 521,948 | 9% | 33,286,121 | 29,156,969 | 14,661,738 | 2,918,156 | 9,545,627 | 2,671 | 517 |

Environmental Protection

Table 3 on the following page shows the status at the end of the Quarter of the environmental mitigations included in Project grants. As can be noted from this table, the vast majority of mitigations have been completed or are proceeding as scheduled. (For more details see *Environment Mitigation Monitoring Plan*, Appendix 5.2.8). One mitigation is underway as described in the following.

Agrolozar/Dalvina Supplement Pollution Prevention Assessment

DESCRIPTION Some of the businesses seeking AgBiz support will pursue business expansion projects necessitating cleaner production assessment during the crop season to identify no cost and low cost opportunities to reduce waste and water usage. Therefore, the EDD/PPA Checklist and Summary for several proposals included Mitigation and Monitoring Recommendations to reduce and avoid pollution and waste throughout the entire production cycle, from efficient use of raw materials, energy and water to the final product. A required mitigation measure detailed in the Agrolozar/Dalvina EDD/PPAs is the development, by a qualified individual, of Supplement Pollution Prevention Assessment (SPPA). The Supplement Pollution Prevention Assessment is one of the ways for improving environmental awareness, but at the same time can cause numerous positive effects. This is necessary to meet the Project goal of having environmentally sustainable production and sales of value added agricultural products and enabling the customer to get ISO and HACCP certifications.

OBJECTIVE Provide a SPPA to AgBiz grantee Agrolozar/Dalvina that will improve environment awareness, but at the same time can cause numerous positive effects for the company. An SPPA encourages less consumption of raw materials, water, energy and all other resources used in the production process. In general the SPPA recommends optimization of the production process with the purpose of creating less or no waste, and consequently reduces daily production costs and environmental pollution. An SPPA is the continuous application of an integrated preventive environmental strategy to products, processes and services to increase the overall efficiency and reduce risks to humans and the environment.

OUTCOME AgBiz developed a SoW and requested offers from environmental consulting companies to implement the SPPA. Only one firm responded with an offer; the other two were not in position to provide this service due to their work load during the time period requested in the SoW. As a result AgBiz signed a consultant agreement with Ljubomir Petkovski to provide the required SPPA deliverables.

FOLLOW-UP The SPPA will be completed at the beginning of the next Quarter.

COST Total Cost: \$318 AgBiz cost share 100%; not including transportation costs.

TABLE 3. IMPLEMENTATION STATUS OF ENVIRONMENT MITIGATION MEASURES

| Grantees | Pesticides Training | Harvester Maintenance | Public Participation | Screening | Flesh Freezing | Asbestos signs | Metal Roofing supports | Cleaner Production | Waste Water Treatment | Waste Water Report | Chemical Storage | Agrochemical Storage | Dust | Good Agricultural Practices (GAP) | Fumigation | Permits | Supplemental Pollution Prevention Assessment | Monitoring | Agrochemical Storage | MSDS | Fumigation | |
|-------------------|---------------------|-----------------------|----------------------|-----------|----------------|----------------|------------------------|--------------------|-----------------------|--------------------|------------------|----------------------|------|-----------------------------------|------------|---------|--|------------|----------------------|------|------------|---|
| Agros 2004 | √ | √ | √ | | | | | | | | | | | | | | | | | | | |
| Avto Ria | | | √ | √ | √ | | | | | | | | | | | | | | | | | |
| Badzo | | | √ | | | * | | * | | | | | | | | | | | | | | |
| Bonum plus | | | n/a | | | * | | √ | Δ | | | | | | | √ | | Δ | | | | |
| Dentina | | | √ | | | √ | | Δ | Δ | | √ | | | | | √ | | * | | | | |
| Kokolanski | | | √ | | | | | Δ | | | | | | | | √ | | √ | | | | |
| Lars | n/a | | n/a | | | √ | | Δ | √ | | | | | | | √ | | Δ | | | | |
| Popova Kula | √ | | √ | | | | | | Δ | | | | | | | √ | | * | | | | |
| Vipro | | | √ | | | √ | √ | * | * | | | | | | | * | | Δ | | | | |
| GD Tikvesh | Δ | | √ | | | | | | | | | | | | | √ | | | | | | |
| Agrohemija | √ | | √ | | | | | | | | | √ | | | | √ | | | | | | |
| Valandovo | √ | | √ | | | | | Δ | | Δ | | √ | | | | √ | | * | | √ | | |
| Bovin | √ | | n/a | | | | | √ | | | | | | | | √ | | √ | | | | |
| Vigan | | | √ | | | | | | √ | | | | | | | √ | | Δ | | n/a | | |
| Ledra Agro | Δ | | √ | | | | | | | | | | | | | | | Δ | | | | |
| Flores | | | | | | √ | | | | | | | Δ | Δ | | | | | | | | |
| Koro | | | | | | | | | | | | | | | | √ | | | | | | Δ |
| Peca Komerc | | | √ | | | | | | | | | | | | | √ | | | | √ | | |
| Agrolozar Dalvina | √ | | n/a | | | | | | Δ | | | | | | | Δ | * | * | | | | |

LEGEND:

- √ completed to date
- n/a not applicable
- * scheduled to be completed in FY'10 IQ
- Δ to be completed as per the EMMP attached

1.1.1.2 Project Administration and Control

DESCRIPTION AgBiz has been operating in full compliance with all USAID rules and regulations, especially as related to grant implementation and the associated procurement. Proper documentation and control of all grant implementation procedures has been maintained from the beginning of the grant making process.

OBJECTIVE Comply with all USAID Grant procurement regulations through an efficient and results oriented process for successful implementation of AgBiz Grants while assisting Grantees to achieve Project deliverables.

OUTCOME We are continuing to use the procedural check lists for Project Coordinators and the Contracts Department to make sure proper procedures were being followed from grant activity completion through to grantee reimbursement. The Project Coordinator assigned to each project is responsible for on-site monitoring and the Contracts Department double checks 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. That includes confirmation that Grantees and their vendors are not on the Office of Foreign Assets Control (OFAC) list, Grantees are contributing their portion of Project costs, that AgBiz is 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 Environmental Mitigation Measures are being implemented. An ongoing record in the AgBiz MIS is kept of grant payments versus each approved Award Budget.

The CoP and the each Project Coordinator hold monthly meetings to review the status of all Grant activities. In addition to the Expense Report and Request for Reimbursement, 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. In addition AgBiz's Environment Compliance Monitoring Plan (ECMP) ensures proper and successful implementation of the mitigation measures as identified in the Environmental Due Diligence and Pollution Prevention Assessment for each of the grantee.

FOLLOW-UP Start close out procedures for Grants that will be completed in December 2009 and prepare a plan in agreement with Grantees for obtaining data from Grantees beyond the term of the Grant. Continue to implement the established Project administration and control process to assist grantees to complete their Projects in an efficient and effective manner while assuring compliance with USAID rules and regulations, especially as related to grant implementation and the associated procurement.

1.1.1.3 Activity Reports

Activities Status

Table 4 below shows the status of all Activities at the end of the Quarter, as well as the achieved impact of completed Activities. Activities completed during the Quarter had a total cost of \$115,063 to which AgBiz contributes 47%. Completed Activities provided support to three trade associations or producer organizations and 71 agribusinesses. Twenty two new export customers were identified by some of the 112 participants in the completed Activities, the Activities resulted in over \$1.5 million in export orders being received and participants gave the Activities an average level of satisfaction score 4.6 out of 5.0.

TABLE 4: ACTIVITY STATUS REPORT

Last Updated: October 2, 2009

| POSSIBILITIES | | | | | | | | |
|---|--|-------------|--------------|---------------------|-----------------------|---------------|------------------|--|
| MIS Code | ACTIVITY | COORDINATOR | VALUE CHAINS | PARTNERS | *ACTIVITY COST (US\$) | | | DESCRIPTION / COMMENT |
| | | | | | TOTAL | AGBIZ | AgBiz Percentage | |
| 828 | Support to the Public-Private Dialogue on the New Forestry Law | Angelovski | WGP | SNV Netherlands | 0 | 0 | 0 % | Coordination on issues related to utilization of public resources |
| 847 | Web Sites for the WGP Association "Shumski Plod" and VC Companies | Angelovski | WGP | | 0 | 0 | 0 % | Increase marketing capacity of the WG TA and WGP VC Participants |
| 218 | "SAPARD/IPARD Experience" Study Tour for Bottled Wine VC Companies | Damovski | BW | | 0 | 0 | 0 % | Enhance the understanding of Macedonian wineries in utilization of EU SAPARD funds in preparation for IPARD funds utilization |
| 852 | AgBiz/CBI Platform for developing a National Export Marketing Plan | Damovski | BW | | 0 | 0 | 0 % | Present the concept for developing the SEMP under the facilitation of CBI |
| 129 | "Storage of Fresh Fruits, Vegetables and Grapes - an important Component of Export Competitiveness" Conference | Kokarev | FV | Faculty Agriculture | 0 | 0 | 0 % | Improve the capacity of Macedonian fresh produce operators to adopt and utilize more productive, cost efficient and quality improving post harvest technologies for fresh produce products |
| TOTAL | | | | | 0 | 0 | 0 % | |
| APPROVED AND UNDER DEVELOPMENT | | | | | | | | |
| MIS Code | ACTIVITY | COORDINATOR | VALUE CHAINS | PARTNERS | *ACTIVITY COST (US\$) | | | DESCRIPTION / COMMENT |
| | | | | | TOTAL | AGBIZ | AgBiz Percentage | |
| 854 | "Wines from Macedonia" Promotional Video | Damovski | BW | | 0 | 0 | 0 % | Increase the positive awareness and export potential of individual wineries in the region and the world |
| 318 | Support Four Macedonian Wineries to exhibit at the Moscow Wine Fair 2009 | Damovski | BW | | 47,000 | 15,000 | 32 % | Present Macedonian wines and increase the awareness of the target audience |
| 851 | Coordination with CBI on their Wine Export Coaching Program | Damovski | BW | CBI | 14,758 | 1,568 | 11 % | Wineries to become more familiar with EU wine markets and export marketing, management and promotion techniques relevant to these markets |
| TOTAL | | | | | 61,758 | 16,568 | 27 % | |
| ALL AGREEMENTS SIGNED AND IN IMPLEMENTATION | | | | | | | | |
| MIS Code | ACTIVITY | COORDINATOR | VALUE CHAINS | PARTNERS | *ACTIVITY COST (US\$) | | | DESCRIPTION / COMMENT |
| | | | | | TOTAL | AGBIZ | AgBiz Percentage | |
| 317 | ANUGA 2009 | Risteski | PV | | 134,237 | 8,900 | 7 % | Increase participants' potential to identify new buyers for sales to importers, wholesalers, retailers, distributors and/or logistics agents |
| 845 | Bi - Monthly Market Information Newsletter for Each VC | Stankovic | All | | 0 | 0 | 0 % | Enhance customers' interest in market information |
| 846 | Application of Contemporary Technologies in the Table Grapes Production | Risteovski | FF | | 19,000 | 4,000 | 21 % | Enhance the knowledge and technology transfer from the science to producers to further develop production process and maintain market positions |
| 316 | Fruit Logistica 2010 | Kokarev | FV | | 65,000 | 18,331 | 28 % | Support Macedonian producers and traders to exhibit at the National Stand at the International Trade FairFruit Logistica 2010 |
| 116 | HACCP Implementation Support to WGP Consolidators | Angelovski | WGP | | 77,000 | 8,500 | 11 % | Support the WGP consolidators to implement food safety assurance systems based on HACCP principles through the use of a single HACCP implementation Service Provider |
| 836 | Pilot Regional Market Information Dissemination Activity with Moja Zemja Magazine | Stankovic | All | | 9,035 | 7,860 | 87 % | Effective presentation of valid, accurate and up to date market information relevant to AgBiz supported VC products and operators – export competitiveness capacity enhancement |
| 613 | STTA in Assessing Gray Areas in HACCP for WGP Sector | Angelovski | WGP | | 10,050 | 3,960 | 39 % | Develop recommendations for implementing HACCP in WG value chain based on detailed research on the "Gray Areas" and possible hazards |
| 817 | Cost-efficient Group GlobalGAP Implementation and Certification | Kokarev | FV | | 51,366 | 7,656 | 15 % | Organize Macedonian agricultural producers interested in implementation/certification of the QAS Globalgap v.3.0 through a single service provider |
| TOTAL | | | | | 365,688 | 59,207 | 16 % | |

TABLE 4: ACTIVITY STATUS REPORT

| 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 | Value of new orders | # of New Customers | # Individuals Received Assistance (evaluation score) | |
| | | | | | TOTAL | AGBIZ | AgBiz Percentage | | | | | TOTAL | Average score |
| 117 | Training in Requirements for Organic Certification to the WGP VC | Angelovski | WG; Other; | | 8,946 | 2,578 | 29 % | 1 | 13 | 0 | 0 | 15 | 4.87 |
| 831 | Establishing a Wild Gathered Food Processors' Association | Angelovski | WGP | | 1,665 | 882 | 53 % | 0 | 0 | 0 | 0 | 0 | 0.00 |
| 314 | Expo Food Moscow Trade Fair | Kokarev | FV; FF; | | 62,979 | 20,874 | 33 % | 0 | 4 | 740,000 | 16 | 8 | 4.62 |
| 217 | Study Tour to Korca for the Participants in the Fresh Fruit Value Chain from the Prespa Region | Ristevski | FF; | | 1,437 | 620 | 43 % | 0 | 5 | 0 | 0 | 24 | 5.00 |
| 125 | Training and STTA to Improve Fresh Produce Post-Harvest Handling Technologies for Fresh Fruit and Vegetable Exports | Kokarev | FV; WG; FF; | | 16,342 | 15,935 | 72 % | 0 | 6 | 0 | 0 | 11 | 0.00 |
| 219 | Tirana International Agriculture Trade Fair | Ristevski | FV; FF; | | 3,262 | 1,100 | 34 % | 1 | 6 | 300,000 | 6 | 7 | 4.75 |
| 853 | Organic Certification Training in Russia | Angelovski | All | | 3,150 | 500 | 16 % | 0 | 0 | 0 | 0 | 0 | 0.00 |
| 127 | IPARD Training for Managers of Processed Fruits and Vegetables Companies | Stankovic | PV; WG; Other; | MAP and MCG | 4,045 | 1,787 | 44 % | 1 | 17 | 0 | 0 | 25 | 4.62 |
| 128 | IPARD Training for Wineries, Grape Growers and Wine Tourism Companies | Damovski | BW; FF; Other; | MCG | 5,293 | 2,353 | 44 % | 0 | 20 | 0 | 0 | 22 | 4.84 |
| 848 | Assessment of the Vertical Integration in the Agribusiness in Macedonia | Maxwell | All | | 3,572 | 3,572 | 100 % | 0 | 0 | 0 | 0 | 0 | 0.00 |
| 849 | Assessment of the Horizontal Integration in the Agribusiness in Macedonia | Maxwell | All | | 3,572 | 3,572 | 100 % | 0 | 0 | 0 | 0 | 0 | 0.00 |
| 850 | Development of SWOTORs for the Annual Work Plan Workshop | Maxwell | All | | 800 | 800 | 100 % | 0 | 0 | 0 | 0 | 0 | 0.00 |
| TOTAL | | | | | 115,063 | 54,573 | 47 % | 3 | 71 | 1,040,000 | 22 | 112 | 4.61 |
| ON HOLD OR DROPPED | | | | | | | | | | | | | |
| MIS Code | ACTIVITY | COORDINATOR | VALUE CHAINS | PARTNERS | *ACTIVITY COST (US\$) | | | DESCRIPTION / COMMENT | | | | | |
| | | | | | TOTAL | AGBIZ | AgBiz Percentage | | | | | | |
| 615 | Assessment of Successful National Wine Export Promotion Programs and Concept for Sustainable Model for Macedonia | Damovski | BW | | 0 | 0 | 0 % | Develop a concept proposal for sustainable model for the Macedonian Export Promotion Body and recommend guidelines for an optimal export promotion program/Justification: Limited available funding | | | | | |
| TOTAL | | | | | 0 | 0 | 0 % | | | | | | |

ELSAs Status

Table 5 below lists all ELSA applications on which any work was done during the Quarter. As can be noted in Table 5, thirteen ELSAs projected to cost \$93,710 were Being Implemented and three ELSAs that cost \$17,924 were completed during the Quarter. The average AgBiz share of the anticipated and actual total cost of the active and completed ELSAs is projected to be 44%.

| TABLE 5. ELSA APPLICATIONS STATUS REPORT | | | | | | | | | | | |
|--|---------------------------------|-------------|-----------------------|---------------|---------------|---|--|---------------------|--------------------|--|---------------|
| Last Updated: October 2, 2009 | | | | | | | | | | | |
| ALL AGREEMENTS SIGNED AND IN IMPLEMENTATION | | | | | | | | | | | |
| MIS Code | SHORT-TERM TECHNICAL ASSISTANCE | Coordinator | *ACTIVITY COST (US\$) | | | DESCRIPTION / COMMENT | | | | | |
| | | | TOTAL | AGBIZ | AgBiz Percent | | | | | | |
| 430 | Obedineti Agroprouvoditeli | Ristevski | 6,235 | 2,460 | 40 % | Increase public awareness on pesticide treatment by designing and printing promotional materials | | | | | |
| 415 | Venec | Ristevski | 7,571 | 3,771 | 50 % | HACCP System Implementation and Certification | | | | | |
| 423 | Migori | Ristevski | 7,322 | 3,622 | 50 % | Plan to adjust existing facilities into packing & cooling center | | | | | |
| 424 | Stefanov | Ristevski | 7,548 | 3,748 | 50 % | HACCP System Implementation and Certification | | | | | |
| FRESH FRUIT VALUE CHAIN SUBTOTAL | | | 28,676 | 13,601 | 47 % | | | | | | |
| 408 | Vivi Prom | Kokarev | 11,865 | 3,358 | 34 % | Feasibility study for a line to calibrate, peel and pack onions | | | | | |
| 419 | Dusan Ciric | Kokarev | 6,091 | 2,966 | 49 % | Design and development of a sale and promo web site | | | | | |
| FRESH VEGETABLES VALUE CHAIN SUBTOTAL | | | 17,956 | 6,324 | 35 % | | | | | | |
| 405 | Extra Fungi | Angelovski | 7,905 | 3,905 | 49 % | HACCP System Implementation and Certification | | | | | |
| 406 | Fungi Flora | Angelovski | 7,972 | 3,972 | 50 % | HACCP System Implementation and Certification | | | | | |
| 407 | Val Fungi | Angelovski | 6,593 | 3,048 | 46 % | HACCP System Implementation and Certification | | | | | |
| 416 | Igor Komerc | Angelovski | 5,897 | 2,697 | 46 % | HACCP System Implementation and Certification | | | | | |
| WILD GATHERED PRODUCTS VALUE CHAIN SUBTOTAL | | | 28,367 | 13,622 | 48 % | | | | | | |
| 414 | Pivka Winery | Damovski | 2,061 | 976 | 47 % | New labels design | | | | | |
| 422 | Dzumajlija | Damovski | 6,908 | 2,428 | 35 % | Business plan for expanding bottled wine exports | | | | | |
| 403 | Vardarska Dolina | Damovski | 9,742 | 4,147 | 43 % | Plan for enlargement of the existing winery's premises | | | | | |
| WINE VALUE CHAIN SUBTOTAL | | | 18,711 | 7,551 | 40 % | | | | | | |
| ELSA BEING IMPLEMENTED SUBTOTAL | | | 93,710 | 41,098 | 44 % | | | | | | |
| COMPLETED | | | | | | | | | | | |
| MIS Code | SHORT-TERM TECHNICAL ASSISTANCE | Coordinator | *ACTIVITY COST (US\$) | | | # of Producer Organization / Business Assos. that received assistance | # of Agribusiness firms that received assistance | Value of new orders | # of New Customers | # Individuals Received Assistance (evaluation score) | |
| | | | TOTAL | AGBIZ | AgBiz Percent | | | | | TOTAL | Average score |
| 404 | Kastel | Angelovski | 8,274 | 3,274 | 40 % | 0 | 1 | 0 | 0 | 0 | 0.00 |
| 417 | Anva Fungi | Angelovski | 5,650 | 2,100 | 37 % | 0 | 1 | 0 | 0 | 0 | 0.00 |
| WILD GATHERED PRODUCTS VALUE CHAIN SUBTOTAL | | | 13,924 | 5,374 | 39 % | 0 | 2 | 0 | 0 | 0 | n/a |
| 402 | Vega-Mak Assn. | Kokarev | 4,000 | 3,001 | 75 % | 1 | 0 | 0 | 0 | 0 | 0.00 |
| FRESH VEGETABLES VALUE CHAIN SUBTOTAL | | | 4,000 | 3,001 | 75 % | 1 | 0 | - | 0 | 0 | n/a |
| ELSA COMPLETED SUBTOTAL | | | 17,924 | 8,375 | 47 % | 1 | 2 | 0 | 0 | 0 | n/a |
| TOTAL | | | 111,634 | 49,473 | 44% | 1 | 2 | 0 | 0 | 0 | N/A |
| ON HOLD OR DROPPED | | | | | | | | | | | |
| MIS Code | ACTIVITY | Coordinator | *ACTIVITY COST (US\$) | | | DESCRIPTION / COMMENT | | | | | |
| | | | TOTAL | AGBIZ | AgBiz Percent | | | | | | |
| 421 | Skovin II | Damovski | 15,375 | 4,000 | 26 % | Promotional activities in Belgrade to increase brand awareness/Justification: Financial instability on the market | | | | | |
| TOTAL | | | 15,375 | 4,000 | 26 % | | | | | | |

1.11.4 Agreements Signed Report

Table 6 below shows the twenty-two agreements that were signed in Macedonia during the Quarter, as well as their value. As can be noted in Table 6, \$94,494 worth of agreements was signed, nearly all with Macedonian companies or individuals.

| TABLE 6 . AGREEMENTS SIGNED | | | | | | | | |
|-----------------------------------|--|---|-----------------------|-----------------------|-----------|-----------------|--------------------|------------------|
| Number | Company/Person | Type Contract | of SUBMITTED TO USAID | USAID CO | USAID CTO | Signed | Person responsible | US\$ |
| | ST Korcha Apple VC, | AD | 7-Aug-09 | NR | 7-Aug-09 | NA | Lovre | \$ 817 |
| LOI | ST Korcha Apple VC, United Agro Prod | LOI | 7-Aug-09 | NR | 7-Aug-09 | 12-Aug-09 | Lovre | |
| LOI | ST Korcha Apple VC Mane BB | LOI | 7-Aug-09 | NR | 7-Aug-09 | 12-Aug-09 | Lovre | |
| LOI | ST Korcha Apple VC, Migori | LOI | 7-Aug-09 | NR | 7-Aug-09 | 12-Aug-09 | Lovre | |
| LOI | ST Korcha Apple VC, Kevil Komerc | LOI | 7-Aug-09 | NR | 7-Aug-09 | 12-Aug-09 | Lovre | |
| LOI | ST Korcha Apple VC, Rumko | LOI | 7-Aug-09 | NR | 7-Aug-09 | 12-Aug-09 | Lovre | |
| LOI | ST Korcha Apple VC, Agromedika | LOI | 7-Aug-09 | NR | 7-Aug-09 | 12-Aug-09 | Lovre | |
| | Post Harvest Handling | AD | 30-Jul-09 | NR | 30-Jul-09 | NA | Vlado Lovre | |
| | Post Harvest Handling | Daily Rate PICHA | 31-Jul-09 | NR | 4-Aug-09 | NA | Vlado Lovre | \$ 15,935 |
| | Fruit Logistica TF | AD | 17-Aug-09 | NR | 19-Aug-09 | NA | Vlado | |
| 073 | IPARD Training Processed F&V/ MCG | FFPC | 21-Jul-09 | NR | 21-Jul-09 | 24-Jul-09 | Natasha S | \$ 1,787 |
| LOI | IPARD Training Processed F&V/ Map | LOI | 21-Jul-09 | NR | 21-Jul-09 | 20-Jul-09 | Natasha S | |
| 074 | IPARD Training Processed F&V/ MCG | FFPC | 23-Jul-09 | NR | 21-Jul-09 | 23-Jul-09 | Damo | \$ 2,353 |
| 075 | Horizontal linkages, MCG | FFPC | 17-Aug-09 | NR | 17-Aug-09 | 18-Aug-09 | Jim | \$ 3,572 |
| 076 | Vertical linkages Epicentar | FFPC | 17-Aug-09 | NR | 17-Aug-09 | 18-Aug-09 | Jim | \$ 3,572 |
| | AWP Workshop support, Przemyslaw Praszczalek | Consulting Agreement | 17-Aug-09 | NR | 17-Aug-09 | 18-Aug-09 | Jim | \$ 800 |
| | Wine countries Export Promo Prog Survey | SOW | 15-Jul-09 | NR | postponed | NA | Damo | |
| 077 | MAP Coordination PV VC | FFP | | NR | | 14-Sep-09 | Jim | \$ 12,000 |
| | Fruit Logistica | MOU | 17-Aug-09 | NR | 19-Aug-09 | 25-Sep-09 | Vlado | \$ 18,331 |
| | CBI Export Marketing Training | AD, Travel | 2-Sep-09 | NR | 2-Sep-09 | NA | Damo | \$ 1,568 |
| | Tirana Fair | Ad Travel | 16-Sep-09 | NR | 16-Sep-09 | NA | Lovre | |
| | Tirana Fair, UAP | MOU | 16-Sep-09 | NR | 16-Sep-09 | 21-Sep-09 | Lovre | \$ 1,100 |
| | Russia Organic Certification Training | | 16-Sep-09 | NR | 16-Sep-09 | NA | Goran | \$ 500 |
| | Anuga | Ad Travel | 18-Sep-09 | NR | 18-Sep-09 | na | Saso | \$ 8,900 |
| | Anuga, MAP | MOU | 18-Sep-09 | NR | 18-Sep-09 | na | Saso | |
| | Wines from MK | Video | 28-Sep-09 | NR | 28-Sep-09 | na | Nate | |
| | Petkovski Ljubomir SPPA Dalvina | Consulting Agreement | 3-Mar-08 | NR | 3-Mar-08 | 2-Oct-09 | Nate | \$ 398 |
| SUBTOTAL | | | | | | | | \$ 71,632 |
| ELSA, Expedited Local STTA | | | | | | | | |
| Type | Subcontractor's Name | Title of Activity | | Period of Performance | | Budgeted Amount | | |
| ELSA 9 | Vivi Prom/ B&V Consulting | Technical documentation for Cooling chamber | | 8/12/2009-9/30/2009 | | \$ 3,358 | | |
| ELSA 10 | Venec/Goran Kolev | TA for HACCP implementation | | 7/30/2009-12/31/2010 | | \$ 3,771 | | |
| ELSA 11 | Migori/Mashinotehna | Technical documentation for Cooling chamber | | 7/30/2009-12/31/2011 | | \$ 3,622 | | |
| ELSA 12 | Anva Fungi/Agens Studio | Design of labels for retail in Canada | | 8/31/2009-9/20/2009 | | \$ 2,100 | | |
| ELSA 13 | Pivka/Franco Design | Labels design | | 9/3/2009-10/31/2009 | | \$ 976 | | |
| ELSA 14 | Dzumajlija/Trio Konsalting | Business Plan for bottled wine export | | 9/20/2009-10/20/2009 | | \$ 2,428 | | |
| ELSA 15 | Vardarska Dolina/ Liv avve | Technical documentation for new winery | | 9/01/2009-10/31/2009 | | \$ 4,147 | | |
| ELSA 16 | UAP/Sasko Andreevski | Brochure for apple growers | | 10/01/09-12/31/10 | | \$ 2,460 | | |
| SUBTOTAL | | | | | | | | \$ 22,862 |
| TOTAL | | | | | | | | \$ 94,494 |

* CTO approval proceeds CO approval and is internal to USAID

**NR- Not Required

*** Submitted for information

I.12 PERFORMANCE INDICATORS

This section describes key accomplishments during the Quarter, first versus the qualitative objectives established for the Quarter, then regarding general Monitoring and Evaluation (M&E) activities and finally performance versus established Program quantitative indicators.

I.12.1 Fourth Quarter Accomplishments versus Objectives

The Expected Result information for the Fourth Quarter shown below was established in the FY '09 Q3 Quarterly Report. In the third column the Actual Results is compared to the Expected Result. With very few exceptions all Expected Results were achieved during the Quarter.

Program Development

Following are the significant program development accomplishments versus objectives for the Quarter.

| Activity | Expected Result | Actual Result |
|---|---|---|
| Staff Evaluations | Staff evaluations and salary adjustments due are completed | Achieved as required |
| Success Stories | Monthly stories developed and published | 3 success Stories developed |
| Additional Funding | USAID formal approval of additional funding request | Not received |
| 2010 Staffing Plan | FY '10 staffing decisions made | Accomplished |
| Days in the Life of the AgBiz CoP film with MTV | Film completed and "Days in the Life of the AgBiz CoP" broadcasted | Filming completed; broadcast delayed by MTV until 31 November |
| Supplemental Pollution Prevention Assessment | Completed for Dalvina | Will be completed by 10 November |
| MAFWE web portal updating | Portal updated on a monthly basis with AgBiz information | Accomplished |
| Bi - Monthly Market Information Newsletter for Each VC | Complete and distribute Newsletter for the Wine VC | Released on 24 July |
| AgBiz Website | Complete and distributed Newsletter for the WGP VC | Released on 30 September |
| CoP Cooperation | Website enhanced & made more user friendly | Accomplished |
| Report gathering from similar regional projects | At least two coordination meetings with related CoPs | Accomplished via MCP and MASSP |
| Field Trips | Reports from Serbia agribusiness and other regional projects collected and analyzed | Accomplished |
| Complete International Trade Seminar Workshop | Develop and successfully implement field trips with Mission management | No field trips organized due to the unavailability of USAID personnel |
| Enhanced approach to policy and institutional reform | Vlado successfully presents a Lessons Learned workshop to AgBiz staff | Delayed |
| Enhanced approaches to horizontal and vertical linkages development | New approach for FY '10 developed and approved | Accomplished |
| Hold a successful FY '10 AWP Workshop | New approaches for FY '10 developed and approved | Accomplished and integrated into FY '10 plans |
| Regional Cooperation | AWP workshop held resulting in a basic AWP for FY '10 | Accomplished 9 – 11 September |
| Media Exposures | Stimulate the development of a regional USAID Projects coordination workshop | Accomplished; Workshop scheduled for 10 November |
| Cooperation with Other Entities | Accomplish several media exposures presenting AgBiz activities | 12 media exposures achieved |
| FY '10 Annual Work Plan | Continue cooperation where it is to the benefit of AgBiz | Ongoing |
| | Plan for and successfully complete a AWP Workshop | Workshop completed and AWP development on schedule |

Value Chain Competitiveness Enhancement Activities

Following are the significant Activity related accomplishments versus objectives for the Fourth Quarter. Only two of the ELSAs were completed during the Quarter, but all but the one, cancelled by the customer, were signed and implementation was underway by the end of the Quarter. A few Activities being assessed were dropped due to funding limitations and/or the new "focusing" strategy.

| Activity | Expected Result | Actual Result |
|---|--|---|
| Continue development, review, and decision making on value chain competitiveness enhancement activities as planned or close to plan | Effectively expedite the development, approval, and implementation of Activities | Accomplished |
| World Food Trade Fair Moscow | Finalized and successfully implemented | Implemented 28 September; 3 month follow up next quarter |
| Fruit Logistica 2010 | Approved by USAID and relevant agreements signed | Approved by USAID 19 August; agreements to be signed by 31 December |

| Activity | Expected Result | Actual Result |
|--|---|---|
| Study Tour and B2B Meetings for Processors of Herbs and Mushrooms, Germany | Decision made and appropriate action taken | Decision was made to drop the Activity. |
| Support to the Wine Association | Decision made and appropriate action taken | Support provided to Wines from Macedonia for association development, PIR and MAEWE wine strategy development |
| TA in GlobalGAP Implementation and Certification | Four additional companies receive Certification | One additional company received Certification |
| TA in Assessing HACCP Gray Areas for the WGP VC | Finalized and implemented | Activity finalized and is being implemented |
| Web Sites for the WGP Association "Shumski Plod" and VC Companies | Decision made and appropriate action taken | Decision was made to put Activity on hold |
| Regional Market Information with Moja Zemja Magazine | Successfully implemented & decision made on further involvement | Activity implemented; continued involvement for 11 months decided |
| WG Consolidators Support for HACCP Implementation | Implementation progressing as planned | Implementation progressing as planned |
| Updated Wine Website and New CD | Decision made and appropriate action taken | On hold |
| "SAPARD/IPARD Experience" Study Tour for Bottled Wine VC Companies | Decision made and appropriate action taken | On hold for later consideration |
| Post Harvest Handling of Fresh Produce Training and STTA | Finalized and implemented | Activity finalized and implemented 5 September |
| Assessment of National Wine Export Promotion Programs | Decision made regarding implementation | Activity dropped due to financial limitations |
| Study Tour for Apple VC Participants to Korca, Albania | Developed and implemented | Activity developed and implemented 10 July |
| IPARD Training for Participants in the PV and Wine and Grapes VCs and their Consultants | Developed and implemented | Two Activities developed & implemented 27-18 July and 6-7 August |
| Application of Contemporary Technologies in Table Grapes Production/Aljansa Field Trials | Developed and implemented | Activity developed and implemented 16 October; results workshops next quarter |
| ELSA VEGA-MAK Association Development Plan | Developed and implemented | Activity completed 1 July |
| ELSA Dusan Ciric Promotional Materials Development | Developed and implemented | Agreement signed & being implemented |
| ELSA Vivi Prom Feasibility Study for Onion Calibration and Packaging | Developed and implemented | Agreement signed 8 August & being implemented |
| ELSA Migori Apple Packing Center Design | Developed and in implementation | Agreement signed 30 July & being implemented |
| ELSA Venec HACCP Implementation | Developed and in implementation | Agreement signed 30 July & being implemented |
| ELSA Stefanov HACCP Implementation | Developed and in implementation | Agreement signed & being implemented |
| ELSA United Agroproducers | Developed and implemented | Agreement signed 1 October & being implemented |
| ELSA Vardarska Dolina Blueprints for New Facility | Developed and implemented | Agreement signed 1 September & being implemented |
| ELSA Djumajlija Business Plan for New Bottling Line | Developed and implemented | Agreement signed 20 September & being implemented |
| ELSA Pivka Labels Design | Developed and in implementation | Agreement signed 3 September & being implemented |
| ELSA Skovin Promotion in Serbia | Developed & in implementation | Cancelled by customer |
| ELSA Extra Fungi HACCP Implementation | Developed and implemented | Agreement signed & being implemented |
| ELSA Val Fungi HACCP Implementation | Developed and in implementation | Agreement signed 23 September & being implemented |
| ELSA Fungi Flora HACCP Implementation | Developed and implemented | Agreement signed & being implemented |
| ELSA Kastel Organic WGP Implementation | Developed and implemented | Agreement signed & being implemented |
| ELSA Igor Komerc HACCP Implementation | Developed and implemented | Agreement signed & being implemented |
| ELSA Anva Fungi Label Design | Developed and implemented | Activity completed 10 October |

Project Implementation

Following are the significant Project related accomplishments versus objectives for the Fourth Quarter.

| Action | Expected Result | Actual Result |
|---|---|---|
| Grant-related Procurement Procedures | Staff and grantees properly utilizing checklists and grant implementation procedures | Accomplished |
| SUAPS | The remaining grantees requiring one have completed draft SUAPs | Mostly accomplished; one grantees requiring a SUAP was GlobalGAP certified; the second will be by December 31 |
| Environmental Mitigations | All mitigations are being implemented as prescribed | Accomplished |
| Grant Expenditures | Reimbursement and direct procurement are proceeding smoothly, in compliance and as projected | Accomplished |
| Project Implementation Monitoring & Support | PCs closely monitoring project implementation to help keep them on schedule and achieving projected results | Accomplished |
| Project Implementation Monitoring | Monthly Project reviews for each VC are held with the CoP | Mostly accomplished; a few monthly reviews not held |
| Project implementation schedules | Grantee and AgBiz investment schedules updated based on experience to date | Accomplished |
| Grantee Reporting | Quarterly Reports are enhanced in completeness and overall quality | Mostly accomplished; still some delayed grantee reporting |

1.12.2 M&E MIS Development

DESCRIPTION During the Quarter M&E staff collected and filed data from grantees and updating the M&E MIS.

OBJECTIVE Collect and file all relevant Program results data; maintain an updated M&E MIS that is able to effectively respond to the needs of the Program and USAID; and further enhance the M&E MIS to lower the workload and optimize reporting accuracy and timeliness.

OUTCOME All M&E documents were collected and properly filed. An M&E MIS enhancement was defined, installed and tested during the Quarter.

FOLLOW-UP The M&E Performance Monitoring Plan (PMP) must be reviewed and refined from time to time in collaboration with USAID so that it accurately reflects reality and adapts to the constantly changing operating environment, Program circumstances and any changes in USAID requirements. AgBiz anticipates requesting a modification the AgBiz PMP in the second quarter of FY '10.

1.12.3 Quantitative Performance Indicators

DESCRIPTION AgBiz performance indicators are a set of quantitative measurements used to present Program results to AgBiz Management and USAID. Table 7 shows progress on the agreed indicators during this Quarter, excluding indicators that are reported only on an annual basis.

OBJECTIVE Use Performance Indicators as both a management tool for tracking the results of Project and Activity implementation, as well as for preparing progress reports to USAID.

OUTCOME The trend of overachievement of indicators continued in this Quarter. As can be noted by the Performance % column, all but two of the FY '09 indicators were exceeded by a large amount. The number of agricultural firms receiving assistance was achieved at a 78% level due to fewer agribusiness firms than anticipated being export qualified. Number of trade and business associations was only 40% achieved due to the absence of viable trade associations and the longer than expected time required to develop them. The exhibiting of four AgBiz fresh fruit and vegetable value chain customers at the Expo Food Moscow, Trade Fair in Russia, and the participation of seven fresh fruit customers at the Tirana International Agriculture Trade Fair in Albania, resulted with nearly \$1.5 million worth of new orders.

TABLE 7. FOURTH QUARTER INDICATOR ACHIEVEMENTS

| INDICATORS | This Quarter | FY to Date | Fiscal Year 2009 Objective | Performance (FY%) |
|---|--------------|------------|----------------------------|-------------------|
| | | | (10.2008 - 09.2009) | |
| 1. Increased Raw Material Production and Products Marketing | | | | |
| 1.11 Value of new orders (in 000 Euros) from Trade Fairs, B2B Meetings and Fast Track Projects | 1,040 | 2,610 | 1,000 | 261 % |
| 1.12 Number of new customers from Trade Fairs, B2B Meetings and Fast Track Projects | 22 | 158 | 40 | 395 % |
| 2. Increased Coverage and Assistance to Value Chain Participants | | | | |
| 2.1 Number of Producer Organizations receiving assistance * | 1 | 24 | 3 | 800 % |
| 2.3 Number of Agriculture-related Firms receiving assistance | 60 | 130 | 167 | 78 % |
| 2.4 Number of Trade and Business Associations receiving assistance | 1 | 2 | 5 | 40 % |
| 3. Building Human Capacity | | | | |
| 3.1 Number of male individuals who have received short-term agriculture or agribusiness productivity enhancement training | 50 | 437 | 324 | 135 % |
| 3.2 Number of female individuals who have received short-term agriculture or agribusiness productivity enhancement training | 23 | 107 | 36 | 297 % |
| 4. Value of Investment Stimulated and Leveraging Achieved | | | | |
| 4.1 Value of customer investment stimulated (000US\$) | 116 | 7,447 | 5,578 | 134 % |
| 4.2 Value of third party domestic investment stimulated (000US\$) | 0 | 0 | 0 | 0 % |
| 4.3 Value of total domestic investment stimulated (000US\$) | 116 | 7,447 | 5,578 | 134 % |
| 4.4 Value of foreign direct investment stimulated (000US\$) | 0.00 | 0.00 | 0.00 | 0 % |
| 4.5 Leveraging Achieved by AgBiz (%) | 35 % | 7 % | 11 % | 157 % |
| 5. Increased Access to Finance | | | | |
| 5.1. Value of customer financing (potential loans) identified (000US\$) | 661 | 3,240 | 1,844 | 176 % |
| 5.2. Number of new customers provided access to finance assistance | 3 | 22 | 15 | 147 % |
| 7. Policy and Institutional Reform | | | | |

TABLE 7. FOURTH QUARTER INDICATOR ACHIEVEMENTS

| | | | | |
|--|----|----|----|-------|
| 7.1. Number of policy and institutional constraints identified and prioritized | 0 | 6 | 5 | 120 % |
| 8. Outreach | | | | |
| 8.1. Number of Success Stories produced and published | 3 | 12 | 12 | 100 % |
| 8.2. Number of media exposures (TV, Radio and Newspaper) | 12 | 55 | 12 | 458 % |

* -- the vast majority of producers in Macedonia have not been formed into Producer Organization

** -- each producer and/or new trader, processor, or marketer customer employee living outside Skopje represents a rural household

2.0 OPERATIONAL CHALLENGES ENCOUNTERED

Most of the external operational challenges previously reported remained in effect during the Quarter. These include lack of effective cooperation between producers and processors/marketers, confusing GoM communications regarding HACCP, slow and somewhat unclear development of IPARD and the negative impact of the global economic crisis. The operational challenges encountered are outlined below, separated into external and internal challenges.

2.1 EXTERNAL

The following are operational challenges over which AgBiz has from almost no to minimal control. However, what we are doing to have a positive impact on the operating challenge is indicated when that is viable.

2.1.1 Producer with Processor/Marketer Communication and Cooperation

DESCRIPTION Relationships between producers and processors/marketers are still non-trusting. Domestic vegetable processors anticipate a shortage of raw materials in the coming season and are talking about using forward contracts to offset that problem, but it is uncertain whether or not structures, contract formats or attitudes are ready for that to be implemented on a broad basis. It is unlikely there will be a raw material shortage in the upcoming season, and therefore less pressure for forward contracts by processors and marketers. That will in turn delay pressure for forward contracts.

OBJECTIVE Develop activities and identify ways to establish and enhance sustainable linkages among participants in the AgBiz supported value chains.

OUTCOME The anticipated ample supply of agricultural raw materials, and receivables and difficult selling conditions during the season hindered AgBiz efforts toward making significant improvements in the level of cooperation between supply chain participants. During the Quarter horizontal cooperation was encouraged through Activities such as Study Tours and Trade Fairs where groups of companies were exposed to markets that demand higher volumes and strict product specifications, thus encouraging consolidation and further cooperation. However, to date there is minimal evidence of this happening. Wine grape purchases were down as anticipated. Since wineries have unsold inventory they were not in a position to purchase the expected volume of grapes, and that resulted in public expressions of dissatisfaction. MAFWE tried to resolve the situation by organizing meetings between grape growers and the wineries, but with limited success. This situation will make it difficult to stimulate improved linkages between wine grape growers and wineries.

FOLLOW UP As a result of the FY '10 AWP development process, AgBiz will place special emphasis on Activities for enhancing value chain backward linkages during FY '10.

2.1.2 HACCP and IPARD Timing

DESCRIPTION When thinking about starting HACCP implementation, many Macedonian food companies are confused or limited in their understanding of HACCP standards. 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.

IPARD is a major investment subsidy program that is anticipated to be available late in the fourth calendar quarter of 2009 to help Macedonian agribusinesses finance competitiveness enhancements that

will prepare them for EU entry. Since Macedonia wants to direct IPARD resources towards improving the competitiveness of agribusinesses, and assure IPARD access and absorption, it must actively stimulate awareness of IPARD basics and support the capacity of potential beneficiaries and their consultants to obtain these resources. Expenditures for public information campaigns are planned, but pre- and co-financing arrangements involving banks have yet to be developed. The timing of when IPARD funding will be available, and the requirements for applying and receiving IPARD support, is becoming clearer, but there are still a number of important unanswered questions.

OBJECTIVE Help customers understand HACCP requirements and stimulate the GoM to not change the due date for HACCP to be implemented in food handling facilities, especially those involved in exports. Help customers understand how to access IPARD funds and encourage the GoM to resolve issues regarding IPARD-related application requirements.

OUTCOME There was some progress on resolving HACCP-related issues during the Quarter, the date is for food-related businesses being required to be implementing HACCP has been established as 1 October 2009, but enforcement will first be focused on companies processing animal products. Clarity on IPARD support timing improved somewhat as did the specifics of IPARD eligibility and requirements. However, many open issues remain. Early indications are that a limited number of AgBiz current and potential customers will be able to qualify for IPARD support due to their size, difficulties of getting the required financing and other restrictions.

FOLLOW UP Continue to liaise with the GoM regarding clarifying AgBiz customers' understanding of HACCP requirements and the specifics of IPARD applications and to resolve outstanding issues. If others do not provide significant support for training consultants to help agribusiness customers apply for IPARD support, we will develop and support IPARD training for consultants. Also, we will assess the level of consultant and customer commitment to a study tour to Croatia, Bulgaria and/or Romania to evaluate their experience with the Special Accession Program for Agricultural and Rural Development (SAPARD) (very similar to IPARD) and learn how to avoid the mistakes they made and utilize what practices they found to be most effective. A budget for such an Activity is included in the Access to Finance AoF as IPARD training for customers and consultants. Our access to finance assistance will be important as related to IPARD, since the recipient must first get a loan for the entire value of their project, then later receive the 50% IPARD (75% from the EU and 25% from the GoM) support.

2.1.3 Global Economic Crisis

Influence of the Economic Slowdown on the Financial Sector

The influence of the global economic slowdown on the Macedonian financial sector resulted in problems for AgBiz customers during the Quarter, but somewhat fewer than previous quarters:

- Proceeds from the 100 million Euro EBRD loans, managed by the Macedonian Bank for Export Promotion and disbursed through seven commercial banks become available to Macedonian Companies;
- The Central Bank do not decrease the percentage of reserves on disbursed loans required of commercial banks;
- The Central Bank's growth projection for the Macedonian economy for next two months is negative, -0.2, but even that may be optimistic;
- Banks and leasing companies stopped closing branches, credit department staff decreases are still common and the number of staff in banks' risk management and legal departments continues to increase;
- Banks still have slow credit operations, but the situation became somewhat better during the Quarter;
- Banks' loan review processes, terms, conditions and approval procedures are still very restrictive;
- The time period from application until financing is approved or rejected has become realistic, but still not at the level of last year;
- The percentage of loan applications that are approved and loans eventually disbursed has dramatically decreased;
- Decreasing the repayment time frame of an already approved loan and closing revolving loans/lines of credit has become prevalent;
- Increasing the interest rate on approved loans is still common for every bank;

- The collateral required to secure a loan has become a larger percentage of the loan value, the average approved loan versus the application become higher compared with last quarter, the payback period has started to be a little longer and restrictions are imposed on real estate connected loans; and
- ACDF, a major supplier of capital for agribusiness loans, is well funded and has favorable rates, but loans using their funds go through commercial banks, so the commercial banks very restrictive terms and conditions still apply.

As banks become more conservative, and their collateral requirements more difficult for borrowers to meet, opportunities are created for new types of financing that are not well established and understood in Macedonia. Specifically:

- Equity financing is an opportunity to raise finance for making new investments and supporting companies' business expansion plans;
- Leasing, short term financing and factoring have also become more attractive sources of finance; and
- Export insurance is a product that has become very attractive, can be used as collateral and thereby gives companies access to a new source of working capital.

The net impact of these more restrictive accesses to finance conditions will be slower development of Macedonian agribusiness, especially as related to facilities upgrading and expansion. It also increases the importance of our customers' access to IPARD funding.

Influence of the Economic Slowdown on AgBiz Value Chains

All Value Chains - during the Quarter the impact of the global financial crisis and economic slowdown continued to affect participants in AgBiz supported Value Chains. Macedonian exporters of agriculture-based products experienced reduced export demand, delayed collection of receivables and difficult access to finance, and this is likely to worsen in the coming season.

Fresh Vegetables exporters have been significantly impacted. Specifically:

- Delayed collection of receivables from the previous year and expensive credit have negatively impact the availability of processors/marketers' working capital;
- Harvesting of fresh vegetables from plastic open fields started and demand was greater than companies could supply, especially for the peppers;
- There was over production of tomatoes and less demand on foreign markets, so prices were lower compared to the previous year and producers had problems finding markets for their production;
- Over production of some vegetable crops in the season drive down producer prices, but resulted in lower raw material costs for exporters;
- Reduced regional market demand is a serious concern to fresh vegetable exporters;
- Russia, one of the largest markets for fresh vegetables and other fruits, was not attractive for Macedonian exporters due to competition from Turkish exporters; and

Some exporters from Strumica were not able to fulfill their contracts because of crop damage caused by hail.

Wine value chain participants experienced significant negative effects from the economic slowdown during the Quarter, including:

- Wineries continued to experience serious demand concerns in the form of postponed orders and very careful and conservative sales projections from their export customers;
- Due to unsold inventory, wineries drastically reduced their external purchase of grapes for processing;
- The overall insecurity and reduced comfort of consumers affects wine consumption in general, not so much in total volume, but rather has caused a shift from high quality, or at least high priced, to more value oriented wines;
- The overall economic crunch created a significant surplus in production and prices for bottled and bulk wine have declined, so Macedonian bulk exporters have also suffered enormous price pressure in the bulk segment from Portugal, Spain and Chile;
- Most international buyers/distributors are trading down, and this negatively impacts wines positioned at high end markets and consumers;
- The hospitality industry remains seriously affected, and considerably fewer people are visiting restaurants, and consequently wine consumption has declined;
- Many wineries are delaying or canceling planned investments in expanding or improving their facilities, modernizing their equipment and replanting old vineyards with more marketable varieties; and

- Although for wines positioned to value-conscious buyers, this time period can be perceived as an opportunity, competition clearly creates severe pressure in the down market.

Wild Gathered Products companies started feeling a significant impact from the economic crisis during the Quarter:

- During the quarter the WGP companies continued to face a reduction in number of orders and below average order quantity, i.e., buyers are placing smaller orders as they know that significant inventories are available at the WGP companies due to weak sales, and therefore there is minimal risk of product shortages;
- Working capital pressure was at its peak during the Quarter as the WGP companies were in the middle of the summer season, and had an increased need for capital to procure raw product;
- With this kind of working capital pressure and limited demand, WGP companies have offered significantly lower prices to their raw product suppliers, and have processed the raw materials normally sold as fresh;
- Weak demand was experienced throughout the Quarter; and
- Loans and other sources of financing from banks were accessible, but limited and under more stringent terms and conditions and raised interest rates. Further, difficult collateral requirements are in place; therefore all companies in the value chain had difficulties with lack of working capital for raw material procurement.

Processed Vegetables exporters sell to markets that are in recession such as Germany, Slovenia, Croatia, and Serbia, and are therefore significantly impacted by the global economic slowdown. Specifically:

- The vegetable processing industry was 15-20% short of meeting its export goals in 2008, and results during the Quarter continued and probably even exacerbated that trend;
- Payments to Bonum Plus for their products sold in Serbia with 120-150 day terms has been prolonged to a minimum of 180-200 days, and the company's export contracts are expected to be reduced by around 20%;
- Reduced demand was reported by Dentina, which had to cancel its promotional activities in the Croatian retail chain Gastro Group due to customer restructuring based on financial issues;
- Delayed collection of receivables from Croatian customers was experienced by Lars;
- Due to difficulties in accessing adequate and reasonable cost financing, Vipro has delayed completion of its new facilities until next season;
- 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 value chain participants since they do more value adding to their products; and
- The supply of agricultural raw materials for processing is anticipated to be quite ample this season and prices no more than last year - however export demand is likely to be weak and competition very severe for what business there is.

Fresh Fruit exporters have been significantly impacted by the global economic slowdown, including:

- Limited availability of finance, new loan application procedures, lack of collateral and an increasing collateral requirement has discouraged even the most qualified borrowers;
- Due to delayed receivables collection and the associated very negative impact on cash flow, companies have problems with their existing loans and are renegotiating repayment terms;
- Issues with receivables are the greatest with big retailers such as Konzum, Merkator, and Delta;
- To help solve this issue, AgBiz has assisted companies to understand export insurance, where a minimum of 90% of approved exports can be covered - this product will improve export sales and help to minimize payment risk for sales not covered with a letter of credit or guarantee; and
- With AgBiz support, Macedonian Fresh Fruit exporters can use an export insurance policy as collateral for short term working capital loans, and make thereby significantly improve their cash flow.
- The fresh fruit marketed by AgBiz table grape and fresh apple 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 presentations

2.1.4 GoM with Private Sector Export Promotion Coordination

DESCRIPTION The Macedonian trade balance is conservatively projected to be minus 26% in CY 2009 due to greater declines in exports than declines in imports. Therefore, exports need to dramatically increase to avoid an even greater negative balance of payments that would put further pressure on the national budget and the Denar exchange rate. It is reported that the office of the Deputy Prime Minister (DPM) for Economic Growth has launched an initiative to expand the role of the “Agency for Foreign Investments in Macedonia” to include export promotion of Macedonian products. The DPM’s office is also reestablishing the Competitiveness Council to work on this initiative and provide suggestions for further steps to expand the role of the Foreign Investment Agency and clarify the role of Ministries as related to export competitiveness enhancement. Competitiveness Council work will be open to participation by and contributions from interested and relevant non-government parties. However, our GoM contacts do not have a clear picture of if, when or how the Agencies new role will include export promotion support for agricultural products. This GoM approach could result in a sustainable structure and the multiple GoM entity input and coordination approach is logical. However, the Competitiveness Council stopped operating several years ago and it is not clear if this new effort will be any more sustainable. Also, these “actions” are likely to take a very long time to develop, and Macedonia needs to have a significantly improved export promotion program and competitiveness enhancement actions NOW. It is very difficult for AgBiz to determine what actions we should support related to export promotion when the GoM is evolving their thinking on the subject.

OBJECTIVE Stimulate serious and immediate actions by the GoM and the private sector to start export promotion efforts with an export promotion agency for wine.

OUTCOME During the Quarter AgBiz held numerous meetings with the MAFWE and MoE officials, and agreed that input from the private sector is essential and needs to be utilized as soon as possible. There is also private sector willingness to contribute in a coordinated way. To not lose the momentum established in the few past months AgBiz needs to keep moving forward the objective, starting with input into the MAFWE Strategy for Wine and Viticulture a Wine Export Promotion Plan. AgBiz believes the best way to stimulate development of an export promotion agency is to establish a wine export promotion entity as a model by conducting an assessment of such agencies in other countries, as described in the SoW for this Activity developed in the Third Quarter. The findings from this assessment of other countries export promotion programs would be an excellent starting point and represent a significant AgBiz contribution to the GoM’s plans for a Macedonian export promotion agency.

FOLLOW UP AgBiz will follow the developments of the DPM’s intention to coordinate and direct GoM efforts to establish an export promotion entity through the Competitiveness Council. The outcome of AgBiz direct support to MAFWE’s Wine and Viticulture strategy and to private sector export coordination (wine, Fresh F&V, processed F&V) will be presented to the DPM with the objective of providing a sustainable entity that could be utilized by the GoM as a model for their plans for a broader export promotion agency. We will also make sure the private sector, specifically exporting wineries, are fully informed and involved in the process.

2.2 INTERNAL

The following operating challenge is semi-internal since it is under the control of USAID, but not AgBiz.

2.2.1 Available Budget versus Activities that need to be Supported

DESCRIPTION By the end of the Quarter AgBiz had provided some type of support to 186 customers. While we are not clear about the number of potential export capable customers, we believe there are more customers in our value chains that should be supported to enhance their export competitiveness. We also believe there is a significant need to provide ongoing support to existing customers, and thereby enhance their exports during the current economic crisis and significant decline in total Macedonian exports. However, available LoP funding is a significant limitation to our being able to provide the needed level of Activity support to both existing and new customers.

AgBiz is a comparatively small project, yet must have the staff needed to meet all of the requirements of a USAID project, e.g., outreach, training, M&E, environment, grants management, technical coordination,

accounting, etc. This means a “fixed” cost for minimal operations, and remaining funds are allocated to Projects and Activities to achieve Program results. AgBiz has established a very good performance record and can achieve even greater results with a modest amount of additional funding. The return on resources for this additional investment by USAID would be very good since the current budget is sufficient to cover basic operating (“fixed”) costs. The additional funding would be used almost exclusively to implement a greater number of Activities.

Table 8 below shows the specific Activities that AgBiz should implement in FY '10 under each AoF, but for which we do not have sufficient funds. Some of these Activities are follow-on support to previously supported value chains such as WGP and Apples, and others are Activities that should be implemented to optimize the benefits of previous Activities. These needed Activities would require an additional \$155,000 in direct funding. The available Activities budget for FY '08 was around \$406,000 and for FY '09 was around \$354,000. For FY '10, even with the requested \$350,000 in additional funding, new Activities money available will be only \$217,000, a \$137,000 or nearly 39% decrease in funding available to implement new Activities in FY '10. This is unfortunate in an environment where agribusinesses are under considerable stress due to the global economic crisis, and Macedonia is preparing for EU accession, which means many enhancements are needed to Macedonian agribusinesses to be able to compete in an era of more open borders.

Agribusiness accounts for at least 13% of Macedonian Gross Domestic Product (GDP) (compared to 13.8% for all other manufacturing), nearly 14% of registered employment and more than 12% of exports. Therefore, agribusiness is a very important contributor to Macedonian economic growth, and is important to successful EU accession, so it deserves adequate USAID funding.

Also, in the near term environment of a weak global economy, AgBiz will have a much shorter term positive impact than efforts, e.g., to attract foreign investment and develop the workforce, if we are able to implement more Activities. Short to intermediate term economic support is very important to the stability of Macedonia over the next year or so. Because so many Macedonians are directly or indirectly involved in agribusiness, additional financial support from USAID for the work AgBiz does would have a significant shorter term, broad-based benefit.

OBJECTIVE Secure additional LoP funding for Activities so we can support an aggressive export expansion program based on at least the same level of FY '10 Activities as in FY '08 and FY '09.

OUTCOME 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 discussed this issue with our COTR to get a better idea of the possibility for additional Program funding, so we can optimize our operations, i.e., have a clear knowledge of LoP Activity funding, but were told that additional funding is not likely unless there is under spending by other projects.

FOLLOW UP Continue to present our case for additional Program funding to USAID, and monitor the USAID/Macedonia funding availability situation. During the second half of FY 10, AgBiz will develop and present to USAID a proposal for increasing Program total funding.

TABLE 8. AoFs' PRIORITY ACTIVITIES, BUT INSUFFICIENT RESOURCES AVAILABLE
FY '10 ACTIVITIES

| | Activity Description | Person Responsible | |
|---|---|--------------------|----------|
| 1 | Complete an “Assessment of Successful National Wine Export Promotion Programs & a Concept Proposal for a Sustainable Model for Macedonia” | Damo | \$15,000 |
| 2 | Workshop with Participants in the Wine VC focused on the Identification & Prioritization of Export Competitiveness Related PIR Needs | Damo | \$1,000 |
| 3 | Study Tour to visit successful wine export promotion entities | Damo | \$7,000 |
| 4 | Facilitate wineries to properly prepare, participate in & follow up on Poznan Wine Fair | Damo | \$7,000 |
| 5 | Improve market information access & specific market requirements in target markets | Damo | \$1,700 |
| 6 | Support a group of exporter wineries to attend advanced wine export marketing training in the EU or US | Damo | \$10,000 |
| 1 | Support a contract farming project for one Fresh Produce customer as a model - with Backward Linkages | | \$7,000 |
| 2 | Engage a consulting company to develop a strategy & action plan for increased value adding | | \$4,000 |
| 3 | Provide technical assistance via international STTA & support prioritized technical & capacity enhancement needs of fresh produce operators | | \$15,000 |
| 4 | PHH Study Tour for pack house & cooler managers to Turkey or Israel | | \$4,000 |
| 5 | Support establishing a nursery center for high quality planting material | | \$6,000 |

| TOTAL Anticipated Budget for Fresh F&V Priority Activities | | | | \$36,000 |
|---|---|-------|--|------------------|
| AoF #4 PROCESSED VEGETABLES | | | | |
| 1 | Support VC participants to participate in regional trade fairs such as Novi Sad, the Gastro Fair in Split, etc. | MAP | | \$5,000 |
| 2 | Support organizing a Regional F&V Processors' Conference in Macedonia | MAP | | \$7,000 |
| 3 | Support a Study Tour to the CIBUS Tech Food Processing Equipment Exhibition Parma - with Fresh | MAP | | \$5,000 |
| TOTAL Anticipated Budget for Processed Vegetables Priority Activities | | | | \$17,000 |
| AoF #5 CROSS-CUTTING INITIATIVES | | | | |
| AoF #5.1 Policy and Institutional Reform | | | | |
| A National Forum on Priority Issues for Developing a Business Environment that Supports the Enhanced Export Competitiveness of Value Added Agriculture-based Products | | | | |
| 1 | | Vasko | | \$4,000 |
| An Assessment of the Operating Principles of Publically Funded (or co-funded) Export Promotion Programs for Value Added Agricultural Products starting with wine | | | | |
| 2 | | Vasko | | \$15,000 |
| 3 | Establish & facilitate a working group of relevant stakeholders for the identification of relevant PRI issues | Vasko | | \$4,000 |
| TOTAL Anticipated Budget for PIR Priority Activities | | | | \$23,000 |
| AoF #5.2 Access to Finance | | | | |
| 1 | Staff participation in financing-related training & seminars | Lovre | | \$1,000 |
| TOTAL Anticipated Budget for Access to Finance Priority Activities | | | | \$1,000 |
| AoF #5.3 Backward Linkages | | | | |
| 1 | Organize a series of & facilitate contract farming meetings between traders & producers to move positions closer to scientific cost of production calculations | Goran | | \$6,000 |
| 2 | Promote Program activities related to VL support through publications in the FFRM magazine | Goran | | none |
| TOTAL Anticipated Budget for Backward Linkages Priority Activities | | | | \$6,000 |
| AoF #5.4 Association Development | | | | |
| 1 | Study Tours for VC Coordinators & association Management Board members to successful associations | Goran | | \$8,500 |
| 2 | Shumski Plod Executive | Goran | | \$4,000 |
| 3 | Support Sumski Plod to become a sustainable association via a Web site for the WGP VC & Shumski Plod | Goran | | \$6,000 |
| TOTAL Anticipated Budget for Association Development Priority Activities | | | | \$18,500 |
| AoF #5.5 Food Safety Standards | | | | |
| 1 | Support value adding to bulk WGP products by implementing quality standards & food safety systems | Vlado | | \$10,000 |
| TOTAL Anticipated Budget for Food Safety Standards Priority Activities | | | | \$10,000 |
| AoF #5.6 Outreach, Market Information, External Cooperation, M&E and Environment | | | | |
| 1 | Media campaign on local/regional level | Nate | | \$1,000 |
| 2 | Produce video recordings or pictures presenting Program achievements & posting them on websites | Nate | | \$1,000 |
| 3 | Track & record relevant training, conferences, seminars & presentations available in Macedonia & communicate them to VCC & their customers; obtain feedback from customers & VCCs about their level of interest (staff time limitation) | Nate | | none |
| 4 | Develop & implement a plan for cooperation with other donor projects in the Region | Nate | | none |
| TOTAL Anticipated Budget for Outreach, MI, External Cooperation, M&E and Environment Priority Activities | | | | \$2,000 |
| TOTAL ANTICIPATED BUDGET FOR PRIORITY ACTIVITIES | | | | \$155,200 |

2.2.1 Efficient and Expedient Support for Local STTA (ELSAs)

DESCRIPTION The requirements for issuing a grant are very burdensome and time consuming. In early FY '09 AgBiz believed there was an opportunity to quickly develop small (less than \$4,000) technical assistance activities that can be accomplished by local consultants on an at least 50% cost sharing basis with an AgBiz customer. We therefore developed what was supposed to be a simplified and effective mechanism for supporting STTA delivery, similar to a voucher system, called Expedited Local Short-term Assistance (ELSA). Examples of this type of local STTA Activities include Global Gap implementation and/or certification, Hazard Analyses and Critical Control Points (HACCP) implementation and/or certification, various types of International Organizations for Standardization (ISOs) standards, business and marketing plans, TA in new product development, and adopting new technologies. We developed the ELSA system for this purpose, and solicited applications for ELSA support in January of 2009. Thirty-one (33) ELSA applications were received and 17 were approved with a total projected cost of 115,967 and an AgBiz cost of 51,553 for an AgBiz cost share of 44%.

OUTCOME Implementation of the ELSA concept has turned out to be very lapsed time and LoE consuming, i.e., the "expedited" part of the name has not materialized. Our ELSA customers are not familiar with USAID-type procurement procedures, including developing an Request for Proposal (RfP) with a Scope of Work (SoW) and soliciting and evaluating multiple bids. Therefore, most of the work of developing and gaining agreement on a SoW, developing and issuing an RfP and, to a lesser extent, evaluating bids had to be done by AgBiz Value Chain Coordinators. This work with successful applicants was a slow process and took many more months and Coordinator LoE than was anticipated. The process became so drawn out that we had to establish an end of FY '09 cutoff date for signing ELSA three party agreements. It was anticipated that all ELSAs would be completed by the end of the Quarter, but in fact

only two were completed by then and 15 are still in the process of being implemented. Also, the seven out of 17 ELSAs that involve HACCP and organic implementation require the customer to be certified before we will pay our share of the cost, and some customers may not be able to or may not choose to be certified.

FOLLOW UP We will carry into FY '10 14 ELSAs that will require a significant amount of Coordinator time to complete, use more than \$46,000 in Activities funding and some may not be completed. All ELSAs must be completed by the end of November 2009. Those that are not completed will release funds for other late FY '10 Activities. We do not plan to offer any more ELSAs.

2.2.2 Regional Market Information

DESCRIPTION Useful marketing information is sorely lacking in Macedonia. As a result, there are weak linkages between production (supply) and markets (demand). Regional markets account for around 75% of Macedonian agribusiness exports. There are several regional market information sources, specifically in Albania, Serbia, Montenegro and Croatia. There are also several EU sources of market information. One of the requirements for EU accession is for a country to have a functioning Agricultural Market Information System (AMIS). Unfortunately, the substantial investment required to develop and implement an AMIS is almost solely for the benefit of EU Headquarters in Brussels.

During FY '09 AgBiz worked with the Regional Competitiveness Initiative (RCI) to determine if other USAID-supported agribusiness projects in the region are interested in cooperating on some type of regional market information system. Getting regional projects to cooperate has proven to be difficult due to their somewhat differing objectives and approaches, and the fact they are managed by competing contractors. However, Regional Competitive Initiative (RCI), as stimulated by AgBiz, has done a good job of sharing market information from any one project and readily available sources with all agribusiness projects in the region.

In FY '09 we developed profiles on Croatian markets for fresh vegetables and table grapes and implemented a six months trial Activity with the FFRM to source market information for the Regional Market Information section of their Moja Zemja magazine. Customers did not express a lot of interest in the Croatia market profiles, and while the impact of an expanded RMI section in Moja Zemja is somewhat difficult to assess, we do believe the RMI section is now much more valuable to readers, we have been able to include a two page article about AgBiz and/or its customers in every issue and agribusiness subscriptions to the magazine have increased significantly, helping the magazine to move toward sustainability.

There are two challenges associated with market information: 1) customers do not place much value on the information if it is not useful to either identify a potential customer or help determine a very current market price, and 2) the availability of low cost and useful market information is limited, and more importantly, it takes considerable LoE to search for, identify, prioritize and translate. This combination makes it difficult to establish a sustainable market information service.

OUTCOME The Moja Zemija approach has the best potential for sustainability, and the RMI section will soon include information market information sourced from the MAFWE's Agricultural Market Information System (AMIS) unit.

COST To provide useful regional market information to the RMI the annual cost will be at least \$8,500, an expenditure with no potential for cost sharing, and one that is difficult to directly link to the enhanced export competitiveness of our customers. Therefore, with very limited Activities funding it is difficult to support the RMI, even though we know it is a service that should be valuable to agribusiness exporters.

FOLLOW UP During the next quarter we will finalize our assessment of support for the RMI and likely conclude a 11 month extension of the Moja Zemija support agreement.

2.2.3 How to Effectively Implement Policy and Institutional Reforms

DESCRIPTION In FY '10 we will be enhancing utilization of our policy and institutional reform (PIR) identification and prioritization approach. We will also work with BEA and other projects to analyze how

to successfully achieve high priority PIRs. Normally, PIR advocacy work would be accomplished by active trade associations. Unfortunately, only one proven-viable trade association exists that we can work with to advocate for PIRs.

OBJECTIVE One of the main roles of a trade association is PIR advocacy. So AgBiz identifying high priority policy and institutional reforms, assessing how they might be accomplished in cooperation with other USAID projects, and then working with current or potential trade association members to help achieve the reforms could help stimulate the further development of nascent trade associations. However, we are faced with somewhat of a “chicken and egg” situation in that without a viable trade association policy and institutional reform advocacy is difficult, but first potentially viable trade associations have to be formed or strengthened. Good PIR work should help trade associations to develop. Trade association development and sustainability support is one of the key areas of Focus in the FT ’10 AWP.

3.0 FINANCIAL REPORT

The Fourth Quarter Financial Report is shown below. The Report indicates that with 63.5% of the term of the Program completed, 74.7% of the current total budget has been invested. The original Program budget projected greater expenditures in the first three years, so expenditures to date are consistent with the plan.

TABLE 9. FINANCIAL REPORT

CONTRACT No. EDH-I-03-05-00006-00

Macedonia AgBiz

Quarterly Report

CONTRACT EXPENDITURES through September 30, 2009

| Category | Contract Budget | Incurred as of 6/30/09 | Quarterly Costs 7/1/09-9/30/09 | Total Costs Accrued as of 9/30/09 | Remaining |
|------------------------------|------------------------|-------------------------------|---------------------------------------|--|--------------------|
| Personnel | \$1,443,571 | \$886,934 | \$91,659 | \$978,593 | \$464,978 |
| Fringe Benefits (US and CCN) | \$570,495 | \$341,597 | \$34,560 | \$376,157 | \$194,338 |
| Travel and per diem | \$173,028 | \$117,187 | \$9,356 | \$126,543 | \$46,485 |
| Allowances | \$312,743 | \$249,332 | \$24,725 | \$274,056 | \$38,687 |
| Grants | \$500,000 | \$308,655 | \$48,846 | \$357,501 | \$142,499 |
| Subcontracts | \$302,322 | \$263,427 | \$11,410 | \$274,837 | \$27,485 |
| Activity Costs | \$726,205 | \$618,876 | \$38,611 | \$657,487 | \$68,718 |
| Equipment | \$51,089 | \$57,343 | \$59 | \$57,402 | \$ (6,313) |
| Other Direct Costs | \$265,763 | \$171,037 | \$19,576 | \$190,613 | \$75,150 |
| Indirect Costs | \$929,141 | \$594,207 | \$58,137 | \$652,344 | \$276,797 |
| Sub-total | \$5,274,357 | \$3,608,594 | \$336,939 | \$3,945,533 | \$1,328,824 |
| Fee | \$225,601 | \$145,707 | \$14,388 | \$160,095 | \$65,506 |
| TOTALS | \$5,499,960 | \$3,754,301 | \$351,327 | \$4,105,628 | \$1,394,332 |

4.0 PLANS FOR THE FIRST FISCAL QUARTER '10

The following sections outline expected AgBiz results for the First Quarter of fiscal year 2010. These results will be compared to actual results in the Second Quarter Report.

4.1 PROGRAM DEVELOPMENT

Following are the significant program development activities and results expected for the First Fiscal Quarter.

| Activity | Expected Result | Projected Completion Date |
|--|---|---------------------------|
| Staff Evaluations | Staff evaluations and salary adjustments due are completed | 31 December |
| Success Stories | Monthly stories developed and published | 31 December |
| Additional Funding | USAID formal approval of additional funding request | 30 October |
| Days in the Life of the AgBiz CoP film with MTV | Film completed and "Days in the Life of the AgBiz CoP" broadcasted | 30 November |
| MAFWE web portal updating | Portal updated on a monthly basis with AgBiz information | 31 December |
| Bi - Monthly Market Information Newsletter for Each VC | Complete and distribute Newsletter for the Fresh F&V VC | 30 November |
| AgBiz website | Website updated on an ongoing basis | 31 December |
| CoP Cooperation | At least two coordination meetings with related CoPs | 31 December |
| Information sharing with similar regional projects | Information shared other regional agribusiness projects | 31 December |
| Field Trips | Develop and successfully implement field trips with Mission management | 31 December |
| Complete International Trade Seminar Workshop | Vlado successfully presents a Lessons Learned workshop to AgBiz staff | 31 December |
| Enhanced approach to policy and institutional reform | New approach for FY '10 being successfully implemented | 31 December |
| Regional Cooperation | Stimulate the development of a regional USAID Projects coordination workshop | 15 November |
| Media Exposures | Accomplish several media exposures presenting AgBiz activities | 31 December |
| Cooperation with Other Entities | Continue cooperation where it is to the benefit of AgBiz | Ongoing |
| Technical Communication Dissemination Plan | Develop and implement the Plan to raise awareness of AgBiz technical achievements to primary audience | Ongoing |
| FY '10 Annual Work Plan | AWP Approved by USAID | 30 October |
| M&E Responsibilities | Are properly transferred to permanent staff | 31 December |
| Processed Vegetables VC Coordination Responsibility | Completely transferred to Macedonian Association of Processors | 30 October |
| Wines from Macedonia Videos | Videos completed, compilation completed and shown on MTV, individual videos distributed to wineries | 31 December |
| Cooperation MoU with MCP | MoU signed and cooperation specifics being implemented | 30 October |

4.2 VALUE CHAIN COMPETITIVENESS ENHANCEMENT ACTIVITIES

In the First Quarter AgBiz will continue to identify, develop, seek approval for, and implement value chain competitiveness enhancement Activities. The table below lists the Activities AgBiz will be working on during first quarter. Preparation for implementing some of these Activities was done during the current Quarter.

| Activity | Expected Result | Projected Completion Date |
|---|--|---------------------------|
| Continue development, review, and decision making on value chain competitiveness enhancement activities as planned or close to plan | Effectively expedite the development, approval, and implementation of Activities | Ongoing |
| World Food Trade Fair Exhibition, Moscow Russia | Three month follow-up report completed | 15 December |

| Activity | Expected Result | Projected Completion Date |
|--|---|---------------------------|
| Fruit Logistica 2010 | Develop RFP for stand construction, receive three quotations, vendor approval | 31 December |
| Regional Post harvest Handling Workshop | Activity successfully implemented & decision made on follow-up | 10 November |
| Support to the Wines of Macedonia Association | Decision made on support and appropriate action taken | 31 December |
| TA in GlobalGAP Implementation and Certification | Four additional companies receive Certification | 31 December |
| TA in Assessing HACCP Gray Areas for the WGP VC | Activity finalized and implemented | 30 November |
| Contribute to the MAFWE Wine Export Promotion Strategy | All cooperation agreements signed | 24 December |
| Facilitate wineries to properly prepare, participate in & follow up on the Moscow Wine Trade Fair | Activity completed and result reported | 19 November |
| Organize promotional activities for Macedonian wines in Serbia (or Slovenia) | Activity completed | 24 December |
| Organize B2B and B2C specialized joint promotion in selected EU markets for wine | Activity Concept approved | 17 December |
| A PHH Study Tour to Poland for apple producers & consolidators | Activity implemented and results reported | 17 December |
| Rotterdam Study Tour & B2B Meetings to establish the foundation for future exports & study modern PHH | Activity implemented | 17 December |
| Parma Trade Fair support – Equipment/Cross Cutting with Processed | Approved Activity concept and description | 31 December |
| Establish and support an association of Fresh Produce Exporters and cost share a professional association manager | Activity Concept approved | 24 December |
| Organize a study tour and B2B event in the Czech Republic for PV customers | Activity implemented and results reported | 17 December |
| Study tour for the MAP managing board to a well developed association from the EU | Activity Concept and Description approved | 17 December |
| IPARD Study Tour to visit companies in Bulgaria, users of SAPARD for PHH | Activity implemented and results reported | 24 December |
| Access to finance workshops | Activity approved and agreements signed | 31 December |
| Assess AgBiz VC participants use of backward linkages & lessons learned/best practices | Activity Concept approved | 3 December |
| Support an existing contract farming model based on the results of the assessment – with fresh | Activity Concept approved | 31 December |
| Develop AgBiz Association Development processes/procedures | Activity Concept and Description approved | 17 December |
| Conduct analysis to identify the interest and commitment of fresh produce VC customers to establish a trade association | Activity implemented | 31 December |
| Support the formation & strengthening the trade association “Wines of Macedonia” | Activity Concept approved | 31 December |
| Support “Sumski Plod” with STTA for a 5 year strategy, activity and financial plan and proposals to the GoM & donors as a model for Assn development | Activity Concept and Description approved and agreements signed | 31 December |
| Support implementation of food safety standards, BRC and IFS via train-the-trainers | Activity implemented | 3 December |
| RMI Contributions to Moja Zemja Magazine | Provided monthly RMI and AgBiz article to Moja Zemja | Monthly |
| WGP Consolidators Support for HACCP Implementation | Activities implemented | 31 December |
| Fresh Apple Exports to India with MCP | Samples sent to India | 20 October |
| Tirana Trade Fair Follow-up | Three month follow-up report completed | 25 December |
| ANUGA Follow-up | Activity completed and results reported | 22 October |
| Application of Contemporary Technologies in Table Grapes Production - Alijansa | Activity completed | 15 October |
| Law on Forests Workshop | Activity completed | 31 December |
| Agribusiness Finance Manual | Agribusiness Finance Manual Updated | 31 December |
| ELSA Dusan Ciric Promotional Materials Development | Activity agreement amended and completed | 30 November |
| ELSA Vivi Prom Feasibility Study for Onion Calibration and Packaging | Activity agreement amended and completed | 30 November |
| ELSA Migori Apple Packing Center Design | Activity completed | 21 October |
| ELSA Venec HACCP Implementation | Activity completed | 31 December |
| ELSA Stefanov HACCP Implementation | Activity agreement amended and completed | 30 November |
| ELSA United Agroproducers | Activity completed | 31 December |
| ELSA Vardarska Dolina Blueprints for New Facility | Activity completed | 30 November |
| ELSA Djumajlija Business Plan for New Bottling Line | Activity completed | 30 November |
| ELSA Pivka Labels Design | Activity completed | 30 November |
| ELSA Extra Fungi HACCP Implementation | Activity agreement amended and completed | 30 November |
| ELSA Val Fungi HACCP Implementation | Activity completed | 25 December |
| ELSA Fungi Flora HACCP Implementation | Activity agreement amended and completed | 30 November |
| ELSA Kastel Organic WGP Standards Implementation | Activity completed | 30 November |
| ELSA Igor Komerc HACCP Implementation | Activity completed | 30 November |
| ELSA Anva Fungi Label Design | Activity completed | 20 October |

4.3 PROJECT IMPLEMENTATION

The following Project-related results are expected for the First Quarter.

| Action | Expected Result | Projected Completion Date |
|--|---|---------------------------|
| Grant-related Procurement Procedures | Staff and grantees properly utilizing checklists and grant implementation procedures | Ongoing |
| Environmental Mitigations | All mitigations are being implemented as prescribed | 31 December |
| Supplemental Pollution Prevention Assessment | Completed for Dalvina | 10 November |
| 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 Monitoring | Monthly Project reviews for each VC are held with the CoP | Monthly |
| Project implementation schedules | Grantee and AgBiz investment schedules updated based on experience to date | Monthly |
| Grantee Reporting | Quarterly Reports are enhanced in completeness and overall quality | 15 October |
| Grant Close out | Grants terminating at the end of December are properly closed | 31 December |

5.0 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.

5.1 EXTERNAL REPORTS

5.1.1 Outreach Releases

5.1.1.1 *Market Information*

5.1.1.1.1 USAID's AgBiz Wine Market Information Newsletter

5.1.1.1.2 USAID AgBiz WGP Market Information Newsletter

5.1.1.2 USAID AgBiz's Press clippings July - Sep 09

5.1.1.3 USAID Supports Macedonian Fresh Produce Exports to Russia - Media Advisory

5.1.2 Success Stories

5.1.2.1 Over US \$5 Million in Financing Identified for Macedonian Agribusiness

5.1.2.2 Post Harvest Handling Can Make Huge Differences in EU Market

5.1.2.3 USAID's AgBiz Program Helps Macedonian to Understand IPARD Funds

5.2 INTERNAL REPORTS

5.2.1 Second Day Filming AgBiz CoP – Script

5.2.2 AgBiz Activity Report IPARD PV Training

5.2.3 AgBiz Activity Report IPARD Wine Training

5.2.4 Regional Market Information AgBiz Activity Report

5.2.5 Macedonia AgBiz Postharvest Horticulture Report

5.2.5.1 Postharvest Care of Tomatoes

5.2.5.2 Postharvest Care of Peppers

5.2.5.3 Grape Postharvest Care

5.2.5.4 Apple Postharvest Care

5.2.5.5 Cabbage Postharvest Care

5.2.5.6 Watermelon Postharvest Care

5.2.6 Horizontal Linkages Report

5.2.7 Vertical Linkages Report

5.2.8 Environment Mitigation Measures

5.2.9 Korca Study Tour Report

5.2.10 Agribusiness Policy and Institutional Reform Needs

5.2.11 Expo Food Moscow Trade Fair Activity Report

6.0 FY '09 & LOP RESULTS SUMMARY

6.1 FY '09 PROGRAM RESULTS

FY '09 results are presented below in two formats - first, an overview of Program results in a narrative form, and a second a listing of FY '09 Activities, Projects and Indicators in tabular form.

6.1.1 Activities

During FY '09 AgBiz assessed the need for and organized and conducted pragmatic competitiveness enhancement Activities for a total of 130 (67 new) agribusiness customers and 544 individuals. These Activities included seven training sessions covering important topics such as Oenology for Improving Oak Aging Technology, IPARD for Measures 103 and 303 for the Bottled Wine Value Chain, IPARD for Managers of Processed Vegetables Companies, Improvement of Fresh Produce Post-Harvest Handling Technologies, Requirements for Organic Certification of Wild Gathered Products, Strawberry Production in a Controlled Environment and Finance for Non-financial Managers. In addition two workshops were organized and conducted related to Personal Income Tax Regulations and Practices and Findings and Recommendations from the California Study Tour, and two round tables, one each for the Table Grapes and Wild Gathered products Value Chains. 165 companies and 286 individuals participated in the training, workshops and round tables.

AgBiz also organized and supported customers to participate in seven international trade fairs involving 50 exhibitors who received orders worth more than \$3.8 million, organized and supported nine international study tours involving 91 individuals and completed six assessments of issues highly relevant to the improved competitiveness of our supported value chains. In addition the Program stimulated and supported the enhancement and increased availability of market information via the only agricultural magazine in Macedonia, and thereby increased the relevance and sustainability of the magazine.

In FY '09 33 applications for ELSA support were received and 18 were approved, out of which one is completed and 17 are in implementation. USAID/AgBiz provided direct funding to Activities totaling \$186,687, and 68% of total Activity costs were contributed by participants, resulting in very good leveraging of USAID resources.

6.1.2 Projects

Due to the successful implementation of 20 Projects during FY '09, AgBiz made a significant contribution toward increased producer and processor/marketer competitiveness to meet export market demand for value added, agriculture-based products. These Projects involve a range of physical facilities and sales and marketing capacity enhancements. We increased the awareness and knowledge of environmental compliance for customers' Projects through Program supported environmental mitigation work. Local consulting company capacity to provide services to agribusinesses was enhanced through hands-on experience with AgBiz procurement procedures and business professionals. The LoP projected results of the 20 Projects are \$28.7 million in increased exports, \$14.6 million in increased purchases of agricultural products, increased incomes for at least 2,704 households and \$9.3 million in increased investment. In FY '09 customers invested \$7,447,180 into the 20 Projects and AgBiz invested \$277,160 for AgBiz excellent leveraging of 4%.

6.1.3 Enhanced Access to Finance

During FY '09 AgBiz staff helped a total of 22 agriculture-related firms identify the most appropriate source and type of financing for their needs. We also worked with banks and our customers to apply for and receive nearly \$3.2 million in financing.

6.1.4 Policy Reform

The primary FY '09 focus of Policy and Institutional Reform (PIR) work was the identification and prioritization of PIR needs based on work done in other “components” of the Program. During FY '09 we identified six policy and institutional constraints impeding the competitiveness of the value chains we support. AgBiz, in cooperation with BEA, prepared an Assessment of Regulations and Practices in Personal Income Tax Collection from Farmers and Gatherers and developed a related policy reform paper and workshop. In addition, AgBiz assisted the Forest Fruits Association to lobby for and cause to be lifted the export ban on a specific variety of mushroom. The lack of trade associations in most of AgBiz supported value chains limits our ability to stimulate the needed reforms, and minimal dialogue between value chain participants and the GoM exists.

6.1.5 Other Outputs

Progress on indicator achievements for FY '09 can be found in the table in section 1.2.4 below. In FY '09 130 different agribusinesses received assistance out of which 67 were new customers. 544 individuals received some type of training, customers' invested more than \$7.4 million in our Activities and Projects and AgBiz contributed around 7% of total Project and Activity investments. Twelve Success Stories and 55 media inserts were placed. More than 41 improved technologies & management practices were made available to our export focused customers.

6.1.6 Most Significant FY '09 Accomplishments

The most significant AgBiz accomplishments in FY '09 were:

1. Significantly improved our customers' awareness of potential new buyers' requirements in the more advanced export markets due to the participation of 50 customers in seven trade fairs, and we helped those customers obtain at least \$3.8 million in new orders at the supported trade fairs;
2. Stimulated the transfer and extensive utilization of at least 41 significant new technologies and knowhow for competitiveness improvement via AgBiz support to 20 firm-level Projects, nine study tours, 11 training workshops and a total of 41 value chain-level competitiveness enhancement Activities;
3. Made progress developing sustainable trade associations that can continue AgBiz-type work as legacy institutions, including significant support to MAP's sustainability by giving them responsibility for coordinating AgBiz processed vegetables work, by playing a lead role in forming the Forest Fruits Association, by helping the VegaMak Association develop an operating plan and by stimulating the early development of the Wines of Macedonia Association;
4. Helped more than 22 firms gain access to finance in the current very difficult financial environment, including the identification of more than \$3.2 million in loans for customers, and held IPARD access workshops for winery and grape producer customers and for processed vegetables customers for a total of 47 participants; and
5. Improved the quality standards of more than 49 customers by supporting HACCP implementation for 30 customers, GlobalGAP for 14 producers covering 2,000 hectares and organic certification for five customers covering more than 50,000 hectares.

6.2 ACTIVITIES, PROJECTS AND INDICATORS SUMMARY

6.2.1 FY '09 Activities

Table Ten (10) below lists the Activities categorized as Being Implemented and Completed during the fiscal year and shows their status at the end of the year.

During FY '09 one hundred and nine (109) Activities were received, 103 were reviewed and six were waiting to be reviewed at the end of the fiscal year. Most importantly, 48 Activities with a total cost of more than \$640,000 were completed. At the end of the FY two approved Activities were Under Development and twenty one Activities anticipated to cost more than \$459,000 were in the process of Being Implemented. The AgBiz cost of these activities is 22% and 36% respectively. During the FY 32 potential Activities were assessed and it was determined that they would either not sufficiently contribute to AgBiz objectives and/or did not represent a good use of AgBiz resources.

6.2.2 FY '09 Projects

Table Eleven (11) on the following page lists all of the Projects AgBiz worked on during the fiscal year and shows their yearend status. As of the end of the year all 20 projects were being implemented. All expenditures have been made on two Projects, AgBiz has completed its contributions to five Projects and the customer has completed their expenditures on 12 Projects. Total FY '09 Project expenditures were \$7.4 million and AgBiz expenditures totaled \$381,672 for a 5% share of total costs.

6.2.3 Graphics

Graphics 2.1 – 2.4 graphically illustrate the relationship between Activity and Project expenditures and numbers for AgBiz and our customers. Graphic 3 shows the geographic location of AgBiz Projects.

TABLE 10. FY '09 ACTIVITY STATUS REPORT

| ALL AGREEMENTS SIGNED AND IN IMPLEMENTATION | | | | | | | | |
|---|---|-------------|--------------|----------|-----------------------|----------------|------------------|---|
| MIS Code | ACTIVITY | COORDINATOR | VALUE CHAINS | PARTNERS | *ACTIVITY COST (US\$) | | | DESCRIPTION / COMMENT |
| | | | | | TOTAL | AGBIZ | AgBiz Percentage | |
| 317 | ANUGA 2009 | Risteski | PV | | 134,237 | 8,900 | 7 % | Increase participants' potential to identify new buyers for sales to importers, wholesalers, retailers, distributors and/or logistics agents |
| PROCESSED VEGETABLES VC SUBTOTAL | | | | | 134,237 | 8,900 | 7 % | |
| 430 | Obedineti Agroproizvoditeli ELSA | Risteovski | FF; | | 6,235 | 2,460 | 40 % | Increase public awareness on pesticide treatment by designing and printing promotional materials |
| 846 | Application of Contemporary Technologies in the Table Grapes Production | Risteovski | TG | | 19,000 | 4,000 | 21 % | Enhance the knowledge and technology transfer from the science to producers to further develop production process and maintain market positions |
| 415 | Venec ELSA | Risteovski | FF; | | 7,571 | 3,771 | 50 % | HACCP System Implementation and Certification |
| 423 | Migori ELSA | Risteovski | FF; | | 7,322 | 3,622 | 50 % | Plan for adjusting existing facilities into packing and cooling center |
| 424 | Stefanov ELSA | Risteovski | FV; | | 7,548 | 3,748 | 50 % | HACCP System Implementation and Certification |
| FRESH FRUITS AND TABLE GRAPES VC SUBTOTAL | | | | | 47,676 | 17,601 | 37 % | |
| 408 | Vivi Prom ELSA | Kokarev | FV; | | 11,865 | 4,095 | 34 % | Feasibility study for establishing line for calibration, peeling and packing of onion |
| 316 | Fruit Logistica 2010 | Kokarev | FV; FF | | 65,000 | 18,331 | 28 % | Support Macedonian producers and traders to exhibit at the National Stand at the International Trade FairFruit Logistica 2010 |
| 419 | Dusan Ciric ELSA | Kokarev | FV; | | 6,091 | 2,966 | 49 % | Design and development of a sale and promo web site |
| 817 | Cost-efficient Group GlobalGAP Implementation and Certification | Kokarev | FV; FV | | 51,366 | 7,656 | 15 % | Organize Macedonian agricultural producers interested in implementation/certification of the QAS Globalgap v.3.0 through a single service provider |
| FRESH VEGETABLES VC SUBTOTAL | | | | | 134,322 | 33,048 | 25 % | |
| 405 | Extra Fungi ELSA | Angelovski | WG; | | 7,905 | 3,905 | 49 % | HACCP System Implementation and Certification |
| 406 | Fungi Flora ELSA | Angelovski | WG; | | 7,972 | 3,972 | 50 % | HACCP System Implementation and Certification |
| 407 | Val Fungi ELSA | Angelovski | WG; | | 6,593 | 3,048 | 46 % | HACCP System Implementation and Certification |
| 416 | Igor Komerc ELSA | Angelovski | WG; | | 5,897 | 2,697 | 46 % | HACCP System Implementation and Certification |
| 116 | HACCP Implementation Support to WGP Consolidators | Angelovski | WGP | | 77,000 | 8,500 | 11 % | Support the WGP consolidators to implement food safety assurance systems based on HACCP principles through the use of a single HACCP implementation Service Provider |
| 613 | STTA in Assessing Gray Areas in HACCP for WGP Sector | Angelovski | WGP | | 10,050 | 3,960 | 39 % | Develop recommendations for implementing HACCP in WG value chain based on detailed research on the "Gray Areas" and possible hazards |
| WILD GATHERED PRODUCTS VC SUBTOTAL | | | | | 115,417 | 26,082 | 23 % | |
| 414 | Pivka Winery ELSA | Damovski | BW; | | 2,061 | 976 | 47 % | New labels design/Justification for rejection: Insufficient Budget |
| 422 | Dzumajlija ELSA | Damovski | BW; | | 6,908 | 2,428 | 35 % | Business plan development for expanding bottled wine export |
| 403 | Vardarska Dolina ELSA | Damovski | BW; | | 9,742 | 4,147 | 43 % | Plan for enlargement of the existing winery's premises |
| WINE VC SUBTOTAL | | | | | 18,711 | 7,551 | 40 % | |
| 845 | Bi - Monthly Market Information Newsletter for Each VC | Stankovic | All | | 0 | 0 | 0 % | Enhance customers' interest in market information |
| 836 | Pilot Regional Market Information Dissemination Activity with Moja Zemja Magazine | Starova | All | | 9,035 | 7,860 | 87 % | Effective presentation of valid, accurate and up to date market information relevant to AgBiz supported VC products and operators – export competitiveness capacity enhancement |
| CROSS-CUTTING COMPETITIVENESS ENHANCEMENT ACTIVITIES | | | | | 9,035 | 7,860 | 87 % | |
| BEING IMPLEMENTED ACTIVITIES TOTAL | | | | | 459,398 | 101,042 | 22 % | |

TABLE 10. FY '09 ACTIVITY STATUS REPORT

| 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 | Value of new orders | # of New Customers | # Individuals Received Assistance (evaluation score) | |
| | | | | | TOTAL | AGBIZ | AgBiz Percentage | | | | | TOTAL | Average score |
| 208 | Vegetables Processing Companies Study Tour in Bulgaria | Edelinski | PV; | | 7,765 | 3,409 | 44 % | 0 | 10 | 0 | 0 | 10 | 4.81 |
| 206 | Sweden Study Tour | Edelinski | PV; WG; | MCG | 39,013 | 3,642 | 9 % | 1 | 9 | 0 | 2 | 10 | 4.79 |
| 837 | Joint Promotion of Processed Vegetables in HoReCa Markets in Croatia | Edelinski | PV; | | 7,713 | 3,425 | 44 % | 0 | 4 | 0 | 0 | 4 | 0.00 |
| 840 | Constraints and Opportunities in Pepper Production, Processing and Export | Edelinski | PV; FV FF; | MAASP/SFA RM/FACE | 10,660 | 985 | 9 % | 13 | 23 | 0 | 0 | 72 | 5.00 |
| 431 | Macedonian Association of Processors (MAP) | Edelinski | PV; | | 5,070 | 2,080 | 41 % | 1 | 0 | 0 | 0 | 0 | 0.00 |
| 127 | IPARD Training for Managers of Processed Fruits and Vegetables Companies | Stankovic | PV; WG; | MAP and MCG | 4,045 | 1,787 | 44 % | 1 | 17 | 0 | 0 | 25 | 4.62 |
| PROCESSED VEGETABLES VC SUBTOTAL | | | | | 74,266 | 15,328 | 21 % | 16 | 63 | 0 | 2 | 121 | N/A |
| 818 | Table Grapes Value Chain Assessment | Risteovski | TG | MCG Consulting | 7,500 | 7,500 | 100 % | 0 | 0 | 0 | 0 | 0 | 0.00 |
| 211 | Study Tour in California for Macedonian Table Grapes Exporters | Risteovski | FV; FF; | | 64,342 | 32,511 | 50 % | 0 | 6 | 0 | 0 | 10 | 4.58 |
| 110 | Table Grapes Value Chain Round Table | Risteovski | FF; BW; | | 200 | 200 | 100 % | 0 | 8 | 0 | 0 | 12 | 4.77 |
| 114 | Seminar for Strawberry Production in a Controlled Environment | Risteovski | Other; FF; | NL - Agro Invest, | 11,647 | 1,580 | 14 % | 6 | 9 | 0 | 0 | 102 | 0.00 |
| 217 | Study Tour to Korca for the Participants in the Fresh Fruit Value Chain from the Prespa Region | Risteovski | FF; | | 1,437 | 620 | 43 % | 0 | 5 | 0 | 0 | 24 | 5.00 |
| 122 | Workshop on Findings and Recommendations from the California Study Tour | Risteovski | FF; FV; Other; | | 1,090 | 1,090 | 100 % | 2 | 7 | 0 | 0 | 22 | 0.00 |
| 219 | Tirana International Agriculture Trade Fair | Risteovski | FV; FF; | | 3,262 | 1,100 | 34 % | 1 | 6 | 300,000 | 6 | 7 | 4.75 |
| FRESH FRUITS AND TABLE GRAPES VC SUBTOTAL | | | | | 89,478 | 44,601 | 50 % | 9 | 41 | 300,000 | 6 | 177 | N/A |
| 819 | Fresh Vegetable Value Chain Profile | Kokarev | FV | EPICentar | 7,500 | 7,500 | 100 % | 0 | 0 | 0 | 0 | 0 | 0.00 |
| 307 | Fruit Logistica 2009 | Kokarev | FV; PV; | MAFWE, GTZ MAFIP and SIPPO | 50,548 | 17,518 | 35 % | 0 | 7 | 1,300,000 | 2 | 16 | 3.45 |
| 314 | Expo Food Moscow Trade Fair | Kokarev | FV; FF; | | 62,979 | 20,874 | 33 % | 0 | 4 | 740,000 | 16 | 8 | 4.62 |
| 402 | Vega-Mak Association ELSA | Kokarev | FV; | | 4,000 | 3,001 | 75 % | 1 | 0 | 0 | 0 | 0 | 0.00 |
| FRESH VEGETABLES VC SUBTOTAL | | | | | 125,027 | 48,893 | 39 % | 1 | 11 | 2,040,000 | 18 | 24 | N/A |
| 822 | Profile of the Wild Gathered Food Products Value Chain | Angelovski | WGP | EpiCentar | 4,725 | 4,725 | 100 % | 0 | 0 | 0 | 0 | 0 | 0.00 |
| 404 | Kastel ELSA | Angelovski | WGP | | 8,274 | 3,274 | 40 % | 0 | 1 | 0 | 0 | 0 | 0.00 |
| 831 | Establishing a Wild Gathered Food Processors' Association | Angelovski | WGP | | 1,665 | 882 | 53 % | 0 | 0 | 0 | 0 | 0 | 0.00 |
| 309 | Biofach 2009 | Angelovski | WG; Other | SIPPO | 54,189 | 5,854 | 11 % | 1 | 8 | 85,000 | 83 | 14 | 4.60 |
| 310 | Organic Production Day in Macedonia | Angelovski | WG;PV; | | 13,100 | 0 | 0 % | 0 | 6 | 0 | 0 | 27 | 4.00 |
| 111 | Wild Gathered Products Value Chain Round Table | Angelovski | WG | | 2,060 | 800 | 39 % | 0 | 18 | 0 | 0 | 26 | 0.00 |
| 215 | Study Visit to the Alimentaria Lisboa Trade Fair | Angelovski | WG; | | 7,899 | 3,599 | 46 % | 0 | 3 | 0 | 7 | 4 | 5.00 |
| 117 | Training in Requirements for Organic Certification to the WGP VC | Angelovski | WG | | 8,946 | 2,578 | 29 % | 1 | 13 | 0 | 0 | 15 | 4.87 |
| 417 | Anva Fungi ELSA | Angelovski | WG; | | 5,650 | 2,100 | 37 % | 0 | 1 | 0 | 0 | 0 | 0.00 |
| WILD GATHERED PRODUCTS VC SUBTOTAL | | | | | 106,508 | 23,812 | 22 % | 2 | 50 | 85,000 | 90 | 86 | N/A |
| 311 | VinoSkop - Wine Festival for Macedonian Wines | Damovski | BW; | Old Grisp | 41,800 | 2,436 | 6 % | 0 | 17 | 0 | 0 | 0 | 0.00 |
| 213 | Market Opportunities "Salon Vina" | Damovski | | | 350 | 350 | 100 % | 0 | 0 | 0 | 0 | 0 | 0.00 |
| 308 | Prowein '09 | Damovski | BW; | | 57,626 | 22,479 | 39 % | 0 | 4 | 50,000 | 5 | 9 | 4.29 |
| 109 | Oenology Training for Improving Oak Aging Technology for Macedonian Wines | Damovski | BW; | | 17,763 | 13,975 | 79 % | 0 | 17 | 0 | 0 | 17 | 4.56 |
| 315 | Macedonian Wineries Exhibiting at London Wine and Spirits Trade Fair 2009 | Damovski | BW; | | 35,773 | 2,512 | 7 % | 0 | 3 | 7,200 | 1 | 5 | 4.35 |
| 128 | IPARD Training for Wineries, Grape Growers and Wine Tourism Companies | Damovski | BW; FF; | MCG | 5,293 | 2,318 | 44 % | 0 | 20 | 0 | 0 | 22 | 4.84 |
| WINE VC SUBTOTAL | | | | | 158,605 | 44,070 | 28 % | 0 | 61 | 57,200 | 6 | 53 | N/A |

TABLE 10. FY '09 ACTIVITY STATUS REPORT

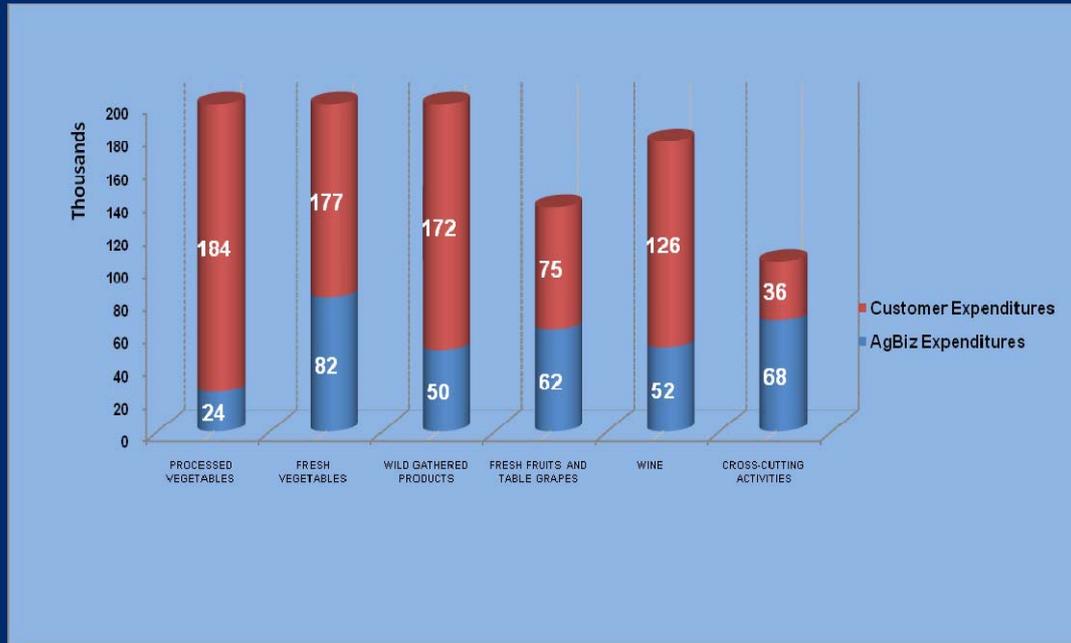
| | | | | | | | | | | | | | |
|--|---|------------|-------------|-----------------|------------------|----------------|-------------|-----------|------------|------------------|------------|------------|------------|
| 612 | Cleaner Production Assessments | Stankovic | All | CIRKO | 3,785 | 3,785 | 100 % | 0 | 8 | 0 | 0 | 14 | 0.00 |
| 610 | Model Asbestos Health and Safety Plan | Stankovic | PV; | | 3,000 | 3,000 | 100 % | 0 | 2 | 0 | 0 | 0 | 0.00 |
| 820 | Assessment of Regulations and Practices in the Personal Income Tax Withholding from Farmers | Starova | All | USAID/BEA | 5,000 | 2,850 | 57 % | 0 | 0 | 0 | 0 | 0 | 0.00 |
| 821 | Importance of Agribusiness to MK Economic Growth | Maxwell | All | EpiCentar | 2,000 | 2,000 | 100 % | 0 | 0 | 0 | 0 | 0 | 0.00 |
| 823 | Croatian Market for Macedonian Table Grapes and Fresh Vegetables | Maxwell | TG; FV | Moc Znanja | 2,700 | 2,700 | 100 % | 0 | 0 | 0 | 0 | 0 | 0.00 |
| 212 | Study Tour to Tutto Food in Milan, Italy | Edelinski | All | | 28,204 | 9,118 | 32 % | 1 | 12 | 0 | 36 | 14 | 4.76 |
| 205 | Poland B2B and Study Tour | Ristevski | All | GWIAZDA, Poland | 16,948 | 7,721 | 46 % | 0 | 9 | 0 | 0 | 12 | 4.73 |
| 838 | Seminar on International Trade Management | Kokarev | | WIFI | 1,050 | 1,050 | 100 % | 0 | 0 | 0 | 0 | 0 | 0.00 |
| 118 | Assessment of Personal Income Tax Regulations and Practices Workshop | Starova | All | EPICentar | 326 | 326 | 100 % | 6 | 12 | 0 | 0 | 32 | 0.00 |
| 844 | Staff Participation on Novi Sad 2009 Trade Fair | Kokarev | | | 1,665 | 1,665 | 0 % | 0 | 0 | 0 | 0 | 0 | 0.00 |
| 125 | Training and STTA to Improve Fresh Produce Post-Harvest Handling Technologies for Fresh Fruit and Vegetable Exports | Kokarev | FV; WG; FF; | | 16,342 | 15,935 | 72 % | 0 | 6 | 0 | 0 | 11 | 0.00 |
| 119 | Finance for Non-financial Manager Training | Stankovic | All | Clear View | 2,362 | 1,309 | 55 % | 0 | 3 | 0 | 0 | 3 | 4.45 |
| 853 | Organic Certification Training in Russia | Angelovski | | | 3,150 | 500 | 16 % | 0 | 0 | 0 | 0 | 0 | 0.00 |
| 848 | Assessment of the Vertical Integration in Macedonian Agribusiness | Maxwell | | | 3,572 | 3,572 | 100 % | 0 | 0 | 0 | 0 | 0 | 0.00 |
| 849 | Assessment of the Horizontal Integration in Macedonian Agribusiness | Maxwell | | | 3,572 | 3,572 | 100 % | 0 | 0 | 0 | 0 | 0 | 0.00 |
| 850 | Development of SWOTORs for the Annual Work Plan Workshop | Maxwell | | | 800 | 800 | 100 % | 0 | 0 | 0 | 0 | 0 | 0.00 |
| CROSS-CUTTING COMPETITIVENESS ENHANCEMENT ACTIVITIES COMPLETED SUBTOTAL | | | | | 94,476 | 59,903 | 63 % | 7 | 44 | 0 | 36 | 72 | N/A |
| BEING IMPLEMENTED AND COMPLETED ACTIVITIES TOTAL | | | | | 1,107,758 | 337,649 | 30 % | 35 | 270 | 2,482,200 | 158 | 533 | N/A |

TABLE II. PROJECT STATUS REPORT

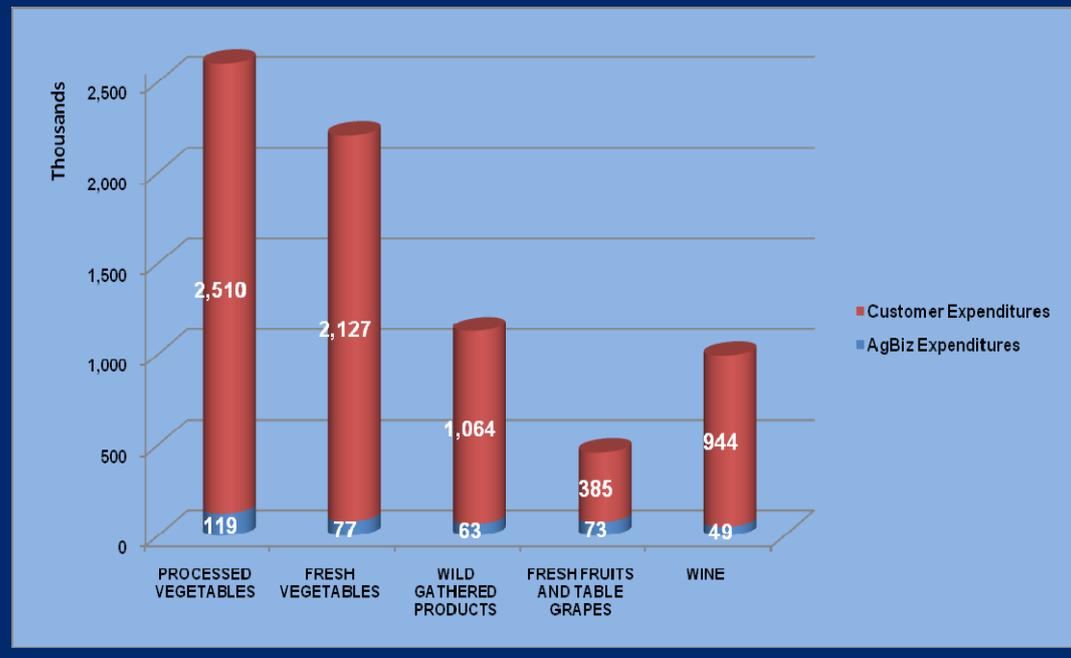
IN IMPLEMENTATION

| PROPOSAL NUMBER | PROPOSAL COORDINATOR | CUSTOMER | | | | Results to Date | | | | | | |
|--|----------------------|-------------------|-------------------|-------------------|------------|--------------------------|---------------------------|--|-----------------------------|----------------------------|----------------------------|----------------------|
| | | | TOTAL COST (US\$) | AGBIZ COST (US\$) | AGBIZ (%) | TOTAL SALES GROWTH (EUR) | EXPORT SALES GROWTH (EUR) | INCREASED RAW MATERIAL PURCHASES (EUR) | FINANCING IDENTIFIED (US\$) | CUSTOMER INVESTMENT (US\$) | RURAL HOUSEHOLDS BENEFITED | INCREASED EMPLOYMENT |
| 1 | MAP | Vipro | 182,244 | 23,878 | 13% | 913,924 | 893,896 | 393,568 | 100,000 | 355,313 | 47 | 23 |
| 4 | MAP | Avto Ria Doel | 102,415 | 12,415 | 12% | 300,813 | 300,813 | 280,488 | 182,222 | 182,222 | 16 | 11 |
| 5 | MAP | Bonum Plus | 1,973,025 | 29,980 | 2% | 521,970 | 318,612 | 70,324 | 799,999 | 800,000 | 101 | 98 |
| 6 | MAP | Dentina | 180,705 | 33,311 | 18% | 398,932 | 505,436 | 185,673 | 0 | 337,218 | 27 | 17 |
| 8 | MAP | Lars | 190,969 | 19,769 | 10% | 341,112 | 428,591 | 87,579 | 58,687 | 176,928 | 23 | 20 |
| PROCESSED VEGETABLES VC SUBTOTAL | | | 2,629,358 | 119,353 | 5% | 2,476,751 | 2,447,348 | 1,017,632 | 1,140,908 | 1,851,681 | 214 | 169 |
| 2 | Vladimir Kokarev | Agros 2004 | 103,502 | 34,443 | 33% | 84,553 | 13,008 | 74,797 | 0 | 302,222 | 30 | 10 |
| 3 | Vladimir Kokarev | Badzo | 67,252 | 24,500 | 36% | 5,640,954 | 5,498,361 | 4,347,344 | 956,664 | 1,060,287 | 115 | 11 |
| 10 | Vladimir Kokarev | Agrohemiija | 2,034,048 | 18,453 | 1% | 1,951,220 | 1,951,220 | 487,805 | 0 | 2,025,500 | 8 | 8 |
| FRESH VEGETABLES VC SUBTOTAL | | | 2,204,802 | 77,396 | 4% | 7,676,727 | 7,462,589 | 4,909,946 | 956,664 | 3,388,009 | 153 | 29 |
| 7 | Goran Angelovski | Kokolanski DOOEL | 25,371 | 4,703 | 18% | 80,821 | 80,821 | 81,649 | 27,333 | 35,380 | 8 | 8 |
| 12 | Goran Angelovski | Flores | 100,941 | 15,001 | 15% | 1,704,881 | 1,704,881 | 408,122 | 15,000 | 135,555 | 564 | 14 |
| 14 | Goran Angelovski | Inter-Mak | 530,540 | 19,940 | 4% | 2,100,531 | 2,100,531 | 1,557,158 | 0 | 454,600 | 129 | 77 |
| 15 | Goran Angelovski | Koro | 115,338 | 9,838 | 8% | 1,383,644 | 325,055 | 817,896 | 0 | 108,000 | 606 | 6 |
| 19 | Goran Angelovski | Vigan | 354,744 | 13,744 | 4% | 125,145 | 118,641 | 81,301 | 23,808 | 180,000 | 419 | 19 |
| WILD GATHERED PRODUCTS VC SUBTOTAL | | | 1,126,934 | 63,226 | 6% | 5,395,022 | 4,329,929 | 2,946,126 | 66,141 | 913,535 | 1,726 | 124 |
| 9 | Goran Damovski | Popova Kula | 146,196 | 24,128 | 16% | 699,617 | 564,927 | 78,049 | 244,444 | 169,468 | 45 | 7 |
| 11 | Goran Damovski | Bovin | 246,094 | 16,457 | 7% | 1,405,891 | 744,948 | -12,888 | 0 | 205,660 | 9 | 9 |
| 17 | Goran Damovski | Valandovo Winery | 351,040 | 8,138 | 2% | 3,446,072 | 2,861,576 | 568,732 | 0 | 195,456 | 364 | 119 |
| 20 | Goran Damovski | Agrolozar/Dalvina | 249,170 | 0 | 0% | 1,873,984 | 1,373,984 | 406,504 | 0 | 743,000 | 53 | 23 |
| WINE VC SUBTOTAL | | | 992,500 | 48,723 | 5% | 7,425,564 | 5,545,435 | 1,040,397 | 244,444 | 1,313,584 | 471 | 158 |
| 13 | Lovre Risteovski | GD Tikves | 212,912 | 32,412 | 15% | 878,049 | 552,846 | 325,203 | 333,333 | 1,469,998 | 24 | 24 |
| 16 | Lovre Risteovski | Ledra Agro | 126,563 | 16,562 | 13% | 146,214 | 250,690 | 0 | 136,666 | 150,000 | 7 | 7 |
| 18 | Lovre Risteovski | Peca Komerc | 118,687 | 24,000 | 20% | 667,476 | 667,476 | 433,775 | 0 | 361,710 | 109 | 9 |
| FRESH FRUITS AND TABLE GRAPES VC SUBTOTAL | | | 458,162 | 72,974 | 16% | 1,691,739 | 1,471,012 | 758,978 | 469,999 | 1,981,708 | 140 | 40 |
| IMPLEMENTATION TOTAL: | | | 7,411,756 | 381,672 | 5% | 24,665,803 | 21,256,313 | 10,673,079 | 2,878,156 | 9,448,517 | 2,704 | 520 |

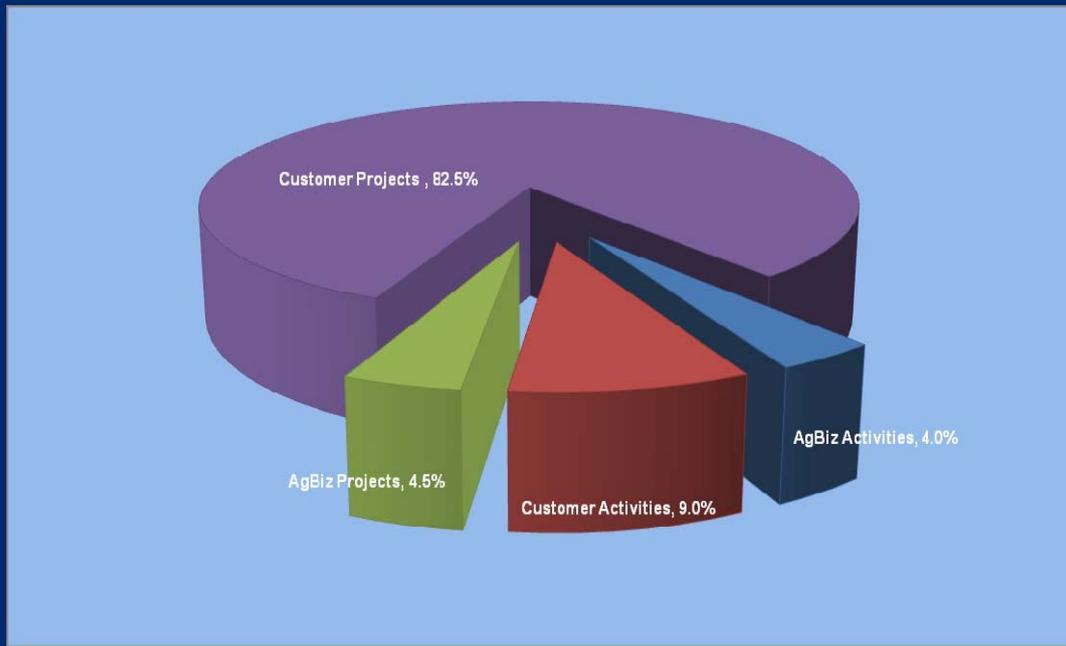
GRAPHIC 2.1 FY '09 ACTIVITY EXPENDITURES BY VALUE CHAIN



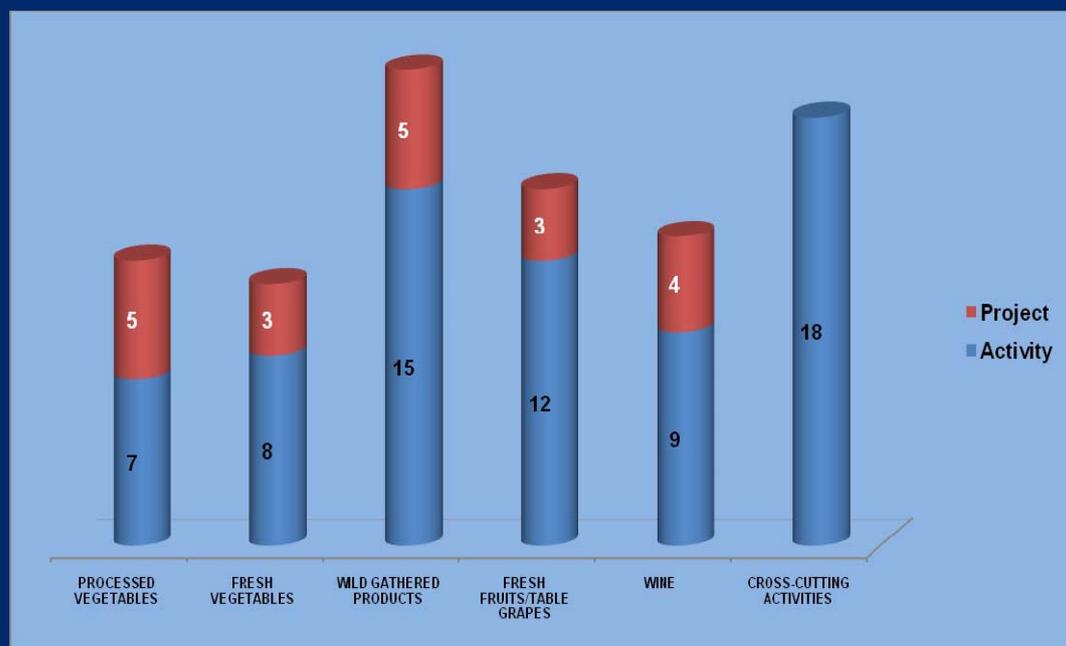
GRAPHIC 2.2 FY '09 PROJECT EXPENDITURES BY VALUE CHAIN



GRAPHIC 2.3 FY '09 TOTAL PROJECT AND ACTIVITY EXPENDITURES



GRAPHIC 2.4 FY '09 TOTAL NUMBER OF PROJECTS AND ACTIVITIES BY VALUE CHAIN



GRAPHIC 3. PROJECTS BY GEOGRAPHIC LOCATION

Bottled Wine

Bovin

Popova Kula

Valandovo

Agrolozar/Dalbina

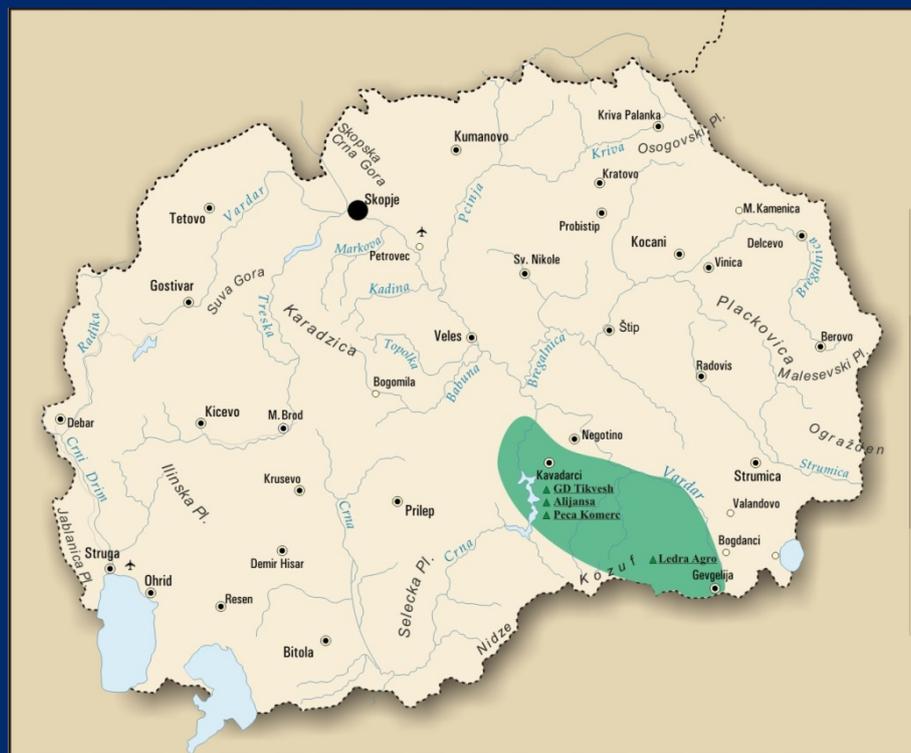


Table Grapes

Ledra Agro

GD Tikvesh

Peca Komerc



GRAPHIC 3. PROJECTS BY GEOGRAPHIC LOCATION

Processed Vegetable

Lars Vipro Bonum Plus Dentina Avto Ria



Fresh Vegetables

Agrohemija

Agros 2004

Badzo



6.2.4 FY '09 Indicators

Table Twelve (12) lists the indicators achieved from Activities and Projects completed during FY '09.

As can be noted by the Performance column, all but two of the FY '09 indicators were exceeded by a large amount. Number of trade and business associations was only 40% achieved due to the absence of viable trade associations and the longer than expected time required to develop them. The number of agricultural firms receiving assistance was achieved at a 78% level due to fewer agribusiness firms than anticipated being export qualified.

| TABLE 12. FY '09 INDICATOR ACHIEVEMENTS | | | |
|---|---------------|-------------------------|------------------------|
| INDICATOR | FY '09 | FY '09 Objective | Performance (%) |
| 1. Increased Production and Marketing | | | |
| 1.11 Value of new orders (in 000 Euros) from Trade Fairs, B2B Meetings and Fast Track Projects | 2,610 | 1,000.00 | 261% |
| 1.12 Number of new customers from Trade Fairs, B2B Meetings and Fast Track Projects | 158 | 40 | 395% |
| 2. Increased Coverage and Assistance to Value Chain Participants | | | |
| 2.1 Number of Producer Organizations receiving assistance | 24 | 3 | 800 % |
| 2.3 Number of Agriculture-related Firms receiving assistance | 130 | 167 | 78 % |
| 2.4 Number of Trade and Business Associations receiving assistance | 2 | 5 | 40 % |
| 3. Building Human Capacity | | | |
| 3.1 Number of male individuals who have received short-term agriculture or agribusiness productivity enhancement training | 437 | 324 | 135 % |
| 3.2 Number of female individuals who have received short-term agriculture or agribusiness productivity enhancement training | 107 | 36 | 297 % |
| 4. Value of Investment Stimulated and Leveraging Achieved | | | |
| 4.1 Value of customer investment stimulated (000US\$) | \$7,447 | \$5,579 | 134 % |
| 4.2 Value of third party domestic investment stimulated (000US\$) | 0.00 | 0.00 | |
| 4.3 Value of total domestic investment stimulated (000US\$) | \$7,447 | \$5,579 | 134 % |
| 4.4 Value of foreign direct investment stimulated (000US\$) | 0.00 | 0.00 | |
| 4.5 Leveraging Achieved by AgBiz (%) | 6 % | 11 % | 183 % |
| 5. Increased Access to Finance | | | |
| 5.1. Value of customer financing (potential loans) identified (000US\$) | \$3,240.63 | \$1,844.73 | 176 % |
| 5.2. Number of new customers provided access to finance assistance | 22 | 15 | 147 % |
| 7. Policy and Institutional Reform | | | |
| 7.1. Number of policy and institutional constraints identified and prioritized | 6 | 5 | 120 % |
| 8. Outreach | | | |
| 8.1. Number of Success Stories produced and published | 12 | 12 | 100 % |
| 8.2. Number of media exposures (TV, Radio and Newspaper) | 55 | 12 | 458 % |

6.3 LOP PROGRAM RESULTS

LoP results are presented below. At the end of FY '09 63.5% of the AgBiz term had been completed.

6.3.1 Activities

LoP to the end of FY '09 AgBiz had received, developed internally and reviewed 136 value chain competitiveness enhancement Activity concepts. Eighty of these potential Activities were prioritized as relevant to AgBiz objectives and were developed and completed by the end of FY '09. These Activities included support for thirteen international trade fairs where some of the 92 participants received orders worth more than \$5.8 million, fourteen study tours, ten training sessions, four workshops, five roundtables, four market research assessments, four value chain profiles, ten other competitive enhancement assessments, two staff capacity building activities and three other Activities. As a result, 170 (515 counting multiple participation) agribusinesses received direct technical assistance, 88 new technologies and management practices were made available for transfer and 906 of our customers' employees received short term training. In addition 33 applications for ELSA support were received and 18 were approved, out of which one is completed and 17 were in implementation at the end of FY '09. USAID/AgBiz provided direct funding to Activities totaling \$836,874, and 46% of total Activity costs were contributed by participants, resulting in very good leveraging of USAID resources.

6.3.2 Projects

Due to the successful implementation of 20 viable Projects, AgBiz has made a significant contribution toward increased producer and processor/marketer competitiveness to meet export market demand for value added, agriculture-based products. These Projects involve a range of physical facilities and sales and marketing capacity enhancements. We increased the awareness and knowledge of environmental compliance for customers' Projects through Program supported environmental compliance work. Local consulting company capacity to provide services to agribusinesses was enhanced through hands-on experience with AgBiz procurement procedures and business professionals. The LoP projected results of the 20 Projects are \$28.7 million in increased exports, more than \$14.6 million in increased purchases of agricultural products, increased incomes for more than 2,704 households and \$9.3 million in increased investment. Over the LoP AgBiz has contributed \$381,673 to Projects and customers have contributed \$7,030,084 for excellent AgBiz leveraging of 5.1%.

6.3.3 Enhanced Access to Finance

LoP to the end of FY '09 AgBiz staff helped a total of 29 agriculture-related firms identify the most appropriate source and type of financing for their needs. We also worked with banks and our customers to apply for and receive more than \$6.4 million in financing.

6.3.4 Policy Reform

The primary LoP focus of AgBiz PIR work was the identification and prioritization of PIR needs based on work done in other "components" of the Program. LoP to the end of FY '10 we have identified six policy and institutional constraints impeding the competitiveness of the value chains we support. AgBiz, in cooperation with BEA, prepared an Assessment of Regulations and Practices in Personal Income Tax Collection from Farmers and Gatherers and developed a related policy reform paper and workshop. In addition AgBiz assisted the Forest Fruits Association to lobby for and cause to be lifted the export ban on a specific variety of mushroom. The lack of trade associations in most of AgBiz supported value chains limits our ability to stimulate the needed reforms, and minimal dialogue between value chain participants and the GoM exists.

6.3.5 Other Outputs

Progress on indicator achievements for LoP to the end of FY '10 can be found in the table below. Over the current LoP 170 different agribusinesses have received assistance. 906 individuals received some type of training, customers' invested more than \$7.4 million in our Activities and Projects and AgBiz contributed less than 14% of total investments. Twenty seven Success Stories and 84 media inserts were placed. More than 80 improved technologies & management practices available to export focused customers.

6.3.6 FY '09 Indicators

Table Thirteen (13) lists the indicators achieved from Activities and Projects for the Program LoP up to the end of FY '09.

| TABLE 13 LOP INDICATOR ACHIEVEMENTS | | | |
|---|------------|----------------------|------------------------|
| INDICATOR | LOP | LOP Objective | Performance (%) |
| 1. Increased Production and Marketing | | | |
| 1.11 Value of new orders (in 000 Euros) from Trade Fairs, B2B Meetings and Fast Track Projects | 3,930.7 | 3,000.00 | 131% |
| 1.12 Number of new customers from Trade Fairs, B2B Meetings and Fast Track Projects | 200 | 115 | 174% |
| 2. Increased Coverage and Assistance to Value Chain Participants | | | |
| 2.1 Number of Producer Organizations receiving assistance | 25 | 9 | 278 % |
| 2.3 Number of Agriculture-related Firms receiving assistance | 170 | 267 | 62 % |
| 2.4 Number of Trade and Business Associations receiving assistance | 2 | 12 | 17 % |
| 3. Building Human Capacity | | | |
| 3.1 Number of male individuals who have received short-term agriculture or agribusiness productivity enhancement training | 709 | 565 | 125 % |
| 3.2 Number of female individuals who have received short-term agriculture or agribusiness productivity enhancement training | 197 | 83 | 237 % |
| 4. Value of Investment Stimulated and Leveraging Achieved | | | |
| 4.1 Value of customer investment stimulated (000US\$) | \$9,291 | \$9,685 | 96 % |
| 4.2 Value of third party domestic investment stimulated (000US\$) | 0.00 | 0.00 | 0 % |
| 4.3 Value of total domestic investment stimulated (000US\$) | \$9,291 | \$9,6848 | 96 % |
| 4.4 Value of foreign direct investment stimulated (000US\$) | 0.00 | 0.00 | 0 % |
| 4.5 Leveraging Achieved by AgBiz (%) | 14 % | 32 % | 229 % |
| 5. Increased Access to Finance | | | |
| 5.1. Value of customer financing (potential loans) identified (000US\$) | \$6,447.5 | \$2,878.2 | 224 % |
| 5.2. Number of new customers provided access to finance assistance | 29 | 40 | 73 % |
| 7. Policy and Institutional Reform | | | |
| 7.1. Number of policy and institutional constraints identified and prioritized | 13 | 14 | 93 % |
| 8. Outreach | | | |
| 8.1. Number of Success Stories produced and published | 27 | 36 | 75 % |
| 8.2. Number of media exposures (TV, Radio and Newspaper) | 84 | 36 | 233 % |

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