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# AGBIZ PROGRAM

SECOND FISCAL QUARTER REPORT 2011  
JANUARY-MARCH 2011

APRIL 2011

This publication was produced for review by the United States Agency for International Development.  
It was prepared by Tetra Tech ARD.

Prepared for the United States Agency for International Development, USAID Contract Number EDH-I-00-05-00006-00, Task Order 03, Macedonia Agribusiness Activity (AgBiz), under the Rural and Agricultural Incomes with a Sustainable Environment Plus (RAISE PLUS) Indefinite Quantity Contract (IQC).

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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

AC	Activity Concept
ACDF	Agricultural Credit Discount Fund
AD	Activity Description
AOC	Appellation d'origine contrôlée
AoF	Area of Focus
AWP	Annual Work Plan
B2B	Business to Business
CBI	Dutch Centre for the Promotion of Imports from Developing Countries
CEED	Center for Entrepreneurship and Executive Development
CEFTA	Central European Free Trade Agreement
CMO	Common Market Organization
CoP	Chief of Party
COTR	Contracting Officer's Technical Representative
CY	Calendar Year
EIB	European Investment Bank
EC	European Community
EU	European Union
FFPC	Firm Fixed Price Contract
FFRM	Federation of Farmers of the Republic of Macedonia
FF&V	Fresh Fruits and Vegetables
FTE	Full Time Equivalent
FY	Fiscal Year
FYROM	Former Yugoslav Republic of Macedonia
GDP	Gross Domestic Product
GoM	Government of Macedonia
HoReCa	Hotel, Restaurant, Catering
IPARD	Instrument for Pre-Accession Assistance for Rural Development
LoI	Letter of Intent
LoP	Life of Program
M&E	Monitoring and Evaluation
MAFWE	Ministry of Agriculture, Forestry and Water Economy

MAEA	Macedonian Agro Exporters Association
MakInvest	Macedonian Agency for Promotion of Foreign Investment
MAP	Macedonian Association of Processors
MBEP	Macedonian Bank for Export Promotion
MBDP	Macedonian Bank for Development Promotion
MFA	Ministry of Foreign Affairs
MIS	Management Information System
MKD	Macedonian Denar
MoE	Ministry of Economy
MoU	Memoranda of Understanding
MTV	Macedonian National Television
NBRM	National Bank of Republic of Macedonia
NCE	No-Cost Extension
NR	Not Required
OBCK	Office Business Center Kosovo
PC	Project Coordinator
PGI	Protected Geographic Indication
PHH	Post-Harvest Handling
PIRN	Policy and Institutional Reform Need
PMP	Performance Monitoring Plan
PO	Producer Organization
PV	Processed Vegetables
QR	Quarterly Report
RCI	Regional Competitiveness Initiative
RMI	Regional Market Information
SEMP	Sector Export Marketing Plan
SIPPO	Swiss Import Promotion Program
SME	Small and Medium Enterprise
SoW	Scope of Work
STA/M	Senior Technical Advisor/Manager
UC	University of California
USAID	United States Agency for International Development
VC	Value Chain
VCC	Value Chain Coordinator
WoM	Wines of Macedonia

# 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 definitions of these stages of development used for all activities and projects are 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 United States Agency for International Development (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 have been approved by USAID, agreements with partners [Letters of Intent (LoIs)] and participant Memoranda of Understanding (MoUs) have been negotiated, and/or subcontracts have been signed with service providers. The projected Total Direct Cost and AgBiz Cost Share are shown for each.

**COMPLETED:** Activities/Projects that were completed during the Quarter. The Total Direct Cost and AgBiz 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.

**ACTIVITY:** 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 enhancement/training, value chain profiles, assessments, policy reform evaluations, and business to business (B2B) meetings. AgBiz usually supports activities by direct payments to service providers.

**PROJECT:** A set of business expansion interventions designed by AgBiz to increase the competitiveness and export sales of the customer and jointly funded by a single 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 demonstrations, or advertising/promotion programs; or to provide technical assistance. AgBiz contributions to a project are supplied via a grant.

**QUARTER:** Quarter (with a capital Q) refers to the fourth quarter of Fiscal Year (FY) 2010, or the August–September 2010 time period.



# EXECUTIVE SUMMARY

**Program Development:** This Quarter (January - March) represented a period of frequent AgBiz facilitation of communication between the private sector and the Government as well as implementation of several big activities such as participation on Fruit Logistica and Wine promotions in Sweden and Serbia. The Ministry of Agriculture sees AgBiz as a partner who can facilitate communication with the most relevant representatives of the sectors that AgBiz is working in. Also, the private sector needs AgBiz to coordinate and merge the efforts of companies to join and represent a respectful force to influence government decisions on laws and regulations, including those affecting improvements in export promotion and access to finance.

This is the last full quarter since the start of AgBiz in 2007, so verification of collected results from AgBiz business expansion projects and activities has begun. During February USAID approved the request for No Cost Extension and Budget Modification that modifies the Program end date to the second half of June 2011.

**Value Chain Competitiveness Enhancement Activities:** At the end of the Quarter, Activity Concepts were developed for nine Activities; four Activities had been approved by USAID and were “Being Developed”, while an additional three were “Being Implemented”. Ten Activities were been “Completed” during the Quarter and seven were “On Hold or Dropped”. Activities being implemented at the end of the Quarter were: A Website for MAEA, Workshop on Transferring Post-Harvest Handling Technology for FF&V to Agribusinesses, Associations and POs, Assessment of Correlation between the Agricultural Productivity of Primary Producers and Agribusiness, Export Performance of the PV VC and Workshop on Introducing Energy Efficiency and Renewable Energy for Macedonian Agribusinesses.

Activities successfully completed during the Quarter were: Fruit Logistica 2011, Pre & Postharvest Handling Technology Manual for Horticultural Crops, International BeoWine Fair and Promotion of Macedonian Wines in Serbia, Wine VC Study Tour and Promotional Event in Sweden, Support to the WoM Association to Acquire Relevant Market Information, PV VC Members Study Tour and Promotional Event in Ukraine, Contract Farming Regional Lessons Learned and Best Practices, A Feasibility Study and Business Plan for an Association/Producer Organization Management Entity, Assessment of the Potential and Challenges for Developing Producer Organizations in Macedonia with Recommendations for AgBiz Support and Workshop to Present Innovative Ways of Financing to Wineries.

During the Quarter, 81 companies and 13 producer organizations and trade associations received assistance, and 217 individuals received training. Thirty-two new export customers were identified by Activity participants and almost \$2.7 million worth of potential orders were received as a result of completed Activities. The total cost of Activities completed during the Quarter was \$137,814, and the AgBiz direct cost was \$35,725 with an average AgBiz cost share of 26%.

**Export Focused, Business Expansion Projects:** Due to the successful implementation of 20 good quality 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 involved 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. Over the LoP, AgBiz has contributed \$465,024 to Projects and customers have contributed \$7,931,943, for an excellent USAID/AgBiz resources leveraging of 6%.

**Enhanced Access to Finance:** During the Quarter, AgBiz organized a workshop where access to finance options were presented to assist wineries to get acquainted with new and alternative sources of available financing, and help them identify the most appropriate financing sources in the current economic environment, as a means of supporting export competitiveness enhancement of the wine VC.

The wineries have a need for specific credit products having in mind the pressure from thousands of grape growers whose quality does not necessarily comply with the modern requirements for table wine and also the pressure from the government to buy-out excess quantities of grapes to buffer grape growers' discontent. This is especially important for big wineries with significant winemaking capacity that facing problems on their international markets.

***Policy and Institutional Reform:*** During the Quarter, AgBiz continued activities related to policy and institutional reform. Besides the presentation to MAFWE of the assessment of the impact of the Law on Agriculture related to contract farming, AgBiz presented the regional lessons learned from such contracting in Greece and Serbia. This helped VC participants and the GoM understand the steps that are ahead of them in evolving contracting between the farmers and traders/processors. The assessment of the potential for Macedonian producers and agribusiness to establish Producer's Organization and for the government to cope with the EU movement and requirements showed that if taken seriously the Fruit and Vegetable sector could gain a lot of advantages from markets and from government funds. Establishment of Producer's Organizations is still ongoing in Europe and represents a joint approach to solve problems of unbalanced demand and supply of fruits and vegetables in EU markets. This activity produced recommendations for policy improvements and provided directions for specific policy reform actions.

***Operational Challenges Encountered:*** The government announced that the previous calendar year broke a record for the value agricultural goods exported from Macedonia, mostly due to the export of fresh fruits and vegetables. However, farmers and agricultural products exporters think they are losing the race to more competitive products from other countries. Increases in the price of energy such as gasoline and electricity have directly damaged the competitiveness of Macedonian agribusinesses compared to countries that are ready to buffer such effects of high energy prices on their economies. The idea of establishing a strong export government backed promotion entity and to have a more coordinated approach to export promotion did not progress more than completing the strategy of the Invest Macedonia Agency. USAID has put its support behind and pressure on Government for the quick development of Invest Macedonia by approving direct activities to enhance it through the new IDEAS project. This will hopefully enable AgBiz to help the agency utilize and implement the efforts and experience of the Program regarding export promotion.

***Performance Indicators:*** Since the AgBiz request for a NCE was approved during this Quarter and the timeframe for implementing additional USG-supported interventions is therefore extended, all proposed Indicator revisions and objectives for FY'11 and CY'10 have been accepted by USAID. Progress toward achieving qualitative program objectives was very satisfactory during the Quarter, since 65% of the newly projected Indicators are on schedule or slightly overachieved. The implementation of human resource capacity enhancement Activities involved 217 individuals from 31 not previously assisted agribusinesses (a total of 81 agribusinesses benefited from Program direct interventions) and three additional POs. The participation of 17 customers in Fruit Logistica 2011 and the International BeoWine Fair and Study Tour & Promotional Event in Sweden resulted in over €1.9 million worth of new orders. Also, one of the participants in World Food Moscow Fair 2010 held in September, 2010 reported an additional order worth around €100,000 during the six-month follow-up period. Over \$100,000 in investments was stimulated from customers, and AgBiz contributed an average of 26% of the total direct cost of Activities implemented during the Quarter, thus achieving very good resource leveraging.

During this Quarter we collected and assured data quality for the indicator performance of the twenty grantee Projects that are the source for measuring "Increased Raw Material Production and Products Marketing" and "Increased Employment" and percentage increases. In addition, data was obtained for the first CY'11 quarter and incorporated into LoP results.

At the end of this reporting period, the "Value of Purchases of Raw Materials made from Smallholder Producers" increased by 48% or over EUR 4.3 million (US\$5.6 million). As a result of the business expansion Projects, the "Value of Exports" increased by almost EUR 7 million (US \$9 million) or an average of 26% over the baseline, while "Total Sales" increased 27% or around EUR 9.6 million (US \$12.4 million). Around 42,460 "Rural Households Directly Benefited from Interventions" and 637 new FTE jobs were created or an average of 41% more than the baseline.

# I.0 SECOND QUARTER ACCOMPLISHMENTS

## VALUE CHAINS

### I.1 FRESH FRUIT AND VEGETABLES VALUE CHAIN

#### *Value Chain and Other Work Completed during the Quarter Overview*

The Fresh Fruits and Vegetables (FF&V) Value Chain (VC) continued to have significant impact on Macedonian export sales, and huge potential for additional export value by increased value adding. AgBiz customers in the FF&V VC are primarily agribusinesses involved in the production and/or sale of table grapes and fresh apples on the fresh fruit side, and peppers, tomatoes, cabbage, cucumbers and melons as the top five exported vegetables.

AgBiz work on FF&V export competitiveness enhancement is focused on improving post-harvest handling to support producers/consolidators/exporters to enhance their traditional practices, improve post-harvest operations, develop modern packing centers, diversify markets, provide access to available financial resources and enhance the overall image of Macedonian FF&V. These are pre-requisites for re-gaining traditional and securing new market entries and long-term export sales.

The most significant AgBiz activities to increase FF&V export this Quarter included: facilitation and successful completion of Fruit Logistica 2011 Fair in Germany in cooperation with Osec/Swiss Import Promotion Program (SIPPO) that strengthened the export promotion and business relations of four Macedonian FF&V producers and traders with EU customers; a presentation of the Post-Harvest Handling (PHH) Manual that assembled all the knowledge on pre and postharvest technologies and management practices gained so far, particularly during PHH study tours in University of California (UC) Davis in California and South Africa;

During the Quarter, the activity to Transfer of Post-Harvest Handling Technology for Fresh Fruit & Vegetables to Agribusinesses, Associations and PO's was also successfully developed and will be implement at the very beginning of next Quarter. As a six month follow-up of the Moscow Trade Fair, the already established business relations were further intensified and resulted in additional export of 100,000 Euro worth of Fresh Vegetables to the markets in Russia and Belarus.

AgBiz continue to work on supporting the sustainability of the Macedonian Agro Exporters Association (MAEA), a national association of FF&V exporters, with the aim of improving the overall productivity and enhancing the export competitiveness of the FF&V VC. During this Quarter MAEA shows limited capacity and competency to respond to the proposed Activity Schedule of AgBiz Assistance. Further efforts will be placed during next Quarter.

AgBiz held regular meetings with managers of all six completed Projects, collected annual indicator results data, followed up on further improvements in post-harvest facilities and operations (pre-cooling, enhanced existing cooling systems and modern packing centers).

#### **I.1.1 Detailed Accomplishments vs. Projected Objectives – Activities**

The following matrix reports on the results achieved for each FF&V Activity versus the objective for that Activity established in the last quarterly report. Reports on completed activities are presented in Section 1.1.4 below.

Activity	Expected Result	Result Achieved
Modern Post Harvest Handling Technology Capacity Building and Establishing Market Linkages with Serbian Buyers	Visit Modern Post Harvest Handling Centers in Serbia to better understand specific market requirements, hold B2B meetings to strengthen partnerships and expand export sales; Activity completion	AC accepted; AD in development
Austria B2B and Promotion of Macedonian FF&V	Establish contacts with Austrian FF&V importers and HoReCa channel participants & promote Macedonian produce; Activity completion	Dropped due to cancelled commitment of the Austrian consulate in Macedonia to act as a counterpart to MAEA in organizing and coordinating the activity
Workshops and training regarding PHH of FF&V with STTA Breasting as follow up of Croatia Study Tour	Present the key findings of the PHH Manual and best practice in using of contemporary cold storage technology to FF&V exporters; Activity being implemented	AD approved, Activity implementation scheduled for 14 -15 April
Fruit Logistica 2011 Trade Fair	Firm Fixed Price Contract (FFPC) developed and approved, MoU with MAEA signed, Activity completion.	Completed, see Section 1.1.3.1
Pre & Postharvest Handling Technology Manual for Horticultural Crops	Manual to be completed in February when a Workshop to present the findings in the Manual will be organized. Activity completion.	Completed, see Section 1.1.3.2
World Food Trade Fair Exhibition 2010, Moscow, Russia	Six-month Follow-up Report completed	Completed, see Section 1.1.3.3
Buying mission in Macedonia as Croatia & Slovenia B2B Follow up	Activity being implemented, contracts signed	Was implemented in the activity for supporting CEFTA conference
Develop a Web Page for MAEA	Activity completed	AD approved, MAEA to fulfill the procurement process and select the supplier
Support to MAEA by Cost Sharing a Professional Manager and Office	AD approved, MoU signed, Activity under implementation	On hold due to MAEA's Management Board still not clear for a managing model (Association Management Entity/Individual)
GlobalGAP Group Certification Overview Training for MAEA Members and FF&V VC Participants	AD approved, Activity under implementation	Dropped due to avoid overlap with SIPPO that already implemented an activity covering the same topic and beneficiaries

## 1.1.2 Detailed Accomplishments vs. Projected Objectives – Projects

The matrix below reports on progress made toward the achievement of project objectives.

Project Title	Objective	Result Achieved during the Quarter
<b>LEDRA AGRO:</b> Improved quality and competitiveness of seedless table grape exports	Closely monitor and obtain grantees' quarterly indicator data	Grantees from the Fresh Fruits & Vegetables Value Chain submitted their Calendar Year (CY)'10 Annual Report and verified previously reported results on indicators measuring increased production and marketing. In addition, QR for the period Jan – Mar, 2011 was obtained and all Grantees reported a significant increase in sales during the quarter, especially on international markets. They emphasized that their participation in the relevant trade shows, especially Fruit Logistica and World Food Moscow increased their marketing capacity, as well as facilitated establishing new contacts that resulted in signing contracts with important international customers.
<b>GD TIKVESH:</b> Improved quality of table grapes and established a packing center		
<b>PECA KOMERC:</b> Established a modern produce packing center		
<b>AGROHEMIJA:</b> Established a new packing center		
<b>AGROS 2004:</b> Established a new model of harvest and post-harvest activities on 30 ha of peppers		
<b>BADZO:</b> Improved competitiveness of fresh vegetable exports		

## 1.1.3 Competitiveness Enhancement Activities Completed during the Quarter

### 1.1.3.1 Fruit Logistica 2011 Trade Fair

**DESCRIPTION/OBJECTIVE:** AgBiz supported Macedonian fresh produce exporters and participants in the FF&V value chain to visit and exhibit at Fruit Logistica 2008, 2009 and 2010 respectively. The results achieved in promoting Macedonian fresh produce exports and the capability of the Macedonian companies to serve EU buyers in previous years were encouraging, and have resulted in concrete transactions and establishment of good relationships with importers. This year four companies expressed an interest and commitment to participate on Fruit Logistica 2011.

The Swiss Import Promotion Program of Osec (Osec/SIPPO) and USAID's AgBiz Program, based on the interest and requests of Macedonian FF&V companies and MAEA have agreed to jointly support

presentation of Macedonian companies in the Joint Stand at the International Trade Fair – Fruit Logistica 2011 in Berlin, Germany.

Exhibiting in the National stand will enable the companies to: Increase participants' potential to identify new buyers such as retailers, wholesalers, aggregators and/or logistic agents; Enhance participants understanding of the latest trends and know-how in post-harvest handling of fresh produce including storing, grading, packing and shipping to meet market demand; Offer the possibility for participants to identify opportunities to work together when developing sales strategies for large and more competitive EU markets; Increase the businesses expansion possibilities of Macedonian companies from the fresh vegetables and fresh fruits value chain; Strengthen business relations of Macedonian fresh fruit and vegetable producers and traders with EU customers; Observe the latest world achievements in technology; Assess competition; and Establish new business contacts.



#### **OUTCOME/FOLLOW-UP:**

Participation in Fruit Logistica Berlin 2011 gave four Macedonian fresh produce companies an opportunity to be present at one of the biggest fresh foods trade fairs in the world and to meet export-import companies, establish contacts with potential buyers, produce marketers, consolidators, wholesalers that might result in creating strategic partnerships in the future, as well as strengthening the linkages with their existing customers. Turan Dooel, Vivi Prom Vasil Dooel, Agrolozar and Badzo Dooel had an opportunity to exchange experiences in fresh produce (vegetables and fruits) marketing with more experienced companies from the EU and see the latest varieties and presentations of fresh fruit and vegetables.

During the trade fair, Macedonian companies established 50 contacts with

potential buyers, marketers, consolidators and wholesalers that might result in creating strategic partnerships in the future, strengthened the linkages with their existing customers, exchanged experience in fresh produce (vegetables and fruits) marketing with more experienced companies from EU and they had access to the most recent know-how and new, improved technologies and management practices that can be adopted for improving productivity and enhancing competitiveness of the participants. It is likely that many of the contacts established during the trade fair will result in exchanging market information and experience in fresh products marketing with more experienced companies and viable future strategic partnerships. Exhibiting at Fruit Logistica Berlin 2011 of Macedonian fresh produce companies resulted in receiving 26 new orders for exporting Macedonian fresh produces worth over 1.9mil Eur.

Also, the participants had a chance to be informed about packing and sorting requirements. Some of companies at the trade fair specialized in know-how in post-harvest handling techniques could be contracted to provide TA to improve AgBiz customers' post harvest techniques.

The MAEA Executive Director that participated in the study tour will monitor the results achieved from the trade fair as related to increased sales and opportunities for the participants to work together when developing sales strategies, and when needed, facilitate follow-up with direct contacts established during the tour.

For more details see "*Activity Result Report Fruit Logistica 2011 Trade Fair*" included on the CD-ROM version of this report.

**COST:** Total Cost: \$42,379; AgBiz Cost Share: \$7,631, or 18%.

### 1.1.3.2 **Pre & Postharvest Handling Technology Manual for Horticultural Crops**

**DESCRIPTION/OBJECTIVE:** The overall objective of this activity is to consolidate all available information regarding pre and post harvesting technology for fresh fruits and vegetables (FF&V) from AgBiz deliverables, such as: guide books, presentations and reports. The key objectives of the PHH Manual is to present a single source of all AgBiz technical information into one place, and therefore to create an easy reading manual for the targeted readers, the FFV Value Chain Participants.

**OUTCOME/FOLLOW-UP:** This manual provides proper information that will help FF&V producers and marketers better understand how to handle fresh produce and minimize product quality deterioration through low cost techniques, such as proper storage and temperature and humidity control. The manual consist detailed descriptions for ten commodities: table grapes, apples, onion, potatoes, tomatoes, peppers, peaches, cherries, cucumbers and plums. The author of the Manual is PhD Krum Boshkov and the co-author is Lovre Ristevski. The Manual was printed in 50 color copies and 30 CDs. The Manual was presented in Strumica, on 15<sup>th</sup> of March. AgBiz in cooperation with Federation of Farmers of the Republic of Macedonia (FFRM) organized a workshop for FFRM's members and presented the Manual. The event was opened by representative of FFRM and the AgBiz Chief of Party (CoP). Around twenty people participated at the workshop, who gained vast media coverage.

An article for the presentation and a two-page interview with PhD Krum Boshkov about the development and purpose of the PHH Manual will be issued in April's edition of Moja Zemja.

For more details see the Macedonian version of the *“Pre & Postharvest Handling Technology Manual for Horticultural Crops”* included on the CD-ROM version of this report.

**COST:** Total Cost: \$3,101; AgBiz Cost Share: \$3,101 or 100%

### 1.1.3.3 **World Food Trade Fair Exhibition 2010 in Moscow, Russia (Six-month Follow-up)**

**DESCRIPTION/OBJECTIVE:** World Food Moscow is one of the most relevant FF&V trade shows and is considered as an efficient platform to interact with the numerous buyers and suppliers to Russian and other markets. To facilitate the recognition of importers, distributors and wholesalers in Russia and the Baltic Countries, AgBiz provided support to three export oriented FF&V companies (Agrohemija, Vardar Gradsko and Badzo) to exhibit at World Food Moscow 2010 that was held in September.

**OUTCOME/FOLLOW-UP:** After the successful exhibition at the World Food Moscow where Macedonian exhibitors established contacts with more than 150 potential buyers and distributors and achieved 42 new orders with a total value of around €1.5 million, they continued with serious follow up communications.

During this Quarter, each of the three companies participating at the Moscow Fair continued negotiation with number of potential contacts. Based on the initial interest from buyers they did some trial shipments and sent additional offers. Badzo reported additional contract worth almost €100,000.

## 1.2 **PROCESSED VEGETABLES (PV) VALUE CHAIN**

### **Value Chain and Work Completed during the Quarter Overview**

Exports of Processed Vegetables (PV) products produced in the processing 2010 season and sale on domestic market were the main characteristic of this Quarter. According to preliminary analysis on export data for 2010 revealed by the State Statistical Office, total export of PV products in 2010 increased by approximately 10% compared to 2009. Detailed analysis of the production and export performances of the processing industry in 2010 (supported by AgBiz and the Macedonian Association of Processors – MAP) will be available by the end of April, 2011. The effects of the global economic crisis seem to be diminishing, although financial recovery of the sector is still slow, primarily due to the insufficient cooperation with the financial sector. Three PV VC members received positive response from the Payment Agency – their Instrument for Pre-Accession Assistance for Rural Development (IPARD) applications were approved and they signed co-financing contracts with the Agency. Employment and

availability of seasonal labor remained an ongoing problem during this quarter. Contacts between MAP representatives and Deputy Prime Minister Mr. Vladimir Pesevski related to seasonal employment continued. MAP contracted a legal consultant that should develop a proposal for overcoming seasonal employment issue and would be utilized by MAP in their further contacts with governmental representatives.

The vegetable processing industry is by and large represented by MAP, a trade association established in March 2002. The association has no political character, it is a not-for-profit organization and it currently has 28 full-time members. The objectives of MAP are to further develop the fruit and vegetable processing industry, and to contribute to economic growth and increased employment in the Republic of Macedonia. The association successfully organized and completed its 9<sup>th</sup> annual assembly meeting in March 2011. Non-MAP members are regularly contacted by MAP representatives to encourage them to join the association to increase their lobbying capacities. MAP has a subcontract with AgBiz to coordinate PV VC export competitiveness enhancement.

During this Quarter, PV VC members were active in lobbying activities related to seasonal employment and initial preparations for the 2011 processing season. During its annual assembly meeting, MAP announced its annual plan of activities with main objectives focusing on improved cooperation with raw material suppliers, export promotion activities and events (Germany study tour, Anuga 2011), regional networking and intensive lobbying and discussions with governmental representatives and institutions.

During the quarter the VCC organized a MAP annual assembly meeting in Negotino (March 10<sup>th</sup>). He also participated on the meeting of MAP managing board members and MAP contracted legal advisor (organized in Skopje on March 25<sup>th</sup>) where the group outlined the position paper in regards to seasonal employment. Once completed and accepted by MAP assembly, the final document will be presented to the governmental authorities.

Contacts with MAP non members continued. Jomi Food Company that participated on the study tour and B2Bs in Ukraine confirmed their interest for MAP membership and asked for Map application procedures.

During the Quarter, AgBiz work on the VC focused on completion of the study tour and B2Bs in the Ukraine and three-month evaluation of participation of PV VC members on IndAgra food fair in Bucharest, Romania. During the quarter activities related to Establishing a Joint Brand/Export Company, Survey on the Performance of the industry in 2010 and Study Tour and B2Bs in Germany were also initiated.

The most significant AgBiz work during the next quarter will be the six-month evaluation of the Participation of PV VC members on IndAgra food fair, three-month evaluation of the Study tour and B2B meetings in the Ukraine, and completion of Support for establishing a joint brand/export Company, Study tour and B2Bs in Germany, Survey on the performance of the PV industry in 2010 and Participation on EU vegetable processors conference activities.

### 1.2.1 Detailed Accomplishments vs. Projected Objectives – Activities

The following matrix reports the results achieved for each PV Activity versus the objective for that Activity as established in the last Quarterly Report. Reports on completed Activities are presented in section 1.2.3 below.

Activity	Expected Result	Result Achieved
Study Tour and B2Bs in the Ukraine	AD developed and approved, Lol/MoU signed, completion of the activity	Completed, see Section 1.2.3.1
Establishing a Joint Brand/Export Company	AC and AD developed and approved, Lol/MoU signed, completion of the activity	AC and AD developed. AD will be fine-tuned due to different approaches of PV VC members regarding joint branding and exports
Survey on the Performance of the industry in 2010	AC and AD developed and approved, Lol/MoU signed, start of the activity	AC approved and AD developed; The activity will be completed on May 6, 2011
Participation on IndAgra Fair in Romania (3 month follow up)	Complete the 3 month follow up and report the outcomes	Completed, see Section 1.2.3.2
Study Tour and B2Bs in Germany	AC and AD developed and approved, Lol/MoU signed, completion of the activity	AC and AD developed and submitted. The activity will take place April 06-09, 2011

## 1.2.2 Detailed Accomplishments vs. Projected Objectives – Projects

The matrix below reports on progress made toward the achievement of Project objectives.

Project Title	Objective	Result Achieved during the Quarter
<b>DENTINA:</b> Production capacity expansion and export marketing and sales support	Closely monitor and obtain grantees quarterly indicator data	QR form collected, reported Intra-regional export sales of 10.5 million MKD (predominantly Croatia) and 10.8 million MKD of international sales
<b>BONUM:</b> Export market entry and International Organization for Standardization (ISO) compliance		QR form collected, reported Intra-regional export sales of 3.3 million MKD, IPARD proposal was accepted and contract signed with the Payment Agency (total investment of 800,000 Euros)
<b>LARS:</b> Improved and increased productivity and capacity of drying		QR form collected, reported Intra-regional export sales of 16.8 million MKD, IPARD proposal was accepted and contract signed with the Payment Agency (total investment of 500,000 Euros)
<b>VIPRO:</b> Construction of a new vegetable processing facility		On site visit, QR form collected, reported International export sales of 11 million MKD, obtained permit for land transformation
<b>AVTORIA:</b> Establishment and operation of a new processing system for onions		On site visit, QR form collected, reported International export sales of 1.5 million MKD

## 1.2.3 Competitiveness Enhancement Activities Completed during the Quarter

### 1.2.3.1 Study Tour and B2Bs in the Ukraine

**DESCRIPTION/OBJECTIVES:** The Macedonian vegetable processing (VP) industry is export oriented – 80-85% of annual production is exported. EU markets (Germany in particular) and regional markets (Serbia, Kosovo, Croatia) are the largest destinations. There was no export of PV products to Ukraine over the period 2005-2009. Although the Republic of Macedonia and Ukraine signed a free trade agreement in 2001, it was not in force (at least for agricultural and food products) until 2009 since tariff free quotas and other trade preferences were not agreed in detail. In 2009, the agreement was reviewed and trade related details were defined. Then both parties signed the agreement. According to agreement provisions, a tariff free quota of 3,000 tons of PV products is granted to the Macedonian side. According to the opinion of PV value chain members; there are good possibilities for establishing strong business contacts with Ukrainian food importers and distributors that, if successful, would result in increased exports of PV products to Ukrainian markets. Currently, the industry suffers from a lack of data about the Ukrainian market, including export/import statistics, trends, etc. The planned study tour enabled PV companies to understand the Ukrainian market more clearly and widen their perspectives regarding new export possibilities.

The overall objective for organizing this study tour was to:

- Increase participants knowledge of the Ukraine market for processed vegetables;
- Meet with relevant potential buyers;
- Promote Macedonian processed vegetables products; and
- Explore new export possibilities.

**OUTCOME/FOLLOW-UP:** Representatives of 7 processing companies had a chance to visit several retail stores in Kyiv. A detailed review of the relevant product ranges, prices, packaging, etc. was performed by the participants. Processed vegetable products were represented in all stores visited. Retail prices of the roasted pepper; chili peppers; and other pepper-based products were considerably higher than retail prices of the same products in Macedonian and surrounding markets. The type of packaging and labeling was stylish and appealing and Macedonian products would require additional packaging/labeling efforts to penetrate the market. Products such as ajvar and lutenica were not present in the visited stores.

Participating companies presented their products, capacities and intentions for cooperation during the promotional event that took place at the Ukrainian Chamber of Commerce and Industry in Kyiv on February 08, 2011. The event was organized in cooperation with the Macedonian Embassy in Kyiv. Tasting of the products was also organized, where Macedonian representatives explained details about their products, how they are consumed, raw materials and technology used in production processes, typicality of the products, etc. Individual B2B meetings took place until the end of the event where invited guests and the Macedonian companies had an opportunity to individually introduce themselves and discuss business.



There were around 40 participants on the promotional event including representatives of food importers and distributors from the Ukraine. Additional meeting was held with the Macedonian Ambassador, Mr. Aco Spasenovski at the Macedonian Embassy in Kyiv. He was very positive in regards to potential export of PV products to Ukraine and promised to further explore this business opportunity and to provide feedback and additional information to MAP. Samples of the products and promotional materials were delivered to the embassy for further circulation. Possibility for barter arrangement with the Ukrainian glass jar manufacturers was also mentioned. It was agreed Mr. Stoyanov (manager and owner of export-import company Viktoria – ST from Kyiv to prepare and send a concept proposal for opening of a distribution center for Macedonian products to the participating companies and MAP which will be later discussed by the members. Companies that participated on the study tour concluded that there is a significant opportunity for exports of Macedonian process products. Apart from traditional canned vegetables, there is a possibility for export of frozen red pepper, berries etc. However, working with supermarket chains will require completely new approach and development of a sound marketing strategy, including development of new partnership arrangements.

For more details see “*Activity Results Report Study Tour and B2B in the Ukraine*” included on the CD-ROM version of this report.

**COST:** Total Cost: \$12,157; AgBiz Share: \$4,584, or 38%.

### **1.2.3.2 IndAgra Food Fair 2010 (Three-month Follow-up)**

**DESCRIPTION/OBJECTIVES:** The Macedonian vegetable processing industry is export oriented – 80-85% of the annual production is exported. EU markets and regional markets (Serbia, Kosovo, Croatia) are the preferred destinations. Exports of Macedonian processed products to Romania are modest. Before 2007, trade with agricultural and food products was regulated by a Romania-Macedonia bilateral agreement according to which only 30 tons of processed product of exports to Romania were tariff free. After Romania joined the EU, the bilateral agreement ceased and further trade was regulated according to the Stabilization and Association Agreement with the EU, according which exports of Macedonian processed products were fully liberalized. Macedonian exports of processed products to Romania reached 53,000 Euros in 2007, 65,000 Euros in 2008 and 61,000 Euros in 2009. According to the opinion of PV VC members, there was a possibility for establishing stronger business contacts with Romanian food importers and distributors. Participation in the IndAgra Fair enabled Macedonian processing companies to understand more clearly how the Romanian food market functions, and to widen their perspectives regarding to new export possibilities to Romanian markets.

Five PV VC members participated in the IndAgra Trade Fair Participation activity from November 10–14, 2010. The objectives for organizing the study tour were to: Increase participants’ knowledge of the Romanian market for processed vegetables; meet with relevant potential buyers; and promote Macedonian processed vegetables products.

**OUTCOME/FOLLOW-UP:** The second evaluation was completed on February, 16, 2011. On the basis of conducted discussions with each company individually, the following results have been obtained and reported:

- Dentina is in the process of negotiations with Kaufland Romania for export of PV products.
- Lars, based on the interest from the potential partners (importers of food products) from Romania, sent two final offers and is awaiting their feedback.
- Vipro, Bonum and Trgoproduct did not report new contacts or export deals during the reporting period.

### **I.3 WINE VALUE CHAIN**

#### ***Value Chain and Work Completed during the Quarter Overview***

The Wine VC continued to face variations and unbalanced indications for recovering in the post crisis period. After the dramatic end of the harvest and expected sales during high sales season at the end of the year, the uncertainties for securing export sales and developing new market entry opportunities remained key focus in the first calendar quarter of 2011. As expected due to unfavorable weather conditions in several central European countries during the harvest, the demand for bulk and medium quality white wine was significantly higher, resulting in expedient export of whites from Macedonia. Nevertheless, significant quantity of unsold wine inventory and additional extra production during the season particularly of red wine continues to burden the wineries, During the quarter bulk wine price slightly recovered at the level of the average price for 2010 i.e. 0,4 Euro where as the average Macedonian bottled wine is being exported for around 1.33 euro. Volumes on stock and obstructed collection of dept particularly from partners on the regional markets but also from domestic companies considerable limit their liquidity. This has compelled wineries, particularly ones that have significant volume capacity to more seriously start considering alternative markets outside EU and the region. Few of them expressed commitment to work on export to China whereas others emphasized efforts on the Russian market.

The program continued to encourage public-private dialogue toward establishing buyout prices and resolving the excess wine grape situation. During the quarter AgBiz initiated and started working on organizing a roundtable to identify actions to minimize discrepancies between the demand and supply of wine grapes in the 2011 season.

AgBiz continued to facilitate the working group of wineries finalizing the Sector Export Marketing Plan (SEMP) and the specific Marketing Plans per selected country for all five selected target markets. The program coordinated the comments and the input of the wineries to the Export Promotion Strategy and Recommendations on Reconstituting InvestMacedonia prepared by the international expert and commenced several consultations with the new USAID's IDEAS program designed to provide assistance in further development of Invest Macedonia particularly related to AgBiz supported VC's and discussed possible direct collaboration with Invest in Macedonia Agency in implementation of export enhancing activities.

During this period, AgBiz continued to provide assistance to wine VC participants to enhance their export competitiveness. With the support from the Ministry of Agriculture, Forestry and Water economy and in cooperation with the Macedonian Embassy and economic promoter in Sweden, AgBiz in January organized and facilitated Wine presentation in Stockholm, Sweden. For the first time, ten Macedonian wineries, jointly presented their wines and captured the attention of the Swedish monopoly System Bolaget and other potential importers. As regional market remains the main for bottled wine and maintaining competitiveness of Macedonian wines in the region is one of the key priorities AgBiz supported three high end wineries to exhibit on BeoWine Fair in Belgrade, Serbia and enhance their visibility and contribute to overall perception for Macedonian wines in Serbia.

AgBiz continued to work in coordination with the WoM trade association Management Board on finalizing the operational plan for 2011, started organizing a roundtable on demand-supply for improvements in backward linkages with grape producers and coordinating with relevant Government of Macedonia (GoM) institutions. Supported by AgBiz WoM officially arranged an office, engaged an administrative assistant and registered [www.wom.mk](http://www.wom.mk) and [www.winesofmk.mk](http://www.winesofmk.mk) web domains. Obtained Euromonitor's Passport market information service provided access to comprehensive and relevant

market data for all EU and regional wine markets. In the first two months 420 entries are registered that only confirms high level of data utilization by members. Results from last year wine road-show presentations encouraged wineries facilitated by AgBiz and Dutch Centre for the Promotion of Imports from Developing Countries (CBI) to start preparing the concept to repeat wine road-show presentations in Poland but now in Poznan and Krakov as big regional centers for wine sales as well as Prague in the Czech Republic as one of the key target markets for Macedonian wines.

The Program continued monitoring the implementation of finished grant Projects with Bovin, Popova Kula, Valandovo and Dalvina. All Projects remained its course towards adding value and shifting to high quality bottled wine, demonstrated further progress in optimizing the results from the grant programs in securing additional export sales on already established and opening new market opportunities.

### 1.3.1 Detailed Accomplishments vs. Projected Objectives – Activities

The following matrix reports the results achieved for each Activity versus the objective for that Activity as established in the last Quarterly Report. Reports on completed Activities are presented in Section 1.3.3 below.

Activity	Expected Result	Result Achieved
Study Tour and B2B to Sweden	Better understand the wine market in Sweden, get in touch with the most relevant importers and monopoly representatives and identify new Swedish market entry opportunities; AC and AD developed and approved; Activity completed and Report prepared	Completed, see Section 1.3.3.1
International BeoWine Fair and Promotion of Macedonian Wines in Serbia	Reignite and confirm interest from importers and journalists in Serbia for Macedonian wines and stimulate B2B; Activity completed and Report prepared	Completed, see Section 1.3.3.2
Support the WoM to Acquire Relevant Market Information by obtaining Euromonitor's "Passport" Package	Utilizing the access to MIS Euromonitor	Completed, see Section 1.3.3.3
Industry Performance Follow-up Presentation	Final results of the survey and analysis of the information obtained shared with all wineries and other wine VC stakeholders including MAFWE, Macedonian Chamber of Commerce, Union of Chamber of Commerce and grape growing associations presented	Postponed for last week of April and envisioned to be combined with Demand-Supply roundtable
Sales Mission to the Ukraine	Promote Macedonian wine and encourage B2B Meetings with wine importers and distributors in the Ukraine; Activity completed and Report prepared	Canceled due to the anticipation for early elections, lack of companies' and MAFEW capacity to contribute to the overall organization and coordination with the Chamber of Commerce in Kiev and Macedonian Embassy in Ukraine
Vranec Forum	Provide scientific evidence and features of Vranec/Kratoshija as a leading domestic indigenous variety; AD approved; Contracts signed	Postponed for April/May due to initiative from the experts to have more time to gather sufficient data and analysis needed
Develop WoM Operational Plan 2011	Operational Plan 2011 developed	March 31 Operational Plan 2011 being finalized
Support to WoM Associations by Cost Sharing a Professional Manager and Office	Support WoM to develop its capacity to be able to function sustainably; Activity being implemented	AD approved, Lol signed and Activity being implemented
Investigate Opportunities for Joint Bottle and Other Inputs Supply	Assessed needs and evaluated offers for Joint Bottle and Other Inputs Supply; AC and AD developed and approved	Identified interest from several wineries to consider joint bottle supply and investigated potential suppliers
Identifying Appellation of Origin	Initiate the process for defining the procedures for registration of appellation; Activity being implemented	Facilitated WoM to coordinate a visit by the French expert on AOC Mr. Alexander Lazareff and a meeting with the MAFWE Minister regarding potential agreement with the French Ministry of Agriculture to support Macedonia in establishing AOC (Apelation d'Origine Controle)
Wine SEMP Follow up Donor Conference	Present the SEMP and Investigate opportunities for funding the implementation; Activity completed and Report prepared	SEMP is being finalized by the working group
Wine Grape Demand Supply Planning Conference	Better demand-supply planning, relevant fact-based dialogue between grapes growers and wineries, more analytical approach to overall development of the VC; Activity completed and Report prepared	Agreed with WoM and FFRM to be organized on April 20 <sup>th</sup>

## 1.3.2 Detailed Accomplishments vs. Projected Objectives – Projects

The matrix below reports on progress made toward the achievement of project objectives.

Project Title	Objective	Result Achieved during the Quarter
<p><b>VALANDOVO:</b> Shift from bulk to bottled wine sales; increase the quality of the grapes produced; successfully adopt new quality wine production technologies; enlarge winery capacity, including production of oak barrel-aged (barrique) wines; enhance the image of Valandovo wines; open new export market possibilities and increase total sales; establish new vineyards with high quality varieties; facilitate new direct and indirect employment.</p>	Closely monitor and obtain grantees' quarterly indicator data	<p>The winery continued to focus on increasing sales of bottled wine under its own brand and through its marketing channels, particularly in Croatia, Bosnia and Herzegovina and Serbia. Despite the known difficulties with collecting dept in Serbia, new distributor in relatively short period of time managed to capture desired export sales levels. Distribution of Valandovo wines on the domestic market is progressing well and the market reacted positively especially to the line in the lower price segment. The preparation for the next season started with additional investment in quality production of grapes including drop-by-drop system on 40 ha as well as investment in securing water walls to secure sufficient watering.</p>
<p><b>BOVIN:</b> Enhance the production of barrique wines with technology that will enable the introduction of a new type of wine with higher value, quality and price. Create the pre-conditions, including a modern tasting room, for developing wine tourism as an additional sales channel.</p>		<p>The beginning of the year had shown positive results and the exports have increased gradually. Besides current partners and sales on the traditional markets of Bovin wines that are steady and slowly showing increasing pace, importers from Iceland, Nigeria as well as Honk Kong and Mainland China showed interest for importing Bovin's wines. Based on the success encountered by barrel aged wines Bovin has invested in purchasing 17 new barrels in order to continue to produce high quality wines the market recognizes. This year wines from new varieties that were on yield (San Giovese, Tempranilo and Petit Verdot) are included in the portfolio and they have shown excellent initial results in Macedonia. This was also confirmed by Mr. Derek Smedley, Master of Wine from London and Co-Chairman of the International Wine Challenge in London during his visit at the end of February 2011. The coming period Bovin will focus mainly on sales as well as finalize the interior building of the wine testing premises and decoration of the surrounding of Bovin winery which will increase the image of the winery and attract more visitors.</p>
<p><b>AGROLOZAR/DALVINA:</b> 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.</p>		<p>Extensive export market entry efforts continued during the Quarter. The two newly engaged sales managers successfully introduced Dalvina wines to potential importers particularly on the Russian and Benelux markets as well as expanded the existing portfolio in Poland. The initial results of the representative office in China are very positive resulting in two new orders. Sales on the domestic market are progressing very well by expanding in the HoReCa channels and constantly increasing market share, reaching around 140.000 Euro worth of sales.</p>
<p><b>POPOVA KULA:</b> Increase export sales from current € 120,000 to €700,000 per year over the next three years; significantly expand exports of bottled wine to the Polish market and make it a key growth driver for the company; support Polish market sales by achieving a superior mix of product offering, marketing support and promotional tools.</p>		<p>As a result of all the previous activities on the Polish market in this reporting period Popova Kula has realized several exports of wine. The total quantity of these exports was about 32.000 bottles in the amount of about 40.000 Euros. We have also received a new order of 10.000 bottles that we will prepare for export in the following period. In this period we were also very active in the export activities on the regional and international markets. We had export to Bosnia and Herzegovina in the amount of 27.000 Euros, and also some small exports in Australia, Netherlands and Czech Republic. On the domestic market we constantly increase our market share and the quantities of wine sold. The sales through the supermarket chains are stable and on the level of the previous year but in this period we have realized an increase of sales in the wine and gift shop and restaurant that are in the scope of Popova Kula Winery.</p>

## 1.3.3 Competitiveness Enhancement Activities Completed during the Quarter

### 1.3.3.1 Study Tour and B2B to Sweden

**DESCRIPTION/OBJECTIVE:** Alcohol policy in Sweden is very restrictive for social and historical reasons. The major tools used by the authorities include a retail monopoly, Systembolaget, to restrict access and a relatively high price level by virtue of a substantial tax on alcoholic beverages. It is estimated that over 80 per cent of wine consumed in Sweden is retailed through Systembolaget shops, while on-premise sales and cross-border trade account for the remainder. Imports to Sweden need to be brought through customs by a licensed importer. The process of issuing Swedish wine import licenses is managed by The National Institute of Public Health, a state agency under the Ministry of Health and Social Affairs, similar to national government health departments in many countries. Pernod Ricard bought Vin & Sprit

or 'V&S', previously owned by the Swedish Government in 2008 for €5.8 billion. V&S, the leading Scandinavian wine importer also produces Absolut vodka.

While Sweden is a competitive market to enter with long lead times for orders, there are still opportunities for new entrants. Currently, in the new tenders announced there is a trend toward organic wines and unusual blends. It is, however, difficult to secure ongoing listings with the state monopoly, and there are limited opportunities in the on-premise market. The major exporters of wine to Sweden are South Africa, Italy, Australia, Spain, France and Chile, with France dominating premium sales. Australia's share of the market is around 17% for red wine and 13% for white wine. Italy, South Africa and Argentina have had the strongest growth in past years.

The overall objective of the proposed activity "Supporting Macedonian Wineries to Organize a Study Tour and Promotion of Macedonian Wines in Sweden" was to support export ready wineries from Macedonia to better understand the wine market in Sweden, get in touch with the most relevant importers and monopoly representatives and identify new Swedish market entry opportunities.

**OUTCOME/FOLLOW-UP:** The promotional event was well prepared in coordination with Ministry of Agriculture, Forestry and Water Economy (MAFWE), the Macedonian Embassy and the economic promoter in Sweden. Hence, was well attended by respected importers, representatives of hotels, restaurants, relevant Rotary clubs as well as high officials from the diplomatic core. Many of the importers have tasted Macedonian wines for the first time, discussed prices and were interested in the technology of wine making, varieties, and styles. They were also interested in the presence on other markets, prices, logistics ability and safety standards. The wine purchasing Manager of Systembolaget monopoly for the Balkans tasted a broad range of Macedonian wines and discussed the procedures and opportunities for inclusion of Macedonian wines in the tenders that Systembolaget announces for importing wines. Hence, before making any decisions, they are very interested in the opinion of potential importers for Macedonian wines, their estimations for the shelf price and projected interest of consumers based on which the Systembolaget makes the request for proposals in the tenders. He shared very positive first impression and appreciation for Macedonian wines, stating that some Macedonian wines have very good quality price ratio and he is optimistic that if continued with negotiation with importers, secure marketing activities and creating the right network, they will manage to get in the listings. He also encouraged wineries to work with importers on initial so-called private imports on quantities that do not have to go through the Monopoly tenders.



PHOTO CREDIT: AGBIZ STAFF

Swedish importers tasting Macedonian wines

While having the B2B conversations, Macedonian wineries got first hand information on the wine market in Sweden. Discussions with the wine importers and the wine public were very beneficial for creating much better understanding of the competition, the perception of consumers for different parameters of wines including their origin, packaging, price segments and learned specifics on approaching diverse sales channels. Participating wineries heard positive and negative critics for Macedonian wine including comments and suggestions for some modifications on the profile of wines. It was noted that Swedish consumers are becoming more in favor of fruity

fresh and non barrique style of wine, produced by modern technology. The market has no negative prejudice on wine in bag-in-box packaging and perception of being low quality wine thus it is growing segment. All gathered insights will allow participating wineries to better prepare and have optimal decisions for exporting to Sweden.

Few days after the event several wineries received e-mails from importers that visited the promotion,

expressing strong interest to import first trial quantities of Macedonian wines. They started to negotiate the conditions and shared commitment to expand import of wines from Macedonia if they are accepted by the Systembolaget. Based on this initial results AgBiz will facilitate wineries to follow up on contacts established and will encourage the trade department in the Swedish Embassy in Macedonia to coordinate possible visit of Swedish Media representatives and wine magazines to Macedonia.

For more details see “*Activity Results Report Study Tour and B2B to Sweden*” included on the CD-ROM version of this report.

**COST:** Total Cost: \$49,602; AgBiz Share: \$4,879 or 10%

### **1.3.3.2 International BeoWine Fair and Promotion of Macedonian Wines in Serbia**

**DESCRIPTION/OBJECTIVE:** The impact of the global financial crisis and economic slowdown continues to negatively affect wine consumption all over the world. Significant world market surpluses have caused price declines for both bottled and bulk wine, and created even more severe international competition. As a result Macedonian wineries have experienced reduced export demand, and that has created considerable inventory build-up that overburdens wineries’ cash. Therefore, sustaining and re-gaining market share on the regional market is of vital importance to the future success of the Macedonian wineries and to the value chain overall. Serbia is by far the main destination of Macedonian wine amounting 58% of the total export of bottled wine. Macedonian wines are recognized and well accepted. Some of the bigger Macedonian wineries like Tikvesh, Skovin, Ezimit, Bovin and some others are well established on Serbian market and have their subsidiary offices in Belgrade or just sales agents.

Although surrounded by quality wine producing countries, Serbia itself is becoming known for producing quality wines showing signs of significant growth. International varieties, notably Cabernet Sauvignon and Chardonnay, are increasingly being planted and quality wine producing is gaining momentum. Important producers are Župa, Rubin, Vršачki Vinogradi but also in the last half a decade many small private vineries like Aleksandrovic, Kovacevic and Radenkovic focused on production of high quality wines are widely available in supermarkets in Serbia, with a range of white and red wines which are definitely taking its market share. Also, every day more and more imported wines are present on the market that increases the competitiveness. The biggest market share of approximately 23% is secured for Plantaze from Montenegro that in the past decade managed to establish strong market presence and create very good value for money perception among consumers especially with its no one brand Vranac ProCorde.

Therefore it was very important for those Macedonian wineries that have been exporting in Serbia to have constant presence in order to maintain links and sustain on Serbian market but also for those that haven’t, Serbia is obviously a good opportunity to develop market entry program and try to establish strategic partnership with distributors. The overall objective of the proposed activity was to Support Macedonian Wineries Bovin, Dalvina and Chateau Kamnik to exhibit at 2<sup>nd</sup> International BeoWine Fair and Promote Macedonian Wines in Serbia.

**OUTCOME/FOLLOW-UP:** Participation of the three Macedonian wineries Bovin, Chateau Kamnik and Dalvina at the BeoWine Fair captured the attention of most relevant wine importers and distributors in Serbia. Many of them, familiar with Bovin wines that are present on the Serbian market for almost 10 years were interested to see the latest development of the brand, new wines that are promoted on the market and future plans for promotion. Their importer and distributor in Serbia was present at the stand and took the opportunity to invite current and new potential buyers primarily from HoReCa segment to taste the wines. They promoted 2010 vintage and confirmed full dedication to quality and serious commitment to serve the customers in very professional manner. After several years of testing the market and creating the network of important people and opinion leaders in the wine trade, Chateau Kamnik recently opened their branch office in Serbia. The new Manager invited owners and purchasing managers of the high end restaurants to taste the wines, discussed ways of cooperation. Many showed specific interest to share experience on pairing their wines with specific food. Based on their commitment to include Kamnik’s wines into their wine lists Kamnik arranged for the first export of 2.000 bottles. Dalvina took the opportunity to establish initial contacts and introduce their wines to few serious importers and distributors. Importer and distributor MV (ex distributor of Tikves) and Terra Vino had serious discussions with Dalvina and expressed interest to get the exclusivity for importing and

distributing Dalvina's wines. Both companies are well established on the Serbian market and their networks cover the whole territory of the country in all wine segments including key accounts and HoReCa. They discussed specifics in potential partnership agreement, marketing support and vision of Dalvina for growth on the market in Serbia.

The current situation with wine trade in Serbia still suffers negative effects from the crisis. Restaurants and hotels require significant sales support, branded materials and in reverse does not guarantee turnover. Many have serious debt to their suppliers whereas supermarkets dictate contracts that are very unfavorable for suppliers and usually delay payments. Nonetheless, the superiority of Macedonian wines over Serbian especially for reds is well recognized; therefore, there is still opportunity for getting significant market share, especially in the HoReCa segment. This will certainly require much more organized and proper marketing support and consistency on the market.



The Macedonian Ambassador in Serbia and the Economic promoter from Invest Macedonia Agency designated for Serbian market visited the stand and discussed opportunities of Macedonian wineries to expand sales in Serbia and with its presence contributed in creating additional interest for Macedonian wines. As repeated many times before Serbia is very peculiar market. Awareness and perception are often created with non conventional marketing based on personal relations and creating the right network of people involved in wine trade is of paramount importance. Therefore any success in expanding the share on the market in Serbia requires continuous market presence. Press agents but also organizers of similar promotional events came at the stand interested to hear the novelties for the three wineries but also how the Macedonian wine industry is developing as a whole.

For more details see “*Activity International BeoWine Fair and Promotion of Macedonian Wines in Serbia Results Report*” included on the CD-ROM version of this report.

**COST:** Total Cost: \$10,963; AgBiz Cost Share: \$3,282, or 30%

### **1.3.3.3 Support the WoM to Acquire Relevant Market Information by obtaining Euromonitor's "Passport" Package**

**DESCRIPTION/OBJECTIVE:** One of the key obstacles wineries face when developing export marketing strategies is the considerable lack of relevant market information. Wineries are making their business decisions based on an insufficient understanding of a specific markets and market segments, unconfirmed information on competitors and price positioning, etc. that reduces the likelihood of developing a successful market entry program. Even the biggest wineries struggle for additional and relevant consumer insights, and try to capture as much as market information possible through published reviews, wine markets overviews and available reports.

This season has been particularly difficult for Wine Value Chain participants. The impact of the global financial crisis and economic slowdown continues to negatively affect wine consumption. As a result Macedonian wineries experienced reduced export demand and that created considerable inventory build-ups that overburden their cash flow. Therefore, identifying new market opportunities and developing effective and sustainable market entry strategies is of paramount importance to the future success of the Macedonian wine industry, and to the grape growers from whom they purchase raw material. This cannot be accomplished without an in-depth understanding of export markets and international consumers.

Unfortunately, past attempts to create a private sector entity that will work in the common interests of wine value chain participants, including coordinating a market information system, were not successful. The recently established “Wines of Macedonia” trade association has the main objective to work on

improving the overall viticulture and wine industry in Macedonia, enhance the recognition of Macedonian wines on the regional and international markets and through joint marketing efforts improve wine exports with an emphasis on bottled wine. The association understands the need for having up-to-date market information, hence requested AgBiz support in gaining access to such market data.

The overall objective of the proposed activity “Supporting the Wines of Macedonia Association to Gain an Access to Market Information” is to provide detailed and up to date information on regional and European wine markets that will enhance successful bottled export development.

**OUTCOME/FOLLOW-UP:** This activity allowed WoM to obtain Euromonitor’s Passport market information service. The contract between WoM and Euromonitor was signed in January and in the next 12 months provides access to Euromonitor’s comprehensive and relevant market data for all EU and regional wine markets. In the first two months 420 entries were registered that only confirms high level of data utilization by members. Accessing Euromonitor’s Passport market information data enabled current members of the Wines of Macedonia trade association to better understand, identify and enter new wine export markets. The market information obtained helped wineries to achieve knowledge-based decision making; define goals and targets for regions and country markets; understand market and consumer trends; define and understand consumer segments and evaluate brand performance. This data facilitate them to gain access to economic and demographic outlook information and utilize competitive intelligence, research and analysis and all that will help to do better corporate strategy planning, establish price, position and channel brand strategies, develop marketing and advertising claims and develop successful and sustainable value chain strategies including raw materials, packaging, services, manufacturing, distribution and retailing. Access to Euromonitor’s data base will allow wineries to make optimal business decisions that will result in best use of their limited resources to obtain maximum results.

**COST:** Total Cost: \$8,835; AgBiz Share: \$4,870, or 55%

#### **1.3.3.4 Wine Sector Export Marketing Plan**

**DESCRIPTION/OBJECTIVE:** In their commitment for developing the export competitiveness of Macedonian wineries and enhancing sustainable export sales, AgBiz and CBI identified the need to develop a National Sector Export Marketing Plan that would integrate private sector and Government of Macedonia interests, based on EU wine market analysis and the identified competitive advantages of Macedonian wines.

CBI and AgBiz organized a process of four two day workshops for developing a Wine SEMP focused on the EU market. The SEMP will 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 on the part of EU buyers and consumers. All present stakeholders, including the Ministries of Agriculture and Economy, participated in the process. CBI is providing full facilitation and guidance, including relevant EU market data and expertise. AgBiz is coordinating all participants to provide significant input and provides relevant domestic industry data.

**OUTCOME/FOLLOW-UP:** The delays in the overall process for finalization of SEMP document due to implications from the enforcement of the act for protecting the name “Macedonia” as geographic origin for wines coming from Greece were overcome for the time being. The issue will be specifically addressed in the new protocol for wine with EU that is envisioned to be signed in the first half of 2011. AgBiz continued to facilitate the working group of wineries finalizing the Sector Export Marketing Plan (SEMP) and the specific Marketing Plans per selected country for all five selected target markets. Working on identifying most suitable marketing strategies and developing Marketing Plans they realized that the extensive analysis of the target markets conducted previously using different data sources cannot provide good base for integrated approach towards creating the Marketing Plans for selected markets. Therefore, analysis were reviewed and combined with the reports for those markets from recently obtained Euromonitor’s data base. Assisted by AgBiz working group created one outline for market analysis unified for all markets and started developing Marketing Plans per selected country including marketing instruments and techniques for sustaining current and opening new market opportunities for selling Macedonian. SEMP will allow the private sector as well as the GoM, Ministries, and other institutions to jointly establish a clear set of actions for enhancing Macedonian wine exports to the EU.

# CROSS-CUTTING

The following section describes the cross-cutting value chain competitiveness enhancement activities worked on by AgBiz during the Quarter, organized by area of focus (AoF). These Activities are designed to enhance the competitiveness of more than one AgBiz-supported VC.

## I.4 POLICY AND INSTITUTIONAL REFORM

### *Area of Focus and Work Completed during the Quarter Overview*

The Policy and Institutional Reform Activities conducted during the Quarter are outlined below.

#### I.4.1 Detailed Accomplishments vs. Projected Objectives

The following matrix presents the results achieved for each Activity versus its objectives, as established in the last Quarterly Report.

Activity	Expected Result	Result Achieved
Follow up with MAEA (FF&V VC) on Subsidies Assessment	Have a workshop with MAEA and MAFWE and present the key findings of the assessment.	On hold for April due to postponed MAEA Assembly
Follow up on Seasonal Employment Assessment - forming working groups for proposing legislation changes	Working groups established and proposing amendments developed	The recommendations for amendments to the law for employment regarding seasonal engagement of unemployed, employed and retired persons submitted to Government. The promotional event is scheduled for April.
B2B meetings in Kosovo with Center for Entrepreneurship and Executive Development (CEED) - Office Business Center Kosovo (OBCK)	Visit OBCK and CEED and learn about their services for MK companies exporting to Kosovo and have B2B meetings with Kosovo importers	Postponed for April 20
Assessment of Correlation between the Agricultural Productivity of Primary Producers and Agribusiness Export Performance	AC and AD developed and approved	AD approved, RfP developed and vendor selection process initiated
Integrated Pest Management Regional Conference	Have training in Skopje on IPM with participation of regional experts	Provided logistic support in Conference organization arrangements; scheduled visits with two AgBiz customers where on-field practical presentations will be conducted

#### I.4.2 Priority PIRNs Identified During the Quarter

##### I.4.2.1 *Discrepancy in the Demand and Supply of Grapes*

**DESCRIPTION:** Due to the negative effects of the global economic slowdown, wineries are faced with a serious challenge to identify sufficient markets for their wine, and they have to trade down to secure sufficient sales. This has created a serious wine on stock before the harvesting season 2010. The wineries had 80–85 million liters of wine unsold—a major excess carryover from previous seasons. The oversupply of wine grapes has resulted in public-private dialogue preoccupied with low wine grape prices and the inability of wineries to purchase all available wine grapes. After a series of strikes and coordination meetings between grape growers, wineries and MAFWE/GoM, the GoM proposed a subsidy of 5.7 MKD per kilo on volume above 65% of last year’s buyout quantities. This was not welcomed by the wineries due to their significant wine on stock; they were not able to purchase more than 65% of last year’s buyout. However, the measure had not considerably improved the excess wine grape supply situation.

Not coordinated production of grapes results in serious oversupply of grapes on the market. This transforms in very low prices for purchasing of wine grapes and serious dissatisfaction of farmers. They claim that they are being abused by the wineries so many of them blocks the roads, entrance of wineries etc whereas the GoM and the general public are making pressure to wineries to buy more grapes from out

growers. On the other hand wineries, struggling to sell their wine, do not have the capacity to secure the total buyout of grapes and as a result of significantly condensed cash flow have serious difficulties to pay to farmers for the grapes the agreed installments. These conditions that have been repeating for many years considerably disturb the backward linkages and damage the contractual relationships between wineries and grape growers, thus decrease the overall VC export competitiveness.

**FOLLOW-UP:** AgBiz considers coordinating an activity that will contribute towards creating clear understanding on the demand and the supply side and communicate on time the needs of the wineries for purchasing grapes. Therefore, in cooperation with Wines of Macedonia Association and the MAFWE AgBiz is proposing a Roundtable to be held between the wineries and the grape producers where each of the sides will present its projections as well as suggest and commit to certain actions that will help for creating a better balance volume-price-quality and will help avoiding oversupply and dissatisfaction during the harvesting season.

#### **1.4.2.2 Reactions on the Name “Macedonia” Already Registered as Protected Geographic Indication by Greece**

**DESCRIPTION:** During the last quarter of 2010 the situation with the claim from Greece that the name “Macedonia” (and its transcription in German and French) is registered since 1989 as Protected Geographic Indication (PGI)<sup>1</sup> by Greece and adopted by EU in August 2009, so the wines from Republic of Macedonia cannot be exported into EU with the Geographic indication - Region: Macedonia evolved. There were strong reactions by Greek Embassies in Germany and Slovenia against importing wine from Republic of Macedonia under the name “Macedonian” that is already registered as PGI by Greece.

As a result, State inspectorates in Slovenia raised a dispute with the importer of Macedonian wine and requested wines with “Macedonian red” and “Macedonian white” on the labels to be removed from the shelves in the retail whereas the Chamber of Commerce in Germany informed the importers of Macedonian wine that from January 1<sup>st</sup>, 2011 they will not be in position to import wine from Republic of Macedonia under the name “Macedonian”.

Following many official requests and insisting from Macedonian side, the authorities in Brussels from the wine subcommittee had a meeting with the Deputy Minister and the team from MAFWE. At the meeting was confirmed that it is definitely NOT the EU Commission standing that Macedonian wine export to EU should be banned, as Greeks Embassies requested, although our wines are not registered on E-Bahus list. (EC wine list). But, at the same time it was noted that the list includes only wines that have certified Protected Geographic Indication for which EU is obliged to monitor and protect their rights on all EU markets. In other words, since Greece has certified the name “Macedonian wines” as PGI for wines coming from Greece, Macedonian wineries in the export V1 form cannot put wines coming from Region: Macedonia, importers of our wines cannot use already well established trademarks deriving from the name Macedonia such as Macedonian Rot and Rose in Germany and in Slovenia, and it is very likely our wineries will have to change Product of Macedonia on the back label with product of Republic of Macedonia for countries that recognizes us under constitutional name or product of Former Yugoslav Republic of Macedonia (FYROM) for others.

**FOLLOW-UP:** After reactions were delivered to the wineries, the Program requested immediate meeting between the wineries and MAFWE and Ministry of Foreign Affairs (MFA) to evaluate the current situation and implications on the wine export and identify possible solution. This issue was discussed at the GoM session, and MAFWE scheduled a meeting with the largest wine exporters from Macedonia, representative from the Directorate for EU within MFA and AgBiz.

AgBiz facilitated the meeting and helped MAFWE and MFA to prepare and distribute the official response including the arguments from the Republic of Macedonia’s side to wineries, so they can replay on any further complaints based on arguments. MFA submitted full information regarding the issue to all Macedonian Embassies in the world, advising them on how to handle possible similar reactions from

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<sup>1</sup> Equivalent term: Macedonia Law of the Member State :340576/01.09.1989; 380238/31.07.2000  
Official Journal of the Member State: 694/B/15.09.1989; 1012/B/10.08.2000; European Community Law: Council Regulation No 479/2008 Quality type: Wine with a protected geographical indication (PGI)

Greece. Although the letter with contra arguments was sent to concerned parties, some of their foreign clients were still reluctant to continue with import of Macedonian wines.

MAFWE is in the process of finalizing the NEW wine protocol between Macedonia and EC that should be signed in the next six months. All these issues related to the name, should be clearly defined in the protocol. Although on the previous meeting with the EC wine subcommittee, Macedonian side proposed the name Macedonian to be used as a homonym by both R. Macedonia and Greece it is not to expect that it will be accepted and included in the protocol. Macedonia exports more than 33 million liters of bulk wine that is bottled in Germany and sold under brand name Macedonian rose or Macedonian red. Resolving this issue is of paramount importance for further positioning of Macedonian wines at the international markets. If the PIRN is not addressed, similar reactions might occur in other markets and block normal export of our wines. Macedonia should seriously consider starting the process for establishing other Appellations of origin that will additionally distinct and protect recognition of wine from Macedonia. AgBiz will remain to be constantly involved and provides its assistance and coordination between the private sector and MAFWE and fully contributes to the process in identifying the best possible solution to avoid export limits on Macedonian wine.

#### **1.4.2.3 Scientific Evidence and Confirmation of the Genetic Potential and Genesis of Vranec vs. Kratoshia**

**DESCRIPTION:** Many wineries in their efforts to identify new export partners find the available data of scientific evidence and confirmation of the genetic potential and genesis of Vranec vs. Kratoshia insufficient. Unfortunately, there is very little research done by the institute or the Agricultural Faculty in Macedonia, on Vranec and not many academic papers are published on the topic. This creates weak support to wineries for marketing of Vranec as a well established regional / indigenous variety. Vranec is still not very known variety on the international market, so whenever some Macedonian winery promote its wines abroad, importers, wine critics and the consumers do not know how to evaluate Vranec. Many wineries that are sending samples of Vranec for wine tastings or on world known wine challenges, Vranec usually is undervalued due to its uniqueness and inability of wine judges to compare it with some benchmark they are familiar with. Therefore, it is very important Macedonian wine industry to seriously promote Vranec as a regional variety and communicate with the wine world all its characteristics. It is the same situation with the variety Kratoshia that according some initial verification it is genetically very close to or exactly the same with **Zinfandel** is a variety of red grape planted in over 10 percent of California vineyards. DNA fingerprinting revealed that it is genetically equivalent to the Croatian grape **Crljenak Kaštelanski**, and also the **Primitivo** variety traditionally grown in the "heel" of Italy, where it was introduced in the 18th century. The grape found its way to the United States in the mid-19th century, and became known by variations of the name "Zinfandel", a name of uncertain origin. Few years ago Montenegro started complex research on genetic code of Vranec and serious scientific work on how to get the best results from Vranec.

**FOLLOW-UP:** This is not a quick process. It requires at least four to five years of serious research and study in order to develop adequate analysis and track records on best performance Vranec and Kratoshia. Nevertheless, it is inevitable for proper upgrading the knowledge on the varieties DNA and optimizing the results from these varieties.

AgBiz considers initiating a debate where all relevant experts involved in the wine science in Macedonia can evaluate the current standing and identify gaps that should be addressed in the future. This could be an excellent opportunity for the relevant Faculty representatives to recognize the importance of the subject and include it in their university programs. At the same time wine industry will enhance their understanding on the Vranec and Kratoshia varieties and their genetic structure that can significantly improve their promotional capacity.

#### **1.4.2.4 Lack of a Long-term Strategy for Providing Government Financial Support to Agriculture**

**DESCRIPTION:** The government's financial support to Agriculture needs revising in terms of creating measures that will leave behind a more sustainable basis for long-term results. The Macedonian agriculture is heavily dependent on imported inputs in every single crop and level of production and processing. The support of 100 million Euros in 2010 given to small producers is predominantly going

for purchasing imported materials such as seeds, fertilizer, pesticides, protein feed for the livestock and other inputs. This directly increases the imports as the subsidies grow year by year, while in the same time the whole society is pushing for increased exports. The increased exports that was achieved in 2010 is mainly coming from exports of fresh vegetables and fruits but not necessarily in a final form, but for processing or for further finalization before it gets as fresh to the consumers. The lack of finalization capacities of fruits and vegetables causes losses or results in small margins for Macedonian producers and exporters. Modern cooling and retail packaging is a prerequisite for successful business and good returns.

**FOLLOW UP:** The joint approach of the government and the private sector towards building capacities that will add value as much as possible to the finalization of Macedonian products is the only long term solution. This kind of strategic thinking can be applied when the government sets regular mode of communicating with the private sector. Speeding up the process of establishing the subsectors groups is necessary for this to be initiated.

#### **1.4.2.5 Lack of Awareness among Producers about the Progress in Establishing POs**

**DESCRIPTION:** During the implementation of the Assessment of potential and challenges for development of Producer's Organizations the AgBiz team faced very low or almost not at all informed farmers and producer groups about the upcoming novelties in associating the producers into Producer's Organizations, their benefits and obligations, criteria that must be met to be eligible for GoM subsidies. It is with to mention that the MAFWE structures are quite well informed and are working on this issue together with the new EU project for Common Market Organizations, there is a very little effort invested in information campaigns for the producers and agribusinesses.

**FOLLOW UP:** AgBiz is in the last quarter of project implementation and cannot create long term plans for dissemination of such information, but can use all the planned events to inform its beneficiaries and partners. The proper work of POs is very important for facilitating the processes from field to export markets. The AgBiz clients inevitably will be involved in this chain.

#### **1.4.2.6 Need for Revision in the Law on Cooperatives**

**DESCRIPTION:** The current legislation related to organizing and functioning of farmers' associations and cooperative does not recognize PO category. The law on cooperatives only defines PO as possibility for better organizing of small scale farmers but there is no further explanation of PO issue. Therefore it acts as an impediment that prevents fostering of contract farming in the country. Update of the current cooperative law or drafting a new legislation related to establishment and functioning of the same should be envisaged including additional support measures to the interested groups of producers such as priority right when they bid for concessions over state agricultural land, possibility to streamline the additional subsidies through cooperatives/POs and not directly to the individual growers, favorable access to finance, etc. The above mentioned would result with stronger organizations that would be keen to improve cooperation linkages and would prefer the contract farming option.

#### **1.4.2.7 Establishing an Agricultural and Rural Development Council (Follow-up)**

**DESCRIPTION:** According to the new Agriculture and Rural Development Law (Article 18) for the purpose of planning, implementation and monitoring of national agricultural policies, MAFWE will establish partnerships with agriculture and rural development councils, sub-sector working groups and the inter-ministerial body for rural development. Articles 19–24 define more clearly the role, responsibilities and activities that should be undertaken by the council and sub-sector working groups. The main function of the above-mentioned entities is to have direct and continuous contact with MAFWE, meet regularly, discuss the existing situation and shortcomings and propose corrective measures. A representative of processing industry is anticipated to have a full-time membership.

**FOLLOW-UP:** At the presentation of the AgBiz supported assessment focused on the implications of new government legislation (new law on agriculture) concerning contracting and buyout of fresh agricultural raw materials and table and wine grapes, as well as the impact on the overall competitiveness of the three AgBiz supported Value Chains establishment of the rural development council and sub-sector working groups was identified as one of the priorities in the next period. All participants including Deputy Minister and other representatives of MAFWE, representatives of FFRM, Union of Farmers

associations, PV and Wine value chains and stated that creating the Agricultural council and subsector groups would improve the communication and dialogue between all stakeholders and contribute to the process of identifying solutions for resolving some market conditions but also in creating plans and programs for development of each of the sub-sectors. The Deputy Minister of MAFWE stated that MAFWE is preparing eligibility criteria and soon they will issue a call for application for representatives of the sector that satisfies certain criteria to apply to become members of the council and sub-sector working groups. Unfortunately, no progress has been made to date. AgBiz offered its assistance and continued to follow up and intensify dialogue with MAFWE during the next quarter to foster the process of establishing the council.

## **I.5 ACCESS TO FINANCE**

### ***Area of Focus and Work Completed during the Quarter Overview***

Focused to help customers identify the most appropriate financing sources in the current economic environment and assist them to get acquainted with new and alternative sources of available financing, AgBiz identified mismatch between the needs of the wine sector and banks' financing offers. Based on this situation, AgBiz had several consultations with MBDP (Macedonian Bank for Developing Promotion) and jointly coordinated a roundtable for developing a more substantial dialogue between the banks and other financial institutions on one side and wineries and all wine VC stakeholders on the other. The roundtable contributed to a much better understanding of the pre-conditions needed for better cooperation and higher utilization of available financial resources by wine VC participants.

Due to successful disbursement of the money from the previous tranche (75 mil out of 100mil), in January 2011 Macedonian Bank for Development Promotion introduced the seventh tranche of the European Investment Bank (EIB) credit line amounting to 4.5 million EUR. These funds will support 22 new projects with accounting value of 8.5 million EUR. For this tranche, 63.85% for support through investment loans with repayment period up to 5 years, while the rest is for support through working capital loans with repayment period up to 3 years. Projects are implemented through NLB Bank AD Skopje and ProCredit Bank AD Skopje. MBDP begins with preparations for the withdrawal of a new tranche of priority projects, and credit tranche of the SME credit line from the EIB.

Loans funded by Agricultural Credit Discount Fund (ACDF) through commercial Banks continued to provide the most competitive interest rate of 4% for primary production and 5% for processing and export of agricultural products. The minimum loan is 30.000 Euro whereas maximum loan amount that can be approved is up to €700,000 with Sparkasse Bank and up to €400,000 with other banks. Repayment period is 120 months, grace period of 18 months and with some flexibility of installments to be adjusted on monthly, quarterly, biannually or annually, according seasonality of the business.

During this quarter, the MBDP announced additional novelty that includes loan trade insurance for export companies. The bank from its own capital provides investment credit for financing small and medium size enterprises up to 500.000 euro and repayment time of 8 years, one year grace period and 8% fixed interest rate, credit line for supporting export with maximum limit of 2 mil euro, 12 months repayment time and 7% interest rate as well as credit line for permanent working capital up to 300.000 euro, 3 years payment period and 8% interest rate. MBDP continued with insurance of Domestic Purchase Orders. It is expected this instrument to have positive impact of collecting receivables in an agreed period.

The Program continues to support its 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 as well as track and evaluate the impact of the global financial crises on the Macedonian financial sector and the implications on the AgBiz supported VC's export competitiveness.

### **I.5.1 Detailed Accomplishments vs. Projected Objectives**

The following matrix reports the results achieved for each Activity versus the objective for that Activity as established in the last Quarterly Report. Reports on completed activities are presented in Section 1.5.2 below.

Activity	Expected Result	Result Achieved
Workshop on Innovative Ways of Financing - including IPARD related products with Banks and other Financial institutions' representatives, MBPR, MAFWE & the Wineries	Facilitate banks and other Financial institutions' representatives, MBPR, MAFWE & the Wineries to openly discuss financing issues in the wine VC and encourage them to identify better and innovative ways of financing; Activity completion	Completed, see Section 1.5.2.1
Workshop on innovative ways of financing including IPARD related products with Banks and other Financial Institutions' representatives, MBPR, MAFWE & the FF&V producers and exporters	Facilitate banks and other Financial institutions' representatives, MBPR, MAFWE & the Wineries to openly discuss financing issues in the FF&V VC and encourage them to identify better and innovative ways of financing; Activity completion	AC developed

## 1.5.2 Competitiveness Enhancement Activities Completed During the Quarter

### 1.5.2.1 Workshop on Innovative Ways of Financing with Banks and other Financial Institution Representatives & the Wineries

**DESCRIPTION/OBJECTIVE:** The Macedonian wine industry continues to focus on stabilizing current markets and identifying new export market opportunities. But in addition to sluggish export sales, wineries lack access to favorable financing resources. Exceptionally stringent loan procurement procedures are identified by wine VC participants as a key issue that will additionally burden agreed payment terms for the 2010 season buyout so they will not be in position to secure the cash flow needed to serve the installments for grapes. It will definitely obstruct investment plans in the wine VC.

To assist customers to get acquainted with new and alternative sources of available financing, and help them identify the most appropriate financing sources in the current economic environment, as a means of supporting export competitiveness enhancement of the wine VC, AgBiz identified the mismatch between the needs of the sector and banks' financing offers. The wineries claim that existing financial resources is not favorable, and the banks demand excessive collateral for loans. Difficult business conditions in the wine industry, plus MAFWE's recently prescribed conditions for purchasing grapes, has made many wineries so financially weak that they cannot qualify for loans. This seriously constrains wineries' ability to obtain loans for working capital or to invest in modernization or expanding their operations, and this negatively affects their export competitiveness. Banks complain of defaults, insufficiencies of wineries' loan applications, and very weak business expansion projects included in loan applications.

Based on this situation, AgBiz had several consultations with MBDP and believes that developing a more substantial dialogue between the banks and other financial institutions on one side and wineries and all wine VC stakeholders on the other, will contribute to a much better understanding of the pre-conditions needed for better cooperation and higher utilization of available financial resources by wine VC participants. The direct participation of MAFWE and IPARD payment Agency (AFSARD) representatives in the Roundtable will enhance communications and cooperation between winery representatives and their potential sources of financing.

This proposed activity was designed to improve the main preconditions for reducing many of the existing problems related to wineries' access to finance and to identify the possibilities for developing new innovative financial products that are more favorable for enhancing the overall export competitiveness of the wine VC.

**OUTCOME/FOLLOW-UP:** At the roundtable participated representatives from Stopanska, Komercijalna, Tutunska NLB, Ohridska and ProCredit bank as well the wineries Bovin, Skovin, Dalvina, Tikves, Popov and Vardarska Dolina. After an opening speech by AgBiz Contracting Officer's Technical Representative (COTR), Ms. Meri Cuculoska, and an overview of the general situation regarding available financing in the wine VC and identified mismatch between the needs of the sector and banks' financing offers the claims from the wineries that existing financial resources are not favorable and the banks demand excessive collateral for loans were confronted with the Banks complains of defaults, insufficiencies of wineries' loan applications, and very weak business expansion projects included in loan applications. It was noted that developing a more substantial dialogue between the banks and other financial institutions on one side and wineries and all wine VC stakeholders on the other, will contribute to a much better understanding of the pre-conditions needed for better cooperation and higher utilization of available financial resources by wine VC participants.

The Manager of Credit Insurance Department in the Macedonian Bank for Development Promotion presented the portfolio of the current financial services that are offered by MBDP including **Commercial credit insurance that as** an instrument for risk management and the mechanisms for export insurance. The Moderator Aleksandar Stanojkovski, Credit and Guarantee Department Manager in MBPR presented the available instrument of €100 million loan from the European Investment Bank managed by MBEP and disbursed through seven commercial banks. Macedonian Bank for Development Promotion also introduced new service for companies that are exporting or selling on the domestic market without bank quarantine or prepayment to insure up to 90% of their receivables against commercial and political and another innovation that is insurance of sales of the branch offices of wineries in other countries where they participate with more than 51% of the capital.

Participating wineries presented various difficulties when accessing loans and described specific situations when applying for working capital especially for buyout of grapes. It was stated that the current financial products and interest rates of 6% and above are not very favorable especially for investment projects that usually requires at least four years so the investment can start generating certain income. They also said that the costs for export insurance are higher comparing with other countries that additionally burdens their export price and reduces their competitiveness. One of the main topics covered was collateral. Commercial banks explained obstacles for taking wine on stock as collateral because they are not being able to assess the value, nor have guarantee for the quality in certain time period etc...Nevertheless, they accepted the possibility of developing a certain mechanism and procedures, maybe with the support of the Agricultural inspectorate and some wine evaluation committee this model can be adopted.

Based on the debate that was very open and productive, several concrete recommendations were given. Banks suggested that the GoM, due to the fact that wine is considered a priority Agricultural sector but also has very slow turnover cycle and very unsecured and fluctuating market, should enables MBPR a special fund for servicing the wine VC. Participants proposed MBPR to act as guaranty fund and take the risks (which now have been done by commercial banks) and create financial product that will complement with the wine production cycles.

For more details see “*Activity Workshop on Innovative Ways of Financing with Banks and other Financial Institutions’ Representatives & the Wineries Results Report*” included in the CD version of this report.

**COST:** Total Cost: \$ 1,418; AgBiz Cost Share: \$819, or 58%

## **I.6 HORIZONTAL AND BACKWARD LINKAGES**

After transformation of the Macedonian political system and establishment of an independent state in the early 1990s, and the subsequent transformation of the economic and political systems, significant changes occurred in the country. Changes in agriculture were especially significant because of the transformation of agricultural Kombinats. Recently, MAFWE recognized the lack of vertical integration models and contract farming as one of the most significant obstacles to achieving stable growth and development in the agricultural/agribusiness sector. Many agriculture-focused donor activities and GoM programs have the objective of supporting producer (farmer) organizations and/or agribusiness trade associations. Despite these substantial efforts, only limited progress has been made in developing sustainable trade associations. Without a strong trade association, VC participants cannot impact GoM policies and practices and/or organize and implement effective actions to develop and enhance members’ competitiveness. Sustainable trade associations in the VCs supported by AgBiz would be very good USAID “legacy institutions.”

In 2010 MAFWE decided to start promoting and supporting the development of Producer Groups and Producer Organizations as prescribed by the EU CAP. By adopting the new Law on Agriculture, MAFWE and the GoM have committed to implement the requirements of the EU CAP on forming and recognizing Producer Organizations and the support that will be granted to the recognized Producer Organizations.

During this quarter AgBiz conducted an Assessment of the Potentials and Challenges for Developing Producer Organizations in Macedonia. It resulted in a set of recommendations for support to be used in facilitating the development of sustainable producer organizations in the value chains the Program supports.

## 1.6.1 Detailed Accomplishments vs. Projected Objectives – Activities

The following matrix reports the results achieved for each Backward Linkages Activity versus the objective for that Activity as established in the last Quarterly Report.

Activity Initiated this Quarter	Activity Description	Progress this Quarter
Assessment of the Potential and Challenges for Developing POs in Macedonia with Recommendations for AgBiz Support	Activity completed	Completed, see Section 1.6.3.1
Feasibility Study and Business Plan for POs and Association Management Entity	Activity completed	Completed, see Section 1.6.3.2
Contract Farming Regional Lessons Learned and Best Practices	AD approved, Activity under implementation	Completed, see Section 1.6.3.3
Support to Shumski Plod by Cost Sharing a Professional Manager and Office	AD approved, MoU signed, Activity under implementation	On hold due to the Shumski Plod Management Board not being clear on a model (Association Management Entity/Individual)

## 1.6.2 Detailed Accomplishments vs. Projected Objectives – Projects

The matrix below reports continued progress toward achieving post-Project results.

Project Title	Objective	Result Achieved during the Quarter
<b>VIGAN:</b> Improve the quality and quantity of mushrooms sold on export markets, increase the capacity of production and implement Hazard Analyses and Critical Control Points (HACCP) standards	Closely monitor and obtain grantees quarterly indicator data	Grantees from the Wild Gathered Products Value Chain submitted their CY'10 Annual Report and verified previously reported results on indicators measuring increased production and marketing. In addition, QR for the period Jan – Mar, 2011 was obtained also and almost all of them reported a significant increase of sales during the quarter, especially on international markets. Regardless the economic crisis highly impacted their businesses and slowed down the progress in achieving the set goals, they managed to resolve the obstacles and reestablish contacts with their foreign buyers.
<b>INTERMAK:</b> Maintain and further upgrade Intermaak's position as one of the leading Macedonian companies processing and exporting wild mushrooms by improving and increasing processing and storage capacity		
<b>KORO:</b> Establish and strengthen the company's presence on regional markets, primarily Serbia, and achieve increased regional export sales		
<b>FLORES:</b> Introduce a new organic product line for wild gathered medicinal herbs, aromatic plants and wild fruits, and create new regional and international export opportunities		
<b>KOKOLANSKI:</b> Improve competitiveness by increasing and improving processing capacity and adopting HACCP food safety principles		

## 1.6.3 Competitiveness Enhancement Activities Completed during the Quarter

### 1.6.3.1 Assessment of the Potential and Challenges for Developing POs in Macedonia with Recommendations for AgBiz Support

**DESCRIPTION/OBJECTIVES:** In order to proceed with development of the new way of organizing called Producer Organizations that was initiated in EU for securing the safe supply of fruits and vegetables, an assessment was needed to identify the awareness of the producers and readiness of the government to support it.

**OUTCOME/FOLLOW-UP:** The assessment was conducted in February and March with a comprehensive questionnaire and covered about 20 representatives of agricultural producers from small to big entities. The awareness of this movement is on a very low level and the government's measures that are in preparation cannot be soon utilized. The European Commission's delegation in Skopje has initiated a project that together with the MAFWE should build foundations for a coordinated approach towards proper development of POs. However the AgBiz assessment gave sound recommendations for interventions for both the government and the existing producer groups such as cooperatives and associations. These recommendations include proposals for capacity building, contract farming including the Pos, recommendations for prioritizing the government measures etc.

For more details see the “*Assessment of the Potential and Challenges for Developing Producer Organizations in Macedonia*” included on the CD-ROM version of this report.

**COST:** Total Cost: \$2,774; AgBiz Share: \$1,774, or 64%

### **1.6.3.2 Feasibility Study and Business Plan for POs and Association Management Entity**

**DESCRIPTION/OBJECTIVES:** Till now the Association management company has been a more or less unknown concept for Macedonian Agriculture and for the complete NGO sector. Sporadic appearance of engagement of consulting companies to perform specific tasks for associations has been noted. Despite the large number of NGOs created and supported by projects and the common knowledge that there are no sufficient managerial resources in the NGOs, the idea of creation of AMC was never instigated. AgBiz initiated a study to assess the awareness and readiness of the current association for utilization of services of such entity.

**OUTCOME/FOLLOW-UP:** After the presentation of the concept of Association Management Companies, some members of Trade Associations expressed a need such services especially now in the dynamic transition period in order to enhance their competitiveness. The creation of AMC is viewed as a practical and cost effective solution for managing and providing guidance to the association. However, there is no sufficient understanding and consensus since there is no existing example in the country as far as Agriculture is concerned.

For more details see “*Feasibility Study and Business Plan for POs and Association Management Entity*” included on the CD-ROM version of this report.

**COST:** Total Cost: \$300; AgBiz Share: in kind contribution

### **1.6.3.3 Contract Farming Regional Lessons Learned and Best Practices**

**DESCRIPTION/OBJECTIVES:** Based on the interest and requests of Macedonian processed vegetables companies, AgBiz in January 2010 supported a workshop titled: Improving Backward Linkages of Processed Vegetables VC Participants. The main organizer of the event was MAP backed by MAFWE. The workshop took place in Skopje, was well received and around 35 participants attended the event, including processors of fruits and vegetables, MAFWE representatives, FFRM, representatives of farmers associations and individual producers. All participants evaluated the event as very effective for establishing a dialogue among value chain participants.

In addition, AgBiz supported an assessment that focused on the implications of new government legislation (new law on agriculture and rural development and accompanying sub-legal acts) concerning contracting and buyout of FF&V products, PV agricultural raw materials and table and wine grapes, as well as the impact on the overall competitiveness of the three AgBiz supported VCs. The analyses took into consideration developments during the current season and provided feedback from VC participants regarding the impact of the new legislation on VC participants’ performances. Twenty seven (27) VC members participated in the survey and were interviewed. Final results of the survey were presented to the participants on December 17, 2010 at the premises of MAFWE. Comments received during the presentation and discussion session were incorporated in the Final Report that was distributed to the interested parties. Both events identified advantages and existing shortcomings related to the introduction of contract farming in the country.

The overall objective of the proposed activity was to:

- Introduce latest developments related to EU approximation and its effect on contract farming model in Macedonia;
- Present experience with contract farming from the region and identify positive outcomes and existing shortcomings;
- Discuss the role of MAFWE as the main regulator of contract farming-related development, and their expectations from the new EU approximation activities particularly related to Producer Groups and Producers Organizations.
- Together with the private sector present new recommendations and approaches for contract farming to MAFWE.

Successful completion of this proposed activity should lead to more competitive VCs since new legislative aspects as well as market requirements will be more effectively and efficiently communicated back through the entire value chain.

**OUTCOME/FOLLOW-UP:** EU CAP has gone through a major reform process, especially after abolishment of direct payments to the farmers based on output (per ton or per liter). The current direct support mechanism is based on decoupling principle meaning that the payments (subsidies) are realized per hectare or per head. This situation and scheme will be present until 2013 when the new EU budget will take place. Apart from direct support scheme, additional form of support available to EU producers is rural development support and support of producer groups and producer organizations. The overall idea behind supporting POs is increased number of organized farmers' entities with enhanced lobbying and negotiating powers. Although POs are not new to the "old member states" fragmented agricultural sector of the new EU countries (Bulgaria and Romania) contributed to drop in overall volume of agricultural products traded through the POs. All member states and applicant countries should improve the efficiency of their F&V sectors according to the Council directive 1234 from 2007. Based on the above mentioned, MAFWE requested and EU initiated an EU project entitled as "Adoption and implementation of the EU acquis relating to the Common Agricultural Policy, particularly Common Market Organization establishment". The project aims to introduce the concept of POs for fruits and vegetables in Macedonia and to identify what changes will be needed in domestic legislation for successful establishment of F&V POs. According to the representatives of MAFWE establishment of POs will contribute to increased marketing power of the farmers, their easier access to financial support schemes, increased efficiency and improved production planning.

Contract farming in Serbia is poorly developed. The only exceptions are sour cherries, raspberries and plums. Contracts for these products (primarily between producers and buyers/traders/processors) are generally in place but not fully obeyed. There are around 200 buyers/traders/processors owning cold storages in Serbia although many of them have obsolete technology and need upgrading. Cold storages that have financial difficulties do not pay the producers on time and prolong the payment terms and sometimes even decrease the prices that were agreed. Many traders are also present in the field, offering cash payments, but trying to lower the prices. Sorting and grading is done semi-manually, except for some companies that have advanced equipment.

Contract farming issue is not separately treated and is indirectly influenced by the National Agriculture Development Program of Serbia for the period 2008 – 2011.

Greek Canners Association (EKE) consists of 15 members – all of them being peach canning facilities located in Northern Greece. Three of their members are cooperatives, while the rest are private companies. Some of the members are also involved in tomato paste and fruit puree production. Contract farming model has been in place from the beginning of the 90's (written and oral contracts). During the period 2007-2009, with the aim to liberalize the market and to minimize monopolistic position of the processors, the Greek Ministry of Agriculture halted the enforcement of the contracts, but the results were disappointing. At present, the contract farming concept is again in force and proves to be a successful mechanism that regulates producers – buyers' relationships. Members of the association and their suppliers utilize standard contract that defines responsibilities of parties, quantities and classes of produce that should be delivered by the producers, price, delivery and payment periods, exemptions, etc. Non cooperative members negotiate and sign contracts directly with the processing company while for cooperative members' negotiations and contracts are concluded between the cooperative/PO and processing facility while products are delivered directly by the cooperative members. Negotiations are taking place at the beginning of the year, and are usually concluded no later than March. Contract farming proves to have many advantages since it provides security to the growers (prices and quantities are set before the harvest) but also allow processors to plan their production and sales more efficiently. Also, farmers are not obliged to sell all of their produce under contract but only the quantities that are agreed by the contract. Further growth of the POs will additionally facilitate and improve contract farming model in Greece, while business and management skills of cooperatives/POs executives will remain the most significant threat to these organizations.

MAFWE will continue to support the contract farming concept in the country. Additional subsidies for producers that will contract with the industry will remain as support measure in 2011. Also, MAFWE will work on elimination of irregularities that were present in 2010 such as presence of non registered traders, cash payments, etc. Agricultural inspectorate will play very important role in supporting the contract

farming process through their enhanced field work and activities and sanctions that they will impose on those that violate the agricultural law.

There are existing impediments that prevent fostering of contract farming in the country. High number of small scale individual farms is not in favor of contract farming, as well as small number of newly formed cooperatives. Additional considerations related to further support of cooperatives should be envisaged including priority right to the cooperatives when they bid for concessions over state agricultural land, possibility to streamline the additional subsidies through cooperatives and not directly to the individual growers, favorable access to finance, etc. The above mentioned would result with stronger organizations that would be keen to improve cooperation linkages and would prefer the contract farming option. Once established, the agricultural and rural development council and sub-sectors working groups should act as platforms where the above mentioned issues would be discussed and approved.

For more details see “*Contract farming Regional Lessons Learned and Best Practices*” included on the CD-ROM version of this report.

**COST:** Total Cost: \$6,285; AgBiz Share: \$4,785 or 76%.

## I.7 OUTREACH, MARKET INFORMATION AND ENVIRONMENT

### I.7.1 Detailed Accomplishments vs. Projected Objectives

The following matrix reports the results achieved for each outreach Activity versus the objective for that Activity as established in the last Quarterly Report.

Activity	Expected Result	Result Achieved
AgBiz Web Site	Web site updated on an ongoing basis	Updated on regular basis
Introducing energy efficiency and renewable energy for Macedonian agribusinesses - workshop	Develop Activity Concept and Activity Description	Activity Concept was developed; Discussed with all presenters and developed Activity Description. Drafted agenda and invitation for the activity
Program's Newsletter - Focused on Activities' Results	Develop an outline for the Newsletter	Since the Outreach, Market Info and Environment Manager left the Program on 18 <sup>th</sup> of March; this activity hasn't been completed as originally planned
Transfer of Post-Harvest Handling Technology for Selected Agriculture Commodities to POs/ Farmers/Agribusinesses through <i>Moja Zemja</i>	Develop and publish guidebooks for “potatoes & onion and tomatoes & peppers” as per Dissemination Plan stated in the approved Activity Description	The four guidebooks for “onion and potatoes” and “tomatoes and peppers” were published in February and March editions of <i>Moja Zemja</i>
AgBiz Conference and Training Calendar	Provide monthly input on AgBiz activities for USAID's EG Office Event Calendar	Completed
Technical Communication Dissemination	Distribute at least 3 pieces of technical information to stakeholders other than customers	The two finalized success stories “Registration of Seasonal Employees in Only Few Minutes” and “EU Market Demands Macedonian Fresh Produces” were disseminated following the Technical Communication Dissemination Plan. The Post-Harvest Handling Manual was disseminated to participants that attended the workshop in Strumica. FFRM's <i>Moja Zemja</i> April edition will publish a two-page interview with Dr. Krum Boshkov on presentation of the Manual and will issue an article for the event held in Strumica.
MAFWE Updating	Provide MAFWE with monthly AgBiz information or/and information on AgBiz planned activities	Distributed via email Success Stories to MAFWE's Department for International Cooperation; and provided information on completed activities
Information Sharing with Similar Regional Projects	Share at least 2 pieces of AgBiz information with other regional agribusiness projects	The February edition of the RCI Newsletter featured the AgBiz success story on the Free Trade Agreement Conference
Success Stories	Develop and publish monthly stories	Completed and disseminated “On-line Registration of Employment system”; “EU Market Demands Macedonian Fresh Produces” and “Wine of Macedonia Trade Association” Success Stories
Media Exposures	Accomplish several media exposure	Released Media Advisory for Macedonian Processed

Activity	Expected Result	Result Achieved
	events presenting AgBiz activities	Vegetables Exporters Promote their Products in the Ukraine and posted to the website

## I.8 PROGRAM DEVELOPMENT AND IMPLEMENTATION

### I.8.1 Detailed Accomplishments vs. Projected Objectives

The following matrices report the results achieved for each Activity versus the objective for that Activity established in the last Quarterly Report.

#### I.8.1.1 Program Development

Activity	Expected Result	Result Achieved
Provide USAID further assistance and clarification if needed for approving the No-Cost Extension (NCE) and Budget Modification to transfer \$34,976 in remaining grant funds into Activities	USAID approval for a No-Cost Extension and Budget Modification that will transfer the remaining Grant Budget line item balance into Total All Other Costs.	Received USAID CO approval of the RfA for No-Cost Extension until June 18, 2011
Closely monitor and control budget expenditures to successfully implement a highly leveraged activities program	Monthly Budget Pipeline Analyses based on actual invoices expense tracking and proposing budget and expense correction where necessary.	The monthly Budget Pipeline Analyses shows expenditures to date are consistent with the plan.
If requested by USAID prepare PMP modification, including the increased results and indicators already reported in the NCE Request	Revise the PMP and get USAID approval.	Revised Goals and Results approved with NCE and Annual Work Plan
Inventory disposition planning	Implement ARD and USAID compliant Close out procedures	Inventory disposition proposal was updated and sent to BTW
Data Collection and Analysis of Project Derived Indicators	Quarterly progress and CY'10 Annual report forms customized and disseminated to responsible PCs to be further distributed to grantees	CY'10 Annual Report and Quarterly Progress for the period Jan – Mar, 2011 forms customized and disseminated to responsible PCs to be further distributed to Grantees
Maintain the internal integrated database/spreadsheets to support archiving and reporting performance data	Official data for CY'10 obtained; data quality assessed and further processed, internal integrated database/spreadsheets archiving performance data updated and fully functional	Obtained filled-out forms, verified and processed data and updated input into the internal integrated database tracking progress on indicators measuring increased production and marketing
Maintain FY '11 activities budget and implementation plan	Actual activities expenditures tracked, completion vs. budget allocated and timeframe established in compliance with AWP	Updated input into the matrix tracking "Budget Spent vs. Allocated" based on the monthly Financial Reports and ongoing update of the input into the FY'11 Activities Implementation Plan accordingly
Receive Post-Evaluation Forms of Completed Activities, Assess Data Quality and Enter into the Management Information System (MIS)	Automated M&E MIS updated	Post-evaluation forms of completed activities received, data quality assessed and activity costs adjusted based on monthly financial reports; all information entered in the M&E MIS and filed accordingly.
Maintain electronic filing system to facilitate managing and documenting performance data	Electronic filing system maintained	Electronic filing system maintained and fully operational
Administer Quarterly Report Development and Compilation/Assure Conformity with 508 Federal Regulative	Weekly reports produced during the quarter reviewed; outline responsibilities and input forms developed	Weekly reports produced during the Quarter reviewed; Quarterly Report outline responsibilities developed and input forms customized and distributed; FY'11 First Quarter Report finalized and submitted to USAID
Data Quality Assessment conducted by local experts contracted by USAID	Determine whether USAID Macedonia's principal performance indicators are satisfactory in terms of meeting criteria for quality as outlined in the USAID Automated Directives System	Met with the local experts and presented AgBiz'/Agriculture Sector Productivity indicators; presented Performance Indicator Reference Sheets integrating Definition and Unit of Measurement, Data source, Collection Methods and related Evaluation Forms; Baselines and Targets for each of the Indicators
Wine Industry Database	Data on trade flow in CY '10 obtained, processed, and database updated	Data obtained from the State Statistical Office and data processing initiated
Importance of Agribusiness to Macedonian Economic Growth Report	Data on Macedonian Agricultural Commodity Exchange in CY '10 obtained and processed, public releases presenting official data on employment in Macedonia and agribusiness share in the Gross Domestic Product (GDP)	Partially obtained data from the publications released by the State Statistical Office, NBRM's website and Agriculture Report, 2009 prepared by MAFWE

Activity	Expected Result	Result Achieved
	obtained from the State Statistical Office and processed accordingly	

### 1.8.1.2 External Cooperation/Coordination

Activity	Expected Result	Result Achieved
Participated at the Common Market Organization (CMO) presentation organized by the EU CMO project	Get acquainted with the scope of EU CMO project and their work on creating successful Producer organizations for Fruit and vegetables	Learned more on the EU CMO project and their work on creating successful Producer organizations for F&V
Participated at the public debate organized by MoE and Invest Macedonia on the Strategy for Export Promotion prepared by the expert David Brown	Identify insufficiencies and encourage WoM and MAP to review it and submit their comments and suggestions	Identified insufficiencies in the Strategy for Export Promotion. WoM and MAP compiled and submitted their comments and suggestions to the expert David Brown and the Director of Invest Macedonia.
Field visit with the wine expert from London International Fair, Mr. Derek Smidley invited and hosted by Bovin to taste Macedonian wines	Coordinate with the expert to taste and provide tasting notes for the wines from Dalvina, Skovin, Kamnik, Fonko, Vardar Valley and Tikves	The expert tasted wines from Dalvina, Skovin, Kamnik, Fonko, Vardar Valley and Tikves, and provided tasting notes
Participated at a presentation on AOC (Appellation d'origine contrôlée) by a French expert Alexander Lasareff and held a meeting with the Minister of Agriculture to discuss the opportunity for the French Ministry of Agriculture to help MAFWE in starting the process for developing AOC.	WoM to upgrade the knowledge in the AOC The Ministry of Agriculture to express commitment for MAFWE to coordinate with WoM and fully support the process for developing and adoption of AOC's in Macedonia.	The Minister welcomed the assistance from the French Ministry of Agriculture and expressed commitment for MAFWE to coordinate with WoM and fully support the process for developing and adoption of AOC's in Macedonia. It is agreed Lasareff to send a letter regarding the positive outcome from this visit to the French Minister of Agriculture and to arrange for the first delegation of French AOC experts to come to Macedonia in late April.
Met with International Women's Association (IWA) of Skopje and discussed potential assistance for organizing the IWA Spring Wine and Cheese Event	AgBiz to help coordinating with the wineries and identifying interest to participate at the IWA Spring Wine and Cheese Event	AgBiz provided required assistance in coordinating with the wineries and identifying interest to participate at the IWA Spring Wine and Cheese Event
Participated on a meeting with the Deputy Minister of MAFWE and Macedonian-Russian Chamber of Commerce to discuss their initiative to have a National Macedonian stand on the World Food trade Fair in Moscow	Identified interest from AgBiz VC participants to exhibit at a National Macedonian stand on the World Food trade Fair in Moscow	Identified interest from AgBiz VC participants to exhibit at a National Macedonian stand on the World Food trade Fair in Moscow supported by MAFWE and Macedonian-Russian Chamber of Commerce
Meet with Ms. Sonja McGurk, Executive Director of AmCham	Share AgBiz experience and lessons learned and discuss possible presentation of Macedonian companies and their products on the U.S. market	Presented AgBiz experience/lessons learned and discussed interest for participation of Macedonian food companies at the Fancy Food Trade Fair in Washington and presentation of their products on the U.S. market
Met with Ana Stojkova – Economic promoter for Serbia and Bulgaria on Monday, January 18, 2011.	Support to export promotion of PV VC members	Processing industry report was electronically sent and was discussed possible support and involvement of the promoter in promotional activities of PV VC members in Serbia during 2011
Participated on the meeting organized by USAID Macedonia Energy Project Design in regards to potential inclusion of PV VC members in Energy efficiency project activities	Involvement t of the PV VC members in energy efficiency activities	Information about the forthcoming projects were acquired and distributed to MAP members
Met with Mr. Robert Archer and discussed possible inclusion of PV VC members in energy related project of USAID	Involvement t of the PV VC members in energy efficiency activities	Additional meeting on which all relevant industry specific information were elaborated to the representatives
Met with Mr. Erdan Seyhan, Marketing and Sales Manager of Shishedzam from Turkey	Possibility for investments in new glass manufacturing facility in Macedonia	Provided additional information about the performances of the PV VC
Participated on the MAP assembly meeting on March 10, 2011 in Negotino	Activities for 2011	Activities for 2011 and supporting budget discussed and agreed by the members
Participated on the MAP managing board meeting on March 25, 2011	Position paper related to seasonal employment	Layout of the position paper agreed, the legal advisor engaged by MAP should prepare draft document in April, 2011
Participated on the workshop on Common Market Organization and Producers Organizations organized by EU project for CMO and MAFWE	Improved linkages and cooperation with primary sector	Increased understanding of EU support to POs and willingness of MAFWE to adjust its current legislation in order to include Producer Groups and PO categories
Met with Mr. Kiril Minoski from USAID's IDEAS project	Export promotion activities	Discussed possibilities for inclusion of PV VC in their export promotion activities.
Met with Ms. Gordana Sukleva from ME and Mr. Rodney Osborne and Mr. Claudio Dela Valle working on behalf of the ME in regards to support of clusters initiatives in Macedonia	Supporting activities to MAP	Information about MAP and cluster related potential activities presented to the consultants
Met with Deputy Minister Ivanovski and MAFWE representative Ms. Deleva	Participation of PV VC members on World Food Moscow fair in Russia	Initial interest confirmed, information circulated to PV VC members

Activity	Expected Result	Result Achieved
Met with MAFWE's Department for Analysis of Ag. Policies on development of Common Market Organizations	The MAFWE's department wants to propose AgBiz as a member of the committee for Fruits & Vegetables in the subsector groups	The subsector group's establishment is postponed by MAFWE
RCI meeting in Montenegro	Coordination with other USAID projects in Agriculture from the region	Regional Agricultural Conference in Skopje on Integrated Pest Management in April 2011.
Participated on the fourth meeting of the "Shumski Plod" Trade Association held in Kochani	The main discussion of the meeting was completed activities of the Association; what are the next planes and expending the membership.	In February was organized Annual Meeting on "Shumski Plod" Trade Association. Sixteen participants attended the meeting, out of which five were new members that expressed interested to join the association.
USAID Capacity Building Training	Presenting AgBiz Environmental Work	The Capacity Building Training was organized from 14-18 <sup>th</sup> of March. The participants were local NGOs who have received grants from USAID/Macedonia. The Outreach, Market Info and Environment Manager had one hour presentation on the environmental compliance procedures of USAID, and AgBiz' experiences in following USAID 216 Regulations.

### 1.8.1.3 Staff Development

Activity	Expected Result	Result Achieved
Identify ways to motivate staff to stay until close to end of program activities in 2011, prepare a plan and inform staff about alternative and/or additional job responsibilities	If the need arises, a plan for alternative or additional job responsibilities for current staff	Consulting Contract with G. Angelovski terminated for failure to perform duties required in the contract; AoF activities transferred to Key Personnel. N. Stankovic submitted letter of resignation and the Outreach AoF activities scheduled to be implemented beyond 18th of March are transferred to S. Petrovska.
Local Staff employment agreements and consulting contracts extended after NCE approval	Renew employment agreements for the local staff	<ul style="list-style-type: none"> <li>Employment Contracts renewed for four staff, per definite period of time employment contracts regulations;</li> <li>Extended contracted engagement with the Intern and MAP for the PV VC Management.</li> </ul>
ARD employees' Obligatory Medical Examinations	Subsidiary Office of ARD is compliant with Local Labor Regulations.	ARD employees' Obligatory Medical Examinations completed and statements of work capability issued for all staff.
Manage mid- year staff evaluations with good feedback on performance	Assist staff with performance evaluation assessment and plan development	Employees' Performance Results for second half of 2010 and Performance Commitment Plan for period Jan-Jun, 2011 prepared and submitted by staff members for approval to CoP
Submit Tax Report and Annual Finance Statement for 2010 to the Public Revenue Office per MK regulations.	Subsidiary Office of ARD is compliant with Local Finance operations regulations.	<ul style="list-style-type: none"> <li>Completed AgBiz Consultants Income Tax Reports for 2010 per MK regulations</li> <li>ARD Subsidiary Office Annual Finance Statement for 2010 to the Public Revenue Office per MK regulations</li> </ul>

## 1.8.2 Program Administration and Control

### 1.8.2.1 Project Implementation

Activity	Expected Result	Result Achieved
Assure continued grantee results quarterly reporting	Assure that PCs collected and submitted Quarterly Progress Report for each grant that provides assessment of work progress, the constraints encountered and actions to minimize the constraints and results achieved during the Quarter.	Quarterly and Annual Progress Reports collected from Grantees, that provide assessment of work progress, the constraints encountered and actions to minimize the constraints and/or correct problems.

### 1.8.2.2 Project Reports

Table 1 below lists the performance of the 20 grantee Projects at the end of March, 2011 achieved over the four years of Program's implementation.

### **1.8.2.3 Activity Reports**

Table 2 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 \$137,814 to which AgBiz contributed 26%. Completed Activities provided support to 13 trade associations or producer organizations and 81 agribusinesses. Thirty-two new export customers were identified by the participants in completed Activities and that resulted in receiving over €1.9 worth of export orders. Participants gave the Activities an average satisfaction score 4.62 out of 5.0.

TABLE I. PROJECT STATUS REPORT

PROJECT NUMBER	CUSTOMER	TOTAL PROJECTS INVESTMENT (US\$)	CUSTOMER INVESTMENT (US\$)	AGBIZ COST (US\$)	AGBIZ (%)	Cumulative Results Achieved thru March 31, 2011				
						TOTAL SALES GROWTH (EUR)	EXPORT SALES GROWTH (EUR)	INCREASED RAW MATERIAL PURCHASES (EUR)	RURAL HOUSEHOLDS BENEFITED	INCREASED EMPLOYMENT
2	Agros 2004	107,959	69,059	38,900	56%	278,192	110,359	80,091	761	3
3	Badzo	70,752	42,752	28,000	65%	957,099	906,947	1,265,839	711	36
13	GD Tikves	209,153	180,500	28,653	16%	1,281,301	708,130	97,561	1,735	104
16	Ledra Agro	167,001	150,001	17,000	11%	449,746	251,872	94,829	219	-13
18	Peca Komerc	180,146	150,146	30,000	20%	1,563,563	1,463,679	992,172	4,063	12
10	Agrohemija	2,076,198	2,046,198	30,000	1%	1,573,118	1,419,022	473,431	49	17
<b>FF&amp; V VC SUBTOTAL</b>		<b>2,811,209</b>	<b>2,638,656</b>	<b>172,553</b>	<b>7%</b>	<b>6,103,018</b>	<b>4,860,009</b>	<b>3,003,923</b>	<b>7,537</b>	<b>159</b>
1	Vipro	452,566	429,566	23,000	5%	801,953	539,514	20,235	1,165	13
4	Avto Ria Doeel	126,698	106,898	19,800	19%	293,154	310,458	223,577	262	11
5	Bonum Plus	2,060,045	2,026,120	33,925	2%	-778,684	-460,841	97,153	1,075	52
6	Dentina	183,401	147,394	36,007	24%	870,193	815,860	189,893	411	43
8	Lars	201,428	183,428	18,000	10%	340,813	427,122	89,431	622	2
<b>PV VC SUBTOTAL</b>		<b>3,024,138</b>	<b>2,893,406</b>	<b>130,732</b>	<b>5%</b>	<b>1,527,430</b>	<b>1,632,113</b>	<b>620,290</b>	<b>3,535</b>	<b>121</b>
7	Kokolanski DOOEL	42,430	35,380	7,050	20%	-43,218	-49,260	-8,832	281	-1
12	Flores	123,940	110,940	13,000	12%	-1,175,679	-1,193,620	-393,380	6,603	27
14	Inter-Mak	530,600	510,600	20,000	4%	412,208	-28,526	396,767	2,801	9
15	Koro	120,000	108,000	12,000	11%	638,116	490,096	200,010	12,372	7
19	Vigan	365,000	350,000	15,000	4%	252,042	156,458	105,928	4,879	31
<b>WGP VC SUBTOTAL</b>		<b>1,181,970</b>	<b>1,114,920</b>	<b>67,050</b>	<b>6%</b>	<b>83,469</b>	<b>-624,852</b>	<b>300,493</b>	<b>26,935</b>	<b>73</b>
11	Bovin	296,665	277,665	19,000	7%	287,464	40,002	-9,143	314	12
17	Valandovo Winery	384,362	361,362	23,000	6%	353,119	381,677	2,878	1,774	194
9	Popova Kula	207,494	169,468	38,026	22%	254,088	184,439	-60,163	280	48
20	Agrolozar/Dalvina	493,648	476,466	14,663	4%	950,732	614,959	463,415	233	31
<b>WINE VC SUBTOTAL</b>		<b>1,382,169</b>	<b>1,284,961</b>	<b>94,689</b>	<b>8%</b>	<b>1,845,404</b>	<b>1,221,077</b>	<b>396,987</b>	<b>2,601</b>	<b>285</b>
<b>GRAND TOTAL</b>		<b>8,399,486</b>	<b>7,931,943</b>	<b>465,024</b>	<b>6%</b>	<b>9,559,321</b>	<b>7,088,347</b>	<b>4,321,693</b>	<b>40,607</b>	<b>637</b>

**TABLE 2. ACTIVITY STATUS REPORT**

POSSIBILITIES											
MIS Code	ACTIVITY	PARTNERS	*ACTIVITY COST (US\$)			DESCRIPTION / COMMENT					
			TOTAL	AGBIZ	AgBiz Percentage						
231	Modern Post Harvest Handling Technology Capacity Building and Establishing Market Linkages with Serbian Buyers		0	0	0 %	Understand buyout and sales practices of Serbian import companies in the Novi Sad and Belgrade Wholesale market					
237	Facilitation of Exports to Kosovo and Bilateral B2B Meetings	OBCK	1,200	600	50 %	Strengthen business relations of Macedonian fruit and vegetable producers and traders with Kosovar customers					
240	PV VC members study tour and B2B meetings in Germany		10,280	2,140	21 %	Increase participants' knowledge about German market for processed vegetables, meet with relevant potential buyers and promote their products					
893	Survey on the Performance of the F&V Processing Industry in 2010		6,000	2,500	42 %	Provide detailed and updated information on the performance of the industry, and to present the exporting figures of the industry for 2010					
145	Follow up on Seasonal Employment Assessment - forming working groups for proposing legislation changes		0	0	0 %	Establish working groups and develop recommendations for amendments to be submitted to the GoM					
143	Wine Grape Demand & Supply Conference		0	0	0 %	Better demand-supply planning, relevant fact-based dialogue between grapes growers and wineries, more analytical approach to overall development of the VC					
241	Wine Road-show presentations of Macedonian wineries in Poland and Czech Republic	CBI	0	0	0%						
894	Support in Establishing a Joint Brand/Export Company		0	0	0 %						
144	Participation on EU Vegetable Processors Conference		0	0	0 %						
<b>TOTAL</b>			<b>17,480</b>	<b>5,240</b>	<b>30 %</b>						
APPROVED AND UNDER DEVELOPMENT											
MIS Code	ACTIVITY	PARTNERS	*ACTIVITY COST (US\$)			DESCRIPTION / COMMENT					
			TOTAL	AGBIZ	AgBiz Percentage						
883	Develop a Website for MAEA		1,290	450	35 %	Increase the visibility and marketing potential of MAEA on an international and national level					
142	Workshop on Transferring Post-Harvest Handling Technology for FF&V to Agribusinesses, Associations and POs		5,000	3,500	70 %	Increase the understanding and knowledge of Macedonian FF&V VC participants about the ways of real practical use and implementation of advanced post-harvest handling technologies					
892	Assessment of Correlation between the Agricultural Productivity of Primary Producers and Agribusiness Export Performance		4,400	4,400	100 %	Assess the correlation and interdependence of the productivity of primary producers and the export performance of the agribusinesses that use primary producers' output					
141	Workshop on Introducing Energy Efficiency and Renewable Energy for Macedonian Agribusinesses	CeProSard; Ohridska Bank	600	200	33 %	Introduce the customers with concept of developing sustainable energy projects					
<b>TOTAL</b>			<b>10,000</b>	<b>8,100</b>	<b>81 %</b>						
ALL AGREEMENTS SIGNED AND IN IMPLEMENTATION											
MIS Code	ACTIVITY	PARTNERS	*ACTIVITY COST (US\$)			DESCRIPTION / COMMENT					
			TOTAL	AGBIZ	AgBiz Percentage						
890	Support to WoM Association by Costs Sharing for an Administrative Assistant and Office	WoM	3,510	2,000	57 %	Enable effective operation and develop the visual identity of the association					
885	Processed Vegetable Value Chain Management & Support		8,497	8,497	100 %						
882	Transfer Post-Harvest Handling Technology for Selected Agriculture Commodities to PO, Farmers, and Agribusinesses Through Moja Zemja	FFRM	10,100	1,800	18 %	Increasing the understanding and knowledge of Macedonian FF&V participants in advanced post-harvest handling technologies for FF&V					
<b>TOTAL</b>			<b>22,107</b>	<b>12,297</b>	<b>56 %</b>						
COMPLETED											
MIS Code	ACTIVITY	PARTNERS	*ACTIVITY COST (US\$)			# of Producer Organization / Business Assos. that received	# 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

**TABLE 2. ACTIVITY STATUS REPORT**

TABLE 2. ACTIVITY STATUS REPORT											
						assistance					
322	Fruit Logistica 2011		42,379	7,631	18 %	1	4	1,900,000	26	10	4,48
884	Pre & Postharvest Handling Technology Manual for Horticultural Crops	FFRM	3,101	3,101	100 %	2	7	0	0	20	0,00
<b>FF&amp;V AoF Subtotal:</b>			<b>45,480</b>	<b>10,732</b>	<b>24 %</b>	<b>3</b>	<b>11</b>	<b>1,900,000</b>	<b>26</b>	<b>30</b>	<b>4,48</b>
323	International BeoWine Fair and Promotion of Macedonian Wines in Serbia		10,963	3,282	30 %	0	3	29,500	2	8	4,63
239	Wine VC Members Study Tour and Promotional Event in Sweden	MAFWE	49,602	4,879	10 %	0	10	13,000	4	20	4,54
876	Support the WoM Association to Acquire Relevant Market Information by Obtaining Euromonitor's "Passport" Package	WoM	8,835	4,870	55 %	1	7	0	0	77	0,00
<b>Wine AoF Subtotal:</b>			<b>69,400</b>	<b>13,031</b>	<b>19 %</b>	<b>1</b>	<b>20</b>	<b>42,500</b>	<b>6</b>	<b>105</b>	<b>2,32</b>
236	PV VC Members Study Tour and Promotional Event in Ukraine		12,157	4,584	38 %	0	7	0	0	7	4,84
<b>PV AoF Subtotal:</b>			<b>12,157</b>	<b>4,584</b>	<b>38 %</b>	<b>0</b>	<b>7</b>	<b>0</b>	<b>0</b>	<b>7</b>	<b>4,84</b>
891	Contract Farming Regional Lessons Learned and Best Practices		6,285	4,785	76 %	4	12	0	0	27	0,00
887	Develop a Feasibility Study and Business Plan for an Association/Producer Organization Management Entity		300	0	0 %	0	15	0	0	17	0,00
888	Assessment of the Potential and Challenges for Developing Producer Organizations in Macedonia with Recommendations for AgBiz Support	SNV	2,774	1,774	64 %	5	6	0	0	17	0,00
<b>H&amp;V Linkages AoF Subtotal:</b>			<b>9,359</b>	<b>6,559</b>	<b>70 %</b>	<b>9</b>	<b>33</b>	<b>0</b>	<b>0</b>	<b>61</b>	<b>0</b>
137	Workshop to Present Innovative Ways of Financing to Wineries	MBDP	1,418	819	58 %	0	10	0	0	14	0,00
<b>Access to Finance AoF Subtotal:</b>			<b>1,418</b>	<b>819</b>	<b>58 %</b>	<b>0</b>	<b>10</b>	<b>0</b>	<b>0</b>	<b>14</b>	<b>0</b>
<b>GRAND TOTAL:</b>			<b>137,814</b>	<b>35,725</b>	<b>26 %</b>	<b>13</b>	<b>81</b>	<b>1,942,500</b>	<b>32</b>	<b>217</b>	<b>4,62</b>
ON HOLD OR DROPPED											
MIS Code	ACTIVITY	PARTNERS	*ACTIVITY COST (US\$)			DESCRIPTION / COMMENT					
			TOTAL	AGBIZ	AgBiz Percentage						
238	Wine VC Members Study Tour and Promotional Event in Ukraine		0	0	0 %	Canceled due to the anticipation for early elections and incapacity of the companies and MAFWE to contribute to the overall organization and coordination with the Chamber of commerce in Kiev and Macedonian Embassy in Ukraine					
235	B2B and Promotion of Macedonian Fresh Fruits and Vegetables in Austria	MAEA	0	0	0 %	Dropped due to cancelled commitment of the Austrian consulate in Macedonia to act as a counterpart to MAEA in organizing and coordinating the activity					
138	GlobalGAP group certification overview training for the MAEA members and FF&V VC participants	MAEA	0	0	0 %	Dropped due to avoid overlap with SIPPO that already implemented an activity covering the same topic and beneficiaries					
235	Austria B2B and Promotion of Macedonian FF&V	MAEA	0	0	0 %	Dropped due to cancelled commitment of the Austrian consulate in Macedonia to act as a counterpart to MAEA in organizing and coordinating the activity					
	Follow up with MAEA (FF&V VC) on Subsidies Assessment	MAEA	0	0	0 %	On hold for April due to postponed MAEA's Assembly					
889	Support to Shumski Plod Ass. by costs sharing for a professional management and office	Shumski Plod	0	0	0 %	On hold due to MAEA's Management Board still not clear for a managing model (Association Management Entity/Individual)					
886	Support to MAEA by costs sharing for a professional management and office	MAEA	0	0	0 %	On hold due to Shumski Plod's Management Board still not clear for a managing model (Association Management Entity/Individual)					
<b>TOTAL</b>			<b>0</b>	<b>0</b>	<b>0 %</b>						

### 1.8.2.4 Agreements Signed Report

Table 3 below shows that a total of 18 agreements were signed in Macedonia during the Quarter worth \$21,614. All agreements were with Macedonian companies or individuals.

TABLE 3. AGREEMENTS SIGNED								
No.	Company/Person	Type of Contract	SUBMITTED TO USAID	USAID CO	USAID CTO	Signed	Person responsible	US\$
FFPC 97	Fruit Logistica	FFPC	29-Dec-10	NR	29-Dec-10	10-Jan-11	Natasha	\$6,000
	Fruit Logistica, Agrolozar	LOI	29-Dec-10	NR	29-Dec-10	21-Jan-11	Natasha	
	Fruit Logistica, Badzo	LOI	29-Dec-10	NR	29-Dec-10	21-Jan-11	Natasha	
	Fruit Logistica, Turan	LOI	29-Dec-10	NR	29-Dec-10	21-Jan-11	Natasha	
	Fruit Logistica, MAEA	LOI	29-Dec-10	NR	29-Dec-10	21-Jan-11	Natasha	
	Fruit Logistica, Vivi Prom	LOI	29-Dec-10	NR	29-Dec-10	21-Jan-11	Natasha	
	Wine Promo Sweden, MAFWE	MOU	14-Jan-11	NR	6-Jan-11	13-Jan-11	Damo	
	Wine Promo Serbia, Bovin	MOU	29-Dec-10	NR	29-Dec-10	21-Jan-11	Damo	
	Wine Promo Serbia, Kamnik	MOU	29-Dec-10	NR	29-Dec-10	21-Jan-11	Damo	
	Wine Promo Serbia, Dalvina	MOU	29-Dec-10	NR	29-Dec-10	21-Jan-11	Damo	
	Ukraine ST PV, MAP	MOU	24-Jan-11	NR	24-Jan-11	28-Jan-11	Saso	
	Banks Innovative finance Wine , MBPR	MOU	7-Feb-11	NR	8-Feb-11	17-Feb-11	Damo	
	FFPC 98	Ideja OK Assessment of challenges for Pos	FFPC	15-Dec-11	NR	23-Dec-11	10-Feb-11	Vasko
FFPC 99	Macedonian Association of processors	FFPC	8-Oct-09	NR	14-Oct-09	15-Feb-11	Sasho	\$1,087
	WoM Support WOM Association to Establish an Office and Engage an Admin Assistant	FFPC	22-Feb-11	NR	22-Feb-11	17-Feb-11	Damo	\$2,000
FFPC 101	MCG Contract Farming Regional Lessons learnt	FFPC	7-Mar-11	NR	8-Mar-11	10-Mar-11	Vasko	\$4,000
FFPC 102	MAPPV VC Coordination	FFPC	8-Oct-09	NR	14-Oct-09	16-Mar-11	Sasho	\$2,887
FFPC 103	EPICENTAR, Agricultural Productivity	FFPC	17-Mar-11	NR	17-Mar-11	1-Apr-11	Vasko	\$4,400
<b>TOTAL</b>								<b>\$21,614</b>

### 1.8.3 Quantitative Performance Indicators

This section describes key indicator accomplishments during the Quarter (Table 4)

**DESCRIPTION/ OBJECTIVE:** AgBiz performance indicators are a set of quantitative measurements used to present Program results to AgBiz management and USAID. Use of performance indicators as a management tool allows for the tracking of Project results and Activity implementation, as well as for preparation of progress reports for USAID.

**OUTCOME:** Given that the AgBiz request for a NCE was approved during this Quarter and the timeframe for implementing additional USG supported interventions has therefore been extended, all proposed Indicator revisions and objectives for FY'11 and CY'10 have been accepted by USAID.

#### 1.8.3.1 Fiscal Year Quarterly Indicators

Achievements on indicators that are reported on Quarterly basis are shown in Table 4 below.

Progress toward achieving qualitative Program objectives was satisfactory during the Quarter and almost 65% of the newly projected Indicators being on schedule or slightly overachieved. Since FY '11 only has

eight months of significant AgBiz operations, 75% of the AgBiz FY was been completed at the end of this Quarter. Therefore, any indicator completion percentage that is equal or greater than 75% is on schedule. Nine out of the 14 indicators that have a positive FY objective are equal to or greater than 75%. AgBiz believes all FY '11 indicators will be achieved as scheduled.

The implementation of human resource capacity enhancement Activities involved 217 individuals from 31 not previously assisted agribusinesses (a total of 81 agribusinesses have benefited from Program direct interventions) and three additional POs.

The participation of 17 customers in the Fruit Logistica 2011, International BeoWine Fair and Study Tour & Promotional Event in Sweden resulted in over €1.9 million worth of new orders. Also, one of the participants in World Food Moscow Fair 2010 that was held in September, 2010 reported additional order worth around €100,000 during the six-month follow-up period.

Over \$100,000 of investment was stimulated from customers, and AgBiz contributed an average of 26% of the total direct cost of Activities implemented during the Quarter, thus achieving very good resource leveraging.

<b>TABLE 4. FY'11 SECOND QUARTER INDICATORS ACHIEVEMENTS</b>				
<b>INDICATORS</b>	<b>This Quarter</b>	<b>FY to Date</b>	<b>Fiscal Year 2011 Objective (Oct 1, 2010 – Jun 18, 2011)</b>	<b>Performance (FY%)</b>
<b>1. Increased Raw Material Production and Products Marketing</b>				
1.11 Value of new orders (in 000 Euros) from Trade Fairs, B2B Meetings and Fast Track Projects	2,042,350	2,846,500	2,810,000	101%
1.12 Number of new customers from Trade Fairs, B2B Meetings and Fast Track Projects	32	42	31	135%
<b>2. Increased Coverage and Assistance to Value Chain Participants</b>				
2.1 Number of Producer Organizations receiving assistance	3	7	8	88%
2.3 Number of Agriculture-related Firms receiving assistance	31	55	117	47%
2.4 Number of Trade and Business Associations receiving assistance	0	1	2	50%
<b>3. Building Human Capacity</b>				
3.1 Number of male individuals who have received short-term agriculture or agribusiness productivity enhancement training	168	293	796	37%
3.2 Number of female individuals who have received short-term agriculture or agribusiness productivity enhancement training	49	190	250	76%
<b>4. Value of Investment Stimulated and Leveraging Achieved</b>				
4.1 Value of customer investment stimulated (000US\$)	102,089	248,036	232,000	107%
4.2 Value of third party domestic investment stimulated (000US\$)	0,00	0,00	0,00	0,00
4.3 Value of total domestic investment stimulated (000US\$)	102,089	248,036	232,000	107%
4.4 Value of foreign direct investment stimulated (000US\$)	0,00	0,00	0,00	0,00
4.5 Leveraging Achieved by AgBiz (%)	26 %	27 %	26 %	96 %
<b>5. Increased Access to Finance</b>				
5.1. Value of customer financing (potential loans) identified (000US\$)	0	271,000	250,000	108%
5.2. Number of new customers provided access to finance assistance	4	12	11	109%
<b>7. Policy and Institutional Reform</b>				
7.1. Number of policy and institutional constraints identified and prioritized	6	9	21	43%
<b>8. Outreach</b>				
8.1. Number of Success Stories produced and published	3	6	14	43%
8.2. Number of media exposures (TV, Radio and Newspaper)	7	17	22	77%

### 1.8.3.2 Annual Calendar Year Indicators

The standard result-oriented Indicators that are reported on a Calendar Year basis are shown in Table 5 below. The first two columns present the cumulative results achieved till the end of CY '10 (December, 31, 2010) and the additional results achieved during the period from January to March, 2011. The following columns summarize the cumulative results achieved in the last four years, compared to the LoP Objectives.

During this Quarter we collected and assured data quality for the indicator performance of the twenty grantee Projects that are the source for measuring “Increased Raw Material Production and Products Marketing” and “Increased Employment” and percentage increases. In addition, data was obtained for the first CY'11 quarter and incorporated in the LoP results.

Due to the global economic slowdown significantly reduced orders from foreign buyers were experienced in 2009. Thus, some AgBiz Project customers redirected their projections for regional exports into the national market and their international sales to regional markets, resulting in reduced projected international and regional sales and increased domestic sales respectively. That conservative projection was taken in consideration when objectives for 2010 were projected. However during 2010 the international markets' demand for Macedonian fresh produce increased in 2010 from what was originally projected. It increased due to the Poland flood crisis that reduced Polish fresh produce's quality and quantities, and Ukraine's ban on tomato imports from Turkey, due to the spread of the 'tuta absoluta' tomato moth in tomatoes cultivated in Antalya. In addition the AgBiz supported participation of Badzo and Agrohemija in Fruit Logistica and World Food Moscow where they successfully promoted their fresh produce and established new contacts, resulted in increased sales at more profitable international markets.

In addition, as international markets recovered from the global economic slowdown, WGP companies managed to re-establish their contacts and penetrate in other markets as well, selling most of their inventory. Benefiting from AgBiz support for organic certification, Koro successfully penetrated the Danish market.

In general, according to the National State Statistical Office last year was one of the most successful years for Macedonia's agriculture-food sector, with the largest export registered in the past two decades. Aside from the tobacco, vegetables (primarily tomatoes, pepper and cabbage) and fruits (primarily apples, grapes and melons) reached highest export. Moreover, significant export was also registered in the sector of wine and bottled wine, processed vegetables, processed meat and confectionery products.

At the end of the reporting period, the “Value of Purchases of Raw Materials made from Smallholder Producers” increased by 48%, or over EUR 4.3 million (US\$5.6 million). As a result of the business expansion Projects, the “Value of Exports” increased by almost EUR 7 million (US \$9 million), or an average of 26% over the baseline, while “Total Sales” increased 27% or around EUR 9.6 million (US \$12.4 million). Around 42,460 “Rural Households Directly Benefited from Interventions” and 637 new FTE jobs were created or an average 41% more than the baseline.

<b>TABLE 5. CALENDAR YEAR '10; CY '11 FIRST QUARTER (JAN - MAR) AND LOP RESULTS ACHIEVED</b>					
<b>INDICATORS</b>	<b>CY'10 CUMULATIVE RESULTS</b>	<b>ADDITIONAL RESULTS</b>	<b>CUMULATIVE LoP RESULTS</b>	<b>CUMULATIVE LoP OBJECTIVES</b>	<b>PERFORMANCE</b>
	(thru Dec. 31, 2010)	(Achieved Jan - Mar, 2011)	(thru Mar. 31, 2011)	(thru Program End June 18, 2011)	(in %)
<b>I. Increased Production and Marketing</b>					
I.1. Increased value (in Euros) of purchases of raw materials made from small holder producers	4,379,684	-57,991	<b>4,321,693</b>	4,020,021	108%
I.2. Percentage increase in the value of purchases of raw materials made from small holders producers	55%	-6%	<b>48%</b>	44%	109%
I.3. Increased value (in Euros) of sales into national market by customers	2,706,861	-111,674	<b>2,595,187</b>	2,559,580	101%
I.4. Percentage increase of sales into national market	71%	-9%	<b>44%</b>	47%	94%
I.5. Increased value (in Euros) of intra-	3,811,191	-16,407	<b>3,794,784</b>	5,125,395	74%

**TABLE 5. CALENDAR YEAR '10; CY '11 FIRST QUARTER (JAN - MAR) AND LOP RESULTS ACHIEVED**

INDICATORS	CY'10 CUMULATIVE RESULTS	ADDITIONAL RESULTS	CUMULATIVE LoP RESULTS	CUMULATIVE LoP OBJECTIVES	PERFORMANCE
	(thru Dec. 31, 2010)	(Achieved Jan - Mar, 2011)	(thru Mar. 31, 2011)	(thru Program End June 18, 2011)	(in %)
<b>1. Increased Production and Marketing</b>					
regional exports by customers					
1.6. Percentage increase of intra-regional exports by customers	40%	-1%	<b>25%</b>	32%	78%
1.7. Increased value (in Euros) of international exports	2,808,209	363,936	<b>3,172,145</b>	539,807	588%
1.8. Percentage increase of international exports by customers	37%	42%	<b>26%</b>	5%	520%
1.9. Increased value (in Euros) of total sales by assisted customers	9,323,466	235,856	<b>9,559,322</b>	8,224,782	116%
1.10. Percentage increase of total sales by assisted customers	44%	7%	<b>27%</b>	25%	108%
<b>2. Increased Coverage of AgBiz Customers</b>					
2.2. Number of rural households directly benefiting from interventions	40,538	1,920	<b>42,458</b>	39,907	106%
<b>6. Increased Employment</b>					
6.1. Number of equivalent male jobs created by supported customers	412	39	<b>451</b>	403	112%
6.2. Number of equivalent female jobs created by supported customers	177	9	<b>186</b>	137	136%
6.3. Percentage increase in full time equivalent (FTE) jobs by supported customers	43%	5%	<b>41%</b>	39%	105%

# 2.0 OPERATIONAL CHALLENGES ENCOUNTERED

Most of the operational challenges previously reported remained in effect during the Quarter. Key AgBiz operational challenges encountered are outlined below, separated into external and internal challenges.

## 2.1 EXTERNAL

The following are operational challenges over which AgBiz has minimal control. However, descriptions of the program's positive impacts are indicated where applicable.

### 2.1.1 Global Economic Crisis

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

**Fresh Fruits and Vegetables:** The economic slowdown for the FF&V VC was partially solved and has somewhat improved during the Quarter. During this Quarter the relief of the burden of the economic crises was more evident and the FF&V VC companies regained their international markets and conquered new, which is shown in the shift from intraregional sales to international.

**Processed Vegetables:** The global economic crisis reduced working capital of the processing companies available for buying fresh vegetables in 2010 season. Although they had difficulties to secure enough financial resources for the processing season 2010, most of the PV VC members managed to successfully complete their production plans. Quantities of raw materials acquired by the industry in 2010 slightly increased compared to the quantities from 2009. According to preliminary information, the 2010 season will outperform the previous year and will continue throughout 2011. According to the initial analysis, value of exports of PV products in 2010 increased by 8.5 % compared to 2009. Yet, increase in prices of production inputs (jars, lids and particular energy) might negatively affect the overall profitability of the companies since significant rise of export prices is not foreseen.

The international markets (EU markets in particular) are stabilized and PV VC members expect increased orders for Macedonian processed products in 2011. Increased penetration and sales on regional markets are also envisioned.

**Wine:** As expected processed data of the State Statistical Office for 2010 showed slightly higher export in volume rising from 68,4 to 70 mil liters but 2% decrease in terms of value of wine export. The Macedonian wine industry continues to focus on stabilizing current markets and identifying new export market opportunities. Securing export sales remained key focus in the first calendar quarter of 2011. As expected excessive rainfalls and watering in several central European countries during the harvest resulted in reduced own production and significantly higher demand for bulk and medium quality white wine. Hence, in the period from Jan-Mar 2011 wineries experienced expedient export of whites from Macedonia. However, they are still facing difficulties for securing the desired dynamics for selling reds so the remaining wine inventory unsold continues to burden the wineries agreed payment terms for last season's buyout. Also impediments in collection of debt particularly from partners on the regional markets but also from domestic companies considerable limit their liquidity. During the quarter bulk wine price slightly recovered from the second half of 2010 and reached the level of the annual average of 0,4 Euro where as the average Macedonian bottled wine is being exported for around 1.33 euro.

Few wineries resumed with the efforts to build the momentum for alternative markets outside EU and the region. Besides China including Hong Kong and the Russian market more wineries are becoming interested by the US market that under the circumstances shows indication of growth and openness in wine consumption.

### **2.1.2 Development and Implementation of a Well-Coordinated and Supported Approach to Export Promotion**

During the quarter the international consultant engaged by the Ministry of Economy to develop the Export Promotion Strategy and Recommendations on Reconstituting InvestMacedonia finalized its input. Final draft of the Export Promotion Strategy was presented in front of all relevant stakeholders including Chambers of Commerce; the cluster groups, related Ministries, business associations, donor community and other stakeholders. Supported by AgBiz, Wines of Macedonia and Macedonian Association of Processors compiled and submitted additional comments and recommendations for improvements and enhanced effectiveness before the final revision.

The new USAID's IDEAS project has a component "Export Facilitation and Investment Aftercare" that includes developing and advancing a comprehensive export promotion strategy and trade policies to support exports. It will be directly involved in strengthening the capacity of InvestMacedonia Agency in establishing viable instruments for export support. Therefore, AgBiz Program coordinated a meeting with IDEAS and shared its views and experience in enhancing export of agricultural and food products as well as offered its assistance related to AgBiz supported VC's in further development of the InvestMacedonia's export promotion Action Plan and implementation of export enhancing activities.

Although InvestMacedonia delegated certain export promotion indicators to the assigned export promoters, it is not likely that during the 2011 the Agency will manage to allocate financial resources or build other capabilities to significantly support export promotion activities.

After delays due to certification of the name Macedonia as Protected Geographic Indication for wines coming from Greece and implications on the export of Macedonian wines Wineries continued to work on the Wine Sector Export Marketing Plan for exporting into the EU. Provided access to Euromonitor's market information data base will considerably help in finalizing the SEMP document. The specific Marketing Plans for each of the targeted country is expected to be included in the Invest Macedonia Strategy and action plan. MAFWE expressed willingness to consider possible support program for exporting on alternative markets outside EU and the region especially export to China and the Russian market. In the course of enhancing export competitiveness especially when approaching large supermarket chains in EU, five MAP members initiated an idea for consolidating certain resources and developing joint brand company. AgBiz will seriously consider facilitating the efforts and commitment for identifying opportunities for process vegetables companies to work together and develop joint product line that can more competitively respond to larger markets. AgBiz will continue its commitment to cooperate with Invest Macedonia Agency and contribute to a well-coordinated approach to export promotion.

### **2.1.3 Effective IPARD Utilization**

The third call for IPARD applications was published on February 28<sup>th</sup>, 2011. As previously, the announcement will be valid 60 days from the day of publishing of the Public Call. The Payment Agency due to understaffing, prolonged the process of evaluating proposals from the second announcement. The applications will be processed till mid July after which the contracts will be signed.

Three AgBiz clients and MAP members received positive response from the Payment Agency in regards to their IPARD applications and signed contracts with the Agency: Lars, Bonum and Altra. Official results of the second IPARD announcement are not officially published yet.

## **2.1.4 Holding Current Positions in ex-Yugoslavia Markets while Entering New, Developed Markets**

In addition to increasing competition from suppliers from other producing countries, introducing better quality products with better packaging, the biggest impediment for sustaining and expanding export of Macedonian fresh fruits and vegetables, processed F&V and bottled wine in the region is definitely very difficult economic conditions resulting in greater uncertainty and delayed payments. Many of the Agribusiness companies from Macedonia cannot collect payments and some of them even stop supplying importers with their products. Although Ex-Yugoslavian market is the paramount destination for Macedonian exporters, companies hesitate to expand on these markets and put most of the efforts in securing their channels and optimize their performance.

Nevertheless, during the quarter AgBiz continued assisting exporters to maintain and strengthen its position on the ex-Yugoslavia markets and fight against competition. AgBiz encouraged companies to work on enhancing the competitive advantages and reinforcing the interest for Macedonian wine, processed vegetables and FF&V as healthy food, produced under highest food safety standards.

AgBiz supported wineries to enhance its presentation at the BeoWine Fair that was held in late February in Belgrade Serbia but also advised on and encouraged several other initiatives of individual companies for sustaining and expanding sales in ex-Yugoslav countries.

## **2.1.5 Increased prices of energy vs. competitiveness of Macedonian products**

The agricultural production is directly connected to the oil prices through utilization of oil for the cultivation machines, crude oil for heating the facilities, oil derivatives for fertilizers etc. The newly increased prices of oil and electricity had a negative influence on the production costs. The products for export must remain competitive in order to maintain the markets and compete with better organized economies, but the discrepancies in terms of farmers' prices and buyout prices lead to huge discontent between the producers and exporters in Macedonia. The Macedonian economy is not capable to intervene with additional decrease of taxes and special subsidies. The Macedonian agriculture is not ready to start implementing projects for utilization of Renewable Energy Resources, but can intensively implement energy saving practices. In that direction, AgBiz in the beginning of next quarter is organizing a workshop on introduction of Renewable Energy Sources and Energy Efficiency practices available and feasible for Macedonian agribusinesses as well as availability of bank loans for the same purpose. Besides these loans AgBiz continues to inform and encourage its partners to use the credit lines for SMEs intended to intensify the export.

## **2.2 INTERNAL TO AGBIZ**

Progress on resolution of the challenges outlined in this section is important to the success of AgBiz and is, to a great extent, under the control of AgBiz and/or USAID.

### **2.2.1 Approval of a Three-month No Cost Extension and Budget Modification**

During the first Quarter of FY'2011 a Request for No Cost Extension of three-months and a Budget Modification for USAID's AgBiz Program was submitted. ARD believes the No-Cost Extension would benefit Macedonian agribusinesses and significantly enhance the impact of the AgBiz Program by 1) being able to support events and Activities that take place in the spring because of agricultural seasonality; 2) providing additional support to the three newly established trade associations initiated by AgBiz to help them build their capacity and move toward sustainability; 3) achieving a significant number of additional indicators, especially from Activities; and 4) fully and effectively utilizing Contract funding savings.

On February 22, 2011 USAID approved ARD's Request for No Cost Extension and Budget Modification that will enable reallocating savings from the Grants budget line item to All Other Direct Costs in the amount of \$34,976. These funds will be spent for value chain competitiveness enhancement Activities during the NCE period.

More specifically Modification No 8 included:

- A. Change of Contract No to “AID-EDH-I-03-05-00006”
- B. Extend the Completion date to June 18, 2011.
- C. Grants funding not to exceed \$465,024.

## **2.2.2 Effective Implementation Policy and Institutional Reform Work**

During the Quarter, Policy and Institution Reform (PIR) identification and prioritization work continued. Coordination with the e-Gov project initiated in the last quarter, continued in this one with several more presentations throughout the country on electronic registering of regular and seasonal employment in the agricultural sector. Despite all efforts of AgBiz and its partners from the private sector to contribute to improved legislation in individual cases, the program is constantly facing the need for policy reforms.

Unfortunately the MAFWE has still not established the subsector working groups through which we can enhance the support and role of the private sector to influence the decisions of the Ministry and the Government. For more effective PIR work, AgBiz has involved representatives of the MAFWE in many of its activities and established an informal bond and frequent requests by the Deputy Minister and the Minister for coordination of activities that include the farmers and industry representatives that AgBiz is working with.

## **2.2.3 Market Information**

One of the key obstacles that agribusiness are facing when developing export marketing strategies is the considerable lack of relevant market information. Most of the agribusiness companies in Macedonia are making their business decisions based on an insufficient understanding of a specific markets and market segments, unconfirmed information on competitors and price positioning, etc. that reduces the likelihood of developing a successful market entry program. The impact of the global financial crisis and economic slowdown negatively affected the markets and caused food price fluctuations and even more severe international competition. As a result Macedonian companies experienced reduced export demand, payment uncertainty and in the case of wine considerable inventory build-ups that overburden their cash flow and will surely reduce their capacity to purchase grapes for processing.

Therefore, identifying new market opportunities and developing effective and sustainable market entry strategies is of paramount importance to the future success of the Macedonian Agro industry. This cannot be accomplished without an in-depth understanding of export markets and international consumers that will allow companies to make optimal business decisions that will result in best use of their limited resources to obtain maximum results.

AgBiz remained its commitment to facilitate the supported VC's to get to relevant market information, thus improving their understanding on the market preferences and competition on the regional and international markets. The program continued with the activity for publishing and distributing small brochures containing technical information on post-harvest technology tomato, pepper, onion, potato, grape, peach, apple, cherry, plum and cucumber. These brochures deriving from key findings and lessons learned from study tour visits to UC Davis California and South Africa are distributed through *Moja Zemja* magazine to wider population of FF&V VC participants, benefiting from the expertise and gained knowledge. AgBiz also engaged Ph.D. Krum Boskov to put together the latest information regarding pre and post harvesting technology of fresh fruits and vegetables (FF&V) from guide books, presentations and reports from both Study Tours and consolidate this current technical data and information into a single manual that will be easy reading and understandable for value chain participants. The manual was presented in front of large number of FF&V VC participants whereas printed copies and CD's were disseminated to all relevant Institutions. This way FF&V producers and processors will be able to consult and comply with latest trends in post harvest handling, thus secure the quality and prolong the shelf life of fresh produce that will ultimately increase their productivity and competitiveness. In the next quarter AgBiz will coordinate a workshop with a regional expert for direct transfer of practical post harvest handling technology related to cold storages so they can satisfy EU standards.

Accessing Euromonitor's Passport market information data enabled current members of the Wines of Macedonia trade association to better understand, identify and enter new wine export markets. The market information obtained helped wineries to define goals and targets for regions and country markets; understand market and consumer trends; define and understanding consumer segments, evaluate brand performance and achieve knowledge-based decision making. Using Euromonitor's data base will allow wineries to make optimal business decisions that will result in best use of their limited resources to obtain maximum export results. Euromonitor's Passport market information service containing comprehensive and relevant market data for all EU and regional wine markets will be available for a period of 12 months.



# 3.0 FINANCIAL REPORT

The Second Quarter financial report is shown below. The report indicates that with 94% of the program term completed, 96% of the total budget has been invested. The original program budget projected greater expenditures in the first three years, so expenditures to date are consistent with plan.

CONTRACT No. EDH-I-03-05-00006-00					
Macedonia AgBiz					
Quarterly Report					
CONTRACT EXPENDITURES through March 31, 2011					
Category	Contract Budget	Incurred as of 12/31/2010	Quarterly Costs 1/1/11 - 3/31/11	Total Costs Accrued as of 3/31/11	Remaining
Total All Other Costs	\$5,109,339	\$ 4,805,988	\$ 134,142	\$ 4,940,131	\$ 169,208
Grants	\$500,000	\$ 465,024	\$ -	\$ 465,024	\$ 34,976
<b>SUB TOTAL CONTRACT COSTS</b>	\$5,609,339	\$ 5,271,012	\$ 134,142	\$ 5,405,154	\$ 204,185
FEE	\$240,620	\$ 207,089	\$ -	\$ 207,089	\$ 33,531
<b>TOTAL CONTRACT COSTS</b>	<b>\$5,849,960</b>	<b>\$ 5,478,101</b>	<b>\$134,142</b>	<b>\$5,612,244</b>	<b>\$ 237,716</b>



# 4.0 PLANS FOR THE THIRD FISCAL QUARTER OF 2011

The following sections outline expected AgBiz results for the final quarter of FY '11, organized by AoF. In the final stage of its implementation, AgBiz will finalize the implementation of VC and selected AoF competitiveness enhancement activities.

Activity	Expected Result	Projected Completion Date
<b>Fresh Fruit and Vegetables AoF</b>		
Modern Post Harvest Handling Technology Capacity Building and Establishing Market Linkages with Serbian Buyers	AD approved; Activity completed	May 12
Workshops and training regarding PHH of FF&V with STTA Breasting as follow up of Croatia Study Tour	AD approved; Activity completed	April 22
Fruit Logistica 2011 Trade Fair	Three-month Follow-up Report Completed	June 18
Develop a Web Page for MAEA	Activity completed	June 1
Support to MAEA by Cost Sharing a Professional Manager and Office	Activity completed	June 18
<b>Processed Vegetables AoF</b>		
Study Tour and B2Bs in the Ukraine	Three-month Follow-up Report Completed	May 10
Establishing a Joint Brand/Export Company	AD developed and approved, Lol/MoU signed, completion of the activity	May 18
Survey on the Performance of the industry in 2010	Lol/MoU signed, completion of the activity	May 6
Participation on IndAgra Fair in Romania	Six-month Follow-up Report Completed	May 16
Study Tour and B2Bs in Germany	Lol/MoU signed, completion of the activity	April 9
Participation on EU vegetable processors conference	AC and AD developed and approved, Lol/MoU signed, completion of the activity	April 30
<b>Wine AoF</b>		
Study Tour and B2B to Sweden	Three-month Follow-up Report Completed	April 27
International BeoVine Fair and Promotion of Macedonian Wines in Serbia	Three-month Follow-up Report Completed	May 28
Vranec Forum	Activity completed and Report prepared	May 7
Develop WoM Operational Plan 2011	Activity completed and Report prepared	
Support to WoM Associations by Cost Sharing a Professional Manager and Office	Activity completed	June 18
Investigate Opportunities for Joint Bottle and Other Inputs Supply	Activity completed and Report prepared	June 18
Identifying Appellation of Origin	Activity completed and Report prepared	May 30
Wine SEMP Follow up Donor Conference	Activity completed and Report prepared	May 16
Wine grape Demand Supply Planning Conference/ Industry Performance Follow-up Presentation	AD approved; Conference held	April 29
<b>Policy and Institutional Reform AoF</b>		
Follow up with MAEA (FF&V VC) on Subsidies Assessment	Have a workshop with MAEA and MAFWE and present the key findings of the assessment	April 28
Follow up on Seasonal Employment Assessment - forming working groups for proposing legislation changes	Recommendations for amendments of the law for employment regarding seasonal engagement of unemployed, employed and retired persons submitted to Government	April 26
B2B meetings in Kosovo with CEED - OBCK	AD approved; Activity Completed	April 20
Assessment of Agricultural productivity	AD approved; vendor selected; assessment completed	June 1
RCI Integrated Pest Management Regional Conference	Conference and field trips completed	April 8
<b>Access to Finance AoF</b>		
Workshop on innovative ways of financing including IPARD related products with Banks and other Financial Institutions' representatives, MBPR, MAFWE & the FF&V producers and exporters	AD developed and approved; Activity being implemented	April 119
<b>Horizontal and Vertical Linkages</b>		
Support to Shumski Plod by Cost Sharing a Professional Manager and Office	Activity completed	June 18
<b>Outreach/Market Information/Environment</b>		

Activity	Expected Result	Projected Completion Date
AgBiz Web Site	Web site updated on an ongoing basis	June 18
Introducing energy efficiency and renewable energy for Macedonian agribusinesses -workshop	Activity Description approved; Workshop completed	April 21
Transfer of Post-Harvest Handling Technology for Selected Agriculture Commodities to POs/ Farmers/Agribusinesses through <i>Moja Zemja</i>	Develop and publish guidebooks for "potatoes & onion and tomatoes & peppers" as per Dissemination Plan stated in the approved Activity Description	May 6
AgBiz Conference and Training Calendar	Provide monthly input on AgBiz activities for USAID's EG Office Event Calendar	June 18
Technical Communication Dissemination	Distribute at least 3 pieces of technical information to stakeholders other than customers	June 18
MAFWE Updating	Provide MAFWE with monthly AgBiz information or/and information on AgBiz planned activities	June 18
Information Sharing with Similar Regional Projects	Share at least 2 pieces of AgBiz information with other regional agribusiness projects	June 18
Success Stories	Develop and publish monthly stories	June 18
Media Exposures	Accomplish several media exposure events presenting AgBiz activities	June 18
<b>Program Development and Implementation AoF</b>		
Closely monitor and control budget expenditures to successfully implement a highly leveraged activities program	Monthly budget review based on actual invoices expense tracking and proposing budget and expense correction where necessary.	June 18
Identify ways to motivate staff to stay until close to end of program activities in 2011, prepare a plan and inform staff about alternative and/or additional job responsibilities	If the need arises, a plan for alternative or additional job responsibilities for current staff	June 18
Manage mid- year staff evaluations with good feedback on performance	Assist staff with performance evaluation assessment and plan development	June 18
Implement fully compliant Close out Procedure concerning office lease, labor related issues, vendor accounts, financial management issues, Inventory disposition, file shipment and disposition and final reporting	Complete fully Compliant Close out Procedure	June 18
<b>Monitoring and Evaluation AoF</b>		
Maintain the internal integrated database/spreadsheets to support archiving and reporting performance data	Official data for CY'10 obtained; data quality assessed and further processed, internal integrated database/spreadsheets archiving performance data updated and fully functional	June 18
Maintain FY '11 activities budget and implementation plan	Actual activities expenditures tracked, completion vs. budget allocated and timeframe established in compliance with AWP	June 18
Maintain electronic filing system to facilitate managing and documenting performance data	Electronic filing system maintained	June 18
Administer Final Technical Report Development and Compilation/Assure Conformity with 508 Federal Regulative	Quarterly reports produced during the LoP reviewed; outline responsibilities and input forms developed; development of the Final Technical Report completed and submitted to USAID	May 18
Wine Industry Database	Data on trade flow in CY '10 obtained, processed, and database updated	June 18
Importance of Agribusiness to Macedonian Economic Growth Report	Data on Macedonian Agricultural Commodity Exchange in CY '10 obtained and processed, public releases presenting official data on employment in Macedonia and agribusiness share in the GDP obtained from the State Statistical Office and processed accordingly	June 18

# 5.0 REPORTS PRODUCED DURING THE QUARTER

This section lists the reports produced by AgBiz in the Quarter. Due to the total size of the documents, they are presented in a separate CD-ROM.

## 5.1 EXTERNAL REPORTS

### 5.1.1 Outreach Releases

Macedonian PV Exporters on Business Mission to Ukraine

AgBiz Press Clippings Jan – Mar 2011

### 5.1.2 Success Stories

Registration of Seasonal Employees in Only Few Minutes

EU Market Demands Macedonian Fresh Produces

### 5.1.3 Technical Materials

Pre & Postharvest Handling Technology Manual

Feasibility Study and Business Plan for an Association Producer Organization Management Entity

Assessment of the Potential and Challenges for Developing Producer Organizations in Macedonia with Recommendations for AgBiz Support

## 5.2 INTERNAL REPORTS

Activity Results Report “Fruit Logistica 2011 Trade Fair”

Activity Results Report “Study Tour and B2B in the Ukraine”

Activity Results Report “Study Tour and B2B to Sweden “

Activity Results Report “International BeoWine Fair and Promotion of Macedonian Wines in Serbia”

Activity Results Report “Contract Farming Regional Lessons Learned and Best Practices”

Activity Results Report “Workshop to Present Innovative Ways of Financing to Wineries”



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