



USAID | **MACEDONIA**
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AGBIZ PROGRAM

THIRD FISCAL QUARTER REPORT 2011
APRIL-JUNE 2011

JULY 2011

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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
AD	Activity Description
AoF	Area of Focus
B2B	Business to Business
BSP	Business Service Provider
CBI	Dutch Centre for the Promotion of Imports from Developing Countries
CEED	Center for Entrepreneurship and Executive Development
CMO	Common Market Organization
CoP	Chief of Party
COTR	Contracting Officer's Technical Representative
CPA	Cleaner Production Assessment
EBRD	European Bank for Reconstruction and Development
EDD	Environment Due Diligence
EU	European Union
FFPC	Firm Fixed Price Contract
FFRM	Federation of Farmers of the Republic of Macedonia
FF&V	Fresh Fruits and Vegetables
FY	Fiscal Year
GoM	Government of Macedonia
HACCP	Hazard Analyses and Critical Control Points
IDEAS	Investment Development and Export Advancement Support/USAID funded
IFS	International Food Standard
IPARD	Instrument for Pre-Accession Assistance for Rural Development
LF	Lead Facilitator
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	Agency for Foreign Investments and Export Promotion of the Republic of Macedonia
MAP	Macedonian Association of Processors
MBDP	Macedonian Bank for Development Promotion
MCP	Macedonia Competitiveness Project/USAID funded
MIS	Management Information System
MKD	Macedonian Dinar
MLGA	Macedonia Local Government Activity/USAID funded
MoU	Memoranda of Understanding
MTV	Macedonian National Television
N/A	Not/Applicable
NBRM	National Bank of Republic of Macedonia
NCE	No-Cost Extension
NGO	Non-Government Institution
NOA	New Opportunities for Agribusiness/USAID Kosovo funded
NR	Not Required
OBCK	Office Business Center Kosovo
P2	Pollution Prevention
PC	Project Coordinator
PGI	Protected Geographic Indication
PHH	Post-Harvest Handling

PIRN	Policy and Institutional Reform Need
PMP	Performance Monitoring Plan
PO	Producer Organization
PPA	Pollution Prevention Assessment
PV	Processed Vegetables
QR	Quarterly Report
RCI	Regional Competitiveness Initiative
SEE	South-East Europe
SEMP	Sector Export Marketing Plan
SIPPO	Swiss Import Promotion Program
SME	Small and Medium Enterprise
SoW	Scope of Work
T	Metric Ton
TTARD	Tetra Tech Associates in Rural Development
UC	University of California
ULO	Ultra Low Oxygen
USA	United States of America
USAID	United States Agency for International Development
V&S	Vin & Sprit
VC	Value Chain
VCC	Value Chain Coordinator
WebSEFF	Western Balkans Sustainable Energy Financing Facility
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 third quarter of Fiscal Year (FY) 2011, or the April through June 2011 time period.

EXECUTIVE SUMMARY

Program Development: This Quarter (April - June) represented a period of implementation of the approved No Cost Extension and Budget Modification that modified the Program end date to the mid-June 2011. Since this was to be the last quarter of the Program, the focus was on finalizing planned activities. During the Quarter AgBiz implemented several major activities for all three supported VCs such as Training on the Transfer of Post-Harvest Handling Technology for Fresh Fruit & Vegetables to Agribusinesses, Associations and PO's, a Road-show Presentation of Macedonian Wines in Poland and the Czech Republic and a Study Tour and B2B Meetings in Germany for five PV companies.

Verification of indicator results from AgBiz business expansion projects and activities during the Quarter showed that most quantitative indicators were achieved and some were exceeded. Due to its focus on the three agribusiness value chains (VC) with the greatest potential for expanded exports and economic growth, AgBiz successfully stimulated models of firm-level competitiveness enhancement, and implemented a very substantial and successful program of VC competitiveness enhancement while achieving excellent leveraging of USAID Resources (+/- 1:8). Qualitative results included an increased awareness and knowledge of environmental compliance, local Business Service Providers' capacity strengthened (over 280 various types of contracts signed and managed), and companies became accustomed to application procedures that are replicable for IPARD funding requests, bank loan applications, etc. AgBiz is recognized by the private sector, but also by all relevant GoM institutions including the ministries of Agriculture and Economy, as a valuable partner in upgrading the productivity and strengthening the export competitiveness of supported VCs. AgBiz is also considered a significant contributor to enhanced public private dialogue, and a facilitator of identifying policy constraints, access to favorable finance and strengthening the advocacy capacity of participants in the supported VCs.

During the Quarter, due to highly satisfactory implementation and the outstanding results achieved in the last four years, USAID awarded Tetra Tech ARD (TTARD) a two years AgBiz Extension. The Mission gave TTARD new Scope of Work and requested a proposal to be submitted well before the end date of the current Program. Subsequent discussions regarding the TTARD proposal and budget resulted in an Extension contract being awarded with an effective date the day after the previous end date. Therefore, the AgBiz Extension (AgBizE) will run until June 18, 2013.

Value Chain Competitiveness Enhancement Activities: At the end of the Quarter, Activities successfully completed during the Quarter were: Workshop on Transferring FF&V Post-Harvest Handling Technology to Agribusinesses, Associations and POs; PV VC Members Study Tour and B2B Meetings in Germany; Processed Vegetable Value Chain Management & Support; Survey on the Performance of the F&V Processing Industry in 2010; Wine Road-show Presentations of Macedonian Wineries in Poland and Czech Republic; Support to WoM Association by Costs Sharing an Administrative Assistant and Office; Facilitation of Exports to Kosovo and Bilateral B2B Meetings; Assessment of the Correlation between Agricultural Productivity of Primary Producers and Agribusiness Export Performance; a Workshop on Introducing Energy Efficiency and Renewable Sources of Energy for Macedonian Agribusinesses; and Transfer of Post-Harvest Handling Technology for Selected Agriculture Commodities to POs, Farmers, and Agribusinesses through "Moja Zemja". In addition, AgBiz facilitated organization of the following Activities: Round-table on Export Challenges (with USAID/IDEAS) and Integrated Pest Management Training (with RCI).

During the Quarter, 212 companies, one producer organization and six business and trade associations received assistance, and 503 individuals received training. One new export customer was identified by Activity participants and around \$137,000 worth of potential orders was received as a result of the Processed Vegetables Study Tour and B2B Meetings in Germany. The total cost of Activities completed during the Quarter was \$109,862, and the AgBiz direct cost was \$29,589 resulting in an average AgBiz cost share of 27%.

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 continued its close financing facilitation relationship with the private sector and financial institutions. During the workshop on environmental legal obligation of companies and utilization of Renewable Energy Sources in Agriculture, Ohridska Bank presented appropriate agribusiness finance products and particularly the so called "green" loans related to investments in environmental protection and energy saving. These newly available loans are intended to help agribusinesses and smaller farmers improve productivity through introduction of energy efficient measures, solely through the bank or jointly with appropriate EU funding instruments. Also, this Quarter AgBiz was actively involved in assisting the Regional Competitiveness Initiative (RCI) to organize a regional financial fair in Skopje by participation of the AgBiz Chief of Party on panel discussions and inviting Program agribusinesses and financial consultants. The purpose of the event that brought over 60 entrepreneurs from the region to Skopje was to provide opportunities for SMEs and financial advisors to meet regional investors and financial institutions.

Policy and Institutional Reform: During the Quarter, AgBiz continued activities related to policy and institutional reform. AgBiz and the Confederation of Employers of Macedonia held another presentation of the recommendations for amending the regulations related to seasonal employment of students, retired and unemployed people to the Ministry of Labor and Social Policy, Ministry of Agriculture, and Agency for Employment. AgBiz also engaged an expert to assess the correlation between the productivity of primary producers and agribusiness export performance. This study covered broad aspects of primary agricultural production. The goal was to propose specific interventions that small scale farmers can implement to achieve an optimal role in enhancing the export competitiveness of tomatoes and peppers (both for fresh consumption and the processing industry) and table grapes.

Operational Challenges Encountered: In the first half of 2011 FF&V and PV companies continued to increase exports, primarily due to the advantage of being able to produce fresh vegetables slightly earlier than other EU countries as well as very unfavorable weather conditions in Macedonia, and floods in several of the larger production areas in Europe. Nevertheless, the unexpected outbreak of mutated Escherichia Coli in some European countries that caused the death of about 20 people seriously slowed down exports of cucumbers, resulting in throwing away enormous quantities. The Macedonian market is too small to consume such production. During June the situation improved and sales to larger buyers of Macedonian fresh produce have stabilized.

Continuous increases in the price of energy, especially fuel have negatively affected farmers and they are losing the race to more competitive products from other countries that are implementing support instruments to subsidize energy-related losses. Unfortunately, due to the slow progress of developing InvestMacedonia into an effective export promotion agency, companies are still lack Government support and a coordinated export marketing approach. The IDEAS project is working on a strategic document that should help InvestMacedonia develop proper internal structures and criteria for assisting the private sector on export promotion.

The effects of global economic slowdown are still being experienced in Macedonia when it comes to available financial products for the bigger processing and trading companies. Macedonian financial institutions were slow to follow the recovery of the European market, but some agribusinesses managed to find adequate sources of financing and successfully complete their production and sales plans.

The parliamentary election campaign unofficially started at the end of April, and caused significantly decreased communications between the private sector and the government during the Quarter that has impeded the export enhancement processes.

Performance Indicators: Progress toward achieving qualitative Program objectives was satisfactory during the Quarter. Almost all of the quantitative Indicators that are reported on a quarterly basis are on schedule or slightly overachieved.

As a result of Activities (e.g., PV VC Management and Support and Transfer PHH Technology for Selected Agriculture Commodities) completed during this Quarter, 503 individuals from 212 (54 not previously assisted) agribusinesses and one additional producer organization have benefited. Over \$80,000 of investment was stimulated from customers, and AgBiz contributed an average of 27% of the total direct cost of Activities implemented during the Quarter, thus achieving very good leveraging of USAID resources.

I.0 THIRD 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) has the second most significant impact on Macedonian agricultural products export sales, after tobacco, and has huge potential for generating 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 are the top five exported vegetables.

During the Quarter AgBiz work on FF&V export competitiveness enhancement continued to be 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 all 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: a three months follow up on the 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; the Transfer of Post-Harvest Handling Technology for Fresh Fruit & Vegetables to Agribusinesses, Associations and POs Activity was finalized and implemented at the very beginning of the Quarter; and additional presentations of the Post-Harvest Handling (PHH) Manual on pre- and post-harvest technologies and management practices gained so far, particularly during PHH study tours in University of California (UC) Davis in California and South Africa.

AgBiz continued to support 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 FF&V VC participants. During this Quarter MAEA members were assisted to better coordinate but showed limited capacity and competency to respond to a proposed Activity Schedule of AgBiz Assistance. As a result, implementation of few of the Activities already planned was canceled.

AgBiz held regular meetings with managers of all six completed FF&V Projects, collected final indicator results data, and followed up on further improvements in their post-harvest facilities and operations, e.g., pre-cooling, enhanced existing cooling systems and modern packing centers.

1.1.1 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 1.1.2 below.

Activity	Expected Result	Result Achieved
Workshop on Transferring Post-Harvest Handling Technology for FF&V to Agribusinesses, Associations and POs	AD approved; Activity completed	Completed, see Section 1.1.2.1
Fruit Logistica 2011 Trade Fair	Three-month Follow-up Report Completed	Completed, see Section 1.1.2.2
RCI Integrated Pest Management Regional Conference	Conference and field trips completed	Completed, see Section 1.1.2.3

1.1.2 Competitiveness Enhancement Activities Completed during the Quarter

1.1.2.1 *Workshop on Transferring Post-Harvest Handling Technology for FF&V to Agribusinesses, Associations and POs*

DESCRIPTION/OBJECTIVE: Many producers are not aware of the most appropriate postharvest technologies that need to be applied to optimize the quality of their specific crops according to market requirements. To fill this knowledge gap, in the past AgBiz has engaged highly qualified international and local experts that have provided high level technical assistance to AgBiz fresh produce exporter customers as well as exposed FF&V VC clients to innovative PPH know-how regionally (Croatia, Slovenia) and internationally (South African Republic, USA). These initiatives enabled assembling the knowledge gained on pre- and post-harvest technologies and management practices into a practical Manual that enables FF&V companies and other interested parties to better understand and utilize the integrated production and post-harvest systems needed to enhance their export competitiveness.

However, to effectively introduce target groups (individual producers, producer organizations and agribusinesses) to the innovative PPH techniques currently used and to the recommendations stated in the Pre- & Post-harvest Handling Technology Manual for Horticultural Crops developed by AgBiz, it is important to present the practical use of the gained knowledge and disseminate the information more broadly.

This Activity involved presentations on implementation of advanced PPH requirements and technology through existing case studies and firsthand experience, as well as their correlation to the Manual and guides to farmers, producer organizations and agribusinesses for ten different crops. The Manual was developed by PhD Krum Boskov.

The overall objectives of the Activity were to increase the understanding and knowledge of Macedonian FF&V VC participants about the practical use and implementation of advanced post-harvest handling technologies observed during study tours and given in the Manual and guidebooks for proper harvesting, storing and packing of fresh produce and to stimulate Macedonian FF&V producers and exporters to apply the recommendations.

OUTCOME/FOLLOW-UP: At the successful workshop Mr. Brestovec, an expert in construction and introduction of different PPH technologies in cold storages, presented examples and technical details of cold storages made by his company on different locations in Croatia. The presentation included practical aspects of appropriate cooling, storing techniques, and humidity levels in cold storages, effective working procedures, standards and conditions practiced in packing facilities. The expert presented concepts and original design solutions for several cold storages built in Croatia in the last 5 years that utilized advanced storing and packing technology, as well as the necessary methodology when reconstructing existing outdated cold storage facilities. He introduced the audience to the differences and specifics of sophisticated technologies such as controlled atmosphere, Ultra Low Oxygen (ULO) and dynamic atmosphere currently utilized for cooling and expanded products' storing.

Case studies with layouts detailing particularities pertaining to different sizes of cold storages were elaborated, including:

- a) Small size cold storages with approximate capacity from 150T-500T for small family businesses;
- b) cold storages of medium size storing from 800T-1500T of products usually constructed for agricultural cooperatives, bigger producers; and
- c) Large cold storages with average capacity from 2500T-7000T with advanced storing technology in ULO chambers and chambers with dynamic atmosphere incorporating sorting, grading and packing units, consolidating centers etc. These cold storages are mainly constructed for huge retail chains or distribution centers.

The expert explained the particularities of the construction materials and equipment used depending on the type and level of sophistication of technology implemented in each of the case study cold storages (located near Zagreb, in Sesvete and in Velika Gorica), the challenges they faced when adjusting and reconstructing an old cold storage and its transformation into a modern one in parallel with the operations related to logistics and management of such facilities.

Regional case studies presented provoked questions and constructive discussion with the participating audience. The presentations and comparative analysis of two of the visited cold storages in Macedonia also encouraged participants to ask questions directly connected with their operations. Seeing the positive effects of advanced technology implementation, as it could be anticipated the focus of participants' inquiry was on the chambers with controlled atmosphere and dynamic atmosphere as well as the possibility of converting the technology in part or all of their existing cooling chambers into ULO chambers.

The most important information for all intending to convert some of their existing cooling chambers into ULO technology cold storages is the fact that these cold storages are preferably of small capacity (for example, for one batch of products) as they are designed for prolonged storage of products, but when opened should be completely emptied. They will yield best results if operated in such manner, without constant opening of the cooling chambers.

At the workshop Prof. Dr. Krum Boshkov presented the PHH Manual that covers ten different crops and combines experience and knowledge gained during Study Tours to California and South Africa. Prof. Boshkov presented post harvest handling guidance and elaborated the entire pre-harvest handling and post harvest handling processes for table grapes providing comparisons of particular operations' practices between South Africa and the USA table grapes industry. Through these examples, participants enhanced their knowledge of post harvest handling as a complex process incorporating proper harvesting, cooling and storing techniques, humidity, efficient operations and methods of evaluating products' quality (appearance, texture, taste, nutritional value and food safety), food safety standards and conditions for packing houses practice.

The learning process and transfer of PHH knowledge was intensified with presentations and a discussion that included a review of two visited Macedonian FF&V VC cold storage facilities. **Peca Komerc** as a consolidating company buying fresh fruits and vegetables from approximately 1,400 primarily small farmers and **Altra**, a consolidating company doing buyout, storing and placement of fresh fruit and vegetables, but also some product processing (freezing). The participants discussed the expert's observations of the PHH practices they currently used by Peca Komerc and Altra.

The expert also provided concrete recommendations to the owner of Altra regarding their plan for modernizing the sorting and packing unit with a separate part for packing frozen fruits and vegetables. It was discussed that the company should enhance its processing operations given the flow freezer capacity and potentially introduce drying/dehydration of fruit, vegetables and herbs and a fruit processing unit (jams, marmalade, fruit fillings) etc.

Both lecturers were accompanied by photos of actual places illustrating authentic situations. Professor Boshkov while elaborating theory presented in his Manual demonstrated genuine situations in South Africa and California depicting workers during harvest and the way of proper table grapes harvest, proper sorting techniques, packing conducted under conditions appropriate for the workers and the product itself (e.g., a specially constructed pre-cooling area in the vineyards to produce shade and cool the grapes after harvest; covering the packed grapes with sulfur paper- Na₂S₂O₅ which prolonged the storage life of the grapes).

Mr. Brestovec presented examples and technical details of cold storages made by his company, photos of sorting and packing processes conducted in them. All this contributed to building correlation between PPH Manual recommendations and applied PPH practices in presented case studies and helped participants to significantly visualize theory offered in both presentations.

The workshop proved that there is a need for continual transfer of PPH know-how and education of FF&V VC participants to recognize the importance and positive influence of these practices on their businesses. The materials will be distributed to relevant associations to reach a wider audience, and will be delivered to relevant people in the MAFWE so they can be used for further support in upgrading the FF&V sector through MAFWE rural development programs.

AgBiz will assess the impact of the presented regional expertise on adopting the post harvest handling practices presented through the case studies and proposed in the Manual, and will consider encouraging, coordinating and even financially supporting additional steps needed that might contribute to optimizing Activity results. A same or similar activity should be repeated at the end of 2011 season, or in the beginning of 2012 (February, March) during the “dead” season when companies have the spare time and resources to do (re)constructions of their cold storage facilities and introduce new technologies for achieving more efficient post harvest handling results.

For more details, see “*Activity Result Report Workshop on Transferring Post-Harvest Handling Technology for FF&V to Agribusinesses, Associations and POs*” included on the CD-ROM version of this report.

COST: Total Cost: \$5,569; AgBiz Cost Share: \$4,069, or 73%.

1.1.2.2 Fruit Logistica 2011 Trade Fair (Three-month Follow-up)

DESCRIPTION/OBJECTIVE: AgBiz supported Macedonian fresh produce exporters and participants in the FF&V value chain to visit and exhibit at Fruitlogistica 2008, 2009 and 2010. This focused effort to be constantly present at this major European fresh produce trade event was in previous years conducted in collaboration with Osec/SIPPO. This year four companies expressed an interest and commitment to participate on Fruit Logistica 2011. 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.

The overall objectives for AgBiz to support customers to exhibit at Fruit Logistica 2011 were based on the potential benefits to fresh produce value chain participants, including greater interest and focus on the opportunity for companies interested in EU markets to develop direct sales for the 2010/11 season; creating significant new exposure to EU potential customers that can encourage interest in Macedonian fresh products entering and expanding its presence in EU markets; generating greater understanding of how to successfully promote and effectively utilization trade fairs to generate new transactions; and opportunities for direct contacts with visitors to the trade fair.

OUTCOME/FOLLOW-UP: After having a very successful fourth exhibition at Fruitlogistica, establishing more than 50 potential buyers and distributors, and achieving 26 new orders with a total value of EUR 1.9 million, participating companies Turan Bogdanci, Vivi Prom Bogdanci, Agrohemiya and Badzo Bogdanci continued to discuss business opportunities with potential partners, negotiated prices, discussed the availability of each product, reviewed the preconditions to start business, taxes, distribution costs, and etc. Many of the best contacts turned into contracts, and participants successfully exported around 30% of the agreed quantities. The largest volumes shipped were spring cabbage and other early vegetables. As the season for cucumbers and tomatoes was getting close, the European market was significantly disrupted by identifying Escherichia bacteria in fresh vegetables, initially in Germany and later in other countries. There were even several deaths that created a strong reluctance of customers all over the EU to consume fresh produce. This resulted in a very detrimental trend in purchasing fresh vegetables and an immediate considerable decrease in sales, even a full stop of exports of fresh vegetables from Macedonia to the EU. Consequently, the four companies participated in Fruit Logistica were directly affected, and most of the additional orders placed at the Fair were canceled. Nevertheless, the companies continued to have followed up communications with buyers, and it is expected that after the danger is overcome, companies will reactivate the agreements and continue to supply EU partners. Fruit Logistica encouraged companies to understand EU market requirements and think about cooperation

among each other, sharing information and sending a mix of products from multiple companies to one buyer.

1.1.2.3 RCI Integrated Pest Management Regional Conference

DESCRIPTION/OBJECTIVE: The objective of this joint effort of RCI and AgBiz was to organize a regional conference on Integrated Pest Management (IPM) specifically for tomatoes and peppers as the most common farm products of the region. Moreover, new invasive species in the Balkan region: *Tuta absoluta* and *Bemisia tabaci*, are causing a serious decrease in tomato yields. IPM represents a sustainable way to defeat these pests.

OUTCOME/FOLLOW-UP: Macedonia was selected to host the conference because of its advanced approach to IPM. Experts and representatives from USAID projects from Albania, Monte Negro, Bosnia and Herzegovina and Kosovo participated in a two days event in Skopje. After the workshop lead by the director of the Agricultural Institute of Macedonia, a field trip was organized to visit a representative model of a modern green house using only the IPM approach to fighting pests.

COST: Total Cost: \$12,600, AgBiz Share: in-kind contribution

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, sale on domestic market and preparations for the new processing season were the main characteristic of this Quarter. According to final analysis on export data for 2010, total export of PV products in 2010 increased by approximately 7% 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) showed that the industry processed 3.5% more raw materials compared to 2009. 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. The three PV VC members that signed IPARD contracts with the Payment Agency completed the advance payments to their equipment suppliers. Employment and availability of seasonal labor remained an ongoing problem during this quarter. MAP contracted a legal consultant that developed proposal for overcoming seasonal employment issue. The proposal was accepted by MAP assembly and will be submitted to the government by the end of June, 2011.

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. On the occasion of its 9th annual assembly meeting, MAP organized a cocktail at the Holliday Inn hotel in Skopje. Many official representatives that participated on the event (including USAID and EU officials) confirmed that MAP remains the most organized association within the Macedonian Agribusiness sector; while deputy prime Minister, Mr. Vladimir Pesevski reconfirmed the official intention of the government to further support the processing industry.

During this Quarter, PV VC members were active in lobbying activities related to seasonal employment and initial preparations for the 2011 processing season. Also, they actively cooperated with CeProSard and provided valuable production-related details for finalization of the feasibility study for use of solar panels by the PV companies. MAP announced that it would held another meeting by the end of June/beginning of July that would focus on issues related to the new processing season (inputs supply, quantities and prices of the raw materials, etc.).

During the quarter the VCC organized two MAP assembly meetings in Strumica (May 4th) and Gevgelija (June 3rd). He also Participated on the workshop organized by the EU project for CMO in regards to organizing producers groups/organization, met with representative of Sishedzam (glass jar manufacturing company from Turkey) and with consultants engaged by USAID's IDEAS project.

Contacts with MAP non members continued. Cold stores Primeks from Prilep and Industriski Ladilnik from Tetovo were contacted during this quarter and application form will be sent to companies by the next MAP meeting.

During the Quarter, AgBiz work on the VC focused on completion of the study tour and B2Bs in Germany, three-month follow up on Study Tour and B2Bs in the Ukraine and six-month evaluation of participation of PV VC members on IndAgra food fair in Bucharest, Romania. Survey on the Performance of the industry in 2010 was also completed during this quarter.

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 1.2.2 below.

Activity	Expected Result	Result Achieved
Study Tour and B2Bs in Germany	Lol/MoU signed, completion of the activity	Completed, see Section 1.2.2.1
Survey on the Performance of the industry in 2010	Lol/MoU signed, completion of the activity	Completed, see Section 1.2.2.2
Study Tour and B2Bs in the Ukraine	Three-month Follow-up Report Completed	Completed, see Section 1.2.2.3
IndAgra Fair in Romania	Six-month Follow-up Report Completed	Completed, see Section 1.2.2.4

1.2.2 Competitiveness Enhancement Activities Completed during the Quarter

1.2.2.1 Study Tour and B2Bs in Germany

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. Although Germany remains as one of the key export destinations for Macedonian processed products, there has been a decline in volume and value of exports in 2008 and 2009 in comparison to 2007, as presented in the following table.

Year	Volume (in kg.)	Value (in Euro)
2006	2,893,227	2,621,534
2007	5,282,020	3,939,093
2008	4,362,660	3,655,482
2009	3,954,256	3,216,999

According to the trading part of the Stabilization and Association Agreement with the EU from 2001, Macedonia enjoys unlimited access of PV products to the EU member states. Non-tariff barriers, in particularly those related to food safety and food quality standards have been successfully overcome by the PV VC members through implementation and certification of HACCP and ISO 22000. According to the opinion of PV VC members, there are good possibilities for re-establishing strong business contacts with German food importers and distributors that, if successful, would result in increased exports of PV products to the German markets. Currently, the industry suffers from insufficient data about the German market, including export/import statistics, trends, etc. The planned study tour would enable PV companies to understand the German market more clearly and widen their perspectives regarding new export possibilities.

This study tour aimed to increase PV VC participants' potential to develop new export opportunities in a German market. The overall objective for organizing this study tour was to:

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

Due to its active role in the development of the PV VC, and continuous close coordination with VC members (MAP and non-MAP members), The PV VC Contractor's Representative received initial

interest from VC members for participation in the study tour. Then an official invitation to participate was sent to 28 MAP members and 6 non-members (34 in total). 5 companies (Bonum, Altra, Trgoproduct, Lars and Dentina) confirmed in writing their interest and participated in the study tour.

OUTCOME/FOLLOW-UP:

Objective 1 – Increase participants' knowledge of the German market for processed vegetables

Result: Representatives of 5 processing companies had a chance to visit several retail stores - REWE, ALDI, and LIDL. A detailed review of the relevant product ranges, prices, packaging, etc. was performed by the participants. Based on the research they concluded the following:

- Processed vegetable products are well represented in all stores visited. In regards to quality and prices of the products, REWE has superior range of product groups, with well established and recognized German and international brands, while ALDI and LIDL are discounters and they mainly offer low price and quality products under their brand or by manufacturers' brands that are not well established on the German market. Their offer of PV products compared with REWE is rather limited. Prices of certain PV products, brands and packaging registered in REWE stores are provided below:
- Gherkins, sliced sour cabbage and beet root packed in glass jars are locally produced, and Macedonian products will face difficulty to penetrate the market (price competitiveness and brand recognition issues);
- The type of packaging and labeling is very stylish and appealing (especially in REWE) and Macedonian PV producers will have to improve both packaging and labeling in order to penetrate the market, although private label scheme looks more realistic and promising at present; and
- There are many ethnic stores that offer PV products to particular ethnic groups. Yet, retail chains dominate the market in Germany and make considerable efforts to attract even more customers by offering traditional PV products and other ethnic food products.

Objective 2 - Meet with relevant potential buyers

Result: During this activity the participating companies had a chance to meet with the following companies:

- Dittmann – The company is located near Frankfurt. They are particularly involved in production and trading with antipasti and olives. The company has daughter companies - production facilities in Turkey and Spain and a joint venture in Greece. Packaging of the products (70% of company's volume) is done in Germany. They have specialized trading divisions for antipasti, olives, canned vegetables and frozen products. The company is especially interested in identifying new suppliers of cherry peppers and roasted peppers. The annual amount of roasted peppers should reach around 500,000 jars in 2011. International Food Standard (IFS) is welcomed although not obligatory for their suppliers. Ms. Gramsch was very positive about the samples that were presented by the Macedonian companies and ask their permission for testing of the samples in their laboratory. At the end, she asked more details about product ranges, capacities and later product prices of the Macedonian PV producers to be sent to her via e-mail. They also sell ajvar to the German market, and she delivered samples to the Macedonian companies in order they to analyze the product and to reply whether they could produce the same with similar or exact specifications.
- Fuchs – the company is number one supplier of herbs and spices in Germany. In 2006 they bought Cattus, a well recognized brand name for processed vegetables. Their current product portfolio consists of 3,000 products. The company does not cooperate with discounters and is positioned on the upper segment of the market. According to their current strategy, they cooperate directly with producers rather than German or international consolidators and/or traders. They were particularly interested in how the supply chain was organized in Macedonia, the number of suppliers that each individual processor cooperates with, the level of controlling the chain including traceability aspects etc. At the end of the meeting Fuchs's representatives asked for individual product lists and company profiles of the Macedonian participants. They also confirmed their interest to test the samples and, in case of positive results, to visit Macedonian companies during the production season in order to eyewitness production processes, equipment, available capacities etc.
- REWE group - REWE group is the second biggest retailer in Germany. They operate with around 7,000 retail stores under the names of REWE and Penny (discount stores). The supply with processed products is done on the basis of open bids and they choose one supplier per tender. The number of tenders for 2011 will be 21. REWE due to its size cooperates only with big and reliable suppliers such as Kopernik (a buying and supply group consisted of major producers and buyers of processed products from France, Switzerland, Belgium and Germany). All of their suppliers must be

IFS certified. For products that are REWE branded, they supply their vendors with glass packaging. According to REWE plan, the company will need 3 million jars of roasted peppers in 2011 (580 and 720 ml.). Apart from roasted peppers and ajvar, the company is also very much interested in identifying reliable supplier of sour cherries (compote in glass jars 720 ml.). REWE representative requested samples of roasted peppers and ajvar for further examination and testing.

Objective 3 – Explore new export possibilities

Result: The participating companies were very satisfied with the meetings that they had with major German buyers since they showed immediate interest in particular products such as ajvar, roasted peppers, cherry peppers etc. However, they understood that individually cannot meet the requirements of potential customers. Therefore, new export possibilities will require joint approach of Macedonian PV companies, regular contacts and information flow with potential partners, carefully prepared offers in regards to prices and volumes etc. Establishing of a joint company from several PV exporters could be an option to match expectations of the visited companies.

For more details, see “*Activity Result Report Study Tour and B2Bs in Germany*” included on the CD-ROM version of this report.

COST: Total Cost: \$9,894; AgBiz Share: \$1,755, or 18%.

1.2.2.2 Survey on the Performance of the Industry in 2010

DESCRIPTION/OBJECTIVES: The Macedonian vegetable processing industry plays a very important role in the Macedonian agribusiness sector. The industry is very export oriented, has continuously improved its performance in terms of increases in production and export value over the last decade, and is very labor intensive. However, until 2006 there was no detailed analysis related to the industry performance, number of employees, quantities of raw materials used for processing, etc. At the end of 2006 and beginning of 2007, the Macedonian Association of Fruit and Vegetable Processors (MAP) completed the first survey that provided in-depth information related to the performances of the industry.

During the following years the surveys provided details related to the number of processing companies, size, number of full time and seasonal employees, quantities of raw materials purchased by the industry, export volumes and values etc. The documents were later used as background material for preparation of various concept papers, lobbying activities etc.

Around 85 % of the production is exported predominately to the regional and EU markets. The industry is using domestically produced fresh produce meaning that the industry adds value to the primary production. The technical assistance aiming to support the activity will provide details related to the most important business aspects of the industry: quantity of raw materials purchased by the primary sector, annual volume of production, export and domestic market volumes etc. Also, the survey will identify the most important export markets (regional vs. EU, EU vs. non EU). Based on the above mentioned, the processing companies will have a reliable tool for initial planning of 2011 production season, exports, contracts with the raw material suppliers etc. Understanding the importance and relevance of the information that have been gathered, analyzed and presented, the AgBiz program is willing to once again support MAP to professionally organize and conduct a survey on processing industry performance for 2010.

Successful completion of this activity should lead to a more competitive PV VC since market requirements will be more effectively and efficiently communicated back through the entire value chain. Processors will have a useful tool for planning and organizing their supply of raw materials and producers will have more reliable partners for cooperation.

The overall objective of the “Survey on the Performances of the Macedonian Processing Industry 2010” activity was to provide detailed and updated information on the performance of the industry, and to present the exporting figures of the industry for 2010. More specifically, this activity is designed to:

- Research and analyze the production figures and export performance of the fruit and vegetables processing industry;

- Compile and analyze information related to the number of full-time employees and seasonal labor engaged by the industry;
- Analyze the quantities of the raw materials acquired by the industry and plans for 2011 season;
- Identify the issues relevant to improved performances of the domestic industry; and
- Analyze the findings and develop conclusions into a comprehensive report.

OUTCOME/FOLLOW-UP: This activity was completed on May 30, 2011. Main conclusions resulting from the survey are the following:

- Fruit and vegetable processing industry has made continuous improvements over the period 2003 – 2010, and recovered from decrease in production output from 2009;
- The industry is defined as very seasonal, export oriented and products enjoy high reputation on regional and international markets;
- It is consisted of 47 active processing capacities in 2010, predominantly canning and combined processing enterprises;
- Majority of the facilities are located near to the main production regions in the country;
- Processing of vegetables is dominant business activity, covering around 91% of the total production;
- The processing output in 2010 is 47,6 thousand tons or + 4% in comparison to 2009;
- Exports to the EU in 2010 increased by 12,2% in volume and 10,4% in value compared to 2009;
- EU and Serbia are the main export destinations for the Macedonian processed F&V;
- Regional markets are becoming very important export markets, jointly contributing with 41,3% in volume and 45,4% in value to the overall exports of Macedonian processed F&V;
- Export of processed products increased in 2010 and reached the volume of 39 thousand tons and value of 39 million Euros;
- Majority of the processing companies are defined as small, while there is no large F&V processing enterprise;
- The industry employs 1.165 full time employees and 3.312 seasonal employees ;
- Most of the seasonal workers are from rural areas, skilled in handling agricultural products;
- The utilization of the industry increased to declined to 40% in 2010, compared to 38% in 2009;
- Access to capital and shortages of raw materials are the biggest impediments for further growth of the industry;
- Deployment of a strategy for improved performances of the industry will be necessary to address the existing shortcomings and to secure constant growth of the processing industry in the forthcoming period.

For more details, see “*Survey on the Performance of the industry in 2010*” included on the CD-ROM version of this report.

Total Cost: \$5,664; AgBiz Share: \$2,164, or 38%.

1.2.2.3 Study Tour and B2Bs in the Ukraine (Three-month Follow-up)

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 (VC) 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.

Seven PV VC members participated and presented their products in Ukraine. The overall objective of this activity 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: The second evaluation was completed on May 10, 2011. On the basis of conducted discussions with each company individually, the following results have been obtained and reported:

- Konimex has sent samples and export price lists to their contacts in Ukraine.
- Agrokomerc 92, Dim Komerc, Best food and Jomi food met with Mr. Stoyanov Antonio (Victoria S'I) in Macedonia. The terms of trade were generally discussed and agreed, samples of PV products were sent to Ukraine, and was agreed Mr. Stoyanov to sent instructions about labeling of the products in Ukrainian language.
- Bonum and Altra did not report new contacts or export deals during the reporting period.

1.2.2.4 IndAgra Food Fair 2010 (Six-month Follow-up)

DESCRIPTION/OBJECTIVES: The Macedonian vegetable processing industry is export oriented – approximately 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 is a possibility for establishing stronger business contacts with Romanian food importers and distributors. This would result in increased exports of processed vegetable products to Romanian markets. 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 third and final evaluation was completed on May, 18, 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 signing export contract (pre-contract already confirmed) of 45,000 Euros with Kaufland Romania for export of PV products (roasted peppers).
- Lars is awaiting the response for the two final offers sent to Romanian partners.
- Vipro, Bonum and Trgoproduct did not report new contacts or export deals during the reporting period.

1.3 WINE VALUE CHAIN

Value Chain and Work Completed during the Quarter Overview

During this quarter wineries remained fully focused on identifying new market opportunities and continued their efforts for expanding their export sales. After a successful period of bulk sales, in this period the quota for exporting bulk wine from Macedonia into the European Union was fully utilized. This has resulted with burden of 10% tax per liter for export of any additional quantities above the quota, thus making the price per liter of bulk wine not very competitive with wine coming from other countries

particularly Spain and Chile. Some wineries that have larger contracts for bulk wine export, being out of quota are facing difficulties to fulfill the contracts. As a result in the last month of the quarter, bulk sales significantly slowed down. Therefore, few of the larger wineries asked the Ministry of Agriculture for a possibility to request the EU commission to expand the quota for exporting bulk wine from Macedonia to EU.

At the same time, excessive volumes of bottled wine shipped to export markets, predominantly in Serbia and Germany, before the last harvesting season in order to create space for new buyout of grapes were not sold and combined with continuously obstructed collection of debt particularly from partners on the regional markets resulted with significantly reduced export of bottled wine in the first half of 2011.

Although, some of the wineries achieved occasional results on the alternative markets outside EU and the region and exported certain quantities to China and the Russian market, it is expected this harvesting season again to result in significant surplus of wine grapes that will transform in very low prices for purchasing of wine grapes and serious dissatisfaction of farmers on one side and wineries, struggling to sell their wine and not having the capacity to secure the total buyout of grapes as well as cash flow to pay the agreed installments to farmers on the other.

The program continued to encourage public-private dialogue toward establishing buyout prices and resolving the excess wine grape situation. During the quarter AgBiz facilitated MAFWE to organize several meetings with wineries and grape growers to discuss on the issue, compare projections and identify actions to minimize discrepancies between the demand and supply of wine grapes in the 2011 season.

During this period, AgBiz continued to provide assistance to wine VC participants to enhance their export competitiveness. In coordination with the Dutch Centre for the Promotion of Imports from Developing Countries (CBI), AgBiz facilitated Macedonian wineries to repeat the 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. Both presentations were very successful and captured the attention of the most relevant wine importers, distributors and critics in both countries. Few contacts almost immediately resulted in orders. Wine road show presentations gained considerable PR.

Wine presentation in Stockholm, Sweden organized in January 2011 resulted with the announcement of the Swedish Monopoly System Bolaget that in the tender for 2012 they will include the demand of 20,000 bottles of Macedonian Vranec under the expected shelf price of 7 to 8.5 Euro. Wine VC Coordinator participated at the technical discussion on the Wine trade markets - opportunities for the region of South-East Europe" and shared the regional experience and lessons learned with Wines of Macedonia members.

Supported by AgBiz WoM made significant progress toward reaching a basic level of sustainability and managed to establish fully functional and operational office including all internal procedures needed. During the assigned period the Association finalized its Operational Plan for 2011 and signed a contract for the total value of 35,000 USD with the French Company PaVin for assistance in coordination with INAO (Institut National des Appellations d'Origine) in the Implementation of a project for identification and implementation of Protected Geographic Indication (PGI) and Protected Designation of Origin (PDO). Wines of Macedonia coordinated meetings with all relevant experts involved in the wine science in Macedonia and created a working group with the most relevant Faculty representatives that worked not only on profiling Vranec and Kratoshia but also all other indigenous varieties grown in Macedonia and their genetic structure. The working group of professors and other wine experts from wineries managed to develop full profiles of twelve indigenous varieties.

WoM took the lead in coordinating the working group of wineries to finalize the Sector Export Marketing Plan (SEMP) and the specific Marketing Plans per selected country, also headed the communication with MAFWE and grape growers for improvements in backward linkages with grape producers and coordinating with relevant Government of Macedonia (GoM) institutions. Supported by AgBiz WoM continued to utilize Euromonitor's Passport market information service providing access to comprehensive and relevant market data for all EU and regional wine markets. AgBiz also facilitated an activity where all WoM members put together one joint order and investigated opportunities for joint bottle and other inputs supplies. Representatives of WoM discussed with several large suppliers like Sise Dzam from Turkey, Vetropak from Croatia and other's.

The Program completed the monitoring of 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 1.3.2 below.

Activity	Expected Result	Result Achieved
Road-show presentation of Macedonian Wines to Poland and the Czech Republic	AD approved; Activity Completed	Completed, see Section 1.3.2.1
Study Tour and B2B to Sweden	Three-month Follow-up Report Completed	Completed, see Section 1.3.2.2
International BeoWine Fair and Promotion of Macedonian Wines in Serbia	Three-month Follow-up Report Completed	Completed, see Section 1.3.2.3
Wine trade markets - opportunities for the region of South-East Europe	Activity completed	Completed, see Section 1.3.2.4
Support to WoM Associations by Cost Sharing a Professional Manager and Office	Activity completed	Completed, see Section 1.3.2.5
Develop WoM Operational Plan 2011	Activity completed	Completed, see Section 1.3
Investigate Opportunities for Joint Bottle and Other Inputs Supply	Activity completed	Completed, see Section 1.3
Genetic Potential and Genesis of Indigenous Varieties in Macedonia	Activity completed	Completed, see Section 1.3.2.5
Identifying Appellation of Origin	Activity completed	Completed, see Section 1.3

1.3.2 Competitiveness Enhancement Activities Completed during the Quarter

1.3.2.1 Road-show presentation of Macedonian Wines to Poland and the Czech Republic

DESCRIPTION/OBJECTIVE: As a part of the SEMP process, jointly supported by AgBiz and CBI (Centre for Promotion of Import from Developing Countries), wineries and other participating stakeholders have identified the Polish and Dutch markets as having good prospects for Macedonian wines. Also, during ProWein 2010 various wine importers and journalists from these markets showed interest in Macedonian wines. A few of the participating wineries have had already established strategic partnerships; others sent samples and are negotiating with potential partners in Poland and the Netherlands. Consequently, AgBiz and CBI supported organizing joint Wine Road Show presentations of Macedonian wines in Warsaw and Amsterdam.

This activity, in the first stage included road-show presentations of Macedonian wines, wine tastings and B2B meetings with potential buyers, wine journalists and other wine professionals in Warsaw, Poland on October 19th, and then on October 21st in The Hague, Netherlands whereas in the second stage held in November 2010, selected and best prospect buyers and journalists were organized into an inbound buying mission to Macedonia. AgBiz and CBI supported the overall organization of the events, provided expert support and guidance and fully facilitated the activity in both stages.

The outcomes from the activity were excellent and included reignite and confirmed initial interest for Macedonian wine during ProWein, stimulated B2B discussions with importers in Poland and Holland regarding the importation of Macedonian wines, opened new opportunities for expanding current and establishing additional export sales, gaining wine consumer insights and the in-depth understanding of both export markets that will allow Macedonian wineries to make optimal business decisions for exporting to Poland and Holland.

In the second stage, best prospect buyers and selected journalists were organized to come into an

inbound buying mission to Macedonia and visited the 10 selected wineries that were presented in Warsaw and Amsterdam. The group participating in the wine trip in Macedonia from 22nd to 26th November 2010 consisted of a journalist from Magazine VINO, wine distributor and owner of Dobre Alkohole, wine expert from Makro Cash and Carry from Poland, a wine importer and distributor Vinoblesse, (particularly interested in organic and biodynamic wines), the owner and editor in chief of Perswijn Magazine as well as international wine judge. During the wine tour they tasted the wines and evaluated the match with their customers' requirements, evaluated the price points and competitiveness of wines, supply channels and viability to start cooperation for importing Macedonian wines in Poland and the Netherlands. As a result of the wine trip both journalists will write articles in "Magazine VINO" and "Perswijn" including their impressions for the Macedonian wine industry and wineries that were visited and notes for the wines that were tasted during the visits. Wine importers reviewed price lists and discussed specific conditions for importing wines from Macedonia.

The overall objective of the activity "Support the Road-show presentations of Macedonian wines in Poland and the Czech Republic" is to enable export ready wineries from Macedonia to expand their current sales and optimize market entry opportunities in Poland and Czech Republic.



PHOTO CREDIT: AGBIZ PROGRAM STAFF

Wine judges testing and evaluating Macedonian wines in Prague, Czech Republic

OUTCOME/FOLLOW-UP:

Based on the good previous experience once again the Wine promotional event in Krakow, Poland was prepared by Magazine VINO contractor whereas for the promotion in Prague, CBI contracted one of the best Wine agencies VINO Review with significant experience working with Italian, Austrian and Chilean wines. Both events followed the same principles and started with seminar and professional wine tasting for selected wine professionals and journalists, followed by presentation and tasting for potential importers, wine buyers, distributors but also wine lovers and opinion leaders, subscribers of Magazine VINO (PL) and VINO Review (CZ).

Both events were well attended and encouraged significant interest in Macedonian wines. Many of the participating wineries upgraded on the conversation they've started with potential Polish importers during last promotion in Warsaw and discussed sales opportunities with most relevant wine buyers, importers and wine distributors in all market segments in Poland. In Prague more than 100 wine professionals, importers, wine distributors and journalists including a representative that works as a wine consultant to London International Wine & Spirits came to taste the wines and compile notes for the wines from all participating wineries. Many of them although tasting Macedonian wines for the first time had very positive impression and were satisfied by the quality of Macedonian wines.

Specialized presentations and wine tastings of Macedonian wines created all necessary preconditions for Participating Macedonian wineries to present their portfolios. Both events were well announced through print and electronic media and held on wine adequate venues. In Krakow well known and respected wine expert Mr. Tomazs Barzyanski led a wine tasting of 10 selected white and red wines, two from each of the five participating wineries Skovin, Tikves, Imako VINO, Bovin and Dalvina. He presented Macedonia long history in winemaking, varieties, technology and latest development of Macedonian wine industry and went through a professional wine tasting of the selected wines. In Prague selected wines were presented to VINO Review and other wine specialists. Participants at both seminars shared their thoughts, asked specific questions regarding wine technology used, terroir, and wine character. VINO Review in Prague took interviews from all five participating wineries that will be integrally published in the next issue.

During presentations wine business representatives were evaluating the wines, their profile and potential match with consumer preferences, reviewed offers from wineries and exchanged views in price and volume expectancy. Besides their representative for the Polish market Javorek, Dalvina had a pre-arranged meeting with Tesco, Skovin and Bovin upgraded their coordination with their importers in Czech Republic, Imako Vino with their importer in Poland. Once again both presentations were held in very professional manner that resulted in stimulating interest and attending of large number of most relevant wine business that discussed potential sales with wineries. Macedonian wineries were encouraged, to maintain continuous presence and intensive efforts on both markets in order to secure more significant market entry.

During the presentations, both in Krakow and in Prague, wineries had a chance to discuss with many wine importers and wine critics on details regarding consumer insights, most adequate positioning, opportunities to be better than competitors etc. They were analyzing how the price quality ratio fits for different wines, different segments and how wine profiles matches consumers' taste in those segments. All these contacts and discussions significantly expanded their understanding on both export markets and improved their perception regarding most viable ways to successfully enter on Polish and Czech market.

Participating wineries facilitated by AgBiz and CBI will carefully evaluate the effects from the activity and pursue additional steps needed that might contribute to optimizing the result from the Activity including further communication and negotiation with interested importers. AgBiz and CBI will seriously consider encouraging, coordinating and financially supporting those actions. As last time, potential inbound buyers' mission in Macedonia could be pursued if there is sufficient positive interest from the right importers and journalists.

For more details see "*Activity Results Report Road-show presentation of Macedonian Wines to Poland and the Czech Republic*" included on the CD-ROM version of this report.

COST: Total Cost: \$38,112; AgBiz Cost Share: \$1,788, or 5%

1.3.2.2 Study Tour and B2B to Sweden (Three-month Follow-up)

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: After the promotional event, participating wineries maintained communication with the most prospect contacts established. 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. The initiative from the Macedonian Embassy as well as the economic promoter in Sweden continued also to build up positive impression of potential importers and particularly government Systembolaget. Many additional meetings with their representatives took place and as a result in April Systembolaget announced that they included in their program to issue a call for tender for 20,000 bottles of Macedonian Vranec at an average shelf price of approximately 7-8 Euro. This opens the door for Macedonian wines in Sweden. Ultimately, good sales of these initial quantities would ensure Systembolaget to expand import volumes for wines from Macedonia.

AgBiz continued to facilitate the follow up on contacts established and encouraged the trade department in the Swedish Embassy in Macedonia to coordinate possible visit of Swedish Media representatives and wine magazines to Macedonia. All gathered insights during the event significantly improved the capacity of wineries to more seriously approach Swedish market and allow participating wineries to have optimal decisions for exporting to Sweden.

1.3.2.3 International BeoWine Fair and Promotion of Macedonian Wines in Serbia (Three-month Follow-up)

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, Vršački Vinogradi but also in the last half a decade many small private wineries like Aleksandrović, Kovacević and Radenković 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 2nd International BeoWine Fair and Promote Macedonian Wines in Serbia.

OUTCOME/FOLLOW-UP: In the next three months after participation at the BeoWine Fair, the three Macedonian wineries Bovin, Chateau Kamnik and Dalvina continued closely to cooperate with the most relevant wine importers and distributors in Serbia and maintain personal relations for creating the right network of people involved in wine trade. Due to the presence at the trade fair Bovin managed to revitalize several contacts and regain the position in several good restaurants where as a result of more aggressive campaign by some of the competitors, Bovin's wines were pushed out of the wine list. Customers were impressed with 2010 vintage wines and in the period of three months Bovin additionally sent three pallets. Chateau Kamnik successfully presented the wines to all leading restaurants and hotels, primarily in Belgrade but also in other bigger cities in Serbia. They reported entering in the wine lists in many high end restaurants and continued with specific promotion with pairing their wines with specific

food. In the next month Kamnik expects export of additional 2.000 bottles from the premium segment. Dalvina continued to extend on initial contacts and introduce their wines to most serious importers and distributors. Discussions with the importer and distributor Terra Vino were intensified and they expressed interest to come and visit the winery and conclude the negotiations with Dalvina.

The situation with wine trade in Serbia remains particularly challenging in terms of payment. Therefore, Macedonian wineries are very cautious when negotiate shipments and payment terms that slows down the expected export sales to Serbia especially for bottled wine.

1.3.2.4 Wine Trade Markets - Opportunities for the Region of South-East Europe

DESCRIPTION/OBJECTIVE: As part of their annual program, Regional Rural Development Standing working Group of South Eastern Europe organized a Technical Discussion on Wine Trade Market and Opportunities for the region of South-East Europe. They've coordinated with the relevant Ministries for Agriculture and Rural Development in the countries from the region to nominate one representative from the Ministry and one representative of the private sector to participate at the discussion. Ministry of Agriculture, Forestry and Water Economy in Macedonia nominated AgBiz staff member Goran Damovski being a Wine VC Coordinator to represent the Macedonian wine Industry.

OUTCOME/FOLLOW-UP: Working sessions started by presentation on EU policy and perspectives for the wine sector and review of the national legislation related to the wine sector by the representatives of the Ministries of agriculture from SEE countries. The representative of the newest EU member Bulgaria presented the changes in the wine sector after the EU accession (experiences of states wine trade with third countries. During the Technical discussion, an expert from the German Wine Institute Gaisenheim presented world wine statistics and trends as well as chances and specifics for important wine markets: USA, Russia, China etc. Branding of the SEE region and common presentation on third markets Continental wine tourism and sustainability of the rural areas were also discussed. Wine was pointed as the integral part of the turistic offer in the continental area. Guest speakers gave examples of Good practice from the SEE region Winemakers organization on the micro level, institutional and national support Leader + concept LAG (Local Action Groups) and appliance on winemakers.

Overall the technical discussion allowed participants to share experience in the region, discuss the best practice, recommended opportunities and chances for the small wineries to actively join or initiate activities towards development and sustainability of integrated rural tourism and indirect export to the EU and worldwide. Presentations on the wine trade and possibilities for the South-East Europe wine sector in the process of EU integration were of particular value to all countries that are in the process of approximation towards EU. Also, at the event the companies in Croatia producing inputs for wine industry presented their products and discussed possible cooperation with the national wine producers associations and consequently with the wineries from SEE region.

After the return AgBiz wine VC coordinator presented all lessons learned and shared the regional experience gained with Wines of Macedonia association members. Wineries received significant additional insights on the perspectives of the SEE region, used the information to compare with other countries and optimize their business decisions regarding export and EU integration process. The event will provide an opportunity for establishment of closer cooperation between associations of wineries and strengthening of regional cooperation in the wine sector.

COST: Total Cost: \$7,500: AgBiz Share: None

1.3.2.5 Support to WoM Association by Cost Sharing a Professional Manager and Office

DESCRIPTION/OBJECTIVE: The Wines of Macedonia (WoM) trade association is a non-governmental, apolitical, nonprofit association of citizens that unifies the work of wineries in the Republic of Macedonia. Current members of the association are: Tikvesh, Skovin, Stobi, Dalvina, Bovin, Fonko and Popov wineries that in terms of buyout of grapes, processing capacity and export of wine account for a very significant portion of the Macedonian wine industry; therefore WoM is a credible representative of the Macedonian entire wine industry.

WoM was established in April 2010 to represent the common interests of its members, but also to provide strategic support to the Macedonian wine sector, including - developing the wine and viticulture industry in the Republic, increasing exports of both bottled and bulk wines, building umbrella recognition of Macedonian wines in regional and international markets, and being an industry advocate in front of the GoM and other relevant institutions.

Considering that WoM is a new and potentially important force in the wine VC, and an entity with the capacity to be a USAID legacy organization, AgBiz has encouraged the WoM to start developing its internal structure and to implement the development program adopted by members. This includes improved linkages with grape producers and effective coordination with relevant GoM institutions as key actions for improving overall conditions in the wine VC. The objective of this proposed activity was to assist WoM to establish the basic conditions for the effective functioning of the association, including a fully operational office and engaging an administrative assistant.

OUTCOME/FOLLOW-UP: This activity was implemented from March 01, 2011 until June 18, 2011, the AgBiz completion date. During the activity WoM following AgBiz recommended procurement procedures engaged a local Service Provider as an administrative assistant to support implementation of the tasks and responsibilities delegated by the Management Board and work towards fulfilling the general objectives of the association. Establishing an operational office and engaging an administrative assistant was on a cost share basis with AgBiz. AgBiz signed a sub-contract with WoM that describes each party's obligations and commits AgBiz to pay US\$500 to the association via bank transfers after WoM submits a monthly report on the status of WoM activities implementation and expenses incurred, as described in the sub-contract, and confirmation of the satisfaction of the services provided by the selected Service Provider. All activities assigned in the sub-contract were successfully accomplished and many were considerably exceeded.

WoM made significant progress toward reaching a basic level of sustainability and becoming fully functional. The association rented an office in the premises of the Macedonian Chamber of Commerce, started equipping the office with "all in one" Printer, Scanner, Fax and Photocopier and establishing the basic conditions for having a fully functional association office. Over the 4 months, the engaged Administrative assistant successfully followed the established internal procedures- including proper communication, scheduling of meetings, keeping records, start collecting member's data, developed the draft visual identity of the association and all preconditions for effectively running WoMs every day operations. She learned on how to use the Euromonitor Data Base, analyze specific key target markets including the regional countries as well as: Poland, Holland, Germany and Czech Republic and disseminate data to all members. During the period WoM requested a coordination meeting with MAFWE regarding the constraints from the latest amendments of the Wine Law. WoM proposed changes in the approved and recommended list of grapes varieties in each wine region, presented the implication from the adoption of the amendment when exporting to EU that are for designation of the origin and the quality of wine and specific terms of payment to grape growers for the last season buyout and proposed new division of wine regions that was communicated to all wineries in Macedonia although few did not accepted the proposal.

Based on the initial results after the sub-contract with AgBiz ended, Wines of Macedonia Association continued to provide same set of services to its members, sustained utilizing the same office as well as extended the contract of Elena Milosevska to continue working as an administrative assistant. This represents an excellent model for a legacy organization of USAID.

COST: Total Activity Cost: \$3,515; AgBiz Share: \$2,005, or 57%

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

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

I.4.1 Detailed PIR 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
Facilitation of Exports to Kosovo and Bilateral B2B Meetings	AD approved; Activity Completed	Completed, see Section 1.4.2.1
Assessment of Correlation between the Agricultural Productivity of Primary Producers and Agribusiness Export Performance	AD approved; vendor selected; assessment completed	Completed, see Section 1.4.2.2

I.4.2 PIR Competitiveness Enhancement-related Activities Completed During the Quarter

I.4.2.1 Facilitation of Exports to Kosovo and Bilateral B2B Meetings

DESCRIPTION/OBJECTIVE: The Center for Entrepreneurship and Executive Development in Macedonia CEED and AgBiz organized one day B2B meetings, and a presentation of the services of the Office Business Center Kosovo (OBCK) established for Macedonian exporters to Kosovo.

The aim of the presentation and B2B meetings was to help participants understand the benefits of the OBCK, receive the latest information on Kosovo market developments, and to have Business to Business meetings between Macedonian exporters of FF&V products and Kosovar importers.

The presentation and business meetings were an opportunity for the two business communities to exchange experience, and discuss problems and opinions on issues they face in their day-to-day operations. The event was also an opportunity for strengthening existing cooperation ties, as well as creating new business relations.

OUTCOME/FOLLOW-UP: The event was held on 17 May 2011 at OBCK's premises. A total of 13 participants from 12 companies were present at the B2B meetings. Six representatives from Kosovo participated at the meeting: New Opportunities for Agriculture AgroBiz USAID KS - Faton Agashi; FLUIDI -Faton Sylejmani; Fresh Fruits - Osman Fejza; Meridian- Agon Gashi; AgroKultura- Naim Krasniqi; and MOEA- Alban Ibrahim. The Macedonian delegation was represented by: Maroso – Blogoj Rizov; Grkov Vinery – Jovanka Cvetkova; Dushan Kjirikj – Slavica Angelkovska; Flores Doo Skopje – Ivan Stojanov; Golem Izvor Doo Bitola – Jovica Momircevski; and Rudine – Ivana Markovska. From the direct discussions and from the evaluations undertaken at the event, several things could be concluded and further steps recommend:

- B2B meetings with Kosovo and Macedonian agribusinesses are necessary for increasing exports to Kosovo;
- Kosovo is market that is yet to be fully developed by Macedonian exporters; and
- Kosovo and Macedonian businessman understand their mutual needs and problems.
- 4.5. out of 5 is the grade that the B2B meetings achieved, so indicates the need to support the further development of similar B2B meetings;

- Macedonian companies gained information that could not have been obtained in Macedonia; and
- OBCK is well prepared to facilitating such events.

The B2B meetings did not result in direct orders, but three Macedonian companies (Maroso, Grkov & Rudine) agreed to send samples of their products to Kosovo distributors of food specialties. Flores made a contact with a big regional buyer-distributor of moss. Ms. Slavica Angelkovska from Dusan Ciric represented MAEA and collected information to share with the members back in Macedonia.

For more details see “*Activity Results Report Facilitation of Export to Kosovo and B2B Meetings*” included on the CD-ROM version of this report.

COST: Total Cost: \$1,382; AgBiz Cost Share: \$682, or 49%

1.4.2.2 Assessment of Correlation between the Agricultural Productivity of Primary Producers and Agribusiness Export Performance

DESCRIPTION/OBJECTIVE: The main objectives of this Activity were to assess the optimal role of the small scale producer (small scale producer defined as a producer on at least 1ha that sells at least 50% of their annual production) in enhancing the export competitiveness of tomatoes and peppers (both for fresh consumption and processing industry) and table grapes; and to propose specific interventions that small scale farmer supporters can implement to help the small scale producer achieve their optimal role in enhancing the export competitiveness of tomatoes and peppers (both for fresh consumption and processing industry) and table grapes.

OUTCOME/FOLLOW-UP: The assessment showed that small scale producers cannot reach the level of productivity required for them to be competitive at the international but also on the domestic market. The study also illustrated that the previous interventions funded by different donors, where the transfer of know-how was organized through existing larger agribusinesses or by using tomatoes and peppers production Lead Farmers in regional locations, appeared to be the most effective mechanisms for improving small scale farmers’ productivity. These efforts should be followed by well organized dissemination activities preferably by a well established nationwide farmers’ network. The recommended interventions that will lead to improved productivity should be focused on prioritization of strategic varieties, practical education and expertise through demonstration farms for production of tomatoes and peppers but primarily should be directed to defragmentation of land parcels/unification of farms, associating small scale producers in cooperatives, promotion and accepting new production technologies, and progress the relations between the players in the value chain through improved contracting. This way small scale farmers will be in position to consolidate their production and represent relevant suppliers to the fresh market and the industry.

For more details see “*Assessment of Correlation between the Agricultural Productivity of Primary Producers and Agribusiness Export Performance*” included on the CD-ROM version of this report.

COST: Total Cost: \$5,257; AgBiz Cost Share: 100%

1.4.3 Priority PIR Needs Identified During the Quarter

1.4.3.1 Lack of Strategic Crop Planning Resulting in Throwing Away Products

DESCRIPTION: In the last decade, besides successes in increased exports of some crops, was marked as a period of unplanned surpluses or lack of product varying from year to year due to lack of any strategic crop planning for future development of the competitiveness of Macedonian agriculture. The surpluses created numerous farmer demonstrations that dumped products into ditches and drains. At the same time, processing facilities had to import and substitute for the lack of some crops that could be produced locally. One of the reasons for this outcome is the strong, but not coordinated support to primary producers from the GoM in terms of market demands and product competitiveness.

FOLLOW-UP: AgBiz should work with relevant representatives from the private and public sectors on prioritization of the most important market oriented crops that will impact the Macedonian agriculture

with higher competitiveness and increased export value either as fresh or processed products. Support measures from the government that could lead toward this achievement would be reorganization of subsidies to enable appropriate and adequate support to enhance specific competitive crop development. Stronger linkages regarding production planning between primary producers and trading or processing firms is necessary.

1.4.3.2 Low Yields Due to Import of Inappropriate Seeds and Seedlings

DESCRIPTION: Macedonia has recently abandoned the old rule incorporated in the Laws on Agriculture regulating the import of seeds concerning quality, origin, specific characteristics and testing in-field for two years before it can go on sale. Such a regulative doesn't exist anymore and has resulted in imports of inappropriate seeds for Macedonia's climate and soils. Farmers regularly complain of low yields, especially those that have decided to cultivate one crop on more hectares.

FOLLOW-UP: The present situation with the free import of seeds and seedlings is inadequate in consideration of EU approximation and regulations and suits only to few large importers. There is controversy among the experts in Macedonia as to if the country should fully accept the lists of seeds approved in the European Union. Also, the testing of seeds under Macedonian conditions before they are sold could still be a good solution before the scientists and institutions in Macedonia coordinate with relevant EU bodies. AgBiz, together with representatives from the private sector, can address this issue through analysis of the damage that is done to domestic production, and indirectly to the processing of F&V. This kind of action should be initiated in strong cooperation with the MAFWE and relevant experts.

1.4.3.3 Health Certificate Issued by the Agency for Food and Veterinary

DESCRIPTION: This certificate is only valid for export of food products, including PV products to Serbia. According to the PV members, starting from June 1, 2011, the price of the certificate was raised from 2,250 MKD to 3,250 MKD without a clear explanation from the Agency. According to the required procedure, every food exporter must obtain the certificate for every truckload of food products that is exported to Serbia, which additionally burdens exporters and reduces their export earnings.

FOLLOW-UP: MAP Managing Board members, supported by AgBiz, should organize a meeting with the Agency for Food and Veterinary, and resolve the pending issue, e.g., increase of the price for the certificate, frequency of updating the certificate, possibility for using the same certificate for more than one export if the product is the same, etc.

1.4.3.4 Discrepancy in the Demand and Supply of Grapes (Follow-up)

DESCRIPTION: The Wine Value VC finished the 2010 harvest season with great turbulence, especially uncertainties regarding the buyout of wine grapes, and struggles to sustain current and develop new export market entry opportunities. 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 created a serious very large volume of 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 resulting 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 excess quantity of wine inventory. As a result they were not able to purchase more than 65% of last year's buyout. Therefore, the GoM policy did not considerably improve the excess wine grape supply situation.

Uncoordinated production of wine grapes results in a serious oversupply of grapes. This translates into very low prices for purchasing wine grapes, and serious dissatisfaction of producers. They claim they are being abused by the wineries, so many blocks roads, entrance to wineries, etc. whereas the GoM and the general public are pressuring the wineries to buy more grapes from 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 farmers for the grapes they buy in

agreed installments. These conditions have been repeated for many years, considerably disturb backward linkages, and damage contractual relationships between wineries and grape growers, thus decreasing overall VC export competitiveness.

The objective of AgBiz support was to improve coordination between wineries and wine grape growers for the forthcoming season, and identify actions to prevent the discrepancy between the demand and supply of wine grapes.

OUTCOME AND FOLLOW-UP: During the Quarter AgBiz held several meetings with WoM association members and MAFWE representatives, and encouraged opening a direct dialog between all stakeholders that will contribute to creating a clear understanding of wine grape demand and supply, and communicate on time the needs of wineries for purchasing grapes. AgBiz also discussed with the FFRM an opportunity for them to assess the expected production and express interest to approach certain wineries to sign buyout contracts for the forthcoming harvest. AgBiz supported MAFWE to coordinate a few meeting with wineries and grape producers, and discuss the expectations of both sides on grape quantities and quality, as well as to discuss establishing buyout prices for different varieties of grapes. Many of the discussions were very tense and without concrete agreement between the two sides. Nonetheless, the process helped the wineries and the grape producers to present their views and projections, as well as suggest and commit to actions that will help create a better balance between volume, price and quality, and will help avoiding oversupply and dissatisfaction during the harvest season. It also allowed MAFWE to predict the situation regarding the surplus of grapes and identify potential measures and programs to help overcome those conditions and reduce social tensions. Although against their strategy and long term efforts to gradually upgrade Macedonian viticulture and wine production and reposition wine exports into higher price segments, WoM proposed that MAFWE request from the EU Commission an expanded quota for exporting bulk wine as one of the possible resolutions to the serious volume of wine in stock.

1.4.3.5 Scientific Evidence and Confirmation of the Genetic Potential and Genesis of Indigenous Varieties in Macedonia - particularly Vranec vs. Kratoshia (Follow-up)

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 indigenous varieties in Macedonia, particularly 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**, 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: During the Quarter WoM received a specific request by Jancis Robinson, one of the most respected wine critics in the world, to provide detailed profiles of all indigenous varieties from Macedonia that are being commercially used, to be included in their book on wine grapes varieties of the world. This has only confirmed the importance of such process to be conducted, and encouraged wineries to work together and ask for significant support on the wine science in Macedonia. AgBiz supported WoM to coordinate meetings with all relevant experts involved in wine science in Macedonia. A working group was created composed of the most relevant faculty representatives that worked not only on profiling Vranec and Kratoshia but also all other indigenous varieties grown in Macedonia and their

genetic structure. The initial base for analysis was Vitis International Variety Catalogue. Although, many statistics and track records were missing and various bottlenecks were identified, professors and wine experts from wineries managed to develop full profiles of twelve indigenous varieties including all characteristics on flowering, maturing, resistance to diseases, character of the variety, yield, size of the cluster, skin, but also the main production regions and share in the total production, referent commercial producers and availability, blends, typicality in terms of taste, aroma, fruitiness, acids, alcohol, tannins etc. These profiles were translated and sent to Julia Harding (Master of Wine) and co-writer with Jancis Robinson.

It is obvious that the Macedonian wine industry needs to evaluate the current standing and identify gaps that should be addressed in the future and intensify work on Scientific Evidence and Confirmation of the Genetic Potential and Genesis of indigenous varieties in Macedonia. This process would require continuous serious research and study to develop adequate analysis and track records on best performance of all varieties as well as proper upgrading the knowledge on the varietals DNA and optimizing the results from these varieties. This could be an excellent opportunity for the Faculty of Food and Science, and particularly the Institute for Wine and Viticulture to recognize the importance of the subject, and include it in their university and research programs.

I.5 ACCESS TO FINANCE

Area of Focus and Work Completed during the Quarter Overview

AgBiz resumed 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. During the quarter AgBiz had several consultations with MBDP (Macedonian Bank for Developing Promotion) and based on the example with wineries where 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 participates, discussed possibility to conduct additional two roundtables for developing a more substantial dialogue between the banks and other financial institutions on one side and companies from FF&V VC as well as the PV VC on the other.

Macedonian Bank for Development Promotion as a National bank owned by the government remained its course to develop innovative and more favorable financial products to serve in the best interest of the industry. During the quarter MBPR intensified its efforts to introduce factoring mechanism, expanded export insurance and insurance of Domestic Purchase Orders that should have positive impact on collecting receivables in an agreed period.

The bank continued from its own capital to provide 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.

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 Competitiveness Enhancement Activities Completed During the Quarter

I.5.1.1 RCI Regional Finance Fair and Matchmaking Event in Skopje

DESCRIPTION/OBJECTIVE: The main objective for AgBiz assistance to this RCI event was to inform relevant stakeholders in agriculture, to participate and provide opportunities for Small and Medium size Enterprises (SMEs) and Financial Advisors to meet Regional Investors and Financial Institutions to share finance needs, to learn about investment priorities. The event was also intended to discuss specific financial products and latest developments in the investment and finance field.

OUTCOME/FOLLOW-UP: The Regional Finance Fair held on June 14-15 in Skopje, brought over 60 entrepreneurs from Albania, Bosnia, Kosovo, Macedonia and Serbia together with investors and other finance providers to explore specific finance opportunities and expand business networks in the region. It was an excellent business matchmaking opportunity for the companies, banks and financial facilitators. During the panel discussion together with MCP and CEED, the AgBiz Chief of Party presented the AgBiz achievements in the area of Access to Finance and current financial opportunities and challenges for agribusinesses in Macedonia.

COST: N/A (AgBiz in-kind contribution)

1.6 OUTREACH, MARKET INFORMATION AND ENVIRONMENT

1.6.1 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	Activity Description approved, Activity completed	Activity completed, see Section 1.6.2.1
Transfer of Post-Harvest Handling Technology for Selected Agriculture Commodities to POs/ Farmers/Agribusinesses through <i>Moja Zemja</i>	Activity completed by publishing and disseminating Guidebooks for "Cherries & Peaches" in April edition and "Cucumbers & Plums" in May edition of "Moja Zemja"	Activity completed, see Section 1.6.2.2
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 Post-Harvest Handling Technology Guidebooks for Selected Commodities shared with and posted on FFRM's web site
Information Sharing with Similar Regional Projects	Share at least 2 pieces of AgBiz information with other regional agribusiness projects	The April Special Agriculture Edition of the RCI Newsletter featured the AgBiz success story "AgBiz Helps Streamline Registration Process"
Success Stories	Develop and publish monthly stories	Completed "Wine of Macedonia Trade Association", "AgBiz Customer Increase Energy Efficiency and Productivity" and "Macedonian Wines on Swedish Market" Success Stories
Environmental Mitigations	Compile report based on Environment Mitigation Monitoring Plan	Report summarizing AgBiz Environment related work developed, submitted to USAID, see Section 1.6.2.3

1.6.2 Competitiveness Enhancement Activities Completed During the Quarter

1.6.2.1 *Workshop on Introducing Energy Efficiency and Renewable Sources of Energy for Macedonian agribusinesses*

DESCRIPTION/OBJECTIVES: Agriculture/agribusiness is one of the key economic growth components in the country and a major energy consumer. Accelerated economic development especially in the rural areas has increased the pollution as well as energy use level, therefore enhanced awareness of the importance and need for environmental protection and use of Energy Efficiency and Renewable Sources of Energy is required. Equivalently, the progress towards EU membership and the alignment to EU environmental and energy efficiency legislation is a key driver for reducing and preventing environmental degradation.

AgBiz goal is to increase economic growth in Macedonia through expanded, environmentally sustainable production and sales of value-added agricultural products. Thus, an extensive work in assessing the

potential environmental impact of customers' facilities and operations that applied for support to implement their business expansion projects was carried out. Around forty environment-related surveys were developed in compliance with both USAID and Macedonian's environmental regulative and procedures and mitigation measures were recommended accordingly. During this process, AgBiz faced a big potential for energy efficiency improvements, pollution prevention, but insufficient access to long-term financing.

On the other hand, there are operating donors, banks and NGOs encouraging and facilitating investments in environmentally friendly and renewable sources of energy in Macedonia. AgBiz identified the need for disseminating the findings from its comprehensive environment protection experience and introducing opportunities for investments in innovative and improved energy efficiency, enabling competitive and environmentally sustainable production and marketing of Agricultural products.



OUTCOME/FOLLOW

UP: AgBiz coordinated a joint presentation of representatives from relevant stakeholders introducing the latest developments in Macedonian and EU environmental directives, environmentally sustainable business plans development and access to favorable financing resources. Around thirty representatives from AgBiz assisted customers,

business associations and local service providers attended the workshop that was held on April, 21st in Negotino.

Initially, the individual consultant who was involved in the projects' environmental related surveys presented the foundations for development of sustainable energy project and the legislation in Macedonia and EU (including environmental principles, duties, responsibilities and permits required). Furthermore, the cleaner production concept and the Macedonian long-term energy efficiency strategy (till 2030) were also presented. The Strategy is developed in compliance with the EU environmental directives, including prerequisites that will be introduced and implemented in the forthcoming period.

The representatives from the Center for the Promotion of Sustainable Agricultural Practices and Rural Development (CeProSARD) presented the sustainable practices of energy use in the rural areas of Macedonia, especially the viable involvement in alternative energy sources (solar energy) in vegetables processing. It was also emphasized that identifying where, when and how much energy is consumed within a plant or production site is the first obstacle in energy management. To better manage these hurdles, the participants were also introduced to the health and safety and quality standards and selected equipment for measuring the energy efficiency, CO₂ and humidity, as well as the noise in the facilities.

Among the thematic areas being presented, the representative from Ohridska Banka presented the credit line available for SMEs that will enable them to become more energy efficient and strengthen their competitiveness. Actually, Ohridska Banka is one of the local banks participating in a EUR 60M credit line set up by the European Bank for Reconstruction and Development (EBRD) and available under Western Balkans Sustainable Energy Financing Facility's (WeBSEFF). In addition, the representative from WeBSEFF introduced the terms and procedures for assessing and developing viable sustainable energy projects.

The event received very positive reviews from participants, especially the sessions when outcomes from implemented projects that reduce energy use save money and repays quickly were presented. Given that the greater utilization of renewable sources of energy contributes towards realization of positive financial effects and environment preservation, AgBiz will further encourage the agribusinesses to invest in new

technologies and renewable sources of energy that pay back through energy savings to be implemented in their facilities and production sites.

For more details see “Activity Results Report Workshop on Introducing Energy Efficiency and Renewable Sources of Energy” included on the CD-ROM version of this report.

COST: Total Cost: \$594; AgBiz Share: \$194 or 33%

1.6.2.2 **Transfer of Post-Harvest Handling Technology for Selected Agriculture Commodities to POs/ Farmers/Agribusinesses through “Moja Zemja”**

DESCRIPTION/OBJECTIVE: Through its activities and assistance AgBiz is playing important role in improving the competitiveness and profitability of Macedonian fresh produce companies by increasing their knowledge of modern, fresh produce post-harvest handling technologies. For four years AgBiz has been helping Macedonian fresh produce companies at both the firm and value chain level to improve their export competitiveness by providing support related to product proper handling, grading, packaging and food safety.

Many producers are not aware of the most appropriate postharvest technologies that need to be applied to optimize quality of their specific crops according to market requirements. To fill this knowledge gap, in the past AgBiz has engaged highly qualified experts (international and local) that have provided high level technical assistance to AgBiz fresh produce exporter customers. In addition, consultants have developed technical guides on postharvest care of grapes, apples, tomatoes, peppers, potatoes, cherries, cucumbers, onion, plums and peaches. These included recommendations on how to improve post harvest handling procedures and practices, and strengthen the competitiveness of Macedonian horticultural crops.

Having the objective to enhance the capacity of Macedonian FF&V VC participants more broadly AgBiz decided to use “Moja Zemja” as the most relevant media for disseminating information regarding Macedonian agriculture and is published in 5,000 printed copies, considered to disseminate the guidebooks on Post Harvest Handling of specific crops.

OUTCOME/FOLLOW-UP: The guidebooks were prepared by local expert PhD Krum Boshkov (Associate Professor of Viticulture - Department of Viticulture), summarizing the knowledge gained during his participation in post-harvest handling technology Study Tours (South Africa and California) and advanced trainings supported by AgBiz. Recommendations regarding harvesting techniques, cooling and storing, humidity, efficient operations, standards and conditions for packing houses were included in these guidebooks.

The ten guidebooks were published in five months period (two guidebooks per month). Beside the hard copies of the guidebooks that were inserted in each monthly edition of “Moja Zemja” magazine, the electronic versions were posted on AgBiz, FFRM’s and MAFWE’s web sites. According to Google statistics, FFRM’s web site was opened 18,000 in the last three months. The publishers of “Moja Zemja” reported that the number of their subscribers has increased for 15% compared to last year. The current number of their subscribers is over 670, including agribusiness, input suppliers, producer organizations, offices of economic development of each municipality, faculties and other agriculture-related institutions.

Dissemination of the guidebooks through “Moja Zemja” magazine enabled wide coverage and broad-based benefits within the VC. The guidebooks helped FF&V producers better



understand how to handle fresh produce and minimize produce quality deterioration through such low cost techniques as proper storage, temperature and humidity control. During the period when these guidebooks were published, several individual farmers solicited further information on post-harvest handling technologies for the selected commodities.

AgBiz will continue to increase the understanding and knowledge of Macedonian FF&V VC participants about advanced post-harvest handling technologies, and stimulate Macedonian FF&V producers and exporters to apply the recommendations given in the guidebooks for proper harvesting, storing and packing the fresh produce.

For more details see “*Guidebooks for Post-Harvest Handling Technology for Selected Agriculture Commodities*” on the CD-ROM version of this report.

COST: Total Cost: \$10,339; AgBiz Share: \$2,039 or 20%

1.6.2.3 USAID Environmental Official Visiting AgBiz Project Assisted Customers and Environment Compliance Training

DESCRIPTION/OBJECTIVE: The AgBiz Initial Environmental Examination required Environmental Due Diligence (EDD) at industrial sites with production and processing operations. During the process of assessing submitted proposals for business expansion projects, local consulting companies and international experts were engaged to complete over forty integrated environment-related assessments including: 28 Environmental Due Diligence and Pollution Prevention Assessments (EDD/PPA), eight Cleaner Production Assessments (CPA), two Asbestos Health and Safety Plans (AH&SP), and three Program level Pesticide Safe Use Action Plan (PERSUAP).

The overall objective of the Environmental Examination, recommendations and support was to increase the awareness and knowledge of environmental compliance for customers’ Projects through program-supported environmental compliance work. AgBiz has made a significant contribution toward increasing the capacity of producers and processors/marketers competitiveness to identify pollution prevention mitigation measures as well as considerable energy savings that improved their productivity and export competitiveness meet export market demand for. These Projects involved advancing value-added, agriculture-based products, a range of physical facilities and sales and marketing capacity enhancements.

The Monitoring and Mitigation Recommendations from the EDD/PPA Summary Reports for each proposal were inserted in the Grant Agreements in Section 12 Environmental Follow-up. This section specified that the grantee was required to implement the mitigation measures specified for AgBiz to support the project.

AgBiz regularly monitored the implementation of mitigation measures recommended with EDD/PPAs that were reported by the grant awarded customers on quarterly basis. The updated Environment Mitigation Measures Plan (actions completed and/or challenges faced during the phase of their implementation) referring to selected reporting period was enclosed to each Quarterly Report submitted to USAID.

OUTCOME/FOLLOW-UP: On June 21st, an environmentally focused field trip was organized for representative of the USAID Europe & Eurasia (E&E) Bureau Environmental Compliance Unit (Jeff Ploets), Regional Environmental Officer (William Gibson) and international consultant previously engaged by ARD Tetra Tech Jim Gallup, accompanied by AgBiz COTR and USAID Program Office representatives to evaluate the outcome from the implementation of mitigation measures recommended to several of the AgBiz Project assisted customers (Dentina, Vipro and Bovin Winery).

Environmental experts and USAID officials matched the beneficiaries’ commitment with actual implementation of the recommended mitigation measures, as well as their interest in identifying ways of additional pollution prevention and energy savings. More specifically, Dentina presented significant improvements and savings from the installation of the steam boiler (one of the items supported by the Grant Agreement). The company is also planning to install gas capacity for its operations as soon as it becomes operational in their municipality, thus providing them with significant savings in energy. The team has also visited Vipro’s new facility that is completely constructed in compliance with HACCP and fully satisfies pollution prevention requirements. Given that the new factory was build on top of an old

farm's site with Asbestos roof, one of the key mitigation measures recommended to Vipro was proper implementation of the Asbestos Health and Safety Plan (AH&SP) developed in compliance with the Macedonian regulations. During the reconstruction of the existing halls, all required principals were followed, including proper protection of workers exposure, packaging, labeling and temporary storage of asbestos waste on site, transport, final disposal of the waste and other requirements consistent with the Macedonian asbestos regulations. Bovin confirmed installation of drip irrigation system that created substantial water savings but also allowed much better treatment of the vineyards with less man power engaged. Due to the unfeasibility to invest during the recent economic slowdown, Dentina and Vipro have not built waste water treatment stations yet. Regardless, the Mission's representatives appreciated their commitment in identifying innovative ways for pollution prevention and improved energy savings.

Findings on reduced cost of daily production and environmental pollution will be further incorporated in a Success Story that will be published at the official USAID web site.

In addition, AgBiz representative attended the Environmental Compliance Workshop organized by the Environmental officers. Presentations on USAID's Environmental Compliance Procedures, Environmental Mitigation and Monitoring and Introduction to Pollution Prevention P2 and its principles were conducted.

COST: N/A (AgBiz Team in-kind contribution)

I.7 PROGRAM DEVELOPMENT AND IMPLEMENTATION

I.7.1 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.7.1.1 Program Development

Activity	Expected Result	Result Achieved
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.	Prepared Monthly Budget Pipeline Analyses with revised activities; Prepared Budget for Time and Cost Extension.
Procedure for change of authorized signatory of ARD Subsidiary office in MK after MLGA completion	Goran Damovski to become Authorize signatory for ARD Subsidiary office in MK after MLGA completion.	ARD BTV issued all necessary documents for appointing new authorized signatory. Legal procedure started with Central Registry of RM.
Inventory disposition planning	Inventory Transfer procedure for obtaining 2 vehicles from MLGA upon notification from USAID and disposing 2 of AgBiz vehicles	Inventory Transfer procedure for obtaining 2 vehicles from MLGA completed on June 23, 2011. RfA sent to CO for disposing 2 of AgBiz vehicles.
Renewal of Office Lease	Renew Annual Office Lease upon Extension approval.	Negotiated fee reduction and renewed Annual Office Lease.
Maintain FY '11 activities budget and implementation plan	Actual activities expenditures tracked, completion vs. budget allocated and timeframe established in compliance with AWP	Completed Activity costs calculated based on actual expenditures obtained from the monthly Financial Reports; Each Activity's status tracked and updated in accordance with the dynamic of AC and AD approval
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
Wine Industry Database	Data on trade flow in CY '10 obtained, processed, and database updated	The methodology of Macedonian wine external trade data processing presented and transferred to the newly designated WoM's Administrative Assistant; Internal Wine database maintained and accurate

I.7.1.2 External Cooperation/Coordination

Activity	Expected Result	Result Achieved
Work with Macedonian-Russian Chamber and	Contribute to MAFWEs program on	Provided input to MAFWE for the specifics on

Activity	Expected Result	Result Achieved
MAP	potential support for National promotion at international trade fairs and B2Bs	potential support program for National promotion at international trade fairs and B2Bs
Present AgBiz experience including Lessons learned, Problems to avoid and Areas for greatest return to NOA	Shared AgBiz experience including Lessons learned, Problems to avoid and Areas for greatest return to NOA	NOA staff familiarized with AgBiz Implementation challenges and achievements
Meeting of WoM's MB (Wines of Macedonia Management Board) and the Deputy Minister and the head of Wine department of the MAFWE and director of the Agricultural State Inspectorate	To review all chapters of the recently adopted changes in the Wine Law and their possible negative implications on the development of the wine industry and its export competitiveness	Discussed changes in the bylaws particularly regulating wines with controlled geographic indication as well as the list for approved and recommended grape varieties for each wine region
Participated on the "Challenges for Export" roundtable organized by USAID	Share views and experience of AgBiz and supported VCs on the obstacles and opportunities for export	Presented AgBiz Program experience as well as views by the representatives of supported VCs regarding the obstacles and opportunities for export
Input to USAID's IDEAS project in regards to views from the AgBiz supported VC's on the structure and export promotion role of Invest Macedonia Agency	Provide additional suggestions and rational by AgBiz and supported VCs on the structure and export promotion role of Invest Macedonia Agency	Coordinated meetings with IDEAS project and experts from Booz Allen Hamilton including representatives from PV and Wine VC and discussed details regarding the VCs perception, needs and expectation for support from Invest Macedonia
Participated at a meeting organized by World Bank on Sector Competitiveness Assessment	Contribute to initial phase of the World Bank Sector Competitiveness Assessment in regards to AgBiz experience and competitiveness of supported VCs	Share views and experience of AgBiz and supported VCs on the obstacles and opportunities for export
Facilitated WoM in drafting a letter to MAFWE with request for expending the quota for exporting bulk wine into the EU	Ask MAFWE to request from the EU commission to expend the quota for exporting bulk wine into the EU	Submitted letter to MAFWE with the request for expending the quota for exporting bulk wine into the EU as a measure to reduce the quantities of wine on stock and increasing the capacity for buyout of grapes
Coordinated with IDEAS on AgBiz Lessons learned to be presented at the IM Export Promoters Training in July	Present experience of AgBiz and supported VCs on the obstacles and opportunities for export to IM export promoters	IM export promoters acquainted with AgBiz Lessons learned regarding export promotion
Participated at the presentation organized by Macedonian Chamber of Commerce and Macedonian-Russian Chamber on the opportunity for developing joint distribution center for Macedonian products in the Samara region in Russia	Update on the opportunity for developing joint distribution center for Macedonian products in the Samara region in Russia and investigate interest from Companies in the VCs	Analyzed specific offer for developing joint distribution center for Macedonian products in the Samara region in Russia and identified certain interest from Companies in the supported VCs to be included
FFRM workshop on revision of their mid-term strategy	Exchange knowledge with the relevant factors in Macedonian Agricultural system both private and government in order to receive applicable recommendations for undertaking steps towards creation of mid to long term development strategy	AgBiz CoP participated at the workshop and contributed with ideas for cooperation with the AgBiz Extension
Met with Mr. John Mennel from USAID's IDEAS project	in regards to export promotion activities	A comprehensive set of information was prepared and provided to IDEAS project
MAP meeting on May 04, 2011 in Strumica	Partner of MAFWE in sub-sector working groups	Members agreed MAP to become a partner of MAFWE and to participate in the sub-sector working groups. All documents requested by MAFWE submitted
MAP members' meeting on June 03, 2011 in Gevgelija	Position paper related to seasonal employment	Final version of the MAP proposal for engagement of seasonal labor approved by MAP members. MAP submitted all documents as request by MAFWE
Met with Mr. Onur Mahmutluoglu – sales representative of Sise Dзам from Turkey	In regards to potential joint supply of glass jars to VC (MAP) members	Details related to quantities of glass packaging and performance of the industry provided. Mr. Mahmutluoglu agreed to prepare and sent a letter of intent to MAP
Met with Gabriela Micevska from CepProSARD	In regards to presentation of alternative energy use possibility by PV VC members	Analysis of the findings related to use of solar panels by the PV members was discussed and main results and conclusions were presented to PV members during MAP's meeting in Gevgelija
Participated on the workshop organized by the EU project for CMO in regards to organizing producers groups/organization	In regards to strengthening of cooperatives and setting up of PGs/POs	Increased understanding of the strategy for setting up PGs/POs, information presented to PV VC members
Trained Kosovo NOA Accountant	Tetra Tech ARD employee in Kosovo to get acquainted and trained for implementing Internal USAID/ARD compliant Accounting procedures.	Trained Kosovo NOA Accountant in internal USAID/ARD compliant Accounting procedures.
Had meeting and exchanged experience and lessons learned with the NOA's Grants and	Transfer AgBiz Grants and Subcontracting knowledge and	NOA's Grants and Subcontracts Manager presented with lessons learnt for USAID/ARD compliant Grants

Activity	Expected Result	Result Achieved
Subcontracts Manager	experience to NOA's Grants and Subcontracts Manager.	and Subcontracts.
Had meeting to transfer AgBiz experience in M&E	Exchange experience in data collection and assessing and reports development	AgBiz PMP, M&E forms and Lessons Learned presented and provided to NOA's M&E Specialist

1.7.1.3 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	With USAID's approval of the two year cost and time extension new organizational structure, staffing requirements, and specific personnel requirements were prepared.
Local Staff employment agreements and consulting contracts extended after Time and Cost extension approval	Renew employment agreements for the local staff	Employment Contracts renewed for four staff, per definite period of time employment contracts regulations.
Manage mid- year staff evaluations with good feedback on performance	Assist staff with performance evaluation assessment and plan development	Employees' Performance Results for first half of 2011 and Performance Commitment Plan for next period submitted by staff members and approved by CoP.
Prepared Job Descriptions for Finance, Admin., Compliance, and M&E staff	Reorganize and optimize Level of Effort in the Admin, Finance, Compliance and M&E Departments per new SoW issued with the USAID approved Time and Cost extension.	Prepared Job Descriptions for Finance, Admin., Compliance, and M&E staff to optimize LoE per new USAID approved SoW.
Organizational structure, staffing requirements, and specific personnel	Optimize Organizational Structure and hire additional staff for successful implementation of the Project per the newly approved SoW.	Organized hiring process for two additional staff: prepared SoWs and issued Job Advertisement for the Position of PSDS. Daily Rate Approval from CO pending for Finance and Outreach Specialist. .

1.7.1.4 Activity Reports

Table 2 below shows the status of all Activities at the end of the Quarter, as well as the achieved impact of completed Activities. Activities completed during the Quarter had a total cost of \$109,862 to which AgBiz contributed 27%. Completed Activities provided support to seven trade associations or producer organizations and 212 agribusinesses. One new export customer was identified by the participants in completed Activities and that resulted in receiving €105,000 worth of export orders. Participants gave the Activities an average satisfaction score 4.86 out of 5.0.

TABLE 2. ACTIVITY STATUS REPORT

COMPLETED

MIS Code	ACTIVITY	PARTNERS	*ACTIVITY COST (US\$)			# of Producer Organization / Business Assos. that received assistance	# of Agribusiness firms that received assistance	Value of new orders (in EUR)	# of New Customers	# Individuals Received Assistance (evaluation score)	
			TOTAL	AGBIZ	AgBiz Percentage					TOTAL	Average score
			142	Workshop on Transferring Post-Harvest Handling Technology for FF&V to Agribusinesses, Associations and POs						5,569	4,069
FRESH FRUIT AND VEGETABLES AoF SUBTOTAL:			5,569	4,069	73 %	0	13	-	0	18	4,86
240	PV VC Members Study Tour and B2B Meetings in Germany		9,894	1,755	18 %	0	5	105,000	1	5	4,92
885	Processed Vegetable Value Chain Management & Support	MAP	9,636	9,636	100 %	1	0	0	0	0	0,00
893	Survey on the Performance of the F&V Processing Industry in 2010		5,664	2,164	38 %	0	44	0	0	99	0,00
PROCESSED VEGETABLES AoF SUBTOTAL:			25,194	13,555	54 %	1	49	105,000	1	104	4,92
241	Wine Road-show Presentations of Macedonian Wineries in Poland and Czech Republic	CBI	38,112	1,788	5 %	0	5	0	0	7	4,95
890	Support to WoM Association by Costs Sharing for an Administrative Assistant and Office	WoM	3,515	2,005	57 %	1	51	0	0	51	0,00
	Develop WoM Operational Plan 2011	WoM	2,000	0	0 %	1	7	0	0	7	0,00
	Investigate Opportunities for Joint Bottle and Other Inputs Supply	WoM	0	0	0 %	1	7	0	0	7	0,00
	Genetic Potential and Genesis of Indigenous Varieties in Macedonia	WoM	1,500	0	0 %	1	7	0	0	7	0,00
	Identifying Appellation of Origin	WoM	3,000	0	0 %	1	7	0	0	7	0,00
WINE AoF SUBTOTAL:			48,127	3,793	8 %	5	84	-	0	86	4,95
145	Round-table on Challenges Export	IDEAS	800	0	0 %	0	5	0	0	18	0,00
146	Integrated Pest Management Training	RCI	12,600	0	0 %	0	2	0	0	18	0,00
237	Facilitation of Exports to Kosovo and Bilateral B2B Meetings	OBCK	1,382	682	49 %	0	6	0	0	6	4,71
892	Assessment of Correlation between the Agricultural Productivity of Primary Producers and Agribusiness Export Performance		5,257	5,257	100 %	0	0	0	0	0	0,00
POLICY AND INSTITUTIONAL REFORM AoF SUBTOTAL:			20,039	5,939	30 %	0	13	-	0	42	4,71
141	Workshop on Introducing Energy Efficiency and Renewable Sources of Energy for Macedonian Agribusinesses	CeProSard; Ohridska Bank	594	194	33 %	0	22	0	0	30	0,00
882	Transfer Post-Harvest Handling Technology for Selected Agriculture Commodities to PO, Farmers, and Agribusinesses Through Moja Zemja	FFRM	10,339	2,039	20 %	1	31	0	0	223	0,00
OUTREACH/MARKET INFORMATION/ENVIRONMENT AoF SUBTOTAL:			10,933	2,233	20 %	1	53	-	0	253	0,00
TOTAL			109,862	29,589	27 %	7	212	105,000	1	503	4,86
ON HOLD OR DROPPED											
144	Participation on EU Vegetable Processors Conference										
	Modern Post Harvest Handling Technology Capacity Building and Establishing Market Linkages with Serbian Buyers										
	Develop a Web Page for MAEA										
	Support to MAEA by Cost Sharing a Professional Manager and Office										
143	Wine grape Demand Supply Planning Conference/ Industry Performance Follow-up Presentation										
	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										
	Support to Shumski Plod by Cost Sharing a Professional Manager and Office										
										Dropped due to cancelation of planned additional two-months no-cost extension (FY'11 Quarter 4)	

Activities in support of MAEA and Shumski Plod were dropped due to inadequate support for the proposed Activities from members of these trade associations. Other Dropped activities are the result of some combination of limited potential participant interest, the lack of an anticipated additional NCE covering the fourth fiscal quarter, and/or a lack of staff time to develop and implement the Activities due to the effort required to develop and finalize the Extension proposal and finalize Extension agreements

1.7.1.5 Agreements Signed Report

Table 3 below shows that a total of 5 agreements were signed in Macedonia during the Quarter worth \$9,340. All agreements were with Macedonian companies or individuals.

TABLE 3. AGREEMENTS SIGNED							
No.	Company/Person	Type of Contract	SUMBITED TO USAID	USAID CO	USAID CTO	Signed	US\$
FFPC 104	Transfer PHH Productivity, Biotechnikon	FFPC	25-Mar-11	NR	25-Mar-11	5-Apr-11	\$3,500
	Germany ST and B2b for PVVC, MAP	LOI	4-Apr-11	NR	5-Apr-11	4-May-11	\$2,140
FFPC 105	Kosovo Business Center B2B for FF&V	FFPC	4-Apr-11	NR	4-Apr-11	11-May-11	\$500
	Wine Road show Poland Czech Rep	AD	4-May-11	NR	5-Apr-11	NA	\$1,200
	PV VC Survey 2010	Consulting contract	26-Apr-11	NR	27-Apr-11	NA	\$2,000
TOTAL							\$9,340

1.7.2 Quantitative Performance Indicators

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

1.7.2.1 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 very satisfactory during the Quarter. Almost all of the quantitative Indicators reported on a quarterly basis are on schedule or slightly overachieved. At the end of this Quarter 75% of FY '11 has expired.

As a result of the longer-term Activities (PV VC Management and Support and Transfer PHH Technology for Selected Agriculture Commodities) completed during the Quarter, 503 individuals from 212 (54 not previously assisted) agribusinesses and one additional producer organization have benefited.

Over \$80,000 of investment was stimulated from customers, and AgBiz contributed an average of 27% of the total direct cost of Activities implemented during the Quarter, thus achieving very good resource leveraging.

TABLE 4. FY'11 THIRD QUARTER INDICATORS ACHIEVEMENTS				
INDICATORS	This Quarter	FY to Date	Fiscal Year 2011 Objective (Oct 1, 2010 – Jun 18, 2011)	Performance (FY%)
1. Increased Raw Material Production and Products Marketing				
1.11 Value of new orders (in 000 Euros) from Trade Fairs, B2B Meetings and Fast Track Projects	105,000	2,951,500	2,810,000	105%
1.12 Number of new customers from Trade Fairs, B2B Meetings and Fast Track Projects	1	43	31	139%
2. Increased Coverage and Assistance to Value Chain Participants				
2.1 Number of Producer Organizations receiving assistance	1	8	8	100%
2.3 Number of Agriculture-related Firms receiving assistance	54	109	117	93%
2.4 Number of Trade and Business Associations receiving assistance	0	1	2	50%
3. Building Human Capacity				
3.1 Number of male individuals who have received short-term agriculture or agribusiness productivity enhancement	395	688	796	86%

TABLE 4. FY'11 THIRD QUARTER INDICATORS ACHIEVEMENTS				
INDICATORS	This Quarter	FY to Date	Fiscal Year 2011 Objective (Oct 1, 2010 – Jun 18, 2011)	Performance (FY%)
training				
3.2 Number of female individuals who have received short-term agriculture or agribusiness productivity enhancement training	108	298	250	119%
4. Value of Investment Stimulated and Leveraging Achieved				
4.1 Value of customer investment stimulated (000US\$)	80,273	328,309	232,000	142%
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\$)	80,273	328,309	232,000	142%
4.4 Value of foreign direct investment stimulated (000US\$)	0,00	0,00	0,00	0,00
4.5 Leveraging Achieved by AgBiz (%)	27 %	27 %	26 %	96 %
5. Increased Access to Finance				
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	0	12	11	109%
7. Policy and Institutional Reform				
7.1. Number of policy and institutional constraints identified and prioritized	3	12	21	57%
8. Outreach				
8.1. Number of Success Stories produced and published	3	9	14	64%
8.2. Number of media exposures (TV, Radio and Newspaper)	13	30	22	136%

1.7.2.2 FY'11 and LoP Indicators Achievements

Given that AgBiz request for a No-Cost Extension (NCE) was approved during the previous Quarter, the timeframe for implementing additional USG supported interventions was extended till June 18th, and Indicator objectives for FY'11 and LoP have been revised accordingly.

Table 5 below presents the results achieved prior to when the NCE was approved, the additional results achieved in FY'11 and the current LoP achievements compared to Objectives.

As can be noted, almost all of these indicators are on schedule or overachieved, while around 35% have been 80–90% achieved.

TABLE 5. FY'11 AND LOP INDICATOR ACHIEVEMENTS					
INDICATORS	PAST PERFORMANCE (Through September 30, 2010)	FY'11 RESULTS (Achieved through June 18, 2011)	LoP RESULTS (Achieved through June 18, 2011)	LOP OBJECTIVES (Through June 18, 2011)	PERFORMANCE (in %)
1. Increased Raw Material Production and Products Marketing					
1.11 Value of new orders (in 000 Euros) from Trade Fairs, B2B Meetings and Fast Track Projects	12,413,970	2,951,500	15,365,470	15,223,970	101%
1.12 Number of new customers from Trade Fairs, B2B Meetings and Fast Track Projects	388	43	431	419	103%
2. Increased Coverage and Assistance to Value Chain Participants					
2.1 Number of Producer Organizations receiving assistance	26	8	34	34	100%
2.3 Number of Agriculture-related Firms receiving assistance	221	109	330	338	98%
2.4 Number of Trade and Business Associations receiving assistance	4	1	5	6	83%
3. Building Human Capacity					
3.1 Number of male individuals who have received short-term agriculture or agribusiness productivity enhancement training	1,167	688	1,855	1,963	94%
3.2 Number of female individuals who have received short-term agriculture or agribusiness productivity	340	298	638	590	108%

TABLE 5. FY'11 AND LOP INDICATOR ACHIEVEMENTS

INDICATORS	PAST PERFORMANCE (Through September 30, 2010)	FY'11 RESULTS (Achieved through June 18, 2011)	LoP RESULTS (Achieved through June 18, 2011)	LOP OBJECTIVES (Through June 18, 2011)	PERFORMANCE (in %)
enhancement training					
4. Value of Investment Stimulated and Leveraging Achieved					
4.1 Value of customer investment stimulated (000US\$)	9,467,658	328,309	9,795,967	9,699,658	101%
4.2 Value of third party domestic investment stimulated (000US\$)	0.00	0.00	0,00	0.00	0.00
4.3 Value of total domestic investment stimulated (000US\$)	9,467,658	328,309	9,795,967	9,699,658	101%
4.4 Value of foreign direct investment stimulated (000US\$)	0.00	0.00	0,00	0.00	0.00
4.5 Leveraging Achieved by AgBiz (%)	14 %	27 %	15 %	15 %	100%
5. Increased Access to Finance					
5.1. Value of customer financing (potential loans) identified (000US\$)	7,183,720	271,000	7,454,720	7,433,720	100%
5.2. Number of new customers provided access to finance assistance	40	12	52	51	102%
7. Policy and Institutional Reform					
7.1. Number of policy and institutional constraints identified and prioritized	22	12	34	43	79%
8. Outreach					
8.1. Number of Success Stories produced and published	38	9	47	52	90%
8.2. Number of media exposures (TV, Radio and Newspaper)	143	30	173	165	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 Influence of the Economic Slowdown on AgBiz Value Chains

Fresh Fruits and Vegetables: The effects of global economic slowdown can still be experienced in Macedonia when it comes to available financial products for bigger processing and trading companies. The financial institutions were slow in following the trends of recovery of the European market, but some companies managed to successfully complete their production and sales plans. In the first half of the year of 2011 FF&V and PV companies continued with increasing exports, primarily due to some advantage to produce fresh vegetables slightly earlier than the rest of EU countries as well as very unfavorable weather conditions and floods in several larger production areas in Europe.

Nevertheless, the unexpected outbreak of the mutated Escherichia Coli in some European countries causing deaths of about 20 people has seriously slowed down the exports of cucumbers resulting in throwing away enormous quantities. Macedonian market is too small to consume such production. During June the situation improved and the larger buyers of Macedonian products have stabilized.

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: Wine VC is facing difficulties to recover from the global crisis and compete on the oversupplied market. Hence, after fulfilling the preferential quota for exporting bulk wine from Macedonia into the European Union, having the burden of 10% tax per liter for export of any additional quantities above the quota wineries cannot be competitive and are facing difficulties to continue to export. As a result in the last month of the quarter, bulk sales significantly slowed down. Larger wineries continued to work on diversifying the current markets by enhancing efforts and investigating opportunities to enter and expand their sales on alternative markets such as China, Hong Kong, Russian Federation and US.

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

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. The Export Promotion Strategy and Recommendations on Reconstituting InvestMacedonia is still being finalized by the Ministry of Economy. USAID's IDEAS project that is directly involved in strengthening the capacity of InvestMacedonia Agency in establishing viable instruments for export support started developing a strategic document that will include analysis of the existing export sectors and select two sectors with the highest export potential and InvestMacedonia's organizational structure, actions/operational plans to effectively implement the strategy. Based on the outcome of this document that should be finalized end of September 2011 and the extent to which the recommendations will be accepted by the Government, IDEAS will kick off the implementation of the component for "Export Facilitation and Investment Aftercare" that includes developing and advancing a comprehensive export promotion strategy and trade policies to support exports.

AgBiz Program Extension will continue to closely coordinate with IDEAS and share its views and experience in enhancing export of agricultural and food products as well as offer 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. AgBiz coordinated with IDEAS and prepared presentation on AgBiz Lessons learned, steps in organizing specialized wine road show presentations in Poland and Czech Republic and MAP participation at the Novi Sad Trade Fair to be presented at the IM Export Promoters Training in July.

In the mean time, MAFWE confirmed the availability of a support program for exporting on alternative markets outside EU and the region with special focus on China and the Russian market. Based on this, Macedonian-Russian Chamber of Commerce (MRCC), facilitated by AgBiz and MAP coordinated preparations for participation of 13 Macedonian companies from three VCs including FF&V, PV and Wine at the International Food Moscow Trade Fair that will be held from 14th to 18th of September 2011. Along the Trade Fair Macedonian Government represented by the Minister of Finance Stavrevski that is also the president from Macedonian side of the Macedonian Russian Commission will organize a Business forum for presenting the opportunities for cooperation between Macedonian and Russian companies. Having vast experience in coordinating national exhibitions AgBiz provided advice to MRCC and contributed to the development of the strategic concept and preparation of companies for exhibiting in Moscow. At the end of September, the Deputy Minister of MAFWE will lead a Macedonian delegation of companies to exhibit at the food fair in Shanghai, China also supported by MAFWE.

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 Time and Cost Extension and Budget Modification

During this Quarter of FY'2011, on May 12, 2011 USAID issued new Statement of Work and Results Framework to ARD Contract/Task Order Number EDH-I-00-05-00006-00 TO 3 for a two-year time and cost extension. After several meeting ARD prepared and submitted Technical and Cost Proposal on June 15, 2011. USAID reviewed and approved the proposal on June, 20, 2011 and issued and signed Contract Modification #9.

The purpose of this modification was to:

- (1) Extend the period of performance of the Task Order for 24 months, by changing the estimated completion date from June 18, 2011 to June 18, 2013;
- (2) Revise the Statement of Work;
- (3) Increase the ceiling price of the Task Order by \$2,439,367, from \$5,849,960 to \$8,289,327;

- (4) Incrementally fund the Task Order by \$125,000, thereby increasing the total obligated amount from \$5,849,960 to \$5,974,960;
- (5) Revise the budget; and
- (6) Revise the amount budgeted for grants from "\$500,000" to "\$465,024";

AgBizE will have **three primary** modifications versus AgBiz:

1. The focus will be on two value chains—fresh fruits and vegetables (FF&V) and processed vegetables (PV);
2. Emphasis will be on the lower levels of the value chains, with a view to increasing product quality and quantity to meet demand, and to raising the critical mass of stakeholders in the targeted value chains; and
3. Increasing the use of service providers and the development of sustainable packages of services. These changes will result in more emphasis on productivity, increased incomes, and sustainable linkages between Business Services Providers (BSPs) and stakeholders in the two value chains. A key factor of success will be the ability of AgBizE-supported Lead Facilitators (LFs) to design and facilitate activities that more effectively and efficiently link value chain participants to viable markets and demonstrate to value chain stakeholders the utility of local services to sustainably grow their businesses.

Basic AgBizE Technical Approach: Five of the AgBizE components will be implemented through one-year subcontracts with BSPs (LFs). These components are:

- a. 1.1.1 and 1.2 – Increased Productivity, Competitiveness, and Sales for PV;
- b. 1.1.1 and 1.2 – Increased Productivity, Competitiveness, and Sales for FF&V;
- c. 1.1.2.4 – Development of Value Chain Export Strategies and Plans (i.e., one export plan for the PV value chain and one export plan for the FF&V value chain);
- d. 1.3.2.2 – Organizational Capacity Building for Advocacy; and
- e. 1.4 – Enhanced Access to Finance.

The remaining three components will be managed by AgBizE staff with the implementation of specific activities subcontracted out to local BSPs:

- f. 1.1.2 less 1.1.2.4 – Support for IM;
- g. 1.3.2.1 – Policy and Institutional Reform Needs (PIRNs) Identification, Prioritization, and Development; and
- h. 1.3.1 – Strengthened MAFWE Strategic Planning and Policy Making.

AgBizE staff will develop detailed SOWs and Requests for Proposals (RFPs) for all components, and all awards to BSPs will be made through a competitive bidding process. Awards for work to be performed (a) through (e) above will be for one year. Performance will be then assessed, and subsequent awards made based upon the outcome of the assessment.

2.2.2 Effective Implementation Policy and Institutional Reform Work

During the Quarter, the Policy and Institution Reform (PIR) work slowed down due to the intensified political campaign throughout this quarter, for parliamentary elections that took place on June 5th. All of the issues lagging behind from the previous quarters did not have any movement forward. Another reason for this was the concentrated efforts of AgBiz team on planning and drafting the new project proposal. In terms of Policy and Institutional Reform Work, the AgBiz team spent a significant time and

efforts planning the future joint activities with IDEAS and InvestMacedonia regarding the IM reorganization and development of relevant export strategies.

3.0 FINANCIAL REPORT

The Third Quarter financial report is shown below. The report indicates that with the latest USAID approved Contract Modification the ceiling price of the Task Order was increased by \$2,439,367, from \$5,849,960 to \$8,289,327 and the Contract term was extended for 24 months.

Thus 68% of the program term is completed, 70% of the total budget has been invested. The program budget was revised and approved and expenditures to date are consistent with plan.

CONTRACT No. EDH-I-03-05-00006-00					
Macedonia AgBiz					
Quarterly Report					
CONTRACT EXPENDITURES through June 30, 2011					
Category	Contract Budget	Incurred as of 3/31/2011	Quarterly Costs 4/1/11 - 6/30/11	Total Costs Accrued as of 6/30/11	Remaining
Total All Other Costs	\$ 7,478,638	\$ 4,940,131	\$ 122,524	\$ 5,062,655	\$ 2,415,983
Grants	\$ 465,024	\$ 465,024	\$ -	\$ 465,024	\$ 0
SUB TOTAL CONTRACT COSTS	\$ 7,943,662	\$ 5,405,154	\$ 122,524	\$ 5,527,679	\$ 2,415,983
FEE	\$ 345,664	\$ 207,089	\$ -	\$ 207,089	\$ 138,575
TOTAL CONTRACT COSTS	\$ 8,289,327	\$ 5,612,244	\$ 122,524	\$ 5,734,768	\$ 2,554,559

4.0 PLANS FOR THE FOURTH FISCAL QUARTER OF 2011

The following sections outline expected AgBiz results for the final quarter of FY '11.

Activity	Expected Result	Projected Completion Date
Finalize the organizational structure, staffing requirements, and specific personnel	Optimize Organizational Structure and LoE by hiring a successful candidate for PSDS; Get Daily Rate USAID approval for Finance and Outreach Specialist. .	July 30, 2011
Conduct senior staff orientation and training at Tetra Tech ARD home office	Senior staff get orientation and training and are in full accord with ARD concerning contracting, technical implementation	July 17, 2011
Issue the call for Capability Statements and , etc. to all potential LFs	Receive Capability Statements and Basic Approach Proposal to be used to pre-select BSPs that have the technical knowledge and administrative capabilities required to successfully implement the VCLF role in one of the two selected VCs.	July 7, 2011
Hold a workshop with shortlisted VCLF potential bidders to explain in detail how to submit VCLF proposals	Describe detailed procedures for contracting and implementing each of the agreed approaches to each of the IRs/SubIRs. Explain VCLFs to the approach to be utilized and how LAs and/or BSPs can develop and submit proposals. Present specific ISCLA proposal screening methodology and prioritization criteria, procurement procedures and a cost shared budget and M&E.	August, 2011
Develop and publish RFPs with detailed SOWs for VCLF work	RFPs with detailed SoW for VCLF work issued.	August, 2011
Issue LF RFPs for 1.1.2.4, 1.3.2.2, and 1.4	LF RFPs for 1.1.2.4, 1.3.2.2, and 1.4 and detailed SoW issued	September, 2011
Hold Annual Work Planning Workshop all staff and newly selected VCLF	Prepare Annual Work Plan integrating VCLF Proposals	September, 2011
Finalize Work Plan and PMP with detailed breakdowns for FY '11 and basic information for FY '12 & FY '13	Developed Work Plan and PMP with detailed breakdowns for FY '11 and basic information for FY '12 & FY '13 and submitted to USAID	October 15, 2011
Develop a detailed and specific LF proposal screening methodology and prioritization criteria	gain USAID approval for same	July 4, 2011
Develop and gain IM and USAID approval for a Year One IM support plan	Year One IM support plan developed and approved by USAID and IM	August 12, 2011
Facilitate establishment of an agreement with USAID and MAFWE on how the Special Opportunities Fund will be utilized	Established agreement with USAID and MAFWE on how the Special Opportunities Fund will be utilized	September 19, 2011
Determine the composition and procedures of the Proposal Evaluation Committee	Composition and procedures of the Proposal Evaluation Committee determined	July 1, 2011
Meet with USAID to agree on the USAID approvals needed for LF activities implementation	USAID approvals needed for LF activities implementation agreed	July 1, 2011
Develop the required VCLF SOWs, reporting procedures, and formats, including budget & M&E input documents	VCLF SOWs, reporting procedures, and formats, including budget & M&E input documents developed	August 16, 2011
Develop the required non-VCLF SOWs, reporting procedures, and formats, including budget and M&E input documents	non-VCLF SOWs, reporting procedures, and formats, including budget and M&E input documents developed	August 16, 2011
Short-list potential VCLF competitors	Selected short-listed potential VCLF competitors	July 28, 2011
Hold a workshop with shortlisted VCLF potential bidders to explain in detail how to submit VCLF proposals	Explain detailed technical approach and illustrative activities	August 19, 2011
Develop cost-sharing guidelines for 1.3.2.2 and 1.4	Cost-sharing guidelines for 1.3.2.2 and 1.4 developed	August 19, 2011
Develop LF RFPs with detailed SOWs for work under 1.1.2.4, 1.3.2.2, and 1.4	LF RFPs with detailed SOWs for work under 1.1.2.4, 1.3.2.2, and 1.4 developed	August 19, 2011
Hold Proposal Evaluation Committee meetings to short-list LF bidders	Proposals Evaluated by the Committee and LFs selected	September 19, 2011
Hold BAFO discussions with leading bidders to optimize their proposals	Proposals from leading bidders optimized	September 23, 2011

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

AgBiz Press Clippings for the Period April – June, 2011

5.1.2 Success Stories

“Wine of Macedonia Trade Association”

“AgBiz Customer Increase Energy Efficiency and Productivity”

“Macedonian Wineries are Raising a Glass to Successful Entry into the Swedish Market”

5.1.3 Technical Materials

Survey on the Performance of the F&V Processing Industry in 2010

Assessment of Correlation between the Agricultural Productivity and Export Performance

Post-Harvest Handling Technology Guidebook for Grapes

Post-Harvest Handling Technology Guidebook Apple

Post-Harvest Handling Technology Guidebook Cherry

Post-Harvest Handling Technology Guidebook Cucumber

Post-Harvest Handling Technology Guidebook Onion

Post-Harvest Handling Technology Guidebook Peach

Post-Harvest Handling Technology Guidebook Pepper

Post-Harvest Handling Technology Guidebook Plum

Post-Harvest Handling Technology Guidebook Potato

Post-Harvest Handling Technology Guidebook Tomato

5.2 INTERNAL REPORTS

Activity Results Report Transfer of PPH Technology for FF&V to Agribusinesses, Associations POs

Activity Results Report Facilitation of Exports to Kosovo and Bilateral B2B Meetings

Activity Results Report Road-show Presentation of Macedonian Wines to Poland and the Czech Republic

Activity Results Report Study Tour and B2Bs in Germany

Activity Results Report Workshop on Introducing Energy Efficiency and Renewable Sources of Energy fo Macedonian Agribusinesses

Activity Results Report Transfer of Post-Harvest Handling Technology for Selected Agriculture Commodities to POs, Farmers, Agribusinesses through “Moja Zemja”

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