



USAID | **MACEDONIA**
FROM THE AMERICAN PEOPLE

AGBIZ PROGRAM

SECOND FISCAL QUARTER REPORT 2012
JANUARY-MARCH 2012

APRIL 2012

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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

AAEM	Association of Agro Economists of Macedonia
AD	Activity Description
AFSARD	Agency for Financial Support in Agriculture and Rural Development
AtF	Access to Finance
B2B	Business to Business
BSP	Business Service Provider
CAP	Common Agricultural Policy
CBI	Dutch Centre for the Promotion of Imports from Developing Countries
CeProSARD	Center for Promotion of Sustainable Agriculture and Rural Development
CFR	Code of Federal Regulations
CIPOZ	Center for Applied Research and Permanent Education in Agriculture
CO	Contracting Officer
CoP	Chief of Party
COR	Contracting Officer's Representative
CY	Calendar Year
DOC	Development Outreach and Communication
EG	Economic Growth
EPA	Environmental Protection Agency
ERP	Enterprise Resource Planning
EU	European Union
FFRM	Federation of Farmers of the Republic of Macedonia
FF&V	Fresh Fruits and Vegetables
FP	Financial Platform
FY	Fiscal Year
GLOBALG.A.P.	GLOBAL Good Agricultural Practice
GoM	Government of Macedonia
HACCP	Hazard Analyses and Critical Control Points
HO-RE-CA	Hotel/Restaurant/Café
IC	Innovation Center
IDEAS	Investment Development and Export Advancement Support/USAID funded
IFS	International Food Standard
IM	Invest Macedonia
IPM	Integrated Pest Management
IPARD	Instrument for Pre-Accession Assistance for Rural Development
ISC	Integrated Supply Chain
ISO	International Organization for Standardization
IT	Information Technology
LF	Lead Facilitator
LoP	Life of Program
M&E	Monitoring and Evaluation
MAAC	Macedonian Association of Agricultural Cooperatives
MAFWE	Ministry of Agriculture, Forestry and Water Economy
MAEA	Macedonian Agro Exporters Association
MAP	Macedonian Association of Processors
MCG	Macedonian Consulting Group
MK	Macedonian
MoE	Ministry of Economy
NARDS	National Agriculture and Rural Development Strategy
NEA	National Extension Agency

PERSUAP	Pesticide Evaluation Report and Safer Use Action Plan
PGI	Protected Geographic Indication
PDO	Protected Designation Origin
PIRN	Policy and Institutional Reform Need
PMP	Performance Monitoring Plan
PO	Producer Organization
PPD	Public Private Dialogue
PSDS	Private Sector Development Specialist
PV	Processed Vegetables
QR	Quarterly Report
RCI	Regional Competitiveness Initiative
RCO	Regional Contracting Officer
RfA	Request for Approval
SARIO	Slovak Investment and Export Promotion Agency
SC	Supply Chain
SIDA	Swedish International Development Agency
SIPPO	Swiss Import Promotion Programme
SNV	Netherlands Development Organization
SOF	Special Opportunity Fund
SoW	Statement of Work
STA/M	Senior Technical Advisor/Manager
STTA	Short-term Technical Assistance
SWOT	Strengths, Weaknesses, Opportunities, and Threats
TtARD	Tetra Tech Associates in Rural Development
US	United States
USAID	United States Agency for International Development
VC	Value Chain
VCLF	Value Chain Lead Facilitator

DEFINITIONS

Each of the following sections defines key terms used in this report.

Activity – An event or action designed to help achieve one or more AgBiz Extension objectives. 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

AgBiz Extension – The two-year, \$2.44 million extension of USAID/Macedonia's AgBiz Program.

Business Services Provider (BSP) – An entity that provides business-related services to agribusinesses, most often a private sector firm such as a consulting company or an individual consultant. In some cases, public sector entities can be BSPs if the services they provide are for commercial business development purposes.

Embedded Services – 1) Additional inputs or services provided by a vendor in addition to the main items or services the vendor is selling that help the vendor to make the sale and provide the buyer with added value. 2) Inputs or services provided by a raw materials buyer to increase the quality, lower the cost, or improve delivery timing of the raw materials the buyer is purchasing from a grower. This second type of embedded service is often included in formal or informal production/delivery contracts wherein the buyer will deduct most the buyer's out-of-pocket costs advanced to the grower from the price of the raw materials the buyer purchases.

Fresh Fruits and Vegetables (FF&V) – One of the two value chains to be supported by AgBiz.

Integrated Supply Chain (ISC) – A sustainably linked, market-focused, and effectively integrated set of participants who provide inputs or services to a single final seller (or coordinated group of final sellers) who work together to enhance the competitiveness of the end products sold by the last links in the supply chain. A supply chain is composed of participants of an ongoing set of vertical linkages that is much smaller and has fewer participants than a value chain.

Invest Macedonia (IM) – The newly formed Macedonian export promotion department of the Agency for Foreign Investment and Export Promotion.

Lead Actor (LA) – A private sector legal entity that plays a major role in the implementation of an integrated supply chain competitiveness enhancement plan (i.e., set of AgBiz-supported activities). LAs are often consolidators, packers, or processors, but can also be input suppliers, financial entities, or occasionally a trade association.

Lead Facilitator (LF) – A firm (most often a BSP) that takes majority responsibility for the planning and implementation of a significant part of an AgBiz component. An LF will be a subproject manager and will need to comply with all relevant USG, USAID, and Tetra Tech ARD regulations.

Package – A set of activities designed by an LF, with input from key LAs, to enhance the competitiveness of a specific value chain.

Partner – An entity with whom AgBiz will work to achieve the objectives of the extension. In this context, *partner* is a generic term.

Processed Vegetables (PV) – One of the two value chains to be supported by AgBiz.

Public Private Dialogue – Effective discussions between public and private sector entities that has the goal of achieving a better understanding and consensus on issues that involve both parties—usually policy and public institution reforms.

Value Chain (VC) – The firms and individuals participating in related value-adding activities that convert inputs and services supply into outputs for a given set of commodities and products. Most USAID-related value chain development work stops at the importer or wholesale buyer, but includes inputs and services suppliers.

EXECUTIVE SUMMARY

Program Development: This Quarter (January-March 2012) made significant progress in implementation of all Program components. AgBiz staff provided guidance and supported Lead Facilitators to successfully develop and implement a number of activities for strengthening the competitiveness and capacity of the private sector in the two supported Value chains but also improve business environment. AgBiz received USAID's approval of the revised Performance Monitoring Plan. Due to Agency's updated monitoring and evaluation policy AgBiz has made modification to the list of PMP Indicators by including new Standard Indicator "Number of private sector firms that have improved management practices as a result of USG assistance" instead of "Number of firms receiving USG supported assistance to improve their management" and set targets accordingly. The Program provided input to USAID regarding AgBiz support to the program for the work of the Government in the period 2011-2012, input to World Bank Summary on Sectorial Competitiveness Assessment of the Constraints and Opportunities in Automotive, Apparel, Agribusiness and Logistic Services and coordinated AgBiz FY'12 First Quarter Review presentation for EG Director and COR. AgBiz maintained very good coordination with all relevant institutions and other stakeholders in the agribusiness sector. This quarter AgBiz issued 2 press releases, 4 significant media advisories published in 47 print and electronic media and 2 success stories.

Increased Domestic and Export Sales and Improved Competitiveness and Productivity: During this second quarter of AgBiz Extension, both VC Lead Facilitators for FF&V and PV managed to complete 10 activities and have another 11 being implemented or are in the stage of development. All completed activities have considerable impact on strengthening the capacity of LAs and their integrated supply chain farmers to improve production technology, better utilization of post-harvest handling processes, understanding of market demand and product specifics, link with potential relevant buyers ultimately leading to greater domestic and export sales and increased incomes for all participants in the FF&V and PV value chains. During this period, the Federation of Farmers of Republic of Macedonia faced with challenges in regards to their structural and democratic governance, went through a selection process for new executive manager and early assembly meeting. Since they are key subcontractor to both AgBiz's VC lead facilitators for a number of activities, some activities experienced certain delays in their execution. AgBiz will closely follow the developments and act to maintain smooth implementation of joint activities with AgBiz Lead facilitators.

Increased Productivity, Competitiveness and Sales for Fresh Fruit and Vegetables Value Chain:

Finalized FF&V VC screenings for portraying the developments in this VC, confirmed the growing trend in the export sales of FF&V as one of the most important vehicles for enhancing the Macedonian export. Some important conclusions are that although the region continues to be the most important destination for Macedonian FF&V products, there are more and more evident attempts to penetrate on other non-traditional markets. This process should be further supported by all organizations working in the area of Agricultural competitiveness and export development. During the second quarter EPI Centar completed organization of visit to Fruit Logistica Fair as the most import international event for FF&V and Improved linkages with potential new markets and technology transfer, engaged STTAs to establish trails using Y trellis system for table grapes production in Agrolozar to promote new growing techniques in table grape production that should improve the competitiveness of the Macedonian table grapes sector; provided support to the seedling producers for table grapes and fruits in converting their production towards certified planting material production. Established partnership with FFRM in the implementation of the Program activities, as the most important organization promoting the interest and representing the small farmers in Macedonia contributed to increasing visibility and dissemination of the activities results and lessons learned from all activities through FFRM Magazine "Moja Zemja", their web page and by using the regional FFRM offices.

Increased Productivity, Competitiveness and Sales for Processed Vegetables Value Chain:

Implemented set of activities during the quarter contributed towards increasing of domestic and export sales and enhancing productivity and the overall competitiveness of the processed vegetables PVVC. "Visit

to Anuga 2011 and contacts with export buyers” and “ Organizing of a buying mission of German importers in Macedonia” implemented during the last quarter helped PVVC LAs to significantly increase knowledge on the German market for processed vegetables and strengthen current and establish business contacts with new potential importers and distributors. As a result, during this quarter PV industry reported additional 984,000 worth of export sales. New MAPs interactive web portal increases coordination and cooperation between the MAP members and non-members, offers various information about MAP, useful links, announcements, publicly available documents and in addition, all interested parties can use the portal as a brokerage tool to place offers and see requests for various processed products. More than 200 farmers and LAs participated at Agrotica Trade Fair and got acquainted with the latest trends in agri-techniques, specific mechanization that can improve productivity and upgrade standardization of products at primary production level thus strengthen their competitiveness of the overall SC. PV VC Lead Actors enhanced the knowledge of the Australian market for processed vegetables, presented the capacity of Macedonian companies to supply finished PV products and explored export sales opportunities on Australian market. Signed contract with Euromonitor for obtaining international market data “Passport” will enable easier and more efficient access to relevant market information. On-going activities include areas like introduction of new varieties and technologies on farming and processing levels, utilization of contract farming opportunities and supply with production inputs, trainings focusing on production and processing improvements, trade fair visit and joint export promotion as well as development of embedded services by the PV VC actors.

Support for Invest Macedonia (IM): During the quarter AgBiz in coordination with IDEAS projects supported Invest Macedonia to successfully implement the activity, Study Tour and B2B event between Macedonian companies producing FF&V and PV and potential buyers in Poland. From the Invest Macedonia perspective, this activity contributed considerably in gaining practical experience in organizing trade missions abroad, as a one of the key functionalities in the area of export promotion that shall be provided by IM to the private sector. Fourteen export companies from Macedonia updated their knowledge and understanding about Polish market for FF&V and PV products. The Program also worked on preparation of several forthcoming activities including supporting the agency in organizing a visit to well established Export Promotion Agencies in Slovakia and Czech Republic with strong export promotion function and model similar to Macedonia, contribute to development of the IT system of Invest by collecting data and uploading directory of export companies in main Agribusiness sub-sectors: Fresh Fruit and Vegetables, Processed Fruit and Vegetables, Wine, Meat and Dairy. After confirmation of the interest and commitment from the wineries, AgBiz and IDEAS have agreed to work together to help IM in organizing a Study Tour and “road show” presentations of Macedonian Wineries in US.

Enhanced Agricultural Business Environment: AgBiz continued to utilize several components designed to enable better agricultural business environment for exporters and producers. During the quarter AgBiz worked on strengthening the mechanisms for advocacy and sustainable public-private dialogue that will effect in enhanced exports and higher private sector contributions to the economy. Improvement in the policy and institutional framework related to the supported value chains as well as building capacity of the value chain participants and GoM representatives will ultimately result in enhanced productivity and competitiveness of Macedonian agriculture. AgBiz continued to support companies and farmers to access to most adequate finance through the financial platform.

Strategic Planning and Policy Making at MAFWE and Special Opportunity Fund: During this quarter the MAFWE initiated one activity from the Activity list and one was completed. The work on modification of the Strategy for Agriculture and Rural Development that was initiated in November was completed at the end of March 2012. The modified strategy will serve to the MAFWE as a basis for launch of the new strategy for the period 2014-2020. In February, AgBiz completed the documentation and initiated the work on Development of a long-term National Dairy Strategy. The work on this strategy is expected to be completed by the end of June 2012. In the meantime the Ministry prioritized numerous unfinished secondary legislations (by-laws) that will be addressed through the Special Opportunity Fund in the course of the next quarter. In order to clarify the request by the MAFWE for preparation of PDO and PGI studies, Agbiz initiated an assessment of the proposed products, entities and costs that will give a sound basis for start of the main activity.

Policy and Institutional Reform Needs Identification, Prioritization and Analyses: During this quarter the Lead Facilitators identified six (6) needs for Policy and Institutional Reform. AgBiz prioritized

and initiated the work throughout this quarter on the issues that are directly associated to successful accomplishment of several planned activities of its components such as: Lack of Working Procedures and Operating Manual for Sub-sector Standing Groups for fruits and vegetables; and Lack of confirmed products and selected producer's groups as applicants for PDO and PGI registration of products. Other PIRNs that came from our GoM partners and for which activities were developed and initiated are: Lack of development effects in the Agricultural sector from the National Subsidies Program within the period from 2005 to 2011; and Lack of capacity for strategic planning in agriculture within the Government of Macedonia. The PIRNs identified and still not selected for addressing are about the IPARD related obstacles and Lack of marketing support from GoM to PV VC members. Please see more details in the PIRN section of this report.

Development of VC Export Strategies and Plans for the FF&V and PV VCs: During the quarter continued preparations for initiating the process for development of VC Export Marketing Plans for FF&V and PV. AgBiz coordinated with the Dutch CBI and they accepted to cooperate and provide international experts on FF&V and PF&V to facilitate the work. MAFWE and MOE also initially confirmed their commitment to get actively involved and work with other stakeholders on developing the VC export Strategies/Plans. IM should ultimately take the ownership of the final documents and coordinate further implementation of strategic export programs. Since the selection process for Lead Facilitator took place more than six months ago, its validity expired. So early next quarter AgBiz will issue new RfP with slightly modified SoW to solicit proposals for Lead Facilitator to work with CBI experts and IM, liaise with other stakeholders including MAFWE, MoE, Chambers of Commerce etc. and coordinate all logistics for working sessions in developing Sector Export Marketing Plans for the PV VC and for FF&V VC.

Public Private Dialogue and Organizational Advocacy Capacity Enhancement: In the reporting period project team has completed all meetings with respective representatives of organizations of FF&V traders and producers and PVs in Macedonia and GoM representatives in order to explain and discuss the project idea. In addition, interviews were organized with the rest of the managers of the VC organizations for the purpose of assessing current cooperation with employees in the Governmental institutions responsible for creation and implementation of the policies, strategies and support measures for FF&V and PV that were not covered in the previous reporting period. As a result of the interviews, baseline study for current level of cooperation between VC organizations and employees from GoM institutions active in the field of production of fresh fruits and vegetables and processed vegetables was developed.

Enhanced Access to Finance: During this quarter IC continued its AtF activities in the FFV&PV VCs. IC continued educating companies and farmers on the various financial tools available on the market by developing and printing a comprehensive brochure featuring over 15 alternative financial products. Furthermore, IC delivered one matchmaking event for companies from the FFV&PV VCs at the end of January in Kavadarci, organized one educational event from farmers from the FFV VCs at the end of March in Strumica and continued supporting access to finance projects by cost-sharing the FF's fee. This last activity resulted with 4 companies and one farmer successfully accessing finance.

Monitoring and Evaluation: Data collection for indicators measuring increased sales at farm-level and both volume and value of sales of agricultural commodities in CY'2011 and CY'2012 First Quarter was coordinated and data quality verified. All of the standard result-oriented Indicators targets were achieved. The Value of incremental sales (collected at farm-level) was increased for over \$1.2 million, while the Value of total sales of the targeted commodities to domestic market, all other countries in the region and international markets increased for 7% over the baseline (CY 2010). Implementation of the proper data-collection methodology, data quality assessment and reporting continued during this Quarter.

I.0 FIRST QUARTER ACCOMPLISHMENTS

I.1 PROGRAM DEVELOPMENT AND IMPLEMENTATION

I.1.1 Actions Completed during the Quarter

During this Quarter AgBiz assisted Lead Facilitators (LF) in implementing standardized management practices in line with United States Agency for International Development (USAID) rules and regulations, related to purchasing, subcontracting, activity implementing, monitoring and evaluation and reporting policies and procedures. In addition, LFs with whom Tetra Tech Associates in Rural Development (TtARD) subcontracts were able to implement the knowledge, skills, and template documents needed to properly implement USAID subcontracts, and follow the established procurement procedures. The Handbook provided by AgBiz during previous Quarter, was extensively used by AgBiz LFs in assisting them follow standardized management practices in line with ARD and USAID rules and regulations.

In the second Quarter of the Fiscal Year (FY) and upon USAID request, AgBiz Quarterly Budget Projections and Burn rate for remaining of FY'12 and (Life of Program) LoP was prepared. The Quarterly Financial Report indicated an increase of 45% of the Burn rate due to LFs implemented activities entering into implementation and completion phase.

Compliance/USAID Approvals

During this Quarter AgBiz submitted Request for Approvals (RfA) and received approvals from USAID Contracting Officer's Representative (COR) and Regional Contracting Officer (RCO) as required and in compliance with USAID rules and regulations.

- Received Contracting Officer (CO) and COR approvals and consent for LFs Contracted Activities with:
 - a) EpiCentar for Fresh Fruits and Vegetables (FF&V) Value Chain (VC) LF
 - b) Macedonian Consulting Group (MCG) for Processed Vegetables (PV) VC LF
 - c) Innovation Center (IC) for Enhanced Access to Finance for participants in the FF&V and PV VCs
 - d) Center for Promotion of Sustainable Agriculture and Rural Development (CeProSard) for Strengthening Public Private Dialogue (PPD) through the Increased Utilization of Effective Advocacy
 - e) Ministry of Agriculture, Forestry and Water Economy (MAFWE) on managing and implementation of the Special Opportunity Fund (SOF).
- Received CO and COR approval of:
 - a) AgBiz revised Performance Monitoring Plan (PMP).
 - b) AgBiz Program level Pesticide Evaluation Report and Safer Use Action Plan (PERSUAP)

Short-term technical assignment for Ms. Claudia LaLumia AgBiz Senior Technical Adviser/Manager (STA/M), to provide in-country review and assistance to AgBiz.

Compliance/ MK Laws & TtARD Policies & Procedures

- Assisted LFs in Activity Implementation:
 - a) Contract Mods issued for all approved activities for increasing the Contract's obligated funding;
 - b) Reviewed Activity Descriptions Budgets;

- c) Sub-sub-contractor procurement, purchasing and contracting procedures;
 - d) Final cost-sharing;
 - e) Financial Reporting and payments;
 - f) Reimbursed all Value Chain Lead Facilitators (VCLF) for previous month's expenses.
- Maintained AgBiz Monthly Subcontracts Report.

Improved Budget Control

- During this Quarter, and per TtARD internal policies and procedures, the following Reports were produced for maintaining the established improved Budget control:
 - a) Subsidiary Office of TtARD Skopje 2012 Annual Financial Statements and Income Tax payment Report submitted to the Public Revenue Office per Macedonian (MK) laws and regulations;
 - a) AgBiz Budget FY'12 by Sub-Elements sent to USAID as requested;
 - b) Upon USAID request, prepared AgBiz Quarterly Budget Projections and Burn rate for remaining of FY'12 and LoP;
 - c) Quarterly Budget Accruals Report for FY'12 Second Quarter;
 - d) Quarterly Financial Report;
 - e) Internal Budget review and realignment;
 - f) Monthly updated Budget-to-Actual report;

Human Resources

- Completed Staff Performance Evaluation for previous 6 months and Plan for staff due for Evaluation.

Agreements Signed Report

Table 1 below shows total number of Activity Description) AD approved by USAID and contracts signed during the Quarter worth \$172,673. All agreements were with Macedonian companies or individuals.

TABLE I. AGBIZ SUBCONTRACTED ACTIVITIES TO LEAD FACILITATORS					
ACTIVITIES	EPICENTAR				
Activity Description	Type of Contract	SUMBITED TO USAID	USAID CO	Signed	US\$
Fresh Fruit & Vegetables VC Lead Facilitator	Hybrid	20-Oct-11	27-Oct-11	28-Oct-11	\$211,997
Management Fee					\$94,524
Activity Description	Type of Contract	SUMBITED TO USAID	USAID COR	Signed	US\$
(Part 1) on Improvement of Market Linkages through organized visit to Fruit Logistica Trade Fair in Berlin	AD	04-Jan-12	09-Jan-12	NR	\$7,090
Production of certified market demanded table grapes planting material	AD	03-Feb-12	06-Feb-12	NR	\$7,100
Production of certified market demanded apple planting material.	AD	03-Feb-12	06-Feb-12	NR	\$6,625
Provision of comprehensive technical on-field assistance for modern production technology of table grapes	AD	28-Feb-12	29-Feb-12	NR	\$8,280
Organizing networking events and B2B meetings with buyers from non-traditional export markets	AD	29-Feb-12	01-Mar-12	NR	\$15,395
Part #2 -Visiting International Agricultural Fair, Novi Sad 2012, Serbia	AD	20-Mar-12	20-Mar-12	NR	\$4,960
SUBTOTAL					\$49,450
ACTIVITIES	MCG				
Activity Description	Type of Contract	SUMBITED TO USAID	USAID CO	Signed	US\$
Processed Vegetables VC Lead Facilitator	Hybrid	18-Oct-11	27-Oct-11	28-Oct-11	\$180,874
Management Fee					\$ 70,776
Activity Description	Type of Contract	SUMBITED TO USAID	USAID COR	Signed	US\$
Introduction of new varieties and new vegetable production technologies	AD	16-Jan-12	17-Jan-12	NR	\$19,000
AD on organizing visit to international Agri-food	AD	24-Jan-12	24-Jan-12	NR	\$4,700

TABLE I. AGBIZ SUBCONTRACTED ACTIVITIES TO LEAD FACILITATORS

Fair Agrotica					
Acquiring and dissemination of international market data for PV value chain	AD	20-Feb-12	21-Feb-12	NR	\$8.000
Organizing a Study tour and B2B in Australia for PV VC companies	AD	23-Feb-12	24-Feb-12	NR	\$15.248
SUBTOTAL					\$46.948
INNOVATION CENTER					
ACTIVITIES	Type of Contract	SUMBITED TO USAID	USAID CO	Signed	US\$
Activity Description					
Access to Finance Lead Facilitator	Hybrid	19-Oct-11	27-Oct-11	28-Oct-11	\$41.200
Management Fee					\$13.300
Activity Description	Type of Contract	SUMBITED TO USAID	USAID COR	Signed	US\$
Educational events for the farmers suppliers in Fresh Fruit and Vegetable and Processed Vegetable Value Chains	AD	03-Feb-12	06-Feb-12	N/A	\$1.620
SUBTOTAL					\$1.620
CeProSard					
ACTIVITIES	Type of Contract	SUMBITED TO USAID	USAID CO	Signed	US\$
Activity Description					
Advocacy and Public Private Dialogue strengthening	Hybrid	18-Oct-11	27-Oct-11	28-Oct-11	\$-
Management Fee					\$9.840
Activity Description	Type of Contract	SUMBITED TO USAID	USAID COR	Signed	US\$
Needs assessment of VC representatives and the institutions working on preparation of the policies, strategies, laws and regulations related to FF&V and PVs.	AD	04-Jan-12	09-Jan-12	NR	\$2.940
SUBTOTAL					\$2.940
SOF MAFWE					
ACTIVITIES	Type of Contract	SUMBITED TO USAID	USAID COR	Signed	US\$
Activity Description					
Preparation of a Multi-annual Strategy for Improvement and Monitoring of Milk Quality	AD	07-Feb-12	08-Feb-12	NR	\$20.000
Assessment of the potential products and entities applying for PDO or PGI	AD	24-Feb-12	24-Feb-12	NR	\$4.000
SUBTOTAL					\$24.000
AGBIZ DIRECTLY SUBCONTRACTED ACTIVITIES					
ACTIVITIES	Type of Contract	SUMBITED TO USAID	USAID COR	Signed	US\$
Activity Description					
Environmental Compliance Training	AD	23-Feb-12	23-Feb-12	NA	\$1.615
INVEST MK					
Study Tour and B2B meetings for Macedonian traders/exporters of Fresh Produce and Processed Vegetables to Poland	AD	27-Feb-12	27-Feb-12	NR	\$10.958
Study Tour and B2B meetings for Macedonian traders/exporters of Fresh Produce and Processed Vegetables to Poland	FFPC Epicentar	27-Feb-12	27-Feb-12	10-Mar-12	\$2.071
Study Tour and B2B meetings for Macedonian traders/exporters of Fresh Produce and Processed Vegetables to Poland	FFPC MCG	27-Feb-12	27-Feb-12	10-Mar-12	\$2.071
PIRN					
Development of Operating Manual and Working Procedures for Sub-sector Standing Groups for fruits and vegetables	AD	3-Mar-12	3-Mar-12	NR	\$4.000
Development of Operating Manual and Working Procedures for Sub-sector Standing Groups for fruits and vegetables	FFPC Cepsard	3-Mar-12	3-Mar-12	5-Mar-12	\$4.000
Assessment of the potential products and entities applying for PDO or PGI	FFPC IQS	3-Mar-12	3-Mar-12	12-Mar-12	\$4.000
PV VC AgBiz Direct					
Introduction of new varieties and new vegetable production technologies	FFPC CIPOZ	16-Jan-12	17-Jan-12	01-Mar-12	\$19.000
SUBTOTAL					\$47.715
TOTAL DURING THE QUARTER					\$172.673

1.1.2 Actions Planned for the Next Quarter

Compliance/USAID approvals

During the following Quarter AgBiz will submit RfAs to USAID COR and RCO as required and in compliance with USAID rules and regulations.

Compliance/ MK Laws & TtARD Policies & Procedures

During this Quarter AgBiz will operate under USAID and TtARD Policies and Procedures.

Budget and Finance Management

- Continue using QuickBooks software and Budget-to-Actual tracking mechanism, for preparing monthly Financial Reports, by recording bank transfers, funds receipts and monthly expense transactions and sending it to TtARD to be included in the monthly AgBiz invoice to USAID.
- Prepare Monthly Budget Projections reports, subcontractors' financial pipelines and control budget expenditures to successfully implement a highly leveraged activities' program.

Human Resources and Staffing

- Successfully guide, provide feedback and complete Performance Evaluation for all local staff.

On-going Monitoring and Control of all Subcontracts

AgBiz staff will assist, monitor, and control all subcontracts by providing approval of:

- Activity Descriptions;
- Sub-sub-contractor Statement of Work (SoWs);
- Financial Reporting;
- Final cost-sharing;
- Memoranda of Understanding/Letters of Intent with third parties;
- Procurement and purchasing procedures;
- Reporting, monitoring and evaluation, and outreach; and
- Payment procedures.

I.1.3 AgBiz Environmental Compliance – Impact Assessment

In order to comply with the requirements of 22 Code of Federal Regulations (CFR) 216 as prescribed in the project's environmental documentation, Initial Environmental Examination AMD No. 2 dated 05/10/2011 and USAID Recommended Environmental Threshold Decision, TtARD Macedonia AgBiz Program updated the PERSUAP to ensure Program compliance with USAID environmental rules and regulations.

After updating the PERSAUP and reviewing activities descriptions for activities to be implemented by Lead Facilitators in 2012 and determination as whether or not any environmental impacts might be expected, the International Environmental Specialist/consultant made recommendations for any mitigation measures that must be undertaken in order to ensure compliance with USAID environmental rules and regulations. AgBiz Program engaged a Local expert to deliver one day orientation training on environmental compliance to VC LFs, representatives of involved LAs, selected leading integrated farmers, suppliers of raw material and representatives of Federation of Farmers of the Republic of Macedonia (FFRM). All of them received training on safe use of pesticides and directions on how to make sure that all Subcontractor trainers, field extension staff and staff who interact with farmers will recommend PERSUAP conditions: (1) Use pesticide label-recommended Personal Protection Equipment for applying all pesticides; (2) Do not use pesticides containing Active Ingredients that are not Macedonia, European Union (EU), Environmental Protection Agency (EPA) or PERSUAP approved; and (3) Use pesticide safe use practices, training and safety equipment following GLOBAL Good Agricultural Practice (GLOBALG.A.P.)

This training will allow the Program to ensure environmental and human health safety, while achieving Program goal.

The following nine Activity Descriptions for both Value Chains - fresh fruits and vegetables and processed vegetables with potential environmental impacts are:

Fresh Fruit and Vegetables Value Chain

- On-field assistance for modern production technology of table grapes;
- Support to the sustainable and continuous domestic production of high quality, certified, market demanded table grapes planting material;
- Introduction and promotion of the production of new fresh pepper types/ varieties attractive for the EU fresh market;
- Support to the process of compliance of the primary production with the requirement of the buyers and the market demand; and
- Supporting sustainable domestic production of high quality, certified, market demanded apple planting material

Processed Vegetables Value Chain

- Implementation of GLOBALG.A.P. by farmers supplying raw materials for processing;
- Implementation of International Food Standard (IFS) (2 processing Companies);
- New product development (1 company would like to start freezing green beans, carrots, etc);
- Facilitation/Implementation of Contract Farming; and
- Introduction of new varieties and new vegetables production technologies (introduction of yellow pepper).

1.1.4 External Cooperation and Coordination

To have an optimal impact on increasing domestic and export sales, improving productivity of the selected value chains, enhancing the agricultural business environment, and increasing access to finance, AgBiz and its subcontracted LFs are leveraging support through all participants in the supported FF&V and PV VCs. To achieve cooperation with other projects, share experience, learn from each other and jointly support activities, AgBiz and LFs cooperated during the quarter in the following ways, with other entities:

- AgBiz team coordinated a presentation for Mr. Matthew Hutcherson, recently appointed officer in the USAID Economic Growth (EG) office on AgBiz accomplishments so far, key objectives for the two year extension and results to date; held a meeting with USAID's visitor Ms. Sandra Goshgarian, Senior Financial Markets Advisor from Washington DC and presented Program's activities with particular emphasis on Access to Finance component. Also had a meeting with World Bank team: Ms. Malathi Jayawickrama (Task Team Leader) in charge of the Agriculture Strengthening and Accession Project (ASAP) and Ms. Asa Giertz (Economist) responsible for the Agriculture Public Expenditure Review (PER) and discussed AgBiz's related activities and opportunities for collaboration on three year Public Expenditure strategy to be developed by the Government of Macedonia (GoM) and MAFWE. AgBiz Chief of Party (CoP) held a meeting with Dutch Centre for the Promotion of Imports from Developing Countries' (CBI) local representative for Macedonia, Ms. Slavica Vampirdziska and discussed details on cooperation in development of the Sector Export Marketing Plan for FF&V and PV. Together with COR, LFs for FF&V, PV and Advocacy and PPD, AgBiz Management held a meeting with Swedish International Development Agency (SIDA) Project Manager, Ms. Biljana Džartova, responsible for support program for FFRM to discuss current internal changes in the management of the FFRM as subcontractor and partner in implementation of the project activities and analyze potential threat to the prompt implementation of the activities. Initiated by Investment Development and Export Advancement Support (IDEAS) Project, AgBiz CoP participated at a meeting with the Minister for Information Society and Administration, Mr. Ivo Ivanovski and discussed possible cooperation in regards to educational campaign for farmers in utilizing information technology planned by the Ministry. AgBiz team together with both VC LFs organized a meeting with Rural Development Network representatives implementing Development

Grants Program funded project on the climate changes impact on Agriculture in Macedonia, also supervised by AgBiz COR for potential cooperation and their involvement in VC activities. As per request from Regional Competitiveness Initiative (RCI) and in order to increase the information sharing within the RCI countries, AgBiz provided contact information of local Business Service Providers contracted by the Program to be further integrated into the regional information database. On USAID request assessments and reports on policy and institutional constraints produced during AgBiz' four-year implementation period were provided to USAID/Albania.

- LF for FF&V VC EpiCentar continued the cooperation with the Fruits & Berries Project in Serbia. As a result of this cooperation during the Fruit Logistica Fair, Business to Business (B2B) meeting was organized between the agribusinesses to discuss the opportunities for joint cooperation or joint presentation on third markets. EpiCentar met with Mr. Dejan Bishliev, director of the Macedonian - Russian Chamber of Commerce to find common ground for joint efforts in organizing participation of Macedonian FF&V companies at the World Food Fair in Moscow in September. Meeting was organized with the Macedonian Swiss Import Promotion Programme (SIPPO) representative Mrs. Natalija Puntevska to discuss possibilities for establishing future closer cooperation between the FF&V VC component and SIPPO. EPI Centar also met with Mr. Jeton Starova, director of Netherlands Development Organization (SNV) Macedonia to understand the progress made in the past in establishing functional cooperatives supported by SNV. Unfortunately, it was noted that SNV has decided to leave the region and to stop all activities in Macedonia and in the region by the middle of 2012. FF&V LF participated at the Balkan conference for management of cooperatives organized by FFRM as an opportunity to learn more on the new developments in the region in this field and to see some positive examples.
- LF for PV VC participated at a meeting in regards to marketing support to PV VC members organized by Macedonian Association of Processors (MAP) board members and Mr. Blagoja Mukanov, the Economic Advisor from the cabinet of Deputy Prime Minister; on behalf of MAP participated at the standing working group meeting for vegetable organized by MAFWE; met with Mr. Aleksandar Ivanovski from regional office of TUV Austria in Macedonia in regards to food safety and security certification and potential cooperation with PV VC members; participated and contributed to a meeting at the Ministry of Economy related to cluster development. MCG met with representative of Chemonics Mr. Alexandar Filipov and discussed potential involvement of the PV VC in the forthcoming energy efficiency project funded by USAID.

I.2 INCREASED PRODUCTIVITY, COMPETITIVENESS AND SALES FOR FRESH FRUITS AND VEGETABLES

The FF&V sector with over 357.791 tons of exported FF&V is one of the most important single sub-sectors accounting for 3.5% of the overall annual export value¹ of 115,4 mil US\$ (Y2010). However, the FF&V sector has significant obstacles and threats that need to be addressed. Ex-Yugoslav markets are still the main export destinations of FF&V products, thus creating high export market dependency on a small number of markets and represents potential threat for future sales of produce from Macedonia. At the same time, small sized plots, the outdated varieties, lack of implementation of modern production technology, lack of use of certified planting material, low level of vertical and horizontal integration, limited access to favorable conditions for financing, etc. are among the most significant issues that impede further growth of the VC.

Considering that majority of commercial operations is using crude oil as energy source, increased oil price had further reduced the competitiveness of Macedonian producers of fresh fruit and vegetables. Supporting alternative energy sources (thermal water, gas, biogas ...) for greenhouse heating, should be one of the future focuses for all direct and indirect VC participants. The climate conditions and exceptionally cold winter had made significant negative impact to the greenhouse producers and will for sure decline their production. The climate changes (extremely cold to warm and then cold again) is

¹ Total export value Y2010 according SSO, US\$3.301.829.120

expected to have negative impact to some of the fruit production in the country. This weather conditions had also contributed for the problems with blooming of the spring cabbage.

Thus, AgBiz through EpiCentar as a Lead Facilitator of this component works on provision of technical assistance at all levels and players within the VC for improving the planting material, production technology, standardization, market linkages aimed at supporting VC participants to resolve or diminish some of these problems.

1.2.1 Activities Completed during the Quarter

Preparation of VC Baseline Screening through Focus Group Discussions

Objective: Preparation of FF&V VC Baseline Screenings and setting up a mechanism for regular discussion and information exchange between LAs and their farmers on the VC performance progress at the primary production level through established Focus Groups.

Activity Summary: Three separate VC screenings targeting the three products: apple/fruits, pepper/vegetables and table grapes are developed. They have been developed based on the significant quantity of the statistical data, field trips, and focus group discussions combined both with the practical and academic perspective on the performance of the VC and main challenges for growth. Overall VC screenings gives comprehensive, yet clear and focused description of the VC players, their relations as well as the Strengths, Weaknesses, Opportunities, and Threats (SWOT) analysis on each level. The VC screenings elaborate on the trends and drivers, and provide monitoring matrix set by the primary producers that will serve as mechanism to measure the VCs performance at the producer's level. Once the final approval of the documents is received by AgBiz, EpiCentar together with FFRM will arrange for printing and dissemination of these documents. (*For more details, please see "Fresh Vegetables Value Chain Baseline Screening", "Apple and Fresh Fruits Value Chain Baseline Screening", and "Table Grapes Value Chain Baseline Screening" included on the CD-ROM version of this report*). Agreement is made to promote the documents through the existing web portals and through the FFRM regional offices.

The 2nd Quarterly Focus group discussion session for fresh vegetables (pepper) was held in Strumica on 29/03/2012. At the discussion attended 18 primary producers of fresh vegetables/peppers, 2 Lead Actor (LA) representatives, 2 FFRM representatives, 2 Short-term Technical Assistance (STTA) experts, 8 presenters from financial institution, and 6 other stakeholders. EPI Centar presented some of the main findings of the fresh vegetables VC screening report and actively discussed the issues of: (1) perspectives of the 2012 season, (2) the indicator matrix (3) expected increased costs of production, (4) expected sales on current and opportunities for entering new markets and other related issues. The main conclusion at this point is that there is an increase in production costs of fresh vegetables for approximately 18%, which will consequently increase the final sales price of products in 2012. Further analysis of data collected will give clearer picture about the expected production and the prices of vegetables on the domestic market.

During the event Innovation Center (LF for Access to Finance component of AgBiz Program) in cooperation with several banks representatives presented innovative financial products supporting the agriculture. This cooperation between Innovation Center and EpiCentar proved to be cost effective and efficient. Based on MAFWE's request PE Agro Berza present to FG participants the new project for organization of trade of FF&V by using mobile devices. This is a project funded by ERICSSON and implemented directly by Public Enterprise Agroberza and MAFWE.

Follow-up: The second Focus group discussion on Table grapes is scheduled for 05/04/2012, the third Apple/Fresh Fruits Focus group discussion is scheduled for 03/04/2012. After completion of the final and last remarks on the VC screenings the VC Screening Reports will be uploaded on the website of the FFRM, and LF – EpiCentar and further distributed to other stakeholders.

Activity Cost: Total Cost: \$32,250; AgBiz Share: \$16,110 or 50%

Provision of comprehensive technical on-field assistance for modern production technology of table grapes

Objective: Improvement of the overall table –grapes productivity and market sales opportunity through provision of comprehensive technical on-field assistance for modern production technology of table grapes.

Activity Summary: After signing contracts with the Local technical experts and FFRM during March the LF and the STTA expert visited LA Agrolozar, assessed the current status of table grapes production in the company and analyzed the issues arising during the production season. This resulted in developing technical assistance plan in order to enable Agrolozar to reduce losses and produce standard quality of Victoria table grapes that will meet buyers' requirements. An experiment was established to reduce or eliminate completely the influence of previous weak fertilization and improve the yields and quality of Victoria variety.

A new producer Trajce Dushkovski, from Trstenik, Kavadarci has started a new plantation of table grapes and was included in this activity as a "new" producer. STTA engaged inspected the quality of table grapes planting material and provided expertise in planting with specific instructions. Although it is obviously that the duration of the activity will not allow to fully develop this Project but it can be used as an example for setting new more advanced vineyards for table grape production. The idea is to use the experience from this farm as a model to other growers in the region. In addition, together with the STTAs he has visited the plantations of Agrolozar and learned from their experience. Environmental checklist was prepared and submitted to AgBiz as part of the process of environmental compliance.

Activity Cost: Total Cost: \$14,280; AgBiz Share: \$8,280 or 58%

Support to the sustainable and continuous domestic production of high quality, certified, market demanded table grapes planting material

Objective: To increase awareness and interest for local production of high quality certified planting material of demanded table grape varieties; technology transfer

Activity Summary: Even though EPI Centar signed contracts with the STTAs to be engaged for this activity, due to the internal developments within FFRM, implementation start was delayed and after consultation with all parties involved contract with FFRM as a subcontractor was signed mid-March. During February two field visits to the LAs for this activity have been completed and the specifics and the timeline for this activity have been agreed with the LA Agro Kalem. STTAs helped the LA in establishing contacts with foreign suppliers of planting material and recommended elementary inputs and material. Together with the LA planned the technical support for grafting techniques for improving the quality of production of planting material.

Activity Cost: Total Cost: \$14,100; AgBiz Share: \$7,100 or 50%

Support to the process of compliance of the primary production with the requirement of the buyers and the market demand

Objective: The main objective of this activity is improved integration of the supply chain for fresh pepper production through uniformed production and higher yields.

Activity Summary: The STTAs for this activity have been identified and contracts signed in February but because of objective reasons signing the contract with FFRM was postponed for mid-March. LF in cooperation with the engaged technical expert Gordana Pop-Simonova visited twice the LAs involved in this Activity and developed comprehensive plan for trainings including detailed implementation steps and provisional list of the training participants. The first in the series of five trainings for improving the production of peppers and strengthening the supply chain integration was organized in Bansko for the LA Sonce and 23 of their primary producers which are part of the integrated supply chain and FFRM representatives. The training dedicated to the set of current field operations planned as well as traditionally expected problems for this period of the year raised great interest and encouraged open and

interactive participation of producers. It included technical advices on how to improve current field operations as well as discussions and possible resolutions to the expected problems that might appear during this period. In this context adequate instructions were given and examples were shared by the experts. The training group discussed about specific training topics that could be interesting and helpful following the production cycle and agreed on the critical points to be covered during the next training. In addition selected group of pepper producers agreed to implement practical field test plot using specific pruning technique of pepper with appropriate protection that could increase the quality and yield.

Follow up: Continue the series of trainings for improved pepper production quality with the group of farmers of the 2nd selected LA in the area of Bogdanci, develop training materials for the next training, work on preparation of material for the Manual on pepper production; visit pepper producers in Strumica for monitoring the pepper production (seeding), visit the LAs- glasshouse producers in Stip and Kocani for bell pepper production

Activity Cost: Total Cost: \$24,200; AgBiz Share: \$9,200 or 38%

Supporting sustainable and continuous domestic production of high quality, certified, market demanded apple planting material

Objective: To support sustainable and continuous domestic production of high quality, certified, market demanded apple planting material.

Activity Summary: After the STTA experts for this activity have been identified and contracts signed, they visited the two LAs involved in this activity i.e. Ovoshitar from Argulca Shtip, and Agripor, Valandovo, both resisted for production of planting material, thus have significant interest in improvement of the quality of planting material. The technical experts screen their current production of planting material, the capacities, discussed future interests of LAs and developed plans for technical assistance throughout the project duration for each of the LAs. Plans were developed in a manner to help LAs to improve the production technology for upgrading the quality of planting materials, improved vegetative parameters of the fruit trees and establish preconditions for instigation of certified fruit planting materials. STTA experts initially provided instructions concerning: adequate preparation of the production plot and setting up planting distance, cost savings through specific usage of herbicide for weed reduction.

As part of this activity STTA experts helped LAs to prepare and submit grant application to MAFWE for support of 5.000 Euro for procurement of certified seedling material. During March LAs supported by the STTAs contacted Balkan representative of a Dutch company which is a renowned producer of basic planting input material for procurement of certified planting material for apple, pear, sweet cherry and sour cheery in different varieties.

Activity Cost: Total Cost: \$13,625; AgBiz Share: \$6,625 or 49%

Improvement of Market Linkages: Visits to Fruit Logistica 2012 in Berlin, Germany, and International Agricultural Fair 2012 in Novi Sad, Serbia

Objective: Improved linkages with potential new markets and technology transfer

Activity Summary: The part #1 of the activity concerning the Fruit Logistica 2012 Berlin has been completed. The activity has been implemented in the period 6-10 February 2012. Seven LAs companies and 15 participants from the three VC product groups including FFRM visited the fair. FruitLogistica is among the most important global events concerning FF&V. This has been an excellent opportunity for the LAs for direct contacts with existing as well as potential new clients. The activity was also supported by SIPPO that coordinated export coaching introduction training for all Macedonian participants. At the same time this was excellent opportunity of the Macedonian Participants to meet other SIPPO supported participants from other countries. EPI Centar facilitated a meeting between participating companies and Invest Macedonia (IM) delegation coordinated by USAID IDEAS project. IM Director and the team had an opportunity to discuss with Macedonian companies their capacity for exporting fresh produce from Macedonia and their challenges to expand current export. Global companies presented new technologies for grading, latest equipment for production, post-harvesting and packaging. The interested LAs established contracts and discussed possibilities for purchasing some equipment to improve their

operations. The fair has been excellent opportunity to meet the present and potential customers, renew the contacts and make some pre arrangements for the next year production. LAs have made pre-contracts for export of fresh fruits and vegetables in North Europe, Poland, Serbia, Ukraine, Russia, Kosovo and Bosnia and Herzegovina at the amount of around 1.9 Eur.

Meetings were also organized with companies from Serbia and from Kosovo for planning joint activities on third markets. An article concerning the New Technologies on Fruit Logistica 2012 has been prepared and issued in the Moja Zemja magazine in February issue.

(For more details, please see “Activity Result Report Fruit Logistica 2012” included on the CD-ROM version of this report).

EPI Centar developed the part #2 of the activity concerning participation of farmers at the International Agricultural Fair 2012 Novi Sad. The activity will be organized by the FFRM as a subcontractor and activity preparations including organization of the transport to and from the fair, all other logistic arrangements have been initiated.

Activity Cost: Total Cost: \$42,160; AgBiz Share: \$12,050 or 29%

I.2.2 Environmental Protection

Possible Negative Environmental Impact: The following Activities: “Provision of comprehensive technical on-field assistance for modern production technology of table grapes”, “Production of high quality, certified, market demanded table grapes planting material”, “Support to the process of compliance of the primary production with the requirement of the buyers and the market demand” and “Production of high quality, certified, market demanded apple planting material” were identified that the implementation of some of their phases could have negative Environmental Impact.

EpiCentar with support from AgBiz Program will ensure that all relevant Subcontractors, STTAs and LAs will understand all major FF&V production constraints and follow Integrated Pest Management (IPM) and pesticide recommendations found in the 2011 Macedonia AgBiz PERSUAP. LF and LAs involved in this activity already received training on safe use of pesticides and will make sure that all Subcontractor trainers, field extension staff and staff who interact with farmers will follow PERSUAP conditions:

- Use pesticide label-recommended Personal Protection Equipment for applying all pesticides.
- Do not use pesticides containing Active Ingredients that are not Macedonia, EU, EPA or PERSUAP approved.
- Use pesticide safe use practices, training and safety equipment following GLOBALG.A.P.

Implementation Status: On-going

I.2.3 Activities Planned for the Next Quarter

The FF&V VC activities listed below are planned to be initiated, implemented or completed during the next Quarter *(For more details on Activities’ objectives and implementation plan, please see Table 3 under section 1.10.4).*

- Preparation of VC Baseline Screening through Focus Group Discussions (Cont.);
- Organization of networking event with non-traditional export markets through conference and B2B meeting;
- Provision of comprehensive technical on-field assistance for modern production technology of table grapes (Cont.);
- Support to the sustainable and continuous domestic production of high quality, certified, market demanded table grapes planting material (Cont.);
- Introduction and promotion of the production of new fresh pepper types/varieties attractive for the EU fresh market (bell pepper);
- Support to the process of compliance of the primary production with the requirement of the buyers and the market demand (Cont.);

- Supporting sustainable and continuous domestic production of high quality, certified, market demanded apple planting material (Cont.);
- Improvement of Market Linkages through organization of a visit to the International Agricultural Fair 2012 in Novi Sad, Serbia;
- Presentation of modern production systems of all targeted VCs through organization of a Study Tour.

I.3 INCREASED PRODUCTIVITY, COMPETITIVENESS AND SALES FOR PROCESSED VEGETABLES

The Macedonian vegetable processing industry is export oriented – 80-85% of annual production is exported. EU markets and regional markets are the largest export destinations. Macedonian processed products currently enjoy positive reputation among the food importers from the region and EU, as well. In 2010, the export volume of processed vegetables reached the volume of 30.1 thousand tons and value of 30 million Euros. 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 Hazard Analyses and Critical Control Points (HACCP) and International Organization for Standardization (ISO) 22000. Hence, there are good possibilities for further enhancement of market linkages with international food importers and distributors that would result in increased exports of PV products. This is particularly important due to the fact that the average utilization of the domestic production capacity is below 50%, leaving substantial additional opportunities for increased production and exports.

Some of the main constraints of PV VC on production level that directly hinder the overall performance of the VC include land fragmentation, small scale farmers, poor horizontal linkages and no viable producer groups and organizations, minimal capacity of National Extension Agency (NEA) to provide advisory services to primary producers, insufficiency in advance planning of production and utilization of contract farming as well as reluctance of farmers towards adoption of new production technologies, introduction of new products and varieties and full integration in the supply chain. Vegetables production is predominantly organized by small farm holds. The average vegetable growing farm is around 1 ha, out of which only 50% is utilized for vegetable growing. However, there is a positive trend of specialization, the horticulture production being the main source of family income, especially in the regions with intensive vegetable production.

From all vegetable products produced in the country, red pepper is the most important raw material for the domestic processing industry. In 2010, nearly 33,000 tons of red pepper was acquired by the industry. However, the processing season is short since the harvesting period is limited from beginning of October to mid-November. This also acts as serious impediment for further growth of the PV industry.

I.3.1 Activities Completed during the Quarter

Visit to Anuga 2011 and Contacts with Export Buyers

Objective: Meet with relevant potential buyers and conclude export deals; Identify and establish business contacts with new potential importers and distributors; Increase participants knowledge of the German market for processed vegetables; Explore new export sales possibilities.

Activity Summary: The three month follow up and evaluation was completed on January 25th, 2012. On the basis of conducted discussions with each company individually, 684,000 Euros in new orders were reported by the participants. As a result of contacts established at Anuga Lars concluded two new contracts for export of canned vegetables to Croatia (200,000 Euros) and Australia (100,000 Euros) with the total value of 300,000 Euros; Altra signed one new contract of 18,000 Euros for export of frozen peppers to Germany while Rudine signed contract of 26,000 Euros for export of frozen peppers to Austria. Univerzal promet reported one new contract of 160,000 Euros for export of pepperoncini to Germany. Two new contracts for export of ajvar and canned vegetables to Russia (20,000 Euros) and Canada (100,000 Euros) with the total value of 120,000 Euros were reported by Trgoproduct. After

Anuga, Dentina managed to conclude two new contracts for export of mixed canned vegetables and mild pepperoni to Denmark (30,000 Euros) and Sweden (30,000 Euros) with the total value of 60,000 Euros. During three months Bonum and Green Product did not report any new contracts.

Activity Cost: Total Cost: \$16,295; AgBiz Share: \$4,896 or 30%

Organizing a Buying Mission of German Importers in Macedonia

Objective: Meet with relevant German importers of processed vegetables, present processing facilities and opportunities for future business cooperation; Demonstrate potentials of the industry in terms of capacity, technology, quality, volumes etc.; Taste and discuss products characteristics; Initiate stronger exporting contracts.

Activity Summary: The three months follow up and evaluation, completed on February 27th, was conducted through discussions with each company individually and revealed 300,000 Euros in new orders reported by the participants. Vori, Lars and Univerzal promet signed contracts with Dittman, Germany for production of Ajvar in the value of 130,000 Euros (Vori), production of roasted peppers in the value of 100,000 Euros (Lars) and 70,000 Euros worth of export of pepperoncini and other mixed vegetables by Univerzal promet. All export is done through Univerzal promet. Bonum, Altra and Rudine reported no new contracts during the period. Trgoprodukt continued with constant communication with Clama from Germany. Samples for ajvar were sent to Trgoprodukt to check if they can produce under required recipe.

Activity Cost: Total Cost: \$11,746; AgBiz Share: \$3,621 or 31%

Development of an interactive web portal for PV VC

Objective: Increased and efficient communication of MAP and non-MAP members; Deployment of a brokerage tool for internal exchange and external sales; and new service to members and non-members by the Association

Activity Summary: The portal was developed as efficient tool to increase the coordination and cooperation between the MAP members and non-members. Open section of the portal offers various information about MAP, its membership base with all contact details, enrolment procedures, useful links, announcements, publicly available documents, etc. In addition, all interested parties can use the portal to see offers for various processed products placed by the registered members. The brokerage tool is a concept that allows members to place and manage their offers individually. Each member (subscriber) is provided with individual login and password. The tool is almost completely automatic, meaning that categories and types of products, class, packaging, etc. are already placed as menus for automatic selection by the user. Furthermore, each user can choose whether to put additional information such as photos and prices etc. The tool then places the offers on the portal and every visitor interested in particular offer can contact the producer directly. Time period of the validity of the offers could vary, and user has the possibility to manage the time period individually. The web portal enables PV VC members to individually place their quantities available for sales, aggregate quantities, exchange products on offer or demanded, automatically forward external enquiries for trade, etc. This service developed by MAP on behalf of members will initiate interest for new memberships.

Activity Cost: Total Cost: \$2,000; AgBiz Share: \$1,000 or 50%

Visit to International Agri-food fair Agrotica in Thessaloniki

Objective: Enabling PV VC participants both LAs and their integrated supply chain (SC) farmers to jointly observe, learn about and make decisions on adoption of certain agri-techniques, specific mechanization that can improve productivity and upgrade standardization of products at primary production level thus strengthen their competitiveness of the overall SC and further secure and improve income generation of the primary producers.

Activity Summary: Through this activity, 201 attendees including PV VCLAs, their integrated SC farmers, other individual farmers interested to cooperate with the industry, representatives of farmers' associations and cooperatives, local Business Service Provider (BSP), visited the international Agri-food

fair Agrotica. Visiting the fair enabled primary producers and processors increase the knowledge on latest agriculture technology, machinery and equipment. Agrotica offered a wonderful opportunity for the participants to get acquainted to the new and/or improved agriculture technologies and achievements such as laser machine control system of laser electronics for land levelers, laser receiver LE-RV AgriControl, specially designed for agricultural applications where level, single or dual grade is required, agricultural sprayers with safety valves and variable pitch fan, two speeds and neutral gear box, external ecological filter with 3 way ball valve for easy inspection and cleaning, no-drain, flow-regulated online drippers, greenhouses stabilizing plastic films for multiannual usage (3 and even 5 years), containing UV filters that protect the plants from damaging effects of the sun, wall mount temperature, relative humidity and CO₂ meter and many other small low cost machinery and equipment that can dramatically improve productivity and upgrade standardization of products at primary production level. After return FFRM management held a wrap up meeting on which they summarized the key information obtained during the fair visit. The information was forwarded to all regional offices of FFRM and their members. Also, summary of the visit and most relevant contact details (web pages) were published in Moja Zemlja for wider outreach. The PV VCLAs communicated the result of this activity with their raw material suppliers and with other PV VC members on MAP meeting. Information about visit to Agricultural fair Agrotica was presented on specialized agricultural show Agrar on National television on February 12, 2012. (For more details, please see “Activity Result Report International Agri-food fair Agrotica” included on the CD-ROM version of this report).

Activity Cost: Total Cost: \$6,615; AgBiz Share: \$4,700 or 71%

Organizing a Study Tour and B2Bs in Australia

Objective: Enhance the knowledge of PV VC lead actors on the Australian market for processed vegetables, present the capacity of Macedonian companies to supply the market with PV finished products and increase potential for participants’ to develop new export sales opportunities on Australian market.

Activity Summary: Five PV VCLAs had a chance to directly increase their knowledge of the Australian market for processed vegetables. They visited several importers/distributors of canned products (PV products in particular) and several retail stores (retail chains and independent stores) in Melbourne, Sidney and surroundings. The group from Macedonia met with main distribution companies for PV products: Marco Polo foods, Spirovski foods, Benino fine foods, Rosa Dora imports etc. Another major distributor of PV products, Market Grocer has established business relationships with Macedonian PV companies. Marko Polo, by far the biggest importer and distributor of PV products on Australian market, imports from Macedonia both labeled products (Mamas ajvar) but also works under private label terms (Marko polo brand). The company is supplying major supermarket chains in Australia (Woolworths and Coles) but also independent stores.



During the study tour a detailed review of the relevant product ranges, prices, packaging, etc. was performed by the participants. Pepper based products such as roasted peppers; lutenica; ajvar, and other similar products originate from Macedonia, Turkey, Serbia, Italy, China etc. In ethnic shops, Macedonian products enjoy high reputation whereas Mamas brand (Trgoproduct) is the most appreciated and

recognized by the consumers (although recently introduced), well represented and intensively marketed and promoted.

Participating companies presented their products, capacities and intentions for cooperation during the promotional events that took place at Sheldon reception in Melbourne on March 13, 2011 and at the restaurant Kapital in Sidney on March 16, 2012. The events were organized in cooperation with the General Consulate of the Republic of Macedonia in Melbourne (Melbourne event) and The Embassy of the Republic of Macedonia in Australia (Sidney event).

As a result, there were many food importers and distributors interested to continue with or initiate new cooperation possibilities. Del-re national food group, a company specialized in supplying specialty products to Hotel/Restaurant/Café (HO-RE-CA) sector were interested to explore the possibility of adding PV products in their assortment and to sell new products to their clients. Representatives of Metro Beverage Company specialized in distribution of beverages in Melbourne, Perth and Adelaide also showed interest to start distributing PV products to independent retailers (their clients). Overall, Companies that participated on the study tour concluded that there is a significant opportunity for increased exports of Macedonian processed products. Apart from traditional canned vegetables, there is a possibility for export of frozen red pepper, berries etc. However, domestic companies will have to re-evaluate existing practices, develop new approach and sound marketing strategy and to pre-select food importers/distributors that are capable to handle and distribute larger volumes of Macedonian PV products. *(For more details, please see “Activity Result Report Study Tour and B2Bs in Australia” included on the CD-ROM version of this report).*

Activity Cost: Total Cost: \$40,417; AgBiz Share: \$15,248 or 38%

Introduction of new varieties and new vegetable production technologies

Objective: Increased and closer cooperation between primary producers and PV members and increased competitiveness of Macedonian PV VC.

Activity Summary: The activity consists of two components. Training for the farmers, PV VC members and local BSPs covering two main topics: a) introduction of new varieties and, b) new production technologies aim to improve the raw material supply to the industry; improve the VC linkages; and allow farmers to increase their yields, to diversify their production and to increase their incomes. Demonstration plots with new pepper varieties were introduced on 3 different locations (Tetovo – Kumanovo region, Stip-Kocani region and Strumica – Gevgelija region). For this purpose, the conventional production of seedlings (which assumes use of Methyl Bromide) will be replaced with an alternative - The Floating Tray system- as a soil-less cultivation of seedlings. Advantages of using the floating tray system are several, including: better root development, healthy and uniform plants, easier and more efficient transplanting, and better rate of acceptance in the open field. MCG subcontracted Center for Applied Research and Permanent Education in Agriculture (CIPOZ) to be responsible for development and delivery of the planned trainings, facilitate the completion of demonstration plots which will include IPM tools and pesticides, as well as final analysis and dissemination of results. This activity will contribute to stimulating contracting relationship particularly closer cooperation between primary producers and PV LA and other VC members, increasing competitiveness of Macedonian PV VC, improving productivity and securing higher income generation throughout the whole integrated supply chains in the PV VC.

Activity Cost: Total Cost: \$27,000; AgBiz Share: \$19,000 or 70%

Acquiring and dissemination of international market data

Objective: Support the process of strengthening capacity building of MAP and development of new services by the association to members and non-members, as well as increased knowledge of PV VC to more effectively plan and execute marketing and promotional activities.

Activity Summary: MAP signed contract with Euromonitor for obtaining international market data “Passport”. That will enable easier and more efficient access to relevant market information, enhanced

external communication with potential buyers and expanded export sales possibility, enhanced competitiveness of the Macedonian processed vegetables products and increase the knowledge of PV VC participants in Macedonia to more effectively plan and execute marketing and promotional activities. The activity will also support the process of strengthening capacity of MAP and development of new services to be provided to association members and non-members. It is expected the additional service to encourage registration of new MAP members and further recognition of MAP as leading business association amongst agribusiness.

Activity Cost: Total Cost: \$16,000; AgBiz Share: \$8,000 or 50%

I.3.2 Environmental Protection

The Activities listed below were identified that the implementation of some of their phases could have negative Environmental Impact.

Activity: Introduction of new varieties and new vegetable production technologies

Possible Negative Environmental Impact: All relevant Subcontractors, STTAs and LAs understand all major new vegetables and varieties production constraints and follow IPM and pesticide recommendations found in the 2011 Macedonia AgBiz PERSUAP. All Subcontractor trainers, field extension staff and staff who interact with farmers will follow PERSUAP conditions:

- Do not use pesticides containing Active Ingredients that are not Macedonia, EU, EPA or PERSUAP approved.
- Use pesticide safe use practices, training and safety equipment following GLOBALG.A.P.
- Produce pest management plans for each AgBiz target crop.

Recommended Mitigations Measures: Pesticides containing any of the Active Ingredients forbidden in the PERSUAP (AIs, look at the pesticide bottle label) should NOT be promoted or used with USAID resources.

Implementation Status: On-going

I.3.3 Activities Planned for the Next Quarter

The PV VC activities listed below are planned to be initiated, implemented or completed during the next Quarter (*For more details on Activities' objectives and implementation plan, please see Table 3 under section 1.10.4*).

- Introduction of new varieties and new vegetable production technologies (Cont.);
- Acquiring and dissemination of international market data (Cont.);
- Development and implementation of tailor made Enterprise Resource Planning (ERP)(Cont.);
- Facilitation/implementation of contract farming;
- Technical assistance in implementation of Global Gap;
- Technical assistance in implementation of IFS;
- New product development;
- Training program for farmers for adoption of EU requirements;
- Survey of raw material supply, employment and sales performance of PV VC for 2011;
- Visit to International Agricultural fair and institute in Novi Sad.

I.4 SUPPORT FOR INVEST MACEDONIA

The key objective of this component is to support Invest Macedonia to build its export promotion capacity. AgBiz work for this component is designed to help developing IM export promotion programs for the AgBiz supported value chains and enhance IM's internal capacity. The support to Invest Macedonia is implemented having the Agency as a key counterpart in the whole process. AgBiz also closely coordinates with USAID funded Investment Development and Export Advancement Support (IDEAS) and USAID Mission all activities aimed at building Invest Macedonia Export Promotion

capacity in the process of its institutional development and in creation of a model of services through introduction of two export promotion functions by Invest Macedonia i.e. business development and market information functions.

I.4.1 Activities Completed during the Quarter

Study Tour and B2B Event between Macedonian Companies producing FF&V and PVs and Potential Buyers in Poland

Objective: During the quarter AgBiz and IDEAS projects supported Invest Macedonia to successfully implement the activity, Study Tour and B2B event between Macedonian companies producing FF&V and PV and potential buyers in Poland. From the Invest Macedonia perspective, this activity contributed considerably in gaining practical experience in organizing trade missions abroad, as a one of the key functionalities in the area of export promotion that shall be provided by IM to the private sector.



PHOTO CREDIT: AGBIZ STAFF

Visit of Polish wholesale market Bronisze

Activity Summary: Fourteen export companies from Macedonia updated their knowledge and understanding about Polish market for FF&V and PV products. They visited Bronisze, the largest wholesale market for fresh produce in Poland that operates as Shareholding Company where 60% of the capital is state owned, 12.5% is owned by Agency for Agricultural Development while 22.4 % are owned by food operators. The group also visited Macro customers facility center of Metro group Poland as leading wholesaler of F&V in Europe. Companies learned all the specifics regarding food safety and quality preconditions required and electronic auctions on which every

interested supplier could apply once it fulfills the requirements. During the Metro visit, a detailed review of the relevant product ranges, prices, packaging, etc. was performed by participants.

After the visits B2B event with 12 Polish companies was organized in Warsaw where FF&V and PV companies from Macedonia presented their capacities, product portfolios and intentions for cooperation. Macedonian Ambassador in Poland addressed the participants and formally opened the event. Lead Facilitators engaged presented key facts and figures about the Macedonian FF&V and PV value chains and introduced the Macedonian representatives that briefly presented their companies, products and capabilities. Following initial products tasting, Macedonian representatives presented details about products characteristics, raw materials and technology used in production processes. Each company representative had an opportunity to individually introduce and discuss business with minimum of 4-5 Polish businesses. The Polish counterparts showed significant interest for supplying fresh fruits and vegetables from Macedonia as well as red pepper processed products such as roasted peppers, bleached peppers, bell peppers etc. Also, several of them raised the issue of barter arrangements (exporting products from Poland such as peas and importing pepper based products from Macedonia).

All participating companies agree that it is vital to continue initial contacts with their Polish counterparts. Based on initial inquires, they will send samples, products' specifications and export prices to Poland and will await their feedback. Internal coordination among the participants will be also very important in order to assess the possibility to meet potential buyers' expectations. The knowledge and new information

acquired during this activity should be shared with other VC members in order all VC members to understand the challenges when approaching or negotiating with importers from Poland. *(For more details, please see “Activity Result Report Study Tour and B2Bs in Poland” included on the CD-ROM version of this report).*

Activity Cost: Total Cost: \$38,779; AgBiz Share: \$9,582 or 25%

I.4.2 Activities Planned for the next Quarter

During the next quarter AgBiz will continue working on joint activities with IDEAS on Invest Macedonia Capacity Building. Both Projects will coordinate a Study tour to two export promotion agencies, Slovak Investment and Export Promotion Agency (SARIO) and Czech Trade for transfer of international best practices in export promotion for representatives from the Agency for Foreign Direct Investment and Export Promotion of Republic of Macedonia, the Ministry of Economy and for Cabinet of the Deputy Prime Minister for Economic Affairs. This activity will contribute in increasing the operational efficiency as well as human and institutional development process of the Agency for Foreign Direct Investment and Export Promotion of Republic of Macedonia.

AgBiz will also finalize its input into the Activity for developing of comprehensive modular export promotion web solution (with intranet option) for Invest Macedonia, including the improvement of the current Customer Relationship Management system. AgBiz CoP, Private Sector Development Specialist (PSDS) and LF for PV VC together with IDEAS representatives participated at a meeting with Invest Macedonia team to discuss details on supporting them in creation of Agribusiness companies export directory, shared experienced from creation of MAP portal. The program will contribute to development of the Information Technology (IT) system of Invest by collecting data and uploading directory of export companies in main Agribusiness sub-sectors: Fresh Fruit and Vegetables, Processed Fruit and Vegetables, Wine, Meat and Dairy. Activity will contribute in increasing the operational efficiency and the overall human and institutional development process of the Agency.

After confirmation of the interest and commitment from the wineries, AgBiz and IDEAS have agreed to work together to help IM in organizing a Study Tour and “road show” presentations of Macedonian Wineries in US. This will be an excellent opportunity for interested export wineries to meet with licensed US importers/distributors and identify opportunities for entering the wine market in America, to enhance recognition for Macedonia as a wine country and boost interest for Macedonian wines.

Using the synergy with IDEAS Project, AgBiz will continue to work with the new management and export promotion team including export promoters of the Agency to cooperate and be directly involved in implementing activities aimed at building Invest Macedonia export promotion function. *(For more details on Activities’ objectives and implementation plan, please see Table 3 under section 1.10.4).*

I.5 STRATEGIC PLANNING AND POLICY MAKING AT MAFWE AND SPECIAL OPPORTUNITIES FUND

The goal of this component is strengthening MAFWE’s strategic planning and policy capacity. The specific objective is to help the Minister’s cabinet and relevant departments achieve strategic and long-term results by creating firm legal ground for enhancing the competitiveness of Macedonian Agriculture. AgBiz is using the Special Opportunities Fund as a flexible resource that allows for creativity and taking advantage of new opportunities as they arise. The new approach gives AgBiz an opportunity to contribute to agribusiness development through work with MAFWE and the GoM on strategic documents and to increase their technical capacity. AgBiz, in coordination with MAFWE, established precise objectives and expected outcomes of this cooperation. SoWs are developed as planned and consultants for implementing approved work selected in consultation with MAFWE.

MAFWE already recognizes AgBiz as a serious partner on issues regarding developing specific agribusiness laws and regulations and/or as a voice for the private agribusiness sector.

I.5.1 Activities Completed during the Quarter

Modification of the National Agriculture and Rural Development Strategy (NARDS)

Objective: The objective of this Activity was to provide a technical support to the MAFWE in the process of modification and updating of the current National Strategy for Agriculture and Rural Development. The modification was needed to bring the processes in 2012 and 2013 closer to the newly presented modification of the EU Common Agricultural Policy (CAP) and give a base for the work on the new strategy for the period after 2013.

Activity Summary: For this Activity the experts through the Association of Agro Economists of Macedonia (AAEM) were engaged. The AAEM members have also been involved as experts in the preparation of the National Strategy for Agriculture and Rural Development (2007-2013).

MAFWE worked in close relation with technical assistance providers in the process of research, data analysis, developing, reviewing of relevant and available document and papers and finalization of the modified Strategy. MAFWE made available all resources and information for finalization of this Activity.

The counterparts and final beneficiaries of this Activity were the Government of the Republic of Macedonia in particular MAFWE, other government institutions, scientific and research institutions, international community and all relevant stakeholders involved in the sectors concerned. The modified National Strategy was finished on March 30th and was approved soon after by the MAFWE. The modified Strategy will be posted on the MAFWE website available to all interested public. This document will serve as a basis for the work on the new NARDS for 2014-2020.

Activity Cost: Total Cost: \$13,800; AgBiz Share: \$11,500 or 83%

Preparation of a Multi-annual Strategy for Improvement and Monitoring of Milk Quality

Objective: The objective of this Activity was to provide a technical support to the MAFWE in the process of preparation a Multi-annual Strategy for Improvement and Monitoring of Milk Quality. The preparation is needed in order to adjust and improve the dairy sector to the newly modification of the EU Common Agricultural Policy (CAP).

Activity Summary: The activity was initiated at the beginning of March and is expected to be completed by end of June 2012. For this Activity the MAFWE required experts through the AAEM, the livestock department of the Faculty of Agricultural Science and Food and other experts from the livestock institute. For the purpose of formulating the Strategy working groups were established including key sectorial stakeholders. The SoW for each group was developed and delivered.

The technical assistance will take into account national development priorities and EU policies when formulating proposals, especially the latest information on EU CAP. Information used must be as statistically accurate and verifiable as possible. Considerable use should be made of the MAFWE policy documents, Annual Agricultural Reports and other relevant official documents for supporting the analyses and recommendations.

Activity Cost: Total cost: \$ 24,000; AgBiz share; \$ 20,000 or 83%

I.5.2 Activities Planned for the next Quarter

The Activities listed below are planned to be initiated, implemented or completed during the next Quarter (*For more details on Activities' objectives and implementation plan, please see Table 3 under section 1.10.4*).

- Preparation of a Multi-annual Strategy for Improvement and Monitoring of Milk Quality (Cont.);
- Preparation of 11 studies for Protected Designation Origin (PDO) and Protected Geographic Indication (PGI) Registration;
- Building Human Resources capacities (preparation for EU negotiation); and

- Support in preparation of secondary legislation based on recently adopted laws related to Agriculture sector.

I.6 POLICY AND INSTITUTIONAL NEEDS IDENTIFICATION, PRIORITIZATION AND ANALYSES

The main objective of this component is to identify and prioritize the Policy and Institutional Reform Needs (PIRNs), involve the private and public sector representatives to facilitate the process of addressing the issues assisted by AgBiz and relevant consultants as a Short-term Technical Assistance. It is expected that the AgBiz Lead Facilitators and other partners such as the MAFWE and scientific institutions, through their daily communication with the industry and primary producers will play a major role in comprehending the problems and selecting the most feasible issues to be addressed and solved. Each PIRN will be addressed by engaging a consultant as a SITTA.

I.6.1 Activities Completed the Quarter

During this quarter the following PIRNs were identified and their addressing initiated:

Lack of confirmed products and selected producer's groups as applicants for PDO and PGI registration of products

The PIRN was pointed out on the meetings with MAFWE Coordinator and with Head of the Department for Food Safety, as one of the issues at this stage of initiation of the guidelines for PDO and PGI. AgBiz prioritized this PIRN which is directly connected to the activity from the Special Opportunity Fund on Preparation of 11 studies for PDO/PGI registration. A service provider was selected through a competitive bidding and the work on addressing this PIRN was initiated in during March and will be finished in the second half of April.

Lack of Working Procedures and Operating Manual for Sub-sector Standing Groups for fruits and vegetables

The PIRN was pointed out on the meetings with MAFWE Coordinator and with Heads of the Departments in MAFWE, as one of the crucial issues at this stage of establishment of the fruit and vegetable subsector groups. The lack of working procedures, as well as written rights and responsibilities for the members of the subsector groups represents an obstacle for their launch and regular function. Without working procedures, the groups will not have a proper follow up of its activities when addressing certain problems in terms of assigning right persons to take on the future responsibilities. The solution of this PIRN is directly linked with a successful start of the subsectors groups at MAFWE. The initiation and start of the work of these groups are part of AgBiz goals through the component on Strengthening Public Private Dialogue through the Increased Utilization of Effective Advocacy. Service provider was selected and the work on this PIRN was initiated in March. The working procedures were prepared and submitted to AgBiz, and the Operation Manual is expected to be delivered in the beginning of next quarter.

Lack of development effects in the Agricultural sector from the National Subsidies Program within the period from 2005 to 2011

This quarter, issues linked to this PIRN were discussed by multiple participants during the Apple and Table Grapes focus groups meetings in Kavadarci and in Ohrid. Soon after, the MAFWE requested from AgBiz a quick assessment of the agricultural subsidies' effects from the previous 5 year period which matches with the request from the focus groups. During January AgBiz prepared the activity, engaged a consultant and initiated it in early February to be completed before the end of the quarter. However, because of the slow intra-government communication and flow of information, the essential data from the Agency for Financial Support to Agriculture and Rural Development (AFSARD), was not delivered, although the consultant was supported with a request letter signed by the Minister. It is expected that this activity will be completed during April when AgBiz will report on its deliverables.

Other PIRNs identified this quarter:

Lack of marketing support from GoM to PV VC members

Macedonian PV VC members are to certain extent similar to the domestic wineries – they process domestically produced agricultural products, use glass packaging that is imported and invest in high quality labeling in order their products to be attractive on international markets. Therefore, they should also be entitled to get the marketing support that is already available to the wineries.

IPARD related obstacles

According to IPARD procedures, the companies interested in IPARD co-financing must respond to initial call for interest published by the Payment Agency and later to comply with corrective measures and additional documents submission, as requested by the Agency. However, on several the procedures were not obeyed in full by the agency representatives. In return, this creates additional misunderstandings and delays in the process of project completion and drawback procedures. Since the 100% of the investments are completed before the Payment Agency brings the final and late decision for reimbursement, the companies have difficulties to secure the financial resources needed for the processing season and to realize the projected production and sales plans.

Lack of capacity for strategic planning in agriculture within the Government of Macedonia

The GoM is in deficit of adequately trained employees on strategic positions within the Government, specialized in the area of agriculture. In the structure of the Government, agriculture issues are addressed through the Cabinet of the Deputy Prime Minister responsible for economic affairs. This level of the government's organization serves for reviewing and complementing the strategic documents and policies coming from the Ministry of Agriculture, participating in their preparation and moreover harmonizing them with other sectors' policies that tackle similar or overlapping issues.

I.6.2 Activities Planned for the next Quarter

It is expected that the three initiated PIRN activities will be completed during the first month of the next quarter. Furthermore, AgBiz and the PV VC Lead Facilitator will be actively engaged to support the work of the World Bank office on preparing a legal ground for a law that allows Macedonian PV exporters to import raw material after the domestic vegetable season in order to fulfill the contracts and deliver the required quantities of final products.

AgBiz will additionally review the submitted PIRNs and bring decision for further steps.

I.7 PUBLIC PRIVATE DIALOGUE AND ORGANIZATIONAL CAPACITY ADVOCACY ENHANCEMENT

In spite of the existing legal framework and supporting measures for FF&V and PV VCs, the lack of established communication channels prevents measures' implementation according to the needs and requirement of the involved partners. Therefore, there is a need to establish sustainable communication tools and channels that will enable regular communication and exchange of experience among GoM institutions and VC participants.

The project objective is to provide conditions for establishing dialogue between the public and private sector by strengthening the capacities of VC participants and representatives of GoM institutions and setting up a system for regular communication and exchange regarding certain topics and documents pertaining to the fruit and vegetable sub-sectors.

I.7.1 Activities Completed during the Quarter

Identification of the Relevant VC Participants for Advocacy and Private Public Dialogue

Objective: Identification of all relevant VC participants: umbrella associations, FFRM, Chamber of Commerce, MAP, Macedonian Agro Exporters Association (MAEA), Alliance of cooperatives and other trade and producer organizations and their officials; organization of the first meetings with purpose to present the project idea and activities to the VC participants in order to get their feedback and informal assessment of their interest for cooperation.

Activity Summary: In the reporting period meetings with representatives from Chamber of Commerce was organized and the project idea was explained and discussed. With these meetings, all interviews with VC representatives in this phase of the project implementation have been completed.

As a result of the interviews, baseline study for current level of cooperation between VC organizations and employees from GoM institutions active in the field of production of fresh fruits and vegetables and processed vegetables was developed.

Activity Cost: Total Cost: \$4,212; AgBiz Share: \$1,980 or 47%

Inclusion of Relevant GoM Bodies and other Non-Government Organizations Related to FF&V and PV VCs Policy and Advocacy Issues

Objective: Identification of all governmental institutions responsible for creation and implementation policies and support measures for FF&V and PV (MAFWE, NEA, AFSARD), Agency for veterinary and food, etc.); organization of the first meetings with purpose to present the component and activities to the GoM representatives in order to get their feedback and informal assessment of their interest for cooperation.

Activity Summary: In the first Quarter of 2012, six meetings with MAFWE Coordinator Perica Ivanoski were organized and the further project activities were discussed and planned.

On the meetings among other important topics identification of the PIRN - Lack of Working Procedures and Operating Manual for Sub-sector Standing Groups for fruits and vegetables was discussed. The PIRN was additionally pointed out on the meetings with MAFWE Coordinator and with Heads of the Departments in MAFWE, as one of the crucial issues at this stage of establishment of the fruit and vegetable subsector standing groups. During the reporting period PIRN was developed and approved. Additionally nomination of MAFWE employees for the Training Needs Assessment has been completed. In the reporting period, a meeting with NEA representatives was organized in order to present the project activities and the interview was performed with the intention of assessing the current level of cooperation with relevant VC participants.

As a result of the interviews baseline study for current level of cooperation between VC organizations and employees from GoM institutions active in the field of production of fresh fruits and vegetables and processed vegetables was updated and finalized. *(For more details, please see "Report on a survey conducted within the research of the current level of communication between government institutions and fruit & vegetable value chain" included on the CD-ROM version of this report)*

Activity Cost: Total Cost: \$2,132; AgBiz Share: \$1,220 or 57%

Needs assessment and developing tailored training programs created for VC participants using participatory approach

Objective: Identification of the training needs for FF&V and PV VCs representatives and GoM employees related to building their capacity for establishment effective private public dialogue as well as creation of comprehensive tailor made training curricula.

Activity Summary: In the reporting period questionnaires for Training Needs Assessment for both target groups were developed and contracting procedure with subcontractor CIRa was finished. In addition, the nomination of the employees in NEA and MAFWE (Department for agriculture, Department for fruit and vine, Department for policy analysis, Department for quality and marketing of agricultural products, Phytosanitary Directorate etc.) for the Training Needs Assessment was completed.

Additionally, nomination of target representatives for Training Needs Assessment from MAP, FFRM, Chamber of Commerce, Union of the chamber of commerce, MAEA, Macedonian Association of Agricultural Cooperatives (MAAC) and Association of farmers was performed and interviews have been scheduled.

During first quarter of 2012, 18 (eighteen) interviews for assessing Training Needs were completed with the MAFWE employees and representatives from VC organizations.

Findings from the Training Needs Assessment will be used for creation of the tailor made training curricula for both target groups: VC representatives and employees from GoM institutions responsible for creation and implementation of the policies and strategies for fruits and vegetables.

Activity Cost: Total Cost: \$5,172; AgBiz Share: \$2,940 or 57%.

I.7.2 Activities Planned for the next Quarter

The Activities listed below are planned to be initiated, implemented or completed during the next Quarter (*For more details on Activities' objectives and implementation plan, please see Table 3 under section 1.10.4*).

- Finalization of the Training Needs assessment for both target groups – VCs representatives and representatives from GoM institutions dealing with FF&V and PV;
- Development of the tailor made training curricula;
- Organization of the first training sessions - Training delivery;
- Support organization of the first meetings of the fruit and vegetable subsector groups

I.8 DEVELOPMENT OF VC EXPORT STRATEGIES AND PLANS FOR THE FF&V AND PV VCS

The overall objective of this Agbiz component is to establish a process and develop Export Marketing Plans for both VCs that will enable a more coordinated approach to export promotion and will enhance the capacity of Invest Macedonia to facilitate and gradually take over the managing of Export promotion. This will be done by involving the PV and FF&V value chain stakeholders, Invest Macedonia, government bodies and other relevant entities.

I.8.1 Actions taken during the Quarter

At the beginning of this quarter AgBiz CoP and STA/M held a meeting with Mr. Visar Fida, the Director of Invest Macedonia and presented the details on the process of development of VC Export Marketing Plans. Once again it was re-confirmed that IM is fully committed to the process and will provide all logistics support and facilitation. AgBiz communicated the concept with the Dutch CBI and received their willingness to support the process and provide international expertise in the development of VC Export Marketing Plans for FF&V and PV. CBI worked on finalizing the Terms of Reference and identifying adequate international experts to work with the local Lead Facilitator to be engaged by AgBiz and all relevant stakeholders on development of Sector Export Marketing Plans. Since the AgBiz's selection process for Lead Facilitator to head up this component took place more than six months ago, its validity expired, therefore AgBiz is obliged to issue new RfP with slightly modified SoW to solicit proposals for Lead Facilitator to work with CBI experts and IM, liaise with other stakeholders including MAFWE, Ministry of Economy (MoE), Chambers of Commerce etc. and coordinate all logistics for

working sessions in developing Sector Export Marketing Plans for the PV VC and for FF&V VC. Hence the program developed modified SoW to be included in the new Request for Proposal.

I.8.2 Actions Planned for the Next Quarter

- Issue RfP to solicit proposals and select and contract Lead Facilitator to work with CBI experts and IM, liaise with other stakeholders including MAFWE, MoE, Chambers of Commerce etc. and coordinate all logistics for working sessions in developing Sector Export Marketing Plans for the FF&V and for PF&V VCs;
- Sign three party Memorandum of Understanding with CBI and Invest Macedonia for carrying out the activity; and
- Coordinate Kick-off event with all relevant stakeholders including MAFWE, MoE, Chambers of Commerce, etc.

I.9 ENHANCED ACCESS TO FINANCE

Access to finance (AtF) is one of the major impediments to economic growth and business expansion of the private sector in Macedonia. Most companies do not even consider the option of going to a financial institution mainly due to the perceived unfavorable conditions under which local banks operate, especially related to loan appraisal, terms and collateral requirements. Companies exporting fresh and processed fruit and vegetables often require finance for investments in new technology, upgraded machinery and facility expansion. Perhaps an even bigger need for financing is the working capital needed to source inputs from farmers thus serves export customers who often pay 90-120 days after delivery. The successful access to finance is often a matter of companies being aware of various financing options available on the financial market as well as companies showing improved financial management and planning and developing sound business expansion plans and bankable financial proposals. In many cases, it entails carefully thought out financial engineering and finding the financial institution or equity partner that best fits a company's needs.

The experience of Financial Platform ²(FP) program and the Innovation Center (IC) showed the following constrains:

Demand side (Companies): Limited supply of bankable project proposals to banks. The three major causes of this core issue from the demand side are:

- Poor identification and planning of firms' investment needs.
- Limited attractiveness/creditworthiness of firms to outside investors/creditors.
- Poor understanding of financial products that financial institutions are offering.

Supply side (Financial Institutions): Mismatch between the demand and offer of financial services. The core causes of this issue related to financial institutions are:

- High collateral requirements (1:2 even 1:3) and fixed bank fees;
- Limited depth and outreach of financial service offer, and
- Restricted use of project finance approach.

The final effects of this access to finance related issues for the Macedonia economy are:

- Limited level of domestic investment;
- Lost opportunity for business growth (overall firm's sales and exports);
- Lost opportunity for incremental employment;

In order to address this issue and assist AgBiz Value Chain companies, Innovation Center proposes to develop the Financial Platform AtF methodology to serve the needs of the companies from AgBiz VC's.

² The Financial Platform was the core of USAID MCP's access to finance component; its primary goal being mitigating the challenges that so often impedes companies' growth. Conceptualized and piloted in FY 2008 in response to a clear need to address the asymmetry of available financial products and the quality of financing proposals submitted to banks, the Platform was scaled out in FY 2009. Today it has reached full maturity; using a pool of over 20 financial facilitators working with over 250 SME's on helping them successfully access finance. The number of facilitators is constantly expanded by identifying and adding new facilitators to the list.

I.9.1 Activities Completed during the Quarter

Matchmaking Event for Fresh Fruit and Vegetable and Processed Vegetable Value Chains

Objective: The wider objective of the matchmaking events for Fresh Fruit and Vegetable and Processed Vegetable Value Chains is as follows:

- To communicate to a wider and relevant audience the identified *issues* impeding access to finance: *bottlenecks and sustainable solutions*;
- To identify businesses which need assistance in formulating their expansion and investment goals and in seeking access to external financing;
- To create a platform for exchange of information to overcome the ill-information dissemination and prevalent current mistrust amongst the local businesses and banks;
- To serve as a possibility for presenting sound business ideas from the business side, as well as innovative financing services from the banks side, thus create possibilities for matchmaking between the access to finance demand and supply sides;
- To match Financial Facilitators and companies that would need their assistance; and
- Ultimately, to serve as matchmaking and networking opportunity between all access to finance stakeholders i.e. businesses, FIs and Financial Facilitators.

Activity Summary: This quarter the IC team prepared and developed the second matchmaking event that took place on January 31st, in Kavadarci. The objective of the event was to educate the companies from the FFV& PV VC located in the region gravitating around Kavadarci. For this purpose the Innovation Center developed and send invitations and agenda, media advisory material, letters of intent, received PPP from the FIs and prepared handouts including the brochure on factoring. Over 25 people attended the event with representatives from 14 companies.

Activity Cost: Total Cost: \$12,300; AgBiz Share: \$3,400 or 28%

Educational Brochure on Innovative Financial Products Available in Macedonia

Objective: The primary objective of this activity is to develop, print and disseminate a comprehensive brochure that would enhance the process of overcoming the asymmetric information flow between supply and demand that results in lack of knowledge of existing and available financial products.

Activity Summary: In order to enhance the matchmaking and education events, in February IC started developing a brochure featuring 15 innovative financial products such as factoring, export insurance, purchase order finance, leasing, leaseback, DCA guarantees, EE credit lines etc. A consultant was hired to interview the FI's and gather all the necessary documentation that was then printed. Copies of the brochure were disseminated to companies and farmers at the events of AgBiz and subsequent events of AgBiz Lead Facilitators. Copies of the brochure will also be disseminated to farmers at the educational events planned for late March and early April and copies were provided to FFRM for dissemination. Electronic version of the brochure is available both on ICs website and AgBiz's website. (*For more details, please see "Innovative Financial Products" included on the CD-ROM version of this report.*)

Activity Cost: Total Cost: \$6,000; AgBiz Share: \$6,000 or 100%

Helping Companies Access Finance by Cost-sharing Services of the IC FP Pool of Financial Facilitators

Objective: Help companies from AgBiz supported VCs to successfully access finance through managing the pipeline of projects, ensuring that all results accomplished by FF are properly monitored and reported.

Activity Summary: This quarter the Financial Facilitators with IC's support helped 4 companies and 1 farmer access finance in the total amount of \$929,200. The total investment facilitated was over \$1.5 million.

Activity Cost: Total Cost: \$59,840; AgBiz Share: \$18,500 or 31%

Educational Events for Farmers

Objective: The wider objective of the educational events for the farmers' part of the FFV & PV VC's is as follows:

- To communicate to the farmers the identified *issues* impeding access to finance;
- To create a platform for exchange of information to overcome the lack of information dissemination and prevalent current mistrust amongst the farmers and banks;
- To serve as a possibilities for matchmaking between the access to finance demand and supply sides;
- To match Financial Facilitators and farmers that would need their assistance; and
- Ultimately, to serve as matchmaking and networking opportunity between all access to finance stakeholders i.e. farmers, FIs and Financial Facilitators.



Activity Summary: The first event that took place in Strumica was coordinated with FFRM and EPiCentar. A total of 26 farmers came to the event. They had a unique opportunity to meet with representatives of 4 financial institutions that finance farmers, ACDF, MBDP, ProCredit and Crimson Capital. One of IC's FF also had a presentation on IPARD opportunities for farmers growing fresh fruit and vegetable. The presentations were followed with vivid discussion and Q&A session.

Activity Cost: N/A

I.9.2 Activities Planned for the next Quarter

The Access to Finance activities listed below are planned to be initiated, implemented or completed during the next Quarter (*For more details on Activities' objectives and implementation plan, please see Table 3 under section 1.10.4*).

- Organize two educational events for farmers together with Epi Centar (in Kavadarci and Resen);
- On-going management of the AtF project pipeline.

I.10 PERFORMANCE MONITORING AND EVALUATION

Implementation of proper data collection methodology, data quality assessment and reporting continued during this Quarter.

I.10.1 Activities Completed during the Quarter

- The FY'12 First Quarter Report was finalized and approved by USAID;

- Data collection of Indicators measuring increased sales at farm-level and both volume and value of sales of agricultural commodities for CY'11 and CY'12 First Quarter from both AgBiz supported VCs' Lead Actors was coordinated and data quality verified;
- Updating inputs into the matrix tracking results achieved from the Activities implemented during the reporting period was continued; and
- The “Monitoring of Best Practices on Beneficiaries” and “Pesticide Disposal Options” forms were adapted and will be further distributed to LFs, LAs and their beneficiaries as portion of the mitigation and reporting measures recommended by AgBiz PERSUAP.

I.10.2 Activities Planned for the Next Quarter

- Continue monitoring and mentoring selected LFs to successfully implement data collection, reporting procedures and indicator achievements; and
- Continue updating input and maintain the internal Management Information System to assure proper implementation of data collection methodology, data quality assessment and reporting.

I.10.3 Quantitative Performance Indicators

Achievements on quantitative performance indicators that are reported on Calendar Year and Quarterly basis are shown in Table 2 below.

Both anticipated and actual results achieved in 2011 that are reported on Calendar Year basis are presented in the first two columns. It can be noticed that all of the standard result-oriented Indicators targets are achieved.

The targets of the both indicators “Number of new exporters and new participants in the supported Value Chain” and “Number of formal delivery contracts made” are overachieved due to the lack of quantities preliminary contracted to be provided by existing small-scale producers. In addition, some of the LAs that have own production of fresh F&V experienced decrease in the yield during the reporting period. To meet the market demand and deliver to foreign importers the obligated orders, additional quantities were purchased from other small-scale producers. Formal delivery contracts were made with the newly integrated producers, thus over achieving the anticipated both number of contracts and number of participants in the supported VCs.

Indicators that are reported on Quarterly basis (their Past Performance, Achievements made during the reporting period, Cumulative results achieved during FY'12 and their Targets) are presented in the following four (4) columns.

Given the complexity of majority of the Activities planned by subcontracted VC and Non-VC LFs, the timeframe for implementing such Activities is extended for more than one Quarter period. Accordingly, the outputs of these longer-term Activities will be delivered in the forthcoming period. For this reporting period, impact on selected Indicators is noted as “In Progress” and actual results achieved will be presented when Activities are completed.

TABLE 2. CY'11 AND FY'12 SECOND QUARTER ACHIEVEMENTS

		PERFORMANCE INDICATORS REPORTED ON CY BASIS		PERFORMANCE INDICATORS REPORTED ON FY BASIS				
	Performance Indicator	CY'11 (Jan 1-Dec 31, 2011) ACTUAL RESULTS	CY'11 (Jan 1-Dec 31, 2011) TARGETS	PAST PERFORMANCE	PROGRESS THIS QUARTER	FY'12 TO DATE	FY'12 (Oct 1, 2011- Sept 30, 2012) TARGETS	PERFORMANCE (in %)
Overall Objective: Increased incomes for all types of participants in selected agricultural value chains								
Indicator Number	Indicator Title							
Indicator 1.	Value of incremental sales (collected at farm- level) attributed to USG assistance (in US Dollar)	\$1.221.754	\$1.160.518	N/A	N/A	N/A	N/A	105%
Indicator 2.	Percent change in value of total sales of targeted agricultural commodities	7%	7%	N/A	N/A	N/A	N/A	100%
IR 1.1 Increased domestic and export sales resulting from the activities of local partners								
Indicator 1.1.1	Value of sales of targeted agricultural commodities as a result of USG assistance (in US Dollar)	\$35.688.747	\$35.643.217	N/A	N/A	N/A	N/A	100%
Indicator 1.1.1 a	Value of sales to domestic market	\$8.726.509	\$8.916.931	N/A	N/A	N/A	N/A	98%
Indicator 1.1.1 b	Value of sales to the regional market	\$13.611.111	\$13.257.742	N/A	N/A	N/A	N/A	103%
Indicator 1.1.1 c	Value of sales to international market	\$13.287.016	\$13.287.016	N/A	N/A	N/A	N/A	100%
Indicator 1.1.1 d	Value of sales to domestic market(planting material)	\$183.000	\$181.528	N/A	N/A	N/A	N/A	101%
Indicator 1.1.2	Volume of sales of targeted agricultural commodities as a result of USG assistance (in MT)	39.413	39.717	N/A	N/A	N/A	N/A	99%
Indicator 1.1.2 a	Volume of sales to domestic market (in MT)	11.811	12.084	N/A	N/A	N/A	N/A	98%
Indicator 1.1.2 b	Volume of sales to the regional market (in MT)	14.652	14.408	N/A	N/A	N/A	N/A	102%
Indicator 1.1.2 c	Volume of sales to international market (in MT)	12.950	13.225	N/A	N/A	N/A	N/A	98%
Output Level Indicators								
Indicator 1.1.1.1	Number of new varieties and products from the supported VCs developed	N/A	N/A	In Progress	In Progress	In Progress	16	N/A
Indicator 1.1.1.2	Number of new exporters and new participants in the supported value chains	276	206	N/A	N/A	N/A	N/A	134%
Indicator 1.1.1.3	Number of export capacity enhancement activities for Invest Macedonia	N/A	N/A	In Progress	In Progress	In Progress	TBD	N/A
IR 1.2 Improved competitiveness and productivity of targeted value chain participants resulting from the activities of local partners								
Indicator 1.2.1	Number of private sector firms that have improved management practices as a result of USG assistance firms receiving USG supported assistance to improve their management practices	N/A	N/A	238	246	484	1.293	37%
Indicator 1.2.2	Number of new technologies or management practices introduced	N/A	N/A	10	22	32	41	78%
Output Level Indicators								
Indicator	Number of formal delivery contracts made by supported	1.171	987	N/A	N/A	N/A	N/A	119%

TABLE 2. CY'11 AND FY'12 SECOND QUARTER ACHIEVEMENTS

1.2.1.1	VC participants							
Indicator 1.2.1.2	Total number of individuals who have received USG supported short-term agricultural training	N/A	N/A	196	592	788	3.258	24%
<i>Indicator 1.2.1.2 a</i>	<i>Number of male individuals who have received USG supported short-term agricultural training</i>	N/A	N/A	144	456	600	2.445	25%
<i>Indicator 1.2.1.2 b</i>	<i>Number of female individuals who have received USG supported short-term agricultural training</i>	N/A	N/A	52	136	188	813	23%
Indicator 1.2.1.3	Number of capacity-building service providers receiving USG assistance	N/A	N/A	11	22	33	55	60%
IR 1.3	Strengthened strategic planning and policy making of GoM and private sector partners							
Indicator 1.3.1	Number of policy reforms / regulations / administrative procedures drafted and presented for public / stakeholder consultation as a result of USG assistance	N/A	N/A	In Progress	In Progress	In Progress	4	N/A
Output Level Indicators								
Indicator 1.3.1.1	Number of strategies, plans and assessments for enhancing the competitiveness of the AgBiz-supported value chains developed	N/A	N/A	1	1	2	10	20%
<i>Indicator 1.3.1.1 a</i>	<i>Number of policy reform needs identified</i>	N/A	N/A	2	6	8	12	67%
Indicator 1.3.1.2	Number of Sector Export Promotion Strategies developed	N/A	N/A	In Progress	In Progress	In Progress	TBD	N/A
Indicator 1.3.1.3	Number of advocacy capacity building activities implemented	N/A	N/A	In Progress	In Progress	In Progress	9	N/A
Indicator 1.3.1.4	Number of VC entities who have received advocacy capacity building training	N/A	N/A	In Progress	In Progress	In Progress	34	N/A
Indicator 1.3.1.5	Number of individuals who have received advocacy capacity building training	N/A	N/A	In Progress	In Progress	In Progress	245	N/A
IR 1.4	Increased access to finance in the agriculture sector resulting from the activities of local partners							
Indicator 1.4.1	Value of loans facilitated from non-DCA and DCA-supported finance institutions (in 000 USD)	N/A	N/A	In Progress	929,2	929,2	4.000	23%
Output Level Indicators								
Indicator 1.4.1.1	Number of SMEs receiving USG assistance to access bank loans or private equity	N/A	N/A	In Progress	5	5	20	25%
Indicator 1.4.1.2	Value of customer financing need identified (in 000 USD)	N/A	N/A	In Progress	50	50	925	5%
Indicator 1.4.1.3	Value of value chain participants investment stimulated (in 000 USD)	N/A	N/A	305	104	409	1.537	27%

I.10.4 FY'12 Activities Implementation Status Report

Table 3 below shows the status of all Activities at the end of the Quarter, as well as the Activities planned to be initiated in the next Quarter (listed in the first section of the Table). Under section entitled “Being Developed” are listed Activities for which detailed Activity Description was being developed and submitted to AgBiz by the LFs for further review and approval. The following section “Being Implemented” is listing Activities that are approved by both AgBiz and USAID; agreements with partners and participants were being signed and are underway at the end of the Quarter. Brief Activity Objective, Total Cost and AgBiz Share projections are also shown for all of the Activities in compliance with the Budget allocated during the Annual Work Plan sessions.

The last section entitled “Completed” presents the Activities (or first phases of some of the longer-term Activities) completed at the end of the Quarter, as well as the achieved impact of completed Activities (or phases of a given Activity). These Activities had a total cost of \$277,546 to which AgBiz contributed 39,4% (considering anticipated Total Cost for some of the Activities which only a phase is completed). Twenty-two (22) new technologies or management practices were introduced to 594 representatives from 155 agribusinesses that participated in AgBiz supported Activities. The participants gave the Activities an average level of satisfaction score 4.8 out of 5.0.

TABLE 3. ACTIVITIES STATUS REPORT

MIS Code	ACTIVITY	VALUE CHAIN/COMPONENT	ACTIVITY COST (US\$)			ACTIVITY DESCRIPTION/OBJECTIVE
			TOTAL	AGBIZ	AgBiz Percentage	
PLANNED FOR THE NEXT QUARTER						
248	Presentation of modern production systems of all targeted VCs through Organization of Study Tours in Israel and Italy	FF&V	50.772	22.122	44 %	Improve technology and management practice transfer and explore potential new market linkages
153	Training program for farmers for adoption of EU requirements	PV	34.934	26.934	77 %	Increase the knowledge of primary producers about EU requirements on needs for adoption in their production practices, as well as to improve capacities for their implementation
154	Building Human Resources Capacities (Preparation for EU Negotiation)	SOF	12.000	10.000	83 %	Prepare and deliver training for selected MAFWE employees for direct negotiations with EU representatives on priority Agriculture issues for Macedonia
907	Survey of raw material supply, employment and sales performance of PV VC for 2011	PV	5.500	2.500	45 %	Research and analyze overall performance of the PV VC in 2011
634	Technical assistance in implementation of GlobalGAP	PV	10.000	5.000	50 %	Increase the quality of raw materials and income of the farm holds encompassed by the GlobalGAP implementation
635	Technical assistance in implementation of IFS standard	PV	20.400	8.000	39 %	Improve food safety and food quality practices by domestic vegetables processors and producers
906	Contribute to the Development of the IT System of Invest Macedonia	All	48.500	7.000	14 %	Develop a comprehensive modular export promotion web solution (with intranet option) for Invest Macedonia, including the improvement of the current CRM system
151	Organization of the first training sessions - Training delivery for VC participants	PPD	15.420	12.420	81 %	Develop and enhance the business management and personal competencies of wide range of target groups
636	Support in Preparation of Secondary Legislation based on Recently Adopted Laws related to Agriculture Sector	SOF	18.000	15.000	83 %	Support the practical implementation of the Law on Agriculture and Rural Development by helping the MAFWE complete the secondary legislation
BEING DEVELOPED						
620	Development and Implementation of Tailor Made ERP	PV	20.000	10.000	50 %	Improve productivity of the companies, improve cost allocation and their reduction; and advanced management practices embraced by the PV VC members
624	Facilitation/implementation of contract farming	PV	99.364	49.364	50 %	Improve the overall welfare of the farming community through stabilizing sales of their horticulture products; secure stable quantities and qualities of raw materials purchased by the processing industry
243	Organization of Networking Event with Non-traditional Export Markets through Conference and B2B Meetings	FF&V	45.005	15.395	34 %	Increased potential for non-traditional market presence and increased export sales
633	New Product Development	PV	30.000	6.000	20 %	Develop and present samples of new products that will be later registered and promoted on the market
632	Introduction and Promotion of Production of New Fresh Pepper Types (Bell Pepper)	FF&V	18.590	7.340	39 %	Increase product diversification and competitiveness on the domestic and export markets by introducing new demanded product types and varieties
249	Study Tour for Transfer of International Best Practices in Export Promotion	All	22.530	5.480	24 %	Improve knowledge of relevant Macedonian institutions about the overall system of export promotion implemented in the Czech Republic and Slovakia
BEING IMPLEMENTED						
150	Technical on-field Assistance for Modern Production Technology of Table Grapes (Phase 2)	FF&V	14.280	8.280	58 %	Improved productivity and competitiveness of the table grapes produced in accordance with the EU market demands
904	Acquiring and Dissemination of International Market Data	PV	16.000	8.000	50 %	Strengthen capacity of MAP by developing new services to members and non-members; Increased capacity of PV VC to more effectively plan and execute marketing and promotional activities
625	Support to the sustainable and continuous domestic production of high quality, certified, market demanded table grapes planting material (Phase 2)	FF&V	14.100	7.100	50 %	Increase awareness and interest for local production of high quality certified planting material of demanded table grape varieties; technology transfer
626	Supporting sustainable and continuous domestic production of high quality, certified, market demanded apple planting material	FF&V	13.625	6.625	49 %	High quality production and increase productivity, diversification of production and increase income
627	Support to the process of compliance of the	FF&V	24.200	9.200	38 %	Improve integration of the supply value chain for fresh pepper production through uniformed production and higher yields

TABLE 3. ACTIVITIES STATUS REPORT

	primary production with the requirement of the buyers and the market demand (Phase 2)					
148	Matchmaking Events for Fresh Fruit and Vegetable and Processed Vegetable Value Chains (Phase 4&5)	AtF	12.300	3.400	28 %	Identify businesses which need assistance in formulating their expansion and investment goals and in seeking access to external financing and match Financial Facilitators and companies that would need their assistance
149	Introduction of New Varieties and New Vegetable Production Technologies	PV	27.000	19.000	70 %	Improve cooperation between primary producers and PV members and increase competitiveness of Macedonian PV VC
628	Preparation of II studies for PDO and PGI Registration	SOF	21.600	18.000	83 %	Provide technical support to MAFWE in the process of preparation of guidelines for PDO and PGI for specific II (eleven) Macedonian agriculture products
630	Preparation of a Multi-annual Strategy for Improvement and Monitoring of Milk Quality	SOF	24.000	20.000	83 %	Technical support to MAFWE in the process of preparation a Multi-annual Strategy for Improvement and Monitoring of Milk Quality needed to adjust and improve the dairy sector to the newly modification of the EU Common Agricultural Policy
622	Development of the tailor made training curricula for VC' representatives and representatives from GoM bodies	PPD	1.350	1.350	100 %	Creation of the comprehensive tailor made curricula for FF&V and PV VCs representatives and GoM employees related to building their capacity for establishing effective PPD
902	Needs Assessment and Developing Tailored Training Programs created for VC Participants using Participatory Approach	PPD	5.172	2.940	57 %	Identification of training needs for FF&V and PV VCs representatives and GoM employees related to building their capacity for establishing effective PPD and creating a comprehensive tailor made training curricula
247	Visit to International Agricultural Fair 2012 in Novi Sad, Serbia	FF&V	15.360	4.960	32 %	Increase participants' potential to identify new buyers for retailers, wholesalers, aggregators and/or logistics agents as well as the latest requirements of product characteristic
905	Educational Brochure on Innovative Financial Products Available in Macedonia	AtF	6.000	6.000	100 %	Overcome the asymmetric information flow between supply and demand that results into lack of knowledge of the existing and available financial products
628	Helping companies access finance by cost-sharing the services of IC FP pool of Financial Facilitators	AtF	59.840	18.500	31 %	Help companies from AgBiz supported VCs to successfully access finance through managing the pipeline of projects, ensuring that all results accomplished by FF are properly monitored and reported

COMPLETED

MIS Code	ACTIVITY	VALUE CHAIN/COMPONENT	ACTIVITY COST (US\$)			# of New Varieties/ Products Developed	# of Private Sector Firms participating in AgBiz supported Activities	# of New Technologies/ Management Practices Introduced	# Male Individuals who have Received Training	# Female Individuals who have Received Training	# of Capacity Building Service Providers receiving Assistance	Average Evaluation Score
			TOTAL	AGBIZ	AgBiz Percentage							
147	Technoly Transfer from the Training in Post Harvest Technology	FF&V	20.511	7.778	38 %	N/A	N/A	N/A	11	4	N/A	N/A
148	Matchmaking Events for Fresh Fruit and Vegetable and Processed Vegetable Value Chains (Phase 3)	AtF	12.300	3.400	28 %	N/A	15	N/A	11	12	3	N/A
150	Technical on-field Assistance for Modern Production Technology of Table Grapes (Phase I)	FF&V	14.280	8.280	58 %	N/A	2	1	30	10	1	N/A
152	USAID AgBiz Environmental Compliance Training	All	1.615	1.615	100%	N/A	15	1	14	11	4	N/A
155	Educational Events for Farmers	AtF	N/A	N/A	N/A	N/A	23	N/A	24	2	1	N/A
244	Study Tour and B2B Meetings for Macedonian traders-exporters of Fresh Produce and Processed Vegetables to Poland	FF&V	40.814	10.958	27 %	N/A	14	4	14	2	N/A	5,0
245	Visit to International Agri-food Fair Agrotica in Thessaloniki	PV	6.615	4.700	71%	N/A	9	7	166	35	6	4,5
246	Processed Vegetables Value Chain Representatives Study Tour and B2B in Australia	PV	40.417	15.248	38%	N/A	5	2	5	N/A	N/A	5,0
325	Fruit Logistica 2012	FF&V	26.800	7.090	26 %	N/A	7	3	66	14	1	4,5
618	Identification of the Relevant VC Participants for Advocacy and Private Public Dialogue	PPD	4.212	1.980	47 %	N/A	N/A	N/A	N/A	N/A	N/A	N/A
621	Development of Interactive Web Portal for PV VC	PV	2.000	1.000	50 %	N/A	49	2	36	13	1	N/A
619	Inclusion of Relevant GoM Bodies and other Non-government Organizations related to FF&V and	PPD	2.132	1.220	57 %	N/A	0	N/A	N/A	N/A	N/A	N/A

TABLE 3. ACTIVITIES STATUS REPORT

	PV VCs Policy and Advocacy Issues											
623	Upgrade of the Financial Platform of Access to Finance Methodology	AtF	21.500	0	0 %	N/A	N/A	N/A	N/A	N/A	N/A	N/A
625	Support to the sustainable and continuous domestic production of high quality, certified, market demanded table grapes planting material (Phase I)	FF&V	14.100	7.100	50 %	N/A	1	1	36	14	1	N/A
627	Support to the process of compliance of the primary production with the requirement of the buyers and the market demand (Phase I)	FF&V	24.200	9.200	38 %	N/A	1	N/A	18	11	1	N/A
629	Modification of the National Agriculture and Rural Development Strategy (NARDS)	SOF	13.800	11.500	83 %	N/A	N/A	N/A	N/A	N/A	N/A	N/A
903	Preparation of VC Baseline Screening through Focus Group Discussions (Phase 3)	FF&V	32.250	16.110	50 %	N/A	14	1	25	8	3	N/A
TOTAL			277.546	107.179	39 %	N/A	155	22	456	136	22	4,8

I.11 OUTREACH AND COMMUNICATION

I.11.1 Activities Completed during the Quarter

During this quarter, the following activities were completed under the outreach and communication section:

- Developed and issued press releases on:
 - Access to Finance Matchmaking event in Kavadarci (published in 2 electronic media), and
 - Interactive Web Portal for the Processed Vegetables Value Chain (published in 8 electronic media).
- Developed and issued media advisories on:
 - Fruit Logistica 2012 visit in Berlin, Germany (published in 18 print and electronic media);
 - Agrotica 2012 visit in Thessaloniki, Greece (published in 9 print and electronic media);
 - Australia Study Tour and B2B (published in 14 print and electronic media), and
 - Focus Groups Discussions and Access to Finance events in Strumica, Resen and Kavadarci (published in 6 electronic media).
- Compiled press clippings of 9 AgBiz Program's media exposures released during the period October-December, 2011 (*For more details, please see the CD version of this Report*);
- Provided assistance on outreach procedures and marking compliance for the:
 - Innovation Center brochure on Access to Finance;
 - Article to be published in Moja Zemja: Interview with the UC Davis lecturer on "Post Harvest Management Techniques Training", prepared by EPI Center;
 - Articles on Apple and Tomato Production, prepared by EPI Center, to be published in Moja Zemja;
 - Baseline Screening Studies for Fruits, Vegetable and Table Grapes, prepared by EPI Center;
 - Invitation for the Environmental Compliance Training in Veles;
- Developed success stories on Buying Mission of German food importers in Macedonia and Access to Funds of Agricultural Cooperative (*For more details, please see the CD version of this Report*);
- Coordinated regular update of the AgBiz web site; and
- Provided monthly input on AgBiz activities for USAID's EG Office Events Calendar.

I.11.2 Activities Planned for the Next Quarter

- Provide monthly input on AgBiz activities for the USAID's EG Office Events Calendar;
- Develop press clippings for the next quarterly report; and
- Develop media advisories on Study Tours in Izrael and Italy and visit of the International Agricultural Fair in Novi Sad, Serbia.

2.0 FINANCIAL REPORT

The second Quarter financial report is shown below. The report indicates that 80% of the program term is completed, 76% of the total budget has been invested. Project Burn Rate was increased by 45% compared to previous Quarter, as a result of LF implemented activities entering into implementation and completion phase. Expenditures to date are consistent with plan.

CONTRACT No. EDH-I-03-05-00006-00 Macedonia AgBiz Quarterly Report CONTRACT EXPENDITURES through March 31, 2012					
Category	Contract Budget	Incurred as of 12/31/2012	Quarterly Costs 1/1/12 - 3/31/12	Total Costs Incurred as of 3/31/12	Remaining
Total All Other Costs	\$ 7,478,638	\$5,370,292	\$230,899	\$5,601,191	\$ 1,877,447
Grants	\$465,024	\$465,024	\$-	\$465,024	\$0
SUB TOTAL CONTRACT COSTS	\$7,943,662	\$5,835,316	\$230,899	\$6,066,215	\$ 1,877,447
FEE	\$345,664	\$220,933	\$10,390	\$231,323	\$ 114,341
TOTAL CONTRACT COSTS	\$8,289,327	\$6,056,249	\$241,289	\$6,297,538	\$ 1,991,789

3.0 REPORTS PRODUCED DURING THE QUARTER

3.1 EXTERNAL REPORTS

3.1.1 Outreach Releases

AgBiz's Press clippings January – March, 2012

Media Advisory - Agrotica 2012 in Thessaloniki, Greece

Media Advisory - Focus Groups Discussions and Access to Finance

Media Advisory - Fruit Logistica 2012 in Berlin, Germany

Media Advisory - Processed Vegetables Companies on Study Tour and B2B in Australia

Press Release - AgBiz Matchmaking Forum in Kavadarci

Press Release - Interactive Web Portal for Processed Vegetables Value Chain

3.1.2 Success Stories

USAID's AgBiz Success Story - USAID's AgBiz Success Story - German Buying Mission in Macedonia

USAID's AgBiz Success Story - Agricultural Cooperative Successfully Accessed Funds

3.1.3 Technical Materials

Pesticide Evaluation Report & Safer Use Action Plan (2012 Update)

Integrated Pest Management of Paprika (in Macedonian)

Integrated Pest Management of Table Grapes (in Macedonian)

Integrated Pest Management of Tomato in Glass Houses (in Macedonian)

Integrated Pest Management of Apple (in Macedonian)

Brochure on Innovative Financial Products available in Macedonia (in Macedonian)

Fresh Vegetables Value Chain Baseline Screening

Apple and Fresh Fruits Value Chain Baseline Screening

Table Grapes Value Chain Baseline Screening

3.2 INTERNAL REPORTS

Activity Result Report “Study Tour and B2B Meetings for Macedonian traders-exporters of Fresh Produce and Processed Vegetables to Poland”

Activity Result Report “Fruit Logistica 2012”

Activity Result Report “International Agri-food Fair Agrotica”

Activity Result Report “Study Tour and B2Bs in Australia”

“Report on a Survey conducted within the research of the current level of communication between government institutions and Fruit & Vegetable Value Chain”

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