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**ALBANIAN AGRICULTURE
COMPETITIVENESS**

ALBANIAN AGRICULTURE COMPETITIVENESS PROJECT

Contract No. EDH-I-00-05-00004-00

DAI

QUARTERLY REPORT

July - September 2008

ANNUAL REPORT

FY 2008

This report was prepared by DAI for review by USAID.

Table of Contents

| | |
|--|-----------|
| Introduction and Executive Summary | 3 |
| Project Team | 4 |
| COMPONENT ONE: Strengthen Producer Capacity for Competitive Commercial Farming | 5 |
| <i>Task 1 – Consolidating Production</i> | 5 |
| <i>Task 2 – Improving Production Practices</i> | 7 |
| Success Story | 9 |
| <i>Task 3 – Strengthening Farmers’ Access to Finance</i> | 13 |
| COMPONENT 2: Strengthen capacity for market development | 16 |
| <i>Task 1 – Linking Producers to Buyers</i> | 16 |
| Success Story | 19 |
| <i>Task 2 – Facilitating Access to New Markets</i> | 20 |
| <i>Task 3 – Increasing the Supply of High-Quality Product</i> | 20 |
| COMPONENT 3: Increase Access to and Use of Timely and Reliable Market Information | 23 |
| Summary of Year One | 23 |
| Highlights | 23 |
| <i>Activity 3.1: Identify Information Needs of Target Groups</i> | 24 |
| <i>Activity 3.2: Establish a System to Collect and Disseminate Wholesale Market Prices</i> | 25 |
| <i>Activity 3.3: Build the capacity of value chain actors to understand and use market information</i> | 27 |
| PERFORMANCE MONITORING REPORT | 29 |
| Monitoring and Evaluation | 29 |
| Impact Survey | 29 |
| General Findings | 29 |
| Explanatory Notes | 30 |
| INTERNATIONAL CONSULTANT SERVICES | 42 |
| ADMINISTRATIVE | 45 |

AAC ANNUAL REPORT

FY 2008

Introduction and Executive Summary

This document serves as the quarterly report for the fourth quarter of FY 2008, as well as the annual report for the first complete year of implementation of the Albanian Agribusiness Competitiveness (AAC) project as is stipulated in the project contract. As such it includes both specific data related to operations during the most recent quarter as well as an overview of activities and project highlights during the entire year. It also includes the results of an impact survey on behalf of AAC by IDRA that was carried out during the first half of October 2008 to indicate, at least preliminarily, the result of AAC activities in terms of its stated objectives. These findings will inform the establishment of programming priorities in the future and suggest areas in which the AAC team might enhance its effectiveness.

The year has been a busy and challenging one indeed, with the need for doing all of the things required for the launch of any new program in terms of procurement and hiring being combined with the need to make a very quick start in the identification of target commodities and the completion of Commodity Development Plans based on comprehensive value chain analyses. A lack of continuity in the COP position has made it challenging for the rest of the newly formed project team to get itself organized and launched in the direction of the achievement of project objectives. Nevertheless, results have exceeded expectation as can be seen on the Indicator Table on page 28 of this document.

Activity on all three major project components was strong with seven producer groups involving 198 individual farmers being identified and included in initial program activities. A series of regional round table discussions, monthly workshops, field training programs, and meetings with potential buyers were designed and implemented in direct response to their needs. Forty eight different practical field demonstrations were designed and implemented on 16 different topics ranging from the proper pruning of apple trees to the benefits of double line fertigation techniques. New buyer arrangements have been made resulting in transactions already in this year with great promise for future years.

Clients were also facilitated in gaining access to commercial finance totaling LEK 61.7 million (+/- \$725,000) from five separate organizations during the year for purposes as diverse as working capital for greenhouse production operations and the capital finance of new cold store facilities.

A comprehensive new market information system (MIS) has been developed in close conjunction with producers and consolidators to insure that it is responsive to their needs. Preliminary arrangements are in place for it to be implemented early in year 2.

With the achievements already in place, as detailed in the following pages, the AAC team is confident that it is on a track to make a very significant contribution toward enhancing the competitiveness of Albanian agriculture products in local and international markets.

Project Team

At the end of September 2008, the project team in Albania included the following individuals:

Tirana Office:

Ed Reinauer - Chief of Party, Left the project on Sept. 18 and was replaced by Gary Kilmer as Acting COP on interim basis on September 30.

Paul Sommers - Production Specialist

Bled Hodobashi - M&E/MIS Manager

Ilir Pilku - Grants Manager

Ilir Mehmeti - Outreach Specialist, Northern Region, Left the project on September 13

Merita Janushi - Office Administrator

Kujtim Kertalli - Driver

Lushnja Office:

Piro Rapushi - Office Manager

Josif Liko - Outreach Specialist

Luto Goga - Outreach Specialist

Kostandin Koco – Outreach Specialist (Saranda)

Majlinda Qorri – Monitoring and Evaluation Specialist

Vangjel Tanku – Driver

Korça Office

Lefter Turtulli - Office Manager

Mehmet Pupa - Outreach Specialist

Pellumb Tuxhari - Outreach Specialist

Monika Thimo - Monitoring and Evaluation Specialist

Shpetim Goxhaj - Driver

COMPONENT ONE: Strengthen Producer Capacity for Competitive Commercial Farming

Year One brought growth in the capacity of producers involved with AAC activities to compete in local and international markets. The project's strategy of using a variety of direct support activities aimed at changing knowledge, attitude, and practices towards managing their farm enterprise has shown itself to be successful.

Trends over the past four quarters are clear: improved productivity through reduced operational costs, increased yields through improved use of inputs and technology, and higher quality produce as evidenced by premium prices paid by buyers.

Task 1: Consolidation of Production, saw its best results where opportunities for market growth were greatest. These were in early season watermelon and greenhouse vegetables. AAC has strong links with six producer groups in these two sectors.

Task 2: Improving Production Practices, proved to be popular with AAC lead growers. AAC addressed grower-identified needs and, in consultation with TTC's and other experts, designed a practical workshop series that answered the concerns of growers.

Task 3: Strengthening Farmers Access to Finance, also saw important progress with AAC clients becoming first-time borrowers with plans to use credit again next year.

Described in the subsections below, all these activities will directly lead to increased incomes for farmers.

Task 1 – Consolidating Production

Producer associations are viewed as key vehicles for achieving the aims of the project.

Small plot farmers can only grow their enterprises by finding ways in which to work with comparable farmers to consolidate their combined product into a volume that will be attractive to buyers.

AAC used three activities to address the challenges presented in Task 1:

- Identification of producer groups
- Identification of key services to be provided to the members
- Capacity building of producer groups

The initial value chain fact finding exercise for the four subsectors coupled with the roundtable series for each of the subsectors provided AAC with a set of growers groups from which to launch the outreach program.

- In Year One AAC identified seven existing producer groups including 398 individual farmer members: two working in early season watermelon (Divjaka 2007 and the Xarra

Watermelon Association in Saranda) and five plastic greenhouse vegetable groups. (Hortigor, Hysgjokaj, Myzeqeja Federation, Vukatana and Kosmaç). Tree fruit groups were more challenging. Apple groups in Korçe did not exist. In the case of table olives two groups from Bilsh Village and Otlaka Commune in Berat were identified as groups to work with.

- In the fourth quarter the Korça team continued to work with lead growers in four communes on the process of forming their own producer group. With the harvest and sales season coming soon and AAC growers clearly concerned about how and where they will sell their apples, the project thought this might be the incentive to finally get growers to explore how they might work together for the benefit of each member.

The AAC team used the results of the value chain studies and roundtables as well as discussions with the identified groups to design plans for providing group members with services they saw as a priority. AAC used this strategy as a way of building a relationship with these groups. AAC needed to show that it was responsive to the perceived group needs thus building a relationship based on trust.

The producer groups saw technology improvement as their top priority. They wanted AAC to assist them with improving productivity by increasing yields, reducing costs, and improving quality. AAC teams answered this challenge by developing a workshop series designed around a specific technical issue. AAC also assembled other value chain actors to participate in the growers workshops. This was done to provide the farmer with a forum to ask specific questions of another actor in the value chain and also to help them see how their farm business are linked to the input supply dealer, buyer, and financial services provider. They all need each other in order for the sector to grow.

Fourth quarter activities were a continuation from the previous three quarters. The outreach teams met with producer groups to identify their technical, marketing, and finance needs. Sales were a major concern of participants from the watermelon, greenhouse and apple sectors so there was interest in possibilities for improving marketing and market information for the members. Ongoing discussions with producer groups are a major element of the activity load of AAC field teams as continual information sharing and advice insures the effectiveness of technical assistance efforts.

The roundtables clearly showed that growers were unhappy with the current status of the value chain in which they operate. They felt that input supply dealers did not provide value for money selling inferior products at high prices; buyers paying them low prices for the high quality produce, and banks charging too high interest for loans. They blamed everyone else for their situation. The way out of being a price taker and becoming a price maker is to exercise more control over the other value chain actors.

In AAC 's view, helping growers to see themselves as more than just farmers - as managers of farming enterprises - is the first step. AAC began the transition process by engaging the groups with marketing and financing options.

The results of Year One activities and interventions with producer groups provides a clear vision for Year Two's strategic activities that will continue to drive growth in each of the four sectors. Producer groups in each sector are at different stages of development and readiness to use AAC resources in order to grow. Current and future market opportunities appear to be a main driver in the development of producer groups. Early season watermelon and plastic greenhouse growers groups are expected to see continued growth. Growth opportunities with groups based around perennial tree crops are less clear. Small apple growers in Korça are expected to enter into the initial formation of small groups with the opening of four new private cold storage facilities in the area by AAC clients. Discussions with participants in the olive value chain continue to evolve towards a consolidation model for growers and processors in that sector.

AAC's strategy is to work with lead farmers in the selected value chains who are associated with producer groups or who are viewed as leaders with the potential to encourage the formation of producer groups. Workshop topics have been designed to integrate components of AAC-- improving productivity, increasing market opportunities and enhancing participants' access to market information. Some workshop topics have dealt with a single topic (e.g. marketing or irrigation). Others included a combination of subjects. The recurrent theme has been to show AAC lead farmer participants that the way to growth is through group action to consolidate their high quality products for more effective marketing.

In the fourth quarter:

- The Hysgjokaj group requested and received assistance from AAC to help with formal registration of the group.
- AAC also assisted the seven producer groups, an input supplier as well as apple growers from Korça to participate in the 2008 KASH International Trade Fair. AAC staff developed flyers describing their organization and their product line for sale. Members from each group were in the booth to meet with potential customers.

Task 2 – Improving Production Practices

AAC's approach to addressing this critical issue has been to identify grower's specific needs in terms of improving their production system, marketing opportunities and options for financing. Training sessions on different issues were organized with growers during the last quarter.

Production costs continued to rise during the fourth quarter due to the high costs of fuels, agro-inputs, and seasonal labor costs. AAC client growers have begun to request assistance with cost reduction instead of increasing yields, which was the predominate request at the beginning of the project.

Training activities were designed and implemented for each of the subsector products. They were adjusted to include specific technical information to improve productivity by decreasing costs,

without decreasing yields or quality. These were delivered through workshops attended by selected commercial growers. In some cases high level outside expertise was used to address a technical issue. In other cases AAC outreach staff provided the needed information. A series of field demonstrations was designed to accompany the workshop topics in order to demonstrate to the growers how the new technology works under field conditions.

During the fourth quarter, a total of 11 technology improvement workshops were delivered to more than 133 growers on client farms. In addition to crop productivity issues the workshops also dealt with marketing and financing. Value chain actors were invited to discuss with the growers group's practical ways in which linkages could be improved. These meetings have led to a growing understanding by growers that opportunities for stronger ties in the value chain are possible and that AAC can serve as a catalyst for utilizing these opportunities.

Field demonstrations are viewed as an integral part of Task 2. Field offices presented the priority technologies identified by the growers through the workshop series. These advanced technologies were applied in AAC client fields as demonstrations. They are designed to improve productivity by either reducing costs and/or increasing output - both important to increasing the value of the grower's product. Year One was very active with a total of 16 topics presented as demonstrations on 48 commercial fields. By the end of the fourth quarter most of the demonstrations were completed. Three field sites remain on-going.

Success Story

Success Story -- AAC's Technology Improvement Package Increases Productivity for Early Season Watermelon Growers

Growers of early season watermelon have seen their marketing opportunities expand in the past few years. Every year new markets are identified and existing markets enlarged. The markets also requiring new standards for quality and safety. The watermelon producer groups who work with AAC face the collective challenge of meeting the changing market needs by improving their overall productivity on very limited land parcels. AAC addressed this issue by designing an outreach strategy which collected best practices in Albania and globally and applied them through workshops and demonstrations in grower's fields.

Four yield-enhancing technologies were identified by a top Albanian watermelon researcher from the Lushnja Technology Transfer Center. These were double drip line fertigation, thermoplastic tunnels, commercially produced grafted seedlings, and honey bee hives. He presented the package in the three main watermelon sites of Divjaka, Berat, and Saranda. The lead growers from the producer groups attending the workshop agreed to try these technologies in their commercial fields. Eleven growers were selected to try one of the four technologies. A control plot managed by the farmer was also indentified to serve as a comparison. AAC outreach staff work with the growers monitoring progress throughout the growing cycle.

The results of all eleven demonstrations were positive with yield increases from 10% with thermoplastic tunnels to 31 % using grafted seedlings. The increase in cost to use the intervention was minimal compared to the return on investment and maturity dates were moved up to enable producers to take advantage of early season price premiums. According to AAC outreach staff the demonstrations created tremendous interest during the farmer field days. Most growers plan to adapt at least one of the four technologies in the 2009 season.

The head of the Divjaka 2007 Cooperative went even further saying "Our members have seen the value of all four technologies and we, as a group, plan to use them next year."

Engaging, linking, and integrating key value chain actors are seen as a key to sustained growth for each subsector. AAC has designed all of its activities to ensure that natural value chain actors are linked and learn to grow together. AAC has used VC surveys, roundtables, workshops, field demonstrations to invite different VC actors to see how they need each other.

The growth in private sector outreach staff reflects the importance companies place on development of their value chain. While initial efforts in Year One are noteworthy, especially with integrated consolidators and apple storage operators, much remains to be done. AAC sees the buyer as a “pull” in up-grading the VC and therefore a key intervention point for outreach activities. Growers will listen to the requirements of those who buy their product. Buyers tell AAC they need to make sure their messages to clients are effective and will lead to the quality produce the market demands. In Year One AAC designed and implemented technology packages directly applicable to the private extension sector. AAC provided practical training and worked side by side to ensure the link was successful.

The fourth quarter saw a steady continuation of this strategy.

- In the Korça region, the dramatic rise of cold storage units has ignited a need to emphasize sufficient quantities of high quality apples that will have a long storage life. This means the cold storage operators will have to work very carefully with their growers during the production and harvest period to ensure they received the product they need. AAC responded to this new marketing opportunity by providing an Albanian expert on quality assurance in harvest/post harvest activities.
- The early season watermelon sector also identified a potentially large market opportunity with buyer interest from the U.K. In order to realize the expanded market opportunity, however, input suppliers and consolidators will need to work carefully with growers in order to meet the specific requirements of the importer. AAC is in talks with the main value chain actors as well as support actors from the TTC Lushnja and Alcebo Company on how to ensure UK requirements are met.
- Discussion are on-going with a watermelon consolidator from the north coast who plans to expand into the input supply business after his successful experience working with AAC and the Agro Blend Company on new watermelon technology and seeded and seedless varieties.
- For greenhouse vegetables, Agro Koni, an integrated supply and seedling dealer conducted field demonstrations with growers in cooperation with AAC in the main greenhouse producing areas in Durres, Lushnja, Kuçova, and field demonstrations in Saranda, Divjaka.
- Korça staff contacted “Oshafi” Company, agriculture trading company. Last season, besides importing apples, they consolidated from Korça growers about 400 tons of apples. AAC staff is working with them to increase links with apple growers

Several discussions were held by the Lushnja Regional Office with input suppliers on issues related to vegetable production, including the promotion of investment in this sector. The following ideas are some which grew out of the discussions:

- Solar water heating units. In order to find more economical ways to heat greenhouses the AAC staff organized a meeting with Mr. Nezir Çullhaj, a businessman who has entered into a joint venture with an Italian company. The discussion focused on the use of solar energy to heat the green houses and there were signs of some interest in investing in this direction.
- New watermelon seedlings. In cooperation with input suppliers “Bruka Seedlings” and “Agroblend,” a demonstration trial will be set up next quarter to compare the advantages of hybrid water melon with the seedless watermelon in Saranda. To date “Bruka Seedlings” Co. has offered three seed varieties of hybrids for the field demonstrations and is preparing to offer three other hybrid grafted seedlings. AAC staff is exploring with both companies opportunities to extend these fields trial in two other areas, Berat and Divjaka.
- Finance. A meeting with SNV in Fier was held to exchange ideas on how SNV can best be involved in financing agricultural activities.
- Within the framework of cost share grants an opportunity to collaborate is currently being evaluated with a consolidator from Kavaja to invest in a collection point for vegetables in Goriçan.
- Several meetings were held with Mr. Saimir Biti, consolidator, owner of BITI-MO Company. He is looking to invest in constructing a new building (surface of 1,000 square meters) and install cooling equipment and a processing line, sorter and packaging included for carrots. Lushnja team offered him technical assistance and provided a lot of information related to the following:
 - post harvesting processes
 - offers and sources for processing lines
 - establish relations with vegetable growers

AAC views the TTC’s as core partners playing a pivotal role in improving the productivity of crops and the growers they are responsible for. They have provided the AAC outreach teams with many of the important technologies for promoting with growers .The fourth quarter saw a continuation of the partnership and discussions on ways to strengthen the relationship in Year Two. AAC continues to emphasize with the TTC that their technical assistance work with grower clients needs to be undertaken with a crop business model. This is still a new concept for the technically trained senior researchers however process has been made in their knowledge and attitude towards ensuring the technology they promote will add value to commercial farm enterprise.

AAC fact finding and roundtables showed that growers are bombarded with information often by “advisers” with special interests. There is a strong need for transparent information presented with the grower’s interest as the priority. AAC’s outreach staff will be the project’s front line voice of quality advice. AAC recognized the need to enlist the support of advisers from the public sector extension service in order the scale up AAC’s work. In Year One AAC engaged outreach personal from

the Ministry of Agriculture in various forums including roundtables, workshops, farmer field days to observe field demonstrations.

Korça Regional Office staff collaborated with Departments of Agriculture and Technology Transfer Centers on the following technical issues:

- Implementation of proper technology for fruits production
- Best time for chemical treatment (against diseases and insects)
- IPM - Integrated Pest Management issues
- Relations established with the Agriculture Faculty at the Korça University, collaboration focused on the advanced production technologies.

AAC cooperated with the Ministry of Agriculture, Food and Consumer Protection and Korça Technology Transfer Center to develop a training program on pruning and fertilizing of fruit trees.

- Students from the University “F. S. Noli” Korçe received training in the use of rapid soil test kits. Topics included; assessing the situation of main nutrients in soil and how to build the right dose of fertilizing based on factors like manure provision, expected yield, and age of crop.
- Six specialists of MAFCP participated in the IPM, summer pruning and apple thinning workshops. This cooperation is helping them to strengthen the relations, meet and discuss with growers. One input supplier visited the Devoll farmers (in cooperation with the AAC outreach specialist) for assessing the impact of chemicals he provides to farmers.
- The Regional Agriculture Directorate in Korça and SNV organized a coordination meeting with all the institutions and projects dealing with agriculture. The objectives of the meeting were to create linkages between all agriculture institutions, organizations and donors in order to coordinate their activities and avoid overlapping.

The Lushnja Regional Office held meetings and discussions with the following agencies:

- Technology Transfer Center in Lushnje and Vlore
- Regional Agricultural Directorates of Food and Consumer Protection of Fier, Berat, Lushnja and Saranda,
- Agriculture University of Tirana.
- A total of four meetings were organized by AAC to partner TTC in Vlora and the Agriculture University for the olive component and to ask their opinion on training plan for 2009 to upgrade olive growers in best practices on olive farming, post-harvest quality olives handling, improve smallholders’ profitability.
- Technology Transfer Center in Vlora (Olives) and Agricultural University of Tirana have agreed to serve as local expertise pools for good olive grove management. Follow-up training sessions will be provided to participating farmer groups to ensure that they are able to maximize the know-how/techniques taught in the early training sessions.
- Specialists from Public Extension Services under AFDCP-s and Technology Transfer Centers from Fier and Vlore districts participated in training sessions and workshops organized by the Lushnja Regional Office during the first year.

- Collaboration and cooperation with MoAFCP and TTC have been frequent and both Institutions have participated in the commodity specific technical training package provided to the primary clients and groups of producers of the four commodities: vegetables in greenhouse, water melon, oil and table olives.
- Three meetings were held with Lushnje Technology Transfer Center and two others with Vlora Technology Transfer Center. Discussion focused on ways of cooperation and combination of efforts. Action Plans for 2008-2009 were developed for the main activities like training programs, field demonstrations and open field days by commodities.

Provide cost-share grants to lead farmers to demonstrate new technologies and methodologies that address specific constraints in the production of one of the AAC commodities.

AAC views cost share grants as a tool to expanding marketing opportunities. In the fourth quarter AAC outreach offices continued to identify with VC clients, especially producer groups and consolidators, strategic cost share activities that would add value to the sector.

Year one was spent in the preparation of a comprehensive Grants Manual, which was approved by USAID in April, the preparation of appropriate templates for use in the grant program the training of field offices on grants procedures and the identification of activities on which grants might have a positive impact. The team is now in the process of evaluation various grant opportunities and is prepared to move ahead with grant applications.

Task 3 – Strengthening Farmers’ Access to Finance

A key indicator of real value chain growth and sustainability is the degree of commercial support provided to the main actors by the financial services sector. AAC has designed its program to engage this vital sector through the life of the project. Results are already evident by the strong participation of leading rural lenders in the AAC roundtable series and eagerness to meet with AAC staff based in Tirana and the field offices. Concrete achievements have already occurred with lenders providing finance to AAC farm enterprise clients as a result of project activities.

AAC staff have facilitated the extension of a 35 loans with a total value of LEK 61.7 million during its first year. The credits have been extended by five different financial institutions and applied to a variety purposes as illustrated in the table below.

| NAME OF BANK OR MICROFINANCE INSTITUTION | TOTAL NUMBER | TOTAL AMOUNT (lek) | BUSINESS PURPOSE |
|--|--------------|--------------------|---|
| CREDIT UNION | 14 | 6,600,000 | Greenhouses (new investment), working capital |
| RAIFFEISEN BANK | 1 | 12,500,000 | Cold store (working capital) |
| OPPORTUNITY OF ALBANIA | 18 | 6,800,000 | Greenhouse (new invest.) working capital, new orchard, inputs |
| BKT BANK | 1 | 35,000,000 | Cold store (new investment) |
| ALB. DEVELOPMENT FUND | 1 | 800,000 | Greenhouses (new investment) |
| TOTAL | 35 | 61,700,000 | |

Five loans were generated in the fourth quarter totaling the amount of 48,600,000 ALL (580,000 USD using the rate 1 USD = 84 ALL).

Loans provided to clients with AAC assistance in the 4th Quarter, FY 2008

| Nr. | DATE | NAME | AMOUNT | INSTITUTION | LOCATION | PURPOSE |
|-----|-----------|------------------|------------|-----------------|-------------------|--------------|
| 1 | July | Hysen Vesho | 100,000 | Credit Union | Gorican - Berat | Greenhouse |
| 2 | August | Ahmet Vrapu | 500,000 | Credit Union | Drenovice-Berat | Greenhouse |
| 3 | August | Selman Domi | 500,000 | Credit Union | Gajde - Berat | Greenhouse |
| 4 | August | Engjell Dervishi | 12,500,000 | Reiffeisen Bank | Proger - Korce | Cold storage |
| 5 | September | Rakip Musa | 35,000,000 | BKT | Maçurisht - Korce | Cold storage |

Build the capacity of AAC partners for basic financial planning

AAC staff worked with Regional Offices to prepare cost benefit analysis for each targeted commodity in specific areas. The cost analysis will provide an effective tool for farmers and farmer associations to use in evaluating options for current operations and future investments. It will help determine changes that may be undertaken to achieve greater profitability and competitiveness.

Production costs were calculated for each commodity and each area. Respectively:

- 2 costs for watermelon in Lushnja
- 1 cost for watermelon in Saranda
- 2 costs for tomato in the greenhouse
- 1 cost for dry tomato in Lushnja
- 2 costs for cucumber in Berat greenhouse

This is an on-going process where the cost-benefit analysis will be included in the next step.

Ongoing work with watermelon growers was identified by the North Outreach Specialist (Mr. Ndoc Bluta in Torovica and Mr. Spahi Jahja in Fushe Kuqe), who changed the technology. AAC staff prepared the cost benefit analysis for the new technology.

Assistance was offered to a new consolidator (apple) identified in Korça on the following:

- Meetings with cold store supply companies to find the best offer.
- Assist with loan application at Raiffeisen Bank (\$300,000) in order to get credit for working capital to collect (buy) 400 ton apples.
- Prepare the cost of production and cash flow analysis.

A comprehensive Farmers Logbook has also been developed by AAC and tested with field staff and selected farmers. The use of such a tool will be instrumental in enabling farmers to better understand their financial situation and report more confidently, and accurately to financial institutions.

COMPONENT 2: Strengthen capacity for market development

The end objective of Component 2 of the AAC program focuses on helping Albanian producers in the target value chain improve their ability to compete effectively in local and international markets. AAC's strategy for accomplishing this has been to build on the information base accumulated by the EDEM Project and establish sound commercial linkages between producers in the targeted value chains and downstream buyers and then work with producers and producer groups to help them respond effectively to those opportunities.

Improving marketing opportunities for growers has been a key driver behind the development of production and quality enhancement activities for Component 1. AAC has strived to ensure that every activity undertaken with commercial growers was linked to solid market opportunities. This concern was present in the value chain analysis studies, roundtables that included key value chain actors, the identification of producer groups and lead commercial farmers, workshop series, farm demonstrations, trade fairs, and efforts to improve access to finance.

Year one results have been significant. New trade links were established between apple growers and cold storage operators in Korça and Lushnja. Early season watermelon growers were linked to first time buyers from Italy, Switzerland, Poland and, for 2009, from the United Kingdom. Greenhouse vegetable producers have been linked to new buyers from the Balkans. Each of the new buyers stressed the need for supplying high quality product. This market challenge helps set the stage for AAC's outreach program for providing technology packages through workshops and field demonstrations to ensure high quality produce.

New sales of watermelon and vegetables accomplished with AAC assistance in FY 2008 total 6,659 tons. The sales of apples from the Korça region are not included in this figure as harvest there was just getting underway as the quarter ended. Overall, these results exceed expectations for year one of a value chain project like AAC.

The details of Component Two activities and results are broken down into three more specific tasks as follows:

Task 1 – Linking Producers to Buyers

The AAC team, in cooperation with EDEM, has been active in linking client producer groups with local and international buyers through a series of specific activities including the following:

- Roundtable discussions were organized early on in the major project areas to bring producers, consolidators, input suppliers, finance organizations and other value chain participants together to discuss specific value chain characteristics and dynamics. These resulted in a greater familiarity of the value chain participants with each other.

- A total of sixteen specific meetings were facilitated between farmers (individuals and groups) and consolidators and processors of watermelons and vegetables in the Lushnje region resulting in the establishment of more regular trading partnerships and increased sales.
- AAC in Korça is cooperating with the Korça Chamber of Commerce and GTZ in the application of their new “Product of Korça” labeling program as a means of enhancing buyer (and consumer) confidence in the high quality of apples originating from Korça.
- AAC coordinated the participation of, and provided on-the-spot coaching to 10 of its clients (7 watermelon and vegetable producer groups and 3 individual apple producers) in an AAC stand at the KASH Fair in Tirana in September. A similar effort is being prepared for the upcoming (October) KASH Fair in Korça.
- Four market awareness seminars were conducted in the major agricultural areas of Albania by AAC and EDEM working in cooperation with the Ministry of Agriculture and the Green Market Company during the fourth quarter. They involved a wide range of industry stakeholders including fruit and vegetable farmers, consolidators, financial service providers, donor agencies, the Ministry of Agriculture, input suppliers and local leaders. The services of the Green Market Company were presented at this meeting along with other marketing topics and value chain actors were given the opportunity to network and explore their own business opportunities. Two additional meetings commodity specific marketing workshops for AAC client greenhouse producers of tomatoes (Divjaka) and peppers (Shkoder) were presented by EDEM marketing advisor Michael Brown.
- Four new cold storage facilities with a combined capacity of approximately 2000 tons opened in Korça at the end of the quarter and are in the process of purchasing apples from small farmers in the area as this report is written. Three of these new facilities have been developed with (non-financial) assistance from AAC including planning assistance, meeting with banks, developing links with local farmers, providing technical assistance on warehouse management and post harvest handling, etc. and assisting with the application for available Ministry of Agriculture support for such activities. These facilities will prove to be a major impetus to the restructuring and stabilization of the apple market in Korça and will, overtime, increase the value local farmers place in joint action.
- Cooperation between the two AAC field offices has resulted in a major cold store operator in Lushnje making contact with Korça apple producers for an expected purchase of up to 700 tons of the 2008 apple crop for storage in Lushnje and distribution through his wholesale network.
- Specific accomplishments adding value to the apple crop for the small farmers in Korça the sale of 250 tons of industrial grade apples were expected to be sold to two different processors in the country this year, thanks to previous contacts of EDEM, and the sale of 188 tons of immature thinned apples, by 106 farmers, to an exporter of dried apples for the medicinal use was accomplished in May and June, when small farmers are most in need of cash. These are both relatively low value sales on a per kg basis but they do

provide a return for what would otherwise be unsold product from the industry. They have the additional value of encouraging producers to improve production practices by doing a proper thinning of their immature crop and grading the final crop to assure the best possible return from top quality fruit. AAC is working with local producers and buyers to extend both markets in 2009.

- Local market links were established between red pepper growers and processors in Lushnje and Berat, between a processor and cucumber growers in Fier and Berat and between a processing company and an additional 150 tons of various vegetable products were sold to a Bosnian buyer.

The result of these activities, along with the regular interaction of AAC field staff with producers and buyers has been a 600 ton increase in the sale of various vegetables to local buyers by AAC clients as well as an increase of 2,625 tons of watermelon sales. Increased apple sales, mostly local, will be reported as they take place in the next two quarters.

Success Story

Success Story -- New Cold Stores Increase Stability of Apple Market for Korca Growers

Rakip Musa became involved in agriculture on only one hectare of land in 1994. He planted this area to apples as one of the pioneers of the apple industry in the Korca prefecture. He has gradually increased his area to eight hectares, most of which are planted to apples. Even as a successful apple producer, however, his produce sold at low prices during the peak harvest season due to the glut in the market at that time. He knew that he could be much more profitable if he could hold his apples until prices increased later in the year. His motivation to build his own cold storage facility was the result of an AAC sponsored apple value chain round table in January 2008.

The AAC team was able to help Mr. Musa realize his dream in several ways including suggesting basic design parameters, preparing a business plan for submission to potential lenders and assisting in the loan application process, identifying alternative equipment sources, qualifying for government support programs, advising on packaging material and training in post-harvest handling and cold store management issues. By the end of September 2008, the facility, with a capacity of 440 tons of fresh apples was ready for operation, relations were established with other apple growers to augment his own supplies and contacts were initiated with potential buyers.

This is only one of four new facilities opening in the Korca region this year, three of which have benefited from different combinations of AAC assistance. The addition of this critical element in the apple value chain will help to stabilize the market for all growers in the region and contribute to a gradual increase in average prices as the quality of product improves and the reliability of Korca suppliers become known.



Task 2 – Facilitating Access to New Markets

The AAC team has, to the maximum extent possible, sought to build on the experience of the EDEM project in identifying specific new market opportunities for Albanian producers of targeted commodities. During the first year, when the two projects operated shoulder to shoulder, direct cooperation was possible with a lot of interaction between the two staffs and with the combined team interfacing directly with producer groups and buyers. There were some cases in which ACC reached out directly to new buyers to present product opportunities in Albania and others in which we worked with producer groups to enhance the value and productivity of existing marketing relationships.

- A business to business study tour to Macedonia and Kosovo was organized in cooperation with EDEM in July of 2008. Thirteen Albanian producers and five consolidators took the opportunity to survey opportunities in those markets and meet directly with potential buyers facilitated by AAC and EDEM staff specialists.
- Cooperation between AAC and a sister project managed by DAI in Serbia resulted in the introduction of a major UK buyer. Preliminary sales commitments have been confirmed for the 2009 early watermelon season. Successful exploitation of this opportunity in 2009 is expected to lead to major expansion in subsequent years both in terms of volume and the range of products sold.
- In addition to the increased spot sales to buyers from neighboring countries that resulted from improved quality and early season production, new buyers from Italy, Switzerland and Poland were also introduced to watermelon producers in the Divjaka, Berati, Fieri and Saranda regions.

The major sales impact of AAC activities in international markets has been with the watermelons, especially early season watermelons which have a premium value. AAC clients exported 2,665 tons of watermelons in 2008 as a result of their work with the project. This amount is project to expand very significantly in 2008 as the full effect of improved husbandry techniques and increased availability of early season melons are felt.

Task 3 – Increasing the Supply of High-Quality Product

The value chain analyses and roundtables identified precision timing of cropping cycles as a way to add value by both growers and traders involved in the fresh produce chain. Bringing crop maturity forward by a few days can mean the difference between being a price maker or price taker. This is especially true for early season watermelon, greenhouse produce, and apples. AAC responded to this opportunity by designing and presenting practical workshops and field demonstrations showing technical options for improving early maturity.

Early season watermelon offers an important and growing opportunity. AAC worked with traditional early season growers in Divjaka, Berati, and Saranda as well as in northern zones who usually produce for the mid and late season market. The demonstration in Lac District showed that traditional watermelon producers there could also produce early season watermelon when advanced early season technology was applied. Demonstration of four different improved production practices in several areas resulted in increased total production, improved fruit quality and shorter maturation periods resulting in earlier harvest and higher net prices in the market. These demonstrations are described in more detail in Component 1.

Success Story -- Value Chain Programming Improves Competitiveness of Albanian Watermelons

The watermelon sector is entering a new and potentially profitable phase with ACC guiding the way forward. A thorough analysis of the value chain for Albanian watermelons based on information gathered from meetings with nurseries, growers, suppliers, exporters and others as well as key secondary data has made it possible for AAC to quickly design and carry out a program to enhance the competitiveness of participants in that sector. Moving quickly after the initiation of the AAC program in late 2007, the team was able to swiftly identify both production improvement and marketing opportunities and put them into action to address the specific objective of enabling Albanian producers to provide early season watermelons to local and export markets.

Production improvement demonstrations were carried out on the use of thermoplastic tunnels, double drip fertigation techniques, placement of bee hives during pollination, and the profitable use of high quality grafted seedlings for improved disease resistance. All of the techniques demonstrated improvements in yield and prices of at least 10% while reducing the maturity period by up to 5 days. These demonstrations were further enhanced by farmer's field days and monthly workshops facilitated by sector technical experts which also brought together growers with suppliers, financial services, and buyers.

AAC was able to facilitate links with buyers in major export markets. Growers in Saranda experience record exports to buyers in Greece, Italy and Germany. Growers in Berat added buyers in Poland and Switzerland to their list of customers. Sales to the nearby Balkan countries also increased with prices remaining higher than in previous years. A major new market is also opening up in the UK with the first shipments scheduled for early in the 2009 season made possible by the success of 2008 production and AAC's direct marketing assistance. The success of the program is also enhancing the viability of producer associations as individual farmers see the value of working together to meet high value export orders.

The true test of the success of the program will come in 2009 as the gains made in 2008 are consolidated, production efficiency continues to improve with the increased application of the new technologies and successful marketing experience leads to a broadening and deepening of market channels as Albania becomes known as a reliable supplier of high quality early season watermelons.

Improved harvesting and post-harvest handling techniques are also key to increasing the supply of high quality product to buyers. In year two AAC will place increasing emphasis on helping client producer groups respond to buyer requirements in these areas as well as to helping them move towards qualification for important international certifications including GlobalGap, which is required for the shipment of fresh produce into the EU.

The expansion of cold store availability in Korça will have a major impact on the quality of stored apples offered to buyers during the winter months, which will impact average prices paid for that

fruit. AAC is currently working with cold store operators and producers to improve harvest and post-harvest practices, including packaging, to maximize the value of the cold store investment.

Other opportunities exist for the introduction of specialized retail packaging, grading of product according to international standards and other areas that can help local producers compete against imported product in the Albanian market as well as gain their own access to export markets.

COMPONENT 3: Increase Access to and Use of Timely and Reliable Market Information

Summary of Year One

Working towards building a Market Information System received increasing attention during the last two quarters of Year 1. AAC's MIS staff assessed the current marketing information situation in Albania, identified partner institutions to ensure sustainability for the system, and identified end-user needs for market information.

The result is that AAC has a better view of what constraints need to be addressed in the agricultural marketing chain, two important implementing partners have been identified and their commitment gained in building an MIS, and a dissemination matrix has been designed to address the needs of target end-users.

During the last quarter of Year 1 considerable progress was made in planning more resources for Component 3 and implementing practical steps in freeing up more program resources and staff for the MIS. Year 2's work can be considered as the phasing out of the design phase and the beginning of the implementation phase for the MIS.

Highlights

- Signing of a Memorandum of Understanding with GreenMarket, which is a private company operating in market information and agribusiness transactions.
- Ensuring the cooperation of the Ministry of Agriculture, Food and Consumer Protection as a data collection structure supplying the MIS with daily price and periodic production data – an MoU is being developed in consultation with both the MoAFCP and USAID.
- Participation in a regional AgriBusiness Database/Portal initiated by USAID Washington's Regional Competitiveness Initiative (RCI).
- Preparation of an SMS distribution platform through the Albanian Mobile Communications (AMC) for sending out daily price information to farmers in the more remote regions. Selection process took place in July-August with quotes gathered from three mobile operators.
- Designing of a dissemination matrix comprising SMS platform, GreenMarket's online portal, print & publications, TV dissemination, and electronic boards.

- Setting up of the MIS team; in addition to the current MIS Manager, two key positions were created and the appropriate personnel selected.
- Two initial training sessions/workshops with 28 farmers and partner implementers on the benefits and features of the MIS (May 2008 and September 2008).

Steady progress was made in the last quarters along the three main Activities foreseen in Year 1 Work Plan.

Activity 3.1: Identify Information Needs of Target Groups

The objective of this activity is to ensure that the Market Information System is built around meeting the needs of farmers, traders and processors. Through several interactions with target end-users, partner organizations and through secondary desk research, AAC investigated the needs of agricultural market actors for market information.

Roundtables

The first interface with clients and other partners took place through roundtables in Lushnja, Berat and Korça. Marketing and market information issues were part of the discussions in Lushnje and Korçë. The market chain actors who participated in these events included *traders, farmer/consolidators, and wholesale center managers.*

Meetings

Several meetings took place between AAC (Chief of Party, MIS Specialist, and Regional Managers) and other institutions and organizations. The most important contacts in the MIS context were made with the MoAFCP, Agricultural University of Tirana, Regional Agricultural Directorates, GTZ, SNV and the wholesale markets' network. These meetings served to learn about market information needs as well as explore the opportunities for cooperation with these institutions (see Activity 3.2).

Field Visits

A series of visits in the three regions where AAC works was carried out by the MIS specialist with the aim of identifying the needs of wholesale traders (in the respective wholesale markets) and farmers (AAC clients). The visits were targeted at the wholesale markets of Lushnja and Korça, and the Information Centers at several communes which are part of the MoAFCP's extension structure. Valuable insight was gained about the type and timing of market information both traders and farmers need.

Interviews

Interviews with clients in Lushnja and Korça were carried out in order to get in-depth knowledge of what, when and how farmers view their information needs.

Secondary Desk Research

The purpose of the desktop research was to identify other MIS efforts, review their experiences, and draw lessons learned in order to avoid same pitfalls or repeat best examples. Although some of these experiences come from other countries, there are general lessons that have relevance for Albania.

Findings/Conclusions

Through the above activities the AAC MIS component drew these conclusions:

- Price information is absent at the farm level and the MoAFCP by itself is not able to provide it to farmers.
- Traders require price information in real time therefore distribution should take place more frequently than for farmers.
- Traders who rent permanent spaces in the wholesale centers hardly need information on domestic product prices as the majority of them deal with import products.
- Traders who own vehicles but do not rent permanent space, are those who deal with domestic products and who need information on these products.
- All traders who deal with wholesale market centers agree that updated electronic information boards set up on the wholesale market centers would greatly benefit them.
- MoAFCP Information centers at commune level (Lushnja, Korça, Northwest) revealed that they are unable to provide market information to farmers. The managers of these centers welcome the opportunity of receiving price information for the farmers they work with. However, they are not able to process it and customize it but only distribute it.
- The interviews revealed that in addition to prices, farmers need weather and climate information (both for Albanian and regional neighbours) in order to avoid production-related problems and to respond to regional market demand.
- Information needs to be customized rather than presented in comprehensive tables. Farmers produce between one and three various products therefore the information package reaching them should include only those products.

Activity 3.2: Establish a System to Collect and Disseminate Wholesale Market Prices

AAC efforts under this activity focused on creating a public-private partnership for implementation, working with the MoAFCP to upgrade their collection system, starting cooperation with GreenMarket Albania (GMA). strengthening the MIS team and resources within AAC, and identifying wholesale market center opportunities for dissemination

Partnership with MoAFCP

After a process of screening potential partners it became clear that the MoAFCP was the only public institution with capacity, interest and experience in information collection. Therefore several meetings were held and cooperation was ensured with the understanding that AAC would build capacities, improve connectivity and infrastructure and process information, while the MoAFCP would collect price and product information and supply that to AAC's Processing Center.

The price collection mechanism at the MoAFCP has to be revitalized and expanded in order to be able to supply reliable information and meet market actors' needs. The current data collection system suffers from lack of frequency, accuracy and quality and moreover the format produced by the MoAFCP does not match the wholesale traders needs as it is too crowded and too small to be viewed or read in a busy market place.

Another new development here is the assessment of the MoAFCP's Information Centers at commune level. These are centers run by one extension officer whose main role is to collect production data twice a year for the purpose of surveys and statistics. AAC views these centers as key points for contact and interface with clients at farm level. They could potentially become important data collection and information dissemination points. 15 centers have been identified as relevant for inclusion in the MIS structure.

MoU with GreenMarket Albania

Alongside the MoAFCP contact, an important partner was identified in GreenMarket Albania, a private company that has started efforts to become a market information and agribusiness transaction center. Bringing in the private sector perspective and the goal of turning market information provision into a profitable activity, GMA completes the picture for building a public private partnership that will ensure sustainability of the MIS.

After several meetings and discussions between the AAC MIS Specialist, the MIS STTA Dr. Bob. E. Lee and the Chief of Party and GMA, a Memorandum of Understanding was signed in the second week of September to formalize our commitment to work together towards building a MIS for Albania. GMA's role will be that of online and TV disseminator while AAC's role will initially be that of processing, analyzing and preparing information packages and gradually transferring these roles to either the MoAFCP or the GMA.

MIS Team

As suggested by Dr. Bob E. Lee's first STTA report, a necessary step to be taken was to strengthen the MIS team. An assessment was done on duties, roles and the amount of resources needed and the conclusion reached that for an MIS to be functional the current MIS team should be expanded to include the MIS Manager, the Market Researcher/Analyst, and the Database Administrator (half time).

SoW's were developed and announcements made and a selection process filtered the best two candidates for those positions. Both candidates have worked at USAID' ACIT project as a team producing import, export, trade and market reports. Positions are to be filled once USAID approval has been received.

Wholesale Market Centers

A series of visits and meetings with wholesale market centers in Albania's main cities was done over the course of Year 1. The centers (built by World Bank) serve as spot markets for fresh fruit and vegetable producers, traders and processors and have a highly important role in the agricultural marketing chain.

AAC has considered introducing an electronic board system to at least 5 wholesale market centers. The system will be controlled centrally by the AAC MIS unit in conjunction with the Statistical office at MoAFCP and will allow wholesale price information to be sent simultaneously to all market places within the network. All traders and farmers in the marketplace will be able to view regular updated information from other key markets and about relevant products. AAC is currently assessing the most cost-efficient ways of introducing such a system and arranging for agreements to be made with the management of each wholesale market.

Traders report that they do not refer to prices posted by MoAFCP (whenever they were posted; that is not the case in all markets) because they arrive too late, they are not readable, and they are not reliable. Wholesale market management, traders and farmers, agree that a real-time electronic system would provide them with much needed price information that they can use.

Activity 3.3: Build the capacity of value chain actors to understand and use market information

Two capacity building events took place during Year 1. On 15.05.2008 a seminar took place with Fushe Kuqe watermelon growers where participants were taken through their information needs and given the importance of the MIS for their business. Since the participants were just a few weeks away from harvest time, the seminar addresses their real concerns on who to sell to, how much, and when. The seminar also served as a focus group for getting in-depth understanding for the market information needs of Northwest watermelon growers.

The second event took place in Lushnja on 02.09.2008. This was the first MIS workshop with the participation of partner organizations, agricultural institutions and farmer/



AAC MIS staff training farmers in the Northwest on market information

trader groups. Dr. Bob E. Lee shared with participants the idea behind the MIS, its benefits and features while information needs and gaps were also discussed. Both partner organizations and farmers ended up with a new understanding of the upcoming MIS and with a clearer idea of what to expect.

A major part of the MIS STTA was to identify capacity among market actors on how to use information. A basic training module is being prepared and will be implemented during Year 2. The

module will focus on wholesale price information use, relationship between price and quantity, and cost-price analysis. It will initially be offered to farmers who are in contact with wholesale market centers.

After three meetings with SNV, the Netherlands Development Organization, AAC has secured their cooperation in jointly organizing training and capacity-building activities for farmers and traders. SNV is looking for ways of supporting the agricultural sector in Albania and their advantage lies in capacity building.

Next Steps

The implementation process must accelerate in order to have a MIS functioning before the next intensive harvest season. The most immediate steps that need to be implemented are as follows:

- Establish the MIS team and coordinate roles that will cover the data collection, processing and dissemination.
- Ensure farmer lists for the SMS distribution platform are updated and checked by Regional Agricultural Directorates
- Install the MS Access Database at AAC and collect data from the MoAFCP
- Start the training and capacity building for MoAFCP, Regional Agricultural Directorates, and Information Center extensionists.

PERFORMANCE MONITORING REPORT

Monitoring and Evaluation

The first significant action of AAC in the area of monitoring and evaluation was the preparation of a comprehensive Performance Monitoring Plan including the identification of appropriate performance indicators and cost-effective means of collecting them. This plan was submitted to USAID in February 2008.

The TAMIS database was installed and updated in step with the data collection process. A special module was set up for monitoring purposes and forms, tables and views have been created and updated regularly. The TAMIS database is still being adjusted according to AAC needs in terms of monitoring.

Baseline data was collected from initial individual clients and producer groups and a process was established for the collection of quarterly data marking their progress towards program objectives.

Quarterly reports have been submitted as required, culminating with this combination 4th Quarter/Annual Report. As the year ended a team from IDRA was in the field conducting a survey of AAC clients to assess the impact of the program during its first year. The results of that survey are reported below on pages 30-35.

Impact Survey

In order to capture the impact and measure AAC progress at program area level (outcome indicators) an Impact Survey was conducted among AAC clients between 25.09.2008 and 15.10.2008. The survey was conducted by subcontractor IDRA, an institution specialized in surveys and market research. This ensured objectivity and neutrality in the measurement process as well as a rapid collection and processing of data. Two data collectors were sent in the field to gather information from clients and AAC offices.

As this was the first experience of conducting an Impact Survey on AAC's part, several challenges had to be overcome related to data entry and processing. Some previous mistakes in the entry process were corrected and the data entered into TAMIS had to be cleaned thoroughly before producing the final figures. The measurement of progress for the apple value chain was postponed as apple data is not available until January – February 2009. Therefore the impact survey has only captured data related to greenhouse and watermelon products. The full AAC impact will be captured in January – February 2009 when apple production, sales and income data will be available.

General Findings

The overall performance at the Program Area Level result indicators is characterized by a substantial progress in terms of total sales increase, an increase in domestic sales (caused mainly by watermelon), a decrease in total production of all products, a decrease in export sales for watermelons, an increase in export sales for tomato, increased yields for four product categories and decreased production costs for the same. Among AAC clients and their dependent households there is an increase of 10.2% in household income and an increased total number of employees of 179.

At Program Element Level results, AAC has exceeded most of the indicator targets: performance is higher than targets for 9 out of 13 indicators reported. Progress is higher among the capacity building elements such as individuals trained in agricultural enabling environment and productivity. This is reflective of Year 1 activities where seminars and workshops received special focus.

On two additional tables (tables 3 and 4) the gender element and employment have been captured. Progress is noted in the number of women employed; however the percentage of women participating in AAC productivity and enabling environment trainings is only 5.8% and 7.1% respectively.

Explanatory Notes

The decrease in total production volume by 12% comes several factors. First, there was a major shift among watermelon producers to shrink their production surface area in order to avoid product loss and low sales as experienced in 2006-2007. Second, AAC's watermelon client base is split between Lushnja and Saranda with the larger volume coming from Saranda growers who are fewer in numbers but have larger surface areas. They incur higher business risks due to the remote location, long distance and higher logistical costs and this makes them shift their planting decisions more frequently than the Divjaka growers.

A third factor affecting production volume for greenhouse products is the shift several clients made from tomato production to cucumber, egg-plant, or other products. As clients make decisions based on the previous year's performance this creates some transitional shifts from one product to another. This has resulted in reduction of figures reported for 2008.

The reported 19.8% increase in domestic sales for greenhouse and watermelon is again explained mainly by the rise in local consumption and demand accompanied by an increase in price for watermelon. Higher value was gained in the domestic market compared to exports. This displaced the focus of watermelon suppliers from exports to the domestic market. Although AAC opened up new opportunities in the export markets of Italy, Switzerland and Germany, the volumes traded did not match the higher volumes traded the previous year with Kosovo, Macedonia, Montenegro and Serbia. This explains why there is a drop by 4.7% in export sales among clients.

Among tomato producers there is a 6.7% increase in production volume (Fig. 1), however this is not reflected on domestic sales value where there is a decrease of 6.7% (Fig. 2). Cucumber producers report a drop in domestic sales value of 22% while watermelon producers report an increase by 48%.

Table 1. AAC Performance Monitoring – Program Area Level Indicators FY 2008

| Indicator | Unit of Measure | 2007 Baseline Value | 2008 Impact Value | 2008 Percent Change | | |
|--|-------------------------------------|-----------------------|--------------------|---------------------|--------------------------------------|---------------------|
| | | | | Target | Actual | Over (Under) Target |
| 1.1. Percent change in production of targeted agricultural products ¹ | % of increase in volume(kg) | 14,213,760 | 12,504,000 | +2% | See Fig. 1 for production volumes | |
| 1.2. Percent change in domestic sales of targeted agricultural products | % of increase in Lek value | 113,053,875 | 135,401,290 | +5% | See Fig. 2 for domestic sales values | |
| 1.3. Percent change in export sales of targeted agricultural products | % of increase in Lek value | 72,331,000 | 68,941,820 | +2% | See Fig. 3 for export sales values | |
| 1.4. Number of rural households whose income have increased | # of households | 0 | 76 | 250 | 76 | (174) |
| 1.5. Change in non-farm jobs (input supply, processing, consolidators, banking) | # of new jobs created | 0 | 30 | 20 | 30 | 10 |
| 1.6. Annual per household income from sales of targeted products ² | % Increase in income in Lek | 3,707,698 | 4,086,862 | +5% | 10.2% | 5.2% |
| 1.7. Yields of targeted products per hectare | % Increase in kilograms per hectare | (see table 1a. below) | | +6% | | |
| 1.8. Production cost per unit of output | % change in cost per kg | (see table 1b below) | | -2% | | |

¹ The product ‘apple’ is not included in this measurement because production, harvesting and sales seasons do not correspond with the fiscal year. The Impact Survey for apple will be carried out in January-February 2009 to capture the full impact on production and sales. This figure comprises values for tomatoes, cucumbers, peppers, and watermelon.

² The figure reported here do not include apple client data.

Fig. 1. Production Volumes By Product.

TOTAL PRODUCTION (in KG)

| | 2007 | 2008 | % change |
|-----------------------|-----------------|-----------------|----------|
| b1. Tomatoes | 940800 | 1003600 | 6.7 |
| b2. Cucumbers | 354900 | 381700 | 7.6 |
| b3. Peppers | 50500 | 56500 | 11.9 |
| b16. Other vegetables | 0 | 26000 | |
| c1. Watermelons | 12867560 | 11036200 | -14.2 |
| Total | 14213760 | 12504000 | |

Fig. 2. Domestic Sales Values by Product.

TOTAL DOMESTIC SALES (in Lek)

| | 2007 | 2008 | % change |
|-----------------------|------------------|------------------|----------|
| b1. Tomatoes | 39525400 | 36891800 | -6.7 |
| b2. Cucumbers | 14506250 | 11275850 | -22.3 |
| b3. Peppers | 3058000 | 3000000 | -1.9 |
| b16. Other vegetables | 0 | 1,415,000.00 | |
| c1. Watermelons | 55964225 | 82818640 | 48.0 |
| Total | 113053875 | 135401290 | |

Fig. 3. Export Sales Values by Product.

TOTAL EXPORT SALES (in Lek)

| | 2007 | 2008 | % change |
|-----------------------|-----------------|-----------------|-------------|
| b1. Tomatoes | 0 | 3144450 | |
| b2. Cucumbers | 0 | 0 | |
| b3. Peppers | 0 | 0 | |
| b16. Other vegetables | 0 | 0 | |
| c1. Watermelons | 72331000 | 65797370 | -9.0 |
| Total | 72331000 | 68941820 | |

Table 1a. Yields Values & Percent Change for 2008

| | Yields Baseline (kg/ha) | Yields 2008 (kg/ha) | % Change 2008 (kg/ha) |
|------------------------|------------------------------------|--------------------------------|----------------------------------|
| b1. Tomatoes | 127,753.97 | 132,091.3 | 3.4% |
| b2. Cucumbers | 110,333.33 | 128,076.92 | 16.1% |
| b3. Peppers | 117,450.98 | 131,428.57 | 11.9% |
| b1. Watermelons | 62,923.08 | 67,500.00 | 7.3% |

Table 1.b. Production Cost Values and Percent Change for 2008

| | Baseline 2007 Production Cost per Kilogram | Production Cost per Kilogram 2008 | % Change 2008 |
|------------------------|---|--|----------------------|
| b1. Tomatoes | 29.62 | 27.24 | -8.0% |
| b2. Cucumbers | 28.23 | 26.77 | -5.2% |
| b3. Peppers | 32.7 | 32.3 | -1.2% |
| b1. Watermelons | 11.93 | 9.7 | -18.7% |

Table 2. AAC Performance Monitoring – Program Element Level Indicators FY 2008

| Indicator | Unit of Measure | 2008 | | Over (Under) Target |
|---|----------------------------|--------|------------------|---------------------|
| | | Target | Actual | |
| Enabling Environment Element | | | | |
| 2.1. Number of public and private institutions undertaking capacity/competency strengthening | # of institutions | 2 | 16 | 14 |
| 2.2. Number of individuals who have received short-term agricultural enabling environment training | # of | 20 | 153 | 133 |
| 2.3. Number of policy reforms implemented | # of reforms | 2 | 1 | (1) |
| 2.4. Number of producers/processors who have received credit | # of producers | 20 | 56 | 36 |
| 2.6. Number of producers and traders trained in use of market information for strategic planning, farm management, and business decision-making | # of producers and traders | 50 | 31 | (19) |
| Agricultural Productivity Element | | | | |
| 3.1. Number of additional hectares under improved technologies or management practices | # of hectares | 138 | 234.9 | 96.9 |
| 3.2. Number of producer organizations, trade and business associations assisted | # of organizations/ | 15 | 17 | 2 |
| 3.3. Number of individuals who have received short-term agricultural productivity training | # of | 250 | 530 ³ | 280 |
| 3.4. Number of agriculture-related firms benefiting directly from AAC assistance | | 10 | 15 | 5 |
| 3.5. Number of new markets identified (geographic areas, new products and new buyers) | # of new | 15 | 11 | (4) |
| 3.6. Number of transactions completed (contracts signed and/or repeat sales) | # of | 300 | 358 | 58 |
| 3.7. Number of farmers/firms applying new environmentally sound technologies that enhance productivity, production, quality | # of farmers/firms | | | (56) |
| 3.8. Number of additional functioning post-harvest handling facilities in country | # of facilities | 2 | 6 ⁴ | 4 |

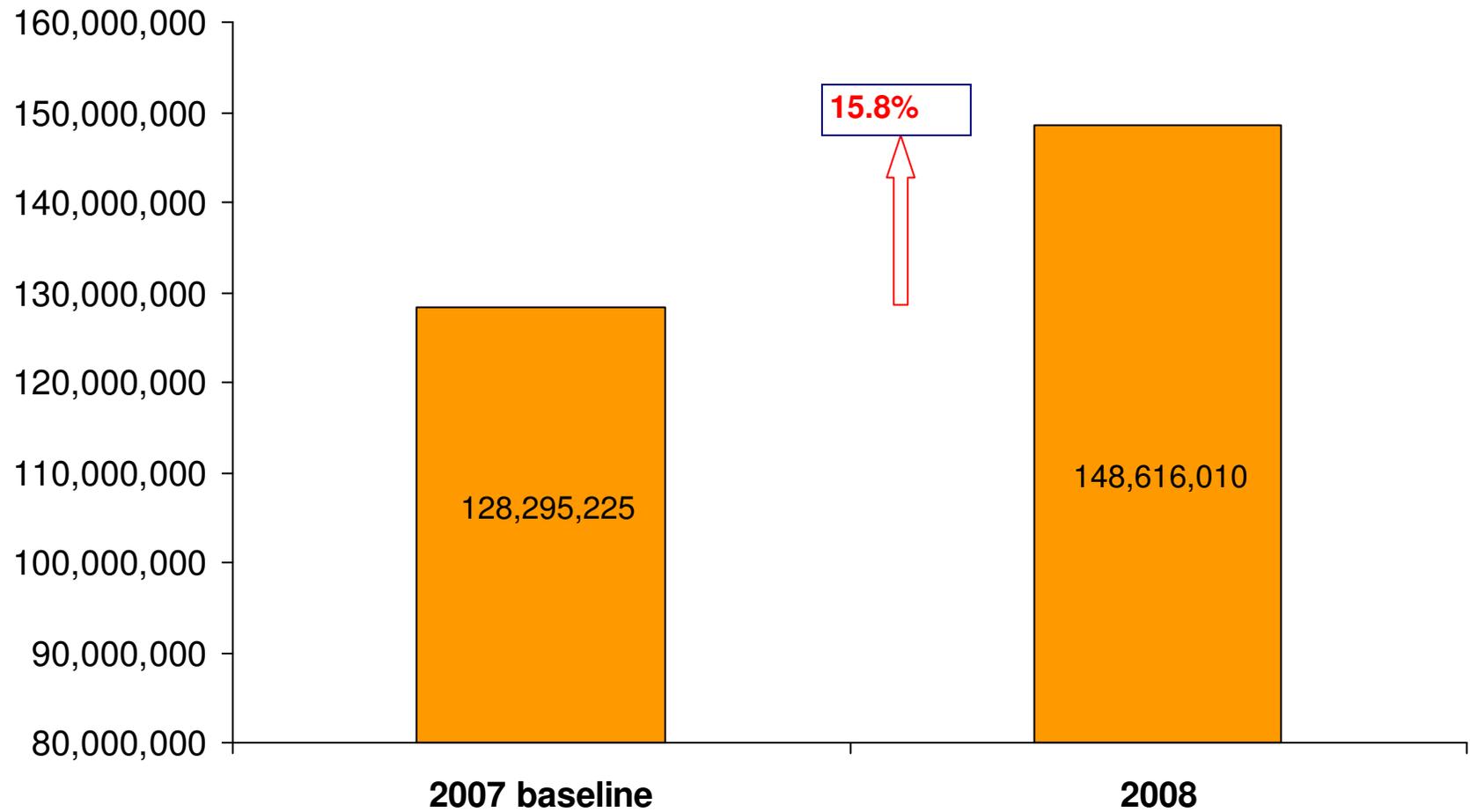
Table 3. Employment Performance

| Indicator | Baseline Value 2007 | Impact Value 2008 | Change |
|---|----------------------------|--------------------------|---------------|
| Number of employees among AAC clients | 229 | 408 | +179 |
| Number of women employees | 127 | 231 | +104 |
| Number of employees with additional work days | - | 45 | +45 |

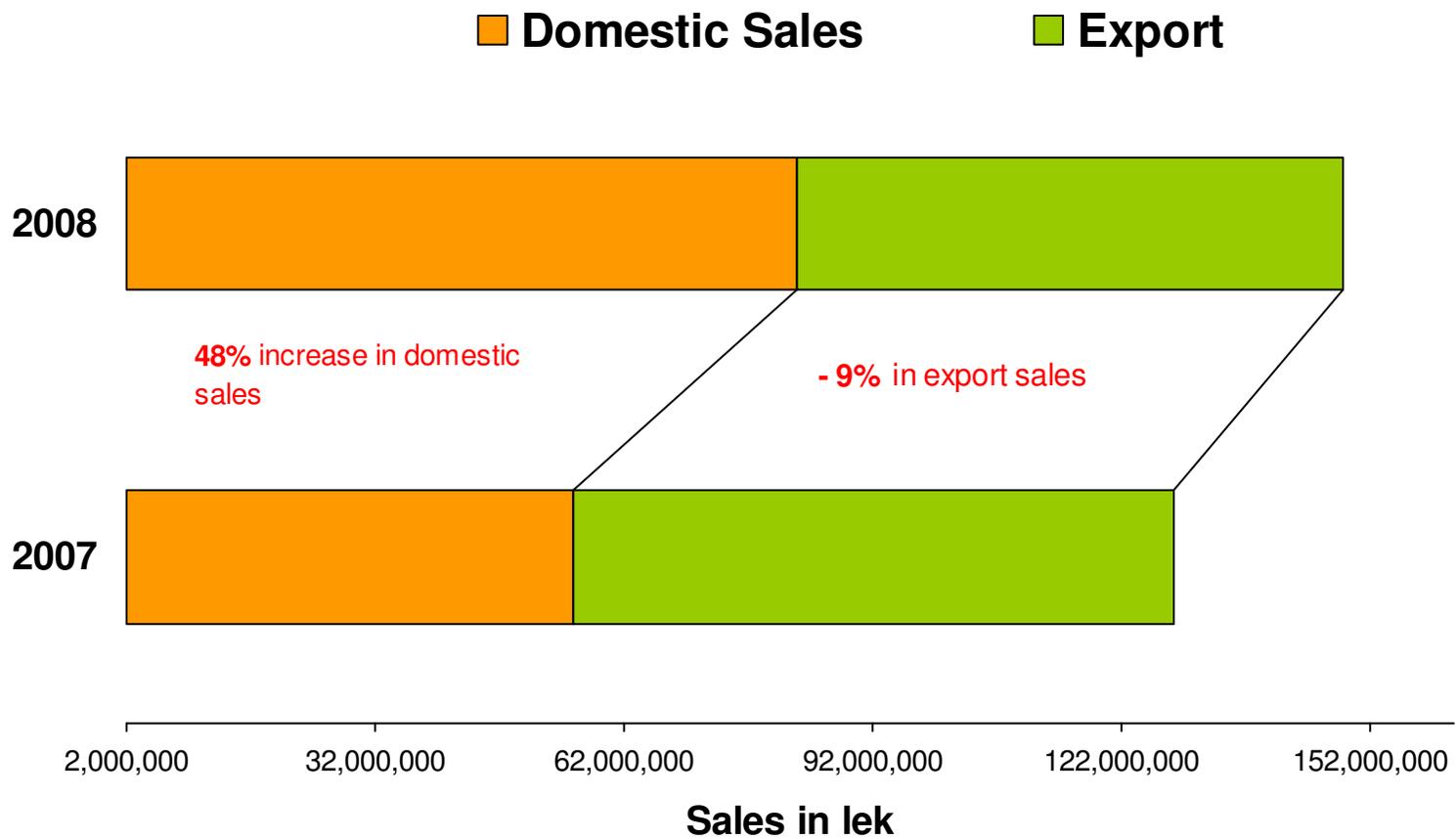
Table 4. Gender Performance

| Indicator | Number of Women | Total Indicator Value for 2008 | Percent of Total | Comments |
|--|------------------------|---------------------------------------|-------------------------|---|
| 1.5. Change in non-farm jobs (input supply, processing, consolidators, banking) | 20 | 30 | 66.6% | Out of 15 non-farm jobs created in Korça, 8 were filled by women. In Lushnja out of 15 jobs created at input supplier |
| 2.2. Number of individuals who have received short-term agricultural enabling environment training | 11 | 153 | 7.1% | |
| 2.4. Number of producers/processors who have received credit | 3 | 56 | 5.3% | |
| 2.6. Number of producers and traders trained in use of market information for strategic planning, farm | 6 | 31 | 19.3% | Counted 1 woman participant in MIS training in Fushe Kuqe and 5 women participants at the MIS seminar in Lushnja |
| 3.3. Number of individuals who have received short-term agricultural productivity training | 31 | 530 | 5.8% | |

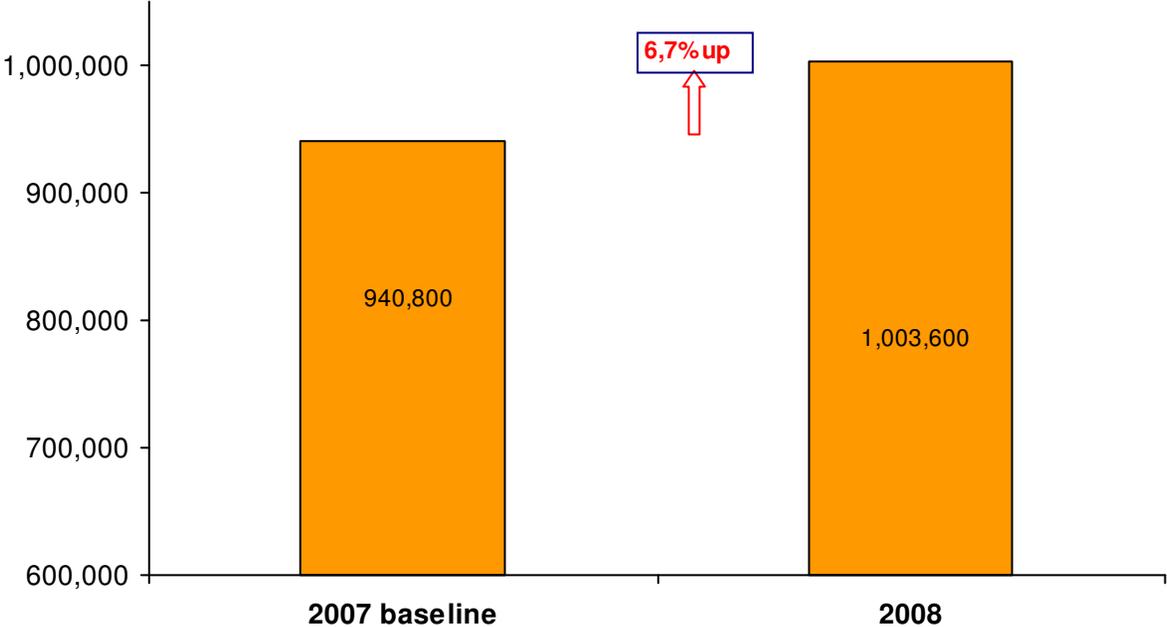
Watermelon total sales (in lek)



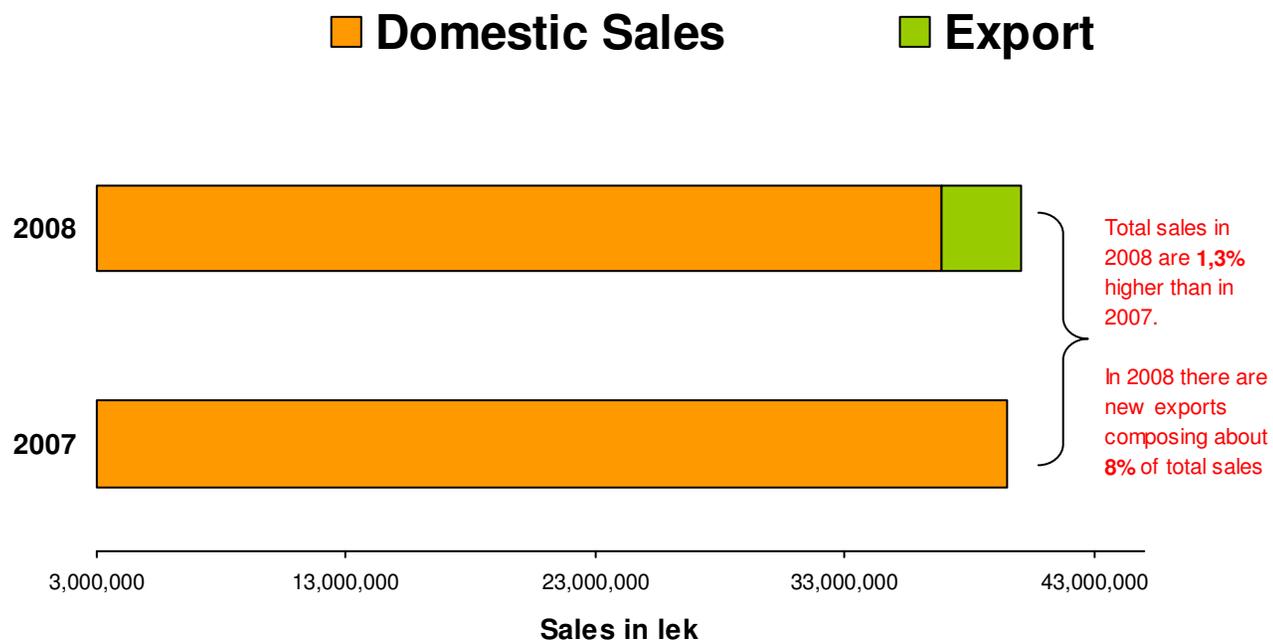
Watermelon domestic and export sales



Tomato production (in kg)

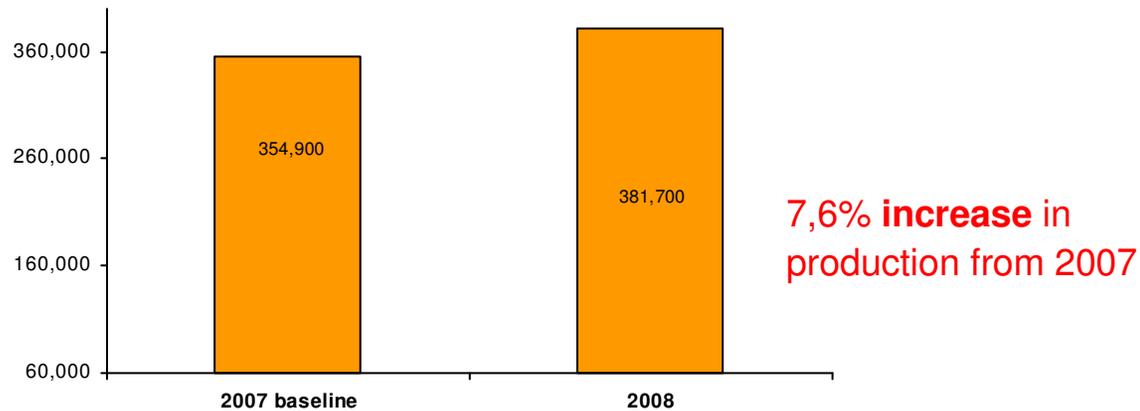


Tomato sales (in lek)

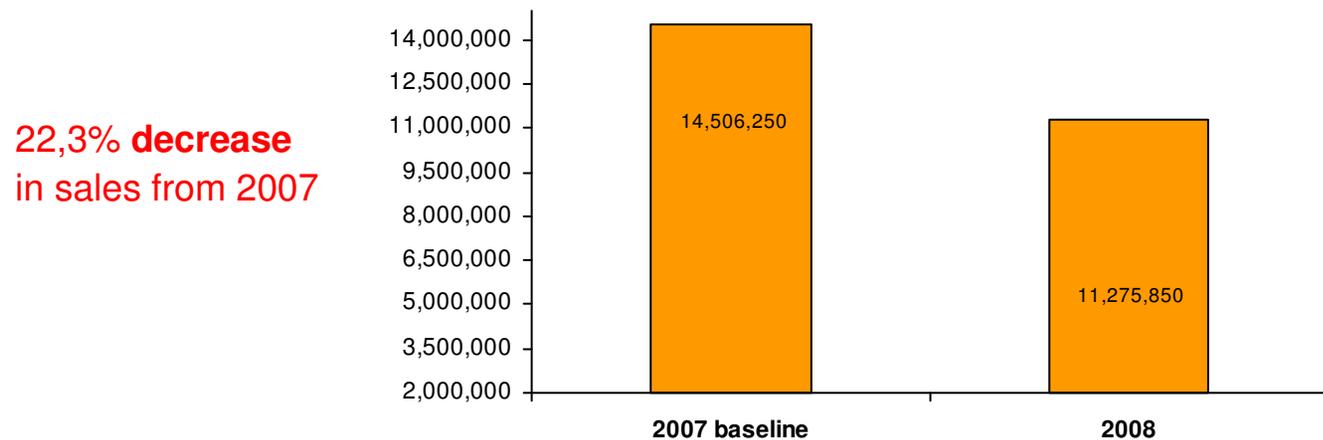


Production and sales of cucumber

Cucumber production



Cucumber sales



INTERNATIONAL CONSULTANT SERVICES

Several international STTA's provided assistance to the AAC project during the first year of its implementation:

Mr. Tom Rulland – DAI Home Office – August 2007

- AAC Project start up

Ms. Suzanne Carroll – DAI Home Office Associate

First Mission – August 2007

- AAC Project start -up

Second Mission – April 2008

- Review and analyze project administration policies, personnel files, and financial files to ensure integrity of documentation;
- Ensure strict administrative and financial compliance with DAI/Bethesda and USAID regulations and policies.

Third Mission – September 2008

- Review and analyze project administration policies, personnel files, and financial files to ensure integrity of documentation;
- Ensure strict administrative and financial compliance with DAI/Bethesda and USAID regulations and policies.

Ms. Bronwyn Irwin – DAI Home Office Technical

First Mission – August 2007

- AAC project start up

Second Mission – January/February 2008

- Work to finalize the AAC First Year Work plan;
- Finalize the AAC one-year operational budget;
- Developing and implementing the marketing strategy including meeting with local potential buyers;
- Working with the Korça and North outreach teams to develop structured work plans based on the needs of the client farmers.

Third Mission – April 2008

- Management support related to project policies, and preparation of SOWs for upcoming STTAs;
- Developing and implementing the marketing strategy including meeting with local potential buyers;
- Assisting the market information system team in developing the design of the system;

Ms. Cecile Hipos – DAI Home Office – November 2007

- Set up the office IT network in Tirana, Lushnje and Korçe.

Mr. Alan Shroeder – DAI Consultant - November/December 2007

- Ensure compliance with USAID’s pesticide procedures (PERSUAP);
- Ensure compliance with the Government of Albania pesticide importation, testing, storage, use, disposal and registration regulations, laws, policies and procedures;
- Identify and recommend appropriate mitigative actions for incorporation into the projects’ activities;
- Identify and recommend alternative actions and/or pesticides, as appropriate;
- Facilitate use of Integrated Pest Management (IPM)
- Identify and address key pesticide use issues, particularly those that impact on pesticide utilization by small-scale producers, laborers, and the environment.

Ms. Tami Fries and Ms. Virginia Tauss – DAI Home Office – November 2007

- TAMIS Installation.
- TAMIS configuration.
- Individual and group training sessions on TAMIS use.

Mr. Steve Joyce – TRG subcontractor

First Mission – September/October 2007

- Design a participatory approach to assessing needs and priorities of targeted farmers,
- Prepare, design and develop Regional Agriculture Roundtable,
- Develop the framework for a “lead farmers’ network”

Second Mission – March 2008

- Support in finalizing the Year One Work Plan;
- Teamwork ground rules

Mr. Robert Mitchell – RDI subcontractor – April 2008

- Review of current land laws in Albania;
- Evaluation of the land rental and sale markets;
- Assessment of the impact of the highly fragmented land situation on AAC activities and clients; and,
- Gender component, looking at the relative impact of land tenure on men and women;
- Recommendations for AAC activities.

Mr. Robert Lee – LOL subcontractor

First Mission – April/May 2007

- Finalize capacity and needs assessment of potential host institutions and partner organizations;
- Recommend strategies for the long-term collection and dissemination of broader market information (beyond price);
- Provide recommendations for an initial structure to disseminate market information (including prices).

Second Mission – August/September 2008

- Review Progress on the MIS system since prior visit by STTA consultant.
- Provide practical recommendations for the establishment of a wholesale price collection and dissemination network
- Develop the MOU's between AAC and the Ministry of Agriculture and the Green Market Group.
- Develop training material for MIS data collectors
- Assist the design of a training module for end users
- Assess the viability of mobile network use for reaching farmers

Mr. David Adams – Oregon State University – July 2008

- Rapid assessment of the current plastic cover greenhouse system
- Practical fact sheet guidelines for the construction and maintenance of the greenhouse.

- One day workshop on how to construct the new greenhouse. Cost/benefit analysis will be carried out with Lushnje and Berat growers.

Mr. Tom Lenagan – DAI Home Office – July 2008

- Apple Value Chain Analysis

Mr. David Neven – DAI Home Office - August/September 2008

- Develop Commodity Development Plans for Olive and Vegetable VCs

Ms. Ingrid Ardjosoediro – Home Office Technical – August/September 2008

- Year 2 Work Plan
- Commodity Development Plans

ADMINISTRATIVE

Highlights of year one of the AAC program administratively include the following:

1. Establishment of an operational central project office and two field office including procurement of required furniture and equipment and recruitment and hiring of administrative and technical staff.
2. Successful installation of IT network and DAI internal data management system (TAMIS).
3. Production of required financial and operational reports for DAI home office management and USAID.