

**Kosovo Agribusiness Development Program**  
**Quarterly Report March - May 2001**

**Submitted by**

**International Fertilizer Development Center**  
**P.O. Box 2040**  
**Muscle Shoals, AL 35662, U.S.A.**

**to**

**United States Agency for International Development**

**Contract Number**

**167-G-00-00-00001-00**

**May 2001**

## Table of Contents

Introduction.....	1
Operations.....	1
Program Achievements.....	1
Leveraged Support and Cooperation .....	3
Pending Issues and Future Activities.....	3
KADP Activities by Quarter.....	4

## Acronyms and Abbreviations

AFUP	Agricultural Faculty of the University of Prishtina
AKA	Alliance of Kosova Agri-businesses
Assn	Associations
BP	Business Plan
CFA	Central Fiscal Authority
CORDAID	Catholic Organization for Relief and Development Aid
CPC	Crop Protection Chemical
EAR	European Agency for Reconstruction
EU	European Union
FFP	Food for Progress
FRY	Former Republic of Yugoslavia
FSLMU	Finance Service and Loan Management Unit
IFDC	International Fertilizer Development Center
ILO	International Labor Organization
IO	International organizations
KADP	Kosovo Agribusiness Development Program
KODAA	Kosovo Agri-Inputs Dealers Association
MEB	Micro-Enterprise Bank
MOU	Memorandum of Understanding
mt	Metric ton
NGO	Nongovernmental Organization
PSES	Private Sector Extension Service
SHMK	Kosovo Flour Millers Association
SHPUK	Kosovo Poultry and Feed Millers Association
SME	Small and Medium Enterprises
STC	Short-Term Consultant
TTC	Technology Transfer Center
UNMIK	United Nations Mission in Kosovo
USAID	United States Agency for International Development
USDA	United States Department of Agriculture
WB	World Bank
WFP	World Food Program
WTO	World Trade Organization

# **Kosovo Agribusiness Development Program**

## **Quarterly Report March - May 2001**

### **Introduction**

*For consistency and ease of understanding, the Kosovo Agribusiness Development Program (KADP) quarterly reports largely follow the format of the work plan submitted to the United States Agency for International Development (USAID) in June 2000. Progress is reported for each of the six program areas (association development, policy analysis and implementation, private sector extension services, agro-processing and marketing, credit facilitation, and trade and procurement) and for two service areas (monitoring and evaluation, and media and publications). Monthly reports to the USAID project manager contain more extensive and detailed information on KADP activities and progress.*

### **Operations**

The project has completed its first year and is making the necessary staffing and other adjustments for the second year. A series of short-term consultants have helped (or are currently helping) prepare the economic analysis and base for tariff and tax policy reform, and assisted advocacy interventions by the new Alliance of Kosovar Agribusiness (AKA). The project has been missing a long-term policy advisor to provide the continuity for a sustained reform campaign. That person has been identified and will be on board in early June. As scheduled the project will also add a long-term agribusiness and business management advisor to the team, bringing the total expatriate staff including the COP, extension and association advisors to five. To improve coordination with agricultural related institutions and programs, the project has also employed a senior experienced Kosovar, who will also serve as deputy to the COP. IFDC is submitting a revised work plan for the next project year that begins in June.

### **Highlights of Program Achievements**

**Trade Associations:** Strengthening of the three trade associations remains the prime objective of KADP. During this quarter, the associations conducted their annual general meetings and elections. *The membership of the three associations has grown to 440, double that of a year ago and already exceeds the results indicator target of 66% increase set for project end.* The project helped the associations develop business plans and schedules for fees and dues. This activity will supplement the overall aim of financial sustainability of the associations in the future.

Four agricultural trade associations have formed an alliance (AKA) for the purpose of strengthening their voice for policy change. With project support, the Alliance conducted a major workshop in March and presented the authorities with well-documented arguments for leveling the playing field and for reducing fiscal disincentives to agribusiness development.

A monthly newsletter for trade association members was launched during the quarter to enhance communication and education. An STC used the occasion of the annual general meetings to discuss ways to build the associations based on lessons from the US and IFDC's successful programs in Albania. There was an active campaign in the quarter to provide the members with training in

business planning. A procurement unit is assisting members on sourcing and consolidating purchases.

**Policy:** Short-term policy advisors worked with the staff and association leaders to gather the economic data and prepare solid assessments and budgetary implications for the Alliance policy priorities. Two major documents were presented at a seminar in March that also compared fiscal policies in Kosova to those in nearby countries. The Alliance goals were:

1. Fair and equitable application of customs, sales and VAT taxes that provide incentives to agriculture
2. Improved access to affordable rural credit.
3. Commercialization/privatization of social and state-owned assets.
4. Improvements in quality standards and controls for food imports and agri-inputs.

Project leaders and an Alliance representative requested a follow up meeting with the CFA in mid May to inquire if additional data was required and to discuss ways to coordinate. The CFA taxation chief discussed new changes coming in July, such as VAT, a tax on imported flour and a reduction from 10% to 2% tariff on capital good imports. These changes will help resolve some of the problems. The CFA official accepted an invitation to meet with association members to discuss the new tax regime and the process for applying for reduced tariffs.

An STC continued project research and participation on UNMIK committees on the subject of commercialization and privatization of socially owned enterprises. The project is preparing for a major workshop on the policy and other impediments to agribusiness growth in Kosova and lessons that can be applied from success in nearby countries.

**Private Sector Extension Services:** During the quarter, the project conducted 7 field demonstrations of over 80 seed varieties, produced six technical brochures, and organized fertilizer usage surveys and field days on safe use of CPC spray equipment.

The intensive campaign since project start to promote the availability and adoption of improved agri-inputs is paying off in significant ways. For example,

- Fertilizer use this year reached 68,000MT compared to 40,000 last year (against a project target of 60K)
- Seed sales increased from 16,000 MT to 26,000 MT this year, against a target of 22,000 MT
- CPC use more than doubled to 66 MT this year (50 was the target)
- Eight new fertilizer products and 12 seed varieties were also introduced

As a result of improved availability of inputs, project extension services, plus of course many other factors at play including weather, average estimated *wheat yields increased by more than 50%, from 2.3 to 3.6 MT per hectare*. The project target for the first year was a 17% increase in wheat yields. Maize and potato yields this summer will also exceed project targets of 10% and 12% increases.

**Credit Facilitation:** During the quarter, CORDAID extended new loans worth a total of \$150,000 to 13 SHPUK members, based on business plans prepared earlier by the project. Staff monitored CORDAID credit recipients and organized joint meetings with the recipients and CORDAID officials. Business plans were prepared for ten additional clients.

Although credit remains scarce for agribusiness ventures, project counseling has encouraged considerable self-investment and informal borrowing. For example, over the past year, members of *the millers association* invested \$1.5 million in refurbishing and upgrading their plants.

**Agro-Processing and Marketing:** Project staff during the quarter visited the operations of 40 project clients, organized a trade mission to Turkey for 14 poultry association members, assisted a major producer of milling equipment to conduct a technical evaluation for sales and investment in Kosova, and advised a client on importing farm tools from a US supplier.

The increased investment and borrowing by association members, combined with the other project activities designed to improve the environment and opportunities for agribusiness growth, are reaping benefits. For example, the increased use of improved inputs and resultant yield increases meant that the millers had more wheat to process. *In the past year, the millers were able to double their gross revenue and triple their net profits.*

Similarly, during the first year of the project, *poultry producers made new investments of \$2.3 million, representing a 78% increase over their existing assets* in chickens, feed, and equipment. Almost all was financed by themselves or through informal channels. Compared to figures in the baseline year of June 1999-May 2000, *egg production during the past year is estimated to have increased by 79% and sales revenue by 52%.*

### **Leveraged Support and Cooperation**

With the hiring of an institutional coordinator, who is well known among the key organizations involved in agriculture in Kosova, the project during the quarter was able to increase the communication and collaboration with other players.

Examples of coordination and leveraging include:

- Logistical and technical support to KFOR and UNMIK in supplying fertilizer and seed to minority groups
- Participation by project staff in a business planning seminar organized by USAID partners Riinvest and KBS
- Discussion with the Crown Agents on providing practical training for trade association leaders with counterpart organizations in the UK.
- Continued collaboration with the EAR on seed and fertilizer imports under their program.
- Arranged a donation of laboratory equipment from Monsanto for local agricultural facilities.

### **Pending Issues and Future Activities**

The project is organizing a major workshop in June on strategies for developing agriculture and agribusiness in Kosova, drawing on the experiences of nearby transitional countries.

Experts will help design in June the strategies and detailed work plans for conducting a systematic campaign through the Alliance and in partnership with other programs to improve progress on policy reform related to agriculture and agribusiness.

A consultant will also help re-structure the business management strategy and work program with the aim of having in place sustainable business support services by project end in a year.

## KADP Activities by Quarter

*March -May 2001*

FOURTH QUARTER ACTIVITIES	ACCOMPLISHMENTS
<b>I. Association Development</b>	
Complete business plans and dues/fees structures	<ul style="list-style-type: none"> <li>• Sustainability plan for Assns prepared by STC</li> <li>• Membership fee structure implemented and fees/dues collection ongoing for all Assns</li> </ul>
Registration of Apex organization (Alliance of Kosova Agri-businesses (AKA)); MOU/Registration on one association in AKA	<ul style="list-style-type: none"> <li>• Registration documents incl. by-laws and MOUs with all participating Assns in final stages of preparation; documents will be submitted to UNMIK by 10 June.</li> </ul>
Membership drives conducted for 3 associations	<ul style="list-style-type: none"> <li>• AGMs for all Assns successfully completed; new Boards of Directors and Sub-committees elected and actively participating</li> <li>• Current membership: KODAA: 180; SHPUK : 175; SHMK :85</li> </ul>
Association advocacy continues	<ul style="list-style-type: none"> <li>• Policy seminar conducted by AKA (with sponsorship from IFDC) on “Proposed removal of customs duty on specific agricultural products” and “Establishment of a level playing field for Kosova food and agricultural products”</li> <li>• On-going dialogue with CFA, USAID and AKA on implementing seminar recommendations</li> <li>• IFDC major participant, with DAFRA and DTI, in developing and implementing commercialization and privatization procedures for SOEs; working groups established to undertake detailed investigations and make recommendations to parent group</li> </ul>
<b>II. Policy Analysis</b>	
Analysis and Recommendation: Direct Foreign Investment	<ul style="list-style-type: none"> <li>• STC input delayed at last minute due to personal reasons; negotiations on-going to identify replacement</li> </ul>
Analyze implications of tax and tariffs	<ul style="list-style-type: none"> <li>• Two major documents and economic analyses prepared to demonstrate benefits of fiscal changes</li> </ul>
<b>III. PSES</b>	
Field demonstrations at TTC: Wheat, Potatoes, Maize	<ul style="list-style-type: none"> <li>• Established 3 sites demonstrating 30 winter wheat varieties, different fertilizer formulations and rates and herbicide applications</li> <li>• Established 2 field demonstration sites, with 29 maize hybrids, 14 soybean varieties and different fertilizer formulations and rates</li> </ul>

	<ul style="list-style-type: none"> <li>Established 2 site demonstrating 6 sunflower varieties</li> </ul>
Field days: 3 in KODAA regions of East, West & Central	<ul style="list-style-type: none"> <li>Organized and conducted fields days with KODAA and AKA members on <ul style="list-style-type: none"> <li>Spray equipment and technology (Peje Institute and Gjakova) in association with British Training Center/Crown Agents (UK)</li> <li>Spray equipment presentation at KODAA AGM by Polish manufacturer</li> </ul> </li> </ul>
<b>IV. Agro-processing &amp; Marketing</b>	
Client site visits continue (18)	<ul style="list-style-type: none"> <li>On-going; new Assn Advisor visited 40 assn members' businesses</li> </ul>
Commercial training: 1 trade mission	<ul style="list-style-type: none"> <li>Visit by Bühler GmbH (Switzerland/Austria) on flour milling equipment; return visit planned for June to conduct seminar. Trade mission to Austria planned for end August</li> <li>KODAA members attended CPC field day in Albania organized by Syngenta Co.</li> <li>SHPUK trade mission to Turkey (15 members) to visit poultry producers and manufactures and feed input/processing businesses</li> </ul>
<b>V. Credit Facilitation</b>	
Monitoring of loan repayments continues	<ul style="list-style-type: none"> <li>On-going</li> <li>CORDAID disbursed loans to 13 members of SHPUK Gjakova</li> <li>Monitoring of KODAA Gjakova loans continue; some repayments rescheduled due to financial constraints caused by poor 2000/01 business activity; 2 members may face legal intervention if their repayments do not begin to conform to loan agreement</li> </ul>
Financial counseling	<ul style="list-style-type: none"> <li>Financial counseling and assistance with business plans undertaken with 10 members</li> <li>Information on credit sources provided to all Assn members via newsletter</li> </ul>
	<ul style="list-style-type: none"> <li></li> </ul>
<b>VI. Trade &amp; Procurement</b>	
Donor commodity aid logistical management continues	<ul style="list-style-type: none"> <li>Cooperative program with IFDC and GTZ implemented to auction "Granstar"® herbicide</li> <li>Input supply and liaison implemented between IFDC and Brit KFOR (2 activities) and IFDC and UNMIK-Obiliq (1 activity) to provide seeds and fertilizers from KODAA dealers to minority groups in Kosova</li> </ul>
International/regional market connections: trade fair	<ul style="list-style-type: none"> <li>Trade connections/linkages established with 3 fertilizer companies (2 Turkey; 1 Croatia), 2 seed companies (Netherlands and Italy) and 1 CPC company (Greece)</li> </ul>

	<ul style="list-style-type: none"> <li>• KODAA members attended CPC field day in Albania organized by Syngenta Co.</li> <li>• SHPUK trade mission to Turkey (15 members) to visit poultry producers and manufactures and feed input/processing businesses</li> </ul>
<b>VII. Monitoring &amp; Evaluation</b>	
KODAA bank equity report	<ul style="list-style-type: none"> <li>• Annual financial reports presented to Assn members at AGMs</li> </ul>
Ag-statistics Report to UNMIK due	<ul style="list-style-type: none"> <li>• Assessment of 2000/01 winter wheat crop performance and estimated wheat yields completed by AFUP and submitted to USAID, UNMIK etc</li> <li>• Under EAR/IFDC fertilizer program, AFUP completed 3<sup>rd</sup> fertilizer usage survey; report sent to EAR</li> </ul>
<b>VIII. Media &amp; Technical Publications</b>	
KADP emissions	<ul style="list-style-type: none"> <li>• Monthly newsletter being produced by AKA for Assn members covering local/international technical, assn and policy issues</li> </ul>
Membership drive emissions	<ul style="list-style-type: none"> <li>• Completed via TV and newsletter</li> </ul>
Advocacy: media round tables (TV/radio)	<ul style="list-style-type: none"> <li>• Considerable media coverage of all IFDC/Assn activities, incl. Policy seminar, field days, demonstration sites</li> </ul>
PSES technical messages for CPC safety, fertilizer and quality seed	<ul style="list-style-type: none"> <li>• Via newsletter monthly technical articles printed and distributed to Assn members</li> <li>• 6 technical brochures produced and distributed on fertilizers, seeds (Pioneer) and demonstration sites/designs</li> <li>• Media coverage/documentary of demonstration sites organized by KODAA</li> </ul>
Technical brochures on crop varieties & practices for wheat, maize and potatoes	<ul style="list-style-type: none"> <li>• 6 technical brochures produced and distributed on fertilizers, seeds (Pioneer) and demonstration sites/designs</li> </ul>