



**USAID Serbia  
Agribusiness  
Project**



# **USAID Serbia Agribusiness Project**

**Quarterly Report – Year Two Quarter One**

**October 1, 2008 - December 31, 2008**

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**USAID Agribusiness Project**

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**USAID Serbia Agribusiness Project**  
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## **I. INTRODUCTION & SUMMARY:**

Development Alternatives, Inc. (DAI) in association with its partner firms, Booz Allen Hamilton (BAH), International Relief & Development (IRD), Michigan State University (MSU), the Training Resources Group (TRG), and the QED Group, is pleased to present this quarterly report for the period October 1, 2008 to December 31, 2008 for the USAID Serbia Agribusiness Project. This report reviews activities included in the Year Two Workplan, and follows the general outline for quarterly reports contained in the original Task Order (section A.8.2). The report also includes a number of Annexes, which have been used to provide the Mission with additional detailed information on activities undertaken in each of the sub-sectors, as well as cross cutting activities.

This quarter has been a transitional period for the Project, and a number of key changes have taken place that will affect implementation in the future. Among the events of the past quarter are:

- A new Chief of Party (Mr. Louis Faoro) has taken over management of the Project from the original Chief of Party, who left in early December.
- The Deputy Chief of Party position, which has been vacant since mid-year, was filled in early November with the arrival of Mr. James Herne.
- Project management has selected appropriate candidates for the two vacant sector lead positions (Livestock & Tree Fruits). The Livestock Sector Lead was hired in mid-December, and the Tree Fruit Sector Lead will be hired in January.
- USAID Project management and DAI have determined that the grant fund included in the Task Order (\$5.2M) is too large to be effectively used over the life of Project, and a budget realignment request, shifting \$2M to project activities, has been submitted to the Mission.
- The new Project management recognizes concerns that the Mission has had with the Project in the recent past, and has begun to address them on a systematic basis.
- The Project has expanded its efforts in public relations and media coverage, and increased coverage of Project activities and events was received in November and December.

Emanating from these changes Project Management will place more emphasis on Project teamwork, making the M&E component more informative, improving the use of TAMIS, and continuing to raise the Project's public relations profile. In the next quarter the Project will focus on identifying program components that give the highest return per dollar invested, with returns being measured by sales and employment generated. The strategy will be to build on successful Project activities, to add promising new activities, and/or to modify existing activities to increase their impact and return for each Project dollar spent.

## **II. ACTIVITIES PLANNED & IMPLEMENTED DURING THE PERIOD:**

Over the course of the quarter the Agribusiness Project implemented a wide variety of activities and events that were included in the Year Two Workplan, and which support the objective of increasing the efficiency and competitiveness of Serbian Agribusinesses. The following sections of this report will highlight the most important events for each sub-sector, describe the main cross cutting activities, and report on Project management and administration.

### **Component 1: Increased Efficiency & Competitiveness of Agribusiness**

#### **1.0 Commodity Action Plan Activities:**

**1.0.1 Berry Fruits:** The main event in the Berry Fruit sector was the Trade Mission by nine representatives of the Serbian berry fruit industry to the UK in November. The participants visited with a variety of actors in the English berry fruit industry and they have benefitted greatly from the

opportunity to see how berries are grown and marketed in a Western market economy. Following the trip a number of the participants signed a contract with a UK firm for the supply of new varieties of raspberry canes for Serbian producers. It is expected that the value of production from these canes will be nearly \$100K in 2009, and more than \$200K in 2010. These new varieties of berries will allow these producers to diversify into fresh market, which is one of the main objectives of the Project – shifting from frozen berries to the higher value-added fresh market.

With Project assistance, and in collaboration with SIEPA, four berry fruit processors exhibited their products at the SIAL trade fair in Paris during the quarter. These processors negotiated sales agreements worth \$3.2M during the fair, and have already supplied \$240K worth of product as part of these contracts. The Project undertook a number of other events and activities that supported the Berry Fruit sector during the quarter, and these are described in more detail in Annex 2.

**1.0.2 Dairy Products:** Following a successful sale of nearly \$140K of dairy products in the previous quarter, the Project has continued to provide assistance to Zlatibor Dairy, a client firm in the Dairy Sector. The Project began supporting their efforts to place products in the Metro Cash & Carry chain in Serbia. Project assistance will focus on assisting Zlatibor to analyze their cost of production, and to determine what prices and quantities of product they can offer to Metro. The Project has also begun to assist Zlatibor with their product identity and packaging, and this effort will continue over the course of the coming quarter.

The Dairy Value Chain Assessment (VCA) identified raw milk quality as one of the key constraints limiting the development of the dairy sector. Without access to high quality milk, and adequate quantities of good milk, the small to medium scale dairy plants that are the focus of Project assistance will not be able to expand their production and improve the quality of their products to meet the market demands. In response to this issue the

Project has designed a program of interventions that seeks to create model dairy farms which will be examples for other small dairy farmers to emulate. This program, which began during this quarter, will work with five dairies, 50 dairy farmers, and local ABDS providers.

*Taurus AC has purchased semen from the US supplier Cooperative Resources International. Taurus imported into Serbia, for the first time ever, sex-determined bull semen which has a 92% accuracy rate for conceiving a female calf. The estimated sales value of this semen is nearly \$40,000. This event is very important for the advancement of Serbian dairy genetic stock, and it also represents an important market entry for American dairy services & technology.*

**1.0.3 Livestock:** During the quarter five training sessions were held, in five regions of Serbia, with presentations and practical demonstrations on topics which client firms had identified as being of the highest interest. These training seminars were delivered by an ABDS provider, Agrar Kontakt, which was awarded a project grant to Increase Yields in Baby Beef & Sheep Meat Production. High profile local consultants were hired to implement the training program, and topics included baby beef meat production, the nutrition of bovine animals, the preparation of marketing & business plans for cattle operations, animal health and welfare, and ovine meat production. More than 200 participants attended the five sessions, representing more than 50 organizations.

The Agribusiness Project did not have a Livestock Sector Lead for most of this quarter, and as a result many of the activities included in the Livestock section of the Year Two Workplan were postponed for later in the year. A new Livestock Sector Lead – Tisa Causevic – who is a qualified veterinarian and has significant experience in the food industry, was recruited and hired during the quarter, and she began work with the Project on December 15. Project management is committed to re-assessing and re-launching the Livestock Sector, and it is expected that a significant amount of STTA will be made available to this sub-sector in the future. This is a sector that can provide rapid impact, and it is an under-utilized export opportunity immediately available to agribusinesses.

**1.0.4 Mushrooms & Herbs:** In cooperation with SIEPA, and the Serbian Ministry of Agriculture, the Project assisted two mushroom & herb sub-sector companies (Igda & Strela) to exhibit at the SIAL Fair in Paris, in October. The Strela Company made many contacts with potential buyers, who are interested in small packages of mushrooms, frozen fruit, and hot production products. The Project will be assisting Strela to develop the new retail packaging they will need to secure and finalize orders from these foreign firms. It is expected that this project will allow Strela to increase exports by as much as \$1.5M, and to create six new full time jobs over the next three years. This improved packaging and design will also result in an increase in domestic sales, which are estimated to be as much as \$500,000 over the same period.

The Project also signed a grant agreement with the Bilje Borca Company titled Redesign of Tea Bags & Labeling per US Market Requirements in December (see photo at right). Reporters from RTS were present for the signing and a report on the event, and on the Bilje Borca company, was broadcast on the nationally broadcast AgroInfo TV show. The grant will partially fund the development of a new brand name and package design for Bilje Borca specifically targeting the US tea market. It is expected that this new packaging will result in increased exports of \$350,000 to \$500,000 over next two to three years, and up to ten new full time jobs. The improved packaging and attractive new design will also result in increased domestic sales, which are estimated to increase \$400,000 over the same period of time.

**1.0.5 Tree Fruits:** On October 2<sup>nd</sup>, the US Ambassador to Serbia handed over a grant certificate in the amount of \$19,380 to Mr. Radojko Lukovic, Director of the Agricultural Innovation Center (AIC) in Arilje. The AIC is a modern regional agribusiness development service (ABDS) provider, established through a public-private partnership. The AIC applied for a grant from the Project to support ISO17025 certification for their testing laboratory. With Project assistance, and in collaboration with SIEPA, two Tree Fruit processors exhibited their products at the SIAL trade fair in Paris this quarter. These processors negotiated sales agreements worth \$630,000K during the fair, which will be executed next quarter. There are also ongoing negotiations for potential sales of additional \$560,000K. I would also suggest mentioning that The Project undertook a number of other activities to support the Tree Fruit sector which are detailed in the Annexes.

As with Livestock, the Tree Fruit Sector did not have a Sector Lead for most of this past quarter. The incumbent Sector Lead moved to the Producer Organization Specialist position, and was covering both roles over the course of the quarter. The Project advertised for the position and received more than 60 applications. Project staff reviewed the applications, and developed a short list of 10 candidates. Four leading candidates (all graduate agronomists) were interviewed by Project staff. The selection committee chose Ms. Katarina Markovic as the best candidate for the position, and it is expected that she take up this position in January 2009.

**1.0.6 Vegetables:** During the quarter the Project held a series of four Post-Harvest Training Seminars for vegetable producers at four different locations around the country. Seminars were held in Zablance, Gospodjinci, Begec, and Despotovo. These events were organized in collaboration with vegetable producers associations, and local officials from the various sites. The local consultants involved provided the participants with information on harvesting and post-harvest management of their crop, with the seminars being tailored to the crops that predominate in each of the four regions. Another element of this activity was an STTA provided by Professor Zoran Ilic, who visited several producers at each location, and he provided on-the-spot advice and assistance regarding handling & storage to help them reduce their post-harvest losses.

In coordination with GTZ, a number of ABDS providers from the vegetable sub-sector participated in a training program for GlobalGAP inspectors. The training was held by representatives of the German certification company AB-Cert. Following this training program, which takes place over a two month period, the participants will take an on-line exam and if they pass, they will become licensed GlobalGAP Inspectors. Since the ABDS providers recommended by the Project showed very good knowledge during the training, some of them have already been invited by AB-Cert to work for them in Serbia.

*In an effort to expand the impact of Trade Shows, the Project has organized a bus tour to the Fruit Logistica show in Berlin. This bus will bring three dozen representatives from Serbian fruit & vegetable firms to the show. These firms, which will not display, will be able to learn from the show and make important business contacts.*

Project Management is aware that the impact generated by the various sub-sectors is somewhat uneven and a review of individual sub-sector performance will be conducted to determine what steps can be taken to increase the impact of those sub-sectors that are lagging behind. It is clear that participating in international Trade Shows is an important tool for the Project, and these kinds of events can lead to rapid and significant impacts. The Project will be assessing ways to expand Trade Show participation to all sectors and to insure that we maximize the use of this tool.

### **1.1 Strengthen Producer Organizations:**

The Project has continued the implementation of the Organizational Capacity Assessment Tool methodology for assessing the management capabilities of Producer Organizations that are being assisted by the Project. The Project selected a local contractor, NALED, as the implementer of the OCAT program, and NALED staff has contributed to the revision of the OCAT materials to make them more appropriate for the Serbian environment. This assessment phase is ongoing, and the NALED team should submit a final report on their work by the end of February 2009.

The Producer Organization Specialist has continued to identify and support specific sub-sector organizations and associations. Assistance to the Serbian Fruits association continued during the quarter, and the group was formally registered in November. Ongoing Project assistance will assist them with their visual identity, and developing their management and organizational structures. The Project has also identified an opportunity to foster the creation of a Dairy Processors Association, and an STTA to assist with this activity will take place in the next quarter.

An important part of the Producer Organization effort is the support for developing consistent and standardized production in Serbia. The Producer Organization Specialist worked closely with the Ag Info & Policy Specialist during this quarter to launch the International Standards Training Program (for GlobalGAP and ISO certification). A contractor was selected for the awareness seminars planned for January, and a Press Conference was held in December to announce the launch of the program. Following the awareness seminars, the program will provide financial and technical assistance to selected firms to become ISO or GlobalGAP certified.

### **1.2 Improving ABDS Service Delivery:**

The primary goal of the ABDS component is to develop a sustainable supply of, and demand for, indigenous BDS services from agriculture and agribusiness. An ongoing activity has been the identification of key ABDS service providers in Serbia and providing support to their development so they can become a viable and effective support network for agribusiness enterprises. The Project currently has 82 ABDS firms registered in the database, and it is actively in the process of identifying additional firms that can be added to the pool of ABDS firms. During the quarter a BDS specialist from the DAI home office spent time assisting the ABDS/Finance Specialist to develop a plan to prioritize and sequence the Project's ABDS activities.

The ABDS/Finance Specialist is also responsible for the provision of assistance in the area of credit and finance, and during this quarter assistance was provided to the Marni Company to support their efforts to re-structure their debt. The ABDS/Finance Specialist met with the banks that have made loans to Marni, and has prepared a report on credit and finance alternatives available to Marni.

The ABDS/Finance Specialist also prepared the Guide to Agribusiness Financing which was distributed to the public at the Business Base Trade Show (500 copies) and at the Ethnic Food Show (100 copies). The guide is also available for download on the Project web site. Further support to client firms was provided by the organization of a presentation by SMECA (Serbia & Montenegro Export Credit Agency) to firms that participated in the training session for the upcoming trade shows. Based on a survey of the firms attending, there is a low level of awareness of this agency, and the firms have not used their services. The Project will seek to incorporate support from SMECA into future assistance efforts related to exports and international trade.

### **1.3 Sales & Marketing Program:**

Over the course of this past quarter the Sales & Marketing staff focused on facilitating participation by Project clients in a number of foreign and domestic trade fairs. Project clients participated in the SIAL Fair in Paris, and the Ethno Food Fair in Belgrade during the quarter. Sales & Marketing staff are also making plans for the trade show schedule in 2009, and in the coming quarter (February) Project clients will participate in Fruit Logistica in Berlin, Biofach in Nuremberg and GulFood in Dubai. Project staff organized a training event for the companies that will participate in these shows, which was held in Belgrade in December.

Sales & Marketing staff continued to identify new markets for Serbian producers and processors, both domestic and foreign. Project clients have been linked with Familija Market and Metro Cash & Carry for the supply of fruits, vegetables and dairy products. Clients have also been linked with a number of foreign firms seeking supplies from Serbia, with these firms coming from both the EU (France, Germany, Belgium) and from other regional countries (Russia, Montenegro and Macedonia). Completed sales as a result of these efforts now total nearly \$12M, well above the sales target for the Project for Year Two.

Project clients received local and international business awards as a result of Project support. These include the Foodland award for “Most Innovative Juice in the World” at the World Juice Conference in Barcelona, and the Marni Company award for “Exporter of the Year for New Markets” awarded by SIEPA for their exports to the US that were developed with Project assistance. At the award ceremony, the Manager of Marni acknowledged the importance of the support they received from the Project, and thanked USAID for the assistance.

### **1.4 Youth Enterprise Program:**

Agricultural high-school teachers assisting the Project with the “Entrepreneurship in Agribusiness” program, gathered in Futog to discuss implementation of the program, and the students’ reactions to the concept. Each school participating has approximately 20 students in the program, and no problems have been identified to date in going through the curriculum. The teachers also developed plans for the next steps to develop the teachers “4-H” association on entrepreneurship.

The Project has begun working with schools from Kraljevo and Svilajnac, which have established internship programs. The Youth & Gender Specialist visited these two schools to gather detailed information on the experience they have had with internship programs. Both schools are implementing their internship programs through youth cooperatives, not with local companies. The

intern system that the Project will establish will be based on national experience from these schools, and international experience from other countries obtained from MSU consultants.

### **1.5 Other Cross Cutting Activities:**

**1.5.1 Environment:** The Project is cooperating with the Center for Cleaner Production (CCP) of Serbia to work on the preparation of a pollution prevention program for Project client firms. The Project has assisted in the establishment of a Cleaner Production Business Club (CPBC). The CPBC has been formed in cooperation with CCP and the Faculty of Technology & Metallurgy, at the University of Belgrade. The CPBC aims to provide structured training and consultancy services for the adoption of Cleaner Production technology, improving environmental management, and developing environmental policies. One of first Project clients to join, Lutra doo, plans an investment of over €100,000 in a manure management system at their farm. This environmental improvement is based on advisory services provided by the Project Environmental Advisor.

**1.5.2 Women Entrepreneurs:** The Union of Agricultural Journalists, AgroPress, has submitted a concept paper for an agricultural training program for women entrepreneurs. The concept paper needs to have additional details filled in before it can be submitted for formal consideration. The program envisages workshops in six regions of Serbia, with at least ten participants per region. In collaboration with AgroPress, the Deputy USAID Mission Director, Mrs. Marilynn Schmidt, accepted an honorary AgroPress membership at an event jointly organized by AgroPress and the Agribusiness Project in November.

The Project's Youth & Gender Specialist met with the Center for Entrepreneurship at the Chamber of Commerce of Serbia regarding their program Women Entrepreneurs in Agribusiness. The Chamber has proposed that women entrepreneurs, who are members in their women entrepreneur's section, should be jointly trained by the Project and their program. The Chamber has offered the use of their regional offices to help identify women entrepreneurs throughout Serbia.

**1.5.3 Volunteer Program:** The Agribusiness Project has taken steps to determine how volunteers could best be integrated into ongoing Project activities. The Deputy Chief of Party, and the Grants/M&E Specialist will meet with the Director of the Serbian Union Council (SUC) in January to determine how they could assist the Project by tapping into the Serbian diaspora in the USA. The Deputy Chief of Party has also been in touch with CNFA in Washington, which has expressed an interest in providing the Project with volunteers through their Farmer-to-Farmer program. It is not clear if this is a viable opportunity for the Project, but further contacts and discussions will take place over the course of the next quarter.

## **Component 2: Improved Enabling Environment for Agribusiness**

### **2.1 Improve Access to Market Information:**

The Project conducted a survey of users of the STIPS agricultural information system, and prepared a report on the survey results for the Ministry of Agriculture. The Project submitted a proposal to the Ministry in December for improving the STIPS system. The proposed program will improve the software used for the STIPS system, and conduct a Market Analysis of the utilization of the information available from STIPS. The Project plans to implement the program to improve the STIPS system over the course of the next quarter.

The Agribusiness Project has contracted with the internationally recognized consulting company World Food Logistics Organization from the USA to implement a study of the Serbian Cold Chain for fresh fruits and vegetables. Over the course of the quarter, the team of five local expert consultants with the assistance of the WFLO Cold Chain Specialist, Dr. Stephen Neel, conducted an

initial evaluation of the current situation with the Cold Chain in Serbia for the storage of fresh produce, both for local sale and for export. Mr. Neel has also designed the methodology to be used by the Serbian team for gathering additional detailed information on the Cold Chain system in Serbia. The work on the Study will continue over the next quarter.

## **2.2 Facilitate Legal & Regulatory Reform:**

Following the berry fruit trade mission to the UK, a number of policy related issues in the sector emerged from the trip. Fruits of Serbia, and the Agribusiness Project, have submitted a request to the Ministry of Agriculture for an official opinion on many of these issues. The resolution of these issues will greatly facilitate the trade in berries, and in particular the import of new varieties. The Project has also finalized arrangements with the Ministry of Agriculture for a consultant assignment in January to support the implementation of a Warehouse Receipts (WHR) law in Serbia. The Project and the Ministry will jointly organize a national WHR conference on January 28<sup>th</sup>.

## **Component 3: Program Management & Administration**

### **3.1 Agribusiness Grant Program:**

During this quarter the Project Grants Manual was revised to assure that grants awarded are consistent with the strategic objectives contained in the Workplan. Pending formal approval of the revised Grants Manual from the USAID Mission, the Agribusiness Project has been implementing the grants program in accordance with the previously approved Grants Manual. Four grants were awarded this quarter, with a total award value of \$35,938. One was an Investment Incentive grant for \$11,900, and the other three were Enabling Grants with a total award amount of \$24,038.

In addition to the grants awarded, the Project received three grant proposals, with a total potential award amount of \$157,040, and three grant concept papers. The proposals are under review by the Grants Committee and decisions will be taken in January 2009. The concept papers are also under review, and the Project will work with the organizations to develop them into full proposals.

### **3.2 Project Communications & Media:**

During the quarter the Project prepared a Communications Strategy document which has been submitted to USAID for approval. This document will serve as guidance for all Project staff on their interaction with the media and the generation of media coverage for project activities and events. During the quarter the Project received press coverage nearly 90 times in the local print and electronic media. November was the peak month for coverage, with the project being reported on a total of 66 times that month. Significant events, such as the Ethno Food Fair and the Trade Mission to the UK, contributed significantly to press coverage. The Project is committed to organizing more opportunities for Mission and Embassy staff to participate in project media events. During this quarter the Project organized a dozen media events that attracted significant press coverage, and Mission or Embassy personnel participated in six of these events.

The Project has also updated and improved both the English and Serbian versions of the Project web site. A number of new features have been added, and the maintenance and management of the web site was brought in-house so that it can be updated and revised on a timelier basis. The Project Communications Advisor also revised and re-designed the Project Brochure, and new copies in both Serbian and English have been printed.

### **3.3 General Project Administration:**

The Project experienced some changes in personnel during the quarter, with the Chief of Party leaving in December and a new Chief of Party hired to start on January 1, 2009. A new Deputy Chief of Party arrived early in November, and a new Livestock Sector Lead came on board in mid-

December. The Project also hired a Marketing/Communication Specialist in November, and an Accountant and a Driver/Logistics Officer in December. The project is still waiting for final USAID approval for a new Tree Fruit Sector Lead, and a Deputy Policy/Procurement Specialist. It is expected that these two positions will be filled during January. The Project has also prepared a revised Organizational Chart, a copy of which is included in Annex 7.

**III. SIGNIFICANT PROBLEMS ENCOUNTERED DURING THE PERIOD:**

The original Serbia Agribusiness Project Task Order budget included a total of \$5.2M in funding for sub-grants intended to support activities undertaken by grantees supporting the objectives of the project. As a compliment to these funds the original budget included a total of \$385K for “project activities”, which could be used by the project to bring in volunteers, directly provide services or undertake other direct efforts to support the development of the sub-sectors. These “project activities” would include things such as quality and safety standards training, organizational capacity assessment of producer organizations, cross-cutting studies that would support sector development (such as the cold chain study), and additional support for Serbian companies to attend international trade fairs.

As implementation proceeded it became apparent that the mix of grant funds and project activity funds needed adjustment. The grant mechanism was designed to support activities planned and initiated by project clients, and not activities designed, planned and implemented by the project. In addition, the grant proposal development and approval process is time consuming, leading to delays in activity implementation, which is slowing down project implementation. Project management has determined that grants are not an effective method of implementing “project activities”, and management determined that a re-allocation of grant pool funds to the project activities line would enhance the ability of the Project to implement activities supporting sub-sector development.

The Project went through an extensive process to solicit Business Plans from agricultural students in mid-2008, and seven (7) students were selected for Youth Enterprise Grants. Subsequently the USAID Mission requested that the Project hold off on awarding these grants until an MOU was signed with the Ministry of Education. As of the end of 2008 the Project has not awarded any of the Youth Enterprise grants planned for Year One. Project management will be requesting Mission approval to make these grant awards early in 2009, to avoid further delays in this program.

**IV. ACTIONS TAKEN TO RESOLVE PROBLEMS ENCOUNTERED:**

Subsequent to identifying the grant issue, DAI determined that \$2.2M in grant funds needed to be shifted to project activities. Based on this, DAI submitted a formal request to the USAID Mission requesting approval of the movement of \$2.2M of grant funds to be moved into “project activities”. As was described in the previous section, DAI will use these funds for activities included in the Task Order, and in Project Workplans. The main advantage of moving the funds to the project activities line item is that the project will have much greater flexibility in the use of the funds, and the project will more easily be able to react to, and take advantage of, new opportunities to support the development of the sub-sectors that come up as project implementation proceeds.

**V. IMPORTANT OBSERVATIONS REGARDING IMPLEMENTATION:**

Based on implementation experience over the past year, Project management has identified a number of observations that will help improve future Project implementation:

- Participation in Trade Fairs appears to be a key factor in increasing both domestic and export sales for Project clients. The Project will seek to maximize the use of Trade Fairs and create opportunities for firms that do not display their products to attend the fairs.

- Public events that highlight Project activities and create positive press for the Project and USAID appear to be important. Project Management is committed to organizing at least two such events per month for possible participation by Embassy or Mission staff.
- Project Management is concerned about the time demands that the Project may place on client firms, particularly with regards to the collection of impact data. In the future phone surveys will be conducted quarterly, with the formal written survey being conducted yearly.
- The TAMIS system, which is used to collect and centralize data on project activities and implementation, is a key Project system and needs to be used more effectively. Project Management is committed to strengthen the use of the TAMIS system.
- Shifting funds from the grant program to project activities will allow the Project to be more innovative and to respond more flexibly to new opportunities that arise, and Management is looking forward to being able to make good use of these funds.
- Activities in the Livestock Sector have been at a relatively low level in the past quarter, but plans for new interventions should have an impact on the sector in a relatively short time.
- The use of STTA, both expat and local national, has been relatively limited over the course of Year One. Project Management will expand the use of STTA, and other Project resources, in the coming year to increase Project impact.

**VI. RESULTS ACHIEVED RELATIVE TO ANNUAL WORKPLAN TARGETS:**

Pursuant to the reporting requirements set forth in the Task Order, the Agribusiness Project has carried out a quarterly client impact survey (this survey was conducted by phone, as opposed to requesting written submissions) to assess Project impact over the course of the past quarter. The survey identified the following impact as a result of Project interventions:

- A total of 50 agribusinesses (38 agribusiness firms, 10 Producer Organizations, and 2 ABDS service providers) participated in activities implemented by the USAID Agribusiness Project. Information on sixteen (16) new agribusiness clients has been entered into the TAMIS system.
- Client firms participated in eleven training programs and two workshops. Four grants were also awarded to support: 1) The 2008 Belgrade Ethno Food & Beverage Fair (two separate grants for this purpose); 2) A trade mission to the UK for berry fruit producers; and 3) Redesign of packages for the tea producer Bilje Borca. Eight agribusiness firms attended the SIAL trade fair in Paris with Project assistance, while consultations provided by Project technical staff, along with the above-mentioned assistance, resulted in the transactions and sales reported here.
- A total of 24 agribusinesses (Two producer organizations, an ABDS provider, and 21 agribusiness firms) reported the following sales results attributable to Project assistance:

*The Project M&E system will be adjusted and modified in the coming quarter to allow it to be used as a management tool and not just as a tool to measure Project impact.*

Sales Contracted	Sales Completed	Sales Under Negotiation
<b>\$14,285,000</b>	<b>\$11,863,548</b>	<b>\$5,197,000</b>

Ninety-nine percent (99%) of the contracted and completed sales were for export. Based on this information the Agribusiness Project has already exceeded the sales target for Year Two (Target value - \$7M), and Years One & Two target (\$16M vs \$11M) set out in the Project PMP.

- Frozen (and semi-processed) Tree and Berry Fruits accounted for 56% of the total recorded sales; the sales of fresh Tree Fruits accounted for 35% of the sales; and fresh and processed Mushrooms accounted for 8%. Processed Vegetables, Herbs, and other commodities all together accounted for only 1% of the total sales reported this quarter.
- Employment numbers generated for Year Two to date are relatively low, but cumulatively the Project is already ahead of the 1,000 (cumulative) jobs projected for the end of Year Two. Agribusiness Project assistance contributed to adding 20 jobs this quarter (full-time, part-time,

and seasonal jobs) among client firms. Over the course of the coming quarters the Project will implement additional activities targeting employment generation.

The survey results, and the data entered in the TAMIS system, have been disaggregated into the following groups of client beneficiaries, in accordance with PMP requirements:

***Producer Organizations***

- Among the ten (10) producer organizations that were assisted during the reporting period, two (2) producer organizations reported sales results directly attributable to Project assistance; Fruitland reported export sales of fresh tree fruits of \$160,000, while ZZ Mladost is negotiating an export sales contract for \$5,000. ZZ Mladost also reported the introduction of a new cooling system, and new packaging technology, based on Project assistance.
- Reported sales in this quarter represents 16% of the targeted sales for Producer Organizations over the course of Year Two (\$1 million). The Agribusiness Project will focus more attention on Producer Organizations in the coming quarters to achieve the sales targets for the year.

***Agribusiness Firms***

- Among the 38 agribusiness firms that received assistance during the reporting period, a total of twenty-one (21) reported sales results attributable to Project assistance. At this point the Project has exceeded the cumulative target of 85 firms directly benefiting from Project support.

***ABDS Service Providers***

- Of the two (2) ABDS service providers that received assistance this quarter, one reported impact as a result of Project assistance. The number of ABDS firms assisted to date is below the target of 40 (cumulative) ABDS firms to be assisted by the end of Year Two. The Project assisted eight (8) ABDS providers during Year One, and sales revenues for the period were \$20,000 (the Year One target was \$50,000). The Year Two target for ABDS revenues is \$100,000. There were no ABDS sales results this period, and this area will become a focus in the future.

**VII. ACTIVITIES PLANNED FOR THE COMING PERIOD:**

Over the course of the coming quarter, the Agribusiness Project will be implementing many of the Project activities contained in the Year Two Workplan. The following activities are among the most important of those that will be implemented:

- Sales & Marketing staff will implement their plans to participate in a number of international Trade Shows, including Fruit Logistica, Biofach and GulFood. The Project will continue to expand the trade show program, and facilitate greater participation by client firms.
- The Project will continue efforts to support the adoption of a Warehouse Receipts system in Serbia, and a regional consultant will come in to provide assistance and the Project and the Ministry will jointly organize a national conference on Warehouse Receipts.
- The Project will continue work on the Cold Chain Study, using the local consultants that have been hired for the data collection effort. By the end of the quarter the data collection effort will be completed and the final stages will take place in the second quarter of 2009.
- The Project will continue the efforts to improve the Serbian agricultural market information system (STIPS) and it is expected that the formal process to improve the system will begin in the coming quarter. This will be based on the proposal submitted to the Ministry in December.
- Project management and staff will review and improve the Project's M&E system to make it more usable as a management tool, which can guide Project implementation and help management determine which interventions will have the greatest impact.
- Project staff will increase their use of the TAMIS data collection system, to insure that all activities are captured in the system and that it is being used efficiently. A home office staff person will visit Serbia next quarter to train staff on the effective use of the TAMIS system.
- The Project will finalize reviews of grant proposals that have been submitted, and work to upgrade the grant concepts that have been submitted to full grant proposals.



**USAID Serbia  
Agribusiness  
Project**



# **USAID Serbia Agribusiness Project**

## **Quarterly Report - Annexes**

**October 1, 2008 - December 31, 2008**

**Contract no.:** EDH-I-00-05-00004-00/09  
**USAID Agribusiness Project**

**RFTOP No.:** 169-07-016 under the RAISE Plus IQC

**Contractor:** Development Alternatives, Inc.

**Report Author:** Chief of Party, Lou Faoro

**Project CTO:** Djordje Boljanovic

**USAID Office:** USAID Belgrade, Serbia

Belgrade, Serbia  
January, 2009

# **USAID Serbia Agribusiness Project**

Quarterly Report - Annexes

October 1, 2008 - December 31, 2008

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- Annex 2. Sub-Sector Activity Reports**
- Annex 3. Cross Cutting Activity Reports**
- Annex 4. Enabling Environment Report**
- Annex 5. Grant Program Report**
- Annex 6. Communications Report**
- Annex 7. Administration & Personnel**
- Annex 8. Project Results & Impact Report**

## USAID Serbia Agribusiness Project Quarterly Report - Annex 1

October 1, 2008 to December 31, 2008

### Accrual WorkSheet

Development Alternatives, Inc.  
Contract: EDH-I-00-05-0004-00/09

Project Budget Cost Element	Total Project Budget	Total Expenditures to 30 Sep '08	Current Quarter Expenditures			Total Expenditures to 31 Dec '08(est)	Balance Available	Per Cent Expended
			Oct 08(a)	Nov 08(a)	Dec 08(e)			
<b>Direct Labor (Salaries)</b>								
Salaries & Wages	\$2,309,098	\$395,086	\$30,475	\$35,541	\$32,000	\$493,102	\$1,815,996	21.4%
Fringe Benefits	\$484,301	\$119,004	\$7,772	\$9,145	\$12,960	\$148,881	\$335,420	30.7%
Overhead	\$1,133,585	\$244,963	\$18,225	\$21,293	\$21,446	\$305,926	\$827,659	27.0%
<b>Total Labor and OH</b>	<b>\$3,926,984</b>	<b>\$759,052</b>	<b>\$56,471</b>	<b>\$65,980</b>	<b>\$66,406</b>	<b>\$947,909</b>	<b>\$2,979,075</b>	<b>24.1%</b>
<b>Other Direct Cost</b>							\$0	
Travel, Transportation, and Per	\$642,314	\$143,625	\$8,081	\$21,996	\$22,000	\$195,702	\$446,612	30.5%
Project Support Costs	\$626,489	\$232,990	\$191	\$35	\$300	\$233,516	\$392,973	37.3%
Allowances	\$454,627	\$96,715	\$6,577	\$9,481	\$5,000	\$117,773	\$336,854	25.9%
Grants Under Contract	\$5,200,000	\$0	\$16,800	\$36,451	\$22,943	\$76,194	\$5,123,806	1.5%
Subcontracting	\$6,093,030	\$988,473	\$88,717	\$78,074	\$168,695	\$1,323,959	\$4,769,071	21.7%
Others	\$4,041,812	\$534,505	\$49,480	\$45,081	\$100,600	\$729,665	\$3,312,147	18.1%
<b>Total Other Direct Costs</b>	<b>\$17,058,272</b>	<b>\$1,996,308</b>	<b>\$169,846</b>	<b>\$191,117</b>	<b>\$319,538</b>	<b>\$2,676,810</b>	<b>\$14,381,462</b>	<b>15.7%</b>
<b>General &amp; Administrative</b>	<b>\$1,436,459</b>	<b>\$250,739</b>	<b>\$19,066</b>	<b>\$20,079</b>	<b>\$35,121</b>	<b>\$325,005</b>	<b>\$1,111,454</b>	<b>22.6%</b>
<b>Total Estimated Cost</b>	<b>\$22,421,715</b>	<b>\$3,006,099</b>	<b>\$245,383</b>	<b>\$277,176</b>	<b>\$421,065</b>	<b>\$3,949,724</b>	<b>\$18,471,991</b>	<b>17.6%</b>
<b>Fixed Fee</b>	<b>\$1,448,502</b>	<b>\$235,065</b>	<b>\$18,139</b>	<b>\$19,561</b>	<b>\$33,685</b>	<b>\$306,450</b>	<b>\$1,142,052</b>	<b>21.2%</b>
<b>Total Est. Cost + Fixed Fee</b>	<b>\$23,870,217</b>	<b>\$3,241,164</b>	<b>\$263,522</b>	<b>\$296,737</b>	<b>\$454,750</b>	<b>\$4,256,174</b>	<b>\$19,614,043</b>	<b>17.8%</b>

<b>Total Obligated Amount:</b>	<b>\$10,500,000</b>
<b>Percent Obligation Spent:</b>	<b>40.5%</b>



# **USAID Serbia Agribusiness Project**

Quarterly Report – Year Two, Quarter One

October 1, 2008 - December 31, 2008

Annex 2 - Sub-Sector Activity Reports:

Berry Fruits

Dairy Products

Livestock

Mushrooms

Tree Fruits

Vegetables

## **BERRY FRUIT – Quarterly Report**

October 1, 2008 - December 31, 2008

### **Component 1: Increased Efficiency & Competitiveness of Agribusiness**

#### **OBJECTIVE 1.0: COMMODITY ACTION PLAN SUB-SECTOR ACTIVITIES**

To help the sub-sector adapt to changing market needs, meet increased requirements in food quality standards and safety, and to be competitive in domestic, regional, and international markets, the USAID Serbia Agribusiness Project continued to provide support to the sub-sector through various technical and cross-cutting interventions. By focusing on leverage points identified during the value chain assessment phase, such as the National Fruits & Vegetables Association/Serbian Fruits, Atlecoop Association, Arilje Agricultural Innovation Center, and the Cacak Fruit Research Institute, the project facilitated the introduction of new berry varieties which are suitable for the fresh market in Serbia, assisted further development of business relationships with international suppliers, and helped producers and exporters of value added products to secure sales in international markets. These sales were achieved despite the fact that these markets are already suffering the effects of lower demand caused by the global financial crises. Other general support activities that have been undertaken during the quarter to support the berry sector include the following:

- ***Activity 1.0.1: Training programs on the production of berry fruits under high tunnels and the packaging of fresh berries.*** To improve the overall performance of producer organizations, and enable their members to improve their knowledge and skills related to fresh markets and new production and post-harvest technologies, the project worked with competent ABDS providers and provided three training programs in different locations in Serbia. The trainings were organized in cooperation with AtleCoop and Blueberry growers' association and the Borovac Cooperative in Azanja, Crna Trava, and Kosjeric respectively. The ABDS providers which implemented the training programs were Voce Inzenjering, AQA, Megatrend University, the Fruit Research Institute, MDS Trade, and others. Training topics included the production of berry fruit under high tunnels, the production of florican varieties of raspberries, the packaging of fresh berries, options to extend the harvest season, post-harvest management, marketing, GlobalGAP certification, organic production, and the role of producer organizations in the berry fruit business. More than 60 berry fruit growers and small scale processors, from various parts of Serbia, such as Arilje, Osecina, Sabac, Kosjeric, Belgrade, and Azanja attended the trainings.
- ***Activity 1.0.2: Training workshop on improving quality of planting material and dealing with intellectual property rights.*** In cooperation with Serbian Fruits, and the Ministry of Agriculture, the USAID Agribusiness Project organized a preparatory training program for the participants on the Trade Mission to the UK. In addition to project staff, training sessions were delivered by representatives of Ministry of Agriculture, Border Phytosanitary inspectorate, and an expert consultant hired by Serbian Fruits. During the training program many important topics were covered, such as: determination of quality and required documentation for imports; UPOV/protection of variety breeders' rights; the UK market requirements, etc. The trainees consisted of representatives from five berry fruit producing/processing companies and two nurseries. In addition, two policy issues, or opportunities to assist both producers and the Ministry, were identified at the training: helping the inspectorate with translating relevant EU

documentation, and producing a guide for plant breeders/importers which will appear on the web page of the inspectorate.

- **Activity 1.0.3: Training and advisory program for Serbia blueberry growers.** To speed up blueberry production, and to ensure higher yields and an increased productivity of blueberry growers in Serbia, the Arilje Agricultural Innovation Center completed an assessment of producer organizations' needs, and it proposed a training and advisory program for potential grant funding from the USAID Agribusiness Project. Besides blueberry production and harvesting, post-harvest management and product marketing will also be covered by the program. The activity will focus on building Serbian blueberry production capacity and will improve market access for more than 90 farmer-growers, eight producer organizations, and two ABDS providers, representing nine municipalities in South-Western and Central Serbia. After the final evaluation of a full grant proposal, and grant review committee approval, the training program is expected to start in January 2009, and extend through August 2009.

**OBJECTIVE 1.1: STRENGTHENING PRODUCER ORGANIZATIONS**

- **Activity 1.1.1: Training program for Producer Organization management.** In anticipation of the development of a more structured training program for Producer Organizations (PO), which is currently being developed by the Producer Organization team, the sub-sector lead and the PO Specialist provided advisory assistance to client organizations on a case-by-case basis. Topics covered included the selection of the appropriate legal form for a Producer Organization, increasing membership and member participation, securing bank loans and other financial resources, offering supplies and sales to members through a PO, and the development of a marketing strategy. These assistance interventions were provided to emerging POs which are dealing with berries, such as the Borovac Raspberry Growers' Cooperatives in Kosjeric, and the Crna Trava Blueberry Growers Association.

**OBJECTIVE 1.2: IMPROVING ABDS SERVICE DELIVERY**

- **Activity 1.2.1: Training programs in logistics and cool chain management.** As an introductory activity to the Cold-Chain Study now being undertaken by the Agribusiness Project, a team visited selected berry fruit processors in the Pozega and Arilje municipalities. During the visits an initial assessment of existing cool chain facilities was undertaken, to determine their needs and to assess their business performance. Following completion of the Cold-Chain Study the experts involved will present their findings and recommendations to project staff, as well as provide training to interested businesses and ABDS providers. The training to be provided will focus on product logistics and cold chain facility management. To support the development of cold-chain services, and to showcase proper management techniques, one of the berry fruit sub-sector stakeholders – Frutto, from Pozega (which handles both berry fruit fresh sales and berry processing) – will be recommended by the Cold-Chain study team for further support from the USAID Agribusiness Project.
- **Activity 1.2.2: Support the establishment of partnerships that will result in an improved supply of inputs and the availability of business services in Serbia.** To provide support to the development of a partnership between Serbian companies and international suppliers of inputs for the berry sub-sector, the USAID Agribusiness Project organized and partially funded a Trade Mission to the UK (additional details are included in Activity 1.2). An interim result of assistance provided by the project is the purchase of 102,000 raspberry canes, with a value of US\$58,000, which will be used by seven producers and nurseries in Serbia. The Agribusiness

Project's Subsector Lead is working with the project's cross-cutting specialists on the identification and selection of other international firms with the potential to further contribute to the development of the berry sub-sector by partnering with Serbian counterpart firms.

**OBJECTIVE 1.3: PROVIDING SALES & MARKETING SUPPORT**

- **Activity 1.3.1: Trade mission to the United Kingdom.** As a follow-up to a series of interventions conducted by the project in year one, aimed at encouraging a transition to the fresh market and improving producers' technical knowledge and their links with international partners, the Agribusiness Project provided technical and financial support to the Fruits & Vegetables Association / Serbian Fruits to participate in a project Trade Mission to the UK. The delegation consisted of representatives from five berry fruit producers/processors, two fruit nurseries, two ABDS providers, and the Agribusiness Project Subsector Lead. Prior to the trip, and in cooperation with the Ministry of Agriculture and the grantee, the Agribusiness Project organized a preparatory training session for the participants where they learned about UPOV membership status, planting material quality, and foreign trade documentation & import procedures.
- During the five-day trip the delegation visited with, and discussed future cooperation with, a number of input providers, advanced berry fruit growers, and buyers who supply the leading UK retail food chains. In addition, participants became familiar with advanced techniques for production under high tunnels, with UK quality and food-safety requirements, and they learned about distribution channels in the UK. As a result, an initial order for 102,000 raspberry canes of the Polka and Tulameen varieties was placed with Hargreaves Plants Ltd for the fresh market. These canes will be used to establish approximately ten hectares of new orchards, and a nursery stock of 10,000 mother plants. The canes will be imported in February 2009 by a group of four members from the Serbian Fruits Association and another three companies who wished to participate in the order as well. The expected value of raspberry production which will result from the UK-sourced material will be about US\$90,000 by the end of 2009, and it will grow to US\$200,000 in 2010.
- In addition, the Atle Company from Belgrade signed a Letter of Understanding with a UK investor regarding foreign direct investment in their processing plant in Serbia. Using materials and information collected during the project, the national TV station - B92 - prepared and broadcast a series of TV programs to educate the public on the production of berries for the fresh market. The Subsector Lead also appeared as a guest on a live TV program which presented the USAID Agribusiness Project to the national audience. Due to Serbia's non-membership in the UPOV, the owner of the Glen Ample variety of raspberries, which was also of interest to the Serbian berry growers, has not approved sales of this variety to Serbia. The Agribusiness Project and Serbian Fruits will continue to work on resolving this issue.
- **Activity 1.3.2: Co-funding exhibition of berry fruit producers and/or processors at relevant trade fairs.** In cooperation with SIEPA and the Ministry of Agriculture the Agribusiness Project supported four companies – all of them berry-fruit processors – to exhibit at the SIAL Trade Fair in Paris, France. The firms that participated were ITN, Jugprom, MMS Buducnost, and Agrograf. Potential sales agreements, valued at \$11.25M, from participation at the fair were reported to the project by 11 exhibitors from Serbia. Out of \$3.25M in sales agreements negotiated at the fair, three of the berry fruit exhibitors finalized export sales of berries, worth a total of \$240,000, in November 2008.

- The USAID Agribusiness Project provided partial funding for the Serbia Ethno Food Fair, which was held in Belgrade in November. More than 160 exhibitors displayed at the fair, and many of them reported improved sales because of their participation in the fair.
- Four companies dealing with fresh berries (Libertas, Agro Plus, Frutto, and Agrograf) which are being assisted by the Agribusiness Project will exhibit at the Fruit Logistica fair in Berlin in February 2009. The project has also selected an ABDS service provider that will organize the exhibition for the Serbian companies and arrange the display booth. Besides the exhibitors, the project will also fund a visit to the fair by approximately 30 representatives of project client firms dealing with fresh fruit and vegetables.
- To improve sales prospects, and to promote raspberries with a protected indication of origin, the Arilje SME Association requested assistance from the USAID Agribusiness Project to exhibit berry fruit-based products at the upcoming international trade fair - ProdExpo 2009 in Moscow. Currently the project is evaluating a Grant Concept Paper from Arilje, and it is assisting the association in developing a more structured program for the proposed activity.
- **Activity 1.3.3: Introduction of the Global Gap standards.** Through a cost-share effort under the grant program, the Agribusiness Project will assist a minimum of three selected producers of berry fruits for the fresh market to implement Good Agricultural Practices, product traceability, and environmental requirements. This will give these producers Global Gap certification for the export of fresh berries. Agribusiness Project funds will be used to cover part of the costs related to providing consulting services to the fruit producing businesses, and obtaining certification. The berry fruit Subsector Lead has identified businesses that are interested in obtaining GlobalGAP certification, and has encouraged them to attend the info-seminars and to apply for assistance for the training and certification processes. This effort will result in improved quality and marketability for their products, as well as decreased costs and increased sales.
- **Activity 1.3.4: Grants to assist higher value-added products development.** The Project will use grants to assist client firms to develop new value-added products, with higher market values, within the berry fruit sub-sector. Currently the project is assisting a few stakeholders in finalizing their project proposals for the development of new, or improving current, value-added products. Some examples include: (1) the Agribusiness Project expects to provide technical assistance to Sirogojno Company which is installing a new drying line to make use of by-products and turn them into ingredients for further processing for fruit preserves and syrups; (2) the Strela Company, which deals with berry fruit and mushrooms, approached the project and requested assistance to redesign their retail packaging in order to shift sales from bulk to retail.
- **Activity 1.3.5: STTA to assess production conditions and conduct feasibility study on cranberry production in Serbia.** To address the growing demand for cranberries in the domestic market and to satisfy growers' interest for information related to cranberry production, the Subsector Lead has identified four businesses from throughout Serbia that are most seriously interested in entering cranberry production. The Subsector Lead has prepared a Scope of Work for an STTA consultant who would conduct an assessment of cranberry production conditions in Serbia, select suitable growing areas, and recommend production, harvesting and post-harvest technologies. The consultant will also deliver training sessions to interested parties – both fruit growers and ABDS providers. Currently the project is identifying a suitable candidate for the assignment that is planned for February 2009.

**OBJECTIVE 1.4: YOUTH ENTERPRISE PROGRAM REPORT**

- During the first quarter of Year Two the Berry Sector did not have any activities to report on related to the implementation of the Youth Enterprise Program.

**OBJECTIVE 1.5: CROSS CUTTING ACTIVITIES REPORTS**

- As a side effect of Trade Mission to UK, an issue related to different certification schemes applied in UK and Serbia has come up. The consultant hired by Serbian Fruits provided valuable input to the association, and Ministry officials as well, while the berry fruit Subsector Lead facilitated establishment of contact between Serbian and UK plant health offices regarding Serbian Fruits request for a decision from the Ministry of Agriculture on Serbian equivalents to UK planting materials. Final resolution of the issue is expected by early January 2009.
- Due to the lack of protection of breeders' rights for new varieties in Serbia, caused by Serbia's non-membership in the UPOV, the owner of the Glen Ample variety did not permit sales of the variety to Serbia. Accordingly, the total quantity of raspberry canes delivered to Serbia as a result of Trade Mission to UK will be decreased by approximately 20,000 canes. The Agribusiness Project, and Serbian Fruits, will continue to work on resolving this issue and facilitate the adoption of a New Law on plant varieties, as well its adjustment so that it conforms with EU regulations.

**OTHER ACHIEVEMENTS/ACTIVITIES IN PROGRESS**

- Berry fruit processing companies Agropartner, Yugotrejd, Radan, Frigonais, Agrograf applied for participation in the Community Connection marketing program which is being implemented by World Learning in Serbia and Washington DC. The program offers a three-week, homestay-based, practical training for marketing, sales and/or export professionals. They will receive professional training and exposure, not only to generic marketing skills, but also to those that are industry / sector specific for agribusiness, and good practices as applied in the US.

## DAIRY PRODUCTS – Quarterly Report

October 1, 2008 - December 31, 2008

### **Component 1: Increased Efficiency & Competitiveness of Agribusiness**

#### **OBJECTIVE 1.0: COMMODITY ACTION PLAN SUB-SECTOR ACTIVITIES**

During the reporting period, the USAID Serbia Agribusiness Project continued to provide technical assistance which is aimed at improving the competitiveness of the Dairy sub-sector, primarily through developing and/or establishing links between dairy processors and other value chain stakeholders (ie: service providers, producer organizations, and local & regional institutions). In addition, structural changes in the sub-sector and the adoption of new technologies and/or services; new technical knowledge on production, processing operations, quality standards and marketing requirements; developing CEFTA, Russian and USA export opportunities; leveraging Ministry of Agriculture, SIEPA, USDA and other donor funds for trainings; trade events and sales tours are some of the tools the project is using to ensure a sustainable business environment.

Dairies which are investing in consolidation and expansion, and which are oriented towards the development and promotion of niche markets and specialty products are the focus of Agribusiness Project assistance

- **Activity 1.0.1: Nationwide Milk Quality & Farm Management Campaign.** Following the meetings with dairies which are interested in developing their export capabilities, such as Sabac, Lazar, Kuc, Zlatibor and others, these client firms identified raw milk quality as the biggest problem they face in acquiring EU export certification. Thus, in cooperation with eight client dairies, the Agribusiness Project developed a grant proposal to fund efforts that will establish models which will “pave the road” for the dairies, and assist them to address this problem in an efficient way. Each dairy is dealing with a different set of problems, which further limit their access to foreign markets. Therefore, project assistance will be based on the specific situations in each dairy, allowing them to benefit most effectively from the assistance provided.

This is a core one-time dairy sector support activity, which has the aim of motivating dairies to expand the model approach to other commercial farms, thus increasing the raw milk supply and quality to meet EU standards. During the preparation phase, the Agribusiness Project identified Producer Organizations and Service Providers which will also benefit from the program and have the opportunity to increase their organizational, managerial and service delivery capabilities. These organizations are: the Simmental Association from Cacak, the Preobrazenje Farmers Cooperative from Guca, Maksi Farm, the Veterinary Station of Guca, and the Centers for Rural Development in Zrenjanin, Novi Knezevac, and Vrsac. The grant proposal is currently under review by the project grant review committee.

#### **OBJECTIVE 1.1: STRENGTHENING PRODUCER ORGANIZATIONS**

- **Activity 1.1.1: Help Producer Organizations implement international standards.** This planned activity is dependent on the adoption of a new Veterinary Law, which will not be effective until January 2009. Under the law, all entities (companies, individuals, etc) dealing with food products of animal origin must enforce at least one procedure in accord with HACCP

standards. The project is in the process of evaluating dairy processors and producer organizations which will be a driving mechanism for the certification process.

- **Activity 1.1.2: Support Development of Commercial Dairy Farm Agribusinesses.** This activity will focus on supporting the development of commercial dairy agribusinesses which are targeting dairy processors' needs for a premium quality raw milk supply. These businesses will also be focused on export markets and dairies which prefer to develop companies that can become their core supply base, by operating farms with hundreds, not dozens, of dairy cows. The Agribusiness Project is developing relationships with interested stakeholders and is working on identifying qualified US consultants who can come out on STTAs to work with local ABDS providers to provide technical assistance to these beneficiaries.
- **Activity 1.1.3: Support implementation of IT dairy management solutions.** Mladost and Kuc Dairies from Kragujevac, Granice from Mladenovac, Lazar from Blace, and the Sabac dairy have requested Agribusiness Project assistance to adopt and implement a computerized dairy management software system. The Agribusiness Project will implement this support activity in the second and third quarters of the second project year. The software will increase the dairies' capacity to manage the operational processes, cut their operating costs and to plan activities related to supply and logistics, thus increasing the companies' competitiveness.

**OBJECTIVE 1.2: IMPROVING ABDS SERVICE DELIVERY**

- **Activity 1.2.1: Creation of a National ABDS Providers Network.** One of the priority activities related to the development of ABDS providers for the dairy sector is the creation of a central organization which can support a program aimed at increasing the capacity of dairy ABDS providers to extend their outreach. The project has identified several quality ABDS providers for the dairy sector with the potential for growth. The creation of this new association is connected to the implementation of Nationwide Milk Quality and Farm Management Campaign, which will also focus on developing links (trust) between ABDS providers, thus creating an enabling environment for a service providers' network. Although the Agribusiness Project has not yet begun the implementation of the Dairy Campaign, recognized ABDS providers have been put in contact with each other and have begun to communicate for other business purposes. These agencies are: Maksi Farm - Gornji Milanovac, Veterinary Station - Guca, Lucar Farms - Deronje, Evrolek - Sabac, Taurus AC – Vrsac.
- **Activity 1.2.2: Linking ABDS providers with US and EU counterparts (ABDS B2B).** The project has already linked Taurus AC with the US dairy genetic company Cooperative Resources International, enabling this local ABDS provider to sign an exclusive cooperative agreement. Taurus AC, from Vrsac, has already successfully promoted US dairy technology in Serbia through the sales of milk quality control devices - Porta and Lacti Check - for which the company was awarded a prize for innovation at the Novi Sad Agricultural Fair. In December 2008, Taurus AC also imported - for the first time in Serbia - 2,700 doses of Holstein sexed-semen (90% heifer calves). The anticipated sales value is \$38,000.

**OBJECTIVE 1.3: PROVIDING SALES & MARKETING SUPPORT**

- **Activity 1.3.1: Improving Zlatibor Dairy Specialty Products Visual identity.** Thanks to project supported participation at the Novi Sad Agricultural Fair, the Zlatibor Dairy generated over \$100,000 of additional sales. However, to fully exploit the interest in their products from the fair, the dairy needs to change the conservative and outdated visual identity and packaging it

continues to use on its specialty products. The Agribusiness Project and the Zlatibor dairy have also begun to develop a framework for leveraging their geographic advantage and the public recognition of Zlatibor Specialty dairy products (pepper in cream, hard and semi-hard cheeses). The Agribusiness Project Marketing team is currently working to identify potential service providers which can support Zlatibor Dairy with product labeling and web promotion.

- **Activity 1.3.2: Develop Russian dairy export market opportunities.** Kuc Dairy from Kragujevac, Granice dairy from Mladenovac, Lazar dairy from Blace and Sabac dairy have expressed interest in exploring export opportunities to Russia. To follow up on that interest the project is working with SIEPA to promote the Serbian Dairy industry in Russia. The activity is now in progress, and concrete export promotion activities are planned for the 4th Quarter.
- **Activity 1.3.3: Develop the US dairy export market.** Following the Subotica Dairy's (part of monopoly Salford group), successful participation at the Fancy Food Show in Chicago in 2007, Sabac dairy, Kuc dairy and Lazar dairy have expressed interest in initiating exports to the US. The project is now working with SIEPA to promote the Serbian Dairy industry in the 3rd Quarter at the Fancy Food Show in New York.
- **Activity 1.3.4: Assist dairies to obtain Halal Certification.** The Agribusiness Project and SIEPA are supporting the participation of the Sabac dairy in the GulFood Fair which is held in Dubai. However, to expand sales to Islamic countries, the Sabac dairy will need to have selected dairy products with Halal certification. The Agribusiness Project is in communication with the Islamic Community of Serbia and recognized local Halal experts to help the dairy achieve Halal certification.

#### **OBJECTIVE 1.4: YOUTH ENTERPRISE PROGRAM REPORT**

- **Activity 1.4.1: Support Development of Dairy Practice Farm Programs.** This activity is linked to the implementation of the Dairy Campaign which has plans to include agricultural schools and/or individual students in training on selected farms which will offer them the opportunity to learn new skills from ABDS providers who implement the program.

#### **OBJECTIVE 1.5: CROSS CUTTING ACTIVITIES REPORTS**

- During the first quarter of Year Two the Dairy Sector did not have any activities to report on related to the cross cutting activities of the project.

#### **OTHER ACHIEVEMENTS/ACTIVITIES IN PROGRESS**

- The Agribusiness project supported the Ethno Food Fair in Belgrade where the Zlatibor and Svrlijig dairies successfully participated with their specialty products (pepper in cream, variety of cheeses, and the belmuz-mixture of corn flour and cheese). Svrlijig dairy has the “protected geographic origin” Svrlijiski kackavalj cheese, and is currently working with the Agribusiness Project to develop a promotional campaign that will help them penetrate the more sophisticated HoReCa market with this value added product.
- The Agribusiness Project is working with more prosperous dairies to develop a framework for the creation of a representative national Dairy Industry Association. For that purpose, the project has developed a Scope of Work for a US dairy association expert who will assist the project in creating the enabling environment for the creation of such an institution.

## LIVESTOCK – Quarterly Report

October 1, 2008 - December 31, 2008

### **Component 1: Increased Efficiency & Competitiveness of Agribusiness**

#### **OBJECTIVE 1.0: COMMODITY ACTION PLAN SUB-SECTOR ACTIVITIES**

The Agribusiness Project did not have a Livestock Sector Lead over the period between October 1 and December 14, 2008. Due to this fact, most of the Livestock Sector activities foreseen for this period in the Year Two Work plan were postponed. A new Livestock Sector Lead was recruited during the first quarter of Year Two, and she began working for the USAID Serbia Agribusiness Project on December 15.

#### **OBJECTIVE 1.1: STRENGTHENING PRODUCER ORGANIZATIONS**

- **Activity 1.1.1: Linking Producer Organizations (POs), individual farmers, ABDS providers and slaughterhouses.** Five training sessions were held in five regions of Serbia: Nis, Pirot, Krusevac, Uzice and Cacak. These training sessions were delivered by a national ABDS provider, “Agrar Kontakt” which was awarded a grant to “Increase Yields in Baby Beef and Sheep Meat Production”. High profile local consultants were hired to give presentations and practical demonstrations on topics which client firms had previously identified as being of the highest interest. These topics including baby beef meat production, the nutrition of bovine animals, the preparation of marketing and business plans specific for cattle fattening operations, animal health and welfare, ovine meat production and sheep carcass specificities. The total number of participants at the five training sessions was 208. A number of organizations/companies were represented at the trainings, including: Producer Organizations, Associations and Cooperatives – 20; ABDS providers – 20; Slaughterhouses/Meat processing plants - Suvobor-coop (Cacak), Pantomarket (Cacak), Kotlenik (Kraljevo), Farmex slaughterhouse, SimImpex (Bela Palanka); Local government, municipality and rural development centers – 14.

Apart from providing participants with sector specific know-how, the five workshops also served as meeting points for stakeholders along the chain, from individual farmers, producers’ organizations and ABDS providers, to slaughterhouses and meat processing plants, facilitating in stronger market linkages within the sub-sector.

#### **OBJECTIVE 1.2: IMPROVING ABDS SERVICE DELIVERY**

- **Activity 1.2.1: Training programs to improve links among livestock stakeholders.** In the Year Two Workplan, the start-up of this activity was planned for 1<sup>st</sup> quarter of the year. It has been postponed for the 2<sup>nd</sup> quarter of the year and will begin as scheduled.

**OBJECTIVE 1.3: SALES & MARKETING SUPPORT**

- **Activity 1.3.1: Industry Sales Tour to regional and/or EU countries.** In the Year Two Workplan, this activity is planned for 2<sup>nd</sup> quarter of the year. Depending on dynamics of other livestock sector activities foreseen for this quarter, this activity may be postponed until the 3<sup>rd</sup> Quarter of Year Two.
- **Activity 1.3.2: Participation of meat processing companies in trade shows.** In the Year Two Work plan this activity has been planned for 2<sup>nd</sup> and 3<sup>rd</sup> Quarter of the year. The new Sector Lead will be identifying the prospective companies that will participate in this component of the program, and linking them with the appropriate trade shows.
- **Activity 1.3.3: Increasing the number of value added products.** In the Year Two Workplan, the start-up of this has been planned for the 2<sup>nd</sup> quarter of the year. Over the course of the coming quarter the Livestock Sector Lead will be working with client firms to determine how the project can best intervene to assist them with this activity. It is likely that the project will bring in expat consultants to assist with this activity later in the year.

**OBJECTIVE 1.4: YOUTH ENTERPRISE PROGRAM**

- **Activity 1.4.1: Assistance to young farmers/entrepreneurs through the youth business plan competition program.** In the Year Two Work plan, the start-up of this activity was planned for the 1<sup>st</sup> quarter of the year. This activity has been postponed for the 2<sup>nd</sup> Quarter of the year, and will begin during that time frame.

**OBJECTIVE 1.5: CROSS CUTTING ACTIVITIES**

- **Activity 1.5.2: Formalization of livestock animal registration.** This was planned for 1<sup>st</sup> Quarter of Year Two. This activity has been postponed due to the lack of a Sector Lead and activities will begin during the 2<sup>nd</sup> and 3<sup>rd</sup> Quarters of Year Two.

## **MUSHROOMS – Quarterly Report**

October 1, 2008 - December 31, 2008

Work in Year One was focused on increasing the competitiveness of Serbian agribusinesses in foreign markets and developing market linkages, thus increasing the value of exports. As already presented in the Year Two Workplan, the long term strategy – to gradually shift the volume of sales from bulk to retail – was the main focus of the Project's 1<sup>st</sup> Quarter activities for this sub-sector. Although the USAID Agribusiness Project did have a significant impact with this strategy and increased the total dollar value of client sales, the main constraints in Year One for higher impact were bad weather conditions, which significantly reduced the quantities of mushrooms collected. For example, the Marni Company – one of the leading exporters of wild mushrooms, reported that the volume of Chanterelle sales were only 20% of previous year sales, while the volume of Porcini sales were only 40% of the average for the last five years. This constraint will continue to have a negative impact, until the start of the 2009 collection season.

The tea industry had only a modest negative impact because of the weather conditions, and this was due to the diversified product base of the tea industry. However, the tea companies reported a different problem. As an effect of the global economic crisis, domestic supermarket chains are extending their payment terms for suppliers. Consequently, the tea companies, which are mostly focused on the domestic market, are facing solvency problems. In response to this, the USAID Agribusiness Project has initiated several activities which are oriented towards market diversification and increased exports.

### **Component 1: Increased Efficiency & Competitiveness of Agribusiness**

#### **OBJECTIVE 1.0: COMMODITY ACTION PLAN SUB-SECTOR ACTIVITIES**

- **Activity 1.0.1: Organize training and education in management, sales, marketing, and negotiation to export oriented companies and sector specific trainings.** The Agribusiness Project Marketing staff delivered a Trade Fair Training for the Sial Fair participants. The mushroom companies, Interfood 60, BMD, Igda and Jurofungo, attended the training session. In addition, the marketing staff and representatives of the Montgomery Group from the UK, conducted training for the IFE in India and London regarding the prospects for these fairs and markets for Serbian companies.

The USAID Agribusiness Project also organized a sales and marketing training for Serbian companies that will exhibit at Fruit Logistica, BioFach and the GulFood trade shows in 2009. This training session took place in Belgrade on December 22, 2008.

#### **OBJECTIVE 1.1: STRENGTHENING PRODUCER ORGANIZATIONS**

- **Activity 1.1.1: Improve management capacity and develop an action plan (short term strategy) for the Mushroom Association within Fruits of Serbia.** In order to improve the management capability of the Mushroom Association, the Agribusiness Project will provide assistance to the association for the development of an action plan. The action plan will give direction to the management of the organization and help them choose the activities to focus on for the upcoming season, the resources required, and how the activities can be financed. It is

expected that the main focus of the plan will be participation in trade shows, general sector promotional activities, and efforts to improve the business environment for the sector. This is now being planned and is expected to begin in January 2009.

**OBJECTIVE 1.2: IMPROVING ABDS SERVICE DELIVERY**

- **Activity 1.2.1: Organize awareness campaigns on specialized standards for wild collection companies (FairWild standard), and introduce GlobalGap certification for companies involved in MAP cultivation.** The Agribusiness Project is planning an awareness campaign on the standards for Organic Wild Collection - FairWild and the International Standards for Sustainable Collection of Medicinal and Aromatic Plants (ISSC-MAP) – targeted at companies that collect wild mushrooms and MAPs in Serbia. These training programs will be implemented in cooperation with the Mushroom Association, the "Dr Jovan Tucakov" Association, and the local ABDS provider One Food. The campaign will begin with the distribution of brochures describing the standards, followed by one day seminars conducted by representatives of the Institute for Market Ecology, IMO, an internationally recognized certification body. A draft agenda has been prepared, and the Workshop on Organic Certification, Fair Trade and Sustainability (how Serbian companies can access new markets through compliance with organic regulations and the Fair Wild and ISSC-MAP standards) will be held during the 3<sup>rd</sup> Quarter of Year Two.

The USAID Serbia Agribusiness Project is developing a comprehensive program to support the agricultural producers and processors in Serbia in the process of introducing international standards and systems. The first phase will include the awareness seminars in five cities regarding the marketing and other advantages of GlobalGAP certification. The Mushroom Sub-sector Lead has been assigned to organize the seminars in Cacak and Novi Sad. The seminar in Cacak is scheduled for January 22, 2009 at the Cacak Fruit Research Institute. The seminar in Novi Sad is scheduled for January 26, 2009 at the Regional Chamber of Commerce.

**OBJECTIVE 1.3: PROVIDING SALES & MARKETING SUPPORT**

- **Activity 1.3.1: Co-fund exhibition of producers at international fairs.** In cooperation with SIEPA and Serbian Ministry of Agriculture, the Project provided training and technical assistance to a group of Serbian companies to exhibit their products at WorldFood show, Sial, in Paris. At the fair, which took place from the 19<sup>th</sup> to the 23<sup>rd</sup> of October 2008, two companies from the herb & mushroom sub-sector exhibited at the fair, Igda and Strela. The Strela Company established several contacts with potential buyers at the fair. These potential buyers are interested in small packages of mushrooms, small packaging of frozen fruit, and hot production products. The companies contacted came from a number of countries, including Egypt, Poland, Slovenia, Russia, Ireland, Turkey, the UK, Germany, and others. In order to finalize contacts with these firms they will need to develop new retail packaging.

The Project is working with SIEPA to organize the Fruit Logistica exhibition in Berlin. Three mushroom companies, Igda, Marni and Jurofungo will exhibit at the fair. In addition, the Sub-sector Lead is contacting other herb and mushroom companies to identify participants in the bus trip being organized for the Fair. BMD, a mushroom company from Arilje, has been selected to exhibit at the 2009 Biofach Fair, in Nurnberg. Participation in this fair will be organized by SIEPA, with support from the Project.

- **Activity 1.3.2: Support sales delegation trips to the EU and North American markets.** Beside the above mentioned Agribusiness Project support for the visit to the Fruit Logistica Fair for companies not ready to exhibit on their own, the Project is also working with tea stakeholders, the National Association of MAP collectors and processors "Dr Jovan Tucakov", the Serbian Chamber of Commerce (MAP section) to organize a visit to the Vitafoods International Fair in Geneva. The Fair will take place in May 2009 and this fair is one of the "must-attend" events on the nutraceutical and food ingredients calendar in Europe. The event regularly sees many new products showcased, providing visitors the opportunity to see the latest developments in their industry all at one time, all under one roof. The Project plans to organize a visit to the fair for 7 to 10 Medicinal and Aromatic Plants (MAP) processors. The purpose will be to diversify their market, address their lack of knowledge regarding market demands and opportunities, and to expose them to modern marketing approaches. These firms will also be able to establish valuable business contacts with buyers of semi-processed and final products, and build relationships with input providers.
- **Activity 1.3.3: Improve packaging design and labeling so they can compete in export markets.** The Agribusiness Project signed a grant agreement titled the "Redesign of the tea bags, and labeling as per US market requirements" with the Bilje Borca Company on December 16<sup>th</sup>. Reporters from the national television station RTS were present at the event and a report on Bilje Borca was broadcast on the AgroInfo TV show. The grant will partially finance the development of a new brand name and package design specifically oriented towards the US market. It is expected that this new packaging will result in increased agricultural exports \$350,000 to \$500,000 over the coming years, and up to ten new full time jobs over three years. The improved packaging and attractive new design will also result in increased domestic sales, which are estimated to be \$400,000 over the same period of time. The total project budget for this program is estimated at \$31,900, with the USAID Serbia Agribusiness Project providing a cost-share amount of \$11,900. At the moment, Bilje Borca is in the process of seeking bids from the best service providers available for the job. The Grantee and the US customer for the Bilje Borca teas are in the process of negotiating a sales contract, which should be signed in January 2009.

A grant concept, titled "New packaging for Strela products", was submitted to the Project by the Strela Company from Leskovac. This concept has been approved by the grant review committee for the submission of a full proposal, and it is awaiting concurrence from the CTO before proceeding to the full proposal stage. The Strela Company is known for its mushroom products and since 2006 they have built a new cold store, with a capacity of 1,350 tons, which gives them the capability to process berry fruits, sour cherries, hot preparations (such as ajvar), and plums. The purpose of this grant will be to assist Strela to develop a new brand name and retail packaging for the EU market. The total budget for this project is estimated at \$40,000, with the USAID Agribusiness Project providing \$16,500 as a cost-share. It is expected that this project will assist Strela to increase its exports of final products by as much as \$1.5M, and to create six new full time jobs over the coming three years. This improved packaging and attractive design will also result in an increase in domestic sales, which are estimated to be as much as \$500,000 over the same period of time.

The Sector Lead is also developing a grant concept which will be submitted to the Project by Jurofungo, a mushroom company from Kursumlija. The project activity will be the redesign of their retail packaging in order to shift their sales from bulk to retail. The total project budget and the expected results are yet to be defined. The grant concept should be finalized, and submitted for approval, before the end of January 2009.

**OBJECTIVE 1.4: YOUTH ENTERPRISE PROGRAM REPORT**

- During the first quarter of Year Two the Mushroom Sub-sector did not have any activities related to the implementation of the Youth Enterprise Program.

**OBJECTIVE 1.5: CROSS CUTTING ACTIVITIES REPORTS**

- **Activity 1.5.1: Provide support for policy reform on the export procedures for wild collected products.** At the 15th Industry Meeting, which was held in Backi Petrovac on October 10, 2008 and was organized by the Serbian Chamber of Commerce and the “Jovan Tucakov” Association, sub-sector stakeholders raised several policy issues they are facing. In particular, the absence of subventions for cultivated herbs and the reform of legislation regarding the control of wild collected products were highlighted as the main policy issues. During the meeting it was agreed that the Serbian Chamber of Commerce and the “Jovan Tucakov” Association should prepare a letter, or report, explaining these issues for selected government officials. The letter, including policy reform recommendations, should be sent to the MAFWM, the Ministry of Environment, and the Department for Environmental Protection. The Agribusiness Project’s Agriculture Information and Policy Specialist has provided assistance to the group to prepare this document. The document has been sent to the Ministries but no official response has been received.

**OTHER ACHIEVEMENTS/ACTIVITIES IN PROGRESS**

- **Client Firm Recognition:** The Marni Company, a client firm that processes and exports wild mushrooms, was awarded the Exporter of the Year Award for New Markets from SIEPA because of their exports to the US market. This export market was developed with assistance from the Agribusiness Project. During the award ceremony the manager of the company acknowledged the importance of project assistance, and thanked USAID as well.

The Strela Company, another client firm that processes and exports wild mushrooms, was short listed as one of the 50 best SMEs in Serbia.

- **Collaborative Activities:** The companies, Strela, Macval Tea, and BMD applied for the Community Connections marketing program to be implemented by World Learning in Serbia and Washington DC. The Community Connections Program offers a three-week, homestay-based, practical training opportunity in the US for professionals that demonstrate aptitude and leadership potential in different fields. One of these fields is marketing. While in the US, Serbian marketing professionals will meet with US counterparts and others, and learn about American marketing and business practices first hand. They will receive professional training and exposure not only in generic marketing skills, but also those that are industry and sector specific for their companies. Program participants will travel to the US in March and early April 2009.

## TREE FRUITS – Quarterly Report

October 1, 2008 - December 31, 2008

### Component 1: Increased Efficiency & Competitiveness of Agribusiness

#### OBJECTIVE 1.0: COMMODITY ACTION PLAN SUB-SECTOR ACTIVITIES

- **Activity 1.0.1: Support Market Requirements for Product Certification (GlobalGAP).** As a part of the preparatory works for the overall GlobalGAP certification program, the Sector Lead visited four vertically integrated tree fruit cooperatives to advise them on the upcoming project support. Furthermore, the Sector Lead has been identifying agribusinesses in the sector that are interested in obtaining GlobalGAP certification, and advising them to attend the info-seminars and apply for assistance in the certification process. Faced with reduced exports to their main markets, as the global financial crisis is hitting the Russian importers, growers are aware that they need to shift to alternative sales channels in the region or in EU countries. In addition, retail chains in Serbia are becoming more demanding regarding fresh produce traceability and food safety issues, and are recommending that suppliers implement international standards in their primary production to secure an advantage in the local market. The Sector Lead has partnered with local governments to arrange the schedule for the GlobalGAP seminars in Nis (January 23, 2008) and Smederevo (January 30, 2008).
  
- **Activity 1.0.2: Improved Harvest and Post Harvest Management.** As an introductory activity to the Cold-Chain study, the Project team and Dr. Stephen Neel, a senior technical advisor for the World Food Logistics Organization (WFLO), visited two facilities used for the storage of fresh apples in Subotica. Mr. Neel interviewed facility owners and managers and vetted the technical capacities of these facilities. The results and findings of this visit will be incorporated into the Cold-Chain Study of the current situation in the Serbian tree fruit sector. Based on the findings and recommendations contained in the study, specific interventions and training programs, aimed at fresh fruit businesses and ABDS providers, will be conducted over course of the Project. The Year Two Workplan already contains a tree fruit value chain analysis and commodity action plan, with a rapid assessment of the ULO cold stores and the delivery of training to ABDS providers and ULO operators in improved post-harvest handling and storage for fresh apples. It was agreed with the WFLO technical advisor that the already planned activity will complement efforts of the Cold-Chain Study, and be included in the overall program activity. Mr. Chris Watkins, from Cornell University, has tentatively confirmed his participation in this effort, and a Scope of Work needs to be prepared and approved. As a potential replacement for this assignment the WFLO has recommended a Canadian ULO expert, Dr. Robert K. Prange, Ph.D.
  
- **Activity 1.0.3: Improve Farm-Level Productivity and Quality of Fresh Apples.**
  - ***Training and technical assistance in advanced apple and stone fruit growing techniques.*** This activity has been postponed for the 2<sup>nd</sup> quarter. The consultant scheduled to conduct this activity, Dr. Mirjana Bulatovic-Danilovich from Michigan State University, has proposed February-March as the period when she will be available to travel to Serbia.

- **Study tour to advanced fruit growing operations in Italy, South Tyrol.** During the preparations for this planned activity the Tree Fruit Sector Lead met with Ms. Mara Bottone from Cooperazione Italiana to discuss their potential role and support for the organization of this study tour. Ms. Bottone suggested visits to the most advanced producer organizations in South Tyrol, and also to other regions in Italy that are similar to where the cooperatives in Serbia are located (Emilia-Romagna, Reggio Emilia). Taking into consideration these inputs and the fact that most of the tree fruit companies and ABDS providers are already visiting specialized fairs and equipment suppliers in Italy, a decision has been made to tailor this activity to the needs of producer organizations. Cooperazione Italiana has offered its assistance with communication with selected Italian cooperatives, in the organization of the training program, acquiring visas for the participants, and potential co-funding for the travel costs. Because of the long procedure of acquiring Italian visas, and a very busy schedule of similar activities for the producer organizations in February-April (visit to Fruit Logistica Fair, Community Connections study trip to US), this activity has been postponed for the 3<sup>rd</sup> Quarter. The main goal of the trip will be to expose managers of Serbian producer organizations and cooperatives to advanced forms of farmer organizations in Italy. Participants will learn about their organizational structure, management systems, internal procedures, and marketing. Another goal will be to transfer the best practices of Italian fruit growers to operators in Serbia. When the final program agenda is prepared it will be presented to potential participants to get their full commitment to participate.

**OBJECTIVE 1.1: STRENGTHENING PRODUCER ORGANIZATIONS**

- **Activity 1.1.1: Organize and support sector-specific associations.** Despite the Project's initial assistance the legal status of the National Association "Serbian Fruits" was not settled until November 2008 due to a delay in registration. The association's development has also been slowed down due to political issues following the Serbian elections and the formation of a new government. It was expected that the Ministry of Agriculture would financially support the start-up costs of the association and the Chamber of Commerce would provide the association with office space, at no cost, in Belgrade. While these elements of support for this association are important, the Project identified the main problems facing the organization being a lack of professional and dedicated management, and a proper organizational structure. The association needs to set clear goals, develop a mission and strategy statement, and implement a management structure, governance, bylaws, and member commitment. Furthermore, the association should define the activities and services that it will offer to its members and other stakeholders. The Producer Organization team will, in coordination with other project staff, engage a consultant to work with the management board on organizational capacity development.

In addition, the Project is working on assisting the association to establish a visual identity. A new logo for the national association "Serbian Fruits" has been prepared by a local service provider based on guidance from Jeff Spear, a graphic design consultant with the project. Project staff will meet soon with the management of the "Serbian Fruits" association to advise them on the selection and use of the new logo.

**OBJECTIVE 1.2: IMPROVING ABDS SERVICE DELIVERY**

- **Activity 1.2.1: Agricultural Innovation Center Laboratory Certification.** On October 2, U.S. Ambassador to Serbia, Mr. Cameron Munter, following a meeting with Arilje Mayor, Ms. Mirjana Avakumovic, handed over a grant certificate in the amount of \$19,380 to Mr. Radojko Lukovic, Director of the Agricultural Innovation Center (AIC) in Arilje. The AIC in Arilje is a

modern regional agribusiness development service (ABDS) provider, established through a private-public partnership. Earlier this year, the AIC applied for a grant to support their ISO17025 certification of the center's laboratory in order to strengthen the capacity of the AIC to provide accredited water and soil testing services to farms and agribusinesses. During this past quarter the AIC has been implementing most of the Project supported activities planned for this period; consultants conducted visits to the AIC laboratory, half of the accreditation procedures and documentation has been prepared, lab equipment was calibrated and tested, and additional equipment was procured and prepared for accreditation. During the quarter the AIC also submitted its monthly programmatic and financial report for reimbursement of the first installment. In January, 2009, as planned, the AIC will file an accreditation application with the Serbian Accreditation Authority (ATS), and begin the certification procedure. The accreditation process will be completed in August 2009, whereupon first results will be visible.

- **Activity 1.2.2: Support pilot project in Northern Vojvodina, development of Pest-Watch advisory web portal.** The local ABDS provider from Sombor (Agroprotekt), in cooperation with other regional providers, submitted draft version of a project proposal to develop Pest-Watch, a regional advisory web portal for forecasting and managing plant insects and diseases and to provide farmers with on-line advice on optimal pest management. More than 20 agribusinesses and producer organizations, and 700 farmers, will be trained in how to use the on-line web services of this portal. The goal of this project is to establish a pilot activity for a new business service for growers which will result in improved quality and marketability of their products, as well as in decreased costs and increased overall sales. The service provider will see an increased income of \$100,000, while the indirect impact through increased farmers' sales is estimated at \$500,000 between start-up and the end of 2012. The Sector Lead is advising the applicant on the development of a final application that will be submitted for review in January, 2009.
- **Activity 1.2.3: ABDS linkages for increased exports.** Russian buyers have required tree fruit consolidator/exporter, Agrar-Komerc, to perform a quality control check and pre-shipment inspection of their fresh fruit prior to each delivery. The Project linked the company with SGS, the internationally accredited provider of quality control and pre-shipment inspection services of their fresh fruit. As a result, Agrar-Komerc has started to use the quality control services of SGS and is now making regular export shipments without any complaints from buyers.

### **OBJECTIVE 1.3: PROVIDING SALES & MARKETING SUPPORT**

- **Activity 1.3.1: Support stakeholders preparing to exhibit at local and international trade fairs.** In cooperation with SIEPA and the Ministry of Agriculture, the Project has supported two tree fruit processing companies, Agranela and Foodland, with their participation in the Serbian National pavilion at the SIAL Trade Fair in Paris, France. The Tree Fruit Sector Lead collected data on the results achieved by participating companies. Foodland contracted for \$630,000 of exports, and entered negotiations with a German company and a US buyer from Michigan for potential sales of fruit preserves, jams, and fruit butters worth \$560,000. Agranela, contracted for delivery of prunes worth \$250,000, and negotiated the sale of \$250,000 worth of dried sour cherries.
- **Activity 1.3.2: Co-fund exhibition by tree fruit stakeholders at Fruit Logistica.** As part of the marketing program activity the Project facilitated attendance by five tree fruit companies at a presentation delivered by the service provider which will organize the joint exhibition of Serbian companies at the Fruit Logistica fair, in Berlin. Three companies (Burlat Pro,

AgroProm, and Zdravo Organic) decided to participate at the Serbian National pavilion that will be partly funded by the Agribusiness Project, while other two companies (Agrar Komerc and Golden Garden) will exhibit through SIEPA. The Project, together with SIEPA and the Ministry of Agriculture, is preparing all five tree fruit stakeholders for participation at the Fair.

- **Activity 1.3.3: Organize group trade mission to the Fruit Logistica fair.** Besides the exhibitors, the Project will also partially fund a trade mission to the Fruit Logistica Fair for about thirty representatives from Project client firms dealing with fresh fruit and vegetables. The Tree Fruit Sector Lead has been providing relevant information to sector stakeholders on the Fair, and finalizing the list of participants. Eight participants from the tree fruit sector will travel to Berlin as part of this trade mission to the Fruit Logistica Fair. They are representatives from two producer organizations, two tree fruit enterprises, and one ABDS provider.
- **Activity 1.3.4: Assist tree fruit companies to access new markets.** As a result of the market analysis delivered to tree fruit stakeholders during the presentation of the Project’s sub-sector strategy in May 2008, the tree fruit consolidator and exporter, “AgroProm” from Subotica, has begun to access new markets with their fresh apples. Due to the global financial crisis, fresh fruit sales to Russia are decreasing and “AgroProm” plans to diversify its market channels to the North African and Middle Eastern markets. Based on the Sector Lead’s advice and assistance they plan to participate in the GulFood Fair in Dubai with SIEPA. The Project will prepare the company for the exhibition by providing sales trainings and a market analysis.
- **Activity 1.3.5: Implement virtual consolidation of Fruitland’s sales through tailor made software.** Although the Project has been eager to support the initiative of the “Fruitland” association of tree fruit cooperatives to consolidate their product offer through the introduction of tailor-made software for supply chain and inventory management of their ULO cold stores, the Tree Fruit Sector Lead recommended against further development of this project concept. The impact of the global financial crisis on Russian importers, internal problems that Fruitland has had regarding low-quality deliveries of fresh plums to Russia, and constant complaints from buyers, forced member cooperatives to withdraw the initial concept paper and to wait for better market conditions. The Project will assist member cooperatives to overcome their current problems and move the association back onto the right track

**OBJECTIVE 1.4: YOUTH ENTERPRISE PROGRAM REPORT**

- During the first quarter of Year Two the Tree Fruit Sector did not have any activities to report on related to the implementation of the Youth Enterprise Program.

**OBJECTIVE 1.5: CROSS CUTTING ACTIVITIES REPORTS**

- During the first quarter of Year Two the Tree Fruit Sector did not have any activities to report on related to the cross cutting activities of the project.

**OBJECTIVE 1.6: ASSIST WITH HIGHER-VALUE PRODUCT DEVELOPMENT**

- **Activity 1.6.1: *Introducing new packaging technologies for highly processed, fruit-based products.*** A grant proposal, “Introduction of New Technology in Foodstuff Packaging”, which has been submitted by "Desing Ltd" from Belgrade, has been approved for funding by the members of Agribusiness Project Grants Review Committee. The Grant Application will be submitted to USAID for final approval in the second week of January 2009. At the same time

the Environmental Advisor and Tree Fruit Sector Lead will visit Desing's processing facility in Knjazevac, South-east Serbia, to conduct an environmental compliance review and due diligence on the project proposal. "Desing" is a recognized manufacturer of custom developed, highly processed, fruit-based products for the HoReCa<sup>1</sup> market (ice cream, bakery, dairy, beverage, and confectionery). In the last six years, the Desing has become an approved supplier for large international companies operating in Serbia (such as McDonald's, OMV, Costa Coffee, Nestle and, Metro Cash & Carry), primarily for products previously imported from developed countries. The purpose of this project will be to assist Desing to introduce new packaging technologies in response to specific market requirements from their customers, and the strict regulations of current and potential key clients (adoption of new standards on use of food ingredients and additives, improved microbiological product safety and better packaging). The Agribusiness Project has already supported the Company in the initial phase of this activity, in June 2008, when a graphic design consultant provided valuable inputs to the local service provider they hired to design new packaging. This project will help Desing's efforts to improve its positioning in the market, both local and foreign, and to increase its sales of final products. The project is expected to result in increased cumulative sales in the amount of \$2.9 Mill and to create three new full time jobs by the end of 2012. The improved sales of these fruit based products will also bring benefit to Desing's suppliers - fruit growers and coldstores.

#### **OTHER ACHIEVEMENTS/ACTIVITIES IN PROGRESS**

- The Tree Fruit Sector Lead completed the field editing of the Tree Fruit Value Chain Assessment and sent the final version, along with answers to the queries made by US based staff, to the DAI home office. The final VCA document has now been posted on the Project web-site: <http://www.agrobiznis.net/>
- The Tree Fruit Sector Lead disseminated market information regarding the financial crisis hitting Russian fresh produce importers to more than 30 stakeholders in the fresh tree fruit sector. One of the leading Russian companies in St. Petersburg faced significant financial problems when some of their investors wanted to cash out their investments in the company. According to Russian law, the company has a month to come up with the money, which at this time when a lot of cash is invested in prepayments for the coming importing season can harm the industry very much.
- The Sector Lead has written a success story on Producer Organizations that was included in the agricultural lending brochure that was published by the Ministry of Economy. The tree fruit Cooperative "Vocko", from Tavankut, was presented as a role model for farmers' organizations using banking services.
- The USAID Agribusiness Project received 61 applications for the vacant post of Tree Fruit Sector Lead. The incumbent Sector Lead reviewed the applications and narrowed the list down to 10 short-listed candidates. Four leading candidates (all graduate agronomists) were then selected and interviewed. The selection committee selected Ms. Katarina Markovic as the best candidate for the new Tree Fruit Sector Lead. Her name and credentials have been submitted to USAID for approval before finalizing her employment by the project.
- Information on the Marketing Course in the US for professionals working in the Agribusiness industry, designed by the USAID Community Connections Program, was disseminated to 43

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<sup>1</sup> **HoReCa** - sector of the food service industry, establishments which prepare and serve food and beverages (**H**otels/**R**estaurants/**C**atering).

tree fruit stakeholders. Three tree fruit companies applied for participation in the marketing course with World Learning's Community Connections Program.

- A fruit processing company from Osecina, Podgorina Frucht, requested assistance to gain entry into the US market for frozen fruits and fruit concentrates. They have submitted a company profile, and a full product list, requesting our assistance in identifying importers in the US and facilitating the exchange of information with Serbian producers.
- The Vocko tree fruit cooperative, from Tavankut, requested assistance to improve their technical capacities (fruit growing and post harvest). The Prima tree fruit cooperative, from Backi Vinogradi, has requested assistance to improve their post harvest and storage of fresh apples applying the new SmartFresh technology.

## VEGETABLES – Quarterly Report

October 1, 2008 - December 31, 2008

### **Component 1: Increased Efficiency & Competitiveness of Agribusiness**

#### **OBJECTIVE 1.0: COMMODITY ACTION PLAN SUB-SECTOR ACTIVITIES**

With the purpose of strengthening Serbian producers and preparing them for export markets and for the upcoming “open border”, when products from the EU will freely enter the Serbian market, the Agribusiness Project implemented a number of assistance activities. Assisting Serbian firms in the Vegetable Sector to reduce losses caused by improper post harvest handling and storage was one of the key issues that the Project has been addressing at the a producers level. Specialized commercial producer groups, which were identified during the value chain assessments, from Gospodjinci, Begec, Despotovo, Zablace, Obrez and others received post-harvest training from the project and this was the first time this subject was introduced to them. In order to meet market requirements for food quality and safety, and traceability standards, the Project continued preparations for the implementation of the GlobalGAP training program for Project clients. This effort will be particularly relevant for the fruit and vegetable producers and processors. Project services to facilitate access to new markets, and to link local firms with foreign importers, continued over the course of the past quarter.

The MDD Company, a large scale cold storage facility located in Novi Sad, has adopted a strategic plan to expand its operations and to make a large investment in building a new sorting and packaging facility. This company currently has a 7,500 ton, state of the art, cold-storage facility and this new venture will allow them to purchase local produce which can then be sorted and packed for sale in the domestic and export markets. MDD has requested assistance from the Project for a review of their plans for this expansion and the establishment of their relations with producer organization suppliers. The Agribusiness Project intends to engage a two person team, one expat and one local, to review MDDs plans and offer them advice and guidance on proceeding with this expansion. This company will also participate in the Fruit Logistica fresh fruit and vegetable specialized fair in Berlin, and present vegetables packaged for retail sale.

- **Activity 1.1.1: Introduction and preparation with the beneficiaries interested in Global GAP certification.** Five producer organizations are ready to make the necessary investment and begin the implementation of GlobalGAP standards. These organizations will begin the actual training and certification process following the awareness seminars which the Project has scheduled for January and February 2009. These producers are large scale commercial producers which are aware of the export market requirements and the quality advantage GlobalGAP will give them on the local market. Based on discussions so far each group will recommend five members for certification. At the moment these organizations have been mainly oriented on the domestic market but after certification they will be able to compete with other EU producers on the international market. Global GAP is not an obligatory standard, but market opportunities and potential are significantly better for the certified organizations.
- **Activity 1.1.1: Linking processors with local suppliers of vegetables.** Naturacoop, a company involved in retail packaging of vegetables, requested Project assistance to find a good supplier of carrots for their plant. To follow up on this, the vegetable producers from Begec

have been introduced to the Naturacoop management and a meeting with the participation of the Vegetable Sector Lead was arranged. As a result of this facilitation both parties have accepted the contract conditions, and a contract for the supply of 400 tons of carrots will be signed early in the new year. The value of this contract is estimated to be over \$100,000.

**OBJECTIVE 1.1: STRENGTHENING PRODUCER ORGANIZATIONS**

- **Activity 1.1.1: Training program on post harvest management for producer groups involved in storable vegetable production.** On November 25<sup>th</sup>, the first post-harvest training seminar for vegetable producers was held in Zablance. This event was organized in collaboration with the association of vegetable producers from Zablance, and with the participation of vegetable producers from Mrcajevci, Rajac, Trbusani, Obrez and others locations in that region. More than 40 participants attended the event and they received information regarding onion, carrot, cabbage and potato harvesting and post harvest management.

The second post-harvest training seminar was held in Gospodjinci with the participation of members of the ZZ Gospodjinci. This group has over 100 members, and it is well known as being one of the largest onion and pepper producers in Serbia. This is a first time that they have participated in a post-harvest training event, and until now no project has assisted them to address the problems they have with post-harvest handling and storage. Three vegetable types were the subject of this training program: onions, peppers and cabbage. Members of this group suggested the idea that post-harvest analyses should be completed in Serbia for the local varieties grown and kept under climate the conditions in this region. ZZ Gospodjinci are willing to assist in this effort and offered part of their land for production trials and storage in this experiment.

The third post-harvest training seminar took place in Begec for the members of the Vegetable Producers Association of Begec. This group is also well known as one of the largest carrot and young potato producers in Serbia. Since they don't have appropriate storage facilities for their carrots they are faced with significant losses if they cannot market their crop immediately. The emphasis of the seminar was on proper carrot storage conditions, pathogens, diseases and how they could improve their present conditions.

The fourth post-harvest training seminar was held in Despotovo, in collaboration with ZZ Agronom. This group is specialized in potato and onion production, so the emphasis of the training seminar was on those products. Group members have individual storage facilities, and a few of them have new 100 to 150 ton capacity stores. Another part of the activity was an STTA provided by Professor Dr. Zoran Ilic, who visited several of the large scale producers at each location, where on the spot discussions regarding storage methods were held and he offered the participants ideas for potential improvements that will result in decreased losses.

- **Activity 1.1.2: Facilitating farmer cooperative development.** The Agribusiness Project program has been presented to the Association of Vegetable and Fruit producers from Silbas. They have requested assistance from the project for the development of a farmer cooperative as logical step forward in their future development. A Project team has provided them with assistance, and registration of this new cooperative is expected in early 2009.

The Agribusiness Project team also assisted the Kondor association of potato producers from Leskovac to register as a cooperative and to apply for a loan (NIP) to build a cooperatively owned cold-storage facility.

**OBJECTIVE 1.2: IMPROVING ABDS SERVICE DELIVERY**

- **Activity 1.2.1: Improving ABDS provider skills (Global GAP).** In coordination with GTZ (International cooperation enterprise for sustainable development) ABDS providers from the vegetable sub-sector participated in a five day training program for Global GAP inspectors. The training was held by representatives of the German certification company AB-Cert. After the training, which will cover a two month period, the participants will take an on-line exam and become licensed Global GAP Inspectors. Since the ABDS providers recommended by the Agribusiness Project showed very good knowledge during the training some of them have already received an invitation from AB-Cert to work for them in Serbia. Additional activities related to the education of ABDS providers will continue throughout the year.

**OBJECTIVE 1.3: PROVIDING SALES & MARKETING SUPPORT**

- **Activity 1.3.1: Sales Mission visits to EU Markets.** A planned visit to Spain, and their national association of vegetable producers, is in the preparatory phase. Following delays caused by personnel changes within the Project, contact has been established with the Economy-Trade Department at the Embassy of Spain, and very useful information has been provided. The Embassy is offering assistance regarding the logistics for the visit, which is planned for late March 2009. Potential participants have been interviewed and a preliminary list has been prepared. After the follow up information has been provided by the Spanish association a final draft of an agenda for the mission will be presented to the client firms.

**OBJECTIVE 1.4: YOUTH ENTERPRISE PROGRAM REPORT**

- During the first quarter of Year Two the Vegetable Sector did not have any activities to report on related to the implementation of the Youth Enterprise Program.

**OBJECTIVE 1.5: CROSS CUTTING ACTIVITIES REPORTS**

- During the first quarter of Year Two the Vegetable Sector did not have any activities to report on related to the cross cutting activities of the project.

**OTHER ACHIEVEMENTS/ACTIVITIES IN PROGRESS**

- Twenty vegetable producers have applied to participate in the sales mission to the Fruit Logistica fair in Berlin. They believe this will be a great opportunity for them, and it will give them an opportunity to meet their competition, and to understand the requirements of European markets. They will also learn about new packaging trends, specific foreign market requirements, and other aspects of the international markets for vegetables.
- As a result of Agribusiness Project facilitation, Metro Cash & Carry has signed a contract with the Zithohem company for the regular supply of their retail network in Serbia. Since the local market for Zithohem products is not well developed yet, both parties have agreed to work on a promotional program for these products.
- As a result of a market analysis, which shows great interest in frozen and pasteurized sweet corn and green peas, two vegetable processing companies – ABC Food, and Prima Produkt – have applied to participate in the GulFood fair in Dubai in 2009.

- Zitothem of Zrenjanin, a vegetable processing company involved in fresh cut vegetable products, will participate in, and exhibit at, the Fruit Logistica fair. Additional market analyses will be provided to them as part of their preparation for this event.
- The “Terras” association of Subotica, which consists of organic producers, processors, scientists and other parties involved in organic production, has initiated the idea of establishing a “Center for the development of organic agriculture” in Subotica. This idea is being supported by the Subotica Municipality, the Open University of Subotica, and the Louis Bolk Agriculture Institute from Holland. The Agribusiness Project also intends to provide some limited assistance to this effort over the coming year.
- For the Community Connection marketing program, implemented by World Learning, four companies from the Vegetable Sector have been recommended for participation, as follows:
  1. ABC Food (frozen vegetable producer) from Ruski Krstur
  2. Biotrend Donato (salad and vegetable dressing producer) from Novi Sad
  3. Radan Company (cold storage operations) from Zmajev
  4. Prima Product (pasteurized sweet corn and green peas production) from Kikinda

The applicants are very interested in the program and the opportunity to improve their marketing and sales skills. The program will be implemented in March and April, 2009.



# **USAID Serbia Agribusiness Project**

Quarterly Report – Year Two Quarter One

October 1, 2008 - December 31, 2008

Annex 3 – Cross Cutting Reports:

Marketing & Sales

Producer Organizations

ABDS & Finance

Youth & Gender

Environment

## MARKETING & SALES – Quarterly Report

October 1, 2008 - December 31, 2008

### Component 1: Increased Efficiency & Competitiveness of Agribusiness

#### OBJECTIVE 1.3: SALES & MARKETING PROGRAM

##### ➤ ACTIVITY 1.3.1: SUPPORT PARTICIPATION IN TRADE FAIRS & SHOWS

The Project provided significant support for the Belgrade Ethno Food & Beverage Fair (see photo at right). Project representatives, jointly together with representatives from the Ministry of Agriculture and the Serbian Chamber of Commerce, opened the fair. The Agribusiness Project provided grant funds to support installation of the stands, and the preparation and printing of promotional materials for the fair. In addition, the Agribusiness Project provided support for advertising for the fair. Over 160 producers and processors took part in the exhibitions, and the event generated considerable media interest and coverage. Attendance at the fair by the general public doubled from that of last year. Mr. Remer Lane, the Project's Marketing & Sales Director, presented a lecture titled "Running a Small Food Business" as part of the lecture series offered to fair participants.



Over the course of the past quarter the Project worked with a number of client firms to assist them with business linkages, and to negotiate & finalize sales with foreign and domestic customers. The table below provides a summary of the sales projections by company following this support:

#### Product Sales Projections Reported by Project Clients during the Quarter

Company Name	Product Sale	US Dollars	Euros
Igda Mushroom	Mushrooms	\$125,000	€100,000
Jugrom	Frozen fruit & vegetables	\$875,000	€700,000
Pionir	Confectionary products	\$125,000	€100,000
ITN	Frozen fruit	\$1,250,000	€1,000,000
MMS	Frozen fruit	\$1,250,000	€1,000,000
Agranela	Dried fruits	\$1,250,000	€1,000,000
Sicoberry	Frozen fruits, Fruit smoothy mixes	\$2,500,000	€2,000,000
Agrograf	Frozen fruits	\$750,000	€600,000
Prima Product	Canned corn & peas	\$1,250,000	€1,000,000
Foodland		\$1,875,000	€1,500,000

➤ **ACTIVITY 1.3.2: OPEN NEW DOMESTIC MARKETS FOR CLIENT FIRMS**

During the quarter the Marketing & Sales staff had a full schedule of activities focused on creating and facilitating market linkages and identifying new domestic markets for client firms. The more important activities in this category for the past quarter are the following:

- Project staff linked Familija Market with various companies and the Sector Leads for Vegetables, Tree Fruits, and Dairy to support further development of their supply chain with project supported companies.
- The Project linked the Zlatibor Dairy with Metro Cash & Carry of Serbia and has provided assistance to Zlatibor for the preparation of an offer to Metro for their products.
- Sales & Marketing staff linked Agrograf, a frozen fruit producer, with Familija Market, which is a recently established domestic supermarket chain. Agrograf has signed a contract with Familija Market to supply their supermarkets.
- Project staff linked the German buyer IMRECO with Vulic & Vulic, which will supply IMRECO with three trucks of frozen cherries with pits. This supply agreement was negotiated and signed at the SIAL Fair in Paris.
- The Project linked the Zadrugar company with various foreign buyers, and Zadrugar has now reported four million Euros in exports of organic berry fruits. These sales are the result of Project support provided to Zadrugar for participation in the Biofach fair.
- The Project facilitated buyer linkages for Nectar Juice Company for the sale of Sour Cherry Concentrate to the Russian Market. Nectar reported \$700,000 in project support sales.
- The Juzni Banat company reported an additional \$3.75 million in sales as a result of Project assistance in 2008. The company will also participate in our GlobalGAP certification program to further increase their exports of fresh fruit.
- The Project worked in coordination SIEPA and the Ministry of Agriculture on the organization of and participation in the SIAL Fair in Paris, in October. Ten Serbian companies participated at the fair, and reported negotiating \$11 million in potential sales contracts.

➤ **ACTIVITY 1.3.3: STRENGTHEN BUSINESS SKILLS IN SALES & MARKETING**

As part of the program of activities undertaken by the Marketing & Sales staff, the Project has put on a number of training events that are focused on the needs of Project client firms in the area of marketing & sales. The main marketing & sales training events that were offered to project clients over the past quarter were the following:

- The Agribusiness Project provided Sales Training, SMECA Export Financing, and Marketing Training for companies that will participate in the Fruit Logistica, Gulfood, and Biofach fairs during the first quarter of 2009. These training sessions were held at the Zira Hotel conference hall, and a total of 23 companies participated in the training event.
- The Agribusiness Project also provided market training for companies that were interested in participating in the IFE London Fair and the IFE India Fair. A total of 20 companies participated in this training event.
- The Agribusiness Project provided pre-event Sales & Marketing Training for the ten client companies that participated in the SIAL Fair in Paris.
- The Agribusiness Project Marketing & Sales Director, Mr Remer Lane, gave a lecture on “How to Run a Small Food Business” during the Belgrade Ethnic Food Fair in November. A total of 50 participants attended this lecture.

➤ **ACTIVITY 1.3.4: FACILITATE MARKET INFORMATION EXCHANGE FOR CLIENTS**

In addition to the finalized sales contracts the Project has facilitated a number of other contacts and information exchanges that should lead to additional sales contracts in the coming quarter. Among these, a few examples are the following:

- Prima Product – The Project provided Prima with business contacts in the Middle Eastern and Indian markets. Prima has already shipped one container shipped, on consignment, to Turkey.
- Agros Export International Ltd (Israel) – Agros is looking for IQF Raspberries, class A and B, and the Project has communicated this opportunity to a number of client firms that have the capability to fulfill this request.
- Frenzel (Germany) – Frenzel is looking for frozen vegetables the Project has communicated this opportunity to a number of client firms.
- Feldbacher Fruit Partners (Austria) – Feldbacher is looking for Plum Concentrate (at 56 Brix concentration), and the Project has communicated this opportunity to client firms.
- Krinos (USA) – This firm is looking for a supply of cheese from Serbia, and the Project has sent this opportunity to dairy firms that could supply this customer.
- Wimm Bill Dann (Russia) – WBD is looking for a supply of IQF Sour Cherries. The Project has communicated this opportunity to client firms that could fill this request.
- Unitrade (Greece) – Unitrade is looking for a supply of Cherry Concentrate, and the Project has communicated this opportunity to a number of client firms.
- Vegobel (Belgium) – Vegobel is looking for a supply of fresh herbs which are cut and potted.
- Saupiquet (France) – This company is looking for a supply of frozen red pepper. The Project has communicated this opportunity to a number of client firms.

➤ **ACTIVITY 1.3.5: PREPARE MARKET SPECIFIC REPORTS FOR CLIENTS**

The Marketing & Sales staff also undertook a number of other initiatives during the quarter that were focused on assisting client firms to identify new opportunities, and to increase their ability to penetrate new markets. The following activities were the most important events that took place in this category for the past quarter:

- The Project assisted the Foodland Company with product development and their marketing strategy which led to their being nominated for the award “*The Most Innovative Juice in the World*” at the World Juice Conference in Barcelona.

Foodland won this prestigious award (a promotional flyer for the juice is shown on the next page), despite competition from leading juice companies from around the world.

- The Marni Company, a Project client firm that processes and exports wild mushrooms, was awarded the “*Exporter of the Year Award for New Markets*” from SIEPA because of their export to the US market developed with USAID Agribusiness Project assistance. During the award ceremony (see photo above) the manager of Marni acknowledged the importance of the support they received from the Project, and thanked USAID for the assistance.



- The Ministry of Agriculture has approached the Project requesting support for an advertising campaign to support the distribution and consumption of Fruit Snacks in 10 Belgrade schools as a pilot project. The Project has taken this request under consideration and will assess how it fits within the overall goals of the project and if it creates a new potential market (ie fruit snacks for schools) for client firms.
- The Ambassador of India, the Ministry of Agriculture and the Ministry of Trade have requested Project assistance with preparing companies for a trade mission to India. The Project will be working on this initiative over the coming quarter and it appears that India could be an important new market opportunity for Project client firms.
- Familija Market approached the Project requesting assistance for linkages with vegetable producers from Southern Serbia. The Project will work on this request over the coming quarter, and will link Familija with supplier groups in the southern regions Serbia.
- SIEPA has requested Agribusiness Project assistance to design and implement a monitoring and evaluation process for their trade fair support. Project staff will be working with SIEPA on this initiative over the course of the coming quarter.



## PRODUCER ORGANIZATIONS – Quarterly Report

October 1, 2008 - December 31, 2008

### OBJECTIVE 1.1: STRENGTHENING PRODUCER ORGANIZATIONS

#### ➤ ACTIVITY 1.1.1: STRENGTHEN ORGANIZATIONAL CAPACITIES

##### ***Task 1.1.1: Conduct organizational capacity self-assessment of selected producer organizations.***

As an instrument for measuring organizational capacities of producer organizations, and tracking changes in capacity growth over time, the USAID Agribusiness Project selected the Organizational Capacity Assessment Tool (OCAT). This participatory self-assessment approach is a learning tool, and a capacity building effort, since it introduces the participating organization to the various components of management. To implement the OCAT survey, the USAID Agribusiness Project announced an invitation to bid in the local press for potential implementer firms in late August. A Bid Evaluation Committee conducted preliminary reviews of submitted bid proposals to determine their compliance to the material requirements of invitation to bid. All three bid proposals received were accepted for further evaluation. The final review and evaluation of the bid proposals for the OCAT survey was conducted on October 8, 2008.

The Bid Evaluation Committee reviewed additional clarifications requested from the highest ranked bidder – NALED (National Alliance for Local Economic Development) – a non-U.S., and non-governmental organization. Following this step, NALED was selected and has been contracted to implement the OCAT survey for the identified producer organizations. Due to a delay in the selection of the winner, and in contracting, the term of the contract is November 1, 2008 – January 31, 2009. The following activities were conducted during the first quarter:



- ***Activity 1: Adjustment of training materials.*** NALED consultants translated the original OCAT assessment sheet into Serbian and adjusted it to conform with the types of producer organizations present in Serbia. The NALED consultant, Mr. Goran Zivkov (ex Minister of Agriculture), provided input to the Project on the optimum approach for implementation of the OCAT methodology, and he introduced a new level of evaluation that would follow the indicators of success/growth (capital, financial, human). Furthermore, a comprehensive guide and manual for OCAT facilitators was developed as well report forms.
- ***Activity 2: Training of trainers - OCAT facilitators.*** NALED organized trainings in two phases (see photo above) to prepare the facilitators to conduct the assessments of the targeted producer organizations according to the OCAT methodology. NALED trainers, Mr. Goran Zivkov and Mr. Rade Nadlacki, trained over 30 facilitators, representatives of municipal LED offices, Regional Centers for Rural Development (from the network established by the Ministry of Agriculture), members of local NGOs, and small businesses that have proven their capacities in dealing with agribusiness agendas in their communities. Trainings were organized around presenting the OCAT methodology, the localized and modified assessment sheets and reporting

forms, simulation of their use, calculations of survey results, and drafting initial reports that will be used as a baseline framework for organizing further in-depth discussions with the organizations that have been self-assessed. Trainers also presented to the facilitators the organizational structures for cooperatives and associations that conform to Serbian legislation. The final part of the training was focused on making operational plans for the visits to all the districts and communities that will be involved in the project. Between the two trainings, the facilitators conducted initial assessments of 15 producer organizations, and results from these initial assessments were used at the second training for discussion, and further improving the process.

- **Activity 3: Advance preparation.** Based on the operational plans of the contract, and the initial visits made to selected producer organizations, the NALED consultants and facilitators have begun their field work during this quarter.
- **Activity 4: Completion of external assessment through field visits.** The assessments, the ranking process and follow-up consultations will be completed by January 20, 2009, while the final report is expected no later than first week of February, 2009.

The USAID Agribusiness Project expects that no less than 38, and up to a maximum of 50, producer organizations will be assessed and trained to conduct the OCAT self-assessment of their organizational capacities. The results of this survey will be very important, and will form the basis for capacity-building programs to be developed, and specific interventions tailored for individual producer organizations, or for a group of producer organizations, across all sub-sectors. Final scores of the assisted producer organizations on the OCAT will be an important Project baseline indicator that will be used to measure changes in organizational capacity growth over time. That will require consistency in methodology and approach, repeating the assessment process (re-OCAT) of client POs every 12 months after the original baseline OCAT.

**Task 1.1.2: Continue needs assessments of newly emerged and nascent producer organizations.**

The Producer Organizations team, in coordination with the sub-sector leads, continued needs assessments of newly emerging and nascent producer organizations that have been identified by the value chains and the commodity action plans: the *Blueberry Growers Association* from Crna Trava, the *Association of Fruit and Vegetable Growers* from Silbas, and the *Vegetable Growers Cooperative Zelena Basta*. The Agribusiness Project team assessed a newly formed cooperative of vegetable growers, *Zelena Basta* from the village of Saraorci near Smederevo. Cooperative members are starting joint production of tomatoes with 2.5 hectares of greenhouses, and plan to expand it to 5-6 hectares in 2009. They confirmed their interest in participating in the upcoming GlobalGAP workshops to be organized by the Project.

**Task 1.1.3: Organize and support sub-sector-specific associations.**

- **Activity 1: Capacity development of “Serbian Fruits” National Association.** Despite the Project’s initial assistance, the legal status of the National Association “Serbian Fruits” was not finalized until November due to a delay in registration. The association’s development has also been slowed down because of political issues following the elections and the new government. The Ministry of Agriculture was expected to financially support the start-up costs, and the Chamber of Commerce was to support the association with no-cost office space in Belgrade. However, we identified the main problems facing this association as the lack of professional and dedicated management, and a proper organizational structure. The association needs to set clear goals, and a mission and strategy statement, as well as develop a proper organizational structure, bylaws, and develop member commitment. Furthermore, the association should define

activities and services that it will offer to its members. Producer Organizations team will engage a foreign consultant to work with the association managing board on their organizational capacity development.

In addition to the previously listed tasks, the Project is working on the visual identity for the association. A new logo for the national association “Serbian Fruits” has been prepared by a local service provider, based on guidance from Jeff Spear, a graphic design consultant to the Project. Project staff will meet soon with the management of “Serbian Fruits” to advise them on the selection and use of the new logo.

- **Activity 2: Support creation of Dairy Processors Association.** Agribusiness Project is working with the more prosperous medium sized dairies to develop a framework for the creation of a representative Dairy Industry Association. One of the issues is to address anti-competitive market behaviors. The Project has developed a SOW for a US expert who will come out to help create an enabling environment for such a hub institution.

**Task 1.1.4: Support commodity-based producer organizations.**

- **Activity 1: Study tour to advanced fruit growing producer organizations in Italy.** During preparations for this planned activity the Sector Lead / Producer Organizations Specialist met with Ms. Mara Bottone from *Cooperazione Italiana* to discuss their potential role and support for the organization of a study tour. Ms. Bottone suggested visits to the most advanced producer organizations in South Tyrol, and also visits to less developed organizations from other regions in Italy that are similar to Serbian cooperatives (Emilia-Romagna, Reggio Emilia). Visits to terminal markets, and fruit & vegetable import-export wholesalers were also recommended. *Cooperazione Italiana* offered assistance in communication with selected Italian cooperatives, in the organization of the training program, acquiring visas for the participants, and co-funding for travel costs. Because of the long procedure of acquiring Italian visas, and a very busy schedule with similar activities for producer organizations in February-April (visit to the Fruit Logistica Fair, Community Connections study trip to US, etc) this activity has been postponed to the third quarter. The main goal of the trip will be to expose managers of Serbian cooperatives to the advanced forms of farmers’ organizations in Italy, to learn about their organizational structure, management, and procedures to entice participation by large and small producers equitably, and marketing. The Project’s goal is to observe the best practices of Italian fruit growers cooperatives and transfer them to operations in Serbia. When the program agenda is ready it will be presented to potential participants to get their full commitment to participate.
- **Activity 2:** Project has been supporting farmers to organize new commodity-based Producer Organizations. Most of these initiatives are coming from berry fruit stakeholders. The berry sector lead, and PO Specialist have provided advisory assistance on a case-by-case basis: selection of the appropriate legal form, raising member’s awareness and participation, bank loans and collateral, supplies and sales through a PO, and development of a marketing strategy. Assistance such as this was provided to emerging a number of emerging POs dealing with berries, such as the raspberry growers’ *Cooperative Borovac* from Kosjeric, and *Blueberry Growers Association* from Crna Trava.
- **Activity 3:** The Project has also worked with downstream buyers such as exporters, consolidators, processors, and supermarkets that are playing an important role in identifying “missing” Producer Organizations. The Vegetable Sector Lead is working with MDD Company from Novi Sad to provide technical assistance to support their development of a large scale packaging and processing facility for fresh vegetables. The company also requested assistance

regarding the identification and assessment of vegetable producers in the region as suppliers for this project. The Project will address the issue of developing a commodity based producer organization that can deliver fresh vegetables to the MDD Company effectively and efficiently, and cut operational costs through joint input supplies, and the introduction of new varieties.

**Task 1.1.5: Assist transition of informal groups and non-profit associations to profit-oriented cooperatives.** According to the Producer Organization Development Strategy, which aims to support the transition of non-profit associations into profit-oriented cooperatives, the Project has identified two producer organizations that could use this type of transition.

- **Activity 1: Increase number of new commodity-based for-profit producer organizations.** The *Association of Vegetable Growers* from Silbas, in Vojvodina, has requested assistance to support their transition from a non-profit association to a profit-oriented cooperative that will provide important commercial services to their members. During the second quarter, the Agribusiness Project team will support the development of a new cooperative structure, providing training to members on the benefits of cooperative organizations, the organizational structure, members' participation in the ownership, membership shares, the decision making process, and the distribution of profit.

The Project met with a senior technical expert, Durk Swierstra from the Dutch consulting organization PUM, to discuss a follow-up to his assessment of the capacities of the “*Kondor*” *Potato Growers Association* from Leskovac. According to the consultant's report the greatest obstacle for increased member sales is the lack of an appropriate storage facility. Being a civic, non-profit organization, the Agribusiness Project team advised the Association to establish a business entity, either a cooperative or a producer owned trading company, to be eligible for a loan (bank or government) which could be used for building a joint storage facility and/or consolidation center. The Project has offered technical assistance to this association to support the development of such an entity and cold store.

➤ **ACTIVITY 1.1.2: SUPPORT CONSISTENT & STANDARDIZED PRODUCTION**

**Task 1.2.1: Implement international product standardization and certification.** As a part of the preparatory work for the certification program the Producer Organization Development Specialist, and the Sector Leads, have been visiting producer organizations to advise them on the upcoming Project activity, and to get their full attention and participation. The Project expects them to attend the info-seminars, and then to apply for consulting assistance, and assistance in the certification process. The list of identified Producer Organizations that will attend the seminars has been prepared. Faced with reduced exports to their main markets, as global financial crisis hits Russian fresh produce importers, the growers are aware of the need to shift to alternate sales channels in the EU. In addition, retail chains in Serbia are more demanding when it comes to fresh produce traceability, and food safety issues, and are recommending to suppliers the implementation of international standards in primary production. These new standards will secure them an advantage in the local market (*for more details see Policy Specialist Quarterly Report*).

- **Activity 1.1 GlobalGAP awareness seminars** The Agribusiness Project has designed a seminar program to support agricultural producers and processors to understand the process, and to receive certification in, GlobalGAP, ISO 14001, and ISO 22000. The primary goal of the program is to improve the overall quality and competitiveness of Serbian agricultural products by facilitating the implementation of international quality and food safety standards. The program will be implemented during Project Year Two, over the period December 2008 thru

September 2009, and it will have two stages: 1. The GlobalGAP awareness campaign; and 2. The provision of financial & technical assistance to client firms in the process of adoption and certification in GlobalGAP, ISO 14001 and ISO 22000.

Through a public bidding process, implemented during November 2008, the Agribusiness Project has selected Qualitass Education as the service provider for implementation of the first phase of the Program. Qualitass Education will be responsible for:

1. Preparation of the GlobalGAP informational brochure which will provide an overview of the GlobalGAP standard, describe the marketing benefits of compliance with the standard in domestic and international markets, and provide a brief description of the implementation and certification processes (to be prepared by mid January 2009); and
  2. Conducting five one-day GlobalGAP orientation seminars/workshops in the most important fruit and vegetable regions of Serbia, namely in Cacak, Nis, Smederevo, Novi Sad, and Subotica, during the second half of January and early February 2009.
- **Activity 1.2 Financially supporting selected producers to implement GlobalGAP** For the second phase of the program, the Agribusiness Project will provide financial and technical support to selected client firms. This support could cover up to 50% of the total cost of the introduction of GlobalGAP, and up to 70% of the total cost of certification for GlobalGAP, ISO 14001, or ISO 22000. In both cases, the maximum share the Project would cover any each individual activity, either consulting or certification services, would be up to \$5,000. A press conference to announce the program was held on December 23, 2009.

In addition to the GlobalGAP program, the USAID Agribusiness Project facilitated, at no cost to them, the participation of the owners of two service providers, Mr. Dragan Vajgand and Mr. Zoran Janjatovic, in the GTZ/WBF training program for GlobalGAP auditors. The training took place between November 17<sup>th</sup> and November 20<sup>th</sup>, 2008 in Palic.

**Task 1.2.2: Improve farm-level and post-harvest productivity and quality.** During the first quarter of the Project second year sector leads were implementing technical assistance packages aimed at improving the level of productivity, reducing the cost of production, and improving product quality and marketability of producer organizations. Support provided through technical advisors, ABDS providers, and suppliers included following activities:

- **Activity 1: Training programs in new production and post-harvest technologies, packaging and marketing to meet expanded season potential for fresh berries.** As a part of the berry fruit sector strategy, to strengthen the value chain for the fresh market, the Sector Lead worked with identified local ABDS providers to develop technical assistance packages for berry growers' producer organizations and their members. Trainings were designed to improve growers' knowledge and skills in the production of berry fruit under high tunnels and other methods of covered cultivation to extend the season, the introduction of new varieties of raspberries, and post-harvest management, packaging, and marketing of fresh berries. In addition, trainings covered the issues of GlobalGAP certification, organic production, and the importance of producer organizations in the berry fruit business. ABDS providers delivered three trainings in different locations in Serbia (Azanja, Crna Trava and Kosjeric) to more than 60 berry fruit growers and small scale processors, who are members of producer organizations. The trainings were organized in cooperation with *AtleCOOP Association*, and two emerging POs, the

raspberry growers' *Cooperative Borovac* from Kosjeric, and the *Blueberry Growers Association* from Crna Trava.

- **Activity 2: Training of producer organizations in improved postharvest handling of storable vegetables.** To improve the overall output of commodity-based vegetable producer organizations, and to enable their members to enhance their postharvest product quality, preserve value and reduce storage losses, the Sector Lead identified a local specialist to develop and deliver a tailor-made training program. Producer organizations usually do not have joint storage facilities, and most of the members store their fresh produce in individual basement storage rooms that do not offer the best storage conditions for vegetables, so they usually suffer significant losses. Four training sessions were held in different locations (Gospodjinci, Begec, Despotovo, and Zablace) with the participation more than 120 members from five producer organizations: *Associations of Vegetable Producers from Zablace and Begec, and Cooperatives Gospodjinci, Agronom and Mladost*. This was the first time that the postharvest subject was introduced to these growers. The training program covered root crops (onions, carrots, and potatoes), as well as other vegetables like peppers, and cabbages. In addition, the local specialist delivered on-site trainings at the storage facilities of several large scale advanced vegetable producers. As a follow-up to these trainings, Cooperative Gospodjinci proposed the development of a demo field for harvest and postharvest analysis of vegetable crops grown in this region.
  - **Activity 3: Nationwide Dairy Milk Quality and Farm Management Campaign.** During the preparation phase of the project proposal, the Agribusiness Project identified Producers Organizations that will have an opportunity to improve their organizational and management capabilities, as well as provide services to their members to increase the supply of high quality raw milk for the Dairies' export products. These organizations are: the Simmental Association from Cacak, the Simmental Association from Sabac, the Preobrazenje Farmers Cooperative from Guca, and the Cooperative Milk Center from Male Pijace.
  - **Activity 4: Training and advisory program for Serbia blueberry growers producer organizations.** The Arilje Agricultural Innovation Center completed a needs assessment of blueberry grower producer organizations and submitted a proposal for a training and advisory program aimed at ensuring higher yields and increasing the productivity of blueberry growers in Serbia. The program will cover harvest and post-harvest management, as well as the marketing of cultivated blueberries for the fresh market. The activity will improve market access for more than 90 blueberry growers, 8 producer organizations, and 2 ABDS providers from nine municipalities of South-Western and Central Serbia. After the final evaluation and approval of a full grant application, the start-up of the training program is expected in January 2009 and it will last until August 2009.
- ACTIVITY 1.1.3: DEVELOP ORGANIZATIONAL MARKETING SKILLS
- **Activity 1: Implement virtual consolidation of Fruitland's sales through tailor made software.** Although, the Project was eager to support the initiative of the "Fruitland" association of tree fruit cooperatives to consolidate their product offer through the introduction of tailor-made software for supply chain and inventory management of their ULO cold stores, the Sector Lead recommended against further development of this effort. The impact of the global financial crisis on Russian importers, Fruitland's internal problems with deliveries of low-quality fresh plums to Russia, and constant complaints from buyers have forced the member cooperatives to withdraw their initial concept paper and to wait for better market conditions. Due to internal problems, Fruitland has significantly reduced joint activities and they are at their lowest level

since the group was established. The Project will continue to assist member cooperatives to overcome their current problems, and attempt to move the Association back onto the right track.

- **Activity 3: Preparatory activities for a trade mission to Fruit Logistica fair.** The project will partially fund a Trade Mission to the Fruit Logistica fair, in Berlin, for approximately 30 representatives of project clients dealing with fresh fruits and vegetables. The Sector Leads and the Producer Organization Specialist have been providing relevant information to sub-sector producer organizations on the Fair, and finalizing the list of selected participants. A total of 14 participants, representing eight producer organizations, will travel to Berlin in February for the Trade Mission to the Fruit Logistica Fair.
- **Activity 4: Preparatory activities for a study tour to Vitafoods International Fair in Geneva.** The Project is working with the National Association of MAP Collectors and Processors "Dr Jovan Tucakov", and the Serbian Chamber of Commerce, to organize a Sales Mission visit to the Vitafoods International Fair in Geneva in May. The Fair is one of the must-attend events on the nutraceutical and food ingredients calendar in Europe. The event provides visitors the opportunity to see the latest developments in their industry. The plan is to organize visits to the fair for 7 to 10 tea processors, who are members of the National Association. The purpose of this trip will be to diversify their markets, address their lack of knowledge related to markets, demands, opportunities and modern marketing approaches, as well as to establish business contacts with buyers of semi-processed and final products. During this trip the participants will also have many opportunities to establish business contacts with organizations that provide inputs and supplies for this industry.
- **Activity 2: Market research study, visit to Association of Vegetable Growers in Spain.** The planned visit to Spain for the association of vegetable producers is in the preparatory phase. After a delay caused by personnel changes, contact has been established with the Economy/Trade Department at the Embassy of Spain and very useful information has been obtained. Project assistance will be offered for the logistics of this trip, which is planned for late March 2009. Potential participants have been interviewed and a preliminary list has been developed. Once the requested information is received from the Spanish association a final draft of the agenda for the trip will be presented to the potential participants.

**OTHER ACHIEVEMENTS:**

- Mr. John Willsie, a short-term Producer Organization consultant, spent four weeks in Serbia to assist the Producer Organization specialist on integrating producer organization development into targeted value chains. This was his first visit as part of a planned series of short term consultancies over the course of Year Two. Mr. Willsie has submitted his Producer Organization strategy report, and made recommendations for producer organization development.
- The Producer Organization Specialist has prepared a success story on POs for the agricultural lending brochure which was issued by the Ministry of Economy. The tree fruit Cooperative "Vocko", from Tavankut, has been presented as a farmer organization role model that has successfully used banking services to finance the vertical integration of their activities (by building a ULO coldstore for apples).
- The Agribusiness Project Policy Specialist and the Producer Organization Specialist reviewed a draft UNDP Report on Cooperatives in Serbia: Institutional Framework and

Experiences from the Practice, prepared by “ITAD” consultants and provided comments on the proposed activities for improvement of the institutional framework for the development of cooperatives in Serbia. Based on the comments provided on the draft report, the UNDP plans to develop a final version of the report that will be presented to the relevant Serbian ministries.

- The Project has also agreed to support the implementation of a UNDP project to “map” Serbian agricultural and food products with potential for GI protection. The UNDP will produce a study on specific products that can be produced and marketed by agricultural cooperatives. Project staff will collaborate with UNDP experts on their field work, and provide them with relevant information on products and farmer cooperatives.
- The Producer Organizations team provided inputs to the World Learning Community Connections Program on types of producer organizations, the selection criteria, the professional goals of the program, potential site-visits/organizations in U.S., and topics visitors will be interested in discussing. World Learning is preparing an upcoming three-week practical training in the U.S. for the managers of Serbian producer organizations. The Agribusiness project agreed to disseminate program applications, and to raise awareness among clients for this program. The Producer Organizations team will also prepare those selected for the study trip, and build their capacities as a follow up activity.
- The Project facilitated a group visit by 46 farmers, managers, and members from 15 Producer Organizations from the cooperative union of Podunavski & Branicevski district to the CVP Agro Expo Horticulture fair in Belgrade. The group also attended lectures delivered by local and foreign experts on new berry and tree fruit growing practices.

## ABDS & FINANCE – Quarterly Report

### October 1, 2008 - December 31, 2008

#### OBJECTIVE 1.2: IMPROVING ABDS SERVICE DELIVERY

The report will focus solely on activities and initiatives undertaken by the ABDS/Finance Specialist. All sector specific ABDS delivery activities will be incorporated into the sub-sector reports provided by each of the Sector Leads.

#### ➤ ACTIVITY 1.2.1: DEVELOP AN ABDS PROVIDER NETWORK

The ABDS companies have been registered in our database, and Project staff have been recommending them as potential ABDS service providers to our client firms. The Project ABDS database is constantly being refined and updated. At this time there are a total of 82 individual ABDS firms registered in the database.

*Example ABDS Firm: The ABDS team met with Farmer & Spaic (F&S), a business service provider in the field of business and media consulting. F&S is very confident in their ability to provide media relations services and PR training programs. The Project linked Foodland (the winner of the best new juice award) with F&S to prepare and implement the promotional campaign following the award. It is expected that Farmer & Spaic will prepare the press release, and organize a press conference and media event. The Project estimates the value of these services at about \$7,500, and there is a possibility for the development of a long-term contract with Foodland for this BSP. At the time this report was being written F&S were still in negotiations with Foodland, and it is not possible to provide information on the value of these services.*

To continue the process of identifying and prioritizing the services required by client firms (62 individual types of services were identified in the assessments), and the skill sets needed to deliver these services, the Project brought Ms. Andrea Chartock out to Serbia from the DAI home office. She is a Business Development Services specialist, and she will assist the Project's ABDS/Finance Specialist to categorize the services by subsector, and functional level, within each sub-sector.

The overall objective of this STTA was to assist the ABDS/Finance Specialist to develop business service markets, and to develop a strategic plan to prioritize and sequence the Project's ABDS activities. During the STTA, the consultant and ABDS/Finance Specialist met with business service providers, and the sector leads from each value chain, as well as the four cross cutting service specialists. An "ABDS vision" template was developed by the consultant to ensure that strategic BDS activities are thought through from start to finish, and that they follow best practices. This template includes the following information:

- What is a critical growth opportunity for the value chain where better quality service provision will make a difference,
- What are: constraints to growth, critical services in the value chain, the market failure (if any) that would justify developing business service markets intervention, the new services or training needed in the value chain, and
- Who are the existing and potential service providers.

Lastly it spells out the activity design, commercial sustainability, and the Project exit strategy.

The Agribusiness Project also facilitated the participation of the owners of two ABDS service providers, Mr. Dragan Vajgand and Mr. Zoran Janjatovic, in the GTZ/WBF training program for GlobalGAP auditors. The training took place in November, at Palic.

Coba & Associates, a Belgrade based ABDS service provider, will be providing their services for the organization of domestic and international trade shows, with Project assistance. C&A, with their sales and marketing staff, made a presentation on their plans for the Fruit Logistica trade show at the Project office. More than 20 companies attended the presentation and after follow up a total of 21 companies (10 participating at SIEPA booth and 11 participating at Project booth) are lined up for this trade show.

The ABDS Team has developed a project for business services development within each of the sub-sectors. The Project has identified six (6) individual training programs which clients should attend in order to improve their market performance. These training programs will cover the following topics:

- Strategic and business plan development,
- Finance for non-finance managers,
- Advanced excel for managers,
- Professional selling skills,
- Integrated marketing communications, and
- Business networking and trade fairs.

On January 15, the Project will issue a bid solicitation offer to identify the most competitive service providers for the delivery of these selected training programs.

The ABDS/Finance Specialist met with representatives from the Israeli Embassy to discuss potential cooperation. Israel is one of the most advanced countries in ABDS provision, farm extension, ag technology and advisory services. The Israeli's would like to begin to offer some training sessions and seminars, and build their relationship with local ABDS companies in order to promote their ABDS industry and technologies, and to identify participants for their agricultural trade show Agitech (<http://www.agritech.org.il/>). This is a trade show which promotes technologies in the Agricultural industry and it is held once every three years. The Project has an opportunity to identify participants for this show which will be held in May 2009. Besides the training sessions and seminars, the Israelis they also expressed an interest in putting a study tour together (site visits of most advanced companies and kibbutz), which would include the trade show visit as well. They are planning on 15 to 30 participants.

The Project is also preparing recommendations for participants in the Post Harvest training program organized by CINADCO (The Center for International Agricultural Development Cooperation ) and MASHAV (Israel's Center for International Cooperation) in Israel (February 9 to March 5). All the training and accommodation costs in Israel would be covered, except for the international travel. The Project will need to submit potential candidates by January 9.

ABDS/Finance Specialist met with representatives of Calidus Trade. Calidus Trade is the representative of a German company which distributes organic seeds, fertilizers and seedlings. They are planning to develop a national organic awareness campaign in Serbia, with assistance from the Agribusiness Project. The Project has received the first draft of their concept paper for this effort, and feedback has been provided to them. The Project expects to receive a final version of the proposal in the first half of January 2009.

➤ **ACTIVITY 1.2.2: IMPROVE ACCESS TO FINANCIAL SERVICES**

A significant legacy of the Project will be support for commercial financing of agriculture and agribusiness in Serbia (and not simply a patchwork of special funds, guarantees, and grants). In discussions with bankers, Project staff realized that these organizations are very aware of the potential for development of the agricultural and agribusiness sector. Banks are hiring professional agro-economists who are able to better understand sector needs, and to address them to bank management. Many banks are also creating special financing packages for registered farms which can become successful businesses, regardless of the fact that most of these types of clients are interested only in subsidized bank loans from the GOS.

Unfortunately the entire world, and therefore Serbia as well, has started to face a global financial crisis. Events have started to spin, especially since the bankruptcy of Lehman Brothers, which has resulted in the loss of funds by other financial institutions and with the failure, merger or conservatorship of several large United States-based financial firms in September 2008. ABDS/Finance Specialists attention has been focused on the impact of the crisis on the Serbian economy, and in particular the banking sector. ABDS/Finance Specialist has prepared a report for Project staff on the impact of the global financial crisis. The findings, expectations and recommendations contained in this report are:

There will be a domino effect of the global crisis, as many institutions have financial links, and there are also psychological contagions, which will make it spread worldwide, and to many financial and economic areas:

- Financial markets (stock exchanges and derivative markets notably) where it developed into a market crash,
- Various equity funds (is a fund that invests in Equities more commonly known as stocks) and hedge funds (private investment fund open to a limited range of investors that is permitted by regulators to undertake a wider range of activities than other investment funds) that went short of cash and had to get rid of assets,
- Insurance activities and pension funds, facing a receding asset portfolio value to cover their commitments,
- With also incidences on public finance (paying for collective or governmental activities) due to the bailout actions.
- Forex (short for Foreign Exchange), at least for some currencies (Serbian dinar failed against EUR more than 20% over the course of 3 months September 1, 2008. 1 EUR = 75,9531 din; December 4, 2008. 1 EUR = 91,3568 din), and with increased volatility for most of them,
- Banks ceased to lend to one another.

At this time Serbian banks do not have substantial sources of funds they can use for loans to be disbursed to the Serbian economy:

- The Central Bank will not allow the use of more funds;
- Relatively large money reserves were imposed to the banks by the National Bank of Serbia for each bank loan (40% reserve for Euro loans);
- Depositors making withdrawals of more than 1B Euros. In spite numerous stimulations and actions by the NBS and individual banks, sector has not recovered from this shock;
- Banks have ceased lending to one another;
- There is a significant drop in collateral values, due to the lack of money;
- NBS regulations now require banks to have almost 40% of their own capital.

For all the reasons stated above we may conclude that 2009 will be the year of deposit fight among banks, an orientation towards savings and transactions, super liquidity of the banking sector (which will sit on the money), and poor liquidity of the real estate sector. An additional problem for the real estate sector is the decrease in demand for the goods and services (especially value added products and services – during crisis people tend to cut spending on all things they perceive as a luxury). There will be a very small number of commercial loans (provided to super safe VIP clients and exceptions). The state will have to examine these problems and the crisis more firmly, and come up with measures to assist the real estate sector quickly. So far there has been only one poor effort by the government to announce a package and adopt measures to assist companies hit by global financial crisis. At a recently held Summit of Exporters, the government announced following:

1. 500 million Euros will be set aside from the budget to issue guarantees for bank loans (this might be the wrong measure, as the main problem for the banks is the lack of money; it is not clear which institution will conduct this activity and when it will begin);
2. 200 million Euros will be disbursed to the SME sector via the Republic of Serbia Development Fund;
3. Application criteria have not been developed yet – but one thing is for sure – assistance will go to companies that are exporting and will not lay off workers during 2009.

The Serbian government intention with these measures is to maintain an economic growth rate at the level of 3,5% in 2009.

ABDS/Finance Specialist has provided assistance to Marni doo, a mushroom producer from Krusevac. At the moment they are facing serious financial problems. They have over invested (over the past 4 years) and now have a lack of operational cash. This factor, combined with a very poor crop in 2008, has put them into a serious cash problem. They are currently operating at 20% of capacity and have not been able to reduce their fixed costs, and they are not able to meet market demand. The Project will assist Marni in two areas:

- The first is to transform their short-term loans into long-term loans (very difficult at the moment due the global financial crises – most banks in Serbia have completely stopped lending the money at the moment) and reduce the monthly payments that are draining operational cash. ABDS/Finance Specialist spoke to the Marni partner banks (Reiffeisen and Piraeus) in an effort to facilitate the negotiation of a €3.3M loan. The negotiations are ongoing, and it is the ABDS/Finance Specialist's opinion (having in mind Marni's balance sheet and ongoing financial crisis) that the banks will not approve any loan to Marni unless the government intervenes. Marni has also made contact with the EBRD and the Republic of Serbia Development fund as part of the negotiation process, based on advice from the taken from the ABDS/Finance Specialist.
- The second effort will be to help Marni outsource mushrooms from other countries, and reduce its reliance on only domestic resources and crops. Marni is well equipped, but is running at 20% capacity because of the low crop in 2008. The company has great market potential, and has large orders from international buyers which they are not able to supply at the moment.

The Project is also working with rural SMEs to improve their bankability and their knowledge of underwriting criteria, as well as types and sources of financing available. SMEs in agriculture and food industries will not receive financing unless they understand the products available, and the

information that financial institutions require to assess a borrower's ability to pay back a loan. Most banks and export credit agencies have shown an interest in cooperating with the Project. These institutions are willing to organize presentations to our clients, and conduct seminars for counterpart SMEs, to describe the types of information that are required for financing and the steps needed to complete a successful loan application.

The Project organized a presentation by SMECA (Serbia and Montenegro Export Credit Agency) to Project client firms. A total of 23 companies were at the presentation. These companies are very interested in SMECA's products, particularly factoring, and export insurance. The Project has surveyed those companies and the survey showed that none of the companies were currently using SMECA services. As a follow-up to this activity the Project has scheduled a meeting for the Arilje raspberry growers and exporters, and SMECA representatives, for the first half of January.

The Project has finished a collaborative initiative with the Serbian agency for SME development to produce a "guide to agribusiness financing". This guide is available on the Project website (<http://www.agrobiznis.net/english/news/25/>). The booklet includes an introduction to basic bank products and definitions, current commercial loan packages from all banks offering any type of commercial lending to the agricultural sector, and lending success stories from the agricultural sector. The brochure will be a reliable guide for our clients should they seek out a commercial bank loan. This quarter the brochure has been improved with the addition of a useful Q/A section. The brochure was also distributed at the Business Base trade show in November in Belgrade. The Project distributed more than 500 copies at the show, and used the opportunity of the Ethnic Food fair at the same time to distribute another 100 copies directly to agriculturally related companies.

The Government of Serbia is subsidizing bank loans for registered farms. A total of 21 banks in Serbia have signed an agreement with the government for the disbursement of such loans. There are two types of loans available, as follows:

**1. Short-term loans (18 banks signed the agreement):**

- Registered farm only
- Complete loan financed from the bank capital
- Loan due within 12 months
- Grace period of 12 months
- Up to 500.000,00 din (\$ 10.000,00)
- Fixed interest rate of 15% p.a.
- Loan is tied to Dinar – not to a foreign currency
- For working capital only
- 10% of the interest rate is being subsidized

**2. Long-term loans (18 banks signed the agreement):**

- Registered farm only
- Bank assesses the client and does the risk management
- MAFWM provides a matching grant of 12%, 15% or 20% of the loan amount based on the loan purpose (e.g. 20% for irrigation systems; 15% perennial crops and 12% other purposes)
- The loan is due in 3 to 5 years, with the exception of vineyards – 10 years
- Grace period - minimum 12 months; for livestock production, and irrigation systems 2 years; perennial crops 3 years; grapes 4 years,
- \$ 7.500,00 up to \$ 450.000,00 – loan tied to foreign currency (Euro)
- Fixed interest rate – 12,5% p.a.

According to information gathered by the ABDS/Finance Specialist all the funds the government has set aside for the subsidy have been spent. There is a market system which regulates the disbursement of the subsidized loans. The only problem with this subsidy, at the moment, is the lack of money within the state treasury, so clients are not receiving any loans at the moment even though they applied in a timely matter.

## **YOUTH & GENDER – Quarterly Report**

**October 1, 2008 - December 31, 2008**

### **Component 1: Increased Efficiency & Competitiveness of Agribusiness**

#### **OBJECTIVE 1.4: YOUTH ENTERPRISE PROGRAM**

The high-school school system in Serbia is functioning with an outdated curricula and methodologies. High-school students, particularly those from vocational schools, are not prepared for the jobs and professions available in the modern business world. The main goal of the Agribusiness Project's Youth Enterprise Program is to develop an entrepreneurial spirit among young Serbian agricultural students, and encourage them to continue their agriculture studies, through a three phased program as follows:

- An Entrepreneurship Program in agricultural high schools as an after-class subject
- An Agricultural Enterprise Business Plan Competition for recent Ag School graduates
- An Internship Program developed in collaboration with local schools & businesses

The program is being implemented through the involvement of the Ministry of Education, the Ministry of Agriculture, the private sector, and other on-going entrepreneurship programs.

#### **➤ ACTIVITY 1.4.1: ENTREPRENEURSHIP IN AGRIBUSINESS PROGRAM**

Agricultural high-school teachers, the “Entrepreneurship in Agribusiness” helpers, gathered in October in Futog, and discussed their impressions from the implementation of the program, and the students' reactions to the concept. Each school has approximately 20 students in the program, and no problems were identified in the curriculum. The picture at the right below was taken at the Training of Trainers workshop, which took place in August, for the teachers involved in the Project.

The teachers were also developing plans for steps that need to be taken to form the teachers “4-H” association on entrepreneurship; they are of the opinion that activities in the program that need financial and/or technical support will gain greater support if this can be done through an association. They prepared a list of the founders, created the by-laws, and elected a management board. The Project will provide the association with support and assistance. In a complimentary activity the schools are being provided with agribusiness news and trends through various other Project resources.



The National Democratic Institute, the PPES program, and the Project's youth program director are meeting regularly to agree upon a common approach to the Ministry of Education. Since all three programs are being implemented in the schools, and they all need to become sustainable over the life of the projects, a Memorandum of Understanding with the Ministry needs to be developed and signed. An official meeting invitation was sent to the State Secretary of the Ministry of Education. It is expected that the Ministry will examine the issues to be raised in the meeting, and then respond

to the invitation. The aim of the meeting is to define the partnership roles in the entrepreneurship programs, and to develop the Memorandum of Understanding. The Ministry of Education's State Secretary requested brief concepts from all three of the USAID youth programs: the Agribusiness youth enterprise program, the Junior Achievement program, and the Expanding Youth Participation program. She would like to receive more information on the individual programs before discussing the partnership. Representatives from each of the projects will participate in the meeting.

Radisa Mikaric, an advisor from the Institute for the improvement of education – the Centre for Curriculum and Textbooks Development – visited the Project during the quarter. He came in to collect detailed information on the “Entrepreneurship in Agriculture” program so that he could suggest next steps for adopting the program as an elective subject within the agricultural high-schools of Serbia.

The Project's youth program has also connected Junior Achievement activities with the activities of the Business Innovation Programs (BIPs). Since both programs have virtual students' enterprises it was a good opportunity for the JA students' companies to be involved, and to exhibit their products and/or services at the National student enterprise fairs that BIP organized in November. The Project's Youth & Gender Specialist was a jury member for the 2<sup>nd</sup> Regional Student Entrepreneurship Fair, which was organized in Kragujevac. Among the 500 participants students from the “Entrepreneurship in Agribusiness” programs in Kraljevo, Pozega, Rekovac, and Svilajnac participated in the program.

A coordination meeting on the topic of “Youth and Entrepreneurship” was organized at the PPES Belgrade Office. Each participating organization (the Agribusiness project, PPES, the Competitiveness Project, the ILO, GTZ, UNICEF, UNDP, HELP, FORECAST, and BCIF) gave a brief presentation on their respective youth program activities. The goal of the meeting was to increase program cooperation to support young people, and to support the coordination of program activities in the field. Because of this useful exchange of information it was decided to organize these coordination meetings on a quarterly basis.

➤ **ACTIVITY 1.4.2: HIGH SCHOOL YOUTH BUSINESS PLAN COMPETITION**

The Agribusiness Project went through an extensive process to solicit and review Business Plans submitted by agricultural students in mid-2008, and based on the selection criteria a total of seven (7) students were selected to receive Youth Enterprise Grants. Following this event, the USAID Mission requested that the Agribusiness Project hold off on awarding these grants as it wanted to develop a comprehensive MOU with the Ministry of Education to cover all Mission funded efforts to support educational system development in Serbia. As of the end of 2008 this MOU has not as yet been finalized or signed, and the Agribusiness Project has not awarded any of the Youth Enterprise grants that were planned for Year One. The management of the Agribusiness Project will be requesting Mission approval to make these grant awards immediately so as to avoid further delays in getting these young entrepreneurs started on their business careers.

➤ **ACTIVITY 1.4.3: INTERNSHIP PROGRAMS WITH CLIENT FIRMS**

The Project has begun working closely with schools from Kraljevo and Svilajnac, which have already established internship programs. The Youth & Gender Specialist was visiting these two schools in order to get more detailed information on the experience they have with the internship program – both schools are implementing internship programs through youth cooperatives, not directly with the local companies. The intern system that the Project will establish will be based on national experience from these schools, and international experience from other

countries obtained from consultants from MSU, and will necessarily include work with other Agribusiness Project staff, progressive agribusiness companies, and ABDS providers.

Student internships, which provide opportunities for students to gain real-world experience in the agribusiness field, and to determine if they have an interest in a particular career or create a network of contacts, was not on the agenda of government officials. The Memorandum of Understanding with the Ministry of Education will emphasize the importance of on-the-job training and encourage a national campaign to establish it in the agricultural schools.

The Project was contacted by the International Association of Students in Agriculture (IAAS) which is organizing an international conference on “Safety in the Food Chain”, for more than 150 students from all around Europe (including 30 students, and 20 young farmers from Serbia). The Project shared the details on activities it is undertaking in this area, and agreed to participate in the final event of the week-long conference. The Deputy Chief of Party will address the conference participants at the final event, to be held on January 2, 2009, and participate in the wrap-up session.

## **OBJECTIVE 1.5: OTHER CROSS CUTTING ACTIVITIES**

### **➤ ACTIVITY 1.5.4: WOMEN ENTREPRENEURS IN AGRIBUSINESS**

Mrs. Jasmina Nikitovic Stojicic, an FAO trainer on social & economic for rural women, and Agropress (the Union of Agricultural Journalists), are assisting the Project on establishing a group of “Women Entrepreneurs in Agriculture”. Their experience, and work on editing the regular agricultural show on national television (Znanje-imanje), has been a valuable to assist with the creation of the group.

The Union of Agricultural Journalists, “Agropress”, submitted a concept paper for a training program for women entrepreneurs in agriculture to the Project. This concept paper needs to be filled in with a detailed list of training sessions proposed, and the trainers to be used, that Agropress would like to deliver through the workshops for women entrepreneurs. The workshops will also involve Serbian agribusiness companies, bank representatives (Procredit and Komercijalna bank), and Ministry of Agriculture representatives to present their strategies and on-going activities. The workshops will be organized in six regions of Serbia, with at least ten women participating per region. The trainings are planned for the period January through June 2009.

Mrs. Marilynn Schmidt, the Deputy Mission Director at the USAID Mission in Serbia, accepted an honorary membership with Agropress at a function organized by Agropress and the Agribusiness Project in November. The photo at the right shows Ms. Schmidt addressing the gathered guests at the Agropress function. This gathering was attended by a number of press representatives and as a result it generated a good amount of press coverage the following day.



The Project’s Youth & Gender Specialist met with the manager of the Center for Entrepreneurship from the Chamber of Commerce of Serbia regarding the program “Women entrepreneurs in agribusiness”. The Chamber has proposed that women entrepreneurs who are members in their women entrepreneur’s section, should be trained through the Project’s program as well as their

program. The Chamber has also offered the use of their regional offices to help the Project identify new women entrepreneurs throughout Serbia that need assistance from the Agribusiness project.

The NGO SeConS (Marija Babovic & Olivera Vukotic), visited the Project a new gender component that is being developed. Besides conversations on the approach that should be taken in identifying women entrepreneurs, SeConS shared experience they gained while conducting studies on employment generation, aspects relevant to women in the labor market, and women farmers in Serbia.

➤ **ACTIVITY 1.5.5: AGRIBUSINESS VOLUNTEER PROGRAM**

The Agribusiness Project has taken steps to determine how volunteers could best be integrated into ongoing Project activities. The Deputy CoP and the Grants/M&E Specialist will meet with the Director of the Serbian Union Council (SUC) in January to determine how they could assist the Project by tapping into the Serbian diaspora in the USA. The Deputy CoP has also been in touch with CNFA Washington, which has expressed an interest in providing the Project with volunteers through their Farmer-to-Farmer program. It is not clear if this is a viable opportunity for the Project, but further contacts and discussions will take place in the next quarter.

## ENVIRONMENT – Quarterly Report

### October 1, 2008 - December 31, 2008

#### Component 1: Increased Efficiency & Competitiveness of Agribusiness

##### OBJECTIVE 1.5: OTHER CROSS CUTTING ACTIVITIES

##### ➤ ACTIVITY 1.5.1: ENSURING COMPLIANCE WITH REGULATION 16

Over the course of Project Year One environmental screenings were completed to provide guidance to the project on how to address the adverse environmental impacts of proposed project activities during implementation. This was also undertaken to enhance the benefits to be obtained from project assistance, and to introduce good practice standards for the client firms the project assists. Based on the activities proposed in the Year Two Workplan related to environmental compliance of particular activities, the following screenings were completed during the quarter.

Title	Project holder	Impact
Fostering Innovation and Quality - Dairy Campaign	Taurus Agro Consulting	Low/ESF <sup>2</sup>
Belgrade Ethno Food & Beverage Fair,2008	Belgrade Fair	Low/ESF
Serbia Food Market Presentation for Fruit Logistica 09	Coba & associates	Low/ESF

As part of the Environmental Compliance effort the Agribusiness Project has made contact with various environmental agencies in Serbia and discussed cooperation agreements. The project has reached tentative agreements with the following agencies:

- The Serbian Recycling Agency (agreement expected on cooperation with the Agribusiness Project on environmental compliance issues), and
- The Environmental Protection Agency of Republic Serbia (agreement expected regarding cooperation on the development of a system of agro-environmental indicators: ecological, social and economic)

##### ➤ ACTIVITY 1.5.2: POLLUTION PREVENTION PROGRAM (PPP)

During past three months the Project has focused on the adoption of Cleaner Production Technologies versus conventional environmental technologies that mainly work as end-of-pipe solutions for reducing pollution. Cleaner Production can generate short-term and long-term environmental and social improvements relatively quickly, well beyond those possible with the usual regulatory compliance programs.

<sup>2</sup> ESF - Environmental Screening Form

**Selection of ABDS firms to participate in the PPP:** In the previous quarter the following ABDS firms were selected to participate in the PPP trainings – Eko Dimec, Scientific Consulting Services, Ecoinzenjering, Ecologica Urbo agency, Tehnikum doo, Taurus, Fimex, and Ntim tehnologi doo.

**Enterprise viability assessment:** Based on an evaluation of costs in the food industry (with data coming from all the six sub-sectors that the Project works with), and taking into account the environmental enterprise viability assessment, it was demonstrated that Cleaner Production options would enable companies to identify optimization and rationalization potentials in the following sectors: environmental compliance strategies; general operational performance; capital investment; energy consumption; waste management; production or service process design; product design, retention & pricing.

**PPA preparation:** The Project has established cooperation with the Center for Cleaner Production (CCP) of Serbia to work on the preparation of a pollution prevention program for Agribusiness Project client firms. Activities that have been completed in this category are:

1. Cleaner Production Business Club (CPBC): The CPBC has been formed in cooperation with CCP and the Faculty of Technology & Metallurgy, at the University of Belgrade. The Club aims to provide structured training and consultancy services to support participating client firms in adopting Cleaner Production technology (pollution prevention), improving their environmental management, and developing their environmental policy. The first Agribusiness Project client that has joined the Group for Food and Drinks of the CPBC was Lutra doo. The company has reported a planned investment of over €100.000 in a manure management system at their farm in Svilajnac. This environmental improvement is based on advisory services provided to the firm by the Agribusiness Project Environmental Specialist.
2. The International Conference on Cleaner Technologies and New Materials, the Road to Sustainable Development was held in November in Belgrade. Ntim tehnologi doo, an Agribusiness Project client, and a producer of solar panels participated in the Conference by providing know-how on the application of environmentally sound technologies. The company has now received an offer to export its products to the US market.

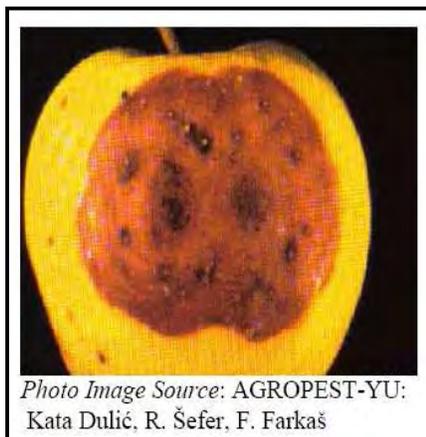
**National Seminar on PPO:** The project had planned to hire a consultant (Mr. Gallup) to come out for an STTA in November 2008 to conduct training seminars on pollution prevention opportunities for project beneficiaries. Unfortunately Mr. Gallup was not available in that time frame, so the Center for Cleaner Production offered its expertise to provide technical assistance to the Project. The CCP will conduct seminars in collaboration with the Project in the interim and assist client firms to keep up with the changes in market conditions for cleaner technologies until the Project can identify another consultant to conduct this previously planned STTA.

**Introductory workshop for enterprises:** During the Conference on Cleaner Production 2008, held in Belgrade on December 18<sup>th</sup>, and supported by the Ministry of Environmental Protection & Spatial Planning, the Serbian Chamber of Commerce, and UNIDO, the Agribusiness Project introduced client firms to the basics of Cleaner Production technology. Practical Cleaner Production solutions and best practices, that can be transferred to client agribusiness companies, were shared among the participants via panel discussions. Another introductory workshop for newly involved Agribusiness Project client firms will be held in January 2009.

**ACTIVITY 1.5.3: INTEGRATED PEST MANAGEMENT (IPM)**

Over the past quarter the Project has placed an emphasis on environmental responsibility. The Project's Pesticides Evaluation Report and Safe Use Action Plan has been approved by the Mission. PERSUAP recommendations are also being incorporated into Project activities. In addition, monthly updates on pest alerts in the country, and neighboring and foreign markets, with links to datasheets and distribution maps of each individual pest, were disseminated to Sector Leads for further distribution to Project clients.

A tentative agreement reached with the private agricultural extension offices (Agropest-YU and Agroprotekt) for their inclusion in trainings on IPM.



The project has also reached agreement with the Administration for Plant Protection to create a network of IPM trained public agricultural extension officers. Technical support and promotional materials for safe pesticide use, as well as materials on reduced use of pesticides, have been drafted.

# **USAID Serbia Agribusiness Project**

## **Quarterly Report – Year Two Quarter One**

**October 1, 2008 - December 31, 2008**

### **Annex 4 – Enabling Environment Report:**

**OBJECTIVE 2.1: IMPROVING ACCESS TO MARKET INFORMATION**

ACTIVITY 2.1.1: STRENGTHEN THE SERBIAN MARKET INFORMATION SYSTEM (STIPS)

ACTIVITY 2.1.2: DEVELOP FARM ACCOUNTANCY DATA NETWORK CAPABILITIES

ACTIVITY 2.1.3: ORGANIZE TARGETED AGRICULTURAL STUDIES/SURVEYS

**OBJECTIVE 2.2: FACILITATING LEGAL & REGULATORY REFORM**

ACTIVITY 2.2.1: SUPPORT LEGISLATIVE & POLICY REFORM COORDINATION

ACTIVITY 2.2.2: SUPPORT NEW AGRIBUSINESS POLICY IMPLEMENTATION

## AG INFORMATION & POLICY – Quarterly Report

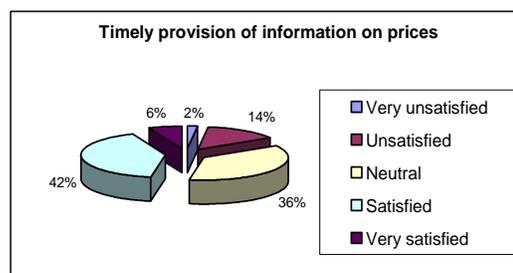
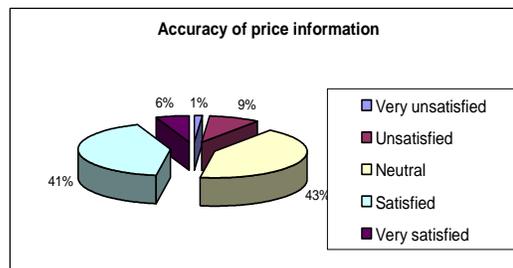
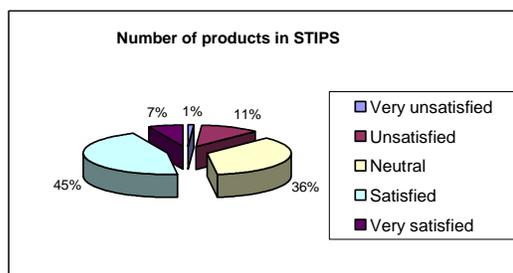
### October 1, 2008 - December 31, 2008

#### Component 2: Improved Enabling Environment for Agribusiness

##### OBJECTIVE 2.1: IMPROVE CROP & LIVESTOCK PRODUCTION ESTIMATES, MARKET PRICE INFORMATION, AND PROVIDE SUPPORTING STUDIES TO THE GOS

- **Activity 2.1.1: Strengthen the Serbian system of Market Information in Agriculture (STIPS).** In cooperation with the Ministry of Agriculture, the Agribusiness Project designed a questionnaire to collect information on client satisfaction with the utilization of the STIPS system, and the satisfaction of system beneficiaries with the information and reports available from the system. The client satisfaction survey was implemented by the Ministry, through its field offices for rural development, over the period from October 13<sup>th</sup> to October 31<sup>st</sup>, 2008.

A total of 287 persons have been surveyed from the various regions of Serbia where the Ministry offices for rural development operate. The charts at the right show the general level of satisfaction among users in various categories. According to the results of the survey, more than 50% of those responding were familiar with STIPS, and the most common media used to access information from STIPS was the TV show Agro Info (51%), followed by the publication Poljoprivrednik (30%), and the radio show and website Moja Farma (19%). The Agribusiness Project has prepared a detailed report on the results of the STIPS client satisfaction survey, and this report has been shared with Ministry staff involved with the management of the STIPS system.



The STIPS working group formed by the Ministry, which encompasses all the relevant stakeholders involved with the operation of STIPS, has developed a proposal to improve the STIPS system. This proposal was submitted to the USAID Agribusiness Project on December 11, 2008. The program envisaged for improving STIPS includes two elements: 1. Improving the software used for the STIPS system, and 2. A Market Analysis of the utilization of the information available from STIPS, which will encompass a series of interactive seminars and workshops for farmers in 20 reporting centers over a period of ten months.

The program to improve the software for the STIPS system consists of a reorganization and redesign of the STIPS website, improving the news dissemination system, rebuilding the online price database system, the development of a client server application for report analysis –

including a database in the Access/SQL environment – and, the organization of a two-day seminar to present to reporters and members of the working group the modifications made to the software. The Agribusiness Project plans to implement the program to improve the STIPS system over the next quarter.

- **Activity 2.1.2: Develop Serbian capabilities to participate in the Farm Accountancy Data Network (FADN).** Under the Year Two Workplan, this activity has been planned for 2<sup>nd</sup> and 3<sup>rd</sup> quarters of the year. Actual implementation of this activity will depend greatly on the ability and willingness of the Ministry of Agriculture to plan and undertake activities related to FADN.
- **Activity 2.1.3: Organize targeted agricultural studies and/or surveys.** The Agribusiness Project has contracted with the internationally recognized consulting company World Food Logistics Organization (WFLO – Web site – [www.wflo.org/wflo](http://www.wflo.org/wflo)) from the USA to implement a study of the Serbian Cold Chain for fresh fruits and vegetables. This study will be conducted over the period from November 2008 to April 2009. In addition to an expatriate specialist, the team will also make use of five local expert consultants (including a logistics coordinator, a postharvest specialist, an agricultural engineer, a refrigeration engineer, and an agricultural economist). The team had been charged with conducting the field research and assisting the WFLO expatriate consultants with the preparation of the study. In November 2008, a WFLO Cold Chain Specialist, Dr. Stephen Neel, conducted an initial evaluation of the current situation with the Cold Chain in Serbia for the storage of fresh produce, both for local sale and for export. Mr. Neel has also designed the methodology to be used by the Serbian team for gathering additional detailed information on the Cold Chain system in Serbia.

The evaluation of the current situation with the Cold Chain facilities in Serbia will include the gathering data on: 1) their geographical distribution; 2) infrastructure and functional conditions; 3) the technical level, and physical condition, of equipment; 4) operational uses of the facilities, and 5) the ownership structure and status. Data collection methods will include the compilation of statistical information, meetings with representatives from the Ministry of Agriculture and other stakeholders, interviews with facility owners and managers, meetings with scientists and local authorities, as well as site visits to the facilities.

The Agribusiness Project and the WFLO Cold Chain Specialist, Dr. Stephen Neel, presented the initial findings of the study to representatives of the USDA and the Ministry, the plan for study activities, and the expected outcomes from the Cold Chain Study. To facilitate the gathering of relevant information, the Ministry provided the Project with a list of existing processing, freezing, and cooling facilities for fruits and vegetables in Serbia. Work on the Study will continue over the course of the 2<sup>nd</sup> quarter of Project Year Two, in accordance with the plan for development of the Study.

- **Activity 2.1.4: Provide support for the establishment of fruit & vegetable consolidation centers.** As part of the Project's Year Two Workplan, this activity is scheduled for implementation during the 2<sup>nd</sup> and/or the 3<sup>rd</sup> quarter of the year. Based on the findings from the Cold Chain Study, a comparable research study on the requirements for consolidation centers for fruits and vegetables will be undertaken later in the year.

**OBJECTIVE 2.2: FACILITATE LEGAL, POLICY, AND REGULATORY REFORM**

- **Activity 2.2.1: Provide support to coordinate legislative and policy reform.** Following the berry fruit trade mission to the UK, members of the association “Fruits of Serbia”, and

representative of institutions engaged in the development of berry fruit varieties, a number of policy related activities emerged:

- The legislation & procedures for importing berry fruit planting material into Serbia;
- The methods used for determining imported plant material health and quality;
- The GoS required documentation for importation, inspection, and controls;
- The status of Serbia's membership in the UPOV (the International Union for the Protection of new Varieties of Plants).

All of these issues have implications regarding the import and introduction of new varieties of plants (and in particular berry fruits) in Serbia and the Project will continue to work with the Ministry of Agriculture to address them in the coming quarters.

A joint initiative by the association Fruits of Serbia, and the Agribusiness Project, has placed before the Plant Administration Department of the Ministry of Agriculture a request that they provide an official opinion on the equivalent Serbian categories of planting materials which correspond to the UK certified categories: Foundation (F), Super Elite (SE), Elite (E), and A and AH (Approved Health). Such a ruling should facilitate the import of planting material from the UK, as well allowing berry fruit growers to obtain GoS subsidies for basic and certified planting materials. All appropriate documentation regarding the UK certified categories of the planting materials have been submitted to the Plant Administration Department, and dialog with the UK Plant Health Division requesting additional clarification has been initiated. The picture at the right, above, shows participants on the UK Trade Mission meeting with UK Plant Health Inspection officers to learn about UK and EU rules, regulations and procedures for dealing with plant health issues.



- On October 10, 2008, staff from the Agribusiness Project participated in the 15<sup>th</sup> scientific expert counseling session on the Production and Marketing of Herbs, Spices and Aromatic Plants, held in Backi Petrovac. One of the topics at this session was regulatory constraints to sector development. After the session, the Association of Producers and Processors of Medicinal Plants, Spices and Aromatic Plants, which is part of the Serbian Chamber of Commerce, prepared two policy papers that submitted to the Ministry of Agriculture and the Ministry of Environment & Spatial Planning on November 18, 2008. The Agribusiness Project provided comments on the draft policy papers prepared by the Association. The Association has asked that the Ministry provide subsidies for the commercial growing of eight categories of medicinal plants, ranging from €300 to €500 per hectare, based on the category of plant. The Ministry of Environment & Spatial Planning was asked to reduce the delay in issuing licenses for the collection of wild plants, to reduce the list of protected varieties of plants, to modify the practices regarding fees for collection, and to examine the rationale for maintaining export licenses, in addition to licenses for collection.
- Staff from the Agribusiness Project participated in a two-day seminar titled “Quality Food Products Linked to Geographical Origin and Traditions in the SEE”, which was jointly organized by the FAO, SEEDEV, the Ministry of Agriculture, and Agridea. The main topics of discussion were the institutional framework for the protection of geographic indications of origin (GI), and regional projects related to agricultural products with protection of GIs.

Currently ongoing efforts to develop GI protection for agricultural and food products in Serbia include the following: Kraljevo milk cream, Leskovacki ajvar, Futog cabbage, Arilje raspberry, and Pirot hard cheese.

- During the month of December 2008, the Agribusiness Project agreed to provide limited support to the implementation of a UNDP sponsored project to “map” Serbian agricultural and food products which have potential for GI protection. The UNDP study will focus mainly on products that are appropriate for production and marketing by agricultural cooperatives. Project staff will collaborate with UNDP experts on their field work, and provide them with whatever relevant information on products and farmer cooperatives that they Project has available.
- During the first half of November, the Agribusiness Project prepared a report on current trends in the exports of the targeted agricultural products within the six sectors which the Project will be focusing on for the next few years. The report was prepared based on the classification of commodities provided in the Law on Customs Tariffs, and will serve as a basis for measuring the results of assistance provided by the Project.
- Staff from the Agribusiness Project also participated in the Regional Agribusiness Roundtable organized by the Regional Competitiveness Initiative (RCI) on November 25, 2008, in Belgrade. The main topics of discussion among the regional agribusiness projects included the ongoing work on the regional SEE agribusiness database, quality and food safety management systems, EU pre-accession funds and project development. As a follow-up activity, it was agreed to organize a workshop on the EU funding, focused on agribusiness, during February or March 2009. This will be conducted as a train the trainer exercise, but it will also serve to foster the sharing of best practices and lessons learned. The target countries for the supply of experts for lectures include Slovenia, Croatia, Romania, and Bulgaria.
- **Activity 2.2.2: Support new Agribusiness policy implementation.** The Government of the Republic of Serbia accepted the Law on Public Warehouses for Agricultural Products on September 11, 2008, and the Law is now pending adoption by the Parliament. The Agribusiness Project has scheduled an assignment for the Warehouse Receipts (WHR) expert Krassimir Kiriakov for the period January 18<sup>th</sup> to January 31<sup>st</sup>, 2009. The policy team has developed a Scope of Work for Mr. Kiriakov that includes the following tasks:
  1. Inform the Ministry of Agriculture regarding the conditions necessary within the commodity market infrastructure that would enable the successful implementation of a WHR system.
  2. Provide recommendations on appropriate by-laws, the registration, inspection and licensing of public warehouses, and on the development of the financial instruments that would be used for collateralized loans, insurance and indemnity funds.
  3. Provide advice and assistance to the Ministry of Agriculture in the preparation of relevant by-laws, regulations governing the requirements for grains; regulations governing fruits and vegetables; regulations governing the requirements for the quality of products stored in public warehouses, and regulations governing the requirements for operating a public warehouse.

The USAID Agribusiness Project has agreed with the Ministry of Agriculture to jointly organize a national Warehouse Receipts Conference on January 28, 2009. The image on the following page shows the Warehouse Receipts brochure that will be distributed at the conference to briefly explain the WHR concept. The objectives of the conference are to present the following information to the relevant stakeholders:

- International experience in warehouse receipt system development within the region;
- Major structural components for implementation of the warehouse receipts system;
- International experience of financial institutions involved in commodity based financing;
- Serbia’s warehouse receipt legislation, ongoing programs for implementation, and the main features of the future warehouse receipt system.

In addition, the Agribusiness Project has prepared an English version of the Law on Public Warehouses for Agricultural Products as requested by the Ministry of Agriculture. The translation will be used as a basis for review of the proposed Serbian Law by international experts, and for dissemination at the Conference on Warehouse Receipts. A team of legal experts working with consultant Krassimir Kiriakov provided comments on the draft Law to the Ministry during December 2008.



- **Activity 2.2.3: Legalize Plant Protection Rights.** At the preparatory training for members of the berry fruit trade mission to the UK, organized on October 24th 2008, the Policy Specialist gave a presentation on the current status of, and prospects for, Serbia’s membership in the UPOV (status and outline of the draft legislation and preconditions for membership). The Policy Specialist also presented information on the implications of UPOV membership on imports and the production of new varieties of berry fruits. During the next two quarters, depending on developments with the draft Law on Protection of Plant Breeder’s Rights, the policy team will focus on designing activities that will educate relevant stakeholders on the requirements of the system for the protection of intellectual property rights over new varieties.
- **Activity 2.2.3: Reform of the Cooperative Law & Registration in Serbia.** The Agribusiness Project had several consultations with Mr. Stojan Jetic, the President of the Cooperative Union of Serbia and a member of the Working Group for development of new Cooperative Law, and his associates to discuss activities related to the promotion of agricultural cooperatives and the development of a new Law on Cooperatives. The Agribusiness Project has offered to engage international experts from the International Cooperative Alliance (ICA) to assist with the preparation of the Law (which is the responsibility of the Ministry of Economy & Regional Development). In addition, the two parties have reached agreement regarding the organization of public discussions related to the new Law on Cooperatives, once the final draft of the law is available, which is expected to be during the 3<sup>rd</sup> quarter of 2009.

The Policy Specialist and the Producer Organization Specialist from the Agribusiness Project have reviewed the draft UNDP Report on Social Enterprises in Serbia - Cooperatives: Institutional Framework and Experiences from the Practice, which was prepared by “ITAD” consultants and which provided comments on proposed activities to improve the institutional framework for the development of cooperatives. Based on comments provided on the draft report, the UNDP plans to develop a final version of the report that will be presented to the relevant Serbian ministries. STTA consultant, John Willsie, who was in Serbia over the period from November 23<sup>rd</sup> to December 20<sup>th</sup>, 2008, conducted field research regarding the current situation with agricultural cooperatives and prepared a report outlining possible future activities that would contribute to the development of cooperatives.

# **USAID Serbia Agribusiness Project**

Quarterly Report – Year Two Quarter One

October 1, 2008 - December 31, 2008

## **Annex 5 – Agribusiness Grant Program**

### **Objective 3.1: Agribusiness Grant Program**

Activity 3.1.1: Establish & Manage the Agribusiness Grant Program

Activity 3.1.2: Award Investment Incentive Grants to Client Firms

Activity 3.1.3: Award Capacity Building Grants to POs and ABDS firms

Activity 3.1.4: Award Youth Enterprise Grants to Selected Students

## **GRANT PROGRAM – Quarterly Report**

October 1, 2008 - December 31, 2008

### **Component 3: Program Management & Administration**

#### **OBJECTIVE 3.1: AGRIBUSINESS GRANT PROGRAM**

##### **➤ ACTIVITY 3.1.1: ESTABLISH & MANAGE THE AGRIBUSINESS GRANT PROGRAM**

Pursuant to the Task Order and activities included in the Year One Workplan, the Agribusiness Project Grants Manual has been revised to assure that grants awarded are consistent with the strategic objectives contained in the Year Two Workplan. Pending formal approval of the revised Grants Manual from the USAID Mission, the Agribusiness Project has been implementing the grants program in accordance with the existing Grants Manual.

During the reporting period, the USAID Agribusiness Project awarded four (4) grants, with a total value of \$35,938. One was an Investment Incentive grant (\$11,900), and the other three were Enabling Grants with a total award amount of \$24,038. Further details regarding each of the awarded grants are included in this section of the Agribusiness Project Quarterly Report.

In addition to the four grants that were awarded, the Project received three grant proposals, with a total potential award amount of \$157,040, and three grant concept papers. The proposals are under review by the Grants Committee and decisions on funding should be taken early in January 2009. The concept papers are also under review and the Project will work with the organizations that have submitted these concepts to develop them into full proposals. Additional details on these proposals and concepts are included in the following paragraphs.

#### **Grant Proposals:**

1. Coba & Associates, one of the leading Serbian service providers to domestic and international trade shows submitted a concept paper to organize a joint trade show presentation for ten (10) Serbian producers and exporters of fresh produce at the 2009 Fruit Logistica Fair. This fair will be held in Berlin, from the 4<sup>th</sup> to the 6<sup>th</sup> of February, 2009. The applicant will book the space for the companies, design and install the stands, prepare promotional material for the participating companies, and arrange for travel and other logistics. The total cost of this activity is estimated at \$177,000, and Coba has requested grant funding in the amount of: \$88,000 or just under 50% of the estimated cost. Agribusiness Project assistance to this effort will generate concrete measurable results relative to the PMP impact indicators. Expected impact will be that 10 agribusiness firms will benefit directly from USG assistance, and the total dollar value of exports by Project beneficiaries is estimated to be \$1,5 million.
2. Strela Company, a mushroom-herbs-forest fruit sector stakeholder, has requested grant funds totaling \$16,500 to support their efforts to shift from bulk to retail packaging in response to sales opportunities in EU markets. These opportunities are the result of Strela's participation in the 2008 SIAL Fair, which was supported by the Project. The company will provide a cost-share for this grant of \$23,500, and while Strela has already secured a loan to purchase raw

materials for this effort, they cannot secure additional loan funds and do not have the resources internally to fund this entire effort. Increased retail sales, following completion of this project, will generate increased exports of \$1.5 million, and an increase in domestic sales estimated at \$500,000, as well as six new full-time jobs.

3. Taurus, a dairy ABDS provider which is specialized in a dairy sector business development and extension services, has developed a comprehensive training program for 50 model dairy farms, and a generic training program for an additional 200 farms, to address milk quality and food safety issues at the farm level. The cost of this training program is estimated at \$52,540. The training will include topics such as feeding, microbiology, animal health, farm management, forage production, milk quality standards, fertility and artificial insemination, among others. The Project has planned involvement for all the relevant dairy sector stakeholders (ie dairy farms, ABDS providers, Rural Development Centers, cooperatives and dairy processors. It is estimated that the participating dairy farms, and the ABDS providers, will generate an addition \$800,000 in sales, and generate 10 new jobs within one year following completion of the training program.

### **Grant Concept Papers:**

1. Desing, a private agribusiness firm has submitted a preliminary concept paper to the Project, which deals with the introduction of new technology for packaging it's fruit toppings, fruit fillings, fruit pastes, and other fruit products. The Grant Review Committee has accepted the concept paper and Desing will be requested to develop the concept paper into a full grant proposal in early January.
2. Agromreza, a local agricultural NGO, has submitted a concept paper to support strengthening the Serbian agriculture market information system (STIPS). Agromreza proposes a project to update the STIPS system software, and to deliver training sessions on the use of system to STIPS personnel. This concept paper will be reviewed in January 2009.
3. RTV Panonija has submitted a grant concept to assist their daily show "Agrolink Dan", which provides regular information to Serbian farmers and rural residents regarding agricultural issues, as well as news relating to the EU and regional agricultural markets. RTV Panonija is a Serbian government organization and is thus ineligible to be a grant recipient. This concept has been endorsed by the Ministry of Agriculture, and the Agribusiness Project will assess that other options might be available to support these efforts to improve the dissemination of agricultural information in the future.

### **➤ ACTIVITY 3.1.2: AWARD INVESTMENT INCENTIVE GRANTS TO CLIENT FIRMS**

An investment incentive grant (Grant Agreement no. IC-FY-2-1) for \$11,900 was awarded to Bilje Borča, a processor of medicinal and aromatic herbs, to enable them to redesign their tea packaging and labels in order to meet packaging and labeling requirements in the USA. Earlier the year, Bilje Borča signed a letter of intent with the American company Black Eagle, Inc. to jointly market Serbian teas in the US market. The total estimated cost of this project is \$31,900, and the



Agribusiness Project grant funds will cover the cost of the redesign of the tea bag boxes, and the development of a brand name and labeling. Bilje Borča will provide \$20,000 of funding for printing and production of the redesigned packages. Thanks to this assistance, it is estimated that Bilje Borča will generate additional sales income of more than \$700,000, with \$350,000 of that being exports, over the next three years. The picture at the right shows the Manager of Bilje Borča signing the grant agreement with James Herne, the Agribusiness Project's Deputy Chief of Party.

➤ **ACTIVITY 3.1.3: AWARD CAPACITY BUILDING GRANTS TO POS AND ABDS FIRMS**

An Enabling Grant (Grant Agreement no. EG-FY-2-2) of \$8,095, was awarded to the National Association of Fruit and Vegetable Producers to organize a trade mission to the United Kingdom. A group of eight fresh berry-fruit producers and nurseries visited one of the biggest nurseries in the world – Hargreaves Plants – with the objective of facilitating business deals and fostering the gradual transition of the Serbian berry fruit sector from frozen to fresh products. This initiative emerged as a follow-up to other activities implemented by the Agribusiness Project, such as the training programs on the production of berries for the fresh market delivered by Mr. Rick Dale, and presentations on raspberry varieties suitable for fresh markets, conducted by a representative of Hargreaves Plants. Based on initial reports, four (4) trade mission participants have ordered 275,000 raspberry canes from the Hargreaves, while a member of the trade mission and a UK-based company signed an MoU for a strategic partnership and joint venture in Serbia. The picture at the right shows the Trade Mission participants, and the Berry Sector Lead, in a pre-Mission training session at the Agribusiness Project office.



Two Enabling Grants (Grant Agreements no. EG-FY-2-3, A/B) with a total amount of \$15,943, have been awarded to support the 2008 Belgrade Ethno Food & Beverage Fair, which was held in November. Due to financial constraints, the Belgrade Fair applied for grant funds to support the organization and promotion of the fair, as well as technical assistance in organizing a seminar aimed at educating Serbian producers regarding Food Quality Systems, and Labeling Requirements in the US and the EU. There were 162 producers of ethnic foods and beverages from throughout Serbia that exhibited at the fair, as well as four companies from the region.

➤ **ACTIVITY 3.1.4: AWARD YOUTH ENTERPRISE GRANTS TO SELECTED STUDENTS**

The Agribusiness Project went through an extensive process to solicit and review Business Plans submitted by agricultural students in mid-2008, and based on the selection criteria a total of seven (7) students were selected to receive Youth Enterprise Grants. Following this event, the USAID Mission requested that the Agribusiness Project hold off on awarding these grants as it wanted to develop a comprehensive MOU with the Ministry of Education to cover all Mission funded efforts to support educational system development in Serbia. As of the end of 2008 this MOU has not as yet been finalized or signed, and the Agribusiness Project has not awarded any of the Youth Enterprise grants that were planned for Year One. The management of the Agribusiness Project will be requesting Mission approval to make these grant awards immediately so as to avoid further delays in getting these young entrepreneurs started on their business careers.



# **USAID Serbia Agribusiness Project**

Quarterly Report – Year Two Quarter One

October 1, 2008 - December 31, 2008

## **Annex 6 – Project Communications Report**

### **Objective 3.2: Project Communications**

Activity 3.2.1: Develop & Implement a Project Communication Strategy

Activity 3.2.2: Create and Manage an Agribusiness Project Web Site

# PROJECT COMMUNICATIONS – Quarterly Report

October 1, 2008 - December 31, 2008

## Component 3: Program Management & Administration

### OBJECTIVE 3.2: PROJECT COMMUNICATIONS

#### ➤ ACTIVITY 3.2.1: DEVELOP & IMPLEMENT A PROJECT COMMUNICATION STRATEGY

The Agribusiness Project Communications Advisor has completed preparation of a Project Communications Strategy. The Strategy will be reviewed internally, and approved for distribution to all staff by Project Management. This document will serve as a guideline for Project staff regarding how they should interact with Communications staff, and how they should implement and manage communication efforts related to their sub-sector activities. All Project staff will need to become familiar with the document, as it spells out the responsibilities and obligations of each staff person pertaining to Project Communications.

Based on guidance on communication contained in the Task Order, and as received from time to time from the Mission, the Communications Advisor continues to implement the communications function for the Project. During this past quarter the Project has received a significant amount of press coverage, and the Project has organized a number of high-profile public events with the participation of Mission representatives. Among the notable communications events of the past quarter are the following:

#### Print & Electronic Press Coverage:

During the month of October the Agribusiness Project received press coverage a total of nine (9) times, with three (3) being in the print media and the rest (6) being in the electronic media. The main Project activities that received press coverage for the month of October are as follows:

- Coverage of the Ambassador's visit to the Agricultural Innovation Center (AIC) in Arilje for equipment hand-over and for certification of the laboratory. The Project had previously made a grant to the AIC to partially fund new equipment, and to fund some of the costs related to their receiving ISO certification. The picture at the right shows the Ambassador presenting the certificate to the Mayor of Arilje.
- Coverage of the twelve (12) Serbian agribusiness companies that participated at the Moscow Food Fair, with joint support from the Project, the Ministry of Agriculture, and SIEPA. The Project provided significant financial and logistical support to this effort, and conducted a pre-event training program for the companies participating.



- Coverage of the Foodland company for the Most Innovative Juice in the World award which they won at the World Juice Conference in Barcelona. The Agribusiness Project provided support to Foodland in product development and marketing leading to this award.

During the month of November the Agribusiness Project received press coverage a total of sixty-six (66) times, with twenty-one (21) being in the print media and forty-five (45) being in the electronic media. The main activities that received press coverage for the month of November October are:

- A significant amount of coverage was generated with the Ethno Food Fair, which took place in early November. The Agribusiness Project provided two separate grants to support various elements of the Ethno Food Fair, and the fair itself generated much press coverage. The photo at the right shows the opening ceremony of the Ethno Food Fair, with the assembled dignitaries for the event.
- The Agribusiness Project also provided limited support to the Biznis Base Fair, and the Project printed up additional copies of an Agribusiness Credit guide, which had been prepared earlier in the year, for distribution at the Fair.
- Significant coverage for the Trade Mission to the UK by berry sector firms was generated as well. The Project arranged for some representatives of the press to accompany the group on this trade mission, and that was very successful in generating TV coverage for the event. The press coverage has also highlighted some of the policy issues related to the sector.
- The Agropress reception, and the award made to the Deputy Mission Director during that event, generated a significant amount of positive press coverage for the Project and for USAID in general. Given that there were many journalists and media representatives at the event, it was expected that it would receive a good amount of coverage.
- During the month there was also a significant amount of general coverage related to the Agribusiness Project, with specific events and/or activities being mentioned, as well as the USAID role in the project.



During the month of December the Agribusiness Project received press coverage a total of fourteen (14) times, with six (6) being in the print media and eight (8) being in the electronic media. The main activities that received press coverage in December are as follows:

- The national TV network RTS broadcast an interview held at Jakovo with USAID Mission Director, Mr. Michael Harvey. This RTS interview was broadcast on Serbian national TV as part of the weekly AgroInfo show.
- A seminar on International Marketing & Sales, conducted by Project Marketing staff as part of the preparations for trade fair participation in the coming year, received a significant amount of local press coverage.
- The Agribusiness Project organized a press conference in Belgrade to announce the upcoming seminar program on international standards (GlobalGAP/ISO). Ms. Marilyn Schmidt, the Deputy Mission Director participated in this press conference, and she



spoke of the importance of international standards for local firms that wish to expand into foreign markets. This event, despite the fact that it took place late in the month, generated a significant amount of local press coverage. The photo on the previous page shows the participants at the conference, with the Deputy Mission Director in the center of the picture.

- Television interview with MARNI – a Project client firm. This interview was organized by RTS and Vertigo Production (which produces the U Nasem Ataru TV show). This U Nasem Ataru program was broadcast on more than 55 local TV stations during the month of December, generating a large amount of press coverage for the Project, USAID and the impact the Project is having on client firms.
- The Communications Advisor arranged for two TV interviews for Remer Lane, the Project’s Marketing & Sales Director. In an interview broadcast on January 5<sup>th</sup> on RTS, Remer presented the Project in general, and he spoke about the mushroom sector and the award that Marni recently received. In an interview for the TV program Moja Farmer, Remer spoke about competitiveness for Serbian agribusinesses, and the importance of trade shows.
- The Poljoprivreda Danas agricultural program, in a segment filmed during the International Standards Program press conference, presented information on the Agribusiness Project and the upcoming International Standards Program. This show was broadcast on more than ten local and national TV Stations. A link to the broadcast can be found at: [http://www.mojafarma.co.yu/index.php?option=com\\_content&task=view&id=1113&Itemid=51](http://www.mojafarma.co.yu/index.php?option=com_content&task=view&id=1113&Itemid=51)
- The Poljoprivreda Danas program also broadcast a segment on International Trade Fairs and the related training programs organized by the USAID Agribusiness Project. The Project Marketing & Sales Director was interviewed for the broadcast. This show was broadcast on more than ten local and national TV Stations. A link to the broadcast can be found at: [http://www.mojafarma.co.yu/index.php?option=com\\_content&task=view&id=1109&Itemid=51](http://www.mojafarma.co.yu/index.php?option=com_content&task=view&id=1109&Itemid=51)

The Management of the Agribusiness Project is pleased with the press coverage that has been generated by the Project during this past quarter. The management has made a commitment to keep up the pace with press coverage and public events, to maintain a high level of media coverage for the Project. One commitment that the Management has made is to organize two high-profile events per month, which Mission and/or Embassy staff will be invited to participate in. These types of events will serve to increase the public awareness of the Agribusiness Project, and USAID assistance to the people of Serbia.

### **Project Events Organized during the Quarter:**

Over the course of the previous quarter the Agribusiness Project organized many public events which generated positive press coverage and which provided the Mission and the Embassy with opportunities to participate. The main public events that the project organized during this reporting period are the following.

- **The Ambassador's Visit to Zlatibor Dairy:** This visit was mainly for informational purposes, and to give the Ambassador an opportunity to meet some of the clients of the Agribusiness Project and to understand what kinds of assistance the Project is providing. The Ambassador had a chance to visit the farm and dairy plant owned by Zlatibor Dairy, but there was no press coverage arranged for this event. The picture on the previous page shows the Ambassador discussing the workings of the dairy plant with Zlatibor’s Chief Technologist.



- **Ambassador hands over the Grant to AIC in Arilje:** As was previously mentioned in this report, the Ambassador traveled to Arilje with Project Staff to personally present a Grant Certificate to the management of the Arilje Agricultural Innovation Center (AIC). Project Communications staff worked with local media organizations and there was a significant amount of local press coverage of this event.
- **Press Conference - Foodland Juice Award for Best Juice in the World Award:** The Project organized this press conference jointly with SIEPA to announce the award received by Foodland for their new juice. Deputy Mission Director, Ms. Marilyn Schmidt, and the Director of SIEPA jointly addressed the journalists attending. Some coverage was generated.
- **Marilynn Schmidt named Honorary Member of Agropress:** This event was mentioned earlier in the report, and Ms. Schmidt gave two TV interviews during this event. One was broadcast on the national TV network RTS as part of their *Znanje Imanje*<sup>3</sup> and *Zikina Sarenica*<sup>4</sup> shows. The second interview was broadcast on the *Agrolink*<sup>5</sup> TV show on TV Panonija.
- **USAID Agribusiness Project Support for the Ethno Food Fair:** A considerable amount of media coverage, in all types of media (print, radio, TV, internet), was received throughout the country, and even in the region. This event was discussed earlier in this section of the report and it is one of the more high-profile events conducted during the quarter.
- **Berry Sector Trade Mission to the UK:** Television segments filmed during this trade mission aired two weeks in a row as part of the *Znanje na poklon*<sup>6</sup> TV program. Sasa Marusic, the Agribusiness Project Berry Sector lead was interviewed for the third episode of the show, which also featured information on Project assistance for the berry sector. He explained the purpose and objectives of the Trade Mission and he also described the activities and the goals of the USAID Agribusiness Project.
- **Guide to Agribusiness Financing Launched at the Business Fair:** The local media was not specifically targeted for this activity, but coverage was generated nevertheless. The USAID Agribusiness Project had a stand at the event, which was located near the other bilateral aid agencies. Information on Project activities, as well as copies of the Agribusiness Financing Guide, were provided to media representatives and journalists who visited the stand.
- **Media and Marketing Training for Trade Fair Participants:** The media was informally invited to attend these training sessions, and were offered an opportunity to cover the events if they desired. The *Moja Farma* production company filmed some segments and they interviewed USAID Agribusiness Project staff. These segments were broadcast in December on various national and local TV channels as part of the *Moja Farma* program.
- **Press Conference - Implementation of International Standards (GlobalGAP/ISO):** Because this event took place close to the start of the New Year/Christmas holidays (12/23) fewer journalists than expected participated in this event. None the less, good media coverage was generated for the event as a result of the Project Media Advisory and Press Release, and the Press Release issued by the TANJUG agency.
- **Bilje Borca Grant:** Project staff and a news production team from RTS visited the Bilje Borca company in December for a formal grant signing ceremony. The owner/manager of Bilje Borca was interviewed by the TV team, and segments aired on National TV (RTS)<sup>7</sup> with a number of re-runs. The interview focused on the company, and their efforts (supported by the USAID Agribusiness Project) to access the US market for teas. The assistance provided by the Agribusiness Project was discussed on the TV reports as being instrumental in their efforts.

<sup>3</sup> Most popular agricultural program in Serbia.

<sup>4</sup> One of the most popular programs in Serbia.

<sup>5</sup> Most viewed program in Vojvodina. Airls five times a day.

<sup>6</sup> B92 - Agricultural Program

<sup>7</sup> Agroinfo Program

- **Mr. Michael Harvey attends the filming of *Zanje Imanje* (RTS):** The USAID Agribusiness Project was invited to attend this event, and the invitation was extended to the Mission Director as a unique opportunity to give a public presentation on the USAID Mission in Serbia. During the event, key agricultural stakeholders were interviewed for the last two broadcasts for 2008. Mr. Harvey was interviewed during event as well as Agricultural Minister Mr. Dragin. These shows were aired on RTS in December 2008.
- **Marni Interviews:** Interviews with management from the Marni company were organized for National TV<sup>8</sup>, and Vertigo Production<sup>9</sup>. Marni received a prize from SIEPA in November as Exporter of the Year, based on their entry into the US market. Marni was the only agricultural company to receive an award this year. Media representatives were asked by the Project to interview Marni management to discuss success, which featured information on how the support from the Agribusiness Project was instrumental to their success. This interview was aired on national TV during December 2008.

The Project has conducted a busy program of public events to keep the Project, and USAID assistance, in the public eye. These efforts will continue, and increase, over the balance of Year Two, and for the remaining life of the Project.

➤ **ACTIVITY 3.2.2: CREATE AND MANAGE AN AGRIBUSINESS PROJECT WEB SITE**

Over the course of the past quarter both the English and Serbian language versions of the USAID Agribusiness Project Website ([www.agrobiznis.net](http://www.agrobiznis.net)) were updated and improved. The Communications Advisor will continue to make improvements to the Web Site, and to seek advice and guidance from other Project staff on how the site can be made better. Among the new features and improvements made to the site this past quarter, the following are notable:

**New Features on the Web Site:**

- A Calendar of Events Page has been added – This page will include the dates and times of upcoming Project recent events, along with descriptions of the events. The web site will also have some historical data on Project events, so visitors can see the chronology of events organized by the Project in the recent past.
- A Resources Page – This new page provides a concise list of Project Publications and other useful documents created by the Project. To the extent possible, the web site will have pdf versions of these documents available for download.
- A Procurement Page – Over the course of Year Two, and for the remainder of the Project, the level of local procurement is expected to be much greater than in Year One. The new Request for Bids page will assist the Project in soliciting bids from interested providers.
- An Employment Vacancies Page – While the Project does not expect to have many vacancies in the coming years, this section could also be used to advertise consultant assignments that the project seeks to fill.
- A Media Coverage Page – This page will include pdf copies of Press Releases, news articles, and other media coverage that have been garnered over the life of the Project. This page will also have links to other sites which have video coverage of the Project available.
- A Subscription Option – This function will not be operational until January of 2009. This option will enable visitors to subscribe, and receive email alerts on upcoming Project activities

<sup>8</sup> To be broadcast either in a Daily News segment or another agricultural program (Znanje Imanje or Zikina Sarenica).

<sup>9</sup> This agricultural program is broadcast on nearly 50 local and national television channels.

and events. This will be of particular interest to our client firms, and will serve to keep them more informed of Project activities.

### **Improvements to the Web Site:**

- Over the course of the past quarter the Website CMS was upgraded. No outside assistance to maintain the web site will be necessary from now on. All changes to the existing structure will be done in-house with no out-of-pocket expenditures.
- The website will be revised and updated on a daily basis – of course this will depend greatly on the schedule of Project activities.
- The news section of the Web Site will be updated regularly, as Project activities take place and information is available. These updates will be available in both languages.

### **Project Info Brochures**

The Communications Advisor has re-designed the Project Brochure and new versions have been printed in both languages.

# **USAID Serbia Agribusiness Project**

Quarterly Report – Year Two Quarter One

October 1, 2008 - December 31, 2008

## **Annex 7 –Administration & Personnel**

### **OBJECTIVE 3.3: GENERAL PROJECT ADMINISTRATION**

ACTIVITY 3.3.1: PROJECT ADMINISTRATION & PERSONNEL MANAGEMENT

ACTIVITY 3.3.2: PROJECT STAFF MENTORING & TEAM BUILDING EFFORTS

## **ADMIN & PERSONNEL – Quarterly Report**

October 1, 2008 - December 31, 2008

### **OBJECTIVE 3.3: GENERAL PROJECT ADMINISTRATION**

#### ➤ ACTIVITY 3.3.1: PROJECT ADMINISTRATION & PERSONNEL MANAGEMENT

During the course of the past quarter there have been a number of changes in Project personnel. Additional details on the personnel changes can be seen in the revised Organizational Chart that is contained on the following page. The following is a list of personnel changes this quarter:

#### **Departures:**

- Mr. Garry Eugene Neill, Chief of Party, left the Project as of December 3, 2008.

#### **Arrivals or New Hires:**

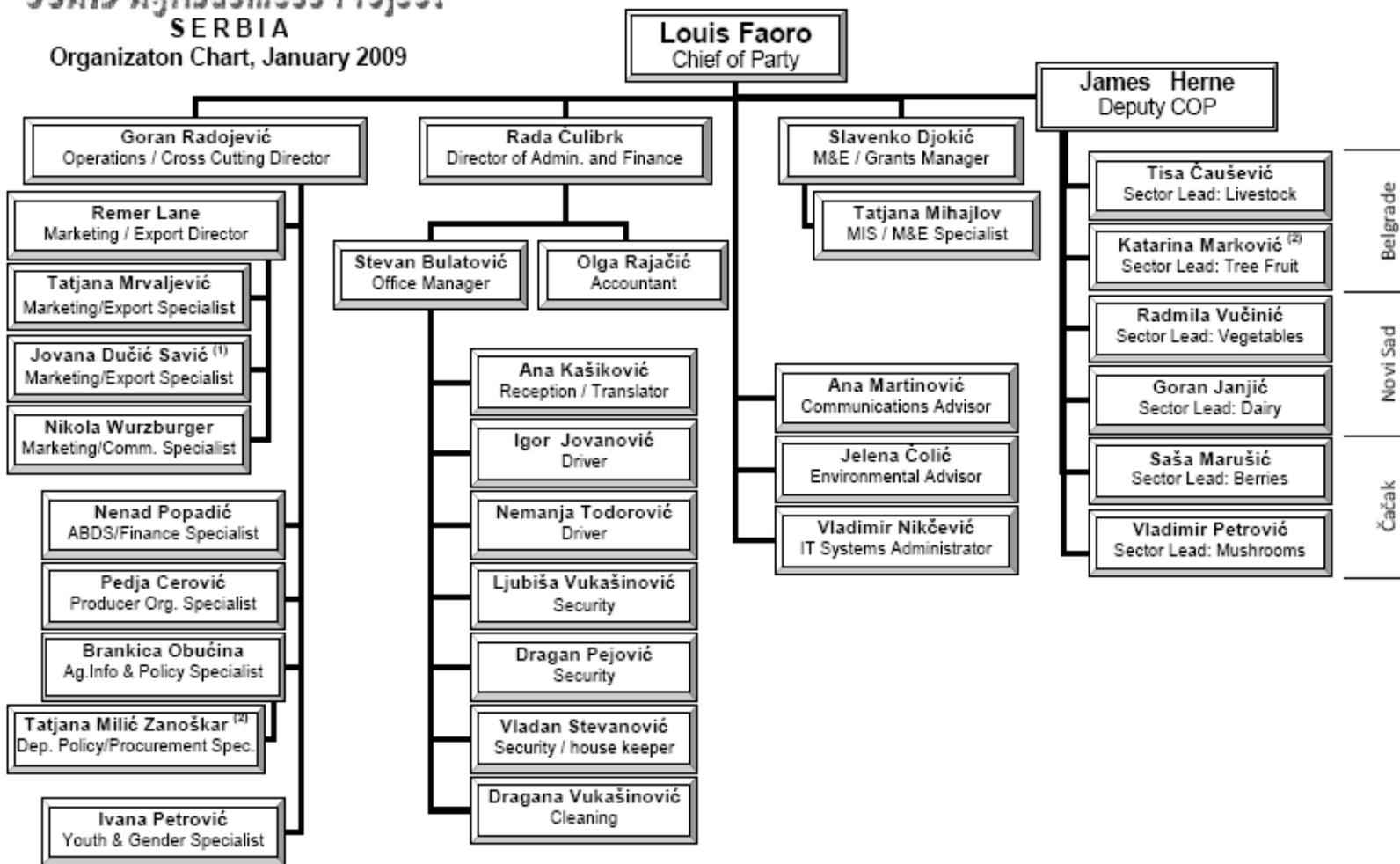
- Mr. James Herne, Deputy Chief of Party, arrived in Belgrade on November 3, 2008
- Ms. Tatjana Mrvaljevic, Marketing & Export Specialist, replaced Ms. Jovana Ducic-Savic – the Marketing & Sales Deputy Advisor, who is on maternity leave, as of October 1, 2008
- Mr. Nikola Wurzburger, Marketing & Communication Specialist, was hired by the Project as of November 10, 2008
- Ms. Olga Rajacic, an Accountant, was hired as of December 1, 2008
- Ms. Tisa Causevic, Sector Lead/Livestock was hired as of December 15, 2008
- Mr. Nemanja Todorovic, Driver/Logistic Officer, was hired as of December 17, 2008

The Project has received Technical Approval from the CTO on Ms. Katarina Markovic, Sector Lead/Tree Fruit, and is waiting for rate approval before she is hired. The Project has also requested approval to hire a Deputy Policy Specialist / Procurement Manager, to assist the Ag Info & Policy Specialist, and to assist with the new activities envisaged under the funds to be shifted to project activities line in the budget. CTO technical approval, and RCO rate approval are still pending.

#### ➤ ACTIVITY 3.3.2: PROJECT STAFF MENTORING & TEAM BUILDING EFFORTS

During the quarter a consultant from the Training Resources Group (TRG), Mr. Ed Salt, visited Belgrade to assess the need for staff training and mentoring within the Agribusiness Project. He has submitted a report on his findings and recommendations that is being evaluated by Project management. It is expected that some follow-up work, based on the recommendations made by Mr. Salt, will take place during the coming quarter.

**USAID Agribusiness Project**  
**SERBIA**  
 Organizational Chart, January 2009

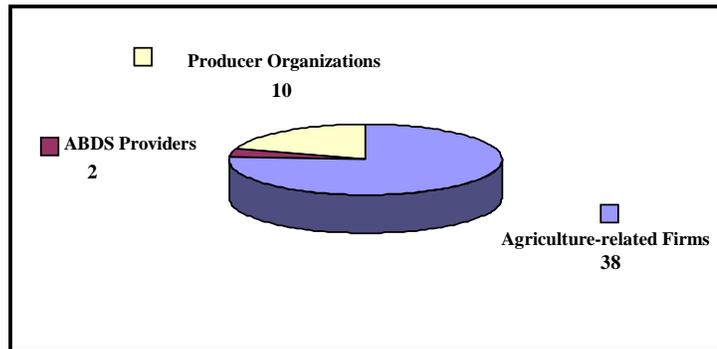


**NOTE:**  
 (1) - Jovana Ducic Savic is on maternity leave until Oct. 2009  
 (2) - Tatjana Milic Zanoskar and Katarina Markovic received Technical Approval, employment is pending CO approval.

## PROJECT IMPACT – Quarterly Report

October 1, 2008 - December 31, 2008

Pursuant to the reporting requirements set forth in the Task Order, the USAID Agribusiness Project has carried out a quarterly client impact survey, to collect data on the impact and results of Agribusiness Project assistance. This data was collected in late December and rather than send out a burdensome written questionnaire Project personnel conducted phone interviews with selected client firms to collect data on the impact of project assistance over the period covering October 1 – December 31, 2008. The following paragraphs will summarize the data that has been collected:



- A total of 50 agriculture-related firms (38 agribusinesses firms, 10 producer organizations, and 2 ABDS providers) participated in activities supported by the Agribusiness Project, or received some direct assistance from the Project. A total of 16 new agribusiness firms have been entered into the TAMIS system.
- A summary of the assistance provided to the participating agricultural firms is as follows:
  - Client firms participated in 11 training programs and 2 workshops;
  - Four grants have been awarded; 2 to support the 2008 Belgrade Ethno Food & Beverage Fair, 1 for the Trade Mission to the UK for berry fruit producers, and 1 for the redesign of packages for tea producer Bilje Borca;
  - Eight (8) agribusinesses were assisted during the SIAL trade fair in Paris;
  - A number of client firms also received business advice from Project technical staff.

All of these events and activities have contributed to the client firms reporting the transactions and sales results reported in this section of the Quarterly Report.

- A total of 24 agribusinesses (2 producer organizations, an ABDS provider, and 21 agribusiness firms) reported making new sales of their products based on assistance provided by the Agribusiness Project. Based on the interview survey results, the Agribusiness Project reports the following sales results as being directly attributable to Project assistance:

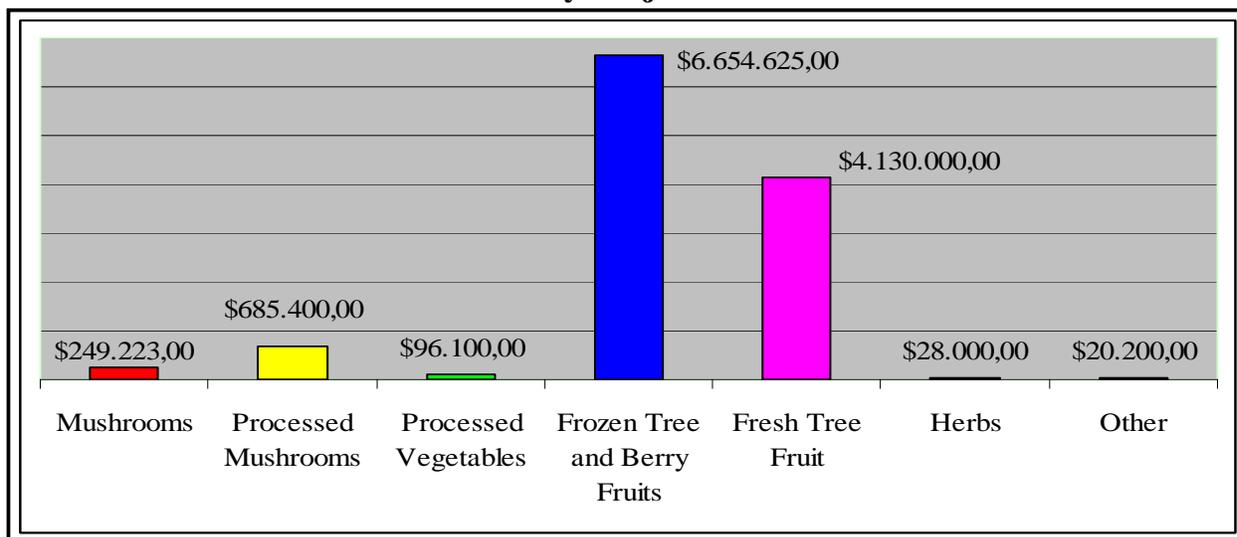
### Client Firm Sales resulting from Project Assistance

Sales Contracted	Sales Completed	Sales Under Negotiation
\$14,285,000	\$11,863,548	\$5,197,000

- The vast majority (more than 99%) of these reported sales were for exports.

- Based on this data the Agribusiness Project has exceeded the target for Performance Indicator No 4 (dollar value change in agricultural product sales) for Year Two, which has been set at \$7M. Cumulatively, the Project is also ahead of the combined sales target for Years One and Two, which is \$10M. To date the Project has reported total sales results of \$16.65M. This represents more than 160% of the sales target for the first two years of the Agribusiness Project.

### Sales Results by Project Sub-Sector



- Frozen (and semi-processed) Tree and Berry Fruits accounted for 56% of the total sales reported. The sales of fresh Tree Fruits accounted for 35% of the reported sales. Fresh and processed mushrooms accounted for 8% of the sales, while processed Vegetables, herbs and other commodities all together accounted for only 1% of the total sales reported this quarter.
- Unlike the sales results, employment reported this quarter is relatively low but this is to be expected because of the pace of agricultural activities during the fourth quarter of the calendar year. Client firms reported a total of 20 new jobs created this quarter, in the categories shown in the table below. To date the Agribusiness Project has contributed to the creation of 51 full-time jobs, 208 part-time jobs and 2,655 seasonal jobs. To date the Project has assisted in the creation of 2,914 jobs, which is well ahead of the cumulative Year Two target of 1,000 jobs.

### New Employment Reported by Client Firms this Quarter

Full-time	Part-time	Seasonal
<b>3 persons</b> <i>(one woman)</i>	<b>7 persons</b> <i>(4 women &amp; 4 youth)</i>	<b>10 persons</b> <i>(all women, 3 youth)</i>

The Project survey results, and the data included in the TAMIS system, have been analyzed and disaggregated into the following groups of Project clients, in accord with PMP requirements:

#### ***Producer Organizations:***

- From the 10 Producer Organizations that were assisted during the reporting period, two (2) Producer Organizations reported sales results which are directly attributable to Project assistance. Fruitland reported export sales of fresh tree fruits in the amount of \$160,000, while

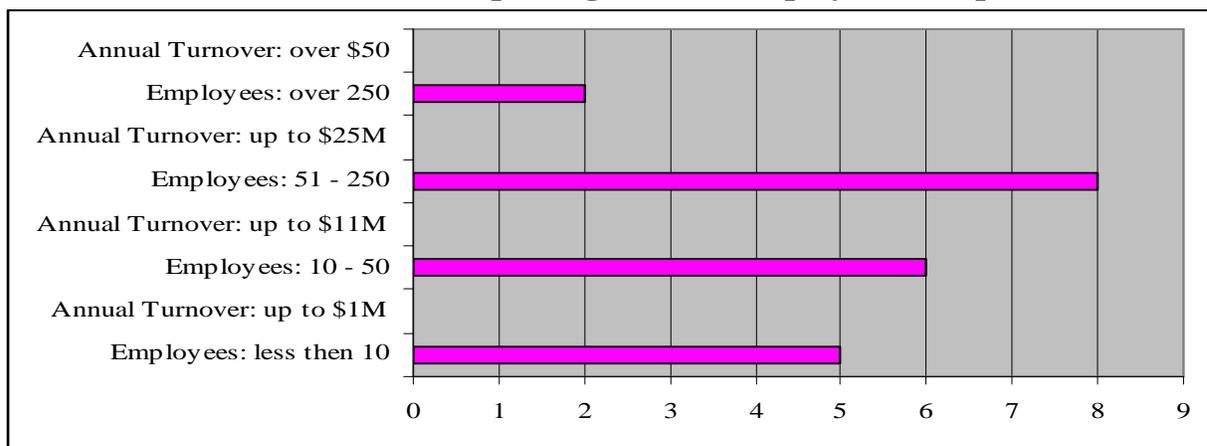
ZZ Mladost is negotiating a sales contract valued at \$5,000. ZZ Mladost also reported the introduction of a new cooling system, and new packaging technology, as a result of Project assistance. As per the PMP standard indicators, 30 producer organizations should have received assistance to the end of calendar 2008. To date the project assisted 35 Producer Organizations, ten (10) during this past quarter and twenty-five (25) over the course of Year One.

- Reported sales from Producer Organizations in this quarter represents 16% of the sales target for this category of clients organizations in Year Two (\$1.0 million). The Agribusiness Project will be putting more focus on Producer Organizations in the coming quarters, and design activities and events that will directly contribute to generating more sales from this group of Project clients in the next three quarters, and over the life of the Project.

**Agribusiness Firms:**

- Of the 38 agribusiness firms that have been assisted during this reporting period, 21 reported sales results (see table below) directly attributable to Project assistance. The total of 108 agribusiness firms assisted to date exceeds the cumulative PMP target of 85 firms benefiting from Project support and assistance in Years One and Two.
- More than 50% of the agribusiness client firms employ less than 250 employees and have an annual turnover of \$25M or less (11 firms employ up to 50 workers, and 8 firms employ from 50 to 250 workers). Only two (2) firms are considered as very large, with more than 250 employees and an annual turnover of \$50 million or more. (see table below)

**Profile of Assisted Firms Reporting Sales & Employment Impact Data**



**ABDS Providers:**

- Of the two (2) ABDS providers that received Project assistance during the quarter, one reported sales results from Project assistance. The number of ABDS Providers assisted to date (2 this quarter, plus 8 from Year One) is well below the PMP target of 40 (cumulative) ABDS firms receiving assistance by the end of Year Two. The Agribusiness Project assisted eight (8) ABDS providers in Year One, and the reported sales revenues for the same period were \$20,000 (the Year One target was \$50,000). The Year Two target for new sales revenues from ABDS providers is \$100,000. During this quarter, there were no reported results for this indicator. The Agribusiness Project will focus more assistance on the ABDS sector in the coming quarters to insure that the Project achieves the PMP targets in this category for Year Two.