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## **CLUSTER AND BUSINESS SUPPORT PROJECT**

### **Building Alliances Between Kosovo Association of Milk Producers and Serbian Farmers**

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# CONTENTS

Purpose of Assignment

Background

Executive Summary

Field Activities to Achieve Purpose

Conclusions and Recommendations for Future Activity

The authors' views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

# PURPOSE OF ASSIGNMENT

The Association of Kosovo Milk Producers (KAMP) was formed in the early part of 2005. They have already had an impact on the local milk production. Numerous seminars and programs have been undertaken by KAMP. A board of directors was elected that included 11 Albanians and 1 Serb and 1 Vlak.

The majority of the members of KAMP are Albanians. However, there are a few Serbians that are members and others that are expressing interest in becoming members. KCBS has worked with many Serbian dairy farmers and they are very receptive to working with KCBS, however, they are not sure how working with KAMP will benefit them. They are not familiar with many of the KAMP members and have not established a confidence in KAMP's activities. The purpose of this assignment is to build a communication linkage between KAMP and the Serbian farming groups. KCBS has identified Serbian farming groups that could be assisted by the program. KCBS needs the assistance of a consultant who has experience in working with these groups so that appropriate training and grants can be developed to assist them.

## BACKGROUND

The three groups identified by KCBS are: RONA a dairy plant, Biocoop, Shtime and Agrocoop, Lipjan both of which are milk collection centers. They all started their respective activities in August 2004. In February of 2005, they made the decision to develop some integrated activities so that they all could develop their business further.

RONA currently processes 4 tonnes of milk per day of which 35% are provided by the two cooperatives, which are processed into 6 types of dairy products, mostly cheese (white cheese and Kaqkaval). Intention for RONA is to sustain the increasing market demand for existing products and also to provide high end/niche products. It is assumed the success of new products will be facilitated by RONA's current positive image in the market. In addition, RONA needs to reach health code standards in order to make sure they are not to be limited by the regulations framework in expanding their operation.

RONA with the two cooperatives can buy more milk and improve the quality of the milk. The goal is to:

- Expand capacity of the milk collection
- Improve the quality of the milk
- Improve the dairy farmers management practices
- Improve the Standard Operating Practices and Good Manufacturing Practices of their dairy processing facility

The consultant will develop a program implemented by KCBS through their professional consultants and grants program to achieve:

- For RONA, increasing market share and diversifying production
- For the cooperatives, to train Serbian and Albanian farmers in professional dairy farming techniques.

The market analysis for diversification has already performed by RONA sales manager: The three main products supposed to be launched will be:

- Premium Kaqkaval cheese using highest quality of milk
- Mozzarella cheese for pizza production and for stand alone consumption
- Cream from mozzarella production

# EXECUTIVE SUMMARY

RONA currently processes 7 tonnes of milk per day of which 35% are provided by the two cooperatives. They make 5 types of dairy products. KCBS assisted RONA through:

- Diversifying into new products
- Reducing costs through quality improvement
- Facilitating the management of the farmers by focusing collection from cooperatives and milk collection centres (MCC)

KCBS worked with two dairy cooperatives assisting them to increase their profitability. The dairy cooperative in Shtime is organized around 2 MCCs. The dairy cooperative in Lipjan is organized around 2 MCCs (Serbian in Lepina and mixed in Rubovc). KBS assisted the cooperatives by:

- Expanding capacity of the milk collection
- Improve the quality of the milk
- Improving the dairy farmers management practices
- Improving the Standard Operating Practices (SOP) and Good Manufacturing Practices (GMP) of the MCC's

AGROCOOP cooperative:

- Improve milk quantity through balancing feeding rations
- Improve milk hygiene through treating mastitis and developing new hygiene practices
- Strengthen and raise professionalism of the relationship between Dairy factory RONA and the cooperative (objective in itself, but also a prerequisite of the improvement)
- Contribute to Serbs integration in the cooperative
- Build up the municipality to further support and help the development of Agrocoop

BIOCOOP cooperative:

- Collaborate with the Belgium NGO to share efforts on the common objectives
- Improve milk quantity through balancing feeding ration
- Improve milk hygiene through treating mastitis and developing new hygiene practices

RONA:

- Milk quality improvement
  - Milk testing procedures
  - Milk pricing policy
- New Product development
  - Mozzarella
  - Ricotta
- Good Manufacturing Practices

# FIELD ACTIVITIES TO ACHIEVE PURPOSE

## **Improve milk quantity:**

This program was performed with KCBS and achieved the following:

- Selected 4 farmers – cooperative members from every MCC to work directly with
- Brought in the necessary additional material to perform a 2 week experiment on the 5 best potential cows
- Prepared directly with the farmer the concentrate and explained to him how he should feed his cows
- Recorded the improvements and disseminated results to others through the MCC
- Set up a general training for the farmers
- Follow up of the attitude of the farmers and requests to the MCC manager

## **Improve milk hygiene:**

This program was initiated with Vlado and Dragi, two other KCBS STTAs, and was carried on with cooperative's representative and RONA director. The program was organized according to the following steps:

- General farmers insight regarding bacteria, hygiene and golden practices
- Presentation of dairy policy based on milk quality and hygiene.
- Milk testing to assess the bad level of hygiene
- Mastitis test education and control of cows
- Introduction to the farmers of a basic kit to get them started with hygiene improvement
- Farmers' commitment to improve hygiene, purchase required kit and start treating cows suffering from sub-clinical mastitis
- Farmers' training on how to treat their cows by themselves and how to use the hygiene kit
- Control hygiene improvement by testing

## **Assistance for KCBS grant:**

### **For the cooperative in Lipjan**

The grant was principally prepared with the president of the cooperative. The President had already prepared a business plan 2005-2008 which constituted a very good basis for discussion. The support consisted mainly in helping him formulate ideas and develop adequate methodology/implementation process.

### **For the dairy factory RONA**

The grant was principally prepared with one of the managers. The requests formulated in the concept paper were:

- The adaptation of KCBS project for milk hygiene improvement for RONA farmers – to be implemented with Biolab and Macedonian Milk Improvement program.
- Obtain technical assistance on producing mozzarella and ricotta cheese – to be implemented with Arturo Inda Cunningham, a KCBS consultant.

## **Strengthen relationship between RONA and the cooperatives**

The situation in Kosovo is that the dairies unofficially agreed on their respective "territory" leaving the farmers without alternatives to sell their milk. The consequence is that some dairies abused their position to pressure the farmers. Such situations constitute a significant

limitation to economic development and quality improvement. Following problems were met by the dairy and the farmers during the period of the assignment :

- The farmers poured water in their milk
- The farmers were paid unexpected price
- The payment of the farmers was delayed several times
- The lacto freezer happened to be dysfunctional and the parties did not know how to cope with it
- The electricity in the MCC broke down unexpectedly
- The dairy started implemented new payment policy including additional punishment without preliminary negotiation
- The milk collection center significantly increased milk quantity after large promotion campaign in surrounding villages which gave the dairy too much milk

The role of the consultant was to be a kind of buffer between the dairy and the cooperatives and to be the intermediate in problem solving. In exercising this role, the consultant educated the parties to be self sustainable in problem solving and negotiation.

Following is an example of how KCBS assisted the farmers and dairy to work together. The Serbs from Lepina started to collect and sell the milk to Rona in February. The first months were fine (good milk quality, nice payment etc.). After two months, new farmers started to give their milk but added water and took off the cream. The milk collection center did not have the equipment to assess accurately the problem. The dairy took some samples but did not seem to have communicated the results. At the end of the month the dairy, alerted the farmers that it had to postpone the payment until the following month. When the time came to pay after two months, the dairy paid based on the quality and applied the terms of the contract, which stated that if water is discovered 25% of the quantity would be taken away. Time and education made them accept that they made a big mistake by pouring water. KCBS arranged a meeting between the farmers and dairy processor to discuss the problem. They reached an agreement. My assessment is that the parties, through this experience, learnt the value of:

- Communication
- Compromise
- Problem solving through negotiation

### **Serb integration in the cooperative:**

Integrating the Serbs in a multiethnic project is an extended duty since the events and the political situation regularly challenges what has been built.

For Lepina, the actions which were promoted were to:

- Always employ the Albanian president to help them steer their problems in group
- Build parallel program with the MCC in Rubovc and accompany them to share the experience and the results
- Motivate their active participation in setting up the grant project
- Build respective knowledge and trust between the Albanian dairy and the MCC

For Rubovc, the specific actions were to :

- Multiply contacts with "neutral" external persons who would come with the MCC manager from Rubovc (myself, representatives from the department of agriculture, Vesna)
- Detail precisely the terms and conditions, identify potential road blocks and solutions

### **Build up the municipality to help the development of Agrocoop**

The idea was to create links between the cooperatives and partner-structures which would relay/disseminate the action of KCBS. For the cooperative in Shtime the Belgium NGO was to play that role. For the cooperative in Lipjan, the department of agriculture from the municipality was identified. Officers from the department have been trained for 1 year by the EAR funded SASS program. Perform a survey of the dairy farmers of the municipality and build an analysis of the issues faced by the farmers and define project to help the farmers and identify the support that could be offered by the municipality. A 4 page questionnaire was prepared with the support of KCBS local expert. Expected revolving effect of the questionnaire was to raise interest of the farmers in learning more and building their own project. This questionnaire and the underlying intentions were explained to the department of agriculture. It was then completed with 55 farmers (data can be found recorded in the department). This report was presented to the president of the municipality, the CEO and the UNMIK administrator.

# CONCLUSIONS AND RECOMMENDATIONS FOR FUTURE ACTIVITY

## **Reinforce collaboration with programs dealing with farmer management**

Those programs should be charged with meeting the conditions for good training/learning as stated above. For example they could handle :

- Preliminary capacity building of some leaders
- Set up of complete and comprehensive farm management program
- Preparation of incentive packages for the farmers linked with control
- Preparatory education of the farmers' basic accounting capability
  - their profitability level
  - their cost of production
  - the expenses that could be reduced while preserving their margin
  - the investments which would generate high ROI

KCBS should reconsider its implementation plans

- Build collaboration with partner projects
- Set up joint objectives and respective road maps
- Ensure that the conditions for learning are ready
- Implement training/education program
- Set up the monitoring program for results and dissemination with the partner organizations

Programs already identified are :

- Team Kosova
- IMC
- UNDP
- Mercy Corps

## **Contribute to build up milk collection centers**

If KCBS USAID wish to pursue activity with small to medium dairy farmers, the right spot of action is the milk collection center. Indeed the milk collection center has potential to develop into:

- Quality control center
- Information center
- Education center
- Marketing development center
- Cost analysis center

And through one of these centers, the implementation of KCBS program should be made easier. For example in order to release long lasting education to the farmers, an educational calendar could be set up and hung in front of the MCC, stressing every day or every week simple messages :

- Don't let your cow rest: they should be able to eat all the time,
- You want high yields, feed proteins
- You want to get higher fat content, why don't you try feeding good hay

### **Help raise professionalism of the relationship dairy farmers**

There is definitely a need to strengthen KADP and farmers associations individually, but one should not forget that those two are interdependent and that the sector can't thrive without close collaboration between them. This will need to be supported by capacity building and education. A dedicated collaborating program should be set up.

### **Build and lead a task force to solve the issue of dairy product imports**

This issue is severe and has already significantly impacted the dairy sector. In order not to endanger what has been accomplished in the past years, this issue should be solved as fast as possible. KADP is currently leading the battle, but the association is not solid enough yet to cure the virus. I would therefore recommend KCBS to directly set up and lead the task force who should deal with that.

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Sales and Marketing Support Activities

Annexes

Annex 1 – Presentation on Milk Production

Annex 2 - Presentation on Milk Quality