



USAID Agribusiness Project

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YEAR 1 ANNUAL REPORT

EXECUTIVE SUMMARY

With our partners, Booz Allen Hamilton and International Relief and Development, DAI is pleased to present our annual report covering the period from October 1, 2007 to September 30, 2008. Our report is organized according to the four requirements requested in the Task Order including achievements, problems encountered, resolutions and recommendations.

The report provides details of Project accomplishments in Annex 1 where PMP indicators for the life of project are compared to Year 1 indicators and to Project's actual results. The results shown in this report are the true bare minimum. No results are reported that have not been verified by the project and in writing with signed statements by each company or producer organization assisted. Over 100 beneficiaries participated in the USAID Agribusiness Project-funded activities; 24 producer organizations, 8 ABDS providers and over 70 agriculture-related firms; out of this number a total of 21 agriculture-related firms and producer organizations have reported the results directly attributable to the Project's assistance.

Project activities began with value chain training in early October 2007 and quickly moved to completing assessments in six selected sub-sectors. Although the assessments are complete, they are living documents and will be updated as Serbian agriculture develops.

The Project found that the six subsectors were, in themselves, so broad that to be effective we needed to narrow our focus within the sub-sectors. We continue to work in the broader sub-sectors, but have specific commodities selected as our primary value chains. These are:

Vegetables	Root Crops
Livestock	Beef
Dairy	Medium sized dairies and specialty products
Herbs, Spices, Mushrooms	Forest mushrooms and herbs
Berries	Fresh
Tree Fruit	Apples and stone fruit, primarily for Russia

From the six assessments, sector leads developed their life of project Commodity Action Plans. The six CAPs were completed in June.

Marketing and Sales has continued to extend technical assistance to producers, associations and traders in product development, promotion, marketing and sales, both domestic and export. \$4.7 million in confirmed sales have been accomplished out of over \$15 million in contracts signed thanks to the assistance of the Project. We believe these figures are much higher but need to see the contracts before reporting them in an official report to USAID.

The Agribusiness Grants Manual was approved by the RCO in March 2008, and four grants in the total amount \$104,230 have been approved during the reporting period aimed at enhancing delivery of public goods (accreditation of a laboratory to provide certified soil and water testing results, 2nd Agriculture Fair in Nis, and a Serbia-wide training for the livestock sector stakeholders); in addition, ten project activities and proposals have been approved in principal, which are currently in the various stages of development and approval.



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Seven Youth grants have been selected for year one approval.

Our Year 2 work plan requests that \$2.2 million of the grant fund previously reserved for enabling grants be made part of the general “Project Activity” line item to make cross cutting, enabling activities more responsive to clients needs.

Although the grant’s component is important, our primary tool for achieving our indicators is technical assistance. Over the last year, the project has completed 23 short term assignments in design, communications, fresh berry production, 4H, tree fruit, livestock, and packaging. The project also arranged visits from private businesses and consultants not registered as STTA including a berry packaging expert from Chile, nursery experts from England and several buying missions from Europe.

Our Youth component, Entrepreneurship in Agribusiness, was prepared as our after school activity by identifying 19 key agriculture institutions to begin the program throughout Serbia. Volunteer mentors from each school were identified and trained to use our curriculum developed by the Project. A program to develop internships with private agribusinesses is being developed.

25 training programs, 14 workshops and 7 trade fairs were held or attended during the year. These included ITC trade map training for USAID, SCOPES, Competitiveness, SIEPA and others. The Bureau Environment Officer conducted environmental training, we conducted improved irrigation training and dairy management trainings. Annex V gives a complete listing of the trainings, seminars, workshops and fairs attended.

The Project supported a series of training seminars facilitated by “Agrar Kontakt” using the grant mechanism. A package of training sessions was delivered to clientele in the regions of Nis, Krusevac and Pirot in September 2008 for 135 farmers and representatives of producer organizations, local ABDS providers and slaughterhouses. Key topics of these trainings covered aspects of animal husbandry, nutrition and forage production, reproduction, animal health and welfare, animal housing and markets.

One of our primary indicators for project performance is employment. Our annual survey of participating companies and producer organizations shows a total of 2,894 jobs have been created in the agriculture sector thanks to the Project's assistance; 2,645 seasonal, 201 part-time, and 48 full-time jobs.

Excellent relations have been established with the Ministry of Agriculture. The Ministry agrees to work with us on joint activities in key areas to our value chains which were identified by Sector leads and cross-cutting component managers: warehouse receipts and other laws, market information and farm data systems, cold chain logistics, and certification for international standards.

Close collaboration has also been established with the USAID SCOPES and Competitiveness program and other partners including GTZ, SIPPO, SECO, etc.

Annex VI is our Accrual Report for the first project year.

A. RESULTS ACHIEVED DURING THE YEAR

COMPONENT 1: INCREASED EFFICIENCY AND COMPETITIVENESS OF SERBIAN AGRIBUSINESS

1.0: OVERVIEW OF YEAR 1 ACCOMPLISHMENTS FOR SIX SUBSECTORS

Introduction

In the Year One of the Agribusiness Project, six Value Chain Assessments were completed and approved by USAID. Based on these assessments, market failures within each value chain were identified and Commodity Action Plans for each sector were prepared detailing strategies and goals for addressing the failures within each commodity for the five year life of project.

Highlights from each sub-sector are reported below with the full sub-sector reports included in Annex 2.

1.01 Dairy

Dairy subsector was focused on establishing the links between dairies and producers using resources from both to improve the value chain. Field assessments were initiated and completed in 18 small and medium sized dairies, 6 ABDS providers and 4 producer organizations. The Farm Management and Milk Quality Campaign concept paper was created to involve 50 farmers for direct support and 200 farmers for general trainings. The Project worked with Taurus Agro Consulting Company, the most advanced dairy ABDS provider, to promote a broad range of services and organize training seminars. The Project also linked the Serbian Holstein Farmers Association with the same association in the US. Zlatibor Dairy was supported to participate in Novi Sad Agricultural Fair resulting in \$100,000 export sales to Montenegro. Marketing expert Jeff Spears provided training to Granice and Zlatibor Dairies for improving product packaging, design and visual identity.

1.02 Berries

The Project extended various types of assistance to the berry subsector: introducing new varieties and technologies to over 40 producers and/or processors, founding two new POs, training seven cooperatives on selection of varieties suitable for fresh market, giving recommendations to improve irrigation, nutrition, plant protection and post-harvest practices to 10 associations, presenting new technologies for extending shelf-life to a dozen of interested agribusinesses and organizing presentations of nursery development methods for 35 representatives of Serbian producers. With the Project's assistance, berry fruit producers and/or processors also participated at the Novi Sad Fair and contracted sales worth over US\$1.5 million. Six ABDS providers participated in the training organized by the Project to improve their knowledge on new varieties and production under high tunnels. Assistance was also given in the areas of production diversification, increased production and sales on the fresh berry-fruit market, developing capacity to meet International standards and policy framework.

1.03 Tree Fruit

Tree fruit strategy focused on apples and stone fruits for fresh targeting groups like Fruitland Association as main point of leverage (eight cooperatives, 600 farmers) and newly emerging integrated farmers groups. The Project organized a visit of the US expert Mirjana Bulatovic to give training on tree fruit growing practices for members of producer organizations and extension workers. The Project approved a grant to the ABDS provider, Agricultural Innovation Center from Arilje for accreditation of their laboratory for soil and water testing services to satisfy requirements for fruit growers for the GlobalGap certification. Funding and technical assistance was provided to a group of Serbian companies to exhibit at five international fairs with significant sales contract achieved. The Project also organized and facilitated inward buying missions of retail companies from EU to visit tree fruit companies in Serbia. Workshop on design and packaging was conducted by Jeff Spear with over 10 tree fruit companies participating. Overall results of assisted tree fruit clients in the project second year were US\$8.5 million of contracted sales, US\$1.6 million of achieved sales reported by the companies, and pending US\$4.3 million of achieved sales that are reported but still need to be confirmed.

1.04 Herbs/Spices/Mushrooms

Being already export oriented, work with the sub-sector in Y1 was focused on increasing competitiveness of Serbian businesses at foreign markets, market linking and consequently increasing the value of the exported products. The main activities in this subsector targeted wild mushroom and tea companies. The Agribusiness Project provided funding and technical assistance to six subsector companies from throughout Serbia to exhibit their products at several international fairs resulting in more than 200 contacts with retail buyers and more than \$2.5 million contracted (\$1 million delivered). Bilje Borca was supported through a grant to execute the contract with a US buyer leading to increased export of \$500,000 and ten new jobs. The Project assisted a group of 20 mushroom exporters to form a new association under the umbrella of Fruits of Serbia called the Mushroom and Forest Fruit Council.

1.05 Vegetables

Vegetable subsector interventions were focused on boosting revenues on storable vegetables (onion carrot, potato, cabbage, parsley). The Project facilitated links of several cooperatives from Vojvodina and large retail chains for fresh vegetables. After the contacts made at the Agricultural fair in Novi Sad, the Project organized inward buying missions of several foreign buyers, such as SPAR from Slovenia, resulting in increased export sales. During the visit of Jeff Spear, a few companies received assistance in redesign to improve frozen vegetable packaging. To improve their market position, inventory of vegetable associations and cooperatives interested in Global GAP certification was made. Within youth entrepreneurship program, three business plans were selected for vegetable growing in closed environment, open field and organic vegetable production.

1.06 Livestock

The Livestock project activities were mainly focused on reaching the long term strategy of gradually doubling exports of beef and achieving a substantial domestic market increase in sales. The Project assisted a group of experts to implement a series of trainings in five regions

of Serbia and thus educate farmers, cooperatives, slaughterhouses and local ABDS providers how to collaborate more effectively, introduce a market oriented approach, increase number of cattle per farm, and obtain better yields per steer fattened. The Project also worked with the Baby Beef Association, Simmental Cattle Breeders Association and the Union of Sheep and Goat Breeders to facilitate the farm management training. The Nis Fair was another opportunity for the Project to promote the livestock subsector, so the organizational and marketing costs of the Fair were funded. The Project also facilitated a HACCP lecture that was given by an expert from the Ministry of Agriculture for 300 attendees at the Nis Fair.

1.1: STRENGTHEN PRODUCER ORGANIZATIONS

Task 1.1.1: Conduct a rapid inventory of existing producer organizations and identify gaps

During the six sub-sector assessments, producer organizations development specialist and sub-sector leads developed an inventory of 70 producer organizations serving selected value chains (seven national associations, 25 associations and 38 cooperatives). As a part of our value chain analysis, each sub-sector lead conducted rapid assessments of selected key producer organizations from the inventory list, (around 30 POs) identifying gaps in each value chain, and defining potential interventions under the long-term sub-sector strategies. The results of these assessments were put in the commodity action plans where producer organizations are identified as main stakeholders and leverage points.

Task 1.1.2: Conduct needs assessments of selected producer organizations to examine products and services provided to members or customers and prioritize interventions

To date, sector leads have assessed over 30 registered producer organizations and identified their needs and services required. Following finalization of sub-sector strategies and commodity action plans it was possible to define interventions to strengthen POs, including grants, technical assistance, and training packages.

Producer organizations assessments showed Serbian producer organizations are present in each of the project sub-sectors and are at different stages of development. Therefore, specific types of producer organizations the Project worked with have varied depending on the sub-sector strategies.

In the berry sub-sector, Producer Organizations team supported development of production and marketing capacities for fresh berry fruits assisting strong commodity-based producer organizations for fresh.

The Vegetable subsector lead focused on root crops concentrating on four large cooperatives in Vojvodina initially, while tree fruit focused on apples and stone fruits for fresh targeting groups like Fruitland Association as main point of leverage (eight cooperatives, 600 farmers).

All of these crops need improved post-harvest handling, storage, packaging and distribution for export markets and emerging supermarkets in country.

In the dairy subsector, the focus was on milk quality improvement concentrating on medium sized dairies, initially. The Producer Organizations team is working with the dairy sector lead

to identify opportunities for farmers supplying targeted dairies to be organized in registered producer groups where needed. The Project also identified a need by medium size dairy stakeholders to create a Dairy Association that will represent their interests towards government, institutions and others.

- **Activity: Preparations for organizational capacity self-assessment of producer organizations** (August – September 2008)

Without exception, the six value chains selected by the project showed the same major deficiencies regarding organizational capacities of producer organizations. In Year 1, the Project developed the Organizational Capacity Assessment Tool (OCAT) that will be used to conduct a more detailed assessment of selected producer organizations, which will create the core of our clients in future. The OCAT measures and improves organizational capacities of producer organizations to provide products and business services to members and customers. The results of OCAT will direct the Project to create a capacity-building program and specific interventions tailored for an individual producer organization or for a group of producer organizations in a given geographic area or sector, strengthening their capacity over time, and providing the means to track their growth. The Project is finalizing selection of service provider to start with OCAT in October 2008.

- **Activity: Establish new producer organizations in value-chains not served**

Through sub-sector assessments the Project identified value chains where producer organizations are absent or inactive as well as potential candidates for new producer organizations, such are:

- New National Associations (Fruits of Serbia Association; Association of blueberry growers, Association of organic producers, Association of Nurseries, and Association of Medium-size Dairies);
- New commodity-based producer organizations (informal group of berry growers from Kosjeric and Association of berry growers and processors gathered around exporter Atle company);
- Inactive producer organizations (Dairy Cooperative “Preobrazenje” from Lucani, and Kondor Association of vegetable growers from Leskovac).

Fruits of Serbia National Association

In cooperation with Marketing and Sales, Producer Organizations Development team supported formation of new National Association “Fruits of Serbia”. Operating as an umbrella association for its members (over 100 producer organizations, private companies and farmers) “Fruits of Serbia” will focus on supporting exports of fruits and vegetables. The Project’s Marketing and Sales advisor conducted training on association organizational structuring and management to members of the managing board. In support of Fruits of Serbia’s logo development, Jeff Spear, a project marketing design STTA, worked with the selected design agency on modification and improvement of the association’s identity.

The Project continued to develop sections under the Fruits of Serbia umbrella for mushrooms, tree fruit and a nursery. All have expressed interest in working with the Project. With Agribusiness assistance, 18 representatives of small and medium-scale nurseries decided to establish a Nurseries sub-association under the Serbian Fruit National Association.

With Project support, two new commodity-based producer organizations specializing in berry fruit were founded as well; AtleKoop Association from Belgrade and Borovec Cooperative from Kosjeric, while another two (in Pirot and Novi Sad) are at its initial phase of establishment.

AtleKoop Association

The Project's Producer Organizations Development team supported establishment and structuring of AtleKoop, an Association of berry growers and processors, by providing advice and delivering organizational and contracting training for their assembly members. The Project assisted their steering committee in preparing written materials, the association's statute, and contract forms between farmers and the association as examples of good practice between producer organizations and members. The association's inaugural assembly adopted the association statute and presented strategy objectives for their members: implementation of GlobalGap farm standard; introduction of organic certified berry production; and introduction of new varieties to extend harvesting season and promote fresh produce. Over 200 farmers, three cooperatives and eight SMEs processors became Association members.

Berry growers Cooperative Borovec

Agribusiness Project assisted informal group of berry farmers from Kosjeric-Varda to establish a cooperative specialized in production of berries for the fresh market. The Project recommended a cooperative model as the best concept for commercially viable producer organizations producing and marketing berry fruit. Farmers were linked with the Serbian Cooperatives Union, a national umbrella organization of agricultural cooperatives, which helped them organize their cooperative, prepare documents and submit a request for registration. The newly founded Cooperative, Borovec, has 15 farmers with plans to expand membership.

▪ *Activity: Linkage with International Dairy Producer Organizations*

The Project and Taurus Agro Consulting facilitated meeting with the president of US Holstein Association, Mr. Doug Meddow, and Serbian Holstein Farmers Association.

Results/Outcome: Established initial linkages for cooperation which would increase the capacity of Serbian dairy and livestock producer organizations and ABDS providers. The Agribusiness Project is particularly interested in bringing in the US Holstein Association technical resources to improve Serbian Farmers Associations prospects to serve the members and be a partner to the institutions.

Task 1.1.3: Conduct management training

Management support to producer organizations has been provided mainly to new associations during their foundation by the Project staff.

- Producer Organizations Development team supported establishment and structuring of AtleKoop Association of berry growers and processors by providing advices and delivering organizational and contracting training to their assembly members. Marketing and Sales advisor conducted training on development and management of the new National Association "Fruits of Serbia" to the members of the managing board.
- Agribusiness project organized training for dairies and ABDS providers on "Information Technology Support for Improved Management and Quality of Dairy Products". "Dva S" company for IT support in dairy management software solutions delivered the training. Dairy cooperative "Preobrazenje" from Lucani participated in the training.

Task 1.1.4: Enhance Adoption and Use of Technology

Based on the berry sub-sector commodity action plan that highlighted need for advancing sales of fresh berries away from frozen, the Project developed technical assistance packages to assist producer organizations to introduce new berry varieties and technologies for fresh market.

- ***Activity: Training program on production and post-harvest management of berry fruit for fresh market*** (June 2008).

To support the transition to new berry varieties and technologies, the Producer Organizations Development team brought a Fresh Berry Expert from the United States to deliver a training program to producer organizations dealing with fresh berry fruit. Prior to delivering the training program, the Fresh Berry Expert, Richard Dale, conducted a series of field visits across Central and Western Serbia to assess current production and marketing capacities of berry producers, providing advices related to berries for fresh market. This was coordinated through the berry sub-sector lead.

The training program covered 8 different topics needed to establish blueberry production.

In addition, the Fresh Berry Expert worked with sub-sector ABDS providers and producer organizations to determine the market's need for specific ABDS products and services.

Results/Outcome: A total of nine producer organizations received technical assistance and participated in the trainings: (1) Mladost Cooperative; (2) Ari-Nova Cooperative; (3) Rubus Arilje Cooperative; (4) Jastrebacki Biseri Association; (5) Strawberry Growers Association from Sabac; (6) AtleKoop Association; (7) Serbia Coldstores' Association; (8) Arilje SME Association, and (9) Fruits of Serbia Association. As a follow-up of trainings conducted, representatives of Ari-Nova Cooperative from Arilje teamed up with ABDS provider from Belgrade and traveled to Italy to assess the latest fresh berry fruit production and marketing practices. As a result, they will begin with construction of demonstration fields under high tunnels for production and sales of berry fruit in early and/or late season.

- ***Activity: Introduction to the latest harvesting, packaging and shipping practices for fresh berries*** (June 2008).

Per the berry sub-sector commodity action plan, the Agribusiness Project arranged for a Chilean businessman, Rafael Godoy, to visit Serbia to promote and demonstrate his patented new post harvest technology that extends commercial product life of fresh berries. During his mission in Serbia Rafael Godoy demonstrated advantages of the new technology and its practical implementation to a group of companies and producer organizations engaged in the sale of fresh berries. Samples of retail packed fresh berries prepared for testing purposes during his visit, were distributed by Serbian producers to buyers in Germany, England and Russia for evaluation.

Results/Outcome: Two producer organizations, AtleKoop Association and Ari-Nova Cooperative, received positive feedback from potential foreign buyers that were satisfied with the quality of samples they received and started negotiations about regular shipments of fresh berries packed with the new technology.

- ***Activity: Support introduction of new berry varieties for fresh market through inward trade mission and nursery development*** (June 2008).

To assist the Serbian berry fruit industry to establish cooperation with international nurseries and introduce new berry varieties for the fresh market, the Agribusiness Project organized and facilitated a visit of Jamie Petchell, representative of “Hargreaves Plants”, the biggest nursery in UK and one of most reputable nurseries in Europe. Jamie Petchell presented to local berry industry, including nurseries, processing companies, producer organizations and ABDS providers, new varieties of berry fruit planting material and know-how services that the company provides to its clients.

Results/Outcome: Few interested local nurseries and two producer organizations started negotiations to import seedlings from “Hargreaves Plants” and to become licensed to propagate those varieties in Serbia. As a follow-up activity members of "Fruits of Serbia" National Association will be supported on a trade mission to the United Kingdom in October 2008, to close the deal with UK nursery and start applying new varieties of berry fruit in Serbia. Supported producer organizations are: (1) Mladost Cooperative; (2) Ari-Nova Cooperative; (3) AtleKoop Association; (4) Serbia Coldstores' Association, and (5) Fruits of Serbia Association.

- **Activity: Training program on improved farm-level productivity and quality of the baby beef and sheep produce** (September 2008).

In September 2008, the Agribusiness consulting company “Agrar Kontakt” started a technical assistance program that includes a series of lectures and trainings in the selected regions of Pirot, Nis, Krusevac, Vranje and Uzice. Primarily designed as a “training of trainers” and technical capacity building for ABDS providers and extension services, program included livestock producer organizations and number of local slaughterhouses to expand and increase leverage. The Project supported trainings through enabling grants scheme and coordinated efforts through the livestock sub-sector lead.

Results/Outcome: More than 15 ABDS providers and extension services, 10 livestock producer organizations, 100 farmers and number of local slaughterhouses directly supported to improve their business skills. Over 20 livestock producer organizations and 400 farmers will indirectly benefit from the project as a result of improved provision of ABDS. Main producer organizations supported are members of: Union of Sheep and Goat Breeders, Simmental Breeders Association and Baby Beef Association.

- **Activity: Training on best growing practices to improve the yields and quality of tree fruits**

The Project engaged tree fruit STTA, District Extension Educator, Dr. Mirjana Bulatovic from Michigan State University to assess key producer organizations from the tree fruit value chain and provide recommendations for commodity action plan. During the visits, Ms. Bulatovic delivered a one-day vocational training at Cacak Fruit Research Institute to members of two producer organizations and extension workers. Cooperatiive Ari-Nova and association Cacanska Jabuka received technical assistance and participated in the trainings.

In addition to these activities, the Project is assisting adoption of the following new technologies with producer organizations:

- Nascent Cooperative “Borovac” from Varda near Kosjeric, assisted to develop relationships with business partners and ABDS providers and to organize training for their members on berry varieties, growing techniques and marketing for fresh. Project advised cooperative on trainers who delivered presentations: ABDS providers - MDS Trade (nursery), and “Voce-inzenjering” and “Zeleni Hit” (advisory, growing technology

and equipment). Blueberry growers' cooperative from Bajina Basta also participated in the training.

- The Project is assisting AtleKoop Association on organization of series of trainings to their members on berry production and marketing for fresh.
- Software for consolidation and management of distribution services. The project is working with Fruitland Association to develop software for a virtual consolidation center for tree fruit.
- Introducing laboratory testing to satisfy requirements for producer organizations being certified in Global Gap. The innovation center in Arilje received grant to become a regional accredited laboratory for soil and water testing services in support to GlobalGap certification.

Task 1.1.5: Increase number of producer organizations certified

During the sub-sector assessments, the Project identified a lack of international standards, such as GlobalGAP, as a significant constraint for Serbian fresh fruit and vegetable producers to meet EU requirements in food quality and safety. Buyers' inward missions from the UK and Slovenia organized and facilitated by our Marketing and Sales team, confirmed limited GlobalGap and traceability as main weakness in delivering fresh produce for export.

- ***Activity: Raising awareness among producer organizations for product traceability and GlobalGAP standard*** (May 2008).

The Project supported organization of the awareness conference "Standard GlobalGAP – Better chances for sales" held at Novi Sad Agricultural Fair in May 2008, promoting traceability as one of the main principle for ensuring food safety. The conference was organized by the Executive Council and the Secretariat for Agriculture of the Autonomous Province of Vojvodina, USAID Agribusiness Project, Austrian Agency for Development (ADA), German Organization for Technical Cooperation (GTZ), and Swiss Secretariat for Economic Cooperation (SECO). The Project engaged a journalist Zaharije Trnavcevic as the conference moderator, and provided two major local speakers, managers of the Cooperative Gospodjinci and AtleKoop Association. Producer Organization Development team prepared AtleKoop Association for their presentation at the Conference. The Association addressed the audience about export benefits of a GlobalGAP certification at the lucrative markets explaining their own case study.

Results/Outcome: More than 100 fruit and vegetable producers and processors, and 15 producer organizations were informed about the importance of traceability and requirements of the GlobalGAP which will lead to increased producers' certification.

- ***Activity: Assist berry growers for group GlobalGap certification.***

Producer Organizations Development team worked closely with new AtleKoop Association of berry growers and processors to introduce GlobalGap standard for their members as a response to market demand for retail packed frozen berries. The Project informed Association on government subsidies for GlobalGap certification and assisted their management to apply with the Ministry of Agriculture for subsidized GlobalGAP training and certification in 2008.

Results/Outcome: Five members of AtleKoop Association, mainly small processors and consolidators, received government subsidies of \$5,000 each to complete a group GlobalGAP certification of over 40 berry farmers, their suppliers and Association members. As a result,

AtleKoop signed contract with buyer from Denmark on sales of frozen raspberries in 300 g packaging for the retail market. Contract value is \$0.5 million and the first trial shipment worth \$20,000 has been delivered.

- **Activity: Design Project's strategy for standards certification** (July 2008).

Producer Organizations Development team has been working with Grants Manager and Ag Info and Policy Specialist on the design of a nationwide certification program that the Project will implement in cooperation with Ministry of Agriculture starting from October 2008. Project will also work with other donor organizations (SIPPO, ADA, GTZ, and SECO) to leverage activities.

Results/Outcome: Concept paper for Introduction of International Standards developed and approved by USAID. Sub-sector leads identified 17 producer organizations that would need GlobalGAP certification.

Task 1.1.6: Enhance marketing of producer organizations

Marketing support to producer organizations has been provided through sales and marketing trainings in support of their participation at international fairs in Berlin, Moscow and Novi Sad. Results about closed deals and realized sales are within Marketing and Sales component of this report.

- In coordination with SIEPA, Marketing and Sales team assisted Fruitland Associations' manager at the Fruit Logistic Fair in Berlin and Moscow Food Fair, providing buyer linkages, facilitating negotiations and advising on contracting.
- The project supported financially joint exhibition at the International Agricultural Fair in Novi Sad of the following producer organizations from three sub-sectors:
 - Fruitland Association of eight producer organizations - tree fruit;
 - Begecki Povrtari cooperative - vegetables;
 - Kulen cooperative – livestock;
- The Project organized and facilitated inward buying missions of retail companies from EU to visit producer organizations in Serbia. SPAR Slovenia supply manager met with vegetable cooperative Gospodjinci and tree fruit cooperative Slankamenka. Buyer from ASDA UK visited Fruitland Association cooperatives. This resulted in the first trial delivery of fresh cultivated blueberries to UK shipped by Ari Nova Cooperative from Arilje.
- Management of vegetable cooperative Gospodjinci was trained how to do market research on Russian and Ukraine wholesale market prices and research market trends and requirements for the potential exports.

Task 1.1.7: Enhance producer organization access to finance

The Project has not conducted significant activities in regard to improved producer organizations' access to finance due to lack of ABDS/Finance Specialist on the Project. Activities were focused mainly on assisting producer organizations in accessing GoS subsidized funding.

- The Project informed AtleKoop Association on government subsidies for GlobalGap certification and assisted their management to apply with the Ministry of Agriculture for

subsidized GlobalGAP training and certification in 2008. As a result over 40 farmers are completing certification.

- USAID Agribusiness Project has provided information and application to over 30 producer organizations about available GoS subsidies (up to \$100,000 per project) to improve the operations of producer organizations and cooperatives. The applications are in the Ministry of Agriculture, and decisions are still pending. This will be an on-going activity for the PO staff.
- The Project facilitated a loan from Intessa Bank of \$150,000 to a new berry cooperative, Borovec. The loan will be disbursed between cooperative members and advised by ABDS provider Zeleni Hit.

1.2: IMPROVE ABDS DELIVERY

Task 1.2.1: Build the supply for business services

During the assessment phase, sector leads managed to indentify more than 50 ABDS providers, that cover a wide range of products and services including agronomic and mechanization inputs, animal breeding, veterinary services, certification, applied research, export promotion, and consulting and other advisory services. They fall into several categories:

- Private and public agriculture consulting companies (e.g., Centar za razvoj agrobiznisa, AgroMreza/AgroNet);
- Private banks (e.g. ProCredit Bank, Societe Generale de Banque, Opportunity International) Please see Annex IV, Bank Meetings for details;
- Private and public input suppliers that could offer embedded services as part of their product sales package (e.g. Timok Komerc);
- Private processors or supermarkets that provide technical support to their suppliers to promote quality and continuous supply (Delta Maxi);
- NGOs promoting integrated pest management and environmentally sustainable production (e.g. REC - Projektna Kancelarija, Pirot);
- Ministry of Agriculture, Forestry, and Water Management (MAFWM) extension services, applied research institutes, and laboratories (e.g. Institut za primenu nauke u poljoprivredi);
- Design consultants specializing in packaging, website and brochure design (e.g Vertical Media d.o.o.);
- Communications and marketing material developers (Communicate); and
- Certification agencies for HACCP, ISO, and GlobalGAP (Specialized Veterinary Institute).

These firms are registered in our database and we are already recommending them as service providers to other businesses. The list is constantly being refined and updated. We will soon have more than 100 firms registered in the database.

While assessing subsectors, each sector lead became aware of problems and specific needs of the market and was able to identify potential service providers to help the companies develop the skills needed to meet the needs of the market. Better understanding of the subsector resulted in choosing the right type of service provider for each specific case.

Although we are strengthening ABDS providers by working with them hand in hand in our planned producer organization interventions as ABDS provider performance improves our

involvement in the intervention will decrease. However, we will remain engaged in varying degrees to ensure the delivery of services to the producer organization and to monitor ABDS performance.

Project encouraged the forming of the cooperative ZZ Borovac in Kosjeric municipality – western Serbia region. The cooperative has 15 members and its establishment was coordinated with our project. The cooperative gathers the producers of the fresh varieties of berries which allies with our berry strategy. We have already facilitated a meeting with the Intesa Bank where initially the cooperative received the green light in applying for the bank loan subsidized from the Government of Serbia (GOS). We are estimating for the total bank loan of approximately \$ 150.000,00. The cooperative will work closely with ABDS providers recommended by our Project – Zeleni hit which will advise on the fertilizers, professor Nikolic who will advise on the agro- technical protection and Innovation Center of Arilje which will advise on agro technical measures and soil improvement. In this example, we are showing the core of our project. We are supporting the creation of the cooperative, helping them to build the business plan, solving financial issues, turning them to value added markets and getting them used to employing ABDS providers.

We are in the process of identifying and prioritizing required services (62 different services required in the assessments) and the skill sets needed to provide them, by subsector and functional level within subsectors. We are determining the need for specific ABDS products and services during the producer organization needs assessments. We have prioritized areas where training and services are required, such as HACCP, SPS, and GlobalGAP, to allow the project to focus on those services first.

We are currently organizing training in grading, sorting, packing, storage, logistics management, shipping, branding, and certification (e.g., HACCP, ISO). To bolster the impact of these activities, we are working with ABDS providers to develop programs that address operational constraints and to train enterprise managers in good management practices and in how to establish protocols that meet international standards.

Task 1.2.2: Improve access to financial services by Serbian agribusiness.

A significant legacy of this project will be to support the commercial finance of agriculture and agribusiness in Serbia (and not simply look for a patchwork of special funds, guarantees, and grants). While talking to bankers, we realized that they are very much aware of the sector potential. They are hiring more and more professional agro-economists who are able to better understand sector needs and to address it to bank managements. More and more banks are creating special packages for registered farms seeing their chance for successful business regardless that most clients are interested in subsidized bank loans from GOS only.

Improve knowledge and bankability of agricultural SMEs. We are working with rural SMEs to improve bankability and knowledge of underwriting criteria, as well as types and sources of financing. SMEs in agriculture and food industries will not receive financing unless they understand the products available and the information that financial institutions will require to assess a borrower's ability to pay back a loan. Most banks showed interest in cooperating with our Project. They are willing to organize presentations to our clients, conduct seminars for counterpart SMEs, in conjunction with loan officers, to describe the types of information that are required for financing and the steps needed to complete a successful loan application.

We have also started an initiative with the Republic agency for SME development for producing a catalog of Agriculture bank loans. The booklet will include the introduction to basic bank products and definitions, current commercial loan packages of all the banks offering any type of commercial lending to ag sector and the success stories from the ag sector. We are sure that the brochure will be reliable guide for our clients in case they opt for commercial bank loan. The document will be published at the Business Base trade show in November and will be disseminated to our stakeholders.

Assist Serbian agribusiness firms and producer organizations in accessing GOS subsidized funding. While the long-term sustainability of the sector will depend on commercial finance, we will take advantage of existing Serbian government programs and will develop a system to present cooperatives and business groups to the MAFWM and Ministry of Finance for special loan programs to support these farm groups and processors. There is one such program at the moment. The GOS is subsidizing bank loans for registered farms. 21 banks in Serbia have signed the agreement of disbursing such loans. There are two types of the loans:

1. The short term loans conditions:

- registered farm only
- complete loan financed from the bank capital
- 12 months due
- 12 months grace
- Up to 500.000,00 din (\$ 10.000,00)
- Fix interest rate 15% p.a.
- Loan is tied to dinar – not to a foreign currency
- Working capital
- 10% of the interest rate is being subsidized

At the moment according to this act the banks have processed 7289 loans at the total amount of: 1.089.041.667,00 din (\$ 21.350.000,00)

2. The long term loans conditions (18 banks signed the agreement):

- registered farm only
- bank is assessing the client and do the risk management
- MAFWM is matching grant of 12%, 15% or 20% of the bank loan in regard to the loan purpose (e.g. 20% for the irrigation systems; 15% perennial crops and 12% other purposes)
- 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 (EUR)
- Fix interest rate – 12,5% p.a.

At the moment according to this act the banks have processed 56 loans at the total amount of: EUR 2.368.277,00 (\$ 3.552.415,50)

1.3: SALES & MARKETING

Task 1.3.1 Provide sub-sector specific technical assistance

Sales and marketing team was working closely with sub-sector companies and associations in identifying missing ABDS providers and services needed to be provided.

The team was working on providing sub-sector specific technical assistance (Foodland & Marni), training of ABDS providers (design training) and developing relationship with international suppliers to provide direct company services and to establish themselves in Serbia as “local” service providers (Griba & Hargreaves).

The team was approached by Foodland company, one of the largest processing firms in Serbia which is in process of expanding production and building a new facility. They could not find appropriate ABDS who could conduct a feasibility study for their project. The team assessed ABDS providers in this area and found a provider with the appropriate references – ITN company. After being linked, the two companies executed feasibility study. The result was a contract with an estimated value of \$80,000

Marni company, Serbian biggest exporter of fresh and processed wild mushrooms, approached the team since they could not find a bank which would re-finance their loan they had with Raiffaisen bank. After interviewing several banks, investments firms and SEAF, the team put them in touch with Piraeus Bank which re-financed their loan of \$1,843,000.

Task 1.3.2. Train ABDS providers

Marketing and sales team identified a lack of well trained affordable design agencies with the appropriate skills able to provide packaging design for small and medium sized companies. To address the problem the project brought in STTA Jeff Spear, an expert in design who provided individual and group training to design agencies which are either already working with project’s companies or were selected as potential providers of services. The training covered recent trends in packaging design, labeling in EU, Russia and US and management of the design process. 7 design studios were trained: Trust Me Agency, Zoran Borenovic Studio, Brand Builders, Comma Communications Design, Real Time Studio, Taboo Marketing, and Grape Design

Task 1.3.3. Develop relationship with international suppliers

The sales and marketing team is in constantly developing relationships with potential international suppliers of services and inputs for sub-sector companies at different international fairs and through Serbianfruit.com. Through SerbianFruit.com the team was connected with the Chilean inventor of new technology that extends shelf life of berry fruits, Mr. Rafael Godoy. The supplier of the new technology needed additional tests to be conducted on site at Serbian berry fields in order to finalize the technology. The Berry Sector lead organized the visit during which new technology was tested and presented to 2 associations (Arinova and Mladost) and 4 companies (Libertas, Atle, Elixir and BMD). Commercial implementation of the product will begin next season. New technology for extending shelf life was presented to 2 associations and 4 companies.

The sales and marketing team also connected with one of Europe’s largest berry nurseries, Hargreaves, at Fruit Logistica fair. A presentation to Serbian producers was organized and the Berry Sector lead organized a Hargreaves visit to Serbia and links to local suppliers. During a one week visit in July, Hargreaves nursery presented new varieties for berry fruit



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suitable for fresh market to 35 farmers and nurseries. A follow-on visit of Serbian companies and nurseries to Hargreaves facility in Scotland is planned in October.

Task 1.3.4 Improve access to domestic and international markets

The sales and marketing team has been providing market information and business linkages for local and international markets to companies from Agribusiness Projects' six sectors. The team provided a series of sales and marketing trainings to companies participating at foreign and local fairs with project's support; direct linkages to buyers; training in market research, training in packaging design, training in global prospects for fresh fruit markets, and a training in the overview of the US market for specialty products.

Task 1.3.5 Institutional producer training and education

Marketing and sales training was provided to all companies participating at foreign and local fairs: Fruit Logistica, Biofach, Gulfood, Novi Sad Agriculture Fair, Fancy Food, World Food and SIAL

Activity 1

Sales & Marketing training for companies participating at Fruit Logistica, Biofach and Gulfood Fair

Date: January 2008

Result: 17 companies trained

Activity 2

Sales & Marketing training for companies participating at Novi Sad Fair

Date: April 2008

Result: 12 companies trained

Activity 3

Training 'Overview of the US Market for Specialty Products' (in coordination with the Institute for Sustainable Communities and founder of Ben & Jerry's Ice Cream, Jerry Greenfield)

Date: May 2008

Result: 14 people from 9 companies trained

Activity 4

Sales & Marketing training for companies participating at the New York Fancy Food Show

Date: June 2008

Result: 12 companies trained

Activity 5

Design and marketing training by Jeff Spear: "Enterprise Growth . . . By Design - A Marketing Perspective - Proven Methodologies, Strategies and Creative Solutions' (The workshop was conducted to educate on user-friendly approach food labeling and also provide a thorough system and reference for those experienced with food label design)

Date: June 2008

Result: 20 companies trained

Activity 6

Training 'Fresh Berry Fruit Market - An Opportunity and Specific Requirements'



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Date: August 2008

Result: 23 farmers and companies interested in fresh berry market trained

Activity 7

Sales & Marketing training for companies participating at Worldfood, Moscow

Date: September 2008

Result: 36 participants from 12 companies trained

Activity 8

Training by IFE fair organizer on IFE London, India, UK, Poland and Hungary and trends at these markets followed by Sales and Marketing Training for SIAL Trade Fair

Date: September 2008

Result: 26 companies trained

Task 1.3.6. Ensure info flows for producers and buyers in sub-sector

Activity 1

Provide FoodNews articles and other market news translated into Serbian to agribusiness companies and associations

Companies learned about the latest market trends in particular products and markets

Date: January-June

Result: 150 companies were receiving Foodnews from January-July 2008

Activity 2

Publish success stories on Serbian agribusinesses internationally – provide positive image of Serbian companies and economy to potential prospects and buyers.

Date: January-September

Result: 33 articles on Serbian agribusinesses published by the project in international media

http://www.freshplaza.com/news_detail.asp?id=15739 (Serbian companies reveal secrets for today's healthy living) Feb 4, 2008

http://www.freshplaza.com/news_detail.asp?id=16911 (Serbia Brings a Flurry of New Organic Products to Biofach) Feb 21, 2008

<http://www.ameinfo.com/147764.html> (Gulfood Opens Tomorrow) Feb 23, 2008

<http://business.maktoob.com/News-20070423141865->

[GULFOOD_2008_OPENS_TOMORROW.aspx](http://business.maktoob.com/News-20070423141865-GULFOOD_2008_OPENS_TOMORROW.aspx) (GULFOOD 2008 Opens Tomorrow) Feb 23, 2008

<http://www.tradearabia.com/news/newsdetails.asp?Sn=ECO&artid=139100> (2,500 firms take part in Gulfood 2008) Feb 23, 2008

http://www.freshplaza.com/news_detail.asp?id=17269 (Serbian Super-fruit arrives at Gulfood) Feb 28, 2008

- On March 31, the Project press release aiming to promote forthcoming 75th International Agricultural Fair was sent to major international magazines

http://www.freshplaza.com/news_detail.asp?id=19161 (Serbia Hosts the Largest Agricultural Event in Southeastern Europe) March 31, 2008

<http://business.maktoob.com/News-20070423146199->

[Serbia_Host_the_Largest_Agricultural_Event_in_Southeastern_Europe.aspx](http://business.maktoob.com/News-20070423146199-Serbia_Host_the_Largest_Agricultural_Event_in_Southeastern_Europe.aspx) (Serbia Host the Largest Agricultural Event in Southeastern Europe), March 31, 2008

<http://www.einnews.com/serbia/newsfeed-serbia-agriculture> (Serbia Host the Largest Agricultural Event in Southeastern Europe), March 31, 2008

<http://www.news.koozi.net/2008/03/31/serbia-host-the-largest-agricultural-event-in-southeastern-europe> (Serbia Host the Largest Agricultural Event in Southeastern Europe), March 31,

- International media, Freshinfo, Freshplaza, Emportal, German Fruchportal, Foodnews, and Arabian Maktoob published reports based on the Project press release about Serbian National Association of Fruit Growers “Fruits of Serbia”, supported by the Project

<http://www.emportal.co.yu/en/news/serbia/43348.html> (Serbian agricultural producers together towards Int'l Markets) March 19, 2008

<http://www.fruchtportal.de/index.php?pid=1&action=read&id=9420> (Serbische Landwirtschaftserzeuger zusammen in Richtung internationale Märkte) March 25, 2008

http://www.freshplaza.com/news_detail.asp?id=18517 (Serbian Agricultural Producers Together Towards International Markets), March 19, 2008

<http://business.maktoob.com/News-20070423144819->

[Serbian Agricultural Producers Together Towards International Markets.aspx](#) (Serbian Agricultural Producers Together Towards International Markets), March 19, 2008

http://www.freshinfo.com/index.php?s=n&ss=nd&sid=45096&s_txt=serbia&s_date=0&ms=6.5445499420166&offset= (Serbian grower link up) March 21, 2008

- International media, Freshinfo, Freshplaza, Foodnews, and Arabian Maktoob published the Project made story about “MARNI”, leading Serbian forest mushrooms exporter supported by the USAID Agribusiness Project
 - http://www.agra-net.com/portal/home.jsp?pagetitle=showstory&article_id=1210832592697&pubId=ag005
 - http://www.freshinfo.com/index.php?s=n&ss=nd&sid=45694&s_txt=marni&s_date=0&ms=7.8191714286804&offset=
 - http://www.freshplaza.com/news_detail.asp?id=21485
 - [http://business.maktoob.com/NewsDetails-20070423151683-Serbian “MARNI” Achieves Four Million Euros in Exports.htm](http://business.maktoob.com/NewsDetails-20070423151683-Serbian_MARNI_Achieves_Four_Million_Euros_in_Exports.htm)
- In coordination with SIEPA (Serbia Investment & Export Promotion Agency), USAID Agribusiness Project assisted Serbian agricultural producers and food companies to present their products at the 54th Summer Fancy Food Show in New York, from June 29-July 01, 2008.
 - Prior to the fair, the Project assisted SIEPA and companies to prepare promo materials and invitations for potential buyers
 - All major national dailies (Blic, Danas, Vecernje Novosti...) and specialized on-line business magazines published stories about the fair based on the mutually made press release targeting Serbian media
 - <http://www.ekapija.com/website/sr/page/178624/1>

- http://www.mojafarma.co.yu/index.php?option=com_content&task=view&id=830&Itemid=123
- On May 12, 2008, “Voice of America” broadcast a story about Serbian food producers exhibiting at the 75th International Agricultural Fair in Novi Sad thanks to the support of the USAID’s Economic Security and Agribusiness Projects.
- “Together Towards New Markets” is the title of an article presenting the USAID Agribusiness Project, as a “topic of the issue”, in Center for Strategic Economic Studies in Vojvodina (<http://www.vojvodina-cess.org/engindex.php>), May 2008 Magazine.
- Daily e-magazine AGRONEWS (www.agronews.biz), distributed to 2,000 + Serbian agribusinesses, promoted the Project consultants Jeffrey Spear and Richard Dale work with Serbian agribusinesses in the fields of design and berry fruit growing
 - http://www.agronews.biz/arhiva/broj32/agronews_eng_190608.pdf
 - http://www.agronews.biz/arhiva/broj29/agronews_eng_160608.pdf

Task 1.3.7. Organize sub-sector export associations

The Marketing and Sales component was instrumental in the foundation and organization of “Fruits of Serbia Association” i.e assisting with the association’s strategy, public support for the launch of association at the Chamber of Commerce, development of association’s logo, train managing board on international best practices in establishment, organization and operations of the association. Fruits of Serbia exporters association is now founded with 100 members and will soon be officially registered.

Task 1.3.8. Improve government support for promotional events

Marketing assisted SIEPA in organizing and designing booth and promo materials for Fruit Logistica, Gulfood, Biofach and Fancy Food Show and provided on site support to SIEPA staff on how to do market research and reach foreign buyers. This has resulted in significant improvement in SIEPA’s ability to serve their clients in export promotion.

Task 1.3.9. Enhance agribusiness link for market access

The sales and marketing team organized exhibitions of Serbian companies at 5 foreign fairs: Fruit Logistica, Biofach, Gulfood, Fancy Food and WorldFood, together with Ministry of Agriculture and SIEPA. Sales and marketing also organized and coordinated Serbian companies participation at the Novi Sad agriculture fair together with the USAID SCOPES Project and supported the joint pavilion with a grant; as well as coordinated support with the Municipality of Nis for the Nis Agriculture Fair. The team provided group marketing and sales training to participating companies, individual consulting to each company, coverage in local and international media, invitations to buyers, help in negotiations and follow up with buyers. In addition, the team organized a series of sales missions of foreign buyers to Serbia and direct linkages of local suppliers with local and foreign buyers.

Activity 1

With SIEPA and the Ministry of Agriculture, organized exhibition of 6 companies and



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associations (Igda, Juzni Banat, Agrarkomerc, Pams, Elixir and association FruitLand) at **Fruit Logistica**, Germany.

Date: February

Result: 6 companies participated, estimated \$6 million.

Activity 2

Together with SIEPA and Ministry of Agriculture organized exhibition of 8 companies at **Gulfood Fair**, UAE (Malina Produkt, ITN, Pionir, Agranela, Igda, Rembraco, Radan and ML)

Date: February

Result: 8 companies participated, estimated \$6 million.

Activity 3

Together with SIEPA and Ministry of Agriculture organized exhibition of 9 companies (Foodland, BMD, Marni, Zadrugar, Suncokret, Zitohem , Status) at **Biofach**, Germany

Date: February

Result: 7 companies participated with \$5.5 million estimated.

Activity 4

Agrobusiness project and SCOPES organized exhibition of 13 food companies (Fruitland, Begecki Povrtari, IG-LU, Rekić, Agrograf, Moravica, Galant, Frigo Nais, Fontana, PK Zlatibor, Kulen, Bilje Borca) at **Novi Sad Agriculture Fair**.

Result: 13 companies exhibited, estimated sales, 1.3 million.

Activity 5

Together with SIEPA and Ministry of Agriculture organized exhibition of 12 companies (Artival, ITN, Jugprom,,Sicoberry, Igda Impex, Arex, Marni, Rembraco, at **Fancy Food Show**, US

Result: 12 companies, estimated \$5,000,000.

Activity 6

Together with SIEPA and Ministry of Agriculture organized exhibition of 11 companies (ITN, Juzni Banat, FruitLand, Igda Impex, Prima Produkt, Desing, ML Fruit, Bilje Borca, Jugotrejđ and Jugprom at World Food Moscow

Result: 11 companies supported, results to follow in Year 2.

Activity 7

Helping organizers of Agriculture Fair, Nis with grant for marketing and livestock competition.

Activity 8

Organized 3 sales missions of SPAR to Serbia, helped associations and companies in negotiation. Companies and associations assisted: Marni, Interfood, Domacin, Libertas, Delta Agrar, Natura Coop, Glozani cooperative, Gospodjinci cooperative, Juzni Banat and Slankamenka association.

Result: Introduced 10 associations and companies to SPAR producing vegetables, fruits and mushrooms, 3 signed supplier contracts with Naturacoop, Delta Agrar and Glozani cooperative which will start delivering next year

Activity 9

Connected ASDA, UK to Serbian suppliers of fresh fruits and vegetables and helped in negotiation process. Companies and associations assisted: Arinova association, Fruitland association, Gospodjinci association, Naturacoop, Juzni Banat, Delta Agrar, and Libertas. Result: Introduced 7 associations and companies producing fresh fruits and vegetables, ASDA signed contracts with 2 companies: and took deliveries of watermelons (sales \$15000) and blueberries (sales \$9,000). Additional shipments pending for this year and will continue into next season

Activity 10

Developed close relationship with Metro, Serbia where the chain provided shortlist of lacking products. Sales & marketing introduced potential suppliers and helped in negotiating process. Companies and association assisted: Zitohem, Burlat Pro, IBR tomato, cooperative Zablacanka, cooperative Mladost, cooperative Agrokooperativa, cooperative Eko adut, farm Ivanov, farm Conti, Selena, Vozar, farm Nandor Dvorski, farm Pedja Popovic, farm Sinisa Milicevic, farm Kuzetin Dejan and farm Topci Miroslav.

Result: Introduced 15 associations, companies and individual farms producing fresh fruits, vegetables and herbs, 1 contract signed (Conti) and 3 contracts in process (Selena, Vozar and Zitohem)

Activity 11

Connected ABC Ruski Krstur with German buyer Frenzel, helped in negotiation process and gathering necessary market data, trained ABC marketing staff on doing marketing research using ITC trade map.

Date: August-September

Result: Estimated sales \$700,000

Activity 12

Connected Atle, frozen berry processor, with Austrian buyer and helped in negotiations.

Date: August

Result: Contracted sales \$150,000

Activity 13

Connected ITN, frozen berry processor, with US buyer and helped with negotiations

Date: July-September

Result: Estimated sales \$150,000, contracted \$87,000

1.4: YOUTH ENTERPRISE PROGRAM

The Agribusiness Youth Enterprise Program is assisting young people to develop entrepreneurial skills and self-confidence while providing employment and profit. During our first year, the USAID Agribusiness Project concentrated on three project activities:

- Business plans' competition
- Development and implementation of the program "Entrepreneurship in Agribusiness"
- Provide assistance to young farmers/ entrepreneurs within the selected sub-sectors and encourage youth-led businesses participating in USAID Agribusiness project-funded activities: training programs, management capacity building, market study tours and fairs, etc.

Activity 1: Business Development Planning Competition



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The Agribusiness Project team announced the Business Plan Competition for young entrepreneurs in April. An easy to understand, bilingual Business Plan Guide for Youth was also completed and distributed to applicants. Technical assistance was provided to more than 50 young people in preparing proposals with specific market research and advice from the six sector leads.

A publicity poster with information on USAID Agribusiness Planning Competition for Youth was made and distributed to agricultural schools involved in the Business Innovation Program, SCOPES high schools and Agricultural Universities. The idea was to give a chance to those students who've been learning about Entrepreneurship through Junior Achievement and BIP program to compete for a grant, since the Project's program based on 4-H methodology was not completed at that time.

Colleagues from USAID's SCOPES project and the Norwegian Business Innovation Program were instructed to direct their students to the Project's office for clarifications regarding their future individual businesses (market demand, products/services, profitability assessment, networking, etc.).

The competition ended on June 20, 2008 at which time the Project team examined the applications and ranked them. The review team formed from the Project staff and CTO, reviewed Youth Business Plans.

Activity 2: Institute 4-H programs

Dr. Michelle Owens from Michigan State University visited the program twice to provide consultancy services on our education component. Her first assignment on the agribusiness project was to lay the groundwork for the 4-H program and to assist project personnel develop an agribusiness curriculum for high schools. After her assignment was completed, the Project began ordering Entrepreneurship manuals and other publications from International 4-H.

The Project Youth program director used information from existing curricula including: "Be the E" curriculum (books), "Going Solo" curriculum (online), Agribusiness Decisions and Dollars and Business Innovation Programs curriculum (text books). In the meantime 20 pilot schools were choosing staff to be trained as the program's mentors - Helpers. In July, the Project had official confirmation of the names of assigned teachers.

As numerous publications were delivered, the Youth program director realized that a few Mentor and Activity guides and many Workbooks needed to be revised to be implemented into the USAID Agribusiness Youth Program. The material was given to a local consultant so that he would make a draft curriculum. The consultant prepared two simple and easy to follow instructors' guide and students' guide (including workbook). By mid-August, the curriculum was reviewed by Michigan State University, translated into Serbian and is ready to be distributed as training material to pilot schools' teachers first, followed by a program curriculum for high school students.

Training for program Helpers was delivered from August 26 – 29, 2008. Draft versions of the Student's Workbook and Helper's Guide were printed and distributed to the participants in advance and thus enabled them to prepare for the work. Recommendations from the training were incorporated into the final version of the curriculum. The new curriculum for the program based on 4-H methodology was decided to be called "Entrepreneurship in Agribusiness".



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One of the selected schools did not send a representative to the training so the program was launched in 19 instead of 20 schools. Presentations of the “Entrepreneurship in Agribusiness” for the schools started in September 2008. The presentations are being held by the school helpers, school staff and the Project’s Youth program director, Sector leads and agribusiness partner companies.

Activity 3: Introduce continuing education classes

Michelle Owens and Ivana Petrovic, Youth program director, visited Agricultural Universities in Novi Sad, Cacak and Belgrade to get background information regarding the new “Entrepreneurship in Agribusiness” program (based of 4-H methodology) curriculum. The conclusion from those and further meetings was that continuing education classes for students who have left school also need to be organized through agricultural high schools. Some ways forward would include evening classes or weekend classes. If there are weekend classes, there would have to be a mechanism to reimburse the teachers for their time or pay overtime salary. It needed further discussion and budget clarifications with the Ministry of Education and Serbian government, but because of the political situation, no one from relevant departments was willing or authorized to prepare the budget proposal.

To achieve cooperation regarding continuing education classes and transition of the Project activities to the Ministry when the project ends, it’s crucial that the Ministry of Education takes an active and formal role in the program implementation. The meetings of the Ministry representatives, senior level Mission or Embassy persons and Youth program director were initiated in Year 1 so that they can provide buy-in from key ministry personnel and integrate the Project curriculums into nationwide curriculum by the end of the Project.

Activity 4: Develop Internship programs

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

The Project identified schools from Kraljevo and Svilajnac, which have already established internship programs. SCOPES youth team will join the Project with “their” schools that have internships developed. The result will be the establishment of an intern system based on national experience from schools and international experience from other countries through Michigan State University. The promotion of internship program will be organized in “Entrepreneurship in Agribusiness” and Junior Achievement schools. Local and national companies will be informed and involved through school partners, students’ parents and Agribusiness Project company network.

Youth grantees’ presentation meetings for Chambers of Commerce and the Ministry of Agriculture in October 2008 will also cover the Internship topic where the Project will attempt to suggest the benefits that could be provided to companies involved in the Internship program.

1.5: OTHER CROSSCUTTING ACTIVITIES

1.5.1 ENVIRONMENTAL COMPLIANCE

Introduction

The IEE for USAID Agribusiness Project was prepared by Djordje Boljanovic, Deputy Mission Environmental Officer, USAID/Serbia on February 2007 (Appendix A of this report). The USAID Agribusiness Project (The Project) work plan year I includes benchmark as tasks under the objective *1.4: Initiate Crosscutting Activities* 1.4.4. develop PERSUAP and 1.4.5. Develop Environmental control of grants. The purpose of this report is to meet that benchmark and ensure that the Project is being implemented in compliance with its IEE.

IEE Requirements

Originally IEE was designed to meet requirements of program/strategic objective SO 1.32 “Enterprise Growth Increased in High Potential Sectors and Municipalities” With this assumption in mind, the IEE recommended 3 types of environmental actions for project activities:

Categorical Exclusion

Negative Determination with Conditions

Positive Determination

The following subsections present the requirements of the IEE

Categorical Exclusion

Activities within Component 2 are entirely within one of the classes of actions listed in paragraph (c)(2) “Categorical Exclusions” of Section 216.2, “Applicability of Procedures” of Title 22 CFT 216, “Agency Environmental Procedures. Pursuant to 22 CFR 216.2(c)(3), the originator of the proposed activity has determined Component 2 is fully within the following classes of action:

- Education,
- Technical assistance,
- or training programs

The IEE, however, put the following exception on the application of the Categorical Exclusions: “except to the extent that the activities directly affect the environment (such as construction of facilities 22 CFR 216.2(c)(2)(i))”

However, it has been identified through the year project implementation some specific training and technical assistance activities in the procurement and use of pesticides and chemical fertilizers to be removed from the categorical exclusion.

Negative Determination with Conditions

A Negative Determination indicates that the proposed action will have not a significant effect on the environment¹, The IEE gave a Negative Determination with Conditions to only

¹ 22 CFR 216.3(a)(2)(iii)

activities that involve agricultural processing and agro-industrial production elements of Component 1.

Positive Determination: PPA, EA, PERSUAP(s) to be conducted for Component 1 activities having the potential for adverse impact on the natural or physical environment.

Table 1

Activity	Potential impact/justification	Recommended conditions
Component 1: Increased Efficiency And Competitiveness of Serbian Agribusiness		
1. Develop Sub-sector Commodity Action Plans	CE / per 22 CFR 216.2(c)(3)	<ul style="list-style-type: none"> • internal environmental screening • To the extent that these activities involve procurement, assistance in procurement, training in use or procurement, and technical assistance for use or procurement of pesticides, the activities must meet the corresponding conditions of PERSUAP
Select sub sectors	22 CFR 216.2(c)(2)(i)	
Conduct Rapid Sub sector Assessment	22 CFR 216.2(c)(2)(iii) " Analyses, studies, academic or research workshops and meetings" and/ or (xiv) " Studies, projects or programs intended to develop the capacity of recipient countries to engage in development planning"	
Develop Commodity Action Plans		
2. Strengthen Producer Organizations	CE/ 22 CFR 216.2(c)(3)	<ul style="list-style-type: none"> • internal environmental screening • To the extent that these activities involve procurement and use of pesticides, the activities must meet the corresponding conditions of PERSUAP
Conduct rapid inventory of producer groups	22 CFR 216.2(c)(2)(i)	
Conduct needs assessment of selected organizations/technical, financial, marketing trainings	22 CFR 216.2(c)(2)(iii)	
3. Improve ABDS Delivery	NDwC/ Concern given to cumulative impact	<ul style="list-style-type: none"> • internal environmental screening • trainings to include due diligence, awareness of the environmental hazards and basic environmental management
Build supply for business services		
Improve access to financial services		
Improve access to domestic and international market		
4. Youth Enterprise Program and Business Plan Competition	CE/ 22 CFR 216.2(c)(3)	<ul style="list-style-type: none"> • internal environmental screening • To the extent that these activities involve procurement, assistance in procurement, training in use or procurement, and technical assistance for use or procurement of pesticides, the activities must meet the corresponding conditions of PERSUAP
Develop Youth Business Planning Courses and competition	22 CFR 216.2(c)(2)(i)	
Institute 4H programs	22 CFR 216.2(c)(2)(iii)	
Develop continuing education classes for youth		
5. Initiative Crosscutting Activities		<ul style="list-style-type: none"> • internal environmental

Generate positive media coverage	CE/ 22 CFR 216.2(c)(3)	screening <ul style="list-style-type: none"> To the extent that these activities involve procurement, assistance in procurement, training in use or procurement, and technical assistance for use or procurement of pesticides, the activities must meet the corresponding conditions of PERSUAP
Establish women's agricultural group	(22 CFR 216.2(c)(2)(i))	
Access volunteers to support POs and Agribusiness	22 CFR 216.2(c)(2)(iii)	
Component 2: Improved Enabling Environment For Serbian Agribusiness		
1. Improve Production Estimates and Price Information	CE/ per 22 CFR 216.2.c.2.(v) "Document and information transfers" and/or (i) " Education, technical assistance or training programs, except to the extent such programs include activities directly affecting the environment (such as construction of facilities, etc.)"	<ul style="list-style-type: none"> internal environmental screening To the extent that these activities involve procurement, assistance in procurement, training in use or procurement, and technical assistance for use or procurement of pesticides, the activities must meet the corresponding conditions of PERSUAP
Strengthen STIPS		
Develop Agro-SMS Capacity		
Organize National Census		
2. Facilitate Legal, Policy and Regulatory Reform	CE/ per 22 CFR 216.2.c.2. (v) " Document and information transfers" and/or (i) " Education, technical assistance or training programs, except to the extent such programs include activities directly affecting the environment (such as construction of facilities, etc.)"	<ul style="list-style-type: none"> internal environmental screening To the extent that these activities involve procurement, assistance in procurement, training in use or procurement, and technical assistance for use or procurement of pesticides, the activities must meet the corresponding conditions of PERSUAP
Create framework for policy support		
Provide technical support to policy coordination		
Support policy implementation		
Component 3: Establish USAID Agribusiness Project Improved Enabling Environment for Serbian Agribusiness		
Establish grants manual and get USAID concurrence	NDwC except for pesticide procurement or use- broadly defined	<ul style="list-style-type: none"> Environmental review process Prior to granting of sub-awards, monitoring of proper reviews are conducted and mitigation measures identified
Implement Investment Incentive Grants Program		
Implement Enabling Grants Program		

Actions Taken To Comply With Iee Requirements

The Project has taken several actions to meet IEE requirements:

- The two stage internal environmental screening procedure has been developed for the financed activities, including applications for sub-awards (corresponding to the task 1.4.5. of the work plan year I) The first step in the screening process involved the use of the Environmental Screening Form which resulted in the classification of each proposal as having low, medium, or high environmental risk. Low-risk grant proposals received final approval, and medium risk proposals resulted in preparation of EDD that included proposed mitigation and monitoring actions.

Pr.nm.	Title	Project holder	Impact
2008--2	Tea Bag Box Redesign and Labeling and Printing	Bilje Borca, company	Medium/EDD prepared
2008--3	Acreditation of Agrichemical Laboratory	Agricultural Innovation Center Arilje, ABDS	Low/ESF
2008—4	Increase Yields in Cattle and Sheep Production	AgrarKontakt_, ABDS	Low/ ESF
2008-6	Nis Agriculture Fair	City Government of Nis, Department for Economy, Sustainable Development and Environmental Protection	Low/ESF
2008--7	Training and Advisory Program for Serbia Blueberry Growers	Agricultural Innovation Center Arilje, ABDS	Low/ESF
2008--8	Study Tour to UK for Berry Fruit Producers	Fruits of Serbia	Low/ESF

- PERSUAP(corresponding to the task1.4.4. of the year I work plan)

The PERSUAP thoroughly investigated pesticide use in Serbia proposed for project crops by the technical advisors and has been submitted to the Mission for review and approval.

- Appropriate Contractual language has been put into MOU form for project beneficiaries
- Training of staff has been conducted in subject of reg 16 in June 2008

1.5.2 GENDER / WOMEN IN AGRICULTURE

Task 1.5.2.1 Establish Women’s Group Focused on Agriculture

In Year 1, the Project’s Youth and Gender director was working on identifying women entrepreneurs and partner organizations which were dealing with women entrepreneurs. The Union of agricultural journalists “Agropress” and Mrs. Jasmina Nikitovic Stojicic, (TV editor and FAO trainer for social and economic development of country women) were recognized as the most competent partners in developing and organizing the plan for establishment of women’s group focused on agriculture. The Union and Mrs. Stojicic are already producing weekly agricultural show on national television, where they visit various Serbian regions and connect agricultural producers with agribusiness companies and available funds with the government institutions and/or banks. That partnership will also provide media coverage for the project.



USAID Agribusiness Project

The Union's experience and regular field work on empowerment of women entrepreneurs is an important asset for the Project to establish "Women Entrepreneurs in Agriculture" groups. We are providing the Union with the Project's work plans and Sectors' strategies so that future women's groups will be integrated into the project.

We are preparing general trainings on basic management and marketing skills provided with specific technical assistance by Sector Leads involved in the presentations of ABDS for "Women Entrepreneurs in Agriculture". Because of the seasonal production time and the position of Serbian women in agriculture which does not allow them to leave the work, no trainings or conferences could've been organized before winter. The project will start with one-day workshop on women entrepreneurs' issues in October 2008 and continue with the trainings for the women groups as of January 2009.

1.5.3 VOLUNTEER PROGRAM

The Project benefitted from one, two month internship by a Serbian student studying for his Master's degree in Finance at a graduate school in Italy.

We discussed collaboration with the Serbian Unity Congress but no specific activities were undertaken.

In Year 2, we expect to benefit from CNFA's new Farmer to Farmer Program which has only recently been awarded.

In addition, we will continue discussions with all groups capable of providing the expertise needed on a voluntary basis.

COMPONENT 2: IMPROVED ENABLING ENVIRONMENT FOR SERBIAN AGRIBUSINESS

This section of the report outlines progress in the implementation of the Improved Enabling Environment Component for the period October 2007 – September 2008. However, most of the enabling environment related issues were on hold due to the spring Parliamentary elections and delay in the formation of the new Government, which became operational in July 2008.

During the first year of the implementation of the USAID Agribusiness Project, policy team activities were focused on indentifying "cross-cutting" and sector specific policy issues and establishing relations with relevant state bodies, in particular the Ministry of Agriculture, Forestry and Water Management (MAFWM) and representatives of agribusiness to address these issues. The Agriculture Information and Policy Specialist joined the USAID Agribusiness Project on April 1, 2008. Mr. Ulrich Ernst, DAI expert on enabling environment, was providing short term technical assistance to the policy team during the period May 8 to May 23, 2008 to develop a targeted approach to the policy analysis and advocacy to improve the enabling environment for increased competitiveness of Serbia's agribusiness.

2.1 IMPROVE CROP AND LIVESTOCK PRODUCTION ESTIMATES AND MARKET PRICE INFORMATION SYSTEM

For efficient operation in domestic and export markets, agricultural producers need access to timely and reliable information on domestic and regional prices and production variations, supply and demand in domestic and export markets, specific import/export requirements, consumer behavior, weather conditions, and the competitive landscape. In the Year 1, the USAID Agribusiness Project has been focused on the following three tasks:

Task 2.1.1 Strengthen the Serbian System for Transmission of Information on Agriculture Prices (STIPS)

The USAID Agribusiness Project succeeded in advocating with the MAFWM to begin work on improving their agriculture market information system (STIPS) to correct deficiencies identified in the system. During September 2008, we agreed that specific activities for improving STIPS will include: expansion of the range of commodities covered by the STIPS (prices of agricultural inputs, prices of fruits and vegetables in wholesale markets during season); conducting range of seminars for farmers on how to use the information from the STIPS; improving the software for the system to enable expanding the range of commodities; preparing specific reports on trends in prices based on the data collected. The relevant counterparts in the work aimed at improving STIPS encompass: the MAFWM, USAID Agribusiness Project, USDA, Agromreza and the Institute for Science Application in Agriculture – IPN. During Year 2, the USAID Agribusiness Project work on strengthening STIPS will continue to complete activities initiated in the Year 1 and ensure that agricultural producers have better access to timely and reliable information on domestic and regional prices of agricultural products.

Task 2.1.2 Develop Agro SMS capacity

During Year 1, the marketing and sales team led by Remer Lane was responsible for determining if there is an interest in reviving the Agro SMS system operated under the former USAID project SEDP. In the third quarter of the Year 1, it was suggested for this task to be removed from the work plan since there was insufficient public and private interest for ensuring sustainability of this task. No activities regarding Agro SMS system are planned for the Year 2.

Task 2.1.3 Organize targeted agricultural census activities

Also during Year 1, sector leads supported by international experts and the policy team conducted surveys of six agricultural subsectors in which the USAID Agribusiness Project operates. As a result of this activity, six value chain assessments were prepared, one for the each of the following sectors:

- Berry fruits;
- Dairy products;
- Herbs, spices and mushrooms;
- Livestock;
- Tree fruit; and
- Vegetables

Each of the relevant value chain assessments contains detailed information about the sector, collected in the surveys, including *inter alia*: overview of the sector with data on production and processing capacities within the sector; market information regarding the commodities within the sector, including most recent trade data; sector maps with detail description of the operations in the sector and identification of existing channels in the sector; information on sector dynamics, as well as information on institutional and regulatory framework for the sector. Based on the information collected during preparation of value chain assessments, specific commodity action plans were developed, as the operational plan for each of the sectors. The value chain assessments were publicized on the USAID Agribusiness Project's website.

2.2 PROMOTE LEGAL, POLICY AND REGULATORY REFORM

Task 2.2.1 Create framework for the MAFWM policy support

Six value chain assessments were prepared, one for each of the sectors in which the Project operates. Through these value chain assessments, policy related issues that constrain economic growth in the six sectors were identified and outlined in the sections dealing with institutional and regulatory framework. Policy issues identified can be categorized as: (a) "cross-cutting" broad trade policy issues that adversely affect growth in most agricultural subsectors, and (b) specific subsector trade policy issues that limit sales and constraint economic growth under each of the current six value chains.

Each identified policy issue was the subject of direct discussions in meetings with representatives of relevant state bodies, in particular the MAFWM, and discussion with industry groups and agribusinesses in the sector specific meetings organized by the Project during April (Livestock on April 15; Berry fruit on April 16; Dairy on April 21; Vegetables on April 22; Tree fruit on April 23 and Herbs, Mushrooms and Spices on April 24, 2008). In addition, the USAID Agribusiness Project provided information on most significant policy issues in agriculture to the U.S. Embassy and other relevant donors to ensure additional support in advocating policy changes.

Following creation of the new Government in July 2008, the USAID Agribusiness Project established close cooperation with ranking officials of the MAFWM. During a visit to the USAID Agribusiness Project by the MAFWM State Secretary Mirjana Milosevic and the MAFWM Assistant Minister Milos Milovanovic on August 18, 2008, we agreed that the Project will work closely with the MAFWM on the following issues identified by the Project as important to our sectors:

1. Strengthening the agriculture market information system (STIPS);
2. Support establishment of the collection/distribution centers;
3. Support development of producer organizations, in particular agricultural cooperatives and strengthening capacities of the existing ones;
4. Promotion and training in benefits of complying with international standards, in particular GlobalGAP, Organic and ISO;
5. Implementation of the Law on Protection of Plant Breeder's Rights and the Law on Public Warehouses for Agricultural Products;
6. Preparation of the study on cool-chain for fruits and vegetables;
7. Trainings for the extension and advisory service in order to improve their capacities; and

8. Introduction of surveys in accordance with the requirements of the Farm Accountancy Data Network (FADN).

Task 2.2.2 Provide technical support to policy coordination

Since the Food Safety Law hasn't been introduced in Serbia yet, to raise awareness of the importance of traceability and other principles of food safety and since traceability is one of the main principles for ensuring food safety, the policy team of the USAID Agribusiness Project supported an awareness conference "Standard GlobalGAP – Better chances for sales" held at Novi Sad Agricultural Fair in May 2008. The conference was organized by the Executive Council and the Secretariat for Agriculture of the Autonomous Province of Vojvodina, MAFWM, USAID Agribusiness Project, Austrian Agency for Development (ADA), German Organization for Technical Cooperation (GTZ) and Swiss Secretariat for Economic Cooperation (SECO). The Project has engaged several lectures for the conference, namely, Zaharije Trnavcevic as the conference moderator, and managers of the associations Atle-COOP and Gospodjinci. More than 100 fruit and vegetable producers and processors were informed about the importance of traceability and requirements of the GlobalGAP.

Also, the policy team developed a concept for the Program of support to the agricultural producers and processors in Serbia in the process of international standardization and certification of their products (GlobalGAP, ISO 14001 and ISO 22000) to be implemented in the Year 2. The MAFWM will provide support to the Project in the implementation of the Program.

In addition, policy issues identified in the value chain assessments were presented to and discussed with the representatives of the relevant state bodies, in particular the MAFWM, as well as with the representatives of the industry groups and agribusinesses in the sector specific meetings organized by the USAID Agribusiness Project during April 2008.

Jointly with the USAID MEGA Project, the USAID Agribusiness Project prepared a strategy paper aimed at drawing attention of the government officials and the Chamber of Commerce on the constrain imposed to the agribusinesses by the approach to authorize only Chamber of Commerce in Belgrade to issue certificates of origin for exported products. The paper was forwarded to both Chamber of Commerce and the MAFWM.

For the purpose of coordinating activities with other projects, the USAID Agribusiness Project participated in the SEGA round table discussion on the farmer's pension policy recommendations regarding replacement of the mandatory state pension insurance for farmers with the universal flat old-age farmer pensions (financed out of general tax revenues) organized on June 9, 2008. In order to prevent fraudulent practices that may occur in the system, the USAID Agribusiness Project proposed that the system of universal flat old-age farmer's pensions should be linked to the registered agricultural households.

The USAID Agribusiness Project participated in a round table organized by NALED on July 30, 2008 aimed at strengthening the role of municipalities in the development of agriculture.

Policy specialist presented on the impact of membership in the WTO on the enabling environment and specific value chains within the six sectors in which the USAID Agribusiness Project operates, at the Conference on the Value Chain Implementation Approach held on May 8 and 9, 2008.

Tasks 2.2.3 Support policy implementation

On a regular basis, the policy team informed sector leads on any new or modified regulations or domestic support programs implemented by the MAFWM, or other relevant state bodies during Year 1. This activity has ensured timely communication to the USAID Agribusiness Project beneficiaries with proper information on policies that may affect their businesses, but also with reliable information about available support and requirements for application.

Specifically, the policy team, in cooperation with the tree-fruit sector lead provided to the Atle-COOP, an association of over 200 members (farmers and agribusinesses) information and necessary documentation regarding MAFWM subsidies for GlobalGAP certification. Based on this information, five companies, members of the Atle-COOP association, were granted subsidies for GlobalGAP: Atle, Kotikom, Milan-RZB, Agro – Djurkovina and Frigo Junior. The approved companies received subsidies of up to RSD 150,000 per company.

Also, jointly with the producer organization team, the policy team provided the information and application documentation to over 30 producer organizations on the subsidies available for improving the operations of producer organizations and cooperatives. In addition, on several occasions the USAID Agribusiness Project has emphasized to the officials of the MAWFM the importance of increasing subsidies for the livestock sector.

The STTA Ulrich Ernst, with the assistance of the Policy Specialist prepared the study “Business environment and competitiveness: Serbia in a regional perspective”, based on the World Bank/IFC’s annual Doing Business publication. The study compares indicators of the business environment in Serbia to those in Croatia, Bulgaria and FYR Macedonia. The study will be publicized on the website of the USAID Agribusiness Project.

The STTA Ulrich Ernst, with the assistance of the Policy Specialist, prepared a study on the enabling environment and specific policy issues in the wild mushrooms value chain. The report was prepared based on findings from the wild mushrooms value chain assessment, interviews of main exporting companies PAMS, INTERFOOD 60 and Jugofungi, as well as consultations with the Institute for Nature Conservation of Serbia. The conclusions include, inter alia, the following: 1) system of quotas (in particular quota allocation process) implemented for the purpose of protecting natural biodiversity should be changed to shorten periods for quota allocation; 2) the practice of specifying only one border crossing in the export license should be changed since it is burdensome and costly for exporters. Based on the study conducted and experiences of other countries, the USAID Agribusiness Project will work jointly with the Mushroom and Forest Fruit Council of the Fruits of Serbia to improve the quota and licensing system, and achieve better business environment in the wild mushrooms value chain.

During August 2008, jointly with the MAFWM, the policy team of the USAID Agribusiness Project developed a plan for preparation of the Study on a Cool/Cold Chain in Serbia that will be conducted in Year 2 and will encompass the following three phases: 1. Cold Chain Survey Development; 2. Cold Chain Research; and 3. Cold Chain Specialist and Engineer Analysis.

During September 2008, the policy team of the USAID Agribusiness Project initiated joint work with the Republic Agency for the Development of SME on preparation of the brochure

on credit lines of commercial banks available to agribusinesses. The first brochure on loans in agriculture will be publicized in November 2008.

Task 2.2.4 Address specific policy reform activities

1. Warehouse Receipts (WHR)

Based on the 2006 Report on Warehouse Receipts from the USAID/USDA Agricultural Committee, the policy team prepared report on experiences of several countries related to implementation of warehouse receipts systems which was provided to the Sector for Analytics and Agrarian Policy of the MAFWM.

In the course of support provided for the establishment of the warehouse receipts system in Serbia, the USAID Agribusiness Project facilitated participation of the delegation from Serbia at the Experts Meeting on Implementation of Grain Warehouse Receipts in GUAM Member-states, in Kiev, Ukraine, on 22-23 September 2008. The delegation encompassed representatives of the MAFWM and the Institute for the Nutrition Technologies.

In addition, it has been agreed with the MAFWM that, once the Faculty of Economic and the Institute for Food Technologies collect the relevant data on warehouse facilities in Serbia, the USAID Agribusiness Project will engage the warehouse receipts expert, Mr. Krassimir Kiriakov, as short term technical assistant (STTA) to review the findings of the implemented study and provide recommendations on appropriate legislation, registration, inspection and licensing of public warehouses and on the development of financial instruments for collateralized loans, insurance and indemnity funds. The engagement of Mr. Kiriakov is planned for the Year 2, due to the delay in preparation of the study and finalization of the draft Law on Public Warehouses for Agricultural Products. The Law on Public Warehouses for Agricultural Products has been adopted by the Government of the Republic of Serbia on September 11, 2008, while adoption by the Parliament is pending.

2. Plant Protection Rights

Based on the value chain assessments, lack of protection of intellectual property rights for new varieties, non-existing certification schemes and non-transparent importing procedures for planting materials were identified as major constrains for the development of berry fruit and tree fruit sector. During July, the policy team assisted the Department for EU and WTO Integration and International Cooperation of the MAFWM in reviewing the draft Law on Protection of Plant Breeder's Rights (necessary for ensuring protection of intellectual property rights over the new plant varieties and membership in the International Union for the Protection of New Varieties of Plants-UPOV). The comments received from the UPOV Council in April 2008 were incorporated in the text and the draft Law has been finalized. The adoption of the Law is expected by the end of 2008.

The USAID Agribusiness Project agreed with the MAFWM to provide support in the implementation of the Law on Protection of Plant Breeder's Rights during the Year 2. In cooperation with Fruits of Serbia, the USAID Agribusiness Project will undertake an awareness campaign and prepare materials/disseminate information related to UPOV membership consequences, protection of intellectual property rights/royalties, import procedures etc.



3. Reform Farm Cooperative Law

The USAID Agribusiness Project team conducted consultations with the MAFWM to initiate dialog with the Ministry of Economy and Regional Development who is at present responsible for adoption of the draft Law on Cooperatives (current draft concerns cooperatives within various different sectors of economy). One of the options that the USAID Agribusiness Project suggested was to prepare a separate draft concerning solely agricultural cooperatives, which would be under the responsibility of the MAFWM. The USAID Agribusiness Project offered to the MAFWM to provide technical assistance related to this law, in order to come up with the law that would enable greater development of agricultural cooperatives. In the Year 2, efforts to ensure adoption the Law on Cooperatives will continue. In addition, the USAID Agribusiness Project agreed with the MAFWM to coordinate activities related to development of new and strengthening of the existing agricultural cooperatives.

COMPONENT 3 – PROGRAM MANAGEMENT

3.1. ESTABLISH AND MANAGE USAID AGRIBUSINESS GRANTS PROGRAM

The Grants Program is designed to facilitate market-driven activities in the selected high-potential sub-sectors. The Grants Program is administered in accordance with provisions contained in ADS, Section 302.5.6, “Grants Under Contracts,” ADS Chapter 303, “Grants and Cooperative Agreements to Non-Governmental Organizations,” and within the terms of the USAID Standard Provisions applicable to Non-U.S. Non-Governmental Recipients.

Since the inception of the Grants Program in March 2008, USAID Agribusiness Project has been considering seventeen activities as potential grants. Four grants in the total amount of \$104,230 have been approved during the reporting period; ten project activities and grant proposals have received USAID’s principal approval, and these are currently in the various stages of development and approval; while all other project proposals and activities have been considered not appropriate for the grant funding.

During the reporting period, the M&E/Grants Manager conducted three workshops related to the grant issues, for the USAID Agribusiness Project staff. In addition, the M&E/Grants Manager presented the Grants Program to the agribusinesses in the municipalities of Leskovac and Prokuplje within a joint initiative of their municipal LED offices and MEGA. Also, the National Alliance for Local Economic Development (NALED) hosted an official presentation of the grants programs for over 100 participants from the municipal LED teams, local government officials, private businesses and local NGO’s.

Task 3.1 Establish the grants categories and manuals and get USAID concurrence

USAID/RCO has approved the Grants Manual on March 19, 2008, which is considered an official inception date of the Grants Program, as well as completion of the Task 3.1.

Pursuant to the recommendations provided by Mr. Gary Kilmer, Principal Development Specialist of DAI, pertaining to the original voucher grant award category within the Investment Incentive Grant component, USAID Agribusiness Project has decided to change

its approach, and to strengthen the ABDS delivery within the existing and approved grant procedures. Revised approach is considered both more cost effective and more appropriate than implementing a stand alone “voucher” program, which in its traditional form is more appropriate for providing standardized low cost services to a large number of micro and very small businesses.

Task 3.2 Implement Investment Incentive Grant program

The following two potential investment incentive grants have been approved in principal by USAID and received the environmental clearance:

1. “Bilje Borča” a processor of medicinal and aromatic herbs applied for the grant funds to adjust its tea packaging and labels to meet requirements of the U.S. market. Earlier, “Bilje Borča” signed a letter of intent with an American company Black Eagle, Inc. to export tea to the U.S. market. The total cost of the project is \$31,900; USAID Agribusiness Project should provide \$11,900 for the redesign of the tea bag boxes, development of the brand name and labeling, while the applicant should provide \$20,000 for production/printing of the redesigned packages. Thanks to the Project’s assistance, “Bilje Borča” will generate additional income in the amount of over \$700,000, out of which over \$350,000 in export in next three years. Allegations pertaining to the presence of *Salmonella seftenberg* in a raw material sold to another company months ago have caused three-month delay in the approval process. However, additional environmental testing results have shown that there is no public health concern and that the allegations were false. “Bilje Borča” has submitted a full grant application on September 29, 2008, and the final review and approval are scheduled for the first half of October 2008.
2. “Fruitland”- association of tree fruit cooperatives has proposed to introduce the tailor-made software for supply chain and inventory management of ULO cold stores. The software would be designed to consolidate the association’s offer, improve their joint market access, and strengthen their position in the negotiations with foreign buyers. Software will also track product traceability and support GlobalGAP implementation. The total project budget for this grant is estimated at \$100,000; while USAID Agribusiness Project will provide cost-share in the amount of \$45,000. “Fruitland” had to undergo a comprehensive environmental assessment procedure, which has been successfully completed. Accordingly, “Fruitland” is finalizing the full grant application based on the inputs provided by the USAID Agribusiness Project staff.

Task 3.3 Implement Enabling Grant program

The following four enabling grants in the total amount of \$106,230 have been awarded during the reporting period:

1. ABDS provider Agrar Kontakt designed a comprehensive program of technical assistance that includes lectures and trainings for more than 100 farmers, 10 livestock associations, 15 extension services and local slaughterhouses in Pirot, Niš, Kruševc, Vranje and Užice, and help them learn how to increase yields in cattle and sheep production. USAID Agribusiness Project’s share is estimated at \$34,250 and it will be used for (a) preparation and delivery of trainings and workshops in five regions and (b) purchase of 250 insemination straws (\$4,750), which will be distributed during the

practical workshops. The grant agreement was signed on August 27, and the first financial and programmatic reports should be submitted by October 15.

2. Agriculture Innovation Center, the ABDS provider from Arilje requested assistance in the accreditation of their laboratory for water and soil testing, which is an important service in the process of Global GAP certification of the farmers. USAID Agribusiness Project provides a total of \$19,380 for the services of two consultants who will design necessary documents for the laboratory procedures; develop the work instructions for every process and compile a detailed quality manuals required for ISO accreditation; monitoring and auditing within the accreditation process, as well as a part of the costs of the additional laboratory equipment necessary for successful accreditation. The grantee will provide \$16,324 to cover accreditation costs, purchase of additional lab inventory and disposables necessary for accreditation, as well as an overtime work of their three employees. Upon successful completion of the accreditation, the Center will become a reliable and self-sustainable ABDS provider for the farmers in the region (over 4,000 farmers), as well as a very important partner for the USAID Agribusiness Project. The grant agreement was signed on September 26, 2008, and the first monthly financial and programmatic report should be submitted by November 10, 2008.
3. Two grants in the total amount of \$50,600 have been awarded to support organization of the 2nd Agricultural Fair in Nis. Due to the financial constraints, the City Government of Nis was not able to finance this year's fair in all aspects. Therefore, they applied for the USAID Agribusiness Project's support in organizing (a) the livestock section of the fair i.e. livestock exhibition – stands and cover in the amount of \$28,440; and (b) the media campaign – production and broadcasting of the radio and TV shows, interviews, newspaper articles, etc. in the amount of \$22,160. In addition, USAID Agribusiness Project was asked to arrange delivery of two seminars on HACCP and Farm Management. Whereas the applicant is Government entity, USAID Agribusiness Project has awarded two grants to the two business development service providers selected by the City Government through a competitive process. The fair was held in the period September 26-28, 2008, and the first financial and programmatic reports should be submitted by October 15, 2008.

In addition, USAID Agribusiness Project has been working on the following eight activities approved in principal by USAID that could potentially be financed through the Grants Program:

1. Program of support to the agricultural producers and processors in Serbia in the process of international standardization and certification of their products (GlobalGAP, HACCP, ISO 14001 and ISO 22000);
2. Trade mission to the United Kingdom for the berry-fruit producers and nurseries who have established business contacts with one of the biggest nurseries in the world – Hargreaves Plants;
3. Training program for the existing and potential blueberry producers from throughout Serbia provided by the local experts and the Agriculture Innovation Center from Arilje;
4. 3rd Ethno Food and Beverages International Fair in Belgrade (November 26 – 29, 2008); organizational support and marketing, as well as lectures and seminars;

5. Expand the existing market information system – STIPS, which currently operates within the Ministry of Agriculture, e.g. expanded list of commodities, and introduce a consistent data collection methodology;
6. Feasibility study for the fruit and vegetable consolidation center in Cacak;
7. Training programs pertaining to the dairy farm profitability and milk quality improvement for 300 dairy farms throughout Serbia; five ABDS providers and the regional rural development centers should deliver the training;
8. Information Technology support for improved management and quality of dairy products within the dairy companies interested in applying IT support tools.

3.2. PROJECT COMMUNICATIONS

Introduction

The USAID Agribusiness Project relies on media coverage to generate interest among potential beneficiaries and buyers of Serbian quality products. As witnessed below, all events have been well covered and generated tremendous interest.

USAID received a continuous flow of articles related to the activities of the project. These articles were published in USAID newsletters while other were additionally used for public diplomacy purposes (Embassy website).

Media Coverage of the Project

Major event marking the USAID Agribusiness Project kick off held on January 18, 2008 in Belgrade highlighted by the participation of H.E. Cameron Munter, the U.S. Ambassador to Serbia

- Nearly 150 agricultural companies and farmers contacted the Project as a result of the event, got informed about details and connected with the Project sector leads;
- Journalists from 30 national media outlets attended the event which resulted in best coverage ever of an USAID related activity;

<http://www.emportal.co.yu/en/news/serbia/33182.html>

(US starting two major new economic growth projects in Serbia) Jan 15, 2008

The USAID mission to Serbia director, Mr. Michael Harvey, participated at the Project's initial marketing & sales training for 12 Serbian companies that are to participate at the 75th International Agricultural Fair in Novi Sad. The event was open to media representatives who reported about it in major national electronic and printed media.

<http://www.emportal.co.yu/en/news/serbia/42635.html>

(USAID supports Serbian agricultural producers) March 13, 2008

Other Activities

- Project web-site www.agorbiznis.net was launched on June 20, 2008.



- FoodNews articles and other market news translated were translated into Serbian and distributed to agribusiness companies and associations throughout Serbia. Companies learned about the latest market trends in particular products and markets and began to rely on detailed market information.
Date: January-June 2008
Result: 150 companies were receiving Foodnews from January-July 2008
- Project flyers
In July, project flyers were designed. The flyers are to be distributed during various events. The purpose is to raise the project's profile and inform potential stakeholders on the activities, goals and services provided by the project.

Media Coverage related to Marketing

- Success stories were consistently published on Serbian agribusinesses internationally – This created a positive image for Serbian companies and economy to potential prospects and buyers.
Date: January-September 2008
Result: 33 articles on Serbian agribusinesses published by the project in international media

http://www.freshplaza.com/news_detail.asp?id=15739

(Serbian companies reveal secrets for today's healthy living) Feb 4, 2008

http://www.freshplaza.com/news_detail.asp?id=16911

(Serbia Brings a Flurry of New Organic Products to Biofach) Feb 21, 2008

<http://www.ameinfo.com/147764.html>

(Gulfood Opens Tomorrow) Feb 23, 2008

[http://business.maktoob.com/News-20070423141865-](http://business.maktoob.com/News-20070423141865-GULFOOD_2008_OPENS_TOMORROW.aspx)

[GULFOOD_2008_OPENS_TOMORROW.aspx](http://business.maktoob.com/News-20070423141865-GULFOOD_2008_OPENS_TOMORROW.aspx)

(GULFOOD 2008 Opens Tomorrow) Feb 23, 2008

<http://www.tradearabia.com/news/newsdetails.asp?Sn=ECO&artid=139100>

(2,500 firms take part in Gulfood 2008) Feb 23, 2008

http://www.freshplaza.com/news_detail.asp?id=17269

(Serbian Super-fruit arrives at Gulfood) Feb 28, 2008

- On March 31, the Project press release aiming to promote forthcoming 75th International Agricultural Fair was sent to major international magazines

http://www.freshplaza.com/news_detail.asp?id=19161

(Serbia Hosts the Largest Agricultural Event in Southeastern Europe) March 31, 2008

[http://business.maktoob.com/News-20070423146199-](http://business.maktoob.com/News-20070423146199-Serbia_Host_the_Largest_Agricultural_Event_in_Southeastern_Europe.aspx)

[Serbia_Host_the_Largest_Agricultural_Event_in_Southeastern_Europe.aspx](http://business.maktoob.com/News-20070423146199-Serbia_Host_the_Largest_Agricultural_Event_in_Southeastern_Europe.aspx)

(Serbia Host the Largest Agricultural Event in Southeastern Europe), March 31, 2008

<http://www.einnews.com/serbia/newsfeed-serbia-agriculture>

(Serbia Host the Largest Agricultural Event in Southeastern Europe), March 31, 2008

<http://www.news.koozi.net/2008/03/31/serbia-host-the-largest-agricultural-event-in-southeastern-europe>

(Serbia Host the Largest Agricultural Event in Southeastern Europe), March 31, 2008

- International media, Freshinfo, Freshplaza, Emportal, German Fruchportal, Foodnews, and Arabian Maktoob published reports based on the Project press release about Serbian National Association of Fruit Growers “Fruits of Serbia”, supported by the Project

<http://www.emportal.co.yu/en/news/serbia/43348.html>

(Serbian agricultural producers together towards Int'l Markets) March 19, 2008

<http://www.fruchtportal.de/index.php?pid=1&action=read&id=9420>

(Serbische Landwirtschaftserzeuger zusammen in Richtung internationale Märkte) March 25, 2008

http://www.freshplaza.com/news_detail.asp?id=18517

(Serbian Agricultural Producers Together Towards International Markets), March 19, 2008

[http://business.maktoob.com/News-20070423144819-](http://business.maktoob.com/News-20070423144819-Serbian-Agricultural-Producers-Together-Towards-International-Markets.aspx)

[Serbian Agricultural Producers Together Towards International Markets.aspx](http://business.maktoob.com/News-20070423144819-Serbian-Agricultural-Producers-Together-Towards-International-Markets.aspx)

(Serbian Agricultural Producers Together towards International Markets), March 19, 2008

http://www.freshinfo.com/index.php?s=n&ss=nd&sid=45096&s_txt=serbia&s_date=0&ms=6.5445499420166&offset

(Serbian grower link up) March 21, 2008

- International media, Freshinfo, Freshplaza, Foodnews, and Arabian Maktoob published the Project made story about “MARNI”, leading Serbian forest mushrooms exporter supported by the USAID Agribusiness Project

<http://www.agra->

[net.com/portal/home.jsp?pagetitle=showstory&article_id=1210832592697&pubId=ag005](http://www.agra-net.com/portal/home.jsp?pagetitle=showstory&article_id=1210832592697&pubId=ag005)

http://www.freshinfo.com/index.php?s=n&ss=nd&sid=45694&s_txt=marni&s_date=0&ms=7.8191714286804&offset=

http://www.freshplaza.com/news_detail.asp?id=21485

[http://business.maktoob.com/NewsDetails-20070423151683-](http://business.maktoob.com/NewsDetails-20070423151683-Serbian-MARNI-Achieves-Four-Million-Euros-in-Exports.htm)

[Serbian “MARNI” Achieves Four Million Euros in Exports.htm](http://business.maktoob.com/NewsDetails-20070423151683-Serbian-MARNI-Achieves-Four-Million-Euros-in-Exports.htm)

- In coordination with SIEPA (Serbia Investment & Export Promotion Agency), USAID Agribusiness Project assisted Serbian agricultural producers and food companies to present their products at the 54th Summer Fancy Food Show in New York, from June 29 - July 01, 2008.
 - Prior to the fair, the Project assisted SIEPA and companies to prepare promo materials and invitations for potential buyers
 - All major national dailies (Blic, Danas, Vecernje Novosti...) and specialized on-line business magazines published stories about the fair based on the mutually made press release targeting Serbian media
- On May 12, 2008, “Voice of America” broadcast a story about Serbian food producers exhibiting at the 75th International Agricultural Fair in Novi Sad thanks to the support of the USAID’s Economic Security and Agribusiness Projects.

- “Together Towards New Markets” is the title of an article presenting the USAID Agribusiness Project, as a “topic of the issue”, in Centre for Strategic Economic Studies Vojvodina (<http://www.vojvodina-cess.org/engindex.php>), May 2008 Magazine.
- Daily e-magazine AGRONEWS (www.agronews.biz), distributed to 2,000 + Serbian agribusinesses, promoted the Project consultants Jeffrey Spear and Richard Dale work with Serbian agribusinesses in the fields of design and berry fruit growing
http://www.agronews.biz/arhiva/broj32/agronews_eng_190608.pdf
http://www.agronews.biz/arhiva/broj29/agronews_eng_160608.pdf

3.3. ADMINISTRATION

In the first quarter, the Project located Belgrade office space, arranged for donations of furniture from former CRDA partners, CHF and IRD, as well as one vehicle donation from IRD. All national and ex-pat personnel were hired with the exception of a policy deputy and a finance expert.

In the second quarter, the project has been operating normally despite Kosovo issues, political disturbances and lack of Government.

As the project moved forward addressing value chain constraints in the third quarter, it was realized that the integration of cross cutting components could be improved by changes to the organizational structure. In June 2008, Administrative duties have been moved to the Finance Director from the Operations Director who will oversee the cross cutting components and work closely with the technical director (DCOP, to be hired soon) to improve project synergy. Environment reports directly to the COP as does Media.

Regional offices

- Regional offices in Novi Sad and Cacak were leased, equipped and are fully operational with TAMIS data base and Internet working.
- Novi Sad office is located in 3 Skolska Street, phone no. 021/528-490.
- Cacak office is located in 73 Dragise Misovica Street, phone no. 032/371-554.

Vehicles

- Three Jeep Liberties with 2 liter diesel engines and one Dodge Grand Caravan with a petrol engine have been purchased for the Project’s use. With the Jeep Cherokee received as a donation from IRD, the Project now has a total of 5 vehicles, one for each field office and three for the office in Belgrade.
- Registration plates were replaced on all vehicles in July 2008 from 60E to 144E

Personnel

There have been a few changes in the Project personnel over the year. The following people left the Project:

- Bill Emerson, DCOP, left the Project as of July 31, 2008
- Goran Djordjevic, Communications Advisor, resigned as of September 1, 2008
- Djordje Lukovic, Livestock Sector Lead, was left the Project as of October 1, 2008
- Graham Dale, Producer Organization Specialist, resigned as of October 1, 2008

- Jaroslava Bozanic, Grants/Monitoring Officer, resigned as of August 10, 2008 after 4 months of work for the Project

Several people have been hired by the Project:

- Igor Jovanovic has been employed as Driver since January 8, 2008
- Brankica Obucina, Agriculture Information and Policy Specialist, was hired as of April 1, 2008
- Nenad Popadic, ABDS/Finance Specialist, was hired as of September 15, 2008
- Ana Martinovic, Communications Advisor, was hired as of September 22, 2008
- Tatjana Mrvaljevic will replace Jovana Ducic-Savic, Marketing&Sales Deputy, who will be on maternity leave, as of October 1, 2008

The Project announced a vacancy for Agricultural Development Officer/Livestock Sector Lead on September 16, 2008.

Other issues

- In March 2008, an Emergency Evacuation Plan was written and applied during the post-Kosovo independence declaration crisis evacuation of the US nonessential project personnel (one ex-pat staff member and family and two STTA consultants were evacuated).
- In June 2008, Emad Sayegh, DAI internal auditor visited the Project, performed a full audit and did not have any non-compliance issues.

B. SIGNIFICANT IMPLEMENTATION PROBLEMS ENCOUNTERED AND SOLUTIONS

B.1. PRODUCER ORGANIZATIONS

Problem: Despite the Project's initial assistance "Fruits of Serbia" legal status is still not settled due to delay in registration. Association's development has been also slowed down due to political issues about elections and new government. It was planned that Ministry of Agriculture support financially start-up costs and Chamber of Commerce back up the Association providing free of charge office space in Belgrade. However, we identified as a main problem lack of professional and dedicated management.

Solution: With the new government, we expect full registration very soon.

B.2. ABDS

Problem: ABDS is one of the cross cutting components to all six subsectors. It proved particularly difficult to hire a qualified person for this role. Although the Project tried several times advertising the position for the ABDS expert – no suitable candidates appeared.

Solution: An ABDS specialist is now on board full-time with the project.

Problem: One of our STTA, technical expert Mr. Gary Kilmer, discovered the voucher program is not suitable for Serbia under the present market conditions. He found that the market failure is that ready users and providers of technical and managerial assistance are failing to meet in the market place due to three factors:

- The shortage of effective technical assistance providers, either value chain specific or more general, organized commercially and making themselves available to agribusiness companies on a commercial basis;
- The reluctance of private enterprise managers to seek out technical and management assistance providers due to their lack of confidence in the value they will receive for their investment;
- The lack of an effective mechanism for encouraging the further development of the ABDS sector both in terms of the technical capacity of its members and its linkage with the target community of agribusiness clients.

Solutions:

- The USAID Agribusiness Project has developed a comprehensive ABDS cost share grant program within its existing and asked for approval to change enabling grants to simple project activities to facilitate operations. Many of the technical (production and marketing) activities are already included in the enabling program. Only the more general business and association management and finance areas will need to be explicitly added. This approach will be both more cost effective and more appropriate than developing a stand alone “voucher” program, which in its traditional form is more appropriate for providing standardized low cost services to a large number of micro and very small enterprises.
- Enabling funds should also be made available to ABDS providers with a specific need for adding to their capacity to reach and serve agribusiness clients effectively and build their own businesses on that basis. Mention is made of them here to emphasize their importance in developing a comprehensive and effective ABDS program for participating agribusiness companies.
- The project has enhanced its current staff capacity to identify and analyze non-value chain specific business problems (finance, management, legal, etc.), assist participating companies and associations articulate their technical assistance needs, seek out appropriate technical assistance resources within Serbia and develop effective programs for breaching the market failure that is somehow preventing effective links between them at present.

B.3. YOUTH ENTREPRENEURSHIP PROGRAM

Problem: Agribusiness companies contacted about the program were not interested in having interns training on the job while working for them. The Project’s Youth program director contacted, for instance, company Sirogojno which had interns few years ago, but was not satisfied with them; they were performing even low-level tasks badly!

Solution: The general recommendation is to provide students with modern knowledge on business and its administrative and technical issues first, which “Entrepreneurship in Agribusiness” is made for, and then to organize the internship for the students who were in the program.

B.4. LACK OF GOVERNMENT

Problem: Contact with Ministries was not productive.

Solution: A new, democratic government was elected and our relations have been excellent.

B.5. STAFF CHANGES

Problem: Our Deputy Chief of Party and our Producer Organization Specialist both left the project during the last quarter. Our Livestock Sector lead’s contract was not renewed for a second year and he also left.

Solution: A new DCOP has been recruited. Organizational changes in the Producer Organization component will negate the need for an ex-patriate to fill that position. A new livestock Sector lead is being recruited, 57 CV’s were received in response to our ad in a local paper.

C. ACTIONS TAKEN TO RESOLVE PROBLEMS

Please see the solutions included above with each problem encountered

D. OBSERVATIONS OR RECOMMENDATIONS TO IMPROVE IMPLEMENTATION IN THE FUTURE

D.1. STAFFING

We recommend that project proposals contain only the names and qualifications of key personnel and only illustrative examples of other employees, both local and ex-patriate, long and short-term. This will lengthen the start up time needed to implement the project but the benefits of having a team that is recruited together from the beginning will outweigh the additional time needed to start the project.

D.2. IDENTITY

The project should have one identity, one business card and clear hierarchy. Handing our three different business cards confuses clients and beneficiaries.

D.3. GRANTS VERSUS PROJECT ACTIVITIES

Grants under contracts are difficult to implement. A different approach to using funds other than grants should be considered on future projects.



USAID Agribusiness Project

D.4. TRAVEL APPROVAL

It would be more efficient to allow the Project CTO authority to approve travel for the project.

ANNEX I

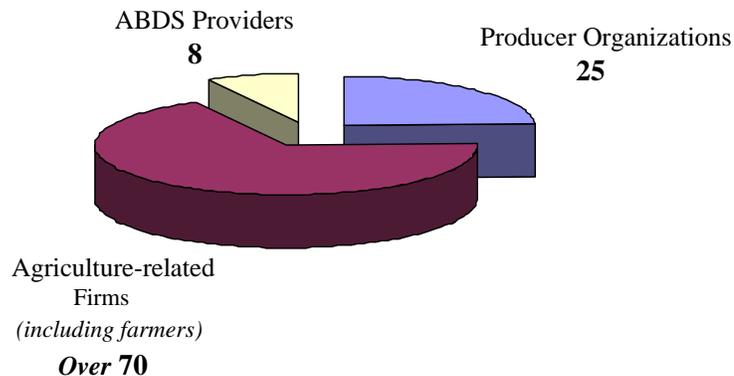
ANNEX I. Results Versus Indicators – Impact Survey Results

Monitoring and Evaluation

USAID Agribusiness Project has carried out the annual client impact survey to collect the results of the USAID Agribusiness Project’s assistance provided in the period October 2007 thru September 2008.

Based on the data collected through the TAMIS, over 100 beneficiaries have participated in the USAID Agribusiness Project-funded activities since October 2007, i.e. 25 producer organizations, 8 ABDS providers and over 70 agriculture-related firms (including farmers) received technical assistance such as advisory, training, introduction to new technologies, assistance with the buyers during the trade fairs, etc.

Beneficiary Profiles



In September 2008, the Sector Leads have identified 4 producer organizations, 3 ABDS providers, 2 farmers and 20 agriculture-related firms who have generated results thanks to the USAID Agribusiness Project’s assistance provided in the period October 2007 – September 2008. However, a total of 23 beneficiaries have responded to the annual survey, and out of this number, 18 beneficiaries have reported the results directly attributable to the Project’s assistance; these results have been verified by Sector Leads and/or M&E Team. Other 5 beneficiaries have reported either (a) no results or (b) results that could not be verified by the time this annual report was finalized.¹

In addition to those 18 beneficiaries, the survey results collected through the Quarterly Impact Survey conducted in June 2008 have been included in this annual report, as well;

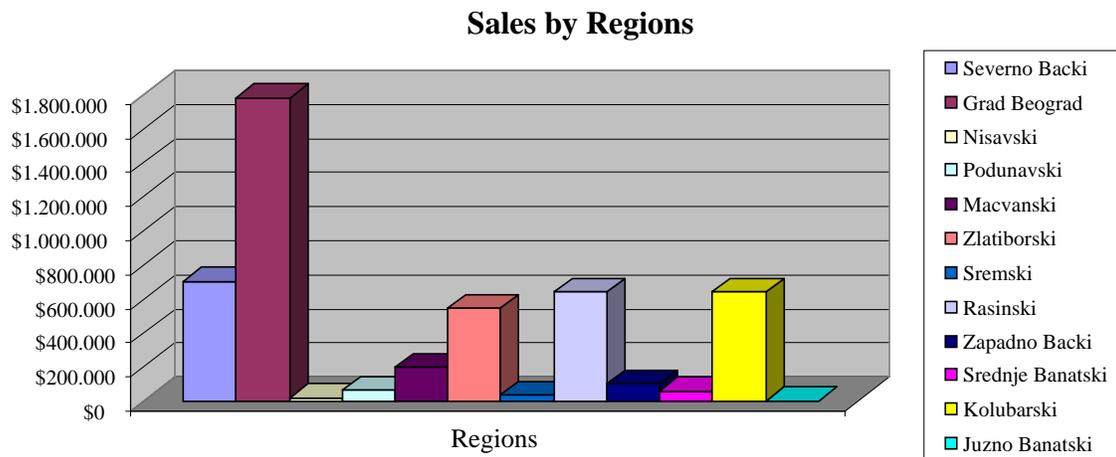
¹ Agriculture-related firm “Juzni Banat” has reported \$3.5 M of sales, but this report has not been verified within the given reporting deadline.

these results pertain to the three beneficiaries who generated results in the period October 2007 – June 2008, but had nothing else to report for the Annual Survey.

Accordingly, the results provided herein pertain to the total of **21 surveyed beneficiaries** (5 producer organizations, 15 agriculture-related firms and one farmer) benefiting directly from the USAID Agribusiness Project’s assistance provided in the period October 2007 – September 2008. M&E Team visited nine randomly selected beneficiaries to verify their results by reviewing the sales contracts, employment agreements and other documents related to the results reported in the survey; the Sector Leads have verified data for other 12 beneficiaries.

The following specific results have been collected through these surveys:

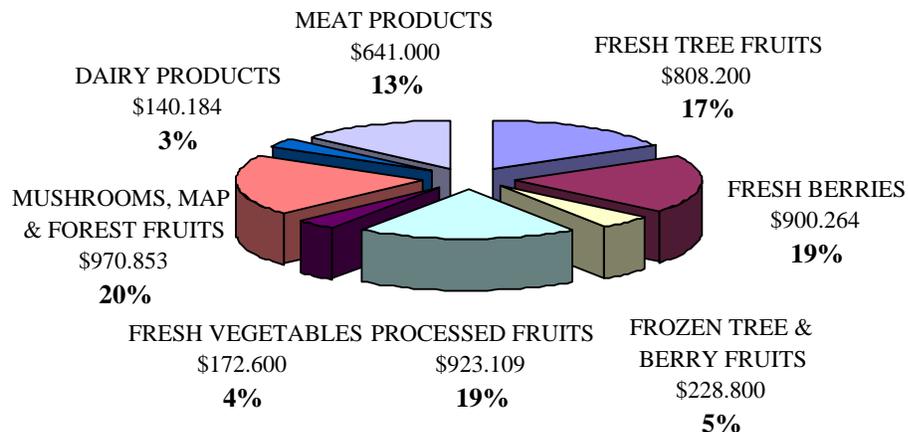
- The Project-assisted agribusinesses and producer organizations have realized sales in the amount of \$4,785,010 (export share: \$3,914,809) out of the contracted \$15,211,711. In addition, 11 beneficiaries are currently negotiating sales in the total value of \$2,968,250.
- The agriculture-related firms and producer organizations who have realized the sales are based throughout Serbia as presented in the table below. However, Belgrade-based agriculture-related firms Bilje Borca, Igda, ITN and Atle Company account for almost \$1.8 million in sales, which is 35.5% of the total sales realized.



- The following commodities have been delivered in the total value of \$4,785,010:
 - Fresh tree fruits (primarily apples – over 50% of the total fresh tree fruit sales; as well as other commodities such as peaches, plums and nectarines); total fresh tree fruit sales: \$808,200

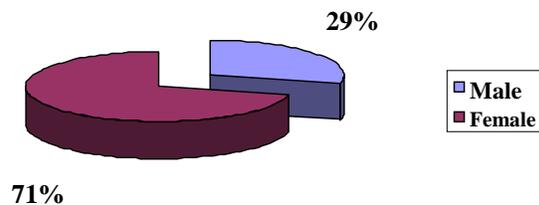
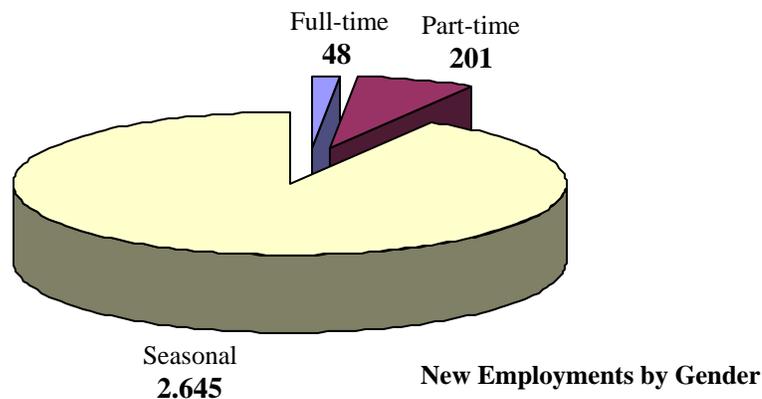
- Fresh berries (primarily raspberries e.g. organic raspberries sales in the amount of \$100,000; also, blueberries, strawberries and blackberries); total fresh berry fruit sales: \$ 900,264
- Frozen tree and berry fruits in the total amount of \$228,800
- Processed fruits (jams, juices, ajvar, mash, powders, etc.) in the total amount of \$923,109
- Fresh vegetables (sweet corn sales in the amount of \$100,00; watermelons sales in the amount of \$15,000; as well as other fresh vegetables such as green salad, paprika, carrot, cabbage, etc.); total fresh vegetables sales: \$172,600
- Mushrooms, medicinal and aromatic herbs, and forest fruits (sales of mushrooms account for over 86% of the total sales within this group of commodities; other commodities include: dried forest fruits- \$35,000, organic mushrooms and forest fruits- \$90,000); total sales: \$923,129
- Dairy products in the total amount of \$140,184 (hard cheese and pasteurized milk)
- Meat products in the total amount of \$641,000 (bullocks and sausages)

Sales by Commodities



- Within these 21 surveyed beneficiaries who reported the results, seven belong to medium-sized in terms of employment (51 – 250 employees), six belong to micro (less than ten employees), and four belong to small (10 – 50 employees).
- A total of 249 new full-time and part-time jobs have been generated thanks to the Project's assistance, and 71% are women. In addition, the Project's assistance facilitated creation of 2,645 seasonal jobs in agricultural processing and services.

New Employments



- Out of these 21 surveyed beneficiaries, six received all types of the available assistance i.e. advisory in establishing business linkages, training and education by STTA's and the Project staff, and support in attending the international trade fairs. These six beneficiaries (Fruit Land, ITN, Foodland, Marni, Igda and Ari Nova) have utilized business linkages provided through the Project, attended relevant training programs and participated in one or more trade fair (Fruit Logistica, Novi Sad Ag Fair, Gulfood, Fancy Food NY, Biofach and World Food Moscow). These five beneficiaries realized sales in the total amount of \$2,991,762 (or 62.5% of the total sales realized). Other companies have attributed their sales, employment and other results to either one of the available Project's

assistance, but in most cases the facilitation of business linkages with new buyers has been reported as the most beneficial for additional sales.

(See Attachment: Annual Impact Survey List of Beneficiaries and Sales Results)

Annual Impact Survey - List of Beneficiaries and Sales Results

No.	Beneficiary	Sector	USAID Agribusiness Project's Assistance	Sales (US\$)			Commodities
				Contracted	Implemented	Export Share	
1	Agrar-komerc	Tree Fruit	<ul style="list-style-type: none"> Trade Fair: Fruit Logistica 2008; Training: Sales and Marketing Media Promotion (Fruit Logistica Fair 2008). 	\$1,500,000	\$63,200	\$63,200	fresh apples, peaches, nectarines
2	Foodland	Tree Fruit	<ul style="list-style-type: none"> Trade Fair: Fancy Food Fair 2008; Training: Sales and Marketing Media Promotion (Biofach Fair 2008), Sales and marketing training (Fancy Food Show 2008 in NYC). 	\$814,639	\$814,639	\$814,639	food products
3	Fruitland	Tree Fruit	<ul style="list-style-type: none"> Trade Fair: Fruit Logistica Fair 2008, Novi Sad Fair 2008; Training: Sales and Marketing Media Promotion (Fruit Logistica Fair 2008), Sales and marketing training (Novi Sad Fair 2008); Technical Assistance: STTA on tree fruit growing techniques provided by Ms. Mira Bulatovic to Cacanska Jabuka and Ari-Nova, two Fruitland members; Buyer Linkages. 	\$6,000,000	\$703,800	\$695,000	fresh apples, peaches, nectarines; frozen fruits and berries
4	Atle Company	Tree and Berry Fruit	<ul style="list-style-type: none"> Advisory Training: Sales and Marketing Media Promotion for companies participating at Fruit Logistica, Biofach and Gulfood Fairs 	\$1,000,000	\$140,000	\$140,000	organic raspberry, plums, frozen sour cherry
5	Agrograf	Berry Fruit	<ul style="list-style-type: none"> Trade Fair: Novi Sad Ag Fair 2008; Advisory 	\$540,000	\$300,000	\$180,000	raspberries, plums
6	Ari Nova, Arilje	Berry Fruit	<ul style="list-style-type: none"> Trade Fair: Novi Sad Ag Fair and Fruit Logistica; Advisory and Training: Rick Dale, STTA - Training; presentation of berry fruit new varieties suitable for fresh market; introduction/demonstration of new technology from Chile; Market linkages - ASDA 	\$10,000	\$10,000	\$10,000	blueberries
7	Elixir Group	Berry Fruit	<ul style="list-style-type: none"> Trade Fair: Fruit Logistica; Advisory and Training: Rick Dale, STTA - Training; presentation of berry fruit new varieties suitable for fresh market; Introduction/demonstration of new technology from Chile 	\$200,000	\$200,000	\$200,000	frozen fruits
8	Frigonais	Berry Fruit	<ul style="list-style-type: none"> Trade Fair: Novi Sad Fair; Advisory and Training: Market linkages and assistance with FDA registration 	\$21,000	\$21,000	\$21,000	sour cherry mash
9	ITN	Berry Fruit	<ul style="list-style-type: none"> Trade Fair: Gulfood, Dubai; Fancy Food New York, World Food Moscow Advisory and Training: Quality Control 	\$1,800,000	\$500,000	\$500,000	berries
10	Mladost Cooperative	Berry Fruit	<ul style="list-style-type: none"> Advisory and Training: Rick Dale, STTA - Training; Presentation of berry fruit new varieties suitable for fresh market; Introduction/demonstration of new technology from Chile 	\$20,264	\$20,264		blackberry, strawberry
11	MARNI	MMAFFF	<ul style="list-style-type: none"> Trade Fair: Fancy Food Fair New York and Biofach Fair Advisory and Training: Debt refinancing, Market linking (SPAR (contract signed), MPORTACIONES SAMANES S.L.) 	\$1,161,734	\$638,323	\$638,323	fruit powder, dried and fresh mushrooms
12	IGDA	MMAFFF	<ul style="list-style-type: none"> Trade Fair: Fruit Logistica, Gulfood and World Food Moscow Advisory and Training 	\$855,000	\$325,000	\$325,000	mushrooms and dried fruits
13	BMD	MMAFFF	<ul style="list-style-type: none"> Trade Fair: Biofach Fair Advisory and Training 	\$200,000	\$95,000	\$95,000	organica mushrooms, organic forest fruits
14	BILJE BORCA	MHFF	<ul style="list-style-type: none"> Trade Fair: 2008 Novi Sad Ag Fair, World Food Moscow Advisory and Training 	\$50,000			medicinal and aromatic herbs
15	ABC Food	Vegetables	<ul style="list-style-type: none"> Training: Use of the ITC data base for the market research and analyzes 	\$100,000	\$100,000		sweet corn
16	PG Tibor Conti	Vegetables	<ul style="list-style-type: none"> Advisory: Market linkages with Rodic-Merkator, Metro Cash and Carry 	\$96,800	\$57,600		fresh vegetables
17	NATURACOOP	Vegetables	<ul style="list-style-type: none"> Advisory: Market linkages with ASDA 	\$15,000	\$15,000	\$15,000	watermelons
18	PK Zlatibor AD; PJ Mlekara Zlatibor	Dairy	<ul style="list-style-type: none"> Trade Fair: 2008 Novi Sad Agricultural Fair 	\$186,274	\$140,184	\$117,647	pasteurized milk and hard cheese

Overarching Project Level Indicators

Performance Indicator		Methodology (data source)	Baseline	2008 TARGET	2008 RESULT	2012 TARGET	Disaggregating Categories								
Percent change in agricultural GDP		National statistics	2007 Ag GDP: \$4.25 B	0.5% (over baseline)	Results will be available in June '09	10% over baseline	N/A								
Percent change in the value of agricultural exports		National statistics	2007 Ag Exports: \$1.67 B	2% (over baseline)	Results will be available in early spring 2009	15% over baseline	Export Market	%	Commodity	%					
							N/A	N/A	N/A	N/A					
Actual increase in employment in agricultural processing and services		Annual Client Impact Survey	0	200 persons	249	10,000 (cumulative)	Region	Persons	Male	Female	Type of Firm	Persons	Type of Employment	Persons	
							Nisavski	2	1	1	Micro	1	Full-time	48	
							Grad Beograd	15	7	8	Small	1	Part-time	201	
							Zlatiborski	2	1	1	Medium	46	Seasonal	2,645	
							Rasinski	230	62	168	Large	0			
Dollar value change in agricultural product sales of USAID Agribusiness Project beneficiaries		Annual Client Impact Survey	0	\$3 M	\$4,785,010	\$30 M (cumulative)	Region	US\$	Commodity	US\$					
							Severno Backi	\$703,800	FRESH TREE FRUITS		\$808,200				
							Grad Beograd	\$1,779,639	Apples		\$408,000				
							Nisavski	\$21,000	Peaches		\$123,000				
							Podunavski	\$63,200	Plums		\$275,000				
							Macvanski	\$200,000	Nectarines		\$2,200				
							Zlatiborski	\$545,184	FRESH BERRIES		\$900,264				
							Sremski	\$35,264	FROZEN TREE & BERRY FRUITS		\$228,800				
							Rasinski	\$638,323	PROCESSED FRUITS		\$923,109				
							Zapadno Backi	\$100,000	FRESH VEGETABLES		\$172,600				
							Srednje Banatski	\$57,600	MUSHROOMS & FOREST FRUITS		\$970,853				
							Kolubarski	\$640,000	Mushrooms		\$885,853				
							Juzno Banatski	\$1,000	Dried & Organic Forest Fruits		\$85,000				
							DAIRY PRODUCTS				\$140,184				
							Hard Cheese				\$22,537				
							Pasteurized Milk				\$117,647				
							MEAT PRODUCTS				\$641,000				
							Bullocks				\$640,000				
							Sausages				\$1,000				

ANNEX II



Year 1 Annual Report

BERRY FRUIT

October 1, 2007 - September 30, 2008

Introduction

To increase the overall competitiveness and initiate rapid and broad-based growth of the cultivated berry fruit subsector, in year 1 the USAID Agribusiness project has finalized an in-depth analysis of the sub-sector, established cooperation with and started provision of technical assistance to a wider group of producer organizations and other types of businesses dealing with berry fruits. During that period the project has introduced new varieties and technologies to over 40 producers and/or processors, helped them establish links and develop relationships with international suppliers, as well as initiated training programs that will help participating businesses to improve their competitiveness and access new markets. In all these activities the project has worked through leverage points identified at its initial phase, such as National Association Fruits of Serbia, Serbian Cold Stores' Association, Atle-Coop Association, ABDS providers Zeleni hit, Arilje Agricultural Innovation Center, Cacak Fruit Research Institute, etc. To help the sub-sector to adapt to market needs, meet EU requirements in food quality standards and safety, and be competitive in domestic, regional, and international markets the project will continue its support through various sub-sector specific and cross-cutting interventions.

Start-up Activities

During the first few months the Agribusiness Project sub-sector leads completed their work on selected value chains' in-depth analysis and finalized Value Chain Assessment Reports that have been published on the project's web-site.

Based on VCA findings and data collected, and to address market failures and utilize identified market opportunities the Cultivated Berry Fruit Commodity Action Plan was developed. The berry sub-sector commodity action plan highlights the need for processors to look to the future and begin adapting their production to take advantage of Serbia's reputation in beery production to move from frozen bulk to fresh.

An industry sector meeting was held to discuss the berry strategy with 18 leading industry members in Cacak in early April 2008. Producers, ABDS providers and exporters attended the presentation. All the participants confirmed their interest in cooperating with the project as well as proposed specific fields for future cooperation.

Assistance to Producer Organizations

During the first two quarters inventory of existing producer organizations and their needs assessment were done in cooperation with producer organizations team. At the same time, as a result of joint initiative of several project's clients and main stakeholders from fruit & vegetables production and processing, the National Association "Fruits of Serbia" was founded. Operating as an umbrella association for its members – growers and processors, the "Fruits of Serbia" will mainly be focusing on supporting exports of fruits and vegetables from Serbia. Besides initial assistance in organizational structuring and developing its visual identity, the project went further with planning tailored assistance that will enable the association to deliver effective services to its members so as to improve their overall performance and competitiveness at international markets including fresh market.

In cooperation with Producer Organizations Specialist and Marketing/Export Advisor, the Berry fruit subsector lead provided advice related to establishment and structuring of new producer organizations to their steering committees. In addition, in cooperation with ABDS providers the project staff conducted for members of these POs presentations of international market opportunities, production and post-harvest technologies for berry fruit intended for fresh market. With the project support, two new POs specializing in berry fruit were founded - Atlecoop Association from Belgrade and Borovac Cooperative from Kosjeric, while another 2 (in Pirot and Novi Sad) are at its initial phase of establishment.

As a follow up of presentations conducted by Hargreaves Plants' on changing global market and new varieties and based on advise provided by the project, in summer 2008 a group of most dynamic nurseries in Serbia established a nurseries' sub-association within the "Fruits of Serbia" National Association. At the inaugural meeting, attended by berry fruit and tree fruit sub-sector leads, the needs of nurseries in Serbia were assessed and actions needed for advancing berry fruit nursery production in Serbia were discussed. It was concluded that the most needed support from the project to the sub-association is linking Serbian nurseries with foreign partners, technical assistance to improve skills and create technological conditions to increase quality; and facilitation in solving policy issues such as UPOV membership, non-existing certification scheme and non-transparent importing procedures for planting materials. Based on this, the project began planning with key stakeholders a series of interventions that will be implemented in year 2.

Rick Dale, a fresh berry expert from the US, assessed production and marketing capacities of seven companies and cooperatives from throughout Serbia, provided advice related to selection of berry fruit varieties suitable for fresh market and recommended measures to improve irrigation, nutrition, plant protection and post-harvest practices. In addition, to increase producer organizations members' knowledge and skills, Mr. Dale and local ABDS providers conducted a series of technical trainings on production and post-harvest management of berry fruit for fresh market in Sabac, Arilje, Obrez, Azanja and Kosjeric. *(For more details please see Use of New Technology chapter)*

Use of New Technology

As mentioned before, Mr. Dale conducted a series of trainings and/or presentations at premises of interested businesses in Sabac, Obrez and Arilje. The trainings covered various important topics such as berry fruit production under high tunnels, selection of

varieties, harvesting techniques, post-harvest and cold chain management, packaging and marketing. A total of 43 berry fruit producers, ABDS providers and representatives of processing companies from Sabac, Krupanj, Varvarin, Krusevac and Arilje attended the training sessions.

In June 2008 the berry fruit sub-sector lead organized in cooperation with marketing team a visit of Mr. Godoy, a businessman from Chile who owns a technological innovation – an element of berry fruits' packaging that is used to extend (double) raspberries' shelf life. During his stay in Serbia at premises of 6 interested businesses Mr. Godoy demonstrated advantages of the invention and Serbian companies introduced to the latest harvesting, packaging and shipping practices applied in Chile, the leading exporter of fresh berry fruit in the world. Besides samples for testing purposes, Mr. Godoy also prepared a series of samples of retail packed raspberries, blackberries and blueberries that were sent by Serbian companies to buyers in the UK, Germany and Russia. After receiving positive responses from their foreign partners, Serbian businesses entered commercial negotiations about procurement and application of the invention in Serbia that in 2009 season would result by approximately US\$100,000 of new exports.

As a follow up of market linkage support and trainings conducted by the project, two representatives of Arilje-based businesses teamed with an ABDS provider from Belgrade and traveled to Italy to assess the latest berry fruit production and marketing practices. As a result, the group decided this year to begin with project assistance construction of demonstration fields under high tunnels for production and sales of berry fruit in early and/or late season.

Plant Material – nursery development

As mentioned above, the berry fruit sub-sector lead completed inventory of berry fruit nurseries and in cooperation with nurseries' sub-association and key ABDS providers started development of assistance program that will enable them to produce high quality seedlings at competitive prices for growers from Serbia and the Balkans.

To assist the Serbian berry fruit industry to establish cooperation with international partners and increase quality of planting materials used, the Agribusiness Project organized a visit of Mr. Petchell to Serbia. He is the representative of "Hargreaves Plants", which is the biggest nursery in UK and one of most reputable nurseries in Europe. At the Agribusiness project office, and its local partners' premises, Mr. Petchell conducted a total of 4 presentations of their products, and explained in detail global market's changes and new varieties that Hargreaves Plants can offer to Serbia's berry fruit industry. The presentations were attended by a total of 35 representatives of Serbian berry industry, including nurseries, processing companies, producer organizations and ABDS providers. Afterwards, representatives of a few interested companies negotiated importing seedlings from Hargreaves and/or their propagation in Serbia.

As continuation of assistance to berry-fruit producers and nurseries, the Agribusiness project identified potential partners, assisted in development and preliminary approved a Trade mission to the United Kingdom, a project that will enable members of "Fruits of Serbia" to apply new varieties of berry fruit in Serbia. The participants will visit potential suppliers and buyers in UK, discuss quality requirements and start negotiation, even close

a business deals for 2009 season. In addition, they will improve their knowledge about distribution channels, new technologies and varieties and share it with other stakeholders of the sub-sector through a seminar and special TV program that will be prepared within the project. The project will be implemented in close cooperation with UK-based partners, Serbian Ministry of Agriculture and selected ABDS providers.

Develop marketing capacities and export market linkages

The project provided funding and technical assistance to a group of seven stakeholders from throughout Serbia to exhibit their products at the 2008 Novi Sad International Agricultural Fair. The exhibition was funded by the USAID and jointly organized by the Agribusiness and SCOPES projects. Berry fruit producers and/or processors that participated at the exhibition contracted sales worth over US\$1.5 million within one month after the exhibition, out of which approximately \$300,000 were executed by the end of year 1.

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 5 leading international food fairs as follows: Fruitlogistica - Berlin, Biofach - Nurnberg, Gulfood - Dubai, Fancy Food - New York, and World Food Fair - Moscow. At these exhibitions a total of 13 companies and associations dealing with berry-fruits presented their products to potential buyers and started negotiation of future cooperation with them. *(For more details please see Cross-cutting components - Marketing and Sales)*

In cooperation with marketing team, the berry fruit sub-sector lead continued provision of advice related to development of web sites and promotional materials to berry-fruit sub-sector stakeholders, as well as market information and linkages for over 20 berry-fruit processors with buyers from Germany, Austria, France, UK and Russia. The project staff provided recent market information, including market trends and forecasts to over 40 businesses dealing with berry fruit in Serbia, as well as sector specific information such as data and links related to EU harmonized lists of MRL levels for berries etc.

The project organized inward trade missions of representatives of well known international supermarkets such Asda from UK and Spar from Slovenia. As a result, a trial quantity of fresh blueberries worth US\$10,000 was shipped to UK from Arilje, while Atle Company from Belgrade started negotiation of fresh raspberries sales to Asda in 2009 season.

Assistance to ABDS providers

During initial phase of the project the berry fruit sub-sector lead completed inventory of existing ABDS providers dealing with berries and started their needs assessment. Based on it, the project continued to work with existing and newly established ABDS and initiated training programs that would serve to increase capacities of selected ABDS providers as well as to improve performance of their clients.

A total of 6 ABDS providers from Belgrade, Cacak, Arilje, Krusevac and Bajina Basta participated the training and advisory activities organized by the project. During these activities representatives of participating ABDS providers improved their knowledge on

new varieties, production under high tunnels and technologies to extend fresh raspberries' shelf-life, as well as presented their capacities and services to potential clients involved in cultivated berries production and/or processing.

To help identified ABDS providers to improve provision of their services and make a value proposition to their clients, the Agribusiness project approved a project for accreditation of laboratory operated within the Agricultural Innovation Center, ABDS provider from Arilje. In addition, the Agribusiness project helped in designing and preliminary approved a Training and advisory program for Serbia blueberry growers. Through provision of training programs and advisory services pertaining to the blueberry production and marketing, this 12-month project will build production capacities and improve market access of over 110 farmers-blueberry growers, 8 producer organizations and 2 ABDS providers from throughout Serbia.

Diversification of production

To increase stakeholders' awareness and knowledge related to protection of geographic origin of Arilje raspberry, in cooperation with Arilje SME Association the project organized a workshop in early May 2008. At the workshop that was attended by over 20 raspberry producers, fruit processors and local authorities, the sub-sector lead presented the Agribusiness project and potential benefits/actions needed to capitalize from protecting PDO of Arilje raspberries. In addition, representatives of Serbian Office for Intellectual Property and the Ministry of Agriculture presented legislative framework and provided information on PDO/PGI assistance available from the Ministry. After the workshop Arilje SME Association entered official procedure to achieve the PDO. The project linked the Association with potential ABDS providers Agridea and SEEDEV from Switzerland that specialize in consulting on PDO/PGI. Besides advisory assistance provided in its early stages, the project will further assist the initiative through funding awareness campaign and marketing of products with PDO.

Within Hargreaves and STTA activities, the project introduced new berry fruit varieties and cultivars as well as related production techniques to over 90 representatives of interested berry fruit producers and/or processors. In addition, the sub-sector lead identified plots with new varieties of berry fruit grown in Serbia. In cooperation with their owners, these orchards are monitoring by sector lead and findings collected will be used for selection and recommendation of most competent local nurseries and appropriate varieties for Serbian climate.

As a response to increased demands for cranberries in Serbia, the sub-sector lead conducted desk study of international market and prepared a brief guideline on how to grow, harvest and market the cranberries. The guideline was distributed to POs/businesses that have expressed their interest in entering production of cranberries. To conclude whether this kind of production in Serbia might be feasible and profitable, the project will hire an US-based STTA provider to assess production conditions and conduct feasibility study on cranberry production in Serbia. If reasonable, the STTA will then provide orientation training/advisory program to interested producers and potential ABDS providers.

Fresh berry-fruit market

The sub-sector lead assessed production and marketing capacities of several producer organizations and companies throughout Serbia who were interested in entering sales of fresh berry fruit. After the evaluation, 2 farmer cooperatives and 4 companies were selected to receive technical assistance from the Agribusiness Project to organize production and sales of fresh berry fruit in Serbia and, once the volume of production becomes sufficiently high, at international market. As mentioned above, the project introduced new varieties, production technologies and post-harvest techniques to more than 50 interested Serbian agribusinesses. With the project assistance, samples of fresh berries were prepared and shipped to foreign buyers, as well as the first delivery of fresh blueberries to UK market. As a result, 4 buyers confirmed their interest in Serbian fresh berries and offered business cooperation in 2009 season to Serbian counterparts.

To support stronger transition of Serbian berry industry to fresh market, the project identified potential foreign partners and together with Fruits of Serbia prepared a Trade mission to UK that will obtain supplies of high quality planting materials sufficient for establishment of 30 ha of new raspberry fields and start negotiation of future sales of fresh berries to UK. The mission will visit UK in November 2008 and execution of contracts signed is planned for winter/spring 2008/2009.

Develop capacity to meet International standards

The sub-sector lead conducted assessment of stakeholders' needs as well as of assistance provided by the Government of Serbia for implementation of international standards. Based on findings collected, the lead provided his recommendations for a joint certification program that the project will implement in cooperation with Ministry of Agriculture. Additionally, 4 producers of berry fruit needing / capable for entering GlobalGAP certification were identified and put into database of program's future participants. While this program will be focused on GlobalGAP, HACCP and ISO 22000, a specific assistance for introduction of other international standards required for entering specific markets, such as United Kingdom (BRC), Japan (JAS), and Israel (Kosher) will be provided on as needed basis.

Policy Framework

The sub-sector assessment highlighted several issues related to policy/regulatory framework common to all its stakeholders. In particular, the identified issues are related to Serbia's non-membership in UPOV, non-existing certification scheme and non-transparent importing procedures for planting materials. The sub-sector lead worked closely with Policy Specialist and the sub-sector stakeholders on providing inputs needed for solving issues identified and on development of future interventions that will address all of these issues. In cooperation with Fruits of Serbia the project will undertake an awareness campaign and prepare materials/ disseminate information related to UPOV membership consequences, protection of intellectual property rights/royalties, import procedures etc. *(For more details please see Cross-cutting components - Policy)*

Youth Agribusiness Program

The sub-sector lead reviewed three project proposals for establishment of strawberry production that were submitted through Youth Enterprise Program and provided his comments and recommendations to the Youth Program Director.



Year 1 Annual Report

DAIRY

October 1, 2007 - September 30, 2008

Overview

In Year 1, the Agribusiness Project developed the Value Chain Assessment (VCA) as a guiding mechanism for implementation of project activities. Although this paper was developed in the early stages of the project, VCA was based mostly on the statistics, interpretation of various reports and inputs from several key stakeholders. The Project faced contradictory or incomplete data to be able to give clear interpretation of dynamics in dairy sector in Serbia. Furthermore, concentration of capital and market share in the Serbian dairy industry by Salford group raised a dilemma how to proceed in directing strategy to avoid being involved in actions where Salford might directly benefit from. The first project response was to support small and medium sized regional dairies in Serbia to consolidate their positions on the domestic and develop export market focused on Balkan and EU.

The Agribusiness project found particularly important using the VCA and the subsequently developed Commodity Action Plan as the strategy documents which are firmly based on real situation in Serbia. To meet this goal, the Agribusiness project initiated and completed field assessments with 18 small and medium sized dairy companies located throughout Serbia, 6 regionally allocated ABDS providers and 4 producer organizations, with assistance from a local STTA expert to help dairy sector lead in covering all technical and other relevant details in the survey.

Field assessments showed that:

- very few companies have technical capacity to receive the EU export number
- most are focusing on improving their production standards to meet requirements for “third countries export number” excluding EU and USA
- dairy producers organizations have poorly developed managerial and business structure and currently don’t contribute to dairy sector development by any means
- Taurus Agro Consulting is the only developed commercial ABDS provider

These and other findings significantly influenced the Agribusiness project activities in progress, forcing the project to upgrade the Commodity Action Plans constantly, and be able to fit to the overall strategy.

COMPONENT 1: INCREASED EFFICIENCY AND COMPETITIVENESS OF SERBIAN AGRIBUSINESS

Objective 1.1: Strengthen Producer Organizations

During the Agribusiness Project Year 1, dairy sector lead worked hard to map dairy producer organizations (POs) with a potential to grow, to assess their weaknesses and develop support programs. To date, 18 interviewed dairy companies, as sector's driving forces, have not recognized any POs which have a capacity to grow and be a model in this business. All dairies in Serbia have contracts with individual farmers, not with POs. Successful producer organizations are more exception than a rule. Regardless of that, the Agribusiness project has finalized Farm Management and Milk Quality Campaign Concept Paper, which will involve 50 farmers recommended by dairies for direct support and 200 farmers for general trainings. The project will work with farmers to show them the value of working within POs and support emerging initiatives in that direction. Also, the project will work with the Ministry of Agriculture to coordinate similar activities.

As the ongoing activity, the project has been working with a few Producer Organizations which will be included in the capacity building activities. The Holstein Association of Serbia is among these POs, because it gathers the largest farmers and it has strong organizational capacities.

Objective 1.2: Improve ABDS Delivery

There is a huge gap in quality service provision on the farm level nationwide. Most of ABDS providers have one or two employees who are delivering basic veterinary and selection services. Surprisingly, dairy companies are rarely supporting development and capacity building of ABDS providers, which should result in creation of a commercial farmer.

The project identified Taurus Agro Consulting Company – a pioneering dairy consulting company with a broad range of services including dairy selection and registration procedures, farm management services, business planning, and others. The company is promoting the US dairy expertise and has a successful cooperation with the World Wide Sires, US Holstein Association and Cal Poly University. Taurus is working closely with Zrenjanin and Vrsac municipalities in developing and implementing dairy support training programs. Currently, over 80 farmers are directly serviced by this company, whereas regional Vrsac Dairy is interested in using the company's services for their farmers.

Activities accomplished to date:

1. Serbian Holstein Farmers Association – the Agribusiness Project and Taurus Agro Consulting facilitated meeting with US Holstein Association President, Mr. Doug Meddox and the Serbian Holstein Farmers Association. Results: Established initial linkage for cooperation which would increase the capacity of Serbian Producer Organizations and ABDS providers. The Agribusiness Project is particularly interested in bringing the US Holstein Association technical resources to improve Serbian Farmers Associations' prospects to serve the members and be a partner to the institutions.

2. At the Novi Sad Agricultural Fair, Agribusiness Project facilitated linkages between Taurus Agro Consulting and Cooperative Resource International from Wisconsin (CRI), looking for a regional partner in Serbia. Results: Taurus and CRI signed exclusive partnership agreement for Serbia.
3. The Agribusiness Project facilitated 2 Farm Management Training seminars in Vrsac and Zrenjanin, implemented by Taurus Agro Consulting and US dairy expert Lindel Whitelock. Results: 200 farmers, dairy companies' representatives and veterinarians trained.
4. Agribusiness project identified Maxi Farm from Gornji Milanovac, Evrolek from Sabac, Lucar Farms from Deronje, Private Veterinary Stations in Vrsac and Guca for ABDS support programs in farm management and veterinary services, as well as Dva S company for IT support in dairy company management software implementation. Result: Developed ABDS database for future capacity building programs.
5. Marketing expert Jeff Spears provided training to Taurus Agro Consulting on dairy product development. Result: ABDS provider trained for dairy product development

Objective 1.3: Encourage youth involvement in agribusiness through the Youth Enterprise Program

The Agribusiness project launched Youth Competition Program where sector leads provided support to Youth component lead in selection and evaluation of proposals. Result: A young farmer from Vrbas submitted proposal for the Youth Competition Program. The proposal is shortlisted and under final evaluation.

Objective 1.4: Increase value-chain and/or cluster competitiveness

1. The Agribusiness Project supported Zlatibor Dairy to participate in Novi Sad Agricultural Fair. Result: \$100,000 export sales to Montenegro, negotiation in process with Macedonian, Bosnian and Swiss buyers.
2. Marketing expert Jeff Spears provided training to Granice and Zlatibor Dairies for improving product packaging, design and visual identity. Result: Dairies interested in investing in marketing activities and requested technical support from the Agribusiness project.
3. The Agribusiness project organized training for dairy companies and ABDS providers on "Information Technology Support for Improved Management and Quality of Dairy Products". Result: 5 dairy companies requested assistance in implementing IT management software.

Investment Incentive Grants to support Objectives 1.1, 1.2, 1.3 and 1.4

Three concept papers under development: 1) Dairy Farm Management and Milk Quality Campaign, 2) Enhanced Dairy Business through Dairy Management Software Implementation, and 3) Dairy Farm HACCP Certification and Food Safety Project.



Year 1 Annual Report

HERBS, MUSHROOMS AND FOREST FRUIT

October 1, 2007 - September 30, 2008

INTRODUCTION

Being already export oriented, work with the sub-sector in Y1 was focused on increasing competitiveness of Serbian businesses at foreign markets, market linking and consequently increasing the value of the exported products. The long term strategy, "...gradually shift the volume from bulk to retail..." was main focus of the Agribusiness Project's activities. Based on its size, market opportunities, level of development, businesses' needs, and interest to invest, main subject of the Project activities was aimed toward wild mushroom and tea companies. Although USAID Agribusiness Project did significant impact toward this strategy and increase of total dollar value of stakeholders' sale, main constraints in Y1 for even higher impact was bad weather conditions causing lower quantities of collected mushrooms.

START UP ACTIVITIES

The sub-sector assessment

Most of the work during the first three month of the Project was to conduct the sub-sector assessment. The following activities have been implemented: evaluating the markets that the subsector is (or could be) serving, disaggregating different actors and identifying relationships among them, as well as analyzing the constraints, the key points of leverage and potential for economic growth.

Create/update inventory of the sub-sector stakeholders

Inventory of all producer organizations, institutions, ABDS providers and processors working in this subsector has been made. Leading companies involved in medicinal and aromatic plants (MAPs) subsector, 41 exporters of wild mushrooms, as well as ABDS providers have been identified.

Conduct needs assessment

Needs assessments of selected value chain stakeholders was conducted to prioritize USAID Agribusiness Project interventions. Beside numerous meetings with the stakeholders, presence of many companies at International Festival of Medicinal and Aromatic Plants "05 Tea Festival" in Nis and International Exhibition of Medicinal Herbs "Nature Gifts" in Belgrade were used as a leverage point by the Agribusiness Project staff to organize group presentation of the sub-sector Value Chain Assessment (VCA), as well as to receive feedback from the stakeholders on their needs and constraints they facing. Based on the Assessment, the following needs have been identified: modern packaging and

modern marketing approach on company's level, more knowledge related to market opportunities, trainings in management, sales, marketing, and negotiation, certification (organic, ISO 22000 and Global GAP), international fairs, market linking, influence on the sub-sector policy issues, product quality improvements, new technologies, promotional campaign, improvement of companies' promotional material and web sites. The needs assessment was used to conduct strategic interventions in Y1 as well to make a plan for Y2.

Sector meeting

An industry wide sector meeting for the wild mushroom value chain was held in Krusevac on April 24, 2008. 20 leading mushroom exporters were present at the meeting (from a total of 41 in Serbia). Cross-cutting issues identified in the session were certification, specialized trade fairs, new export markets, Serbian quality promotion and policy issues especially related to export points (where products leave Serbia), and collection quotas.

Developing of the Mushroom Commodity Action Plan

Additional information was required for developing more in-depth strategic activities that led to developing the Mushroom Commodity Action Plan. The Plan set a clear vision with a statement of the targets for growth, identification of the points of leverage and development of strategic interventions to address constraints and unlock potential.

Selection of participating companies/POs - Signing MOU

The Agribusiness Project initiated formalization of relationships with the stakeholders identified as leverage points for the Project intervention. The companies are the main focus points of intervention and implementing the strategy objectives, especially those who are looking for solutions to improve their business, diversify and add value to their products. The criteria for selection of companies as a project partners are: progressive, forward thinking ownership, HACCP certified, interested in investing in new products and packaging, access to raw material (quota), leading exporters in volume. To date, Memorandum of Understanding (MoU) has been signed with four companies: Igda, Marni, Bilje Borca and BMD. Based on planned activities and its significance, the Project will sign MoU in near future with following stakeholders: Sumadijski cvet, Interfood 60, Pams, Fructus, Strela Klaic and Mushroom Council within Fruits of Serbia as a leverage point to interact with the industry members.

BUILDING EXPORT MARKET LINKAGES

Exhibiting at domestic and international fairs

The Agribusiness Project provided funding and technical assistance to six sub-sector companies from throughout Serbia to exhibit their products at Fruit Logistica Fair, Berlin (Igda Company), Biofach Fair, Nurnberg (BMD and Marni Company), Gulf Food Fair, Dubai (Igda Company), Fancy Food Fair, New York (Igda and Marni Company), World Food Fair, Moscow (Strela Klaic and Bilje Borca Company), Agricultural Fair, Novi Sad (Natural Food and Bilje Borca Company), Agriculture Fair, Nis (Adonis Company). More than 200 contacts with retail buyers were made, with more than \$2.5 million contracted and around \$1 million delivered.

Organize inward trade missions from supermarkets

As one of the results achieved at the fairs was a visit to Serbia by Slovenian supermarket chain, SPAR. USAID Agribusiness Project organized business meetings to SPAR

representative, Mr. Janez Lakner with Marni, Interfood 60, Pams, and Igda companies. As a result, Marni Company signed contract to export retailed packed wild mushrooms. First quantities of wild mushrooms are expected to be exported by the end of 2008.

Create links through SerbianFruit.com

Agribusiness Project invested significant efforts in linking Serbian companies with foreign buyers. Namely, Importaciones Samens S.L. Company from Spain, TD "Saimaa Beverages Russia" LLC Company from Russia and Florafarm Company from Germany sent requests for new suppliers of wild mushrooms, dried herbs, dried fruits and spices to SerbianFruit.com web site. As a result of that, BMD Company from Arilje has been negotiating a contract with Importaciones Samans S.L. for wild mushrooms export. In addition, SINS and Adonis tea companies have been negotiating an Agribusiness Project-led contract to export herbal teas (SINS is a joint Serbian-German Company).

B2B meetings with Montenegro mushroom companies

Based on contact made and information exchanged with Montenegrin SNV Project, administered by the Netherlands Development Corporation, Mr. Alfons Fransen, their Herbs/Mushrooms sub-sector lead has been working on organizing business visits of Montenegrin mushroom companies to Serbian companies.

IMPROVE DESIGN, PACKAGING, LABELING AND MARKETING

Jeff Spear's work on packaging redesign for Fructus and Bilje Borca Company

The Agribusiness Project hired Mr. Jeff Spear to provide STTA regarding a need for improved design, packaging, labeling and marketing. Fructus from Backa Palanka and Bilje Borca from Belgrade are selected to be assisted (one on one meeting and design, packaging, labeling and marketing training). Mr. Spear assessed the companies and delivered written recommendations analysis to be used in work with selected design, packaging, and labeling service provider. As a result, Fructus has developed new tea packaging designs according to Mr. Spear recommendations and Bilje Borca was pre-approved to be assisted through grant program for redesign of packaging and labeling for US market and developing brand name. In addition, Fructus and Bilje Borca Company attended the workshop "Enterprise Growth...By Design - A Marketing Perspective – Proven Methodologies, Strategies and Creative Solutions" provided by Mr. Jeff Spear.

Bilje Borca's project proposal "Redesign of the tea bags, and labeling as per US market requirements"

As already mentioned, the Agribusiness Project worked closely with Bilje Borca Company on the market opportunity to export 14 different tea products to Black Eagle Company in the United States. Pursuant to the U.S. market requirements and the FDA regulations, they have to adjust the labeling, develop a new brand name, and redesign the packaging. They applied for grant assistance to help to execute the contract with the Buyer from the United States, which will result in an increased agricultural export in the amount of \$350,000-\$500,000 and up to ten new employments in the period of three years. Improved packaging and attractive design will also result in an increase of the domestic sales, which is estimated at \$400,000 for the same period of time. The total project budget for this grant is estimated at \$31,900, while USAID Agribusiness Project will provide cost-share in the amount of \$11,900. The project proposal has been pre-approved by USAID and the final approval is expected in October 2008 once Environmental approval by USAID is issued. Planned project activities should be conducted in the first quarter of Y2.

Strela Klajic draft project proposal for developing new packaging for mushroom and berry fruit final products

The Agribusiness Project worked with Strela Klajic, a company involved in Mushroom and Berry Fruit processing from Leskovac, to stimulate buy in to increase end user product sale. It has been agreed that the Project should help them in the process. Therefore, they asked for assistance in their plan to bust export of value added products. The Company is already supported by the Project to exhibit at SIAL Fair in Paris on which they will exhibit and promote the end user products. A pilot retail packaging for several products will be introduced by the Company on the Fair. Based on feedback from the Fair (what products, packaging preference, what markets), they will develop, with the Project support, new packaging to be introduced. The project proposal will be submitted for approval in October 2008.

SUPPORT TO STANDARDS IMPLEMENTATION/ CERTIFICATION

Fair Wild and Fair Trade - specialized standards for wild collected products

Support to standards implementation/certification through identifying stakeholders who want to be trained and certified has been ongoing. Although several businesses (mostly exporters) keen to obtain certification were identified, additional efforts have been made by the Agribusiness Project to inform them about all benefits that could be achieved, based on the market trends/requirements identified in the VCA. Institute for Market Ecology - wild collection department (IMO) from Switzerland, an internationally acting certification body, approached the Project asking for assistance to present Fair Wild and Fair Trade standards to Serbian companies. In that regard, the Project linked local ABDS provider One Food with IMO to organize awareness seminar/training that should be the first step in the process. The Project will provide assistance in organization of the seminar as well as consider assistance to companies willing to implement such standards. The seminar will take place in early 2009.

Global GAP and ISO 22000

Agribusiness Project is identifying stakeholders who need Global GAP and ISO 22000. So far seven companies from Herbs, Spices & Mushrooms Sub-sector are identified. These companies will be included into the upcoming standardization program.

STRENGTHEN PRODUCER ORGANIZATION / ASSOCIATION DEVELOPMENT

Establishing Mushroom and Forest Fruit Council within Fruit of Serbia Association

With assistance from the Agribusiness Project, the group of 20 mushroom exporters formed a new association under the umbrella of Fruits of Serbia called the Mushroom and Forest Fruit Council. Ms. Mirjana Trsic, owner of PAMS Company from Cacak, was elected President of the council.

Association of fresh-cut flower and spices producers “Sumadijski Cvet Cluster”

Agribusiness project initiate cooperation with “Sumadijski Cvet Cluster” regarding their initiative to penetrate British retail market and export fresh spices in plant containers as a result of an inquiry from two UK based companies (Plymouth and Sparks). Representatives of UK companies will visit this Association in October/November 2008, to discuss new business opportunities. The Agribusiness Project offered support to facilitate inward buying mission of the UK companies. Association addressed the need for support in better organization of their Cluster, introduction of new technologies (particularly

growing spices in pots according to the UK buyers' requirements) and establishment of association's business entity that will execute joint sales. In addition, the Cluster will need the Agribusiness Project's assistance on educating its members on the spices growing techniques as well as in production capacity development.

POLICY FRAMEWORK

Regulatory framework assessment on quotas, export procedures and temporary import procedures for wild collected products

The sub-sector Assessment identified several issues related to policy/regulatory framework common to all stakeholders. In particular, those issues related to quotas, export procedures and temporary import procedures for wild collected products. In order to cope with these issues, more in-depth analysis was needed. The Agribusiness Project's STTA Ulrich Ernst created an assessment report on regulatory framework that can be implemented to reduce export bottlenecks. According to the assessment, an improvement can be achieved in export and temporary import procedures. The Project will work closely with newly formed Mushroom and Forest Fruit Council to achieve improved business environment.

YOUTH AGRIBUSINESS PROGRAM

Review of three project proposals submitted through Youth Enterprise Program

The sub-sector lead reviewed three project proposals submitted through Youth Enterprise Program: 1) Production of flowers in plant container, Temerin, 2) Production of fresh button mushrooms, Temerin, and 3) Production of marinated button mushrooms. The last two projects were recommended for further development.



Year 1 Annual Report

LIVESTOCK

October 1, 2007 - September 30, 2008

OVERVIEW

The year one work plan in the livestock subsector of the Project project focused on the following core areas, namely an assessment of the livestock sub sector which included dairy, beef and small ruminants. These sub sector assessments were followed by the development of commodity action plans. This assessment process took longer than anticipated, but yielded valuable information and data and assisted in the choice by the project of the various commodity chains and commodity actions plans. Initial sub sector assessment identified possible commodities in the livestock sector as milk (both dairy cows and goats) and meats (beef, pork lamb and mutton). The subsequent choice of value chain was the beef and sheep, separating the dairy value chains from the livestock sub sector.

COMPONENT 1: INCREASED EFFICIENCY AND COMPETITIVENESS OF SERBIAN AGRIBUSINESS

Objective 1.1 Develop commodity action plans

Task 1.0.1 Select sub sectors

The Agribusiness Project successfully completed analysis of the livestock sub sector, focusing on analysis of the milk value chain from both the dairy cow herd as well as the small ruminants, namely goats. In addition, analysis of the meat sector was carried out with a choice of the beef sector as the final value chains selected.

Task 1.0.2 Conduct rapid sector assessments

The sub sector assessments demonstrated a number of key issues, namely that the livestock (beef sector) is still quite fragmented, with many small and subsistence level producers not well linked into the market chain and a fewer number of large scale producers that have developed market linkages with certain processors and buyers. Among the key issues identified was the inability to reach the EU allocated quota of 8,700 ton in the production of baby beef (over the last year, Serbia was reaching a quota of some 2,300 tons with main export to Italy and Greece). The main reasons for this are the following: A) a lack of specialization and stratification in the industry, with a few producers specializing in the different aspects of production (calf rearing, growing out and fattening); B) inadequate organization of the existing producer groups (such as the baby beef association); C) a lack of

regional producer organizations and their limited capacity; D) POs have insufficiently developed capacity in market management and functioning of their organizations in a service and market oriented manner; E) the level of agricultural business service provision is low with few recognized ABDS providers specializing in the beef sector (exceptions to this are Taurus Agro Consulting which focuses on the dairy sector and “Agro Kontakt” NGO with ability to impact the beef and small ruminants sector).

Task 1.0.3 Develop commodity action plans

Commodity action plan (CAP) was developed based on the sub sector analysis and this CAP formed the basis and guidance for the Agribusiness Project work plan activities development.

Result: The needs of the stakeholders and the deficiencies among some of them meant that CAP had to be upgraded and modified frequently during the process of value chain analysis to best reflect what type of interventions the project would engage in.

OBJECTIVE 1.1: STRENGTHEN PRODUCER ORGANIZATIONS (PO)

Task 1.1.1 Conduct rapid inventory of existing PO

During year 1 the Agribusiness Project carried out an inventory of producer organizations in the livestock sub sector with a number of PO coming to the fore that were potential candidates for project intervention support. The following were the main PO and their core areas of influence and expertise:

- The “Baby Beef Association”: This association is one of the larger Producer organizations representing the beef industry in Serbia and has many large scale stakeholders as members, which include the processing sector players as well as producers. This association while having influential members and some of the large slaughter house entities as members is not officially registered as an association yet.
- The “Simmental Cattle Breeders Association” is another producer group with which the project has engaged. Several large baby beef producers and processors, such as “Stokoimpex” (Knjazevac), “Big Bull” (Bacinci), “Yuhor” (Jagodina), “Kolbis” (Novi Sad), “Backa Topola”, and “Turkovic” (Sjenica) are their members. The Project will also assist the slaughter houses in meeting international standards for cattle registration and beef processing (HACCP).
- In the case of small ruminant production, the Union of Sheep and Goat Breeders Associations of Serbia (SUOOKS) was identified as key PO for the sub sector. This organization has some 60 member organizations and 3,000 members registered in the central database of the association. The concept was initiated to support building up their capacity to develop services for their members, including a market information service along with developing streamlining and segmentation of production systems to meet the different market demands for Halal, lamb for Greek and Italian markets. An estimated purchase of approximately 2,000 tons of lamb for the above markets, based on current estimated prices of €5/kg, would indicate a value of some €10,000,000 to be achieved through interventions in support of increasing the availability of lamb for the Italian and

Greek markets and through organization of a stratified production system for these specific markets. In addition to this, specialty sheep and goat chesses are a niche market opportunity that can be developed in conjunction with specific targeted geographic areas as well as with specific dairies. The Project was asked to support obtaining and protecting the product geographic source of origin and product branding as a market opportunity that can be further developed through the POs' activities.

Result: Several PO have been engaged and based on commodity value chain selection the focus is on beef production, nevertheless many of these PO in the small ruminant sector are mixed farming enterprises and some are also engaged in beef and dairy production. Other POs engaged during year one were the Subotica Pig Breeders Association, the Regional Association of pig Breeders Bogatic and three cooperatives - Kulen, ZZ Valjevo and ZZ Agro Ibar Ribrace.

Task 1.1.2 Conduct needs assessment of selected producer organizations

An OCAT survey has been underway at the end of year 1 with POs being asked to carry out self assessment and needs assessment. This survey is comprehensive in nature and expected to provide valuable feedback to the project on project deliverables as well as future needs requirements of PO.

Task 1.1.3 Conduct management training of producer organizations

During the first year, the Project held a number of seminars and workshops aimed at POs. The Project also was presented by the sector lead Djordje Lukovic to 14 producer organizations and stakeholders including 7 local government officials from the municipalities of Svilajnac, Despotovac, Raca, and Velika Plana.

In addition, a seminar on "Top Genetics for Profit" was organized by ABDS provider Taurus Agro consulting in collaboration with the Education center for rural development and Cooperative Resources International. This seminar was well attended and the Project facilitated participation of Agro Kontakt and a couple of other ABDS providers. Key topics covered were farm management and management for improved animal genetics.

Discussions during workshops in the municipality of Svilajnac involved suggestions and ideas on how to improve the enabling environment for the sector as well as how to support POs in the livestock sector.

ABDS provider Agricultural Economists Association of Serbia was engaged to provide assistance to producer organizations in completing the OCAT survey and facilitate management and financial training workshops.

Task 1.1.6 Enhance marketing of PO

The Project in the livestock sector in year 1 participated and facilitated a number of marketing initiatives. It supported the Kulen cooperative to participate in the Novi Sad Agricultural fair in the USAID Booth. As a result of this, Kulen has received extensive forward contracts and was directly engaged in the preparation of a concept paper and development of the second agriculture fair in Nis for 2008. The theme of the fair was the

promotion of the development potential of the Nisava District. The Project funded activities related to organization and marketing of the Fair (furnishing of stands and exhibit areas, stage decoration, promotional material preparation, livestock exhibit areas and marketing of the fair, see Photo 1 below).



OBJECTIVE 1.2: IMPROVE ABDS DELIVERY

Task 1.2.1 Building the supply for ABDS provision

The Project engaged with a number of ABDS providers, some focusing on the dairy sector (Taurus Agro Consulting Company) and others focusing on the beef and small ruminant sector (Agro Kontakt and Union of Sheep and Goat Breeders of Serbia – SUOOKS). The availability of ABDS providers to reach and provide services to clients in the Serbian livestock sector is limited by two key factors, namely the current capacity of the service providers to reach clientele and provide needed services as well as the ability of clients to compensate providers for such service delivery.

Result: The Project has successfully leveraged and engaged a number of ABDS service providers and supported the development of training of the trainers approach through the ABDS provider network of “Agrar Kontakt” using the grant mechanism. A package of training sessions was delivered to clientele in the regions of Nis, Krsavec, Cacak, Uzice and Pirot. Key topics of these trainings covered aspects of animal husbandry, nutrition and forage production, reproduction, animal health and welfare, animal housing and markets (See Table1).

The main ABDS providers engaged in the livestock sector in year 1 were: SUOOKS, Agrar Kontakt, Taurus Agro Consulting, Potomac Ltd, Institute of meat hygiene, Institute of animal husbandry, Artificial insemination center Velika Plana and Agency for Halal control of meat certification.

Table 1: ABDS trainings organized by livestock Sector lead.

	Krusevac	Pirot	Aleksinac	Cacak	Uzice	Total
Attendance	49	28	58			135
Practical session	21	23	30 + 20 students			
Producers	40	24	30 + 20 students			
ABDS	7	3	6			
Slaughter house	2	1	2			

Task 1.2.2 Improve access to financial services

The ability of ABDS providers to generate additional income was enhanced through the delivery of services to clientele in the livestock sector. This in turn should enable ABDS providers to engage with and leverage additional resources in support of their own development as small businesses. In year 1 the initial phase of engagement for ABDS providers is expected to impact in the long term in increased revenue generation.

Result: The Project in year one in the livestock sector anticipates an additional income generated of some \$700,000 for farmers and approximately \$100,000 for ABDS providers. This is based on the ABDS providers reaching a target clientele with a total herd size of 10,000 animals (targeting larger herd owners of 200 hundred animals each), resulting in increased productivity, valued on average \$70 per animal. The ABDS service provider Agrar Kontakt has through participation in this program of ABDS training generated additional revenues that may not otherwise have materialized.

Task 1.2.3 Improve access to domestic and international markets for Agribusinesses

Result: Over the life of project, this will be addressed through facilitation of and development of B2B links as well as participation in trade fairs and shows. In year one, the Project facilitated the livestock sector through participation in Nis and Novi Sad agricultural fair. In subsequent project years, plans are developed for additional trade fair, study tours and B2B programming development.

OBJECTIVE 1.3: ENCOURAGE YOUTH INVOLVEMENT IN AGRIBUSINESS THROUGH THE YOUTH ENTERPRISE PROGRAM

Task 1.3.1 Develop youth business planning courses and competition

Task 1.3.2 Institute Youth 4H programs

Task 1.3.3 Develop continuing education classes

The Project engaged with FAO on the livestock sector project in Sandzak region, run by FAO. FAO was interested in connecting their youth clubs with activities envisaged within the Project's 4-H program.

OBJECTIVE 1.4: INCREASE VALUE-CHAIN AND/OR CLUSTER COMPETITIVENESS AND CROSS CUTTING

Task 1.4.1 Investment Incentive Grants to support Objectives 1.1, 1.2, 1.3 and 1.4

Two grants have been approved that have supported activities above and have resulted in successful completion of the ABDS training of trainers' seminars and the Nis Agricultural Fair.

Result: The training grant (\$34,250) will include over 150 farmers, 10 livestock associations, 15 extension agents and several slaughter houses. Up to date total, participation has been 135 with two more workshops to be completed. The Nis Fair grant (\$50,000) provided funds for organization and marketing costs and the Project also facilitated one HACCP lecture that was given by the Ministry of Agriculture for 300 attendees.

COMPONENT 2: IMPROVED ENABLING ENVIRONMENT FOR SERBIAN AGRIBUSINESS

Objective 2.1: Improve Crop and Livestock Production Estimates and Market Price Information

Objective 2.2: Promote Legal, Policy, and Regulatory Reform

Task 2.2.1 Create framework for MAFWM policy support

Task 2.2.2 Provide technical support for policy coordination

Task 2.2.3 Support policy implementation

Task 2.2.4 Address Specific policy reform activities

In the context of support to regulatory and policy framework the Project has in the livestock sector actively engaged with the key stakeholders and with the Ministry of Agriculture in support of the development of and facilitation of dialogue between stakeholders that will encourage a proactive and appropriate policy development in the livestock sub sector, as this is one of the key constraining factors affecting the livestock industry.

Result: The Project has carried out a number of activities and participated in a number of events aimed at facilitating dialogue between the key stakeholders. The organization of a series of workshops within the sector by the sector lead, discussion with the baby beef association, the Ministry of Agriculture and the veterinary services has been undertaken in support of this policy developing framework. In addition, an International symposium on cattle breeding organized by Novi Sad faculty gathered some 350 experts and producers from around the world (Germany, Serbia, Latvia, Ukraine, Montenegro, Macedonia, Bosnia, Finland and Romania). The issues discussed were related to economic policy, safe food production, veterinary services, new technology, and a discussion on the draft law on cattle breeding in Serbia, which highlighted the fact that Serbian legislation is lagging behind. The baby beef association has identified key issues as level of subsidies available, the implementation of regulations governing animal identification and registration, illegal movement of livestock cross border and unfavorable credit.



Year 1 Annual Report

TREE FRUIT

October 1, 2007 - September 30, 2008

COMPONENT 1: INCREASED EFFICIENCY AND COMPETITIVENESS OF SERBIAN AGRIBUSINESS

OBJECTIVE 1.0: DEVELOP COMMODITY ACTION PLANS FOR EACH SUBSECTOR

Task 1.0.2: Complete subsector assessments.

In the project's first quarter assigned tree fruit sub-sector lead conducted extensive fieldwork research interviewing value chain actors, reviewing available literature and data, identifying chain dynamics and major constraints and recommending solutions. During the second quarter, following the launch of VCA draft reports, the tree fruit sub-sector lead continued to work on database finalization of sub-sector stakeholders and identification of new points of leverage. Activities were focused on: needs assessment of selected key chain actors, revision of VCA report and strategy, and development of top commodities action plan. Further in-depth VC analysis and commodity-specific market research was conducted and over 25 additional stakeholders interviewed bringing the total number to 50. Findings from additional stakeholder assessments and re-assessments of previously interviewed chain actors were used for further refinement of value chain report and map. The latest statistics and trade data for 2007 and the first quarter of 2008 were acquired, analyzed and included in the VC report. Four day workshop on preparations of market profiles delivered by ITC staff, Eric Buchot and Miguel Camacho, enabled better use of ITC market analysis tools to improve value chain assessment.

As per work plan sub-sector lead prepared presentation of the tree fruit strategy in Serbia according to value chain report findings and recommendations. The presentation was delivered at the tree fruit sector meeting attended by value chain's main leverage points; representatives of 13 producer organizations, seven enterprises and three ABDS providers. In addition, participants were provided with the presentation of market research and overview of the Russian, EU and other potential markets for the tree fruit exports. During the discussion participants confirmed their interest to be involved in project activities and proposed specific areas of future cooperation.

Task 1.0.3: Develop commodity action plans.

Commodity Action Plan for fresh tree fruits was completed and further developed during sessions with William Grant, DAI Agribusiness Practice Manager. Main focus will be on the growing export market for fresh apples and stone fruits in Russia and diversifying sales outlets via EU market channels preparing for the upcoming EU accession process.

As a secondary goal, the project will support industry efforts for growing sales values going into Serbian supermarket outlets and increasing exports of processed fruit offering greatest potential for growth such are dried fruit, juices and fruit preps.

OBJECTIVE 1.1: STRENGTHEN PRODUCER ORGANIZATIONS

Task 1.1.1: Conduct a rapid inventory of existing producer organizations

During the tree fruit sub-sector assessments, sub-sector lead developed an inventory of 30 producer organizations that are serving fresh tree fruits VC.

Task 1.1.2: Conduct needs assessments of selected producer organizations

As a part of VC analysis, sub-sector lead conducted rapid assessment of selected key producer organizations from the inventory list, (around 16 POs) identifying gaps and defining potential interventions under the long-term sub-sector strategy. The results of these assessments were fed into the commodity action plan where producer organizations are identified as main stakeholders and leverage points.

Tree fruit strategy focused on apples and stone fruits for fresh targeting groups like Fruitland Association as main point of leverage (eight cooperatives, 600 farmers) and newly emerging integrated farmers groups.

▪ *Activity: Establish new producer organizations*

Through sub-sector assessment the Project identified need for establishment of national association that will represent the interests of the industry before the authorized government and other organs, with the aim of improvement of fruit production and promotion of products. Therefore, the Project identified and supported initiative by the group of strongest sector stakeholders to create a new National Association named “Fruits of Serbia”. As a part of the Project support, Marketing and Sales advisor conducted training on association organizational structuring and management to the members of the managing board. In support to “Fruits of Serbia” logo development Jeff Spear, a project marketing design STTA, worked with the selected design agency on modification and improvement of the association’s identity.

Despite Project’s initial assistance and membership of over 100 producer organizations, private companies and farmers, “Fruits of Serbia” legal status is still not settled due to delay in registration. Association’s development has been also slowed down due to political issues about elections and new government. It was planned that Ministry of Agriculture support financially start-up costs and Chamber of Commerce back up the Association providing free of charge office space in Belgrade. However, we identified as a main problem lack of professional and dedicated management.

Association continued, with Project support, to establish sections under the Fruits of Serbia umbrella for tree fruit and a nursery and expressed interest to work with the Project. With Agribusiness assistance, 18 representatives of small and medium-scale nurseries decided to establish a Nurseries sub-association.

Task 1.1.3: Conduct management training

Marketing and Sales advisor conducted training on development and management of the new National Association “Fruits of Serbia” to the members of the managing board. Members of the managing board were acquainted on different successful models of

worldwide national associations and instructed how to establish internal hierarchy and organizational structure. The Project advised Association on work plan for the first year priority activities and presented a draft budget for consolidation of export promotion efforts and establishment of export quality control agency.

Task 1.1.4: Enhance Adoption and Use of Technology

- ***Activity: Technical assistance on best growing practices to improve the yields and quality of tree fruits.*** The Project engaged tree fruit STTA, District Extension Educator, Dr. Mirjana Bulatovic from Michigan State University to assess key stakeholders from the tree fruit value chain and provide recommendations for commodity action plan. Ms. Bulatovic visited Industrial Factory Farm “Juzni Banat” from Bela Crkva, three cooperatives members of Fruitland Union (“Domacin”-Topola, “Cacanska Jabuka”-Cacak, and “Ari-Nova”-Arilje), Fruit Research Institute in Cacak and PhD Professor from Institute of Agro-economics at the Faculty of Agriculture and President of Association of Agricultural Economists of Serbia.

During the visits, Ms. Bulatovic advised stakeholders on best tree fruit growing practices and delivered one-day training at Cacak Fruit Research Institute to members of two producer organizations and extension workers. Cooperative Ari-Nova and association Cacanska Jabuka received technical assistance and participated in the trainings.

- In addition to these activities the Project worked with Fruitland Union of apple producers to develop software for supply chain and inventory management of ULO storage facilities and consolidation of offer. Software should also track product traceability and support standard certification. Sub-sector lead assisted Fruitland on the development of concept paper for grant application and advised on terms for selection of software supplier. Due to tree fruits seasonal difficulties with cooperatives being busy and certain internal problems within Fruitland organization, grant application for software will be completed in the first quarter of year two and targeted for the 2009 apple harvest.
- Project worked with ABDS provider, Agricultural Innovation Center from Arilje to receive grant for accreditation of their laboratory for soil and water testing services to satisfy requirements for fruit growers for the GlobalGap certification. This will make laboratory an authority for official soil and water testing eligible to provide legal recommendations to farmers on agro technical measures and soil improvement. Producer organizations from the region will have access to improved ABDS delivery in support to standards certification and enhanced access to GoS subsidies.
- Sub-sector lead contacted several potential STTA experts in tree fruit post harvest physiology and CA/ULO storage issues for the preparation of trainings and technical assistance: Chris Watkins, Cornell University; Randolph Beaudry, Michigan State University; Eugene Kupferman, Washington State University; and James C. Schaefer from Storage Control Systems, Inc. Due to over-lapping of apple harvest season in USA experts will be available in February 2009. Project will probably engage Mr. Chris Watkins to provide technical support on harvest and post harvest management practices for the most effective storage of fresh apples and plums in ULO/CA chambers.

- Project is working with Dr. Mirjana Bulatovic from Michigan State University to organize training in advanced apple and stone fruit growing techniques (pest management, nutrient management, tree pruning, fruit size management, and use of plant growth regulators).

Task 1.1.5: Increase number of producer organizations certified

During the sub-sector assessment sub-sector lead identified a lack of international standards; such is GlobalGAP, as main constraint for Serbian fresh tree fruit producers to meet EU requirements in food quality and safety. In addition, a buyer's inward missions from UK and Slovenia that have been organized and facilitated by Marketing & Sales team, confirmed limited GlobalGap and traceability as main weakness in delivering fresh produce for export.

- ***Activity: Raising awareness among producer organizations for product traceability and GlobalGAP standard*** (May 2008).

The Project supported organization of the awareness conference "Standard GlobalGAP – Better chances for sales" held at Novi Sad Agricultural Fair in May 2008, promoting traceability as one of the main principle for ensuring food safety. The conference was organized by the Executive Council and the Secretariat for Agriculture of the Autonomous Province of Vojvodina, USAID Agribusiness Project, Austrian Agency for Development (ADA), German Organization for Technical Cooperation (GTZ), and Swiss Secretariat for Economic Cooperation (SECO). The Project engaged a journalist Zaharije Trnavcevic as the conference moderator. *Results/Outcome:* More than 100 fruit and vegetable producers and processors, and 15 producer organizations were informed about the importance of traceability and requirements of the GlobalGAP which will lead to increased producers' certification.

- ***Activity: Design Project's strategy for standards certification*** (July 2008).

Producer Organizations Development team has been working with Grants Manager and Ag Info and Policy Specialist on the design of a nationwide certification program that the Project will implement in cooperation with Ministry of Agriculture starting from October 2008. Project will also work with other donor organizations (SIPPO, ADA, GTZ, and SECO) to leverage activities. *Results/Outcome:* Concept paper for Introduction of International Standards developed and approved by USAID. Sub-sector lead identified 8 producer organizations that would need GlobalGAP certification.

Task 1.1.6: Enhance marketing of producer organizations

Marketing support to tree fruit stakeholders has been provided mainly through sales and marketing trainings in support to their participation at international fairs.

- In cooperation with SIEPA and Serbian Ministry of Agriculture Project assisted a group of Serbian tree fruit companies to exhibit their products at 5 leading international food fairs as follows: Fruitlogistica - Berlin, Biofach - Nurnberg, Gulfood - Dubai, Fancy Food - New York, and World Food Fair - Moscow. Project supported companies directly during exhibitions providing buyer linkages, facilitating negotiations and advising on contracting. As a result of this, companies started negotiations on sales, concluding long-term contracts with buyers and even realizing sales and shipments of their products (*For more details please see Cross-cutting components - Marketing and Sales*).

Following tree fruit companies participated:

- Fruitland Association
- IFF Juzni Banat
- Agrar-Komerc
- Foodland
- Agranela
- Medoprodukt
- Desing
- Agroprom-com

In the final list of companies chosen by SIEPA for the exhibition at the World Food Moscow Fair in September seven enterprises are from the tree fruit sub-sector. Two of them, “Agranela” and “Agroprom-Com“, applied for the fair as a result of direct Agribusiness Project assistance.

- The Project provided funding and technical assistance to Fruitland Association of eight tree fruit cooperatives to exhibit at the 2008 Novi Sad International Agricultural Fair. *(For more details please see Cross-cutting components - Marketing and Sales).*
- The Project organized and facilitated inward buying missions of retail companies from EU to visit tree fruit companies in Serbia. SPAR Slovenia supply manager met with Delta Agrar, Juzni Banat and Slankamenka cooperative. Buyer from ASDA UK visited Fruitland Association cooperatives and met with Delta Agrar. The first box of new season apples have been shipped by Delta and approved by ASDA. The Technical inspection will occur the week of October 8th. Limited GlobalGap and traceability showed to be main weakness in delivering fresh produce for EU exports.

In coordination with sales and marketing team, the tree fruit sub-sector lead continued provision of market information and linkages for tree fruit companies with buyers from overseas.

Following buyer-seller linkages provided by Project to Fruitland Association and Delta Agrar, Fruitland closed the deal with Delta Agrar on exports of fresh peaches to Russian Federation. Since Delta does not have developed exports of fresh fruit they have signed a contract with Fruitland who will act as an exporter of Delta’s fresh produce. Contracted value is about 256,000 US\$ and Fruitland until now has shipped to Moscow from Delta’s consolidation center over \$100,000 of fresh peaches.

Agribusiness Project connected and facilitated negotiations of fresh pre-cooled sour cherries from Atle Company to Ybbstaler in Austria. This will be a six truck trial shipment. If all proceeds well, they will establish a longer term supply deal with additional pre-cooled fruits for processing.

- **Potential sales and inquiries:**

AgBiz Project linked two Serbian cold stores, producers and processors of frozen sour cherries with German buyer “Volkmar Frenzel” company from Leipzig (www.frenzel-tk.de).

Sub-sector lead distributed enquiry from U.S. buyer, “J.F. Braun & Sons, Inc.” (www.jfbny.com) for supply of prunes, to four local producers: “Tehno Bozici”, “Podgorina Frucht”, “Plemic-Komerc” and “Frigonais”.

Project linked buyer from Bulgaria with nine Serbian companies, producers and exporters of fresh and dried plums. Buyer has visited few selected producers in the first week of August to vet their capacities for exports.

Linked broker, “Burlat Pro” company, to Metro, potential long-term contract for supply of fresh tree fruit for processing.

- **Workshop on design and packaging** conducted by Jeff Spear with over 40 companies participating, 10 from tree fruit sector.

OBJECTIVE 1.2: IMPROVE ABDS DELIVERY

- Project worked with ABDS provider, Agricultural Innovation Center from Arilje to receive grant for accreditation of their laboratory for soil and water testing services to satisfy requirements for fruit growers for the GlobalGap certification. This will make laboratory an authority for official soil and water testing eligible to provide legal recommendations to farmers on agro technical measures and soil improvement. Producer organizations from the region will have access to improved ABDS delivery in support to standards certification and enhanced access to GoS subsidies.
- Project is working with tree fruit ABDS provider from Sombor to develop grant application for Pest-watch, regional commercial advisory web portal for forecasting and managing plant insects and diseases and on-line farmers’ advising on optimal crop protection measures.

OBJECTIVE 1.3: YOUTH ENTERPRISE PROGRAM AND BUSINESS PLAN COMPETITION

Youth business plans are being assessed by sector leads. Two proposals from the tree fruit were recommended for funding.



Year 1 Annual Report

VEGETABLE

October 1, 2007 - September 30, 2008

OVERVIEW

During the Value Chain Assessment activities and field work with the representatives of leading producer organizations in the vegetable subsector, a great number of obstacles for the further development were found. Some of the main problems that were identified included lack of adequate organizational management, marketing, negotiation and sales skills, as well as low level of quality extension service provision to the members of associations and cooperatives. In addition to this, poor application of modern standards in packaging and design requested by international buyers is a big problem. Specific requests regarding product size, weight, storing temperature, labeling and tracking all production information are the challenge that needs to be overcome by POs to qualify them as suppliers. Meetings with representatives of supermarket chains showed that most of them are looking for medium-size producers (with potentials to grow) specialized in certain type of vegetable production.

With the idea to increase efficiency, revenues and market share for vegetable producers, the Agribusiness Project will focus on storable vegetable producers. As a focus group, four largest producer organizations were selected as leaders in their regions, and every group will consist of these POs, other POs and big farmers in each region.

COMPONENT 1: INCREASED EFFICIENCY AND COMPETITIVENESS OF SERBIAN AGRIBUSINESS

Objective 1.1 Strengthening Producer Organizations

1.1.2. Provided sub-sector specific technical assistance

Activity 1

- a) After the contacts made at the Agricultural fair in Novi Sad with wholesaler SPAR from Slovenia, the Agribusiness Project team facilitated a link with the large fresh pepper producer Ondrej Fekete from Glozan.

- b) During the SPAR supply manager visits to Serbia (May and June 2008), meeting with ZZ Gospodjinci was arranged. This cooperative is one of the biggest onion, potato, pepper and early cabbage producer in Serbia. The buyer showed interest in fresh pepper and onion.

Activity 2

At the meeting held in Agribusiness Project office in Belgrade, Metro Cash and Carry supermarket chain requested assistance in finding suppliers for fresh vegetables. As a result of that meeting, the following contacts were made:

- a) IBRT Tomato (represented by Mr. Zvonic), presented potentials to supply fresh tomato and cherry tomato. He is one of the first Global Gap certified producers in Serbia, located in Vladimirci, near Sremska Mitrovica.
- b) Ms. Dusanka Djukic, owner of Zitohem from Zrenjanin, presented a group of frozen vegetable products, fresh cut vegetables in vacuum packaging and organic chips. Packaging needs to be improved and shelf life of products extended. Negotiations are still in process.
- c) After the meeting in Belgrade, Mr. Papic from Metro and sub-sector lead visited Tibor Conti, large vegetable producer from Lukino selo. Buyer's supply requirements were presented concerning packaging, quality, design and labeling. Contract was signed after the procurement of bar-code weight scale necessary for the supply. Further cooperation is in process of negotiation, which should result in inclusion of other producers from Lukino selo region, who should supply Metro through arrangement with Mr. Conti.
- d) ZZ Zablacanka, near Cacak, was presented to Metro as a large producer group involved in vegetable production. Fresh pepper and cabbage was a subject of discussion. Negotiations are in process. Packaging and transport need to be improved.
- e) Linking Metro with Vozar, the biggest organic vegetable producer, showed potentials for this producer to enter supermarkets. After resolving packaging requirements requested by Metro, their products will be on shelves.
- f) Fresh spice and vegetable producer Vladimir Selena was presented to Metro and buyer showed great interest in his products. Delivery started immediately, but through a middleman's assistance, since producer didn't have all the necessary documents for the contract. For the next year, all the produced quantity will be contracted and delivered only to Metro.

Activity 3

Begecki Povrtari Association participated in Agriculture fair in Novi Sad and presented their product range to the domestic and foreign buyers. Foreign buyers showed interest, but one of the main obstacles for the foreign market was a lack of Global GAP certification. Since this group is specialized in several products, they are interested in training and certification process

to be organized by the Agribusiness Project and the Ministry of Agriculture. Negotiations with the Slovenian buyer for fresh carrots are still in process.

Activity 4

- a) During the visit of our design specialist Jeff Spear, ABC Food company redesign was analyzed and several ideas were given on how to improve frozen vegetable packaging. Frozen green beans packaging was finalized and as of September 2008 has been on the market.
- b) Market research and analyses of frozen sweet corn market was done for the ABC Food in order to help them diversify market and increase sales.
- c) Employee of ABC Food was trained to use ITC data base and other tools to make thorough market research for their products.
- d) The Agribusiness Project linked German company Frenzel with ABC Food from Ruski Krstur and the first contract and delivery of two trucks of sweet corn were realized. Since the buyer was satisfied with quality of delivered corn, visit of German buyers was arranged and additional quantity of 700 tons of frozen sweet corn was contracted and delivered.

Activity 5

Management of ZZ Gospodjinci was trained how to do market research on Russian and Ukraine wholesale market prices and research market trends and requirements for the potential export in future period.

Activity 6

As a result of STTA activities conducted in the selected regions of Serbia, additional selection of the best vegetable farmers, producer organizations and processors was made. To have the most precise information about each problem, potentials and capacities profiles were made and added to sub-sector lead strategy for activities in the future.

Activity 7

In cooperation with GTZ and other organizations, presentation of Global GAP standard was made during Agriculture fairing Novi Sad. Manager of ZZ Gospodjinci presented their experience with market demand regarding certification.

1.2.3. Improve ABDS providers' delivery

Situation with the ABDS providers involved in vegetable sub-sector is not satisfactory. Lack of information and services needed by producers and processors present an obstacle for the further development. Participation of extension service providers from the state owned

institutions: agriculture stations, faculties, institutes and others are not reaching significant number of producers. It is confirmed that a number of above mentioned specialists are providing “additional” assistance after the working hours as an extra job, and keeping security of full time employment. Private businesses involved in ABDS delivery are highly involved, but they need to increase capacities and range of services. Number of ABDS providers specialized in new technologies is very limited and need to be improved through increase of their capacities (post harvest and storage techniques, glass house vegetable production)

Activity 1

After a thorough research, STTA consultant specialized in post harvest techniques was found. Sub-sector lead and STTA consultant made a selection of producer organizations, individual producers and companies involved in storable vegetable production which will attend training in Year 2.

Activity 2

Selection of ABDS providers involved in vegetable production was made in order to cover all regions of Serbia where production of this group of products is significant.

Activity 3

Selection of ABDS and STTA providers necessary for the activities that will take place in year two was made.

1.3 Youth enterprise program and business plan competition

Activity 1

After conducting review of received business plans, three ideas were selected regarding vegetable growing including closed environment, open field and organic vegetable production. All three contestants were visited and evaluation report was delivered to youth program manager.

Activity 2

Business plan competition participants were linked with large vegetables producers in the region and included in training plan that will be conducted in year two.

ANNEX III

ANNEX III. STTA

Consultant	Function	Dates	LOE	WP Task	Sector
Adams, Joanne	Communications Advisor	06/02/2008 - 06/21/2008		1.2.1.3. Provide Sub-Sector Specific Technical Assistance	Berry Fruit,Dairy,Herbs, Spices and Mushrooms,Livestock,Tree Fruit,Vegetables,Specialty Products,Cross-Cutting
Ajosoediro, Ingrid	Market Analyst	10/01/2007 - 10/19/2007	19.00		Not Sector Specific
Bulatovic-Danilovich, Mira	Fruit and Vegetables Sub-sector Specialist	02/03/2008 - 02/23/2008	21.00	1.0.3. Develop Commodity Action Plans	Berry Fruit,Tree Fruit,Vegetables
Cornejo, Pavla	Management Systems Specialist	08/04/2008 - 08/06/2008	-	Develop Project TAMIS	Not Sector Specific
Cornejo, Pavla	Management Systems Specialist	01/14/2008 - 02/01/2008	-	Develop Project TAMIS	Not Sector Specific
Cosic, Radivoj	Stakeholder Mapping Consultant	05/15/2008 - 07/30/2008	20.00	1.0.2. Conduct Rapid Sub-Sector Assessments	Dairy
Cunningham, Beth	Project Coordinator	10/01/2007 - 10/26/2007	26.00		Not Sector Specific
Dale, Richard	Fresh Berry Fruit Production & Marketing Consultant	05/23/2008 - 06/13/2008	15.00	1.0.3. Develop Commodity Action Plans	Berry Fruit
Ernst, Ulrich	Policy Advisor	05/05/2008 - 05/23/2008	-		Other
Janjatovic, Zoran	Vegetable sub sector consultant	06/10/2008 - 06/30/2008	20.00	1.0.3. Develop Commodity Action Plans	Vegetables
Kilmer, Gary	Voucher Program	05/05/2008 - 05/21/2008	12.00		Not Sector Specific
McCormack, John	Livestock Sub-sector Specialist	02/10/2008 - 02/23/2008	17.00	1.0.1. Select Sub-Sectors	Livestock
Miller, Mary	Financial Analysis and Business Plan Training	01/24/2008 - 02/06/2008	11.00	1.1.2.2. Conduct Needs Assessments of Selected Orgs - Financial and Management Training	Not Sector Specific
Neven, David	Sub sector analyst	11/19/2007 - 12/07/2007	23.00	1.0.1. Select Sub-Sectors	Cross-Cutting
Neven, David	Sub sector analyst	02/10/2008 - 02/22/2008	13.00	1.0.1. Select Sub-Sectors C1: Increased Efficiency and Competitiveness of Serbian Agribusiness 1.0. Develop Sub-Sector Commodity Action Plans	Cross-Cutting

USAID Agribusiness Project

Consultant	Function	Dates	LOE	WP Task	Sector
Owens, Michelle	Youth Program Consultant	04/07/2008 - 04/22/2008	14.00	1.3.2. Institute 4H Program	Not Sector Specific
Owens, Michelle	Youth Consultant	01/21/2008 - 02/11/2008	20.00	1.3.1. Develop Youth Business Planning Courses and Competition	Other
Simic, Nebojsa	4H Curriculum Consultant	06/09/2008 - 09/01/2008	30.00	1.3.2. Institute 4H Program	Cross-Cutting
Spear, Jeff	Design, Branding, & Marketing	06/02/2008 - 06/21/2008	-	1.2.1.3. Provide Sub-Sector Specific Technical Assistance	Berry Fruit, Dairy, Herbs, Spices and Mushrooms, Livestock, Tree Fruit, Vegetables, Specialty Products, Cross-Cutting, Other
Vonnegut, Andrew	Finance Specialist	03/17/2008 - 03/21/2008	5.00		Cross-Cutting
Wurzbarger, Nicola	Designer Packaging	01/15/2008 - 03/21/2008	45.00	1.2.3.5. Markets - Enhance Agribusiness Linkages for Market Access	Berry Fruit, Herbs, Spices and Mushrooms, Vegetables, Specialty Products
Wurzbarger, Nicola	Designer Packaging	03/21/2008-05/26/2008	45.00	1.2.3.5. Markets - Enhance Agribusiness Linkages for Market Access	Berry Fruit, Herbs, Spices and Mushrooms, Vegetables, Specialty Products

ANNEX IV

Annex IV. ABDS Bank Meetings

9 September 2008 – Mary Miller and Goran Radojevic

Piraeus Bank - Miroslava Panic, SME Loan Manager; Mila Korugic-Milosevic, Chief Economist

The SME Loan Department makes minimum €2,000 loans, and works with clients with annual revenues of up to €4 million. The maximum loan approved in the department is €1 million for new clients or up to €1.5 million for existing clients.

The bank does not finance primary agriculture. It is interested in financing processors. Bank products and terms:

Revolving lines of credit – maximum 3 years

Working capital – maximum 5 years; rates 12% maximum

Investment loans for premises – maximum 15 years

Industrial premises, equipment – maximum 10 years; maximum 7 years for equipment only; rates 8-10% depending on collateral

The bank also has a microloan product for €20,000 that is priced around 14.4%.

Cross-border finance with the London bank is available, with rates of EURIBOR + 3, 4, or 5.

There is a 1% administrative fee, one-time, which drops to 0.5% for loans of over €300,000.

Lack of collateral is a problem in lending to small businesses, because equipment is often the only available collateral, but the bank will only allow a 40% advance rate (e.g., the bank will finance 40,000 for a 100,000 purchase). It would prefer to take land, business premises, or an apartment as collateral. It will not take inventory, because of need to identify specific items.

Assignment of accounts receivable might be done, but could be a lien perfection problem if a receivable is from a foreign buyer. This is easier to do locally.

The bank expects a 30% down payment for construction projects such as cold storage facilities. The bank may ask for additional collateral.

For references and analysis the bank will look at financial statements, do a site visit, and check with the state credit bureau. It can block current accounts to secure funds, and get a corporate guarantee (medvista) Information on any history of blocked accounts can be useful, also a rating from the National Bank of Serbia. The bank also does an internal risk rating based on a Moody's rating system, but that is based on a database of US companies.

Companies cannot hold foreign deposits except briefly before a foreign purchase.

Exporters are the exception to this rule.

Factoring¹ is being done separately in the market, but only recently started.

¹ Factoring is the purchase of accounts receivable by the factor (ownership is transferred), which is legally and accounting-wise quite different from lending secured by accounts receivable. Functionally, however, the two are quite similar.

The bank does do leasing², and this is more commonly used for equipment, as better loan to value ratios are used. The bank may make a loan for the cash that the client has to put in for the down payment on the lease.

The bank would consider lending to cooperatives, but it depends on how large the cooperative is, how organized, and what the cooperative does. It would not finance individual producers, only companies.

Pro Credit and Hypo Banks have the strongest reputation in the market for agricultural lending. Piraeus, however, is financing a €1 million contract that Fresh Gro has with Maxi.

The bank is interested in being invited to agricultural processing demos.

Comments: Realistically this bank is likely to be competitive for larger deals, and it is not worth including them on any activities concerning primary agriculture. While not specifically discussed, there may be particular interest in any clients who are expanding markets to Greece. (Note: Remer Lane knows Panic from prior project work, and reports that she did get Piraeus to do a debt consolidation for a project client earlier in the year.)

² Leasing is similar to term lending, except that the title to the asset remains with the lessor. In lending the title to the equipment would be pledged to the lender, but title would remain with the borrower.

**10 September 2008 – Mary Miller and Radmila Vucinic
Opportunity Bank – Rodger P. Voorhies, President of the Executive Board;
Vladimir Vukotic, Chief Operating Officer; Lidija Banjac, Agro SME Adviser**

Opportunity was previously a savings bank, but has had a bank license now for 16 months. Voorhies has been in his position for about three weeks, and was previously in Malawi and Zambia with Opportunity Banks there.

The bank's strength has been micro lending, and the average loan size is €5-6,000. In the past most loans were to physical persons, but are now to registered farms.

Historically the bank's experience in lending in primary agriculture has been good, because it based loans on character and even with setbacks clients would eventually pay from other household income sources. Experience with SME lending (loans of more than €10,000) have been more problematic, because there are no alternative sources of payment (too much to be covered by other household sources of income), and payments from buyers are often delayed.

In the past Opportunity was the only bank financing primary agriculture, but in the past year more banks have started this. Opportunity has seen demand for SME loans drop because the market is more competitive.

Opportunity has done some financing of cold storage units for tree fruits for exporters, but in general these loans are too expensive for the clients and too big for Opportunity.

The bank makes business loans of up to €100,000 for a maximum of 8 years. Regular agriculture loans are for up to €30,000 for a maximum of five years. 30% of the loan portfolio is in ag loans, with a micro and small focus.

While it will offer flexible repayment terms (e.g., larger principal payments in the latter years of the loan) it prefers to get interest payments throughout and not have grace periods. This is done for monitoring, and so the client is constantly making some payment to them.

Opportunity picks industries that it understands, and is not being served by other banks or government. In particular it would like to find blocks of customers, rather than do one-off loans.

It seems that the bank does understand value chain lending, and considers the keys to this to know the full value chain, and to lend where the cash flow can be assigned and controlled.

The bank is interested in technical sessions so that it fully understands value chains. It is also interested in presentations on environmental compliance, and thinks they may be able to find a lending niche in environmental improvements.

The bank does see the need for clients to have a better education about the cost of money.

<p>Comment: Opportunity's comparative advantage is clearly in small scale lending. It would be particularly good for individual lending to farmers who are in a producer's organization, where sales are being negotiated by the PO, even though the sales may technically be a series of individual sales.</p>

Pro Credit Bank – Vladimir Rajic, Branch Manager; Dejan Volf, Branch Manager

The average client size has been growing a lot recently. The bank is only looking for commercial business, and is not financing any startups. Minimum loan size is €250, and the largest loan that is nominally available is €800,000 (which would use cross-border funding; larger credits would also be available with cross-border funding). The average loan is €3,500, although this depends on the region.

Pro Credit will make loans of up to 10 years for equipment and up to 15 years for land. Right now the bank's interest is in sustainable agriculture, not multi-income sources farm households.

The bank will make loans of up to €25,000 with no collateral for well known clients. Collateral for loans is usually the asset being purchased; the bank usually will not ask for additional collateral. It typically will not do more than a 50% loan to value ratio on loans secured by property, and will limit the mortgage to 130% of the debt amount. (For example, the bank would lend 50,000 secured by a property worth 100,000, but the mortgage would not be for more than 65,000). It wants the borrower to retain a substantial equity in the property, so that he has a strong incentive to continue to perform. The analysis of whether the loan can be repaid is paramount; the bank will not make heavily collateralized small loans if they do not see repayment capacity.

Loans over €200,000 must have good financial statements, but the bank still makes loans of up to about €100,000 for ag producers without financial statements. The National Bank requirements are that ag loans must be additionally reserved if ag entrepreneurs are categorized as individuals, so there is an incentive to register as an agricultural household.³ Per the National Bank, ag households with revenues of more than RSD 3 million (about €40,000) need to prepare financial statements. The larger the business, the more likely it is to have financial statements just to meet VAT requirements. While smaller producers can sell in the green market without reporting income, large buyers like supermarkets will insist on receipts to meet their own VAT refunding requirements. The bank finds that it can do cross checks on financial statements to determine how accurate they are. Techniques include checking with the credit bureau, verifying items and volume through site visits, and reviewing bank accounts. It has encouraged clients to keep funds in the bank (rather than at home, as is traditionally done) in part so that the deposits can earn interest.

About 30% of the loan officers' time is spent in educating clients, e.g. , about subsidies available from the government for irrigation.

Pro Credit does not use the government's interest subsidy for short term loans because it has seen a lot of abuses of and fraud with this program. However, it considers the interest subsidy program for long term loans to be a good program. It leaves the credit decision to the bank, the interest rate caps are acceptable, and terms are good, not rigid. The government is supposed to pay the interest subsidy within 30 days of loan disbursement and does pay on time. (Pro Credit itself passes on the benefit of the quick

³ If the bank has to hold additional reserves against a loan it will charge a higher rate to compensate for this. Effectively the loan that requires higher reserves is using up funding that could otherwise be an earning asset, so the loan rate is higher to equalize things.

payment of the interest subsidy to its clients. For instance, for regular loans the subsidy is 12% of principal. Pro Credit's policy is to treat a loan of 100,000 as a loan of 88,000 and only charge interest on that amount, even though 100,000 is disbursed. In the event the government is not forthcoming in paying the interest subsidy, the agreement is that the 88,000 "outstanding" will revert to 100,000. In general, the borrowers are getting free use of 12,000 for up to 30 days.)

Pro Credit has loaned against receipts for grain stocks (it seems that the existing law does allow for some sort of warehouse receipts) although it is not officially accepted as collateral by the bank procedures.

It will also take assignment of contracts, but does not consider this reliable. That is taken into account in making the loan decision.

Leasing has essentially the same requirements as a loan, and is seen as complementary to loans, with almost the same approach to risk. For leases the VAT needs to be included. Sometimes the bank does a loan for the leasing down payment. The Pro Credit leasing company operation does require that a contract between the leasing company and the supplier (usually done to cover servicing the asset) and may require a buyback provision from the supplier.

Pro Credit is interested in technical events, and sees them as another industry source of knowledge.

<p>Comments: Pro Credit is the industry leader in ag and ag processing lending, and should be regarded as the low-hanging fruit. However, the Project should be looking to expand its bank contacts, and ultimately the clients will be better off with a competitive banking market seeing their business. Note: Project should contact bank to also meet headquarters staff, and get referrals to Cacak staff.</p>
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Erste Bank – Bora Zivic, head of Agro Department

Zivic himself was previously with Pro Credit, and was hired away when Erste decided to enter the agro lending business. Development of the ag loan procedures began in June 2007, and the first loans were disbursed in November 2007. There are 7 account managers in addition to Zivic, and 2-3 more are being hired.

Loan terms are based on need, and payment schedules are flexible. The preferred loan minimum is €10,000, but the bank is looking for ongoing client relationships and cross-sales, not just one-off loans. Short term loans of less than 12 months do not need to be collateralized, but loans for more than 12 months should be secured, for instance, with equipment being purchased with loan proceeds. The bank does have a list of evaluators (asset appraisers) to review collateral value.

Thus far the largest ag loan that has been granted is for €350,000. The cutoff for corporate loans is €600,000.

Erste might take an assignment of a contract as collateral, and has done this in a deal done with the Development Fund of Vojvodina, but would want a confirmation (probably a guarantee) from the final buyer. It might be willing to consider an acknowledgement only. It has not yet taken cattle, inventory, or accounts receivable as collateral, but these are “in the catalogue”, i.e., acceptable collateral.

The bank says that its loan costs should be low and quite competitive, with low fees. It is willing to lend to coops that are legal entities, but probably would expect to get personal pledges of collateral and personal guarantees.

Erste’s sister company does leasing, and they have a good cooperation.

Zivic is interested in technical sessions.

<p>Comments: Zivic reiterated that the bank is not looking simply to develop ag lending , that it wants quality relationships and a reputation for having quality relationships. While fairly new to the market, it looks like Erste will be a good competitor, thus should broaden the range of banks that could be serving project clients.</p>

11 September 2008 –

Drion Meeting – Mary Miller and Gene Neill

Mitrovic Meeting – Mary Miller and Brankica Obucina

Meridian Bank (Credit Agricole Group) – Marija Maric Mitrovic, Member of the Executive Board, SBE, Agriculture and Treasury; Francois Edouard Drion, Senior Country Officer, Chairman of the Executive Board

The Meridian Bank that was acquired by the Credit Agricole Group (this is the major French bank that pioneered cooperative banking in France, and is still largely owned by its regional cooperative banks) historically was not doing agricultural lending, so this is a new product line in Serbia. Right now this is considered a pilot project by Credit Agricole, which is also setting up comparable ag lending departments at its banks in Ukraine and Poland.

In the first phase the bank is looking at somewhat larger farmers and processors, and may go downmarket later. Initial guidelines are at least 20 hectares under cultivation, and at least €20,000 annual revenues. The minimum herd sizes for cattle would be 50 head. It would like to cooperate with the suppliers to processors and corporate clients that are exporting, so that local producers are not caught with only local traders as purchasers. Their interests run to the full value chain of agribusiness, for instance, they would like to be lending to machinery suppliers.

They do have good relationships with the Voyvodina fund, as well as the faculty at the Novi Sad veterinary service. The Voyvodina government is tracking some 2,000 farms, establishing a baseline of performance, and they intend to continue to measure their progress. Meridian Bank plans to prepare a special offer for these 2,000 farmers, including seasonal loans and term loans. They will also prepare a special offer in connection with the guarantee fund of Voyvodina.

The bank has signed up to take advantage of the government's interest rate subsidy programs for agriculture, and expects to make its first loans once it has tracking software in place.

Meridian Bank also has a leasing company, and the ag lending program is working closely with them.

The bank is planning a range of products for small companies in food processing to support production. It is interested in small dairies, and cool/cold storage.

For loans to agricultural households of less than €20,000 the bank will not require collateral, only a promissory note, and perhaps a guarantee from another cluster member.

For loans of over €20,000 and for terms of longer than one year, it will look for machinery for collateral. Loans for more than €50,000 would be secured by a mortgage.

It may look for a guarantee from the Voyvodina Fund on a case by case basis.

Meridian is looking for new products to finance members of clusters or cooperatives where the payment could come in barter or exchange. In this way it expects that the producer could get a fairer price than might be received from a trader. The minimum loan amount would be €5,000.

The bank has developed a way to evaluate a producer's financial condition without financial statements, based on calculation of average production yield, based on ten year

historical average yields. It then creates pro forma statements based on these estimates. Relationship managers also visit farms and make appraisals of assets. Using a contract and contract proceeds as collateral could be a problem if any part of the payment comes in kind (e.g., inputs for next year). The bank may be amenable to lending against collateral held by a third party (lending against warehouse receipts) but this will be stronger when a better warehouse receipts law is in place. The prior law had problems because it could be manipulated. Meridian Bank is interested in being invited to technical sessions.

Comments: Historically Credit Agricole has seen its mission as serving farmers and cooperatives, and this vision comes through in Meridian Bank's planning. It is looking at a target market that coincides with the Project's market, so prospects for cooperation are good. Note: 1) Radmila Vucinic should call on Mitrovic in Novi Sad as she is regularly located there; 2) as more work is done on the warehouse receipts law, Mitrovic could be added to a working/commentary group as she personally has a lot of ag lending experience in Serbia, including experience with the prior WHR law.

ANNEX V



Year 1 Annual Report

TRAININGS, WORKSHOPS and TRADE FAIRS

October 1, 2007 - September 30, 2008

TRAININGS, FY 01

- Remer Lane, the Project's Marketing/Export Advisor, delivered training in marketing and sales promotion for twelve companies attending the Novi Sad Ag Fair with SCOPES and Agribusiness Project support. The event took place in March 2008 in our Project's office.
- Project hosted ITC's excellent Market Mapping training on Feb. 13 and 14 attended by SCOPES, Competitiveness, AgBiz, USAID and others (15 people attended). It was agreed with the ITC management to organize a follow-on, 4 day workshop in the Agribusiness Project office from May 19-22, 2008. There will be 20 - 25 participants (Agribusiness Project-8, SIEPA-7, Competitiveness-3, SCOPES-3, USAID-4 places available – this may change if GTZ wishes to send a representative).
- Sales and Marketing Training for companies participating in the Novi Sad Agricultural Fair was organized at the project office for 13 participants, on April, 15. The training was delivered by Remer Lane.
- Remer Lane, the Project's Marketing/Export Advisor, delivered training in Overview of US Market for Specialty Foods for nine Serbian companies to participate in Fancy Food Show 2008 in NYC. The training took place in May, 16 at SIEPA.
- ITC Market Profiles Training, as a follow-up training to ITC Market Mapping was held at the Project office in May, 19-22, attended by 20 people (Agribusiness Project, SIEPA, SCOPES and Competitiveness Project). Its objective was to build the participants capacity to write customized reports on market opportunities using ITC's market analysis tools.
- Mr. Rick Dale, STTA, conducted a training in Jun, 2 on production of berry fruit for fresh market under high tunnels training covered various topics such as selection of varieties, harvesting techniques, post-harvest and cold chain management. The training was attended by growers, ABDS providers and representatives of processing companies from Sabac and Krupanj municipalities.
- Training for Local Development Offices was organized in Jun, 3 in Zrenjanin. It was performed by Municipality Zrenjanin and Taurus Agrokonsalting ABDS provider on developing successful intervention projects in Dairy sector.

- Mr. Rick Dale, STTA provided training at "Mladost" Cooperative, Village of Obrez, Varvarin in Jun, 5 in production under tunnels, post harvest management and packaging of berries for fresh market. In addition, Sasa Marusic presented characteristics of and opportunities for Serbian producers at the EU market.
- Fancy Food Sales Training was delivered by Remer Lane, the Project's Marketing/Export Adviser to 10 Serbian companies to participate in Fancy Food Show 2008 in NYC. It took place on June 6, 2008 at SIEPA.
- Rick Dale, STTA consultant, conducted training in June 9, 2008 at Arilje SME Association concerning production under tunnels, post harvest management and packaging of raspberries and blueberries for fresh market.
- Mr. Mohammad Latif, P.E. Acting Bureau Environmental Officer (BEO) for Europe and Eurasia, USAID delivered 3-day training on June 24-26, 2008 "Introduction of USAID Environmental Procedures, basic Mitigation and Monitoring (M&M) tools and M&M plans". It took place at the Project office, Nis, Prokuplje, Kursumlija, Blace, Grgure, Bujanovac, Bukurevac, Presevo and Vranje. First day the Regulation 216 Procedure was introduced to 27 participants (Agribusiness Project, NDI Serbia, Competitiveness Project, IRD, IREX Serbia, ABA / CEELI, ISC Serbia, MEGA Project, SCOPES, WTO and SEGA - BearingPoint Inc.). Second day Project staff visited: MEGA project in Prokuplje: Business Improvement District (infrastructure project, reconstruction of street, underground installation, pipes, and construction of pedestrian street); "Jurofungo" company (mushrooms processing, drying, cooling system, packing) from Kursumlija; "Prunum" company (fruit processing, packing, drying) from Blace and "Grgure Association - demo farm" (livestock farm) in Grgure. Sites and companies visited during the third day: "Eco-Med" (honey packaging company) from Bujanovac; "Fontana" (local dairy) in Bukurevac community; "MM&Stil" (decorative ceramics) from Presevo and "Natural Food" (mushroom and sweet packaging).
- "Train the Trainers" took place at Svilajnac Agriculture School in May, 27 and its subjects were healthy hooves for efficient meat and milk production, infectious causes, hoof trimming, feed and environment and how to avoid hoof problems, through proper feed and environment management. Training was delivered by Professor Stefan Nueske from Munich University to 50 participants from livestock business and to ABDS provider Agrar Kontakt, who will further disseminate the knowledge, starting in July.
- "Appliance of Modern Irrigation Technologies" training took place in Jun 30, at Maize Research Institute in Zemun Polje. Fruitland Association representatives from Slankamenka cooperative trained in appliance of modern irrigation technologies by experts of Israeli ABDS provider Netafim, a world leader in agro-technology systems. Agribusiness producer organizations team linked Fruitland with Israeli company.
- The seminar on "Fresh berry fruit market - An opportunity and specific requirements" was conducted on August, 9 at Atle Co. in Azanja. Remer Lane and Sasa Marusic, together with Aleksandar Lepasovic from Cacak Fruit Research Institute, conducted this seminar on production and marketing of fresh raspberries. The main goals of the seminar were to raise awareness of strategic changes in global industry and change mentality of industry stakeholders through improving their knowledge about global market for fresh berries and latest production and post-harvest technologies. The

seminar was attended by a total of 23 fruit producers and/or representatives of cold stores that operate within the Atle Association.

- IT Support for Efficient Dairy Business Management training was organized on August 13, 2008 at the Project office with 13 participants.
- ITC Trade Map training was held on August, 21 at the Project office for the Ministry of Agriculture coordinator for Agribusiness project, Jasmina Miljkovic, on ITC trade map tools.
- Training for 4-H Helpers and Leaders was organized on August 26-29, 2008 in Kragujevac. It was attended by 25 participants, school teachers/directors from Serbia.
- Moscow Sales Training was organized at SIEPA office on August 29, 2008 for 36 participants, for SIEPA staff and companies targeting Russian Market and World Food Fair.
- Middle East Market Training was organized on September, 1 for 13 participants, for SIEPA staff and companies targeting Middle Eastern - Dubai market.
- Training on IFE India and London - prospects of these fairs and markets for Serbian companies was held in the Project office on September, 12 with 26 participants.
- Presentation of appropriate varieties, production and post-harvest technologies for raspberries intended for fresh market was organized on September, 15 at Varda, Kosjeric for 25 participants where appropriate varieties, growing and post-harvest technologies were presented by the ABDS provider Mihajlo Nikolic from Ag Faculty in Zemun and the project staff.
- Training in doing market research using ITC trade map was organized for ABC Company on September 17, 2008 at the project office.

WORKSHOPS, FY 01

- Bill Grant conducted a three day training on Value Chain to open the Project in October 2007.
- Mary Miller, a DAI consultant, delivered the three days workshop named “Assessing Financial Capacity of Project Clients and Grantees”. Total of 16 people attended (SCOPES, Competitiveness and Agribusiness project staff). The training was very useful for staff who will be evaluating the "grant" worthiness of companies and associations who may apply for grant money and for determining the effect our grants had on beneficiaries after receiving grants. Mrs. Miller also collaborated with Societe General bank in drafting a questionnaire which could serve as a base for possible client evaluation.
- Qualitass Education, the most prominent ABDS provider in the area of standardization and certification, trained Agribusiness Project sector leads in quality control systems that enable our prospective export-oriented companies obtain required certificates, such as HACCP, GlobalGap, and others.

- Mushroom and Forest Fruit Council within Fruit of Serbia Association is established on April 24, 2008 in Krusevac. Some 20 leading mushroom exporters are members of the Council. Vladimir Petrovic and Sasa Marusic used an opportunity to present Agribusiness Project, the Sub-sector Assessment and the Strategy.
- Representatives of Intellectual Property Office and Serbian Ministry of Agriculture presented legislative framework and necessary procedures for achieving PDO/PGI, as well as assistance available from the Ministry. Sasa Marusic, berry fruit sub-sector lead, presented the Agribusiness project and discussed with participants benefits that Arilje SME Association can achieve from protecting PDO of Arilje raspberries. The workshop was held on May 8, 2008 in Arilje.
- Agribusiness supported an awareness conference “Standard GlobalGAP – Better chances for sales” held at Novi Sad Agricultural Fair in May 2008. The conference was organized by the Executive Council and the Secretariat for Agriculture of the Autonomous Province of Vojvodina, USAID Agribusiness Project, Austrian Agency for Development (ADA), German Organization for Technical Cooperation (GTZ) and Swiss Secretariat for Economic Cooperation (SECO). The Project engaged several lecturers including Zaharije Trnavcevic, as the conference moderator and managers of the associations Atle-COOP and Gospodjinci. More than 100 fruit and vegetable producers and processors were trained in the importance of traceability and requirements for GlobalGAP certification.
- Mr. Jamie Petchell, representative of “Hargreaves Plants” UK presented to attendees during the workshop in Belgrade Project office in Jun, 2 berry fruit planting material and know-how services that the company provides to its clients. The focus was on varieties suitable for fresh market.
- Mr. Jamie Petchell, representative of “Hargreaves Plants” UK presented to attendees the berry fruit planting material and know-how services that the company provides to its clients. The focus was on varieties suitable for fresh market. Representatives of a few interested companies started negotiation of future imports of seedlings from Hargreaves. The workshop took place in Sabac - Agriculture Development Center on June 2, 2008.
- Mr. Jamie Petchell, representative of “Hargreaves Plants” UK presented to attendees berry fruit planting material and know-how services that the company provides to its clients. The focus was on varieties suitable for fresh market. Representatives of a few interested companies started negotiation of future imports of seedlings from Hargreaves. The workshop took place in Uzice, at the Regional Chamber of Commerce in Jun 3, 2008.
- Mr. R. Godoy from Chile demonstrated his new patented technology for extension of fresh raspberry shelf-life, and started tests of the technology at Atle's business premises. Mr. Godoy also introduced Atle's staff with raspberry harvesting and post-harvest practices used in Chile. The workshop took place in Jun, 19 at Atle Co. Belgrade, processing plant in Azanja.
- "Enterprise Growth . . . By Design - A Marketing Perspective - Proven Methodologies, Strategies and Creative Solutions", a workshop took place on June 20, 2008 at Chamber of Commerce in Belgrade conducted by STTA, Jeff Spear. The workshop

was conducted to educate on user-friendly approach food labeling and also provide a thorough system and reference for those experienced with food label design. It was attended by a mix of representatives from food producing enterprises, creative services providers and a few individuals representing trade press.

- Workshop on demonstration of new post-harvest technology for raspberries was organized at Ari Nova Cooperative, Arilje in June 21, 2008. Mr. Godoy demonstrated his new patented technology for extension of fresh raspberry shelf-life, and incepted tests of the technology at Ari Nova's business premises. In addition, Mr. Godoy provided to attendees information about berry fruit harvesting and shipping practices in Chile and prepared samples of fresh raspberries and blueberries that Ari Nova sent for evaluation to its potential buyer in Russia.
- A workshop on demonstration of new post-harvest technology for raspberries was organized on June 22, 2008 where Mr. Godoy demonstrated his new patented technology for extension of fresh raspberry shelf-life, and incepted tests of the technology at BMD's business premises. In addition, Mr. Godoy provided to attendees information about berry fruit harvesting and shipping practices in Chile and prepared samples of fresh raspberries that BMD sent for evaluation to its buyer in Germany.
- Mr. Godoy demonstrated his new patented technology for extension of fresh raspberry shelf-life during the workshop held in June 24, 2008 and incepted tests of the technology at business premises of Elixir company. In addition, Mr. Godoy provided to attendees information about berry fruit harvesting and shipping practices in Chile.
- A Roundtable session "Support to Rural Development" was held in August 27, 2008 in Tavnik village near Kraljevo with 22 participants. As a part of local agricultural fair the round table was organized by Kraljevo Project and Development Center and it was attended by local farmers, producer organizations and processing companies as well as representatives of Serbian Chamber of Commerce/Cooperative Union, USAID Office Novi Pazar and USAID funded projects MEGA and SCOPES. During the meeting the attendants discussed current situation and development opportunities for Serbian agriculture, especially in meat industry and fruit processing which are the major sources of income in this area.

TRADE FAIRS, FY 01

- Tea Festival in Nis was held on February 2, 2008. Over 20 exhibitors from Serbia, Slovenia, Macedonia, Bosnia and Herzegovina, Bulgaria and Indonesia participated.
- Fruit Logistica Trade Show was held in Berlin, from 7-9 of February, 2008.
- 13th International Fair of Horticulture and 11th International Exhibition of Medicinal Herbs&Honey Remedies, Gifts of Nature, was held in Belgrade on February 29, 2008.
- Agricultural Fair in Novi Sad was organized in May 10-17, 2008.
- Fancy Food New York June 29 to July 2, 2008.

- World Food Moscow, trade fair was supported by USAID with sales & marketing support and contacts and introduction to establishing distribution strategy in Russia for Serbian products.
- Nis Agricultural Fair was supported by USAID Agribusiness Project for Marketing/Promotion, Livestock, and Seminars for HACCP.

ANNEX VI

Annex VI Accruals

Development Alternatives, Inc.
 USAID Agribusiness Project
 Contract: EDH-I-00-05-00004-00/09

COST ELEMENT

	Budget	Total Expenditures			Current Expenditures			Total Expenditures			Balance Projection	Per Cent Projection
		@ 30 Jun '08	Jul-08	Aug-08	Sep-08	@ 30 Sep '08	Projection	Projection	Projection			
Direct Labor (Salaries)	\$ 2,309,098.00	\$ 290,052.28	\$ 28,847.52	\$ 22,374.18	\$ 57,000.00	\$ 398,273.98	\$ 1,910,824.02	17.25%				
Fringe Benefits	\$ 484,301.00	\$ 95,736.22	\$ 8,396.96	\$ 6,404.22	\$ 23,085.00	\$ 133,622.40	\$ 350,678.60	27.59%				
Overhead	\$ 1,133,585.00	\$ 183,827.02	\$ 17,746.97	\$ 13,712.87	\$ 38,200.55	\$ 253,487.41	\$ 880,097.60	22.36%				
Total Labor and OH	\$ 3,926,984.00	\$ 569,615.52	\$ 54,991.45	\$ 42,491.27	\$ 118,285.55	\$ 785,383.79	\$ 3,141,600.22	20.00%				
Other Direct Cost							\$ -					
Travel, Transportation, and Per Diem	\$ 642,314.00	\$ 122,116.73	\$ 2,956.80	\$ 4,642.09	\$ 8,000.00	\$ 137,715.62	\$ 504,598.38	21.44%				
Project Support Costs	\$ 626,489.00	\$ 227,850.89	\$ 616.48	\$ -	\$ -	\$ 228,467.37	\$ 398,021.63	36.47%				
Allowances	\$ 454,627.00	\$ 76,245.76	\$ 7,337.13	\$ 8,829.46	\$ 5,000.00	\$ 97,412.35	\$ 357,214.65	21.43%				
Grants Under Contract	\$ 5,200,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,200,000.00	0.00%				
Subcontracting	\$ 6,093,030.00	\$ 672,016.15	\$ 136,147.95	\$ 136,147.95	\$ 180,616.00	\$ 988,780.10	\$ 5,104,249.90	16.23%				
Others	\$ 4,041,812.00	\$ 395,874.64	\$ 67,791.92	\$ 47,785.90	\$ 38,000.00	\$ 549,452.46	\$ 3,492,359.54	13.59%				
Total Other Direct Costs	\$ 17,058,272.00	\$ 1,494,104.17	\$ 78,702.33	\$ 197,405.40	\$ 231,616.00	\$ 2,001,827.90	\$ 15,056,444.10	11.74%				
G&A	\$ 1,436,459.00	\$ 187,799.39	\$ 12,166.17	\$ 21,830.62	\$ 31,841.04	\$ 253,637.22	\$ 1,182,821.78	17.66%				
Total Estimated Cost	\$ 22,421,715.00	\$ 2,251,519.08	\$ 145,859.95	\$ 261,727.29	\$ 381,742.59	\$ 3,040,848.91	\$ 19,380,866.09	13.56%				
Fixed Fee	\$ 1,448,502.00	\$ 176,457.46	\$ 11,668.84	\$ 20,205.44	\$ 30,539.41	\$ 238,871.15	\$ 1,209,630.85	16.49%				
Total Estimated Cost Plus Fixed Fee	\$ 23,870,217.00	\$ 2,427,976.54	\$ 157,528.79	\$ 281,932.73	\$ 412,281.99	\$ 3,279,720.05	\$ 20,590,496.95	13.74%				

Obligated Amount \$ 5,100,000.00
 Percent obligation spent 64.31%

ANNEX VII

SUCCESS STORY:

The Novi Sad Fair: Entering New Markets

The 75th International Agricultural Fair, held on May 10-17, 2008, gathered around 2,000 exhibitors from Serbia and abroad, who presented products from the fields of industry, agricultural mechanization, husbandry, seed production and packaging. The USAID Agribusiness Project and the Economic Security Project provided roughly \$40,000 to support thirteen producers from Serbia to participate at this event.



USAID support entailed the construction and design of a joint stand, renting of refrigerators and coolers during the fair, design and printing of brochures, flyers and large poster boards and other promotional materials. All companies involved also received training in “*Sales and Efficient Trade Show participation*”.

USAID Projects work with Serbian businesses to increase market-driven agricultural product sales and exports and to assist businesses to expand and reach new, higher value markets by finding more buyers for their products and services. “The Novi Sad Fair is the right place to achieve that,” says Remer Y. Lane, Marketing and Export Expert for the USAID Agribusiness Project.

The thirteen USAID supported companies and cooperatives have tremendous potential with a sound growth strategy and their obvious potential to gain a larger market share and to expand into new markets. These Agribusinesses are: Moravica from Arilje, ‘Galant’ and ‘IG-LU’ from Kraljevo, ‘Fontana’ from Preševo, ‘Natural Food’ from Bujanovac, ‘Subex’ from Novi Pazar, ‘Frigo-Nais’ from Kuršumlija, Dairy ‘Zlatibor’ from Užice, ‘Begečki povrtari’ from Begej, ‘Fruitland’ from Subotica, ‘Agrograf’ from Arilje, Cooperative ‘Kulen’ from Bački Petrovac and ‘Bilje Borča’ from Belgrade.

“Our participation is always a great chance for us to make new contracts and enter markets in neighboring countries,” says Dragan Busic of ‘Bilje Borča’ a tea and herb processing company.

With the assistance of the Agribusiness Project, Zlatibor Dairy attended the Novi Sad Fair for the first time ever. Their attendance not only helped with establishing new contacts but provided an export contract of almost \$ 150,000 worth of dairy products to a buyer in Montenegro.

Over 650 thousand people visited the Novi Sad fair to learn about the latest innovations in agriculture, establish contacts between buyers and sellers and to negotiate new contracts. This year, products from over 60 countries had been exhibited at what has become one of Europe’s largest agricultural events.

SUCCESS STORY:

USAID Agribusiness project supports the second Agricultural Fair in Nis

Following the official opening of the second Agricultural Fair in Nis on September 26, Mr. Gene Neill, the Agribusiness Project Director and representatives of the Nis Municipality signed a Memorandum of Understanding for a Financial Grant in the amount of \$50,600.



Financial assistance provided by the Project enabled the City of Nis to upscale the Fair this year, almost doubling both the number of exhibitors and visitors and enabled participation of business development and financial service providers such as banks and advisory institutions.

Present amongst exhibitors this year were also agricultural equipment producers and experts enabling an exchange and learning in the sphere of new agricultural techniques and technologies.

Agribusiness Project's main contribution was the construction of a mobile facility providing a separate section for the Livestock Exhibition, enabling a bigger number of exhibitors and a greater variety of agribusinesses to take part this year. Seminars on HACCP and Farm Management were held during the fair, helping raise awareness of Serbian farmers and agribusinesses regarding the necessity of food safety, good farm management and international standards requirements.

The City of Nis has recognized the Agricultural Fair as a vehicle to establishing regional cooperation and for enabling an exchange of knowledge and experience amongst agricultural stakeholders. As part of the municipality strategy for rural economic development of the region, the city management is currently in the process of obtaining funds through the National Investment Plan, which will enable the construction of a new multi purpose exhibition facility for use by all sectors of the economy. In the meantime, focus is being placed on improving the management and the organization of the agricultural fair and increasing the number of participants.



Photo Caption 1:

Ms. Nadja Markovic, Deputy Mayor of Nis (left);

Ms. Jadranka Stevanovic, Head of Commerce, Sustainable Development and Environmental Protection Department. (right) - Signatory of MoU; and

Mr. Gene Neill, Agribusiness Project Director.

Photo Caption 2:

Livestock Exhibition space at the Nis Agricultural Fair