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**ALBANIAN AGRICULTURE
COMPETITIVENESS**

ALBANIAN AGRICULTURE COMPETITIVENESS PROGRAM

QUARTERLY REPORT October – December 2009 (Q1, FY 2010)



January 2010

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QUARTERLY REPORT

QUARTER I FISCAL YEAR 2010

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EXECUTIVE SUMMARY

During the first quarter of the fiscal year 2010, the project continued to support Albanian agribusinesses through a concerted effort to boost productivity and farm-produce quality, expand domestic and export sales, and assisting the process through the provision of reliable market information and market intelligence.

Consistent with the work plan for 2010, the project initiated an aggressive expansion of its client base, from 94 to 450, which will significantly enhance the impact of USG assistance to Albania. While a fivefold increase in the number of clients brings about a significant challenge, the project will capitalize on formal and informal organizations as vehicles for the dissemination of production technologies, the provision of technical assistance and the consolidation of marketable produce. Interns from Tirana Agricultural University completed the baseline survey of new clients in November and in January 2010 it will be integrated into a geographic information system, giving rise to a variety of applications. The project will further expand its client base by integrating wholesale traders and food processors from Korça, Lushnje, Tirana and Fier.

In the production area, the project focused its efforts in the provision of technical assistance to apple growers from Korça, with emphasis in the determination of optimal harvesting points through several methods. Similarly, the project carried out field days on advanced olive production practices, including harvesting and post-harvest handling. These interventions derived from the requests of cold storage operators and olive processors to improve quality.

During the first quarter of 2010 the project facilitated sales for US\$3.17 million through 1,112 domestic and 217 export transactions. Agro-Koni, one of the largest greenhouse vegetable consolidators was successfully linked with the two retail market chains in Albania, Euromax and Conad. Sales during the three-month period reached 165.7 metric tons worth US\$148,387.

The brand The Taste of Albania, introduced by the project, has become a major success in the promotion of Albanian produce. It is consistently present in wholesale and retail outlets in Tirana, as well as in Montenegro, Kosovo and most recently Greece, with exports reaching a record of US\$1.01 million.

Market information interventions focused on expanding the scope of the Market Information System for Trade and Agribusiness (SITA), which now covers 22 commodities in four major markets at wholesale and retail levels. The project introduced a series of modifications to the GreenMarket Albania website to enable users to download historical data in several formats.

In December the Ministry of Agriculture, Food and Consumer Protection published its strategy for the Olive subsector, which incorporates Super-high Density Olive Production, a model introduced by the project in 2008. This underscores the role of the project in the introduction of technology innovations and public policy.

Dr. David Neven, DAI's Value Chain expert produced the Citrus Value Chain Assessment and Commodity Development Plan, currently under review. This constitutes the roadmap for the development of the subsector and will be presented to the Ministry of Agriculture and private sector stakeholders in March, 2010.

The project disbursed six small grants designed to facilitate the introduction of grading practices and packaging materials for apples by cold storage operators. This US\$3,600 investment had two immediate effects; a) an increase of \$3, 870 for the cold storage operators , and b) prompted one of the entrepreneurs to order 40, 000 boxes worth USD\$ 25, 806

The project, with the participation on interns from Tirana Agricultural University conducted a consumer survey to identify the factors determining consumers' choice among domestic and imported apples. Results will be published in February, 2010.

COMPONENT I: STRENGTHEN PRODUCER CAPACITY FOR COMPETITIVE COMMERCIAL FARMING

TREE CROPS

SUMMARY HIGHLIGHTS:

- Assisted AAC clients with practical training sessions on field tests to determine optimal harvesting time for apples
- Continued cooperation with the Agricultural Vocational School in Korça by conducting starch tests for apple aiming at assessing apple maturity.
- Designed a brochure on apple production technologies in cooperation with Regional Agriculture Directorate
- Conducted a comprehensive value chain analysis and prepared a commodity development plan for citrus, with emphasis on tangerines
- Conducted a quality assessment of tangerines in Xarra, Saranda
- The first imports of Arbequina olive saplings, a variety introduced by the project, took place in December 2009
- Organized three field days on super-high density olive orchards, with emphasis on irrigation technology, pruning techniques, underscoring the competitive advantages of SHD olives.

In the last quarter AAC continued with its efforts to support commercial apple growers in consolidating production, successfully assisting farmers with harvesting and post-harvesting techniques as well as strengthening the linkages between cold storage operators and wholesale traders. October and early November correspond to the apple harvesting period hence AAC's assistance in this regard consisted in advice determining optimal harvesting points to maximize storage life.

Within this context, field staff assisted over 40 commercial farmers supplying 6 cold storage facilities with a capacity of over 3,000 metric tons. Activities included practical training using three methods for the determination of optimal maturity: a) determination of starch content, b) assessment of fruit firmness and c) measuring sugar concentration. These practical training sessions took place at the farms of Ferdinand Ali, Ramadan Bregu, Koco Mancsi dhe Berti Thanasi. Cold storage operators indicated that, as a result of AAC assistance a larger number of farmers harvested their apples earlier, allowing for longer storage life. While cold storage companies were unable to quantify the level of progress, it is likely to be observable at a later stage of the marketing season.

In November 2009 the project in cooperation with Korça Agricultural Vocational School conducted a similar training course for students, which included a comprehensive analysis of apple maturity explaining the impact that it has on quality and storage life. The outreach specialists measured strength and sweetness for project clients and based on test results farmers were provided direct advice on the optimal harvesting time.

The project successfully cooperated with Korça Regional Agriculture Directorate for the preparation of a brochure on apple orchards. The brochure aimed at highlighting the influence of advanced technologies on apple production. The brochure will be published and delivered to commercial farmers in February 2010.

Following USAID approval to engage in the promotion of the citrus value chain, the AAC program followed a two-pronged approach by conducting the value chain analysis and developing the commodity development plan while initiating field activities. This approach allowed the project to produce the roadmap for the citrus subsector, while at the same time producing tangible results by conducting quality assessments and facilitating sales.

Field activities included the assessment of fruit quality following a request by JOTAGRIS from Lithuania, which required indications on acidity, sugar content and grade distribution (Table 1). The project's field staff traveled to Xarra, where they conducted an assessment of the quality of the crop, in collaboration with progressive farmers. Results presented in Table 2.

TABLE 1. QUALITY REQUIREMENTS OF CITRUS IMPORTERS

Minimum requirements of JOTAGRIS		
Diameter	Brix	Ph
Min 43mm	Min 10	Min 6

TABLE 2. QUALITY PARAMETERS OF TANGERINES FROM XARRA

Characteristic	N	Minimum	Maximum	Mean	Std. Dev
Diameter	45	28	65	54.1778	7.23714
Brix	45	8	14	10.8	1.5151
Ph	45	5.4	6.8	6.2422	0.25715
Valid N (listwise)	45				

AAC's findings show that the tangerines from Xarra were within the acceptable parameters set by the buyer. Given timing constraints Albanian traders were unable to fill an order in the past season. However, JOTAGRIS representatives are expected to visit Albania in the next few months to look at the possibilities of an agreement for the 2010 harvest.



AAC's staff conducting a quality assessment of tangerines in Xarre

The commodity development plan produced by Dr. David Neven derives from the vision of the industry developed in collaboration with commercial farmers and traders.

Vision Statement

By 2020, a vibrant cluster of some 400 mandarin growers and 2-3 consolidators with modern pack house operations in the Xarre-Mursi-Konispol valley in Saranda District will be producing 14,000MT of mandarins from 400ha over a 4 month window (late October – early March) and supply it at competitive prices and quality levels to a broad range of markets. These markets will include 7,000MT sold in the domestic market (market share of 70%), 5,000MT sold in the Balkan region, including through the leading regional supermarket chains, and 2,000MT to a high-end market such as Russia.

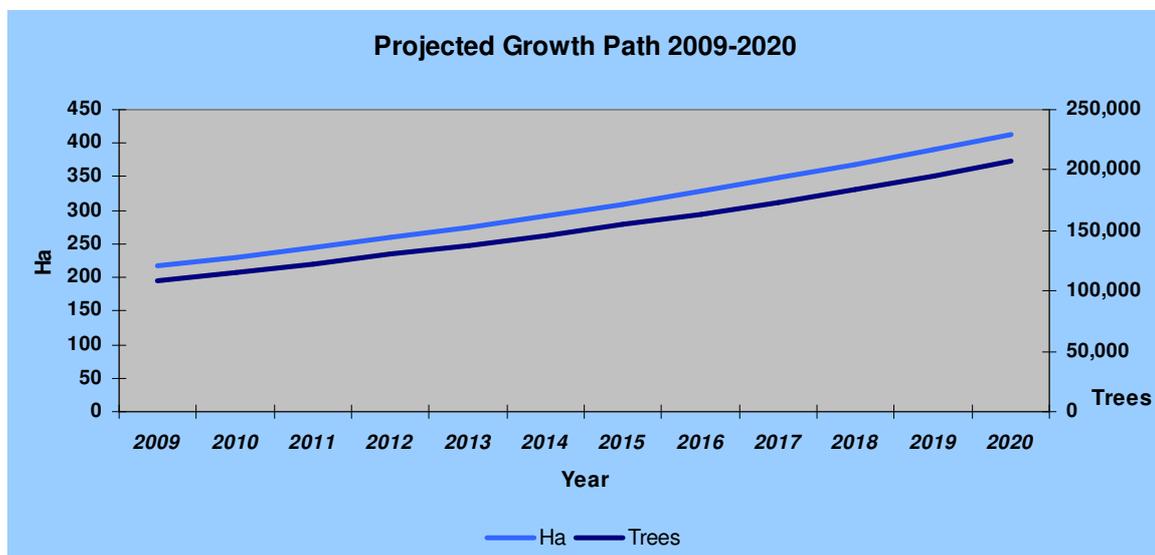
Achieving this vision will require significant interventions in both the production and marketing areas as depicted in Figure 1.

FIGURE 1. PROGRAM INTERVENTIONS TO ACHIEVE A COMPETITIVE MANDARIN VALUE CHAIN



As shown in Figure 2, achieving the proposed vision would entail substantial investments in the expansion or area grown to tangerines over the next 11 years, going from 218 to 390 hectares.

FIGURE 2. PROJECTED GROWTH PATH OF THE ALBANIAN TANGERINE SUBSECTOR



The production axis, as presented by Dr. Neven, aims to establish a large, quality supply of mandarins throughout the season through: (i) farmer capacity building; (ii) by facilitating the establishment of better agronomic support services; (iii) the introduction of new mandarin varieties; and (iv) the introduction of new/improved post-harvest handling techniques. The first two elements are needed to help assure that trees efficiently achieve yields of 110kg/tree at full maturity on average (i.e., the yields achieved in Greece) throughout the orchards lifetime (30 years). The last two elements are needed to extend the harvest season, which in turn is needed for three reasons: (1) it is the only way to substitute imports during this time period; (2) it is needed to even out production over time to provide for a steady flow of mandarin through a pack house; (3) to capture the high price months (October, January, February). Key interventions in these areas are detailed in the project’s annual work plan 3 and training calendars.

The marketing axis aims to facilitate an efficient flow of the mandarin production in Saranda to various market throughout an extended season through: (i) facilitating the establishment of a consolidator operated pack house; (ii) facilitating long-term linkages between an informal group of farmers and the consolidator; and (iii)

facilitating long-term linkages between the consolidator and a set of new buyers, including supermarkets, in domestic, Balkan, and wider European markets.

Field activities are underway with the selection of sites for trials of new citrus cultivars by re-grafting existing orchards. The project is also in discussions with a trader from Saranda interested in investing on a citrus grading and packing facility.

Olives continue being a major area of focus for the project, during the reporting period production activities focused in the promotion of the super-high density olive production system and the promotion of advanced olive production practices.

Within this context, in December the Ministry of Agriculture, Food and Consumer Protection published its strategy for the Olive subsector, which incorporates Super-high Density Olive Production, a model introduced by the project in 2008. This underscores the role of the project in the introduction of technology innovations and public policy options.

Also farmers acknowledge that SHD olive is a production model with potential for Albania; a manifestation of this is the increasing interest on their behalf to plant dwarf cultivars at high and super-high densities. Table 3 presents an comparative overview of the profitability of traditional versus SHD olive production models. The values used for the analysis in the case of the SHD model correspond to the first orchards that have recently come into production.

TABLE 3. ESTIMATED PROFITABILITY OF TRADITIONAL VERSUS SHD OLIVE PRODUCTION SYSTEMS IN ALBANIA¹

PARAMETER	TRADITIONAL	SHD
Trees per hectare	160.00	1250
Average yield mt/ ha	3.04	6.375
Gross revenue/ha	273,600.00	637,500.00
Production cost	98,496.00	290,000.00
Estimated profit /ha	175,104.00	347,500.00

Figures in Albanian Leke

The market is also responding to farmers' requests; during the reporting period. Mr. Josif Gorrea of Bruka Seedling, who took part in a study tour to Spain organized by the project, imported the first 30,000 saplings—valued at over US\$30,000—from Agromillora, a company located near Barcelona.

Thus, government, farmers and input suppliers seem to be all receptive and responsive to the option presented by AAC since 2008 and are well underway to progressively adopt super-high density olive production as one of the models to gain competitive edge.

During the reporting period, the project conducted four field days to introduce farmers to super-high density olive production, as well as the particular requirements of the crop under this system.

¹ Based on AAC data of national averages compared with those of the Vlora Technology Transfer Center

The first field day organized on October 24th 2009, was held in the orchard of Mr. Bardhyl Hoxha, a commercial farmer who owns a SHD olive orchard (Arbequino variety) with the participation of 8 of commercial farmers from the region and input suppliers. The activity focused on the benefits of the drip irrigation system and its potential impact on yield. AAC outreach specialists also discussed the advantages and disadvantages of fertigation in the context of Albania.

The second field day took place on November 7th with the participation of 19 commercial farmers from the Shkodra and Lushnja regions. The theme was pruning techniques for olive trees and their effect on the yield and quality. Following the discussion about pruning practices the group visited the olive orchard of Tatjana Pirra where specialists and participants discussed on the degree of mechanization, density of plants and harvesting techniques. At the end AAC field staff presented a short documentary on advanced harvesting techniques for Arbequina olives.

As follow on to the field day of November 7, the project facilitated a group visit to the farm of the Super High Density Olive grower in Cukas, Bardhyl Hoxha, where participants were introduced to fertigation systems. The farmers were also presented with information and practical know-how on the technology requirements of SHD olive production systems. At the end of the visit, AAC field staff presented a documentary on advanced harvesting techniques for Arbequina olives.

The third field day took place on November 12th 2009; it focused on harvesting techniques for SHD olives with the participation of 30 farmers. Mr. Dhimiter Panajoti, Director of MoAFCP's Technology Transfer Center in Vlora presented a detailed description of the SHD olive production system, including the competitive advantages of SDH versus traditional production systems, highlighting the characteristics presented in Table 4.

TABLE 4. MAIN CHARACTERISTICS OF ARBEQUINA AND LOCAL OLIVE CULTIVARS

Parameter	Traditional varieties	Arbequina
Density Plants/ha)	160	1200-1850
Min temperature	-2	-6C
Ideal soil Ph range	5.5-8.5	5.5-8.5
Drought tolerance	Variable	Good
Resistance		Verticillum
Oil	16-28	20-27%
Harvest		Early
Periodicity	Marked	Low

GREENHOUSE VEGETABLES

Derived from recent efforts by the project in the area of trade promotion; the regional demand for greenhouse vegetables continues to rise, which is significantly contributing to the growth of the subsector.

SUMMARY HIGHLIGHTS:

- 39 loans granted by the Credit Union 'Haba' for greenhouse investment.
- Experiential exchange between Macedonian and Lushnja greenhouse vegetable growers
- Provided technical assistance in conducting rapid soil test.

Given the current growth of demand for greenhouse vegetables, farmers are increasingly interested in expanding the area grown under this technology. The AAC project has assisted several of them through: a) Facilitating contacts with financial institutions, b) providing assistance in the preparation of application packages and c) assessing their repayment ability---on behalf the credit institutions. During the reporting period the project assisted 39 farmers who obtained US\$280,000 in loans.

Besides the benefits inherent to the increase of production, the expansion of area grown to greenhouse vegetables brings about other benefits for the rural communities, including creation of farm jobs, especially for women.

On October 30, 2009 two Macedonian vegetable grower groups, namely Karvic and ALBA visited commercial farmers, consolidators and input suppliers in the Lushnja region. The visit was facilitated by the project with the purpose of exchanging experiences and exploring new markets for Albanian products.

Both groups showed interest in visiting agri-input supply companies such as Bruka Seedling as well as paying a visit to the greenhouses in the area for the purpose of comparing vegetable cultivation practices. The Macedonian visitors made a stopover at Biti&Mo in Divjaka as well as two open fields owned by Xhoi and Lili Kurti, and two greenhouses in Goricaj, owned by Andrea Thomai and Andrea Ziu.

ACC outreach specialists, Macedonian and Albanian vegetable growers exchanged experiences with respect to fertigation schemes, crop protection, and land use cycles in addition to sharing their experiences regarding produce packaging and identification of new markets. AAC's outreach specialists shared insight about production technologies for crucifer crops, carrots, potatoes and greenhouse vegetables. One significant result of the field visit is the high interest of the Macedonian group in ordering vegetable seeds and seedlings from Albania in the early spring of 2010. The latter based on the existing relationships between

seedling producers and reliable global seed companies, as well as on the availability of seeds of cultivars adapted to the region.

AAC provided technical assistance to 18 greenhouse vegetable growers to conduct basic soil analyses with the use of rapid soil tests kits. While the optimal solution would involve carrying out comprehensive laboratory analysis of soil and leaves, given the distance between Lushnje and the closest soil laboratory, rapid soil test kits become a feasible option for the short term. This is particularly relevant in view of the increased use of fertigation with little or no information about soil fertility.

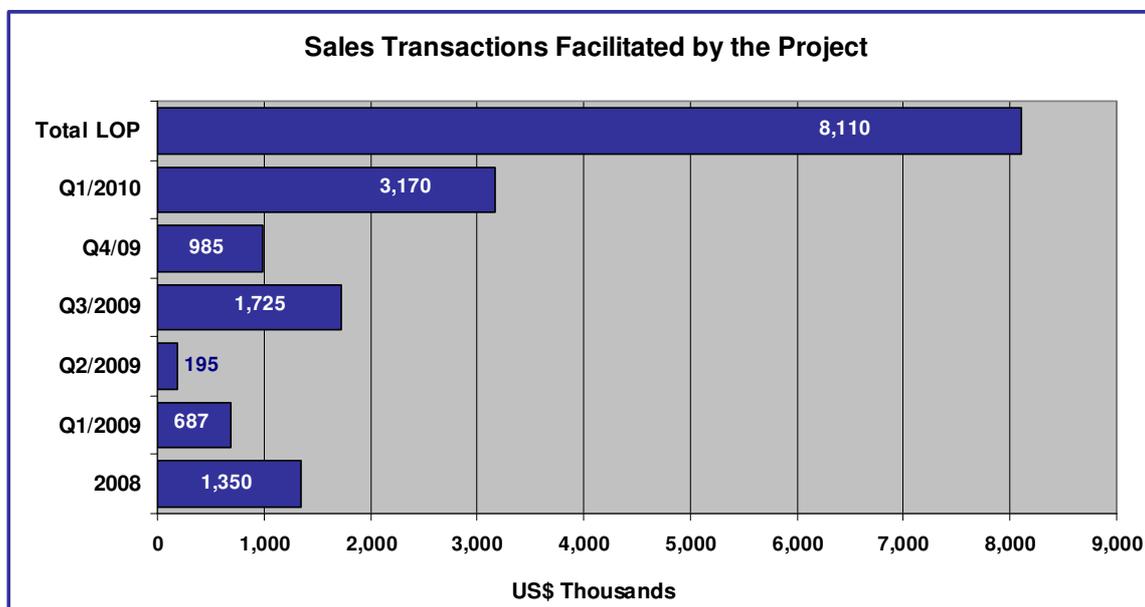
COMPONENT II: STRENGTHEN CAPABILITY FOR MARKET DEVELOPMENT

The first quarter of FY2010 saw the project become a major player in the promotion of Albanian agriculture both within the country, as well as in the regional markets. The strong emphasis in the introduction of quality improvements, product differentiation through improved packaging and branding and an aggressive effort towards trade promotion resulted in over US\$3 million in sales directly facilitated by project staff.

Thirty eight percent of total sales during the reporting period corresponded to exports to 7 countries. The major success of the season was greenhouse tomatoes with record sales of US\$1.55 million, out of which US\$1.01 million, equivalent to 65 percent, corresponded to exports.

This achievement brings the total of sales to over US\$8 million, with positive prospects for the future based on the recent expansion in the number of project clients and the new market channels recently developed.

FIGURE 3. SALES TRANSACTIONS FACILITATED BY THE PROJECT FROM INCEPTION TO QUARTER 1, 2010



TREE CROPS

SUMMARY HIGHLIGHTS:

- Successfully introduced high-quality packaging materials to the Albanian apple industry
- Strengthened links between apple consolidators (cold storage operators) and wholesale traders, which resulted in sales of US\$298,000
- Enabled cold storage operators to participate in the Korça and Kosovo Agriculture Trade Fairs
- Facilitated sales of citrus crops worth over US\$580,000

In 2007, the project began working with apple farmers and consolidators in the Korça region, seeking to address the most salient issues constraining their competitiveness. The project identified three priority interventions that constituted *sine qua non* conditions for the growth of the industry; they were the improvement of apple quality at farm-level, extension of shelf life through cold storage and the introduction of substantial improvements in terms of grading and packaging.

During 2007 and 2008 the project assisted several agribusiness entrepreneurs who became cold storage operators. The project's contribution consisted of assistance for the preparation of business plans, facilitation of contacts with financial institutions and the provision of technical assistance in post-harvest handling and cold storage management with assistance from two international experts.

As of the 2008-2009 marketing year grading and packaging still remained a serious constraint. Apples were sold in bulk and often in recycled banana boxes, which put them at a significant disadvantage when compared to imported fruit.

During the harvest season (September-November) of 2009, project staff and an expert consultant brought by the project insisted in the need to differentiate Korça apples by building an image of superior quality. This prompted a two-pronged approach by the project's marketing team. Taking advantage of the time between harvest and the end-of-year sales, the project produced several box prototypes and presented them to apple traders from Albania, Kosovo and Macedonia, coming up with a model that suited the requirements of both local and international traders.

Project staff carried out subsequent discussions with EDIPACK, the sole supplier of cardboard boxes in Albania and the project made a small investment to produce the cutting and printing dies. This was followed by the facilitation of

discussions between cold storage operators and EDIPACK. Given the hesitation of cold storage operators on the economic feasibility of investing in packaging material, the project disbursed six small in-kind grants of around US\$600 each, enough to provide each cold storage operator with 1,000 apple boxes, as a way to demonstrate the benefits of using high-quality cardboard boxes and branding.

This \$3,548 investment had two immediate effects; a) an increase in revenue of \$4,838 (after discounting the cost of boxes) for the cold storage operators, and b) prompted one of the entrepreneurs to order 40,000 boxes worth USD\$ 25,806.

As a result of the second order of boxes—entirely paid for by the cold storage operators they are expected to sell 400,000 kilograms of Korça apples, properly graded and packaged during the current marketing season—ending in May 2010. A very conservative estimate of incremental returns derived from quality and packaging improvements exceeds US\$67,000 while raising the profile, the reputation and the competitiveness of Albanian apples. This also constitutes a significant step towards closing the price gap between imported and domestic fruit.



Left: Mr. Bardhi Balteza of Edipack and Mr. Jonus Dervishi, AAC client during the Korça Regional Trade Fair (Oct 09) where the design of apple boxes was presented by the AAC Program. Right: Apples being graded and packaged at Muso Frigorifer (Dec 09).

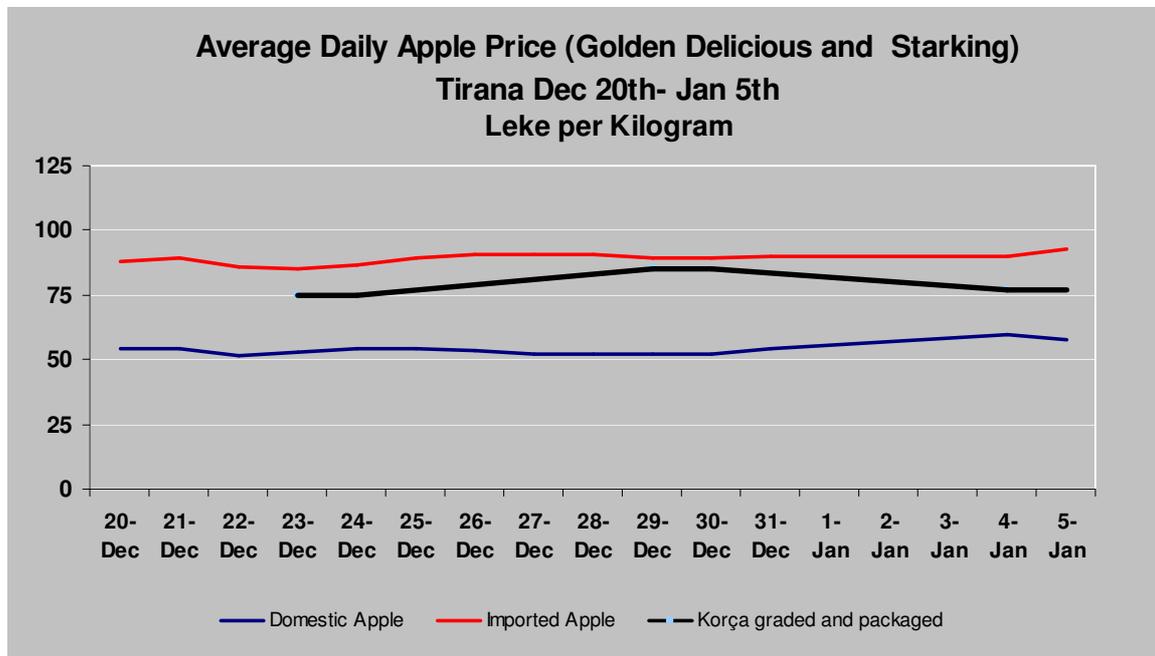
Figure 4 shows the price differential between domestic apple sold in bulk, imported apple and the apples packaged and graded with technical support from the project. In average locally grown apples were sold at 57.5 Leke per Kilogram, while imported apples were sold at 93 Leke per Kilogram resulting in a price gap

of 35.5 Leke per Kilogram, or 62 percent. In contrast with this, apples graded and packaged with project support were sold at an average price of 79 leke per Kilogram, showing an increase of 21.5 Leke per Kilogram, or 37 percent.

The result of this intervention is consistent with the approach of the AAC Program towards improving the competitiveness of local produce, closing the price gap and gaining market share.

Given the fact that cold storage operators had already received and paid for the fruit that was distributed to the retail markets graded and packaged, farmers did not realize higher prices. However, it is expected that in the coming season cold storage operators will reward their suppliers based on quality attributes.

FIGURE 4. PRICE GAINS DERIVED FROM THE ADOPTION OF GRADING PRACTICES AND PACKAGING MATERIALS FOR APPLES, DEC, 2009



In addition to this intervention, the project also facilitated the participation of cold storage operators in the Korça Agricultural trade Fair, as well as in the International Agricultural Trade Fair in Kosovo, all of which contributed to increases in sales.

AAC cooperated with SNV and Korca Chamber of Commerce and Industry for the preparation of a booklet that contains comprehensive information on all apple producers and consolidators in the region. The publication is aimed at helping wholesale traders with information on primary commercial producers in Korca, apple varieties, quantities of production and production forecasts for next years. The publication was printed in 1,000 copies and will be jointly distributed by the three partners to interested traders, processors and trade associations.

AAC's efforts in improving market development for citrus consisted on linking traders from Fier, Tirana and Kosovo with tangerine growers in Saranda. Through

contacts established by AAC, which began during the Kosovo Trade Fair citrus sales by project clients reached 974.34 metric tons with a value of US\$580,411.95, including a 6,000 kilogram shipment to Kosovo.

GREENHOUSE VEGETABLES

SUMMARY HIGHLIGHTS:

- Facilitated sales transactions worth over US\$1.57million
- Linked a producer network with the trading company Agro-Koni to supply supermarket chains EUROMAX and CONAD, replacing an estimated US\$148 thousand of produce imports
- Substantially increased exports of greenhouse vegetables from Gorican and Hysgjokaj (Lushnja region),
- Identified 9 new markets for greenhouse vegetables
- Enabled farmers and traders from Lushnje region to participate in 2 trade fairs, which resulted in an increase in sales transactions
- Supported Albanian vegetable growers to increase their presence in the regional markets through improvements in grading and packaging practices. Exports reached 1,839 metric tons, valued at US\$1.013 million

During the first quarter of FY 2010 the project realized the results of its market development strategy based on product differentiation and promotion. This effort integrates a series of activities to differentiate Albanian products by improving farm-gate quality, providing technical assistance in grading and packaging, and branding. This was coupled with an aggressive promotional campaign to promote Albanian produce in the regional markets, including the participation in regional trade fairs and assistance throughout the negotiation process. This concerted effort enabled greenhouse vegetable growers to sell over US\$1.57 million worth of tomatoes, peppers, eggplants and cucumbers, out of which 65 percent were exported to Kosovo, Montenegro, Macedonia, Serbia, Greece and Bulgaria.

One of several activities that proved to be effective in the promotion of Albanian products was the participation in the International Agricultural Trade Fair in Kosovo, an investment of under US\$1,000 that resulted in several hundred thousand dollars of exports.

Similar to the case of apples, an investment of around US\$1,100 provided four vegetable consolidators with the incentive to invest in the purchase of 12,000 cardboard boxes to export tomatoes. This intervention resulted in a significant success as it facilitated exports of 72,000 kilograms of tomatoes to Kosovo and Montenegro at premium prices, thereby contributing to the overarching goal of upgrading local production.

AAC assisted the negotiations between Agro-Koni and the supermarket chains Euromax and Conad. The position of Agro-Koni was strengthened through the provision of technical assistance in grading and merchandising and access to packaging materials.



Vegetables supplied by Agro-Koni displayed at Euromax Supermarkets, under the brand “The Taste of Albania”

As of December 31 2009, Agro Koni had sold US\$148,000 worth of greenhouse vegetables to Euromax and Conad, replacing imports for a similar amount.

Similarly, following a 6-month negotiation AAC was able to ensure the supply of local produce to Mercator Hypermarket by linking and assisting Mr. Darda a new entrepreneur to meet the standards of the retail chain. As a result of this the national brand The Taste of Albania, developed and introduced by the project, is now present in the three largest supermarket chains present in Albania². This constitutes a significant milestone towards strengthening the position of local suppliers and progressively reduces imports.

As a result of the existing cooperation between AAC and Mercator, the retail chain is currently finding ways to integrate Albanian consolidators working in partnership with the project to supply their network of shops outside Albania.

² The food safety protocols of Mercator require the use of plastic crates, a reason for which branded cardboard boxes are not displayed in the Hypermarket.



Ms. Iris Bakllamaja, Marketing Manager of Mercator during the Opening of the hypermarket in Tirana.

It is worth mentioning that AAC has been working with Mercator since mid 2009 capitalizing on their corporate responsibility policy, which requires store managers to make an effort to procure 50 percent of their products from the host country.

OPEN FIELD CROPS

SUMMARY HIGHLIGHTS:

- Following the approval from USAID to extend project activities to open field crops, the project facilitated sales for over 1,505 metric tons, valued at US\$880 thousand
- Identified and enabled project clients to realize sales in 7 new markets for crucifer crops
- Supported the organization of the first National Watermelon Summit, an initiative of the private sector to discuss opportunities and challenges posed by the growing market for early-season watermelon

TABLES 5 A, B C AND E. DISTRIBUTION OF SALES OF OPEN-FIELD VEGETABLES BY CROP, QUARTER 1 2010

Domestic Sales Target Commodities		
Commodity	Volume(ton)	Value US\$
Onion (fresh)	0.00	0.00
Potato	373.30	134,802.82
Broccoli	38.00	58,064.52
Cabbage	115.00	15,032.26
Cauliflower	66.00	234,748.39
TOTAL	592.30	442,647.98

Export Sales Target Commodities		
Commodity	Volume Ton	Value US\$
Onion (fresh)	0.60	301.08
Potato	1.50	725.81
Broccoli	7.50	28,387.10
Cabbage	134.13	28,263.44
Cauliflower	274.50	117,876.34
TOTAL	418.23	235,752.69

Domestic Sales other Commodities		
Commodity	Volume(ton)	Value US\$
Green beans	0.00	0.00
Leek	0.00	0.00
Lettuce	45.70	41,774.19
Onion (dry)	194.50	75,365.59
Spinach	42.40	43,118.28
Carrot	81.00	40,946.24
TOTAL	363.60	201,204.30

Export Sales other Commodities		
Commodity	Volume Ton	Value US\$
Green beans	0.10	48.39
Leek	61.97	27,209.68
Lettuce (salad)	0.00	0.00
Onion (dry)	0.00	0.00
Spinach	0.00	0.00
Carrot	68.70	32,940.86
TOTAL	130.77	60,198.92

GRAND TOTAL	955.90	643,852.28
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GRAND TOTAL	549.00	295,951.61
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On 25 November 2009, AAC in partnership with its client Bruka Seedling organized the national Watermelon Summit “*Opportunities for marketing Albanian watermelon at home, in Balkans and beyond*” in Divjaka with participation of over 100 farmers, traders and input suppliers from the area. The activity aimed at drawing an analysis of the watermelon market, as well as discussing future opportunities for enhancing product’s access to domestic and foreign markets.

AAC presented an analysis of the issues, obstacles and growth trends of watermelon markets in Albania and the region. Lessons learned from watermelon exports to England were shared and discussed with interested actors of the value chain focusing on the importance of packaging and EU standard regarding quality. Mr Josif Gorreja presented on behalf of Bruka seedling new watermelon varieties, seeds & seedlings, quality and market demand. The presentation embedded a reflection upon best experiences accumulated by the input supplier as well as what needs to be improved in order to achieve production very early in the season, to improve quality and quantity.

Prof. Sokrat Jani from Lushnja Technology Transfer Center in Lushnja presented some of the latest watermelon production and harvesting technologies. Each presentation was arranged based on practical experience to make it easily understood by the audience. Presentations were a reflection of the day to day work of the farmer in both components production and marketing, problems faced with the implementation of the new techniques, which lead to improvement of quality, quantity and earliness. There were discussed issues about harvesting

techniques and marketing issues. Traders from Croatia, Macedonia and Kosovo invited in the meeting presented the market demand about varieties, quality and packaging standards for watermelon and other products. Based on the latter, AAC is currently exploring the possibility of assisting Albanian traders to ship cabbage to Croatia in early 2010.

This is consistent with AAC’s vision of sustainability, which entails the engagement of private sector actors in “planned” production and distribution activities, with technical support from the project.

Following last season’s success with early-season watermelons sold to ASDA Supermarkets, the project is in close communication with the retailer to learn about their requirements for the upcoming season. Meanwhile, the supplier, Bruka Seedling Company is studying the conditions and seeking to reach an agreement regarding the point of release. AAC will continue to assist the consolidation of this relationship, while also exploring other options.

In the area of trade promotion, the project facilitated the participation of progressive entrepreneurs in the Korça Agriculture Trade Fair, organized under the auspices of KASH, as well as in the Kosovo International Agricultural Trade Fair (Table 6).

TABLE 6. PARTICIPANTS IN TRADE FAIRS WITH ASSISTANCE FROM THE PROJECT

Project Clients that Participated in Agriculture Trade Shows				
Company	Activity	Products	Korca	Kosovo
Agro-Koni	Consolidator	Fresh fruits & vegetables		
SEJEGA	Processor	Fruits& vegetable processing		
BITI&MO and Janku	Consolidator	Fresh fruits & vegetables		
Tre Miqte Co.	Processor	Olive oil		
Rakip Muso	Cool Store operator	Apple		
Blerim Becolli	Cool Store operator	Apple		
Engjell Dervishi	Cool Store operator	Apple		
Jonuz Dervishi	Cool Store operator	Apple		
Artur Veshi	Cool Store operator	Apple		
Arben Licollari	Cool Store operator	Apple		

In the Kosovo International Agricultural Trade Fair the Albanian stand, under the brand The Taste of Albania was by far the biggest with over 100 square meters and counted with the strongest participation on the event. AAC focused its contribution on the design and preparation of all the promotional materials for the Albanian booth and individual companies, such as banners for the stands, posters, fact sheets and folders of the individual participating businesses; Worked with the studio design on production of the promotional materials; In cooperation with the fair’s technical group (ELIDA Co.). AAC assisted in the design of the booth, preparation and display of promotional materials of the participating companies prior to the event, and assisted the Albanian exhibitors to present themselves and their companies while also assisting with business contacts.



Mr. Vladimir Pasmaci Representative of Tre Miqte Co. during the Kosovo International Agricultural Trade Fair. Other Albanian exhibitors in the

The activity was officially opened by the Kosovo's President, Mr. Fatmir Sejdiu and the Prime Minister, Mr. Ashim Thaçi, and other high state officials. Both Mr. Sejdiu and Mr. Thaçi visited the Albanian stands and talked to the respective exhibitors. The trade show experience indicated a clear interest of Kosovar clients in products from Albania.

AGROKONI Co., TRE MIQTE and The Apple Cool Store Operators had intensive meetings and negotiations with several distributors and supermarket chains looking at future cooperation. Samples of different kinds of products of these companies were distributed among interested buyers.

However, it was also evident that we are on the very initial stages of participating in the International arena. Although AAC's team is working hard in assisting its clients in finding new markets some big challenges remain. It seems clear that the approach of the AAC project, consistent in the establishment of market linkages coupled with mentorship to enable project clients to meet the specific requirements of buyers is the most appropriate. It is worth mentioning that customers do expect the Albanian exporter to work differently than the norm. Most importers do work with different paying terms in most cases on consignment. The following list represents some interesting companies with potential in trade deals:

- **Elkos Group**—interested in tomatoes and apples, as long as they are properly packaged. *By the end of the reporting period, Elkos Group had already purchased 102 metric tons of produce worth over US\$50,000, becoming a major customer for Biti & Mo.*

- **Xhevat Zymeri**--interested in apples, onions, potatoes and cabbage, among others.
- **MAXI Hypermarket**, Mr. Ramë Idrizaj--interested in Olive Oil
- **EVKO Fresh Fruits and vegetables Trading Co.**, Mr. Agim Humolli;
- **Euro Food Co.**, Mr. Taulant Koshi;
- **Super Mix Prizren**, Mr. Nol Marleku, interested in apples for processing



Kosovo's President and Prime Minister during their visit to the agricultural exhibition and to the Albanian stands in Prishtina.

COMPONENT III: INCREASE ACCESS TO AND USE OF TIMELY AND RELIABLE MARKET INFORMATION

SUMMARY HIGHLIGHTS:

- Extended daily price information from 11 to 22 products and introduced retail prices for the same commodities
- Began broadcasting daily wholesale and retail prices in two national television channels.
- Reached an agreement with the Agrifood traders Union at the wholesale market of Tirana for the establishment of a Market Information and Trade Facilitation Office
- Launched the second cycle of RASTI Training on Entrepreneurship in collaboration with CAAP

By the second week of October, AAC's Market Information System for Trade and Agribusiness (SITA) expanded its coverage from 11 to 22 commodities. The system also extended the coverage to include retail prices from four major markets in Tirana, Lushnja, Fier and Korca.

Retail as well as wholesale prices are collected and disseminated following the divisions of variety, grade and origin. The project continues to produce bi-weekly and monthly analysis on price trends, also looking at wholesale-retail price differentials. Price trend analysis and bi-weekly average prices are periodically published in the KASH Newspaper.

The partnership with SCAN TV and TOP NEWS allowed the project to substantially expand the coverage of the system at no cost.

During this quarter the project produced and published 6 biweekly SITA market reports in the KASH Newspaper "Agrobiznesi" with a biweekly circulation of 800 copies. The market reports provided comprehensive information on average wholesale and retail prices for all AAC

		TREGJET E SHUMICES					
		DOMATE					
		TIRANE			LUSHNJE		
MADHESIA		I	II	III	I	II	III
SERE	46				29	36	
FUSHE	52				37	30	
		FIER			KORÇE		
		I	II	III	I	II	III
SERE							
FUSHE							

Cmimet e prodhimeve te importit ne lek/kg

Format used by Top News TV to present market information provided by the project

commodities, together with price forecasts for selected crops. Market reports also provide export parity price calculations for crops in season, using price data from other markets in the Balkan region

The “Agrobiznesi” newspaper also published an article on branding of agricultural crops, underscoring the rationale behind the promotion of the national brand “The Taste of Albania” introduced by the project.

In December 2009, AAC and Greenmarket made substantial changes to the GreenMarket website, not only to expand the breadth of the data, but also to make it more user-friendly. Now users are able to customize, produce and download time series and graphs. The usage of the website has followed an upward trend since its launch in July, 2009, as shown in Table 7 and Figure 4.

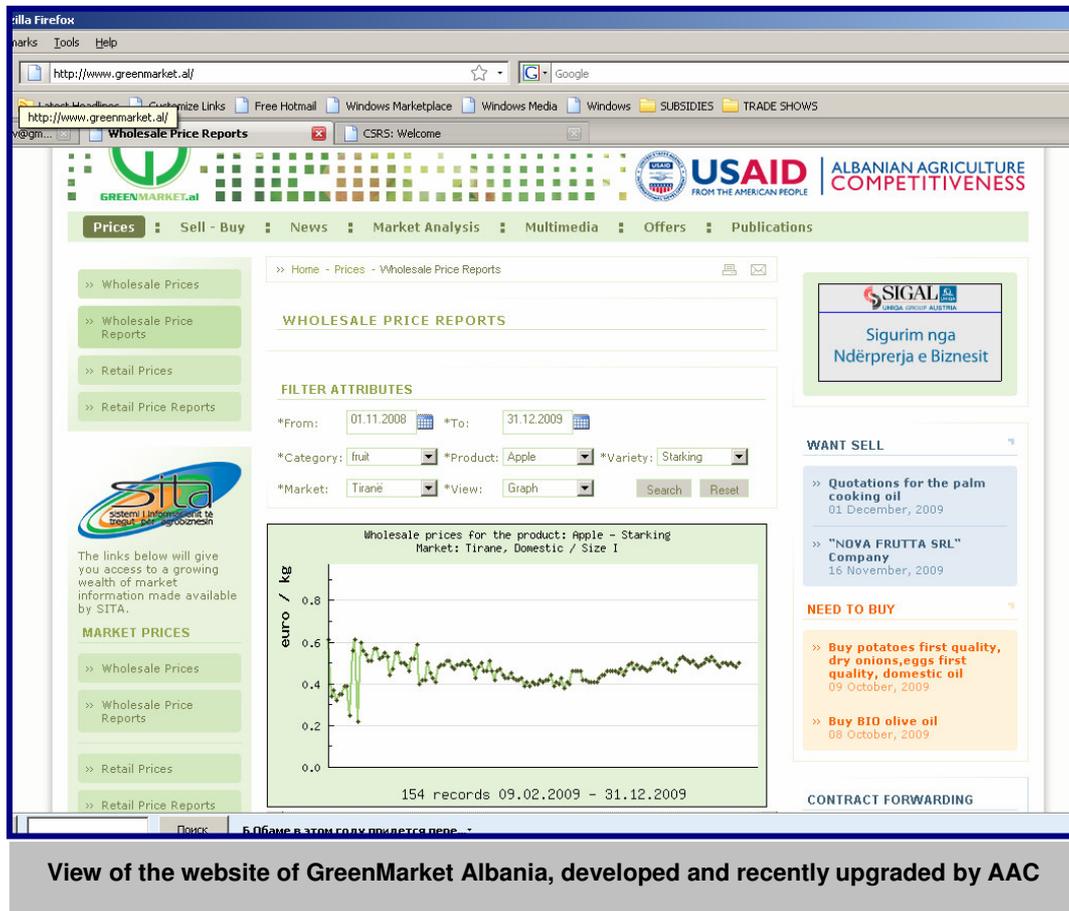
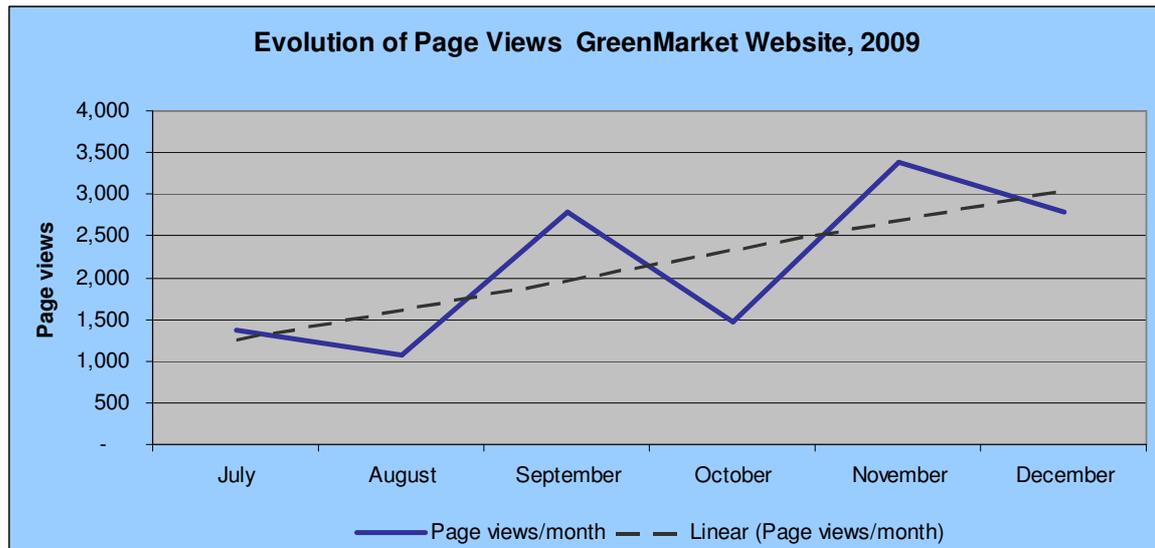


TABLE 7. NUMBER OF PAGE VIEWS SINCE THE LAUNCH OF THE GREENMARKET WEBSITE

	Month	Page Views
2009	July	1,377
	August	1,084
	September	2,795
	October	1,473
	November	3,385
	December	2,780

FIGURE 4. TREND OF THE USE OF THE GREENMARKET WEBSITE SINCE JULY 2009



Beginning in January 2010, the Market Information System will be further strengthened through the establishment of the Tirana Market Information and Trade Facilitation Office, which constitutes the result of the collaboration between the project and the Agrifood Traders Union. The office will enable SITA to collect the volumes traded of each commodity on a weekly basis, thereby contributing to gain in-depth understanding of the underlying factors determining prices. The office will also take the market information a step forward, by sharing market intelligence and facilitating sales transactions between farmer groups served by the project, wholesale traders and also importers in neighboring countries.

The Tirana Market Information and Trade Facilitation Office will be formally opened in January, 2010.

NETWORK OF YOUNG AGRIBUSINESS ENTREPRENEURS FOR MARKETS AND INNOVATION

In November 2009 Common Action Against Poverty (CAAP) a local NGO under a subcontract with AAC, held a five-day training session in business skills, farm management and marketing of agricultural commodities, as part of AAC's RASTI Program.

During this session, 32 young farmers and students from the Korça Region gained practical knowledge on several areas, including:

- How to identify and assess the feasibility of business ideas
- How to prepare and present business plans
- How to manage farm operations more efficiently
- Using market information to assess the economic feasibility of agricultural enterprises

The second part of the program integrates the production of individual business plans, with the help of advisors. The business plans will be presented in the third week of January 2010. The participation of teachers from the Korça Agriculture Vocational School constituted an innovation of the second series of RASTI; their involvement has positive and direct implications for the sustainability of this program aimed to form agribusiness entrepreneurs.

APPLE CONSUMER SURVEY.

The project carried out an apple consumer survey, seeking to identify the determinants of consumers' choice between imported and domestic fruit.

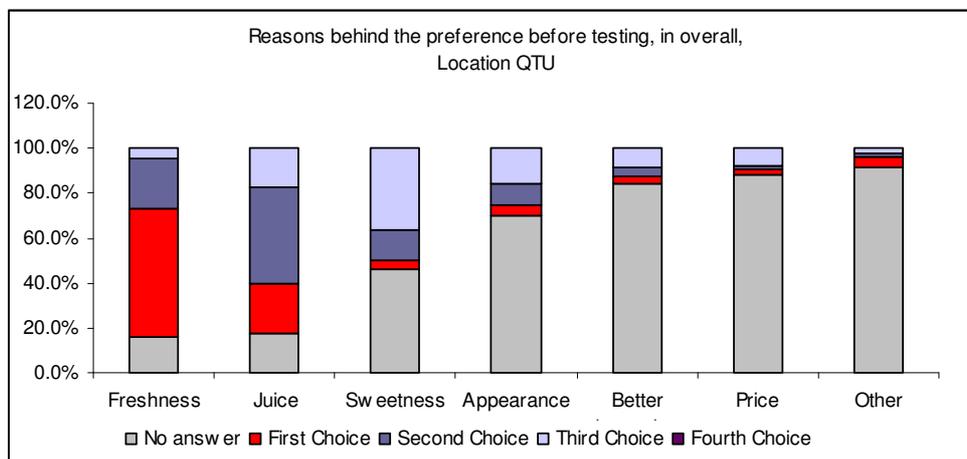
This exercise took place in Qendra Tregtare Univers (QTU) and New Bazaar market as a way to gain insight about consumers across different income levels.

The survey was conducted by post-graduate students from Agricultural University of Tirana. The first part of the questionnaire consisted of randomly asking customers at both venues whether they preferred domestic of imported apples, as well as the attributes that they valued most. Ninety eight percent of people asked at New Bazaar and 83 percent of people interviewed at QTU preferred domestic rather than imported apple, a finding that is consistent with a priori expectations based on income level.



As shown in Figure 5, the arguments behind consumers' preferences emphasized freshness, juice and sweetness as crucial factors affecting their decision.

FIGURE 5. RELATIVE IMPORTANCE OF ATTRIBUTES THAT CONSUMERS VALUE THE MOST IN APPLES



The second part of the survey included blind tasting using samples of imported and locally-grown apples. Forty nine percent of the consumers at the New Bazaar preferred domestic over imported apple while 51 percent preferred imported fruit.

It was observed from the data, that a large portion of Albanian consumers are able to differentiate and recognize domestic apples based on taste. Out of the group of consumers who stated their initial preference for domestic apple, only 9 percent failed to recognize it during the blind tasting.

However, the same cannot be stated for blind tasting of imported apples. Only 21 percent of consumers that stated their preference for imported apple recognized it when given a sample, while the remaining 79 percent believed it to be domestic.

Initial findings show that consumer preference towards imported apples seems to be largely influenced by market perceptions transmitted through price and information about the origin of the fruit. These provide utility to consumers based on a sense of status. If confirmed, this opens the door for the introduction of domestic apples of superior quality, properly differentiated, capitalizing on a privileged segment of consumers.

The data from the survey is currently being analyzed and a report will be released in early February.

CROSS-CUTTING ACTIVITIES

GRANTS PROGRAM

During October-December 2009 AAC disbursed six small grants averaging US\$600. They were aimed at facilitating the introduction of the grading practices and packaging materials.

These relatively small investment addressed an impending issue affecting the competitiveness of apple producers and traders, which was affecting their companies in several ways among them: a) preventing them from competing with imported produce, which is properly graded and packaged, b) preventing them from branding their products and consequently building the reputation of their enterprises, and c) by using recycled packaging materials (e.g. used banana boxes) their produce is perceived as being of lesser quality.

In view of this, the AAC project provided six cold storage operators in Korca region with 1,000 cardboard boxes with the brand *The Taste of Albania* to pack 8 metric tons of products each. The grants constituted a demonstration of how improved grading and packaging practices contribute to an improvement in sales price, thereby closing the price gap between imported and domestic produce.

TABLE 8. LIST OF GRANTEES FOR PACKAGING MATERIALS

GRANTEE	STORAGE CAPACITY	No. of FARMS SERVICED
Jonus Dervishi Cold Storage Facility	250 MT	11 farms
Arben Licollari Cold Storage Facility	400 MT	15 farms
Blerim Becolli Cold Storage Facility	450 MT	18 farms
Rakip Muso Cold Storage Facility	650 MT	65 farms
Engjell Dervishi Cold Storage Facility	180 MT	22 farms
Artur Veshi Cold Storage Facility	550 MT	29 farms

POLICY

Since October 2007 AAC has proposed the introduction of Super-high Density Olive production to farmers of Lushnja region as an option for areas suitable for this technology.

This initiative has been further strengthened through eight training sessions and workshops working closely with specialists of TTC Vlora and providing farmers with information on the requirements and advantages of this production model.

As a way to facilitate the evaluation of SHD olive production in the context of Albania, in 2009 the project financed the establishment of 0.5 hectare a trial plot located at the TTC in Vlora.

Due to the escalating interest of farmers in planting and cultivating SHD olives, a study tour was organized by the project to Spain tour to expose government officials in charge of the Olive Production Subsidy Scheme, as well as entrepreneurs interested in SHD olive production to Agromillora, a nursery specializing in the production of dwarf olive cultivars for SHD olive production.

Late in 2009 the Task Force Group established by the Ministry to design the governmental strategy for the promotion of the olive industry presented their final report, which included SHD olive production. Thus, the concerted effort of the project in the areas of technology dissemination and policy advice had a positive effect in terms of influencing government policy.

In October 06, 2009 the project held a workshop to discuss the strategic priorities to promote the growth in Albania's olive subsector. This workshop brought together the stakeholders of the three different levels of the value chain; olive producers, processors and policy makers, (in total 150 participants) who contributed to identify the problems and challenges at each level of the chain, and in a general session discuss the findings, conclusions and final recommendations.

The Minister of Agriculture, Food and Consumer Protection, Mr. Genc Ruli, and USAID/Albania Mission Director, Mrs. Roberta Mahoney, delivered remarks at the event. The event was also successful in facilitating the policy dialogue between private and public sectors, while providing olive producers, processors and traders with the opportunity to find and propose solutions to the challenges related to the olive subsector.

“Policy decisions made now will effect the future growth of Albania’s olive sector. It is important to make these strategic decisions based on sound economic analysis that integrates input from farmers, traders and processors.”

Roberta Mahoney
Former USAID Mission Director
Excerpt from her remarks at the Olive Strategic Workshop

USAID's AAC staff and lecturers from the Agricultural University of Tirana delivered presentations regarding the economic importance of the olive sector, the current state of the global olive oil markets the competitiveness of the Albanian olive industry.

The presentations highlighted the global trend towards increasing the efficiency of olive orchards, rather than to expand the area where the crop is grown. The event concluded with presentations from private sector groups that identified and prioritized key issues affecting the competitiveness of olive production and processing. The proposals of the participants in the event will be presented to the Ministry of Agriculture, Food and Consumer Protection at the end of month January as the policy recommendations of the private sector.

USAID VISITORS

USAID Interim Mission Director Keith Simmon accompanied by AAC's specialists paid a visit to AAC Lushnja office and discussed sales transactions facilitated by the project. Interim Mission Director traveled down to meet with commercial growers of tangerine in Saranda and olive oil producers in Vlora. As an extension of this visit, the group traveled to Montenegro for meetings with USAID implementing partners and traders interested in Albanian products.



Left: USAID Interim Mission Director visiting tangerine farms in Saranda. Right: interim Mission Director during a visit to MUSAI Olive factory in Vlora.

ILLUSTRATIVE ACTIVITIES FOR THE SECOND QUARTER

Production

- **Promotion of advanced crop Production Technologies**
 - Replication of technology demonstrations that yielded inconclusive results in FY09
 - Set-up crop and variety trials
- **Presentation of Value chain assessments and CDPs for Open Field Vegetables, Citrus crops and herbs and spices**
 - Validation in subsector specific roundtables
 - Submission for USAID review
- **Training**
 - Advanced production technologies for greenhouse vegetables
 - Production technologies for crucifer crops
 - Advanced production practices for olive

Market Development

- **Improvement of post-harvest handling facilities**
 - Analysis and submission of grant proposals to upgrade and build post-harvest handling facilities
- **Promotion of agricultural exports**
 - Follow-up with Albanian consolidators and British retailers on business opportunities for early-season watermelon and other crops. Provide technical assistance
 - Negotiation of airfreight rates for Dubai and other strategic destinations

Market Information System

- **Strengthening and expansion of the MIS**
 - Strengthening of the Tirana Market Information and Trade Facilitation Office
 - Increase coverage of the MIS by providing selected AAC clients with subscriptions of the KASH Newspaper
 - Negotiate with TV channels the airing of promotional spots for SITA's SMS component
 - Training farmers on the use of market information
 - Training wholesale traders in the use of market information

Policy interventions

- Presentation of the Priorities of the Albanian Olive oil Industry to the MOAFCP—delayed due to scheduling problems within the ministry

PERFORMANCE INDICATORS

Indicator		Actual FY 2009	Target FY 10	Absolute Q ₁ /10
Enabling environment				
2.1	Number of public and private institutions undertaking capacity/competency strengthening	25	10	0
2.2	Number of individuals who have received short-term agricultural enabling environment training	268	10	135
2.3	Number of policy reforms implemented	1	3	1
2.4	Number of producers/processors who have received credit	149	150	39
2.6	Number of producers and traders trained in the use of market information for strategic planning, farm management and business decision making	127	200	0

Agricultural sector productivity				
3.1	Number of additional hectares under improved technologies or management practices	417.02	303	0
3.2	Number of producer organizations, trade and business associations assisted	34	35	1
3.3	Number of individuals who have received short-term agricultural productivity training	805	550	34
3.4	Number of agriculture-related firms benefitting directly from AAC assistance	36	30	66
3.5	Number of new markets identified (geographical areas, new products and new buyers)	54	50	60
3.6	Number of transactions completed (contracts signed and/or repeated sales)	1825	110	1329
3.7	Numbers of farmers/firms applying new environmental sound technologies that enhance productivity, production, quality	198	800	0
3.8	Number of additional functioning post-harvest handling facilities in country	15	13	0

APPENDIX
SUPPORTING DOCUMENTS