



USAID | **MACEDONIA**
FROM THE AMERICAN PEOPLE

AGBIZ PROGRAM

FIRST FISCAL QUARTER 2010 REPORT
OCTOBER - DECEMBER 2009

JANUARY 2010

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Implemented by:
ARD, Inc.
P.O. Box 1397
Burlington, VT 05402

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DISCLAIMER

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

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ACRONYMS AND ABBREVIATIONS

| | |
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| AAC | Albania Agriculture Competitiveness Project |
| AC | Activity concept |
| ACDF | Agricultural Credit Discount Fund |
| AD | Activity Description |
| AH&SP | Asbestos Health and Safety Plan |
| AMIS | Agricultural Market Information System |
| ANUGA | Bi annual Food Trade Fair in Cologne, Germany |
| AoF | Area of Focus |
| ARD | Associates in Rural Development |
| AWP | Annual Work Plan |
| B2B | Business to Business |
| BEA | Business Environment Activity (USAID funded) |
| CBI | Centre for the Promotion of Imports from Developing Countries |
| CEFTA | Central European Free Trade Agreement |
| CERM | Confederation of Employers of the Republic of Macedonia |
| CoC | Chamber of Commerce |
| CoP | Chief of Party |
| COTR | Contracting Officer's Technical Representative |
| CPA | Cleaner Production Assessment |
| CERM | Confederation of Employers of the Republic of Macedonia |
| CY | Calendar Year |
| DOC | Development Outreach and Communication |
| DPM | Deputy Prime Minister |
| EBRD | European Bank for Reconstruction and Development |
| ECP | Export Coaching Program |
| EDD | Environmental Due Diligence |
| ELSA | Expedited Local Short term Technical Assistance |
| EMMP | Environment Mitigation Monitoring Plan |
| EMP | Export Marketing Plans |
| EU | European Union |
| EXPRO 82 | Export Coaching Program, organized by CBI |
| FAO | Food and Agriculture Organization |
| FDI | Foreign Direct Investment |
| FF | Fresh Fruits |
| FFRM | Federation of Farmers of the Republic of Macedonia |
| FTE | Full Time Equivalent |
| FV | Fresh Vegetables |
| F&V | Fruit & Vegetable |
| FF&V | Fresh Fruits and Vegetables |
| FY | Fiscal Year |
| FYTD | Fiscal Year to Date |
| GDP | Gross Domestic Product |
| GlobalGAP | Global Good Agricultural Practices |
| GoM | Government of Macedonia |
| GTZ MAFP | Deutsche Gesellschaft für Technische Zusammenarbeit (EU Approximation and Regional Cooperation in the Agro & Food Sector) |
| ha. | Hectare |
| HACCP | Hazard Analyses and Critical Control Points |
| HR | Human Resources |
| IFS | International Food Standards |
| IO | Information Officer |

| | |
|---------|---|
| IPARD | Instrument for Pre Accession Assistance for Rural Development |
| IPPC | Integrated Pollution Prevention Control |
| ISO | International Organization for Standardization |
| IWA | International Women's Association |
| LoI | Letter of Intent |
| LoP | Life of Program |
| M&E | Monitoring & Evaluation |
| MAASP 2 | Macedonian Agricultural Advisory Support Program 2 |
| MAFWE | Ministry of Agriculture, Forestry and Water Economy |
| MAP | Macedonian Association of Processors |
| MBEP | Macedonian Bank for Export Promotion |
| MCP | Macedonia Competitiveness Project (USAID funded) |
| MIS | Management Information System |
| MKD | Macedonian Dinar |
| MLGA | Macedonia Local Government Activity (USAID funded) |
| MoE | Ministry of Economy |
| MoEPP | Ministry for Environment and Physical Planning |
| MoU | Memoranda of Understanding |
| MTV | Macedonian National Television |
| NBRM | National Bank of Republic Macedonia |
| NGO | Non Government Organization |
| NR | Not Required |
| PHH | Post Harvest Handling |
| PIR | Policy and Institutional Reform |
| PIRN | Policy and Institutional Reform Needs |
| PMP | Performance Monitoring Plan |
| PO | Producer Organization |
| PPA | Pollution Prevention Assessment |
| PREDA | Peoples Recovery, Empowerment and Development Assistance |
| PV | Processed Vegetables |
| QR | Quarterly Report |
| RCI | Regional Competitiveness Initiative |
| RfP | Request for Proposal |
| RMI | Regional Market Information |
| SAPARD | Special Accession Programme for Agriculture and Rural Development |
| SEI | Secretariat for European Integration |
| SEMP | Sector Export Marketing Plan |
| SIPPO | Swiss Import Promotion Program |
| SME | Small and Medium Enterprise |
| SNV | Nederlandse Vrijwilligers (Foundation Netherlands Volunteers) |
| SoW | Scope of Work |
| SPPA | Supplement Pollution Prevention Assessment |
| STTA | Short term Technical Assistance |
| TA | Technical Assistance |
| UAR | United Agri Producers |
| UK | United Kingdom |
| USA | United States of America |
| USAID | United States Agency for International Development |
| YTD | Year to Date |
| VAT | Value Added Tax |
| VC | Value Chain |
| VCC | Value Chain Coordinator |
| WGP | Wild Gathered Products |
| WTO | World Trade Organization |

EXECUTIVE SUMMARY

Program Development: During the Quarter AgBiz submitted FY '09 Portfolio Review and Trade Capacity Building Expenditures Reports to USAID/Macedonia, implemented a field trip for the Macedonia Desk officer, received approval for the FY '10 AWP, had a working lunch with the US Ambassador regarding AgBiz and the other USAID EG projects and, most importantly, received an additional \$350,000 in Program funding. The Fresh Vegetables Value Chain Coordinator Vladimir Kokarev accepted a private sector position and a plan for reallocating his responsibilities was developed; M&E responsibilities were reallocated; and the need for and mutual benefits of engaging an Intern to be trained in and assist with general office support was identified, candidates screened and an Intern selected. Fifteen significant outreach events were completed during the Quarter a Fresh Vegetables Market Information Newsletter and three Success Stories were released. Significant cooperation with other entities to leverage AgBiz resources included initiating and hosting a Regional Competitiveness Initiative Agribusiness Conference in Skopje, holding discussions with the DPM regarding export promotion, extending our support for the Regional market Information section of Moja Zemija and signing a contract with MAP for them to coordinate our Processed Vegetables Value Chain work as a means of supporting MAP's sustainability.

Value Chain Competitiveness Enhancement Activities: At the end of the Quarter there were six Activity Concepts "Under Review", six Activities had been internally approved and were in "Being Developed", nine Activities had been approved by USAID and were "Being Implemented" and twenty-four Activities were "Completed". Activities "Being Implemented" at the end of the Quarter were:

- Market Information Newsletters for Each Value Chain;
- Regional Market Information Dissemination in Moja Zemija Magazine;
- Fruit Logistica 2010 Trade Fair;
- HACCP Implementation Support to WGP Consolidator;
- Cost Efficient Group GlobalGAP Implementation and Certification;
- Updating the Agribusiness Finance Manual;
- Assessment of the Interest & Commitment of FF&V VC Participants to Establish a Trade Association;
- Initiation of Changes to the Proposed Law on Forests; and
- Fresh Apple Exports to India.

Activities successfully "Completed" during the Quarter were:

- Application of Contemporary Technologies in Table Grapes Production;
- Storage of Fresh Fruits, Vegetables and Grapes Conference;
- ANUGA 2009;
- CBI Wine Export Coaching Program;
- Support Macedonian Wineries to Exhibit at the Moscow Wine Fair 2009;
- Roundtable to Establish a Process for Developing a Wine Sector Export Promotion Plan;
- Workshop to Provide Winery Input into the MAFWE Wine and Viticulture Strategy;
- SITTA in Assessing Gray Areas in HACCP for the WGP Sector;
- IPARD Training for Managers of Fresh F&V Companies and their Consultants;
- Training in the Requirements for International Food Standards (IFS);
- Wines from Macedonia Promotional Videos; and
- Thirteen Expedited Short-term Technical Assistance (ELSA) activities.

During the Quarter 67 customers from companies (64), producer organizations (2) and one trade association received assistance from Activities, and 251 individuals received training. Twenty six new export customers were identified by Activity participants and more than \$2.1 million worth of initial orders were received as a result of completed Activities. The total cost of Activities completed during the Quarter was \$396,976 and the AgBiz direct cost was \$84,821, for an AgBiz cost share of 21%.

Export Focused, Business Expansion Projects: All 20 signed Projects progressed during the Quarter with no major implementation problems reported. However, slow payment of receivables and difficult access to finance delayed implementation of some Projects. Grantees made good progress on their Environmental Mitigations. Grant implementation procedures were closely monitored and conformed to,

and Value Chain Coordinators met with the CoP to review the progress of each Project. Quarterly Progress Reports were received from all grantees, but with some delays. By the end of the Quarter AgBiz had contributed a total of \$381,673 to the twenty Projects, not including environment related work, and grantees had contributed \$7,030,084. This represents 76% of the AgBiz agreed support and 129% of customers' reported contributions to Projects. One hundred and twenty five percent, or \$7.4 million, of total Project expenditures had been completed by the end of the Quarter. The higher percentage of expenditures than projected is due to the fact that Grantees invested more than projected in Grant Award Budgets. Assuming Projects currently being implemented achieve their initial projections, AgBiz quantitative Project indicators will include \$28.7 million in increased exports, \$14.6 million in increased raw material purchases, \$9.3 million in investments stimulated, 2,704 families benefited with additional income and 500 new jobs created. These are impressive results for an AgBiz/USAID investment of less than \$500,000. During the Quarter a USAID and ARD compliant Grant Close out Procedure was successfully initiated for the first batch of nine Grants.

Enhanced Access to Finance: Improved and detailed access to finance assistance was provided to four companies and four individuals in total amount of \$280,618. Three of them applied for a total of \$237,118 in loans and one received an export insurance policy for their exports to Delta in Serbia. To provide assistance to our customers and transfer IPARD knowledge, presentations regarding IPARD possibilities and requirements were provided to more than 17 participants from 14 companies, where we explained and shared all necessary information regarding IPARD applications. Relevant sources of financing through government programs, as well as the impact of the global financial crises on the Macedonian financial sector was presented to 10 companies from AgBiz value chains and to 20 members of UAP. As a result, four of these individuals asked for and received help in applying for loans totaling \$43,500. Together with the Chief of the Credit Insurance Department of MBEP, we presented to two companies MBEP's Export Insurance product, its advantages and the possibility to use it as collateral. These companies signed a Memorandum for Cooperation with MBEP and subsequently applied for MBEP Export Insurance. An additional ten companies received information regarding available sources and types of finance, and also an explanation of the different product characteristics and advantages to using loans, leases, equity, or other types of financing depending on the companies needs and situation. Estimations of the impact of the global financial crises on the Macedonian financial sector, and how that may affect our customers' loan application processes and approvals were updated. Changes in the loan approval procedures of the leading lending institutions were identified. To present the most current situation in Macedonian financial markets and on all products offered to our customers, and give them a chance to choose the best option, we started updating the Agribusiness Financial Manual.

Policy and Institutional Reform: Policy and institutional reform (PIR) needs that were identified, prioritized and discussed with sources of reform during the Quarter included the Multiple Taxation of the WGP Exporters, Non-tariff Barriers Imposed on MK Apple Imports by the Albanian Government, Stimulating Private Sector Input into the Draft Wine Law, Reforms Needed in Regulations Related to Seasonal Workers and Reduction of Import Duties for Off- season Imports of Fresh Peppers for Processing. During the Quarter we developed an extensive Prioritized Agribusiness Policy and Institutional Reform Paper and advised the USAID Policy Reform Consultant on agribusiness-related PIR needs. The Paper included a description of PIR needs and recommendations for their resolution, including Uncoordinated GoM Approach to Competitiveness Enhancement of Agricultural Products, Weak Control over Seasonal Traders, Weak Coordination of and Support for Export Promotion of Agribusiness Products, Weaknesses in the MAFWE Direct Subsidies Scheme and Problems Associated with Multiple Food Safety Authorities. During the Quarter AgBiz continued to work closely with the Shumski Plod Association to help its members understand the current provisions of the tax regulations proposed by the public forest management enterprise Makedonski Sumi, and to develop and refine proposals to be incorporated in the new Law on Forests, that in its current form is very unclear as to how it will impact WGPs.

Operational Challenges Encountered: Most of the external operational challenges previously reported remained in effect during the Quarter, including the global economic crisis resulting in weak export demand, slow receivables payment and difficult access to finance, difficulties in IPARD implementation, weak and uncoordinated GoM support for exports and value chain participants' lack of understanding and appreciation of the role of producer organizations and trade associations. Internal challenge include the amount of total Program funding available to support our customers and fully implement the value chain competitiveness enhancement Activities we need to accomplish over the LoP, especially during the

current economic crisis, the difficulties of stimulating appreciation for and use of market information and how to implement PIR when there is only one functioning trade association and very minimal organization at the producer level.

Performance Indicators: Progress toward achieving nearly all qualitative Program objectives was very satisfactory during the Quarter. Since the Quarter represents 25% of the FY, an indicator that is at least 25% accomplished can be said to be on schedule. Therefore, the previous trend of overachieving quantitative indicators continued this Quarter in that all but one of the FY '10 indicators was exceeded by more than 25%. However, indicator achievements are not necessarily evenly distributed throughout the year, so we will remain vigilant regarding accomplishing our FY '10 indicator results. The Number of Trade and Business Associations Supported were under achieved on an YTD basis since work on developing the Wines of Macedonia Exporters Association and the Fresh Fruits and Vegetables Exporters Association is progressing slowly. Eleven Processed Vegetables Value Chain customers exhibiting at the Anuga 2009 and the participation of four wineries at the Moscow Wine Fair 2009 resulted in nearly \$2.1 million worth of new orders, achieving 56% of our entire FY '10 projection. AgBiz contributed an average of 14% of the total direct cost of the Activities and Projects implemented during the Quarter, thus achieving very good resource leveraging.

1.0 REVISED FORMAT

1.1 REVISED STRUCTURE OF THE QUARTERLY REPORT

AgBiz is constantly striving to determine the optimal structure for our Quarterly and Annual Reports. This optimal structure would involve a format that represents both a time efficient production process and a reasonably comprehensive review of work and accomplishments during the quarter. It is important that the writing and production of quarterly and annual reports do not take a significant amount of time away from achieving Program objectives, yet these reports are important for United States Agency for International Development (USAID), Associates in Rural Development (ARD) and Team AgBiz to measure Program progress and results.

The format used in this Quarterly Report (QR) is based on recent versions of QRs that were organized on a value chain basis, and adds two new features: 1) all ten of the AgBiz Areas of Focus (AoF) established in the FY '10 AWP are reported separately and in the same format, and 2) that format involves reporting on ongoing work (Activities, Projects, etc.) in a matrix format, and completed work in the usual dialogue format. We hope this will reduce the amount of staff writing time needed, yet offer the reader a reasonably comprehensive description of the work and accomplishments of the Program during the Quarter.

Using this format saved some writing and production time for this QR, but the amount of time required is expected to decrease as staff becomes more familiar with the format and production process. We welcome QR report reader's comments on the revised format and the QR in general

The first three sections of this QR present Program work and results on each of the value chains AgBiz was supporting during the Quarter. Value chain work is presented in a comprehensive format, i.e., value chain development, Activities and Projects are presented in an integrated section. This structure makes it easy to understand the range of work that took place during the Quarter in each of our value chains. These single value chain presentations are followed with a section describing work on the seven cross cutting Areas of Focus, i.e., Activities that relate to more than one value chain. Each individual value chain section was authored by the relevant Value Chain Coordinator (VCC) and the Cross Cutting Activities section by the responsible Area of Focus Coordinator.

The Area of Focus presentations are followed by sections on Operating Challenges Encountered, the Financial Report and Plans for the Second Quarter.

1.2 DEFINITIONS

Each of the following sections presents Activities and Projects in the stage of development they were in at the end of the Quarter. The definitions of these stages of development used for all Activities and Projects are shown below and are not repeated within each section.

FURTHER REVIEW Activities that were being considered at the end of the Quarter, but implementation arrangements had not been developed, nor had USAID approval of the potential activity been requested.

UNDER DEVELOPMENT Activities that were being developed at the end of the Quarter, but implementation had not started. These Activities have been approved by USAID, and Agreements with partners and participants were being developed but have not been signed. Total Cost and AgBiz Share projections are shown when available.

BEING IMPLEMENTED Activities/Projects that were underway at the end of the Quarter. These Activities had been approved by USAID, agreements with partners [Letter of Intent (LoI)] and

participant MoUs had been negotiated and/or sub-contracts signed with service providers. The projected Total Direct Cost and AgBiz Cost Share are shown for each.

COMPLETED Activities/Projects that were completed during the Quarter. The Total Direct Cost and AgBiz Share are shown for each.

ON HOLD OR DROPPED Activities that were considered but not pursued during the Quarter. The reason they were dropped is noted.

An **ACTIVITY** is a value chain competitiveness enhancement event that is designed for multiple customers in one or more value chains, and includes trade fairs, study tours, human capacity enhancement/training, value chain profiles, assessments, policy reform evaluations and B2B meetings. AgBiz usually supports Activities by direct payments to service providers.

An **ELSA** or Expedited Local Short-term Technical Assistance is used to support customers to implement short term technical assistance activities that have the objective of enhancing the customer's export competitiveness. ELSAs are developed and implemented by the customer utilizing USAID procurement requirements. AgBiz support is provided via a three party agreement with the customer and the selected services provider whereby the customer and AgBiz direct pay the service provider upon successful completion of the work. The maximum value of AgBiz support to an ELSA is \$4,000.

A **PROJECT** is a set of business expansion interventions jointly funded by a single customer and AgBiz, designed to increase the competitiveness and export sales of the customer. Typical Project expenditures are to construct new facilities or buy new equipment, to design new packaging or brochures, to enter a new market via paying for slotting allowances, in store demos or advertizing or promotion programs, or to provide technical assistance. AgBiz contributions to a Project are supplied via a grant.

2.0 FIRST QUARTER ACCOMPLISHMENTS

VALUE CHAINS

2.1 FRESH FRUIT AND VEGETABLES VALUE CHAIN - LOVRE RISTESKI, VALUE CHAIN COORDINATOR

Value Chain Overview

Fresh Fruits

Currently the fresh fruit component of the Fresh Fruits and Vegetables (FF&V) value chain is composed primarily of customers involved in table grapes and fresh apples. Macedonia has a long standing fruit growing tradition combined with good climatic conditions. Around 6,000 hectares (ha.) of land is currently planted in table grapes, potential vineyard land is around 10,000 ha., and the cost of labor is comparatively low. 70% of vineyards are owned by individuals. Production has been stable to increasing over the last 10 years: around 60,000 tons of table grape and 120,000 tons of apples. Apple production is mostly located in the Prespa region in south east Macedonia. Fresh fruit (FF) exports are currently estimated to be \$50 million, one of the largest of agriculture-based products. Many people are involved in inputs supply, production, harvesting and post harvest activities, so maintaining and growing fresh fruit exports is important from both economic and social stability perspectives, especially for apples in the Prespa area. In last ten years nearly all FF exports went to ex-Yugoslav markets. Today, competition is more substantial and aggressive in these traditional markets, so Macedonian competitiveness enhancement is needed. Most products are exported in bulk, but that is becoming less and less demanded and more value added products are needed. Improving the image of Macedonian fresh fruits, and market diversification are both needed for serious growth. Supporting investments for new, modern packing centers that meet EU standards will help maintain this large and important export business. Therefore, an exposure to new technologies and improved access to finance is essential for the enhanced competitiveness of fresh fruit exports.

The Government is financially supporting plantings new vineyards, and there are also possibilities for loans at favorable interest rates and Instrument for Pre Accession Assistance for Rural Development (IPARD) funds access. AgBiz conducted several workshops to help our customers and consultants to be prepared to develop IPARD applications.

Fresh Vegetables

Out of total food and food product's exports from Macedonia of around \$254 million, 20.6% is from exports of the top five fresh vegetables - peppers, tomatoes, cabbage, cucumbers and melons. In the last ten years, the total value of exports for these five products increased from \$16.2 to \$52.2 million with the largest growth being derived from tomatoes and cabbage. Pepper exports showed a significant decrease as a direct result of growth in the domestic vegetables processing industry where peppers are one of the main raw materials, and production of outdated local varieties. There are many problems regarding post harvest handling of fresh vegetables in Macedonia. Currently there is very minimal post harvest value adding or quality preservation taking place, since most products are shipped directly from the field without any sorting, calibration, cooling or other post harvest activities needed for price improvement and compliance with European market standards and demands.

Export markets for fresh vegetable products are also ex-Yugoslav countries, but this is slowly changing. These markets are open for fresh vegetable products from other countries, multi unit retail chains are

becoming more important and in the last few years consumers in these countries are also changing their habits. This is a big challenge for Macedonian fresh vegetable exporters since it is questionable if Macedonian exporters are ready for European Union (EU) style products and marketing, especially regarding post harvest handling and packaging. The Russian market is also an option that has become more relevant in the past few years. However, very few Macedonian fresh vegetable exporters have developed links with Russian importers, and the risks associated with selling to Russian markets have to be considered.

The short term focus of AgBiz for the Fresh Fruits and Vegetables (FF&V) value chain for export competitiveness enhancement is: support for the creation of modern packing centers; organizing individual producers and changing traditional procurement practices, i.e., introduction of different prices for different quality; increasing the shelf life and quality of products and ensuring the standards required by EU markets; stimulating the formation of a Fresh Fruits and Vegetables Exporters Association; and organizing Business to Business (B2B) meetings with the most relevant European buyers. Grading and sorting, although such equipment does exist, is rarely done because it is perceived as not being required by customers in ex-Yugoslav markets. There are also significant cold chain development and continuity issues.

2.1.1 Detailed Accomplishments vs. Projected Objectives - Activities

The following matrix reposts the results achieved for each Activity versus the objective for that Activity established in the last Quarterly Report. Reports on completed Activities are presented in section 2.1.4 below.

| Activity | Expected Result | Result Achieved |
|---|--|--|
| Parma Trade Fair Support – Equipment/Cross Cutting with Processed Vegetables | Approved Activity concept (AC) and Activity description (AD) | Dropped due to low customer interest since the fair overlaps with Fruit Logistica. BioFach Trade Fair for Wild Gathered Products (WGPs) is a possible substitute |
| Fruit Logistica 2010 | Develop a Request for Proposal (RfP) for stand construction, receive three quotations, select a vendor | Developed an RfP for stand construction, received three quotations, selected a vendor, signed LoIs with participants, and organized all trade fair participation preparations |
| Rotterdam Study Tour & B2B Meetings - to establish the foundation for future exports & study modern Post Harvest Handling (PHH) | Activity implemented | Activity postponed to April as a follow-up to Fruit Logistica. Contacts made at Fruit Logistica will be followed up with B2B meetings as part of this Study Tour |
| A PHH Study Tour to Poland for apple producers & consolidators | Activity concept and Description approved | Poland was replaced with Hungary and AD approved |
| Application of Contemporary Technologies in Table Grapes Production – Aljansa | Activity completed | Completed (see Section 2.1.4.1) |
| Fresh Apple Exports to India with Macedonia Competitiveness Project (MCP) | Samples sent to India | Samples sent, direct linkages established & partnership relations initiated between the Indian company and Swision-Agroplod Resen. Rumko from Resen was selected for calibration & packing of the first trial shipment (see Section 2.1.4.2) |
| Regional Post Harvest Handling Conference | Activity completed | Completed (see Section 2.1.4.3) |
| World Food Trade Fair Exhibition in Moscow, Russia (Three months Follow-up) | Three months Follow-up Report Completed | Completed (see Section 2.1.4.4) |
| Tirana Trade Fair Follow-up | Three months Follow-up Report Completed | Completed (see Section 2.1.4.5) |

| Activity | Expected Result | Result Achieved |
|--|--|----------------------------------|
| ELSA Venec HACCP Implementation | Activity completed | Completed (see Section 2.1.4.6) |
| ELSA Migori Apple Packing Center Design | Activity completed | Completed (see Section 2.1.4.7) |
| ELSA Stefanov HACCP Implementation | Activity agreement amended and completed | Completed (see Section 2.1.4.8) |
| ELSA United Agri Producers (UAP) | Activity completed | Completed (see Section 2.1.4.9) |
| ELSA Dusan Ciric Promotional Materials Development | Activity agreement amended and completed | Completed (see Section 2.1.4.10) |
| ELSA Vivi Prom Feasibility Study for Onion Calibration and Packaging | Activity agreement amended and completed | Completed (see Section 2.1.4.11) |

2.1.2 Detailed Accomplishments vs. Projected Objectives – Projects

This matrix reports on the progress on Projects Being Implemented.

| Project Title | Objective | Result Achieved during the Quarter |
|--|---|---|
| LEDRA AGRO Improved Quality and Competitiveness of Seedless Table Grape Exports | Continuous high quality production of seedless table grapes from newly planted vineyards; install drip irrigation on 45 hectares of table grapes to improve yields by 10 – 15%, reduce water use and improve the quality of grape production; improve post-harvest handling via upgrading the pack house to pack grapes in modern cardboard boxes; improve the competitiveness of the company's products and achieve a better price; and increase table grape exports by up to 20%. | During the Quarter the application of new ampelotechnical measures and modern science in the production process resulted in improved control over harvest timing and obtaining a more attractive cluster. Application of special fertilizers and protective substances resulted in fewer residues, contributed to an increased price for fresh grapes and improved sales during the Quarter. A problem solved during the Quarter was providing additional water for irrigation. With AgBiz support, Ledra Agro drilled an additional well and connected it to their drip irrigation system. The results of this increased water supply will be visible in the next season. Ledra Agro signed a contract with members of the Faculty of Food and Science for providing training on the use of pesticides on an annual basis, and performing regular analyses of their water as per Macedonian law. |
| GD TIKVESH Improving the Quality of Table Grapes and Establishing a Packing Center | For GD Tikvesh to become the leading Macedonian producer, marketer and exporter of table grapes. The biggest challenge for the company is to modernize its grape growing operations, increase the quality of table grapes purchased by improving growers' ampelotechnical measures, install a drip irrigation system and improve post harvest handling. Adding value will enable GD Tikvesh table grapes to become more competitive and attractive in foreign markets. | GD Tikvesh made several improvements in their cooling chambers by using modern equipment and techniques for enhanced energy efficiency and quality of cooling. As a part of their packing center development GD Tikvesh constructed a pre-cooling tunnel to quickly achieve the desired temperature of grapes. During the Quarter they also improved their humidity control and sulfur supply systems. To insure a better quality of grapes, GD Tikvesh implemented new post harvest techniques learned during the California Study Tour and via direct contacts with experts. GD Tikvesh completed GlobalGAP certification for their table grapes and started preparations for improved nursery production of rootstock, also based on lessons learned during the California Study Tour. With help from the Project supported marketing program, GD Tikvesh completed plans for adding value to their products through packaging for EU markets in an acceptable and attractive way. |
| PECA KOMERC Establishing a Modern Produce Packing Center | Increase the standardization and quality of the company's products; create additional capacity for expansion into new markets; construct and equip a modern fresh produce packing center on company land with the equipment required to successfully | The Peca Komerc owner used knowledge gained during the California Study Tour to apply new techniques for cooling and marketing table grapes, properly utilize sulfur and temperature during pre-cooling and storage, organize and operate the cooling chamber and achieving efficient use of energy. During the Quarter Peca |

| Project Title | Objective | Result Achieved during the Quarter |
|---|---|---|
| | pack and store fresh produce; the facility will achieve improved product temperature control; enable packing of fresh table grapes, tomatoes, peppers, cabbage, cucumbers, peaches and apricots into standard size boxes with standardized weight and quality; modernize the process for adding sulfur to the storage chamber; and implement HACCP. | Komerc made the new packing center operational. After submission of documentation to the proper authorities and receiving a Building Permit, construction activities were finalized including the floor, walls and the roof. Peca Komerc purchased new equipment for the pre-cooling chamber, and all elements including the special doors are now in place. They started packing small quantities using the pre-cooling chamber with very satisfactory results. The remaining equipment planned for the Project has been purchased. During the Quarter, Peca Komerc finished HACCP implementation and established new contracts for supplying seedless table grapes to EU markets next season. |
| AGROHEMIJA Establishing a New Packing Center | Establish a full-fledged model pack house including a calibration line and cooling chambers. Specifically - increase the quality and value of production through proper grading, packing and cooling; decrease product losses and achieve uniform final products; increase the efficiency and reduce the cost of post harvest activities; increase rural employment generation by creating new job opportunities; and implement the HACCP standard. | Packing center fully finalized and operational. Improved post harvest handling. Increased export in UK and Germany. Brochure design finalized and paid by grantee. Customers value added product fully satisfied the market requirements. Global Gap certification of primary production and HACCP implementation in the packing center are completed. The final version of their new promotional brochure will be sent to AgBiz Program for approval. After submission of a Request for Reimbursement Agrohemija will be reimbursed. |
| AGROS 2004 Establish a new model of harvest and post harvest activities on 30 hectares of peppers | Increase the quality and value of production through proper harvesting, grading and packing; increase productivity and reduce the harvest season workload through harvest mechanization; increase efficiency and reduce the cost of post harvest activities; increase rural employment by creating new job opportunities; and produce to the GlobalGAP standard. | Completed (see Section 2.1.5.1) |
| BADZO Improving the Competitiveness of Fresh Vegetable Exports | Increase awareness of the company's value added products; increase the quality of exported fresh products; increase the stability of products during transport; and extend the shelf life exported products | Completed (see Section 2.1.5.2) |

2.1.3 Activities Initiated this Quarter

| Activity Initiated this Quarter | Activity Description | Progress this Quarter |
|---|---|---|
| Study Tour for Apple Producers in Hungary | Expose apple growing, consolidating and exporting businesses from the Prespa region to the fresh apple practices, techniques & technologies utilized in Hungary | Developed and gained approval for an Activity Description, developed an RfP, selected a Hungarian Service Provider and signed a Lol with UAP. |

2.1.4 Competitiveness Enhancement Activities Completed during the Quarter

2.1.4.1 Application of Contemporary Technologies in Table Grapes Production

DESCRIPTION Alijansa Kavadarci deals with the production and trade of table and wine grapes, fruits and seedlings. The total area of their table grape vineyard is 20 ha. Varieties include Ribier 7 ha, Kardinal 7 ha, Muskat Italy 5 ha and White Winter 2ha. The Ribier, Muskat Italy and White Winter varieties are cultivated using “odrina” and Cardinal is cultivated using the “shpalir” trellising system. Average yield is around 10 t./ha. with a packed price of 18 MKD/kg. The company also has its own buy-out center and a cooling facility with 200 MT of refrigeration capacity. The cold store is used to hold grapes and other fruit before sale on both local and foreign markets. Alijansa received personnel training and knowledge transfer to apply contemporary table grape production and post harvest handling technologies. The company performed trial application of the new production and post harvest technologies for table grapes based on technologies observed during AgBiz-supported study tours to South Africa and California. Professional guidance in developing the trials, selection of appropriate inputs, their timely and appropriate application as well as analysis of the trial results and developing recommendations was provided. Dissemination of the trial results to increase the understanding and knowledge of other value chain participants about the benefits that can be derived to their bottom line and their marketing and sales success from this technology transfer was also part of the Activity.

OBJECTIVE Increase the export competitiveness of Macedonian table grapes by stimulating the adaptation and application of the modern production and post harvest technologies observed during international study tours; increase competitiveness and maintain market share of Macedonian table grapes in existing regional markets, and increase market share on EU markets; increase table grape participants’ knowledge of new production, post harvest management and marketing technologies and practices, as observed during the study tours in South Africa and California; apply selected production and post harvest technologies on several commercial table grapes varieties in Macedonia; assess the cost: benefit results of the trails; and provide hands on training regarding the results of the trials.

PROCEDURE During implementation the following procedures were successfully completed: assessed the present table grape production in Alijansa vineyards and especially those parts proposed for the trials; conducted experiments with gibberellins acid on the Muskat Italia variety; developed recommendations for implementation of “Y” trellising for the Cardinal variety; collected relevant information need to develop a cost versus benefit analysis; and delivered recommendations based on the field trials to Alijansa for their consideration. Also implemented a Field Training Day for participants from the value chain; and conducted a final workshop to present the trial results and recommendations. All tasks have been completed and are described in the final report prepared by Prof. Dr. Krum Boskov. (For more details, see Appendix 6.2.4: “Results Report Application of Contemporary Technologies in Table Grapes Production”).

FOLLOW-UP During the Quarter we monitored implementation of the trials to make sure the trial was being implemented according to specifications. After successful completion of the trials, with exception of the vines that were damaged by hail, the field day presentation and workshop was conducted. A report was produced and is a good source for determining the effectiveness and applicability of the technologies used. The report is available to interested producers and companies involved in table grape production.

COST Total Cost: \$19,530; AgBiz Share: \$4,530 or 23%.

2.1.4.2 Fresh Apple Exports to India with MCP

DESCRIPTION USAID’s Macedonian Competitiveness Project (MCP), in their efforts to identify Foreign Direct Investment (FDI) sources, approached a potential partner in India interested in exploring the possibility of buying Macedonian fresh fruits and vegetables. Based on this initiative, several conference calls including AgBiz staff were organized. The Indian company is a broker that has dealt with fresh fruits and vegetables from India, Cyprus, Kenya and the Dominican Republic for more than 20 years. Sending apple samples to the potential buyer has been established as the first step toward establishing linkages with the India market.

OBJECTIVES Establish a linkage between the Indian trader and Macedonian exporting companies in the fruit and vegetables value chains; identify opportunities for profitable trade relations; explore the

possibility for FDI in an apple collecting center and cold storage in Resen and facilitate further cooperation.

OUTCOME AgBiz provided relevant information regarding the availability of Macedonian fresh produce, the local supply situation, various opportunities for engaging farmers to produce crops according to buyers specifications, setting up a collection center and commencing high volume exporting as well as investing in seedling production centers to ensure higher yields per hectare and share know how regarding the latest produce farming methodologies. AgBiz supported completion of the documentation required for shipping apple samples to India. After receiving comprehensive background information on the Indian company and sharing that with produce companies in Macedonia, AgBiz arranged sending apple samples to India. The Indian company received the samples and after quality examination, expressed interest to purchase apples from Macedonia. After several meetings with all possible suppliers from Macedonia, direct linkages were established. Indian company representatives made a visit to Macedonia to personally assess the situation and initiate partnership relations. “Swisslion Agroprod Resen-Agrar” and “Rumko” from Resen are the companies selected to make the first trial shipment after calibration and packing.

FOLLOW-UP All necessary steps for making a trail shipment are defined, but there are issues that are restricting the possibility for large and continuous exports such as proper post harvest cooling and packing facilities and transport arrangements.

2.1.4.3 Regional Post Harvest Handling Conference

DESCRIPTION AgBiz has identified technical capacity enhancement of Macedonian fresh produce operators to help them to better understanding the needs of the value chain and to plan Activities to address the priority needs as a key strategy. Regional technical workshops can play a significant role in implementing this strategy.

OBJECTIVES The objective of this workshop held on the 9th and 10th of November in Strumica was to improve the capacity of Macedonian fresh produce operators to adopt and utilize more productive, cost efficient and quality improving post harvest technologies for fresh produce products that have good export potential by implementing a series of technical assistance interventions and training. The presenters were regional specialists who provided insights into post harvest handling from their studies and experience in Balkan countries.

OUTCOME More than 50 owners/managers of Macedonian fresh produce exporters participated in the workshop and enhanced their knowledge of post harvest handling procedures and practices. The export competitiveness of the participating exporters was enhanced as a result of the training through using materials from the workshop, applying procedures at packing centers, and establishing good relations between international consultants and the Faculty for Agriculture and Food from Skopje. The transferred technology will be documented in a manual and guidelines on post harvest handling improvement and adaptation of new post harvest handling and management practices and technologies. (For more details, see Appendix 6.2.2: “*Results Report Storage of FF&V and Grapes Important Component of Export Grapes Production*”).

COST \$24,072 AgBiz Cost \$2,393 or 10%

ISSUES The manual for post harvest technology is in Serbian and needs to be translated.

FOLLOW-UP As a follow up to this activity AgBiz will develop a series of other activities to support the continued adoption of improved post harvest handling practices for fresh produce such as study tours in Croatia or Bulgaria, local and international Technical Assistance (TA) in cold chain design and management and follow up Short term Technical Assistance (STTA) on the application of comprehensive post harvest planning for the more advanced AgBiz customers.

2.1.4.4 World Food Trade Fair Exhibition, Moscow Russia (Three Months Follow up)

DESCRIPTION World Food Moscow is one of the most relevant Trade Shows in the Russian Federation where companies demonstrate their products, share their experience, and analyze current market trends and competitors’ activities. Serious players in the Russian food products market, both well established companies and those planning to enter the market participate in the trade fair World Food Moscow. For a company actively engaged in the Russian food market, World Food Moscow s an efficient platform to look for importers or dealers. An evaluation of the results of participation in World food Moscow was completed at the end of November. On the basis of one-on-one meetings with each

participant information was collected regarding negotiation processes, orders obtained and potential transactions which could be realized within five months as a result of the Trade Fair participation. Details related to individual results and a summary of the evaluation is provided below.

SUMMARY OF RESULTS Contracts with new clients: Rudine established contacts with importers from Russia and agreed to start exporting for the next season with a projected value of 200,000 EUR. The actual total value will be reported at the end of the season. After the Trade Fair Rudine negotiated with several other buyers from Russia. Agrohemija had a promotional export to Russia of Victoria table grapes valued at 18,000 EUR. They have continuing negotiations with other importers and distributors. After the Trade Fair Zegin started negotiations with buyers from Russia they met at the Fair. GD Tikves cancelled any further negotiations. All companies agree to a follow up in the form of B2B Meetings in April and to continue negotiations with the contacts they established at the Fair.

2.1.4.5 Tirana Trade Fair (Three Months Follow up)

DESCRIPTION AgBiz learned about the Trade Fair in Tirana from Albania Agriculture Competitiveness Project (AAC) representatives and the web site of Trade Fair organizers. Fresh apple participants were informed by AgBiz staff about the possibility of organizing a Study Tour, and their response was very positive. The issue of undeveloped trade with Albania was mentioned several times by value chain participants during our discussions, and therefore this activity was well accepted by value chain participants as a chance to improve trade linkages with Albania, and ultimately increase exports. Albania is a neighboring country with a population of around 4 million. Albania and Macedonia, due to past politics haven't had very good economic cooperation, and therefore trade linkages have not developed in a satisfactory manner. However, apple exporters see Albania as a potential market due to its proximity and the standard of living - which is similar to Macedonian - and therefore suitable for placement of lower priced apples. According to statistics, Macedonian export of apples to Albania is quite small, and therefore there may be an opportunity to increase exports to the country. Total Albanian apple imports in 2008 were US\$10.8 million, out of which the Macedonian share was only US\$1.1, or only 10% of the total. The other main 2008 importing partners were Italy with 49% and Greece with 39% of total imports.

OBJECTIVES Obtain first hand information about the competition and the requirements of the Albanian market, and have an opportunity to meet apple consolidators and distributors to discuss possible cooperation and be able to learn about quality and packaging requirements and prices in this market.

OUTCOME Participants in the Study Tour were able to meet and discuss business with the leading Albanian importers, producers, processors and retailers. It was a good opportunity for them to understand the situation in the Albanian market, varieties present and demanded varieties. Also, customers had a chance to become familiar with the quality, packaging and prices of fresh apples in the market. During the Study Tour very successful B2B meetings were organized with representatives of the two biggest retailers in Albania and the Region. Also individual meetings were organized with relevant importers and processors from Albania. A potential \$300,000 Purchase Order was agreed during the meetings, which can be the start of successful future cooperation. The participants met companies that produce saplings and learned about the quality, origin, varieties and compatibility of these varieties as well as prices and the possibility of purchasing and importing. At the trade fair we had a very interesting meeting with USAID AAC Project and Nederlandse Vrijwilligers (Foundation Netherlands Volunteers) [SNV] ProMali Program representatives. Both Programs are very active in supporting the fresh apples sector. We had a chance to exchange information and experience and provide our customers with contact information of Albanian companies to establish trade links. We also initiated possible cooperation between companies from Macedonia and Albania for second grade apples; in Macedonia there are a lot of second grade apples, whereas in Albania there is a demand for the same. During the Fair an AgBiz staff member participated in a panel discussion organized by USAID's AAC Project and shared information regarding the Macedonian fresh fruits and vegetables export potential and post harvest handling of fresh products in Macedonia, as well as the influence of USAID's AgBiz Program on improved post harvest handling of fresh produce.

COST Total Cost: \$3,262; AgBiz Share: 1,100 or 34%.

FOLLOW-UP AgBiz staff will continue to monitor post trade fair developments and report on any new business cooperation established as a result of participation in the Tirana Study Tour. Also, the participants have been instructed to report if any changes in production, post harvest technologies or marketing being implemented by them as a result of participation in this Activity. We will also follow-up

on the possibility of organizing additional B2B meetings in cooperation with AAC Project and the SNV project.

2.1.4.6 ELSA Venec

DESCRIPTION Venec is an agricultural company from Dolni Disan that was registered in 1956. Its core businesses are wine and table grape growing on 300 of their own hectares, and wine production. Until 1993 the company performed well by exporting to Yugoslav markets, but then lost their traditional markets. Currently a large portion of their production is sold to foreign markets, but through other Macedonian companies. Venec believes that by implementing HACCP in their table grape packing and wine production operations they will be able to increase their export sales and ensure fulfillment of domestic safety standards. In the near future Hazard Analyses and Critical Control Points (HACCP) will be a requirement in the domestic market. Venec submitted an ELSA application for technical assistance to implement HACCP in both the table grape packing center and the winery, and the application was approved by AgBiz.

OBJECTIVES Implement HACCP; improve the overall quality image of the company and the products the company sells; and increase export revenue and profitability.

OUTCOME A Scope of Work (SoW) for HACCP implementation was approved by AgBiz and delivered to Venec for them to solicit offers from qualified vendors. After receiving the implementation offers, AgBiz and Venec determined the best Service Provider and signed a three party contract for implementation with Goran Kolev as vendor. During the Quarter the selected Service Provider worked with Venec to establish a HACCP-based food safety system which was immediately put in practice. Then a certification company was engaged by Venec to verify the system. Upon successful presentation of a functional system, Venec was awarded a certificate for International Organization for Standardization (ISO) 22000 - the standard which covers the HACCP-based food safety system-and ISO 9001. Upon receiving proof of Venec payment to the certifier and proof that the certification process was successfully completed, AgBiz paid our agreed share to the Service Provider. Therefore the ELSA was successfully completed.

FOLLOW-UP AgBiz will continue to monitor the progress of Venec in meeting all legal requirements for food safety and achieving additional export sales success, since the ISO 22,000 certificate can serve as added value adding to Venec's products.

COST Total Cost: \$7,570; AgBiz Share: \$3,905 or 50%

2.1.4.7 ELSA Migori

DESCRIPTION Migori was founded in 1991, and until 1998 its main business was agricultural equipment sales. Migori then started trading apples, first on the domestic market and later exporting to Russia and EU countries, mainly Greece and Bulgaria. In 2004 Migori begun producing apples, and in 2008 production totaled 20 tons. Migori also owns facilities it is planning to remodel into a cold storage and packing center. The Migori ELSA was to provide support for developing a business and feasibility plan for adaption of its existing facilities into a cold storage and packing center.

OBJECTIVES Improve the post harvest activities of Migori's apple trading business by introducing new technology for apple storage and packaging; extend the storage life of their apples and reduce losses in fresh apple quality; expand their cold storage capacity and sales of value-added products, and thereby increase exports and profit.

OUTCOME AgBiz and Migori determined the best Service Provider and signed a three party contract for implementation of the SoW and completion of all deliverables with Mashinotehna. A feasibility study and a business plan for adapting their existing facilities into a cold storage and packing center was developed and presented to company representatives and an AgBiz staff member.

COST Total Cost: \$7,322; AgBiz Share: \$3,622 or 50%.

FOLLOW-UP The results from this Activity and the business feasibility of such an operation can be shared with other interested parties in a way that sensitive information on Migori operation is not exposed to their competitors.

2.1.4.8 ELSA Stefanov

DESCRIPTION Stefanov is an agricultural company that was registered in 2005. The owner and manager have 20 years experience in the fresh fruits and vegetables business. The company has its own

cold storage and other needed infrastructure, established via its own investment. Its core business is purchasing and exporting table grapes. In the last few years Stefanov has specialized in table grape exports to Russia, Belorussia and the Ukraine. The company believes that through HACCP implementation, export sales of table grapes can be expanded to other countries and will ensure fulfillment of domestic food safety standards. Therefore, Stefanov submitted an ELSA technical assistance application for implementation of HACCP, and their application were approved.

OBJECTIVES Fulfill the requirement for implementation of HACCP; improve overall quality image of the company and the produce it sells; and increase export revenue and profitability.

OUTCOME A SoW for HACCP implementation was approved by AgBiz and delivered to Stefanov for them to solicit offers from qualified vendors. After receiving implementation offers, AgBiz and Stefanov determinate the best Service Provider and signed a three party contract for implementation with Goran Kolev as vendor. During the Quarter the Service Provider established a HACCP-based food safety system that was immediately put in practice. Once the system was operational, a certification company was engaged by Stefanov to verify the system. Upon successful presentation of the fully functional system, Stefanov was awarded a HACCP based food safety system certificate. Upon receiving proof of payment to the certifier and the proof that the certification process was successfully completed AgBiz paid our agreed share to the selected implementation Service Provider. With this the ELSA was successfully completed.

COST Total Cost: \$7,700; AgBiz Share: \$3,887 or 50%.

FOLLOW-UP AgBiz will monitor the progress of Stefanov in passing all legal food safety requirements and in achieving additional export sales success since HACCP certification can serve as a value adding tool for Stefanov's products.

2.1.4.9 ELSA United Agro Producers from Resen

DESCRIPTION The Confederation of Associations of United Agri Producers from Resen (UAP) is a non-governmental and not-for-profit organization established in 2004 by associating of five agricultural Non-Government Organizations (NGOs), with a registered office in Resen. UAP target members are all apple producers in the municipality of Resen. UAP cooperates with producers through their community associations and was established to accomplish the common goals and tasks in the programs of the founding associations which are to approach new, primarily western European markets, without disturbing existing markets, and enable Resen area apple growers to produce apples that meet world market standards. UAP submitted to AgBiz an ELSA technical assistance application to develop, organize and implement an educational program for its members on the methods for and benefits from soil, air and water pollution reduction.

OBJECTIVES Raise awareness among Resen area apple growers about the need for sustainable and ecologically clean production, a prerequisite for better apple quality; promote new and more efficient techniques for apple production; educate local apple growers about the need for reducing soil, air and water pollution caused by the use of inorganic (mineral) fertilizers and pesticides; and promote the results achievable from the introduction of integrated protection of apple production.

OUTCOME SoW for the Activity was reviewed and eventually approved by AgBiz and a three party contract was signed with the selected Service Provider. During the Quarter the vendor finished and published the brochure, held 10 workshops where more than 100 farmers were exposed to new techniques in apple harvesting and 1,000 copies of the brochure was distributed in the Prespa region.

COST Total Cost: \$6,235; AgBiz Share: \$3,092 or 50%.

FOLLOW-UP UAP will hold additional workshops where farmers will be exposed to new techniques in apple harvesting and a new printing of the brochure will be distributed to additional apple growers. This Activity is therefore now successfully completed.

2.1.4.10 ELSA Dusan Ciric

DESCRIPTION Dusan Ciric is a Rosoman-based agribusiness, a 100% export oriented company and one of the largest and most successful Macedonian producers, consolidators and exporters of fresh fruits and vegetables. To improve their marketing and sales, the company wants to develop a comprehensive, new marketing plan. The reason for reexamining and reconfiguring their marketing strategy and plans is the cost inefficiencies the company has observed in marketing their fresh peaches in recent years. Also, the company plans to produce and market new products in late 2009. Dusan Ciric has a business plan to grow and start marketing 150 metric tons of asparagus annually. To increase its visibility and ability to

reach a larger customer base with information on Dusan Ciric as an enterprise and its product offerings, the company applied for AgBiz support under ELSA to establish a World Wide Web presence.

OBJECTIVE Establish a high quality Dusan Ciric website to provide potential customers easy access to all of the company's marketing materials from anywhere in the world. The website must also attract and provide useful information to potential strategic partners interested in a joint venture with Disan Ciric.

OUTCOME Website designed according to the requirements of the three party contract and SoW. Obligations regarding payment completed.

COST Total: \$6,091; AgBiz Share: \$3,057 or 50%

FOLLOW-UP Dusan Ciric will regularly update and maintain the website with aim to improve its exposure to potential clients.

2.1.4.11 ELSA Vivi Prom

DESCRIPTION Vivi-Prom Bogdanci was established in 1991 and at present has seven employees, while the number of seasonal workers reaches up to 55. The main business of the company is production and trade of a variety of fresh fruits and vegetables. 95% of the companies' sales are to export markets. Vivi-Prom wants to expand into the production and export of calibrated and, in the future, chopped and frozen onions. To do so the company needs to build separate facility. The result of this expansion will be an increased number of employees, and an expanded assortment of products they can offer. At the moment, the biggest impediment for export expansion is the lack of modern equipment, specifically packing and sorting machines, to significantly improve the companies' operating efficiency and decrease the time necessary for product delivery. The ability to meet strict deadlines and quality requirements are the main determinants to the companies' success. Vivi-Prom applied for AgBiz support under ELSA to develop a feasibility study and prepare the technical documentation for building a cooling chamber and installing the required equipment. Their application was approved.

OBJECTIVES Assess the feasibility of a Vivi Prom business expansion project for enhanced post harvest handling of onions, including grading and packaging by developing a 1) a Feasibility Study for a post harvest handling facility for onions including calibration, packaging and cold storage, 2) complete technical documentation and a product flow layout for construction of the cooling, calibration and packaging facility for onion and the equipment for the same and 3) A Business Plan (investment program) for the purpose of raising a commercial loan.

OUTCOME After the presentation of the initial results that proved the justification for this investment, the vendor developed a feasibility study and presented it to Vivi Prom and AgBiz staff. The feasibility study justified this investment and gave additional detail and guides regarding the finalization of this investment.

COST Total: \$11,865; AgBiz Share: \$3,461 or 29%

FOLLOW-UP Vivi Prom will utilize and further enhance this Feasibility Study in order to invest additionally in building a cooling chamber and installing the required equipment. The study will be also used as a base for developing IPARD application or for Ministry of Agriculture, Forestry and Water Economy (MAFWE) Rural Development Program.

2.1.5 Export Focused, Business Expansion Projects Completed during the Quarter

2.1.5.1 Agros 2004

DESCRIPTION Agros 2004 was founded in 2004 by the Farmers Association – Agros, joining some 500 members from five regions. This Project is addressing quantity and quality issues related to harvesting that directly affect the scale and professionalism of pepper production, through procurement of a harvesting machine. The Project will compare the reduction in farmers' workload from use of the harvest aid with the usual labor intensive manual harvesting.

The overall objective of the Project was to establish a new model of harvest and post harvest activities that would reduce the seasonal workload for farmers, increase farmer productivity and production competitiveness and reduce production costs through the introduction of specialized harvesting equipment.

A. Brief comparison of actual Project accomplishments versus goals and objectives.

Objective: Increase the quality and value of the products produced through proper harvest, grading and packing

Accomplishments:

- Produced and marketed of 270 MT of peppers on 30 ha.;
- Successfully produced and marketed 1,150 tons of vegetables (industrial peppers) even with the unfavorable weather conditions and diseases outbreaks;
- Achieved reasonable success at being paid on a timely basis for marketed vegetables (2 million Macedonian Dinar (MKD) pending out of 13 million in sales);
- Successful marketed products with an average price 10% higher than projected;
- Directly exported of 25% of total production.

Objective: Increase the productivity and reduce the seasonal workload through mechanization of harvest activities and increase the efficiency and reduce the cost of other post harvest activities.

Accomplishments: New harvesting equipment was successfully introduced; a model for new harvest and post harvest handling practices for peppers was established, demonstrated and determined to be relevant for replication on regional and national levels, thus solving one of the biggest problems, the shortage of seasonal labor, that directly affect exports of fresh peppers; the serious shortage of seasonal labor that the average farmer faces for proper harvesting, sorting and grading during the buyout season was therefore addressed by demonstrating that harvest aid could be successfully utilized; this involved the successful selection and procurement of a specialized harvest aid machine that significantly enhanced the picking and loading of products with excellent quality and higher than expected harvesting productivity improvements. An analysis of the harvesting aid was prepared and showing the benefits/labor savings from its use. Procurement of support equipment (2 t/trailer, electric winch and modifications to the harvesting aid) enables easy transport of the harvest aid so it can be used to provide harvesting services to Agros members and other farmers; arrangements for harvesting services using the harvesting aid were finalized. Trainings of harvest aid operators resulted in further improvements in the use of the equipment. Experience in its use and modifications to the equipment now able it to handle significant loads, e.g., watermelons of up to 15 kg. The training completed resulted in sufficient operator knowledge to assess the full capabilities of the harvest aid, and to generate a cost benefit analysis. The harvest aid was tested on watermelons, melons and industrial tomatoes with very satisfactory results.

Objective: Increase rural employment generation by creating new job opportunities.

Accomplishments: Increased rural employment was generation by creating new job opportunities for rural people not involved in agriculture (diversification of economic activities) by being employed as operators for the harvest aid. The successful assembly, adaptation and trial of the equipment resulted in an initial agreement for renting the harvest aid for use on watermelons for a period of 75 days for approximately 10% of the value of the equipment.

Objective: Introduce the Global Good Agricultural Practices standard (GlobalGAP)

Accomplishments: Implementation of Quality Assurance standards on Agros' production of 30 ha.

B. Reasons why any established Project objectives were not met, if that was the case.

Project objectives were met, but receivables problems, especially with domestic buyers, make it difficult for a producer organization to be successful.

C. Other pertinent information.

- A market for harvesting aids and harvesting services is slowly emerging in Macedonian agriculture.
- Markets for farmer organizations production are difficult to develop due to the chronic lack of buyer working capital and therefore extended receivables terms.
- Significantly stronger purchasing power is noticed when dealing with export versus domestic customers.
- Investments in upgrading of the harvest aid equipment were successfully implemented.
- Special arrangements for the safe transportation of the equipment were developed and utilized by Agros 2004.

2.1.5.2 Badzo

DESCRIPTION Badzo is a Fresh Fruits and Vegetables trading company with annual exports of around 9,500 tons and buy-out relations with vegetable and fruit producers all over the country. The Project is to assist Badzo to succeed in export markets by supporting the construction of a new post harvest temperature control chamber, and improving the quality assurance of Badzo's products for EU markets through HACCP implementation.

A. Brief comparison of actual Project accomplishments versus goals and objectives.

Badzo is a fresh fruits and vegetables trading company with annual exports of around 9,500 tons and buy-out relations with vegetable and fruit producers all over the country. The Project is to assist Badzo to succeed in export markets by supporting the construction of a new post harvest temperature control chamber, and improving the quality assurance of Badzo's products for EU markets through HACCP implementation.

Objective: Increase the quality of fresh products, the stability of products during transport and the shelf life exported products. One of the primary objectives is to maintain established relations with supermarket chains such as Billa in Croatia, and to develop new relations in Russia. EU markets remain an opportunity, although there is great competition from Spain and Turkey and additional tariff barriers for Macedonia as an exporter. For example, imports of fresh (young) potatoes are not acceptable to the market due to typical packaging being too large. The products are usually packed in large bags, of which the smallest is 6.5 kg. Badzo plans to develop smaller packages that could be more attractive for the supermarket chains and more consumers oriented.

Accomplishments:

- Completed upgrading of the pack house;
- Purchased and installed new pre-cooling equipment;
- Produced and marketed 4,500 tons of tomatoes, cucumber, peppers on 10 ha.;
- Successfully produced and marketed 10,000 tons of vegetables, even with the unfavorable conditions and diseases outbreaks of last season;
- Achieved reasonable success at being paid on a timely basis for marketed vegetables;
- Successfully marketed products with a 15-20% higher average price than projected;
- Directly exported of 96% of total production;
- Increased export sales by 250,000 EUR versus 2008; and
- Increased the quantity of land utilizing new Dutch technology by 2 ha. each year.

Badzo puts a lot of effort into marketing its products, including being promoted in two Italian magazines as among the largest producers of fruits and vegetables in Europe and countries around the Mediterranean. The company is on the list of largest producers/traders companies from Europe, Turkey and North Africa and is listed on almost all national and regional business directories and yellow pages.

Badzo also, produces leaflets for its potential clients in Europe.

The new packing center is now operating according to specifications and management expectations. The chilling and ripening room is enhancing the competitiveness of the company's fresh vegetables exports by giving them additional shelf life and quality that meets the requirements of EU and Belorussian markets.

An important Project component was implementation of the pre chilling or heat removing facility as part of the packaging and cooling center. A quick reduction in the temperature of the products before loading is important for shelf life and quality maintenance. The temperature control chamber supported by the Project also enables Badzo to heat products to stimulate ripening, and is being used for up to 1,000 tons of different fresh products. Therefore, the Project-supported facility has created additional benefits to Badzo such as: the ability to maintain the quality of products for a longer period of time; increasing the shelf-life of products; decreasing cooling costs by almost 8% and the ability to hold and sell products when the market price may be higher versus immediate sale.

To improve their overall operations and make efficient use of their new, modern packing center, Badzo made the following improvements in their overall operations during the Project term: raw materials are now be purchased from all over the country in large quantities and in several categories of quality; Badzo is now able to purchase larger quantity of fresh products based on long term trust-based relations with

producers, sales agents and large production companies; Badzo has increased the quantities purchased from individual farmers and production companies; Badzo supports these individual producers by providing them quality seedling materials and appropriate fertilizers, which enables better quality production; the quality of raw materials has been significantly increased by the producers with whom Badzo has developed partnership relations - companies that are following modern techniques and principles of production. Important Badzo pack house assets are modern equipment for calibration and packaging of its products. Products can be sorted into different categories and packages that respond to market (client) requirements. These actions and Badzo's increasing sales confirms the company's reputation of being a significant player in the fresh fruits and vegetables sector. AgBiz support to the Badzo Project represents a significant contribution to increasing Macedonian fresh vegetable exports, especially, "out of season" vegetables, and is a model for fresh vegetables export success.

Objective: Implement and certify HACCP in the packing center.

Accomplishment: HACCP implementation at the packing center has been started and completed. The certification process has not been completed.

B. Reasons why any established Project objectives were not met, if that was the case.

While all other parts the Project have been finalized, part of the workers' dressing room and toilets are not finished due to problems caused by the global financial crisis and delayed receivables payments, so the company cannot finalize HACCP certification procedures.

C. Other pertinent information.

- More than 96% of the sales of Badzo are exports while only 2-3% is for the domestic market.
- The Badzo managerial structure of very vertical, with one General Manager and two main positions in charge of accounting & finance and transport & logistics.

2.1.6 Work Completed During the Quarter Summary

During the Quarter, exporting fresh fruits and vegetables was the main work of FF&V Value Chain (VC) customers. The results from improved pre-harvest operations for table grapes supported by AgBiz, such as the installation of drip irrigation and improved pruning and trellising, resulted in better quality fruits. The positive impact of improvements in post harvest facilities, such as pre cooling, enhanced existing cooling systems and modern packing centers, was also significant. To complete these investments, some of our customers applied and successfully accessed loans from the Agricultural Credit Development Fund (ACDF) fund with support from AgBiz. To enhance their export sales, and more safely enter new markets where they do not have established relations, customers increased their interest in and use of export insurance, as introduced to them by AgBiz.

The most significant AgBiz accomplishments during the Quarter included: implementation and certification of HACCP in four companies and ISO 22000 in one company utilizing ELSAs; GlobalGAP certification in 14 companies; supporting fresh apple customers to send trail samples in India to establish new market linkages; finishing a feasibility study for apple cold storage and packing center; feasibility study for cooling chamber for fresh vegetables; development of website and the application of contemporary technologies to table grape production. IPARD training was held for participants in the FF&V VC; we initiated establishing a FF&V exporters association; supported a Regional Post Harvest Handling Practices Seminar and implemented an International Food Standards (IFS) training program (reported on in the Food Safety AoF section).

The most significant fresh fruit and vegetables objectives for the next quarter are further work on improving post harvest handling via organizing workshops; export promotion activities through B2B Meetings and a Study Tour to Hungary; supporting customers to exhibit at Fruit Logistica; and ongoing help to access finance, especially IPARD. Successfully completing implementation of the four grants that are scheduled to be finished at the end of March 2010 is also a priority for the next quarter.

2.2 PROCESSED VEGETABLES VALUE CHAIN CONTRACTOR - MACEDONIAN ASSOCIATION OF PROCESSORS

Value Chain Overview

The Processed Vegetables (PV) value chain plays an important role in Macedonian agribusiness. The industry is very export oriented, has continuously improved its performance in terms of increases in production and value of exports over the last decade and is very labor demanding. The VC consists of around 55 companies, and most participants produce final products packed glass jars, but also in tins or plastic, a few have drying and/or freezing facilities, while the remainders have combined processing lines. The vast majority of participants are micro or small enterprises. The industry increased the quantity of vegetables purchased in 2008 in comparison to 2007 by 30% or 68,300 tons. Red peppers are the most important raw material for the industry, representing nearly 50% of total raw material purchases. Between 2003 and 2008 the industry had a continuous increase in production, mainly due to increased demand for Macedonian processed goods by foreign buyers, and domestic market growth resulting from strong penetration of the retail chains and changes in the lifestyle of the population.

The Macedonian processing industry has a strong export orientation and its processed products currently enjoy a positive reputation among food importers from the region and the EU. The very favorable trading regime between Macedonia and the EU, and further liberalization, especially as a result of the Central European Free Trade Agreement (CEFTA) should further enhance the industry's competitive position. EU and neighboring markets are the main export destinations for the processed products. Exports to the EU market in 2008 contributed 48% in volume and 52% in value to the total of exports, while the Serbian market was the second biggest destination accounting for 27% in volume and 23% to the value of total exports. Overseas markets [particularly Australia and United States of America (USA)] are very important export destinations due to the large communities of immigrants from Macedonia and other Balkan countries living there.

The VC is highly dependent on domestic production for its raw materials. High import tariffs and complicated procedures for importing fresh produce for processing requires the industry to rely almost exclusively on arrangements with private farmers, enterprises and cooperatives involved in primary production and intermediaries such as traders that supply the industry. Contract farming is insufficiently utilized as an efficient mechanism to organize the production and supply of raw materials for the industry. Also, raw material prices vary significantly, depending on the demand for fresh produce in the region and fluctuations in production. This acts as a serious impediment to the industry reaching its full potential and to complete larger export contracts. The lack of cooling and storing facilities within the industry is another obstacle that prevents better organization, planning and implementation of marketing plans.

The processed vegetable processing industry is represented by the Macedonian Association of Processors (MAP), a trade association established in March 2002. The Association has no political character, is a not-for-profit organization and currently has 27 full time members. The objectives of MAP are to further develop the fruit and vegetable processing industry and to contribute to economic growth and increase employment in the Republic of Macedonia.

2.2.1 Detailed Accomplishments vs. Projected Objectives - Activities

The following matrix reposts the results achieved for each Activity versus the objective for that Activity established in the last Quarterly Report. Reports on completed Activities are presented in section 2.2.4 below.

| Activity | Expected Result | Result Achieved |
|-----------------------|---|---------------------------------|
| ANUGA 2009 Trade Fair | Activity completed and results reported | Completed (see Section 2.2.4.1) |

2.2.2 Detailed Accomplishments vs. Projected Objectives – Projects

This matrix reports on the progress on Projects Completed.

| Project Title | Objective | Result Achieved during the Quarter |
|---|---|------------------------------------|
| DENTINA Production Capacity Expansion and Export Marketing and Sales Support | Improve and increase the productivity and processing capacity of Dentina, and design and launch additional marketing and promotional activities - mainly in store promotions | Completed (see Section 2.2.5.1) |
| BONUM Export Market Entry and International Organization for Standardization (ISO) Compliance | Become more competitive and effectively market to multiple outlet retailers, particularly in Serbia | Completed (see Section 2.2.5.2) |
| LARS Improve and Increase the Productivity and Capacity of Drying | Maintain and further upgrade Lars position as the leading Macedonian producer, marketer and supplier of dehydrated products to food processing clients by becoming a just-in-time supplier of high quality processed dehydrated vegetables, following strict quality and food hygiene/safety criteria, and building long-term partnerships with customers | Completed (see Section 2.2.5.3) |
| VIPRO Construction of a New Vegetable Processing Facility | Support first phase of the new facility - the adaptation and reconstruction of buildings in into a HACCP certified processed factory that can respond to the needs of processed vegetables customers and help Vipro become more competitive | Completed (see Section 2.2.5.4) |
| AVTO RIA Establish and Operate a New Processing System for Onions | Become a well known, respected and financially sustainable company for the production, processing and sale of fresh and frozen onions on domestic and foreign markets, conforming to all international norms and standards | Completed (see Section 2.2.5.5) |

2.2.3 Activities Initiated this Quarter

| Activity Initiated this Quarter | Activity Description | Progress this Quarter |
|---|---|---|
| Study Tour for the MAP Managing Board - to a well developed association from the EU | Learning best practices in regards to association strengthening and income generating from well developed trade associations | Activity postponed for March, 2010 |
| Study Tour and B2B Meetings in the Czech Republic | Increased awareness about potential exports to the Czech market, new contacts & promotion of Macedonian products | AC and AD completed and approved |
| Workshop on Improving Backward Linkages of PV VC Participants | Improved cooperation between PV VC participants & introduction of contract farming concept | AC and AD completed and approved |
| MAP General Assembly | MAP general assembly meeting took place on November 04 in Negorci near Gevgelija. There were 18 vegetable processing companies present on the meeting | During the meeting MAP coordinator informed the members about planned additional MAFWE subsidies for primary producers that would contract with and deliver their produce to domestic processors. He also discussed the Czech Republic Study Tour, and obtained interest for participation from 11 companies. The Assembly concluded that members had no interest in participating in the Skopje Agrifood Fair, |
| Presentation on Gast Fair 2010 | The PV Coordinator participated in a presentation | Prior to the presentation the PV Coordinator communicated with PV VC companies asking their |

| Activity Initiated this Quarter | Activity Description | Progress this Quarter |
|---------------------------------|---|--|
| | the Gast 2010 Fair in Split, Croatia, organized in the Macedonian Economic Chamber. Gast is a potentially important fair for PV companies that would like to sell to the HoReCa sector. | interest in participating in the event. Although it was announced that Macedonian food companies that apply to exhibit at the fair through the Macedonian Economic Chamber would get a discount of 20 - 30%, there was not sufficient interest to apply. |

2.2.4 Competitiveness Enhancement Activities Completed during the Quarter

2.2.4.1 International Trade Fair for Food and Beverages "ANUGA 2009"

DESCRIPTION/OBJECTIVES Based on the interest of and requests from of Macedonian processed vegetables companies, collaboration was established between AgBiz, Deutsche Gesellschaft für Technische Zusammenarbeit (EU Approximation and Regional Cooperation in the Agro & Food Sector) [GTZ] and the Ministry of Economy (MoE) to jointly support the participation of 13 Macedonian companies (12 MAP members, 11 of them vegetable processing enterprises, and 1 non member) to exhibit at the Bi annual Food Trade Fair in Cologne, Germany (ANUGA). The participating companies exhibited their products in a Macedonian national stand between October 10th and 14th 2009. Eleven companies exhibited in the fine foods section, while the remaining two presented themselves in the frozen foods section of the fair. Exhibiting within the high quality, custom designed national stand enabled the companies to establish and strengthen business contacts, and improve their prospects for increased exports of Macedonian processed vegetable products. The total number of exhibitors at ANUGA 2009 was 6,522 from 97 countries. The overall objective of this activity was to:

Increase participants' potential to identify new buyers for sales to importers, wholesalers, retailers, distributors and/or logistics agents;

Enhance participants understanding of the latest trends and know-how in the vegetable processing industry, including export/import trends and packaging and food safety standards requirements; and

Offer the possibility for participants to identify opportunities to develop effective sales strategies for the large and more competitive EU markets.

OUTCOME/FOLLOW UP Macedonian processors were positioned in Hall No.1 (fine foods) and Hall No.4 (frozen foods). The average number of business contacts per company was 80-90, out of which 5-10% is regarded as serious and with potential for concluding business deals. The average number of business meetings was 25-30 per company. The majority of the business contacts established were with importers/distributors from Germany, USA, Canada, Australia, Austria, France, Switzerland, Serbia, Montenegro, Sweden, Russia and Croatia. Macedonian processing companies that, supported by AgBiz, exhibited on Anuga 2009 (Bonum plus, Dentina, Vipro, Tehnoalat, Ksenos, Konimex, Altra, Medium export, Univerzal Promet, Lars and Dim Komerc) successfully accomplished their participation. The immediate value of new orders received as a direct result of the trade fair and from customers in Romania, Bosnia and Herzegovina, Sweden, Germany, Hungary, Holland, Croatia and Slovenia reached \$2 million.

No major changes and/or trends were for processed vegetables were identified at ANUGA. The participating Macedonian companies from met with their colleagues from Turkey, Bulgaria and Serbia. After these discussions, they jointly concluded that the industry was less affected by the economic crisis than expected, and the main problems occurred as a result of prolonged receivables payments, delivery timing and schedules. Also, no major changes were detected in food safety and food quality requirements by the foreign buyers. Glass jars remain the preferred packaging for final products. Possibilities and innovations related to the introduction of plastic packaging still do not attract significant buyer attention. The EU remains the most important market for processed vegetables due to its size, openness and diversity. Also, the effect of the global economic crisis seems to be reaching its end. Another promising market for the future could be the Middle East market. Regional buyers still favor Macedonian processed products and their intention is to increase their orders. The role and power of the retail chains is even further growing, contributing to the stronger presence of private labels on their shelves.

The eleven processing companies faced the international food elite at ANUGA, and learned a lot about how the processed vegetables business is done, who are the key and new emerging global players and what relations should be developed and/or reviewed and conditions to be established for stronger market penetration, especially in the EU. Information obtained at the Fair will help participants better analyze market trends, identify gaps in their internal operations and approach potential customers more proficiently.

Proper follow up on contacts established at ANUGA is critical for turning the most promising contacts into sales contracts. Tehnoalat and Dim Komerc need to continue communications, to negotiate with most serious prospects and ultimately close sales deals. Also, other companies that reported new business deals must organize their production and deliver the quantities as agreed. The knowledge and new information acquired during ANUGA should be shared with other VC members at the next MAP meeting so that all VC members can jointly work to develop the concepts that will enable a more extensive marketing program for promoting Macedonian processed vegetables in international markets. The PV Coordinator will monitor the performance of the exhibiting companies on a three and six month basis and will prepare follow up reports. (For more details, see Appendix 6.2.1: “Results Report ANUGA 2009”).

COSTS Total Cost: \$112,044; AgBiz Share: \$8,831 or 8%

2.2.5 Export Focused, Business Expansion Projects Completed during the Quarter

2.2.5.1 Dentina

DESCRIPTION “Production Capacity Expansion and Export Marketing and Sales Support” during the period from October 3, 2008 to December 15, 2009. These investments will increase productivity, reduce production costs, result in exporting more processed products, and use more locally produced raw materials. The Project also includes support for conducting a promotion campaigns for creating better brand visibility in Dentina’s target markets.

A. Brief comparison of actual Project accomplishments versus goals and objectives.

Dentina is focused on exporting canned vegetables to predominantly Austrian, Slovenian and Croatian markets. To meet all quality and food safety criteria, Dentina implemented and got certified for ISO, EuroGAP and HACCP. Also, Dentina is continuously increasing its production volume and value. According to management, demand for Dentina products is greater than the current capacity of the company to supply. Based on that assumption, the 2008-2010 development strategy of the company encompasses both increasing the current production capacity and export promotion activities on regional markets.

Therefore, Dentina initiated a business expansion project with AgBiz aimed at accomplishing the following Project objectives: a) acquiring additional equipment including a line for roasting peppers, a pasteurization line and most importantly a steam boiler; and b) increasing sales support via the design, launch and execution of additional marketing and promotional activities, mainly in store promotions.

Objective: Acquire additional equipment.

Accomplishment: Dentina purchased a new steam boiler, a line for roasting peppers and a pasteurization line. The equipment was successfully installed and tested, and Dentina staff was provided training on how to maintain the new equipment and processes. Dentina was supported and reimbursed by AgBiz for a consultant to develop the technical documentation (installation drawings) for the steam boiler project and installation of pipelines, valves and elbows, and line start-up and training of personnel to maintain the processes using the installed equipment. The new equipment contributed to increased productivity, reduction of production costs, exporting more processed products and purchasing more locally produced raw materials.

Objective: Enhancement of exports and sales of Dentina brand processed products

Accomplishment: In 2008 Dentina successfully completed a campaign for introducing new products in the Kaufland chain in Croatia under Dentina’s brand by special end-cup positioning in 30 supermarkets and in Kaufland’s promotional in-store circular letter, and organizing promotional sampling of Dentina

products in the bigger and highest traffic supermarkets of the Gastro Group chain in Croatia. These promotional activities were successfully conducted in two phases during November and December. AgBiz support for marketing activities in Croatia enabled Dentina to: Improve the perception and demand for Dentina products; Increase sales of processed products in Kaufland retail stores in Croatia; Increase the visibility and improve shelf positioning of Dentina products; and Increase sales of Dentina branded products rather than private label products.

B. Reasons why any established Project objectives were not met, if that was the case.

The only change in the Project was that due to the economic slowdown and changes in the management structure of Gastro Group Dentina did not renew the Gastro supplying contract, and therefore requested AgBiz approval to organize an in-store promotion in Kaufland in the second half of 2009. Previous support for in-store promotional activities in Kaufland enabled Dentina to improve the positive perception and visibility of their branded products. After approval, Dentina continued with promotional activities in Kaufland, including in-store promotions and placement of their products in Kaufland's Christmas catalogue, which significantly contributed to an increased positive perception and the visibility of Dentina's branded products.

C. Other pertinent information.

The usual insufficient supply of raw materials, especially red peppers, during the 2009 season was well managed and the planned quantities of finished products were produced. The Serbian market initially accepted Dentina's products very well but the sales were stopped due to non-payment of receivables. Slow receivables payments were also experienced in Croatia.

Based on experience gained during the Bulgarian Study Tour and AgBiz IPARD training for PV companies, Dentina became interested in preparing an application for IPARD to help upgrade their processing facilities and replace some of their processing equipment with more advanced versions. The receivables payment and its impact on Dentina's cash flow caused Dentina to delay their IPARD application until at least the second call for proposals.

Dentina actively participated in several AgBiz activities focusing on increasing exports. Participation in the Swedish Study Tour enabled management to have a clear understanding of the Swedish market for processed goods, and to make direct contacts with two importers of such products. Also, Dentina exhibited at ANUGA 2009 where they managed to arrange for \$188,000 worth of exports of processed vegetable products to two new customers.

Regarding environmental mitigation measures, Dentina implemented all requirements including posting asbestos warning signs, acetic acid was stored in a safe area and they obtained all required constructional permits. An Integrated Pollution Prevention Control (IPPC) is not required because of size of the company. Dentina is in process of implementing the ISO14001 environmental standard, which includes procedures of treating wastewater, and is planning to construct a system for waste water treatment. They have reviewed system proposals from foreign companies, but as result of the economic slowdown, have decided to postpone the investment for the time being. Dentina submitted information explaining how they implemented the recommendations in the Cleaner Production Assessment (CPA) report. These included saving of hot water used for pasteurization, and installing a new pasteurization line that will reduce water consumption and energy for heating water. Dentina is planning to utilize natural gas rather than electricity for production operations. The company submitted a report to the local municipality for how much gas they need, and received notice that gas distribution will start next year. The use of natural gas will provide significant energy savings.

2.2.5.2 Bonum Plus

DESCRIPTION "New Export Market Entry and International Organization for Standardization (ISO) Compliance" from July 3, 2008 to December 15, 2009. This Project will help Bonum Plus comply with export customers' requirements by completing an ISO that includes HACCP.

A. Brief comparison of actual Project accomplishments versus goals and objectives.

The overall strategy of Bonum Plus is to further expand their processed vegetable exports, both regionally and internationally. To achieve this, company management established the following objectives for the 2008-2010 period: a) ISO 22,000 implementation and certification; b) Increase sales of processed vegetables to Serbia by 15% in 2008, 10% in 2009 and 10% in 2010; c) Annual production of 3,000 tons of canned vegetable products by the end of 2010; d) Identify two new food importers per annum from the Balkan region and the EU; e) Develop an investment plan for building a cold storage facility in 2009; and f) Strong export and export promotion activities in the Serbian market utilizing a new distribution strategy and reaching an export value of 600,000 Euros by the end of 2010. To help accomplish this strategy the company initiated a business expansion Project with AgBiz to accomplish the following:

Objective: ISO 22 000 implementation and certification

Accomplishment: As global demand recovered, and trade liberalization and market integration progressed, traditional markets, including Serbia, for Bonum Plus processed vegetable products became increasingly competitive. Bonum therefore needed to improve product quality if it wanted to retain and even increase their market share, and its products had to satisfy the required EU standards. To meet both food safety and food quality standards, the company started preparations for adoption and certification of the ISO 22,000 standard, including engagement of a local consulting company (Food Consulting) specialized in the provision of food safety and food quality related services. This resulted in implementation of the system by Bonum Plus. The second phase of the activity was ISO certification. For that purpose, the company collected offers from international certification bodies for final verification and certification of ISO 22,000. Bonum finalized the ISO 22 000 verification and certification process when the final audit was performed by UKAS Quality Management in December 2009. Major non-compliances were not identified by the lead auditor and certification was recommended. It is expected that Bonum Plus will receive the ISO 22 000 certificate during January 2010.

Objective: Payment of stocking fees and provision of marketing and promotional support for five Bonum Plus branded products that will be listed and stocked by major retailers

Accomplishment: The vegetable processing segment of Bonum Plus is export oriented and the company is a successful exporter to regional, EU and overseas markets. However, most of these exports have been accomplished through importers. This has not allowed Bonum Plus to have a clear insight into market trends. In 2007 Bonum Plus management decided to develop a new export and distribution strategy for Serbia, one of the key markets for Macedonian processed goods, that included going into partnership with Global Logistics – a food distributor located in Belgrade; selling Bonum brand and private label processed vegetables through the major Serbian retail chains; Achieving an increase in sales over the 2008 – 2010 period; Start by supplying retail chains with key branded products such as roasted peppers, ajvar, lutenica, gherkins and chili peppers; and Share market entry and other related in-store promotional costs with the Serbian distributor.

Global Logistics agreed to the proposed cooperation and thus provided entry for Bonum Plus products into the biggest and the most important retail chains in Serbia. The partners finalized marketing budgets, quantities, delivery terms, etc. These activities were designed to achieve: an improved perception and demand for Bonum products in the largest Serbian super markets; increased sales of processed products in the largest retail food chains in Serbia; increased visibility and better shelf positioning of Bonum Plus products; increased sales of Bonum branded products rather than private label; and enhanced and strengthened cooperation with major customers.



PHOTO CREDIT: AGBIZ STAFF

Bonum Plus Pepper-based Products

The AgBiz Project helped Bonum Plus enter key grocery chains as a means of developing the Serbian market. This was accomplished by AgBiz reimbursing Bonum Plus for the entry fees (slotting allowances) for five of their branded products – roasted peppers, ajvar, lutenica, gherkins and chili peppers. AgBiz approved the offer from Global

Logistics of Serbia to pay the in-store promotion fees to the targeted supermarkets, and authorized Bonum Plus to sign a contract with Global Logistics on the basis of their offer and references. This brand awareness campaign was implemented during September and October 2008 in the largest Serbian retail chains Mini Maxi, Maxi and Tempo.

The Project therefore enabled Bonum Plus to implement an aggressive program for entering and expanding their export sales in an important target market. Project results included: successful market entry into key retail chains; improved perception and demand for Bonum products in the largest Serbian markets; increased sales of Bonum Plus processed products into targeted retailers in Serbia and further strengthened cooperation with major customers; and better visibility and shelf positioning of Bonum Plus branded products.

B. Reasons why any established Project objectives were not met, if that was the case.

Project objectives were met.

C. Other pertinent information.

Implementation of the ISO 22000 Food Safety Standard will have a significant positive impact, primarily on the perception of Bonum's key branded products, and is anticipated to increase demand and sales to target markets. Bonum participation in AgBiz supported regional and EU trade fairs and other promotional activities such as Novi Sad, Tutto Food Milan, the HoReCa event in Croatia, and Anuga has enabled Bonum to establish new contacts, have face-to-face interaction with market participants and gain immediate information on trends and market prices. Bonum's active participation in and assessment of the conclusions from the AgBiz supported Pepper Conference in Strumica have stimulated the development of contracts between farmers and Bonum Plus.

Bonum Plus was negatively impacted by the global financial crisis. Recession-related obstacles have caused seriously delayed receivables payment, especially from Serbian customers. As a result, 2009 sales projections were difficult to meet. According to company management, sales of Bonum products in Serbia reached nearly \$200,000 in 2009 versus an objective of around \$500,000. However, Bonum's expectations for the future period are optimistic – there is increased demand for Bonum plus products both regionally and internationally. Another major Serbian retailer (Merkator) has started negotiations for sales of Bonum products in 2010, and new Macedonian agriculture-related legislation and support will allow Bonum (and other vegetable processing companies) to optimize its production plans due to additional subsidies to the farmers for quantities contracted and delivered to the local processing facilities.

2.2.5.3 Lars

DESCRIPTION “Improve and Increase the Productivity and Capacity of Drying” during the period from July 3, 2008 to December 15, 2009. This investment in a high capacity centrifuge will significantly improve and increase the productivity and capacity of the Lars drying plant.

A. Brief comparison of actual Project accomplishments versus goals and objectives.

Lars is continuously improving its production to meet the strict food hygiene and safety requirements demanded by foreign markets and customers. Therefore, the intention of the company is to acquire additional equipment such as a centrifuge line for preparing vegetables for drying to increase productivity and output, reduce production costs and export more dehydrated products; and to use more raw materials produced by local primary producers. The company's objectives for the period 2008-2010 were the following:

- Increase production and sales of dehydrated products by 10% in 2008, 20% in 2009 and 5% in 2010;
- Produce 150 tons of finished dehydrated products at the end of 2010;
- Reduce energy costs by 10%;
- Start implementation of organic production in 2008;
- Introduce organic dehydrated products in 2010;
- Identify large and stable regional food processing customers;

- Develop an investment plan for building a cold store facility in 2009; and
- Produce and sell of 200 tons of canned vegetables in 2008, 250 tons in 2009 and 300 tons in 2010.

Therefore the company initiated a business expansion project with AgBiz aimed at accomplishing the following Project objectives: a) transport of the centrifuge line from Holland to Stip by a Macedonian transport company using special transportation equipment, and b) installation of the equipment and starting up the line by a Macedonian company authorized by the Dutch manufacturer of the equipment.

Objective: Transport the centrifuge line from Holland to Stip by a Macedonian transport company using special transportation equipment

Accomplishment: Special transportation of the FE 500 drying system from Holland to Lars was organized and accomplished. The centrifuge was transported to the drying facility in Stip and installed. It increased drying productivity by 25%, reduced production costs by 20% and assured environmentally friendly production. It therefore enabled the company to export more dehydrated products. This in turn allowed them buy up to 16 tons per day of raw materials grown by local producers, in comparison to the 12 tons purchased before the AgBiz-supported Project.

Objective: Install the equipment and starting up the line by a Macedonian company authorized by the Dutch manufacturer of the equipment.

Accomplishment: The new equipment was installed and made operational, and Lars staff was trained to properly operate the equipment. Successful completion of the Project enabled Lars to improve its competitive position via forward agreements with its customers, including agreed quantities, prices, and delivery period for the next season. Lars is now exporting dehydrated vegetables products directly to food processing companies, mainly in Holland and Croatia, thus avoiding intermediaries and their margins. This makes Lars very price competitive. Product demand from Lars customers is constantly increasing; therefore Lars anticipates increasing its exports by nearly 20% to regional and international markets.

The additional equipment secured with AgBiz support significantly increased Lars productivity, which enabled the company to start expanding their export activities on both regional and international markets such as the USA and Canada. Based on previously established contacts, e.g., those made at the AgBiz supported Chicago Fancy Foods Show, Lars concluded negotiations with a buyer from the USA to export preserved and dried vegetables products. AgBiz assisted the company to participate on ANUGA 2009 and to make new direct contacts with potential customers. As a result of ANUGA participation, the company made export arrangements worth US\$232,000 with four new customers. According to the available data, overall exports of Lars in 2009 exceeded \$1.1 million.

- B. Reasons why any established Project objectives were not met, if that was the case.

Project objectives were met.

- C. Other pertinent information.

Given the nature of the Lars business and the diverse number of vegetable raw materials it requires, it is difficult to plan exactly what vegetables it will be required from producers, therefore forward arrangements are difficult. Although very much involved in organizing a functional supply chain, Lars faced shortages of certain vegetable products (red peppers in particular) during the production season. Suppliers of fresh vegetables, although contracted by Lars and paid in advance a percentage of the expected value and volume of the produce to be delivered to the company, failed to deliver the agreed quantities to Lars. Also, Lars had serious problems with seasonal labor during high processing season, primarily because of legislation-related impediments such as employment of the seasonal workers for a minimum of one month although some of them worked for a period of two weeks or less, potential loss of social benefits for some seasonal employees and their resistance to be legally registered. Due to the growing demand for canned vegetables and lack of interest by local producers to grow organic vegetables, the company made some changes in its overall strategy. Susara Lars invested in buying an old production facility near Kocani for \$280,000 and adapted the facility to process and pack canned vegetables. In the forthcoming period, the company will focus on increasing its production capacity and exports, will finalize all environmentally related issues (a feasibility study is already agreed) and will focus on project development in order to apply for the second IPARD call in 2010.

2.2.5.4 Vipro

DESCRIPTION “Construction of a New Vegetable Processing Facility” during the period from July 3, 2008 to December 15, 2009. By developing this new facility Vipro will be able to significantly expand their capacity and meet EU buyer requirements.

A. Brief comparison of actual Project accomplishments versus goals and objectives.

To become more competitive Vipro needed to start developing new processing and handling facilities. This facility will allow the company to meet its outstanding demand and will comply with food safety and environmental obligations. By developing this new facility Vipro will be able to meet EU and other international buyers' requirements. Demand for Vipro product is continuously increasing, both regionally and internationally, but their present facility cannot meet quantity, hygiene and environmental requirements. Vipro's 2008 - 2010 strategy includes the following goals: a) increase processing from 1,150,000 to 2,300,000 units; b) moved production into the new processing facility; and c) HACCP and ISO 9001 management systems implemented at the new site to optimize the cost and effectiveness of production.

Therefore, the company initiated a business expansion project with AgBiz to accomplish the following



PHOTO CREDIT: AGBIZ STAFF

Inside Vipro's New Facility

Project objective: Support the adaptation and reconstruction of buildings in the first phase of expansion into a HACCP certified processing factory.

Objective: Construct a new roof over one of the main buildings at the new processing facilities.

Accomplishment: The old asbestos roofing was properly removed and AgBiz supported roof construction was completed by the end of 2008. Along with the new roofing, additional reconstruction related activities took place according to the Project plan, and equipment was purchased for new the facility by Vipro.

Objective: Reconstruction of production halls.

Accomplishment: Construction work was finished on the new facility, including the 762 m² building between hall 3 and 2. Reconstruction of hall 3 and installation of additional beams, walls and worker changing rooms were also completed. Installation of walls between hall 3 and hall 2, hall 5 and hall 4 and hall 4 and hall 3, totaling 600 m² was completed by the end of 2009. The company also installed floor tiles and sanitary equipment in hall 3 (500 m² in total). Vipro also completed construction of and put into operation a very modern 100 ton industrial scale.

B. Reasons why any established Project objectives were not met, if that was the case.

While the major parts of the Project were successfully implemented, Vipro suffered limited access to credit and insurance services; therefore implementation of a waste water treatment system was delayed. Serious problems during 2009 were identified regarding the availability of seasonal labor, although the processing season was organized and completed according to plan. Some shortages of raw materials such as gherkins and hot pepperoni were experienced during 2009.

C. Other pertinent information.

Following the required environmental mitigations, an Asbestos Health and Safety Plan (AH&SP) was developed, translated into Macedonian, and delivered to the responsible people at Vipro. Monitoring of wastewater will be performed starting from 2010 after the facility starts operating. Implementation of a

water treatment system is planned using IPARD funds that Vipro plans to apply for in 2010. Another recommendation from the Vipro Environmental Due Diligence (EDD)/Pollution Prevention Assessments (PPAs) was for a CPA, and the CPA was completed by CIRKO by the end of 2008.

The Government of Macedonia (GoM) inspector has not provided official approval for the industrial scale because Vipro does not have an EU certificate, but rather a USA certificate because they imported the scale from the USA. The scale is still used only for internal purposes.

Pepper based products were highly demanded by domestic and international buyers, resulting in a significant increase of raw material purchases and overall production (+20%) compared to 2008.

Company management has been very active in all AgBiz supported activities related to export promotion and increasing export competitiveness of PV VC members. Participation in Study Tours (e.g., Sweden) and exhibiting at international food fairs (e.g., ANUGA 2009) resulted in three new export orders worth \$130,000 and further contributed to the overall growth of the company. In 2009 Vipro's sales reached nearly \$2.7 million with regional sales contributing 25% and international sales 50% of the total.

2.2.5.5 Avto Ria

DESCRIPTION “Establish and Operate a New Processing System for Onions” during the period from July 3, 2008 to December 15, 2009. The strategic commitment of Avto Ria is further processing of peeled onions.

A. Brief comparison of actual Project accomplishments versus Project goals and objectives.

The strategic commitment of Avto Ria is further processing of peeled onions. Onions which will not meet the standard to be sold as fresh peeled will be chopped and frozen. By implementing a program for purchasing, processing and sale of fresh and frozen onions Avto Ria will stimulate significant new interest from the local population in increasing their production of onions and its economic justification. The company saw an opportunity for one more full time employee as well as additional employment of part time labor from this very rural region. The Project enabled Avto Ria to achieve these goals and become a renowned company for the production, processing and trade of Macedonian agricultural products on domestic as well as foreign markets, meeting all international norms and standards. To succeed in the realization of its plans, Avto Ria established a multi-phase program, and purchased machinery and equipment for processing fresh onions, including a machine for chopping onions, a freezer and a freezer chamber, and implemented the HACCP food safety standard. Starting in 2010, Avto Ria will further expand their production program by purchasing machines, equipment and technology for processing and packing of other vegetables such as broccoli, cauliflower, peppers, leek and potatoes. Therefore, the company successfully completed the AgBiz supported Project as the first phase of a long-term export-focused business expansion and diversification program.

Specific accomplishments: AgBiz provided support for Avto Ria to acquire and install modern processing technology and equipment, including a machine for chopping onions, a freezer and a freezing chamber. This increased the company's sales potential and therefore enabled them to stimulate more interest from local producers in the Bucin region for increasing the production of onions. AgBiz reimbursement of the cost for transporting the cold store panels, a compressor and a machine for chopping vegetables was successfully completed as per the Award Budget. Timely installation of the equipment just prior to the harvest season enabled it to be effectively utilized and significantly increased Avto Ria's processing capacity and therefore sales of fresh and frozen onions.

To achieve optimal utilization of these new technologies, AgBiz also supported Avto Ria to hire two new technical specialists, and reimbursed their salaries for six months. This enhanced Avto Ria's human resource capacity and increased of the overall operational efficiency of the company.

The Project also involved HACCP implementation. Avto Ria postponed HACCP implementation for a short time because they needed to reorganize their processing systems into two locations, one in Bucin and a second in Ohrid. The company managed to finalize the necessary preconditions and improvements in their physical facilities in 2009. Three companies bid on the implementation work and Kvalitet from Ohrid was selected, a local company that operates under the umbrella of Quality Control Austria. Avto

Ria implemented HACCP standards by the end of 2009, and also undertook all necessary measures for a clean environment regarding their small quantities of waste water, as well as for storing and saving chemicals, oils and greases that are important for the proper maintenance of the processing lines as per the required Project environmental mitigation measures.

B. Reasons why any established Project objectives were not met, if that was the case.

All Project objectives were met.

C. Other pertinent information - including an explanation of any under accomplishment of projected Project indicators, key lessons learned or Award Budget deviation explanations.

Due to the market situation in the EU and the recession, processing operations and export activities have slowed down. Significant obstacles related to customer receivables have been experienced, and the company is experiencing limited access to credit and insurance services. The grantee (as well as other vegetable processing capacities) faced considerable problems with the availability of seasonal labor during the high season. During 2009, the customer faced shortages of raw materials (raw onions), primarily due to illegal purchasing and export of fresh produce including onions by Albanian traders. The company, through MAP, filed an official complaint to Customs and provided details related to these illegal operations.

Receivables collection difficulties have caused Avto Ria to be late on payments of their ST and LT loans, and required loan rescheduling and temporary asset/collateral freezing difficulties. Costs for fuel, power energy, taxes, etc. have increased. Administrative obstacles have slowed the delivery of the goods to EU markets.



PHOTO CREDIT: AGBIZ STAFF

Avto Ria Fresh Onions Ready for Shipment

AgBiz support (grant) helped to expand Avto Ria's fresh onion sorting and packing activities, and enter the market for peeled onions. The newly installed equipment is functioning properly. Efficient processing and packaging of high quality fresh onions was implemented. The pre-conditions for packaging fresh onions for export were clearly established. HACCP procedures are in place and the company is now operating according to newly established working procedures.

Company management is particularly active in the identification of new export possibilities. As a result, they

managed to export processed onions to Iraq (\$28,400). Avto Ria visited the Tutto Food Trade Fair and ANUGA, and based on established contacts plans to start cooperating with several companies interested in buying frozen vegetables such as peeled onions and sliced red peppers. Their business relationships with current customers from Greece, Germany and Slovenia are stabile, although a slowdown in orders was experienced due to the economic recession.

Avto Ria completed all required mitigation measures. Since Avto Ria is not significant water consumer, and the type of processes utilized in their facilities, the company took all necessary measures to keep the environment clean and provide a safe working environment. Also, Avto Ria properly stores chemical substances, oils and greases important for maintenance of its processing lines. Avto Ria cares about the environment, and therefore from time to time organizes meetings with their neighbors to understand if there have any concerns with Avto Ria operations.

2.2.6 Work Completed during the Quarter Summary

During the Quarter production of processed products was the main work of PV VC customers. Although the processing season started in June, processing peaks in September and particularly in October and the first half of November. Vegetable processing companies expect to process around 80,000 tons of fresh produce this season. Approximately half of the needed quantities were contracted by the processors, and the remaining amount obtained from open markets. The demand from neighboring countries for Macedonian red peppers was strong, and considerable quantities were exported to Bulgaria, Serbia and Croatia. Cash payments by these raw material exporters were again the norm, but domestic companies are required to make payments to sellers via bank transfers. Since many sellers do not want such records to exist, domestic buyers are at a disadvantage. The global economic crisis negatively impacted processing companies' sales projections, and extended receivables collections reduced the working capital they had available to buy fresh vegetables. Significantly reduced orders from foreign buyers for frozen products were experienced (-20% in volume compared to the previous season), while the market for canned products remained stable. During the Quarter a few companies made investments in warehousing and cooling facilities to extend their production season. The limited availability of seasonal labor was an ongoing problem during the Quarter, so MAP members tried to resolve the issue with the Ministry of Labor and Social Affairs. However, negotiations were not successful and the situation remained status quo. Regional employment agencies failed to provide seasonal workers as requested by vegetable processors. The MAP requested direct payments (subsidies) to vegetable growers that deliver their produce to domestic processing companies, as a means of increasing the supply of local raw materials, were not approved by MAFWE. However, before the end of the quarter, MAFWE announced that starting in 2010 there will be additional subsidies for producers that contract with and deliver their produce to domestic processing facilities.

During the Quarter PV VC members were active in lobbying activities. The VCC collected information from VC members regarding shortages of red pepper for processing after October 15. Seven companies reported a need for 2,500 tons of imported red pepper for processing purposes. Based on this analysis, MAP submitted an official request to the MoE for a tariff free quota for importing red peppers for processing. The official request was submitted to the MoE on October 13. Although the initial response from the Ministry was positive, the whole procedure was prolonged and planned discussions (and eventual granting of the quota) by the Government was delayed on several occasions. When it was finally announced by official representatives of the MoE that the MAP request would be on the agenda of the Government session scheduled for beginning of December, MAP official's reply was that processing companies were no longer interested in the duty free quota since there were no available raw materials in the region in that time period.

The VCC met with three processing companies during November-December 2009: Best Agent from Skopje and Jomi Food and Mirana from Veles. Their participation in MAP as well their potential inclusion in AgBiz activities was discussed and elaborated. Based on these meetings, Best Agent joined MAP in December 2009, while Jomi Foods and Mirana are expected to join at the beginning of 2010.

During the Quarter AgBiz work on the VC was focused on completion of the ANUGA 2009 activity and support to PV VC members to professionally exhibit at that fair. This participation was evaluated as very successful. The value of new orders received as a direct result of the trade fair from customers in Romania, Bosnia and Herzegovina, Sweden, Germany, Hungary, Holland, Croatia, Slovenia reached \$2 million.

The most significant AgBiz work during the next quarter will be export competitiveness enhancement activities such as Czech Republic Study Tour, developing a Study Tour to Canada, further support to VC members in their efforts to modernize their production facilities utilizing IPARD funds and increased cross-cutting Activities with other VCs. Also, an association strengthening activity (visiting similar well developed association from the EU by the new MAP management board members) is envisioned.

2.3 WINE VALUE CHAIN – GORAN DAMOVSKI, VALUE CHAIN COORDINATOR

Value Chain Overview

The total value of 2009 wine exports was \$52.8 million, 8.2% less than the 2008 value of \$57.5 million. Over the last several years there have been significant improvements in the quality and consistency of Macedonian wines, enabling a continuous but slow shift from bulk to bottled wine exports. However, due to the global economic crisis and the resulting small shrinkage in the global market size, the 2009 percentage of total value of exports sold as bottled wine is likely to decrease as compared to 2008. Regional markets remained the main destinations for Macedonian bottled wines, while Germany is by far the biggest importer of bulk wines. AgBiz Program support to the wine VC continued to be directed toward significant enhancement of the export marketing and promotion of branded, high-quality Macedonian wines in selected export markets and toward improving the Macedonian origin and branding umbrella recognition and trade and consumer appreciation of the quality of Macedonian wines.

2.3.1 Detailed Accomplishments vs. Projected Objectives - Activities

| Activity | Expected Result | Result Achieved |
|---|---|---------------------------------|
| Facilitate Wineries to exhibit at the Moscow Wine 2009 Trade fair | Activity completed and results reported | Completed (see Section 2.3.4.1) |
| Centre for the Promotion of Imports from Developing Countries (CBI) Export Marketing Training - Support to Macedonian wineries (in Rotterdam) | Activity completed | Completed (see Section 2.3.4.2) |
| Roundtable to Establish a Process for Developing a Wine Sector Export Promotion Plan (with CBI) | Activity completed | Completed (see Section 2.3.4.3) |
| Workshop to Provide Wineries Input into the MAFWE Wine and Viticulture Strategy | Activity completed | Completed (see Section 2.3.4.4) |
| ELSA Vardarska Dolina Blueprints for New Facility | Activity completed | Completed (see Section 2.3.4.5) |
| ELSA Pivka Labels Design | Activity completed | Completed (see Section 2.3.4.6) |
| ELSA Djumajlija Business Plan for New Bottling Line | Activity completed | Completed (see Section 2.3.4.7) |

2.3.2 Detailed Accomplishments vs. Projected Objectives - Projects

| Project Title | Objective | Result Achieved during the Quarter |
|---|---|---|
| VALANDOVO Engage local technical assistance to help produce grapes of higher quality as a precondition for the production of quality wine. Improve winemaking technology and transfer that knowledge to employees who can maintain the processes | Shift from bulk to bottled wine sales; increase the quality of the grapes produced; successfully adopt new technology for the production of quality wines; enlarge the capacity of the winery, including production of barrique wines; enhance the image of Valandovo wines, opening new export market possibilities and increasing total sales; establish new vineyards with high quality varieties; and facilitate new direct and indirect employment | Valandovo continued successful implementation of the Project and other aspects of overall improvements in the company's operations. The technology transferred by Project-supported experts was focused on post harvest and winemaking operations including managing alcoholic fermentation and adding yeasts and nutrients to develop the young wines' balance, control of malolactic fermentation and sensory analysis of wine quality via utilization of oxygen to achieve the desired quality. They also maintained sensory control of wine maturing on the last vintage, implemented techniques for dosing oaky aromas and complexity and trained staff on proper winter pruning. Investments made in mechanization and computerization of production will improve working conditions and effectiveness at the primary production level, and allow significant growth in the operational capacity of the winery. Awards won at Vinovita Trade Fair in Zagreb and Mundus Vini as well as the recognition by Decanter verified the quality of Valandovo wines, particularly Vranec Aleksander, resulting in higher sales, an |

| Project Title | Objective | Result Achieved during the Quarter |
|--|--|--|
| <p>BOVIN Increase the added value of Bovin wines by introducing oak barrel aging technology to increase total sales and open new export market possibilities. Finalize new winery construction, technical equipment, and purchasing of oak barrels, enological equipment and training of personnel</p> | <p>Enhance the production of oak barrel aged (barrique) wines with technology that will enable the introduction of a new type of wine with a higher value, quality and price. Create the pre-conditions, including a modern tasting room, for developing wine tourism as an additional sales channel</p> | <p>increased share of the Croatian market, and contributed to successful entry and strengthening of Valandovo's presence in Serbia and Bosnia and Herzegovina</p> <p>During the Quarter Bovin progressed construction of the barrique section infrastructure. They also purchased additional new oak barrels for a total of 55 units in use. The harvest from their own vineyards and buying the finest grapes from the region fully satisfied the required quality and quantity and resulted in making extraordinary wines. Barrel aged premium wines added a lot of value to Bovin's wines. The new Macedonia oak barrels cost less than imports and are giving very positive results in terms of quality and uniqueness in taste that is of great importance for enhancing the Bovin portfolio and strengthening the Bovin brand. Feedback from customers on Bovin's oak aged wines marketed at the peak of the selling season just before New Year was thrilling and confirmed expectations. Bovin also participated in the Moscow International Wine Fair where they promoted barrique wines and captured great interest from potential high end buyers</p> |
| <p>AGROLOZAR/DALVINA Finalize forward integration program and shift from bulk into bottled wine production, apply advanced production methods and oenology techniques, develop an adequate palette of high value added products, create visual identity for their products and winery and develop and implement an extensive export promotion program to enter and sustain their presence in new regional and international markets</p> | <p>Enable full integration of the Agrolozar/Dalvina supply chain by securing backward and forward linkages, thus optimizing export competitiveness and enhancing business growth and sustainability. Add value to Agrolozar's grapes and successfully switch production and sales from bulk to high and consistent quality bottled wine. Considerably increase Company bottled wine sales and exports in 2009 and 2010</p> | <p>Based on identified initial interest and oenology expertise for the '09 vintage, Dalvina expanded its portfolio of five high quality bottled wines with two new varieties - Sauvignon Blanc and Chardonnay. During the Quarter Dalvina held extensive promotional activities. After the first export shipment of 5,400 bottles, the winery presented its wines at one the most relevant wine trade fairs in Honk Kong, and through a Chinese distributor arranged several successful B2B meetings. Dalvina's participation in the Moscow Wine Trade Fair resulted in serious contacts with key Russian wine importers and distributors. Negotiations with ASDA, the biggest UK retailer and Kaufland from Germany were non-viable in terms of pricing, and resulted in changing the wineries approach to niche channels. Dalvina is close to finalizing its search for an experienced wine distributor that will be contracted next quarter to represent Dalvina wines in the German market, and is negotiating with relevant Serbian wine importers/distributors. A promotional catalogue has been produced that will improve the visibility of the company and contribute to more a professional presentation, and more effective communications with potential customers</p> |
| <p>POPOVA KULA Improving the Competitiveness of Bottled Wine Exports</p> | <p>Increase export sales from current 120,000 Euro to 700,000 Euro per year over the next three years; to significantly expand exports of bottled wine to the Polish market and make it a key growth driver for the company; and to support Polish market sales by a achieving a superior mix of product offering, marketing support and promotional tools</p> | <p>Completed (see Section 2.3.5.1)</p> |

2.3.3 Activities Initiated this Quarter

| Activity Initiated this Quarter | Activity Description | Progress this Quarter |
|--|---|--|
| Facilitate Wineries to Exhibit at the ProWein Wine 2010 Fair in Dusseldorf | Enhanced Participation of Macedonian Wineries Exhibiting at the Macedonian Pavillion at ProWein 2010 Trade Fair | Activity Description Approved; drafted MoU with CBI and Lols to be signed with participants approved |
| Support British Embassy in Macedonia to Organize a Wine Tasting Event | Four wineries to participate and promote their wines at the event | Event scheduled for 5 th February |

2.3.4 Competitiveness Enhancement Activities Completed during the Quarter

2.3.4.1 Moscow Wine Trade Fair

DESCRIPTION During the current global financial crisis, wine buyers from all around the world are asking questions about the cost of wine-making and finished production, prices in the supply chain, optimization of logistics, the reliability of financial relations and the readiness and ability of all partners to observe agreed sales terms and conditions. This serious cost and price sensitivity have had a major influence on exports of even the best known wineries. Macedonian companies have also experienced serious price pressure and declining demand that has resulted in significant quantities of unsold wine. These conditions weaken the financial strength of the wineries, reduced their capacity to purchase grapes this season and have enabled the big traditional, primarily German, bulk and low end bottled wine buyers to exercise much greater bargaining power when buying Macedonian wines. It is therefore essential for the larger Macedonian wineries to be able to quickly identify new markets that can absorb their low and middle range of wines. The Russian market has been identified by several Macedonian export-focused wineries as one of the opportunities for successful market entry and achieving a large volume of export sales. Some wineries already establish relations with buyers in Russia, and two have a small presence in Russian Federation markets, but are interested in identifying additional customers. Therefore, they expressed a strong interest in exhibiting at the annual “Drinks Industry/Russian Wine Fair 2009” that took place for the 9th time in Moscow from the 26th to the 28th of November 2009.

OBJECTIVES Present Macedonian wines and increase the awareness of the target audience; gain a better understanding of the wine market in Russia, including key competitors, sales channel structures, the latest trends in the Russian wine business and open new business-to-business communications; identify the interest of buyers and pursue opportunities to find a distributor or agent who will represent an individual winery or a group of several/selected Macedonian wine brands and sell their wines; identify opportunities to establish direct collaboration with supermarkets and offer products for their private label programs or house wine brands, and assess Macedonian wineries ability to respond to larger volumes; attract local wine critics to become acquainted with Macedonian wines; and identify and adopt product technologies and presentations most appropriate for the Russian market.

OUTCOME By supporting this Activity AgBiz helped the wineries to properly prepare for exhibiting at the Fair, build a contemporary and market relevant stand and facilitate B2B meetings and communications, thus improving the overall presentation. This contributed to optimizing results by creating significantly greater exposure and encouraging wider interest for Macedonian wines in the Russian Federation. Together with a representative from the Macedonian-Russian Federation, AgBiz arranged for wineries to have meetings with key players in the wine import business including Alba, Luding and Vini Mir and to discuss various models for establishing strategic partnership for entering the Russian market. The Macedonian stand was visited by Robert Josef, one of the most eminent British wine experts and writers. Also, selected Macedonian wines were presented in the Wine Master-Class at the Fair by two highly respected Russian wine judges from the Independent Wine Club. While in Moscow the group was hosted by the Macedonian Embassy in Russian Federation. His Excellency Ambassador Ilija Isajlovski welcomed the initiative and provided significant guidance and commitment for political support for expanding sales of Macedonian wines in the Russian market. The wineries also participated in a Macedonian wine presentation organized by the Embassy. (For more details, see Appendix 5.2.6: “Results Report Moscow Wine Fair 09”).

COST: Total Cost:\$47,267; AgBiz Share: \$14,936 or 32%

FOLLOW UP AgBiz will help participating wineries to maintain the contacts with potential buyers/traders established during the trade fair and manage them in a very professional manner. All collected information, other exhibitor's presentations and Russian market sales trends in the different wine categories need to be carefully analyzed. Building trust and making buyers comfortable doing business with Macedonian wineries is of crucial importance.

2.3.4.2 CBI Export Marketing Training Support for Macedonian Wineries

DESCRIPTION CBI recently opened its Export Coaching Program (ECP), aiming to assist producers and exporters of wine in developing countries and countries with economies moving toward entering the European market, to establish sustainable trade relationships with European buyers. These goals are very complementary to AgBiz objectives. As part of this program, CBI offers qualifying companies training in export possibilities and contacts with potential buyers, experience sharing with representatives of business communities in EU member countries, and presentation support at international trade fairs. An assessor from CBI visited 12 Macedonian wineries that applied to the ECP, some suggested by AgBiz, to assess their operations. They then selected ten wineries to be granted assistance under ECP and receive CBI assistance and all forms of support from this multi-year Program, including the export promotion training (EXPRO 82) that was held in the Netherlands, from October 26th to the 31st for developing individual marketing plans and participation in trade fairs. During the Quarter AgBiz held several meetings with the CBI team to share experience and views, and identify complementarities and opportunities for cooperation between the programs. In consideration of the substantial role of AgBiz in developing the export competitiveness of the Macedonian wine value chain, CBI invited the AgBiz Wine VC Coordinator to participate in and play an advisory role to Macedonian wineries at the CBI EXPRO training. He would also assist the Coordinating Trainer Mr. Fred Janssen in individual counseling, and help winery representatives to develop their Export Marketing Plans (EMP).

OBJECTIVES Support the participating winery representatives at the CBI Export Marketing Training to optimize their learning outcomes, become more familiar with EU markets and about export marketing, management and promotion techniques relevant to these markets and with post training follow-up.

OUTCOME The Wine VCC provided full support to participating wineries at the Export Promotion and Management Training to maximize their gain from the training. Although participants had different level of marketing knowledge and understanding of specific EU markets, and therefore different capacities to absorb and retain shared expertise at the training, the Wine VCC encouraged active participation of each representative and facilitated wineries in fulfilling their tasks during the training. The Wine VCC directly supported wineries in developing their individual EMPs. He also provided assistance in follow up applications. As a part of the facilitated process for developing individual EMPs, the training provided an intensive overview of the EU market divided into developed markets, underdeveloped markets, developing markets and by their structure i.e., Direct trade markets, Monopolies and Three tier systems. Emphasis was given on the United Kingdom (UK), German and Swiss markets, and definitely the Dutch wine market. The presentations given by experts summarized all relevant data regarding market size, market potential and the development of differing markets. (For more details, see Appendix 6.2.5: "Results Report CBI Export Coaching Program 09").

COST: Total Cost: \$54,899; AgBiz Share: \$1,799 or 3%

FOLLOW-UP The Wine VCC together with the CBI wine expert will encourage each participant to finalize their EMP. Based on this, CBI will use its expertise and provide further advisory services in implementation of the strategy developed in the EMP. Also AgBiz and CBI will jointly organize a workshop for promoting the concept of developing a Wine Sector Export Marketing Plan. This process should identify commonalities and integrate individual winery strategies into a National Strategy for Wine Export Promotion.

2.3.4.3 Roundtable to Establish a Process for Developing a Wine Sector Export Promotion Plan (With CBI)

DESCRIPTION As part of AgBiz cooperation with the CBI regarding the ECP, a four member delegation of CBI staff, including policy and institutional development experts, visited Macedonia. CBI presented their capacity and interest in establishing and facilitating a process for developing a Wine Sector Export Marketing Plan (SEMP). The Plan would integrate private sector and GoM interests, and based on EU wine market analysis and identified competitive advantages of Macedonian wines, define specific

national export marketing efforts, optimal positioning of Macedonian wines on selected regional and international markets and promotional activities designed to create wider origin and wine quality recognition. CBI representatives shared their experience in successfully implementing such a concept in other countries, especially a very similar Plan development process currently going on in Moldavia. CBI requested full collaboration with AgBiz due to the close links AgBiz has with all relevant stakeholders in the Macedonian wine sector, including the MAFWE, the MoE, the private sector and the Secretariat for European Integration (SEI), that should be included in the Sector Export Marketing Plan development process, and suggested an initial meeting with all potential participants to explain and gain support for Plan development.

OBJECTIVES Organize a roundtable and achieve a commitment from all relevant stakeholders such as private sector representatives (wineries) and relevant ministries and agencies to actively contribute to the development of a National Wine Sector Export Marketing Plan.

OUTCOME AgBiz, in coordination with CBI, organized a successful roundtable at which all relevant parties including the Minister of Agriculture, State Secretary from the Ministry of Economy, the Director of MakInvest, representatives from both Chambers of Commerce and participating wineries confirmed the necessity of developing a wine SEMP, and expressed their serious dedication to fully contribute to the process.

COST: Total Cost: \$2,415; AgBiz Share: None

FOLLOW UP The first two day SEMP development workshop is scheduled for 22-23 February. In the meantime AgBiz and CBI will encourage all VC related institutions and the private sector to dedicate members to the team that will work on the SEMP. Both programs will develop the Plan outline, and define the stages and procedures for how the process will be facilitated.

2.3.4.4 Workshop to Provide Wineries Input into MAFWE Wine and Viticulture Strategy

DESCRIPTION As part of the National Agricultural Strategy, MAFWE is responsible for developing a Wine Sector Strategy. As a supporter of wine value chain competitiveness in Macedonia, AgBiz was invited to participate in the MAFWE coordination body consisting of wineries, grape grower representatives, Faculty for Agriculture and Food members, and Ministry of Economy representatives responsible for developing the Strategy. Initially an Export Marketing Strategy was envisioned for Macedonian wine, but later, aiming to integrate the issues related to the whole value chain, it was changed to a Strategy for Wine and Viticulture. The new MAFWE Deputy Minister organized an internal MAFWE task force and took leadership of the team that adopted a new outline and started working on drafting the document. The draft was approved by Government, and then was offered to a public debate for further improvement and finalization.

OBJECTIVES Provide support to the MAFWE to stimulate inclusion of private sector input into the Strategy development process so the Strategy addresses the issues and serve the best interest of private sector wine value chain participants.

OUTCOME The Wine VCC participated on the initial meeting organized by the MAFWE coordination body. Later, AgBiz held several coordination meetings with a group of export oriented wineries, reviewed the draft document provided by MAFWE, combined inputs from all wineries that responded to a request for comments on the draft Strategy and sent these to the MAFWE task force. To enable wineries to contribute to MAFWE's initial draft Strategy, AgBiz supported a one-day strategy discussion workshop. AgBiz and MAFWE jointly developed the agenda, organized the workshop and acted as moderators. The workshop was successfully held on December 2, and valuable input was received from all participants regarding the initial Strategy draft. AgBiz then helped MAFWE incorporate remarks from the workshop and additional input from wineries into the draft Strategy. This Activity represents a substantial contribution towards improved linkages between MAFWE and the private sector, and will result in a much more viable sector development Strategy. AgBiz also encouraged MAFWE to organize a roundtable and have an open direct dialog with the private sector on all issues regarding the Draft Wine Law, which was finalized right before the end of the year and might limit the successful functioning and competitiveness enhancement work of all stakeholders in the wine business unless properly developed and implemented. (For more details, see Appendix 6.2.7: "Results Report for Wine Strategy").

COST: Total Cost: \$2,658; AgBiz Share: \$933 or 35%

FOLLOW-UP AgBiz will continue cooperation with MAFWE and discuss further contributions into the Wine and Viticulture Strategy to secure adequate involvement of wineries into finalizing the document, as well as developing action plans for implementation of export promotion activities based on the final

Strategy. The Program will also continue to facilitate the process and try to improve two way communication and coordination between MAFWE and value chain participants regarding finalization of the Wine Law.

2.3.4.5 ELSA Vardarska Dolina

DESCRIPTION Vardar Valley (Vardarska Dolina) winery is primarily engaged in exporting bottled wines to Russia, Germany, Japan, Serbia, the Czech Republic and Croatia. Ninety percent of their production is targeted for export, but the company has also invested a substantial effort into developing a position on the domestic market and has entered all larger supermarkets and distribution networks. The company strategy is to expand its capacity and produce quality bottled wines under two programs: quality wines for wide consumption which are easily accessible for every consumer budget, and wines of higher quality from selected harvests prepared for more refined tastes and customers with higher purchasing power. Vardar Valley is interested in constructing a new winery in the village of Kurija, Negotino on a 2,680 m² site that will allow them to increase their export capacity, improve their technical and technological capacity and implement all required quality control standards. Therefore, they applied for, and were accepted as ELSA support to engage STTA for developing a concept and master plan for the new winery.

OBJECTIVE Engage STTA to develop a Master Project for the new winery and complete project documentation for construction of the new winery in Kurija - consisting of a basement, ground floor, 1st floor, 2nd floor and attic that will satisfy all GoM requirements, result in proper and smooth operation and meet the requirements of the HACCP system for food safety.

OUTCOME The selected Service Provider developed a Master Project and complete project documentation for construction of the new winery in Kurija, thus fulfilling all deliverables in their contract in a timely and professional manner.

COST Total Cost: \$9,742; AgBiz Share: \$4,274 or 44%

FOLLOW-UP It is expected that Vardar Valley will expediently invest in a new winery that will allow them to expand their capacity and improve their winemaking process and productivity, and therefore enhance the overall competitiveness of their exports.

2.3.4.6 ELSA Pivka Winery

DESCRIPTION Pivka Winery sells 30% of its wines on the domestic market and 70% are exported to the USA, Canada, EU and all former Yugoslavia countries. Currently, they have nine quality white wines and two high red wines. These were introduced on the market at various times so there are four label variations. Their quality wines do not have a unified visual identity and their labels do not effectively and convincingly communicate the desired image of the wines. This negatively impacts the overall Pivka image. Therefore, Pivka identified the need for new label designs and applied for ELSA support to redesign six labels to refresh the appearance of the wines and improve their sales on both domestic and export markets. Their application was approved by AgBiz.

OBJECTIVES Engage STTA to redesign Pivka labels, present initial design proposal alternatives and develop approved label designs for each selected item in a format appropriate for printing.

OUTCOME The selected STTA supplier, Franko Design, in close cooperation with Pivka management, developed and provided final label designs for six of Pivka's quality wines, successfully fulfilling all deliverables in the three party contracts. Pivka confirmed their satisfaction, paid their portion of the design cost and provided all confirmation and proof of payment documentation. AgBiz paid the rest of the design costs as agreed in the contract.

COST Total Cost: \$2,061; AgBiz Share: \$1,006 or 49%

FOLLOW-UP Pivka will use the final designs to print the new labels and apply them to bottles, thus improving the overall appearance and enhancing the visibility and shelf appearance their products.

2.3.4.7 ELSA Dzumajlija Lozovo

DESCRIPTION Dzumajlija Lazovo Winery is a part of the large ex-State owned combinat Dzumajlija. The winery was build 25 years ago with a production capacity of 20 million liters. Dzumajlija cooperates with a strategic partner from Germany - Rizzi GmbH – to whom over 50% of their bottled wine is sold. The winery has a cellar for storing wine, as well as a bottling line with a capacity of 5,000 units per hour.

Dzumajlija intends to invest in increasing their production and sale of bottled wine that will satisfy the most rigorous requirements of EU markets.

OBJECTIVE Engage SITTA to develop a business plan for a significant investment to increase the winery's capacity to produce and export of bottled wine, primarily to the German market.

OUTCOME The selected SITTA supplier, Trio Consulting, successfully fulfilled all deliverables in the three parties ELSA contract in a timely manner. Dzumajlija confirmed their satisfaction, paid their portion and provided all confirmation and proof of payment documentation. AgBiz then paid the remaining costs as agreed in the contract.

COST Total Cost: \$6,908; AgBiz Share: \$2,503 or 36%

FOLLOW-UP Based on the new business plan, Dzumajlija will expand the capacity of their winery to produce and export bottled wine.

2.3.5 Export Focused, Business Expansion Projects Completed during the Quarter

2.3.5.1 Popova Kula

DESCRIPTION Expand exports of Popova Kula bottled wine through the establishment of Popova Kula Poland, which will be responsible for the marketing and distribution of bottled wine in the Polish market. AgBiz support is focused on the marketing and promotional program required for successful entry and share expansion of Popova Kula wines in the Polish market.

- A. Brief comparison of actual Project accomplishments compared to Project goals and objectives.

The overall Company objective for Popova Kula over the next three years was: a) to increase export sales from current 120,000 Euro to 700,000 Euro; b) to significantly expand exports of bottled wine to the Polish market and make it a key growth driver for the company; and c) to support Polish market sales by achieving a superior mix of product offering, marketing support and promotional tools. Therefore the company initiated a business expansion project with AgBiz aimed at accomplishing the following Project objectives:

Objective: Establish a Poland-based Popova Kula joint venture, i.e., Popova Kula Poland, Ltd, together with Polish partners.

Accomplishment: During the second half of 2007 Popova Kula representatives made several visits to Poland to identify and establish strategic alliances with potential Polish distributors/partners. Based on the initial success in identifying a good potential partner and one small pilot export, Popova Kula started the process of establishing a Joint Venture. Though some delays and obstacles in the procedures were experienced, Popova Kula Poland was successfully established. The company developed a sound market positioning strategy and started operations by engaging a Manager, equipping the office, renting a warehouse, etc. Then Popova Kula Poland managed to realize planned activities with the predicted dynamics.

Objective: Build the distribution network with Polish partners and current distributors of Popova Kula wines.

Accomplishment: After registration of the Polish Joint Venture, Popova Kula Poland became the exclusive importer of Popova Kula bottled wines on the Polish market. The company acts as importer and often as sole distribution agent. The Polish company was continuously trying to expand the brand's distribution network and cover the whole of Poland. After gaining the necessary experience it became noticeable that some supermarket chains have long-term relationships with certain wine and spirits distributors whereas other supermarkets have their own central warehouse from which they distribute to all their outlets throughout the country. So Popova Kula created a network for organizing distribution directly to supermarkets, to their central warehouses and now has the role of a wholesaler and cooperates with exclusive

distributors of wine and spirits for other chains. Currently the Popova Kula distribution network satisfactorily serves almost all of Poland, especially the largest retailers.

Objective: Penetrate into several key supermarket chains in the Polish market that have considerable buying and absorption capacity.

Accomplishment: During the LoP Popova Kula wines entered the most relevant supermarkets with wide coverage of the Polish market including Kaufland, Żabka, Retom Trade, ML Delikatesy, Hale Banaha, Polomarket, Piotr and Pavel, PGS Group and the Sobieski Group. The Sobieski Group is the largest wholesale and retail seller of wine in Poland. Polomarket is also a very important supermarket chain with around 300 supermarkets covering all regions of Poland. Both are among the 30 largest companies in Poland, according to the ranking list of the Ministry of Economy of Poland, which includes typical wholesalers selling alcohol to retail trade, producers and importers, retailers and distributors. Popova Kula promotional activities, including a new Polish catalogue and leaflet as well as special display stands, had significant positive effect on presentations to the managers of these chains. In the future more emphasis will be put on developing niche channels.



Objective: Design and implement an extensive marketing and promotional program, using various promotion tools, to support the desired level of penetration and achieve sales targets.

Accomplishment: Popova Kula implemented an extensive marketing and sales promotion program that significantly contributed to successful market penetration. This program included exhibiting at the Warsaw Wine Fair, Krakow EnoExpo and Warsaw EuroGastro, a catalogue, leaflets and a Polish web site, a print campaign in Magazyn Wine and Swiat Win, and in-store presence with display stands and circular letters in Sobieski, Polomarket and Hale Banaha Supermarkets.

One of the first Project activities was participation of the Popova Kula export team in the Krakow Wine Fair. This Fair was an opportunity to establish new contacts with potential clients and to reestablish the contacts that were in stagnation due to delayed registration of the Polish company. This Fair was also important for collecting information on the Polish wine market regarding its potential and structure, as well as to inform Polish customers where they could find Popova Kula's wines.

Popova Kula also initiated a marketing campaign in the Magazyn Wino and Swiat Win magazines that are the most respected Polish wine magazines.

Implementation of the Project continued with reconstruction of the Popova Kula web site and the introduction of a Polish version of the site

www.popovakula.com.mk

www.popovakula.com.mk/pol.

As a result of the above mentioned activities and efforts Popova Kula succeeded to export an initial quantity of 1,000 bottles to Poland.

Next, Popova Kula created and printed a new catalogue. The catalogue is a comprehensive compilation of flyers that gives users basic information on the history of the Popova Kula Winery and the range of products that it offers. This catalogue consists of a folder in which flyers are inserted and describes the characteristics of all Popova Kula wines followed by a recommendation on how to combine the wines with various foods.

During March Popova Kula organized a Month of Macedonian Wines in the Hale Banaha supermarkets in Warsaw. It was a great opportunity to present the winery and wines to customers in Warsaw. The winery had a special front of the stand position in the wine department and disseminated flyers with advice on how to combine wine with food, temperature for serving the wines, order of serving wines, Macedonian and world grape varieties, and interesting information about wine and a wine vocabulary to every potential consumer. This flyer was very well accepted by customers in the Hale Banaha supermarkets.

Popova Kula participation at the Eurogastro Fair in Warsaw was an opportunity to get to know the offer of other wine producers present on the Polish market. Since Popova Kula Polska was still building its distribution network, during the trade fair several negotiating meetings with distributors from different parts of Poland were held. The Eurogastro Fair was focused more on the hotel and restaurant industry. HoReCa is a channel of particular interest to Popova Kula because it allows better margins and at the same time creates greater recognition by consumers. Thus, the fair was a good occasion to negotiate entering Popova Kula wines in restaurants and hotels.

Shortly after, Popova Kula managed to export an additional 4,350 bottles with a value of nearly \$17,000 to Poland.

Popova Kula also participated in the Wine and Spirits Fair in Warsaw which took place from June 3rd to the 5th 2009. This fair was not very well organized and also, as a result of the world economic recession, the number of visitors was not satisfactory. The fair did not prove to be an effective means for Popova Kula to present its wines to Polish customers and did not achieve the expected results. Therefore, the last fair in Poznan included in the Award Budget was canceled. At the same time, although the advertising campaigns in the Swiat Win and Magazyn Wino magazines was well recognized, based on recommendations from distributors and supermarket chains, indications were that other magazines and in-store leaflets would have a better impact and promotional effect for Popova Kula. Popova Kula therefore did not continue advertising in these two magazines and reviewed other possibilities for presentation of Popova Kula wines to the Polish market.

In line with increased efforts to enter several supermarket chains including Polomarket, PGS group and Sobieski Group, make better presentations to customers in these market chains and to create better product awareness Popova Kula has focused more on their in-store presence through display stands and circular leaflets. Stands and leaflets placed in supermarkets draw additional attention of Polish consumers. As promotional tools they proved to be more cost effective, have a significant positive impact on sales and allowed Popova Kula wines to expand their presence in supermarkets like Kaufland, Żabka, Retom Trade, ML Delikatesy, Hale Banaha, Polomarket, Piotr and Pavel, PGS Group and the Sobieski Group.

As a result from entry in new supermarket chains Popova Kula realized additional exports of 9,500 bottles of wine with a value of more than \$32,000. Shortly after the in-store promotional campaign in the new supermarket chains Popova Kula exported an additional quantity of 6,000 bottles.

These marketing activities also helped the company enter several restaurants. The managers of the restaurants expressed their interest in having promotional stands in their facilities.

Popova Kula has succeeded to significantly expand its exports of bottled wine to the Polish market and make it a key growth driver for the company - the overall objective of the Project.

B. Reasons why any established Project objectives were not met, if that was the case.

The economic slowdown was the main obstacle that significantly affected the wine sales and resulted with under accomplishment of projected export sales indicators. Also, Popova Kula Poland joint venture Company's registration faced certain problems, causing a delay in implementation of planned Project activities. The Polish company registration problem also had a negative influence on the timing of negotiations with potential distributors. These are considered the main reasons that Popova Kula did not succeed to attain the level of export sales that was projected at the beginning of the Project.

C. Other pertinent information - including an explanation of any under accomplishment of projected Project indicators, key lessons learned or Award Budget deviation explanations.

The effects of the economic crisis decreased interest of customers and wine business for trade fair participation. Therefore Popova Kula canceled participation at trade fair in Poznan thought it was included in the Award Budget. Also, based on market indications and recommendation from distributors and supermarket chains, Popova Kula did not continue advertising in the two magazines Magazin Vino and Swiat Win and requested AgBiz approval to developed other possibilities through in-store leaflets and display stands to improve presentation of Popova Kula wines to the Polish market that proved to be more effective use of the financial resources under the Grant Agreement.

As the overall lessons learned it is to say that any new market entry program needs to be based on serious analysis of the market specifics. It also requires extensive knowledge on the market conditions and customers' preferences that assumes having a unique skill set that can optimize the results. Popova Kula experience showed that in Poland many of the supermarkets have long term suppliers for wine and spirits. Thus, it is much more productive instead of chasing distributors or wholesalers and promoting and offers the wines to go directly to supermarkets and if entry agreed they will direct you to their official supplier/distributor.

2.3.6 Work Completed During the Quarter Summary

During the Quarter the Program finalized the Popova Kula Grant that is accomplishing exceptional results in its Polish Market Entry Program. Popova Kula implemented an extensive marketing campaign and penetrated a significant portion of the Polish market by placing its wines in the largest and most relevant supermarket chains and niche channels. Bovin sustained on their markets and gained some export competitiveness with the introduction of high value added barrique wines. Dalvina conducted several trial shipments and opened opportunities for entering the important German market with high quality bottled wines. Valandovo continued to increase its expansion of bottled wine into Croatia. AgBiz also facilitated several activities contributing to our Wine VC objectives. We organized four larger wineries to exhibit at the Russian Wine Trade Fair '09 in Moscow where they presented their wines and established relevant contacts with potential buyers. Some of these contacts are likely to become strategic partnerships for exporting Macedonian wines to Russia. Enhancing internal capacity for export marketing and improving VC participants' understanding of EU wine markets is a key pre-requisite for successful wine export growth. Therefore, the Wine VC Coordinator facilitated a group of export managers from eight wineries to participate at the CBI Training in Rotterdam where they strengthened their capacity and focus on developing Export Marketing Plans for their companies. To increase the national export competitiveness capacity, AgBiz together with CBI organized a workshop to investigate the level of commitment from all relevant wine value chain stakeholders to develop a National Wine Sector Export Marketing Plan that will provide clear directions for an optimal Macedonian Wine Export Marketing Program.

One of the most significant AgBiz accomplishments during the Quarter was to process the private sector input into the MAFWE National Wine and Viticulture Strategy. The input was provided prior to adoption of the strategy. Also, AgBiz coordinated and integrated wineries' input into proposed revisions to the Draft Wine Law.

Through Projects with two Grantees and one ELSA, AgBiz continued to support VC participants to shift from bulk to bottled, value added products and improve the Macedonian origin and branding umbrella recognition and appreciation of quality of Macedonian wines. Dalvina Winery has fully transformed its production and is now completely focused on high quality bottled wine. Valandovo winery, via extensive support from AgBiz supported STTA, is making a significant shift to bottled wine and expanding their market share in the Croatian market. Dzumajlija, thanks to the development of a business plan as provided by an AgBiz ELSA, invested in a bottling line and started production and export of bottled wine.

AgBiz facilitated the initiative of Macedonian National Television (MTV) and USAID for developing ten individual winery promotional videos - "Wines from Macedonia" - that will be aired on a national program and their satellite channel. This will enable consumers in Macedonia and abroad to get better acquainted with Macedonian wineries and their product range and technology as well as the uniqueness of their wines. Participating wineries can use the videos to improve their individual presentations in front of potential partners at trade fairs and other promotional events.

A key component of the AgBiz FY '10 Annual Work Plan (AWP) is supporting the creation of entities that will improve horizontal integration, allow joint export marketing efforts and represent the interest of the majority of export oriented wineries. Therefore, we helped a core group of exporting wineries to confirm their commitment to form the "Wines of Macedonia" Association and advised them how to develop the required registration documents. When fully functional, this association will work on the needed technology transfer and identify models for export quality control and securing greater consistency of Macedonian wines. Improving vertical linkages by via supply chain integration support was facilitated through encouraging backward linkages with the wineries' producers.

CROSS CUTTING

The following section describes the cross cutting value chain competitiveness enhancement Activities AgBiz worked on during the Quarter, organized by Area of Focus. These are Activities designed to enhance the competitiveness of more than one AgBiz supported value chain. This type of activity is an important FY '10 Area of Focus for AgBiz.

2.4 POLICY AND INSTITUTIONAL REFORM

Overview

The third AgBiz “component” is Policy and Institutional Reform. During the previous Quarter AgBiz implemented a procedure and utilized criteria for identification, prioritization and decision making regarding actions to address policy and institutional reforms constraining the export competitiveness of the value chains we support. At the end of each Quarter the AgBiz technical team reviews the Policy and Institutional Reform Needs (PIRN) forms developed and submitted by team members during the Quarter. Using standard criteria, the team prioritizes and develops an action or activity to address the highest priority PIRNs. Prioritization criteria include:

- Severity of the PIRN as a constraint to the export competitiveness of AgBiz supported VCs;
- Extent of competitiveness improvement that would be achieved by resolving the PIRN;
- Level of real and perceived interest on the part of AgBiz supported value chain participants to be actively involved in actions/activities aimed at resolving the PIRN; and
- Extent to which AgBiz involvement in actions/activities toward PIRN resolution can produce results within the Life of Program (LoP).

AgBiz considers developing and implementing activities to resolve specific policy and institutional constraints for highly priority PIRNs only. To effectively develop potential actions, AgBiz coordinates and attempts to collaborate with Business Environment Activity (BEA). Involvement of private sector and trade associations in AgBiz supported value chains in developing assessments, recommendations and policy papers and in proposing resolutions, actions, policy reform and legislative actions is crucial for obtaining positive results and beneficial reforms. However, our policy and institutional reform efforts are constrained by the lack of private sector entities with interests and capabilities in policy and institutional reform, with the possible exception or MAP.

Policy and Institutional reform and improvement needs identified, prioritized and discussed with sources of reform during the Quarter are outlined below.

2.4.1 Detailed Accomplishments vs. Projected Objectives

| Activity | Expected Result | Result Achieved |
|---|---|---|
| TA in Assessing HACCP Gray Areas for the WGP VC | Activity finalized and implemented | Completed (see Section 2.4.4.1) |
| Support for a Public-Private Dialogue on the New Forestry Law and Law on Forests Workshop | Analyze the need of developing specific support to the WGP VC in establishing Public-Private Dialogue on the New Forestry Law | Analyses carried out a selected service provider – TreeFor, confirmed the need for developing a specific activity that will address the issue of establishing a Public-Private Dialogue on the New Forestry Law. As a result an activity to initiate changes in the Law on Forests was proposed |
| Initiation of Changes to the Law on Forests | Activity completed | Two workshops were completed. The Service Provider delivered the findings of the workshop; now those need to be approved by Shumski Plod & submitted to the MAFWE |

2.4.2 Activities Initiated this Quarter

| Activity Initiated this Quarter | Activity Description | Progress this Quarter |
|--|--|---|
| Assessment of Regulations and Practices Regarding Seasonal Employment in Agriculture | Complete a detailed assessment and analysis of the seasonal labor in agribusiness problem, with a focus on the impact on the export competitiveness and sustainability of agribusinesses | Contact was established with the Confederation of Employers of the Republic of Macedonia (CERM). They are aware of this issue and are most relevant organization to work with on this issue. Activity Concept approved. |

2.4.3 Priority Policy and Institutional Reform Needs Identified During the Quarter

2.4.3.1 Unclear Conditions for Seasonal Labor in Agriculture

DESCRIPTION Macedonian agribusinesses make extensive use of short to intermediate term labor due to the highly seasonal nature of their businesses, but have a long history of problems associated with obtaining reliable seasonal labor consistent with relevant laws and regulations. Seasonal unemployment or underemployment is, for many, a critical issue. Significant employment in agriculture is seasonal and informal. Employment laws and policies are often misinterpreted as irrelevant in much of the sector. However, for seasonal agricultural labor markets to operate efficiently, workers must have the ability to move among agricultural jobs and/or to pursue non-farm employment or entrepreneurial activities from time to time. Present regulations are very limited and inflexible. Therefore, some agribusinesses have addressed this issue to the Confederation of Employers of the Republic of Macedonia (CERM), and have asked CERM to initiate an activity that will propose solutions to the problems associated with seasonal “employment” by agribusinesses. This problem directly impacts the work of agribusinesses, and the productivity and competitiveness of the companies and their products in both domestic and international markets. An ongoing part of the problem is publishing ads for seasonal employees. Current laws require these seasonal workers be registered, and that is a significant problem for the workers who are hired since it makes it almost impossible for them to access social benefits when they are not employed in the off season. However, agribusinesses must respect the law or they will be heavily fined, and ads for temporary workers alert the authorities to a potential labor law violation. Most of those registered as seasonal employees are from the categories of unemployed people, people who take social benefits, retired people, farmers, students, etc. People who become registered at the Agency for Employment will lose all their social benefits. Therefore, agribusinesses’ legally hiring temporary workers is very difficult, especially with frequent visits from the labor inspections seeking unregistered workers and penalizing employers who hire seasonal workers and do not register them. Given this situation, agribusinesses face a serious shortage of workers during the season when they need them the most. And this directly impacts the efficiency of the company and its ability to accomplish its production objectives and increase its competitiveness. The availability and use of seasonal labor may become even more of a problem for agribusinesses with the liberalization of travel visa regulations. Therefore it is in country’s interest to work towards raising awareness of this issue with the employers and employees to help save the seasonal working force from fleeing the country. There is a need for better security and more reasonable and clearly defined employment conditions for part time and seasonal agribusiness workers.

OBJECTIVE The agribusiness seasonal employment issue must be addressed in the regulatory and institutional environments for agribusinesses to become economically productive, competitive, contribute to environmental sustainability, and assure a safe and reliable food supply.

OUTCOME Contact was established with the CERM. They are aware of this issue and are ready to involve all stakeholders to initiate work towards designing recommendation for resolving the PIRN.

FOLLOW UP In the following quarter AgBiz expects to receive a proposal from CERM for initiating the work on the issue, agree on the terms and conditions of the assignment and conduct the major portion of the work consisting of a comprehensive survey and analyses of the situation. The problem overall lies in the whole society, but the Ministry of Labor and Social Policy and MAFWE are the most appropriate to start with.

2.4.3.2 Multiple Taxation of WGP Exports

DESCRIPTION The WGP sector is facing constraints on an inter-institutional level which cannot be solved within MAFWE and the new Law on Forests. Apparently the Ministry for Environment and Physical Planning (MoEPP) a few years ago introduced an “Ecological Tax” that was paid to the Environmental Fund within MoEPP by the companies. Few years later the GoM canceled the Environmental Fund within MoEPP re-routing funds from the “Ecological Tax” in to the general GoM budget. It is clear that the Public Enterprise Makedonski Sumi will soon be recognized as a sole manager of the Macedonian forests and will be empowered to charge collection fees for the WGP’s to gatherers and/or the processors/exporters. Recognizing the chance for access to new revenue, the public enterprise for pastures management also announced that they will look in to the possibility of charging fees for WGP’s collected on land under their management.

With multiple stakeholders charging fees to WGP VC participants, including the existing “Ecological Tax” now going to the GoM budget, there is tendency for multiple and new taxation of WGP participants.

There are disputes between the GoM various institutions and Public Enterprises as to who has the right to charge fees, for what and what the responsibilities of each institution are. While the inter-institutional disputes continue, nobody is missing the chance to try to charge fees to WGP VC participants, even if it means multiple taxation of the same collected products.

OBJECTIVE Improve the competitiveness of the WGP VC and clarify the situation regarding taxation and fees on WGP’s with the objective of no reduction in income to gatherers and affordable raw material costs for exporters, while practicing sustainable collection of WGP’s.

FOLLOW UP AgBiz should consider engaging a legal expert which will, on behalf of Shumski Plod, present the negative impact of the developing multiple fees and responsibilities situation to the GoM, and develop proposals for solving the constraint.

2.4.3.3 Reduction of Import Duties for Off Season Imports of Fresh Produce for Processing

DESCRIPTION Imports of fresh fruits and vegetables for further processing is burdened with high import duties – 50% import tax plus excise duty, reaching a total value of 65%. After October 15, there is almost no domestic production and supply of the raw materials needed by the processing industry. At the end of the domestic fresh vegetables season, there are frequent shortages of certain raw materials that impede the production process and therefore limit greater exports of processed vegetable products.

OBJECTIVE Reduce and/or eliminate the import taxes on off season imports of fresh produce for processing and export (for example from October 15 to December 31). This will increase the performance of the industry and the value and volume of the exported goods.

FOLLOW UP Support MAP in their lobbying efforts and enable a dialogue with GoM institutions. This activity will require certain changes in tariff laws. It is a complex and long procedure and requires considerable time, efforts and expertise.

2.4.3.4 Other PIRNs Identified During the Quarter

Private Sector Input into the Draft Wine Law

DESCRIPTION After developing it, on 15th December MAFWE sent the Final Draft of the Wine Law to wineries and asked them to respond no later than till 21st December, 12:00 o’clock (three and a half work days) after which the Law was supposed to be revised by the Law Secretariat and on 28th December given to the Government to be reviewed. AgBiz tried to encourage wineries to provide their comments even under such short notice. Comments from a few wineries were integrated by AgBiz and sent to MAFWE. As expected, many of the wineries complained about the very limited time given to seriously review the Wine Law and provide concrete suggestions for enhancement, so requested additional time. On the 12th of January MAFWE informed that some of the suggestions and recommendations were accepted and integrated into the Wine Law, and that the final version will be presented and submitted for approval at the Government session on 15 January. From the individual comments AgBiz received from a few wineries there is a considerable number of issues that are not clearly defined in the Wine Law, and it is anticipated that these will obstruct the efficiency of wineries and will affect their export competitiveness. One of the identified issues is the long procedure for receiving a certificate to sell wine

from each new vintage, including requesting an Agricultural Inspector to take samples for physical and chemical analysis and having the wine tasting commission to evaluate the wine and MAFWE to issue the certificate for allowing the wine to be sold.

OBJECTIVE Integrate all justifiable and productive comments and suggestions on the new Wine Law and eventually seek additional modifications to the Law. This intervention should result in a more clear definition and understanding of the legislative requirements, their applicability and the implications on the wine business by all value chain stakeholders, and will improve the overall competitiveness of the value chain.

FOLLOW UP It is recommended that, if there are additional serious comments from wineries, AgBiz requests MAFWE to organize a roundtable and for an open direct dialog with the private sector on all issues regarding the new Wine Law that could inhibit the successful functioning of the value chain, especially bottled wine exports. If the law is adopted as is, any intervention for amending the Law will take more time and effort than if changes are made now. AgBiz should also continue to facilitate the Law development and implementation process, and try to improve two way communications and coordination between MAFWE and value chain participants.

Intergovernmental Agreement between Albania and Macedonia on Custom Duties for Macedonian Apple Exports to Albania

DESCRIPTION Production and marketing of apples are of major importance to the Prespa region. The total yearly production of 100 000 tons of fresh apples makes this sector a leader in the region, and have an enormous influence to the quality of life of local inhabitants. But export marketing of apples has significant problems. The whole buy-out procedure is conducted on-farm by individual traders, and in the past the most significant portion of production was sold to Albanian buyers.

Until 2005, favorable tax measures were implemented. The price of Prespa apples was very competitive and the apples demanded. In the following years, because of the natural disasters in leading apple production countries such as Poland, the demand for Prespa apples continued to be high. However, in 2009 the reference price and inter-government agreements for free trade were both very negative.

UAP, as a union of apple growers associations from the Prespa region reacted, by raising awareness of the problem with public announcements and demonstrations intended to overcome current very low apples buy-out prices and the excess supply. Several announcements were made about the introduction of a reference price by Albanian authorities, as well as other requests for transformation of GoM subsidies for new orchards that practically do not exist, into production subsidies (4 MKD per kg) with the aim of improving growers' income.

Year by year, the reference price of apples imported in Albania is increasing to protect domestic production. This year the reference price was 1.2 Euros/kg. Custom duties of 10% and VAT are paid on that price. The total additional payments for Albanian importers are 27% of that price, which is more than the actual price of 0.15 Euro/kg apples in Resen. This makes Macedonian apples noncompetitive in the traditional Albanian market. UAP is therefore seeking support from the GoM to enforce the Free Trade Agreement with Albania.

OBJECTIVE Improve the competitiveness of Prespa apples and clarify the situation regarding import duties imposed by a country with which Macedonia has signed a Free Trade Agreement, resulting in additional income to Prespa fresh exporters and growers.

FOLLOW UP It would be quite difficult to resolve this issue it should be addressed at the GoM level, rather than on the Ministerial level. The time needed to resolve the constraint should be as short as possible, but depends on the agility of the GoM and its willingness to address the constraint with the GoA and willingness of the GoA to implement the Free Trade Agreement. AgBiz should closely follow further development of the issue, and take concrete action to support UAP address it on an appropriate level.

2.4.3.5 PIR-related Constraints to the Competitiveness of Macedonian Agribusiness Exporters

The latest aggressive actions of Government to enforce laws and regulations have created a negative atmosphere in the business community and have negatively impacted export competitiveness. Public opinion is that recent, strict Government enforcing of laws and regulations is being implemented to fill the gaps in the national budget. This has been brought to the attention of AgBiz by our many customers that have been subjected to fines and other penalties when caught with practices that are not clearly

defined and in the peak of their season. In many of these cases, the agribusiness did not have an alternative to the practice they were utilizing given the fact that the regulations are not clearly stated or the same practices were not subject to penalties in the past. Seasonal employment is one of and maybe the biggest issue. Finding quality seasonal labor is directly connected to the competitiveness of exporting companies, but current laws and regulations do not provide satisfactory solutions for either employers or employees. The fines imposed for mistakes made due to improper interpretation of labor laws, or where there is no solution in the laws and regulations, are extremely high and directly influence available resources and therefore the competitiveness of small or medium sized agribusinesses. If this issue is not solved, it will limit the ability of agribusiness exporters to fulfill their sales contracts or abandon them due to lack of profitability. Solving this issue would be of direct benefit of the government as well. AgBiz is planning to make a small but significant contribution to addressing this issue through engaging an organization that will analyze the problem and make recommendations for interventions and develop procedures that will serve in the best interest for agribusinesses, seasonal workers and the Government.

2.4.4 Competitiveness Enhancement Activities Completed during the Quarter

2.4.4.1 TA in Assessing HACCP Gray Areas for the WGP VC

DESCRIPTION Mandatory implementation of food safety systems based on HACCP principles as introduced by the GoM on January 1, 2009 represents a serious challenge for WGP companies, since HACCP-specific knowledge is very limited in the WGP value chain. Many “gray areas” exist regarding the specifics of HACCP implementation for WGP companies. The main issue for successful HACCP implementation is wide spread semi-processing by collectors (sun drying at collector’s homes) before delivery to consolidation and processing centers. This applies to about 50% of the total Boletus mushrooms exported, and 100% of collected herbs. There is a gap in the HACCP-specific knowledge of both value chain participants and the GoM inspection services regarding the drying that takes place at the gatherer level. This Activity is assessing these knowledge gaps and developing specific recommendations for HACCP implementation to serve as a guide for both value chain participants and GoM inspection services. The assessment was conducted by qualified international and domestic consultants in coordination with relevant GoM food safety inspection services. This Activity was developed by AgBiz and GTZ. GTZ staff members served as domestic consultants, and provided all the necessary information to the international expert that was selected by both GTZ and AgBiz, and financially supported by AgBiz.

OBJECTIVES Develop a comparative analysis of the current practices and requirements in the EU and Macedonia in terms of food safety and mandatory food safety systems in the WGP VC. Help align Macedonian WGP food safety requirements and practices with EU requirements. Develop proposals for amendments to existing legislation regarding WGP food safety practices, and for optimal approaches to aligning WGP regulations with EU requirements. Build the capacity of WGP VC participants to comply with GoM and EU food safety requirements.

OUTCOME During the Quarter the contracted consultant delivered a second draft of the analysis which was commented on by AgBiz and GTZ. Based on these comments a final version was delivered which was accepted by AgBiz and GTZ. GTZ then organized a workshop at which the findings of the analysis were presented to VC participants and other stakeholders. The consultant also presented quite interesting developments in the WGP VC in Bulgaria. AgBiz personal also participated on the workshop. Assessment findings should also be interesting for authorities drafting national legislation. Eighteen participants were present at the workshop that was held in the Kavadarci Municipality. The Municipality also showed interest in promoting the Activity and invited local media to promote and report on the event. Upon completion of the Activity the consultant was paid by AgBiz.

COST Total Cost: \$10,750; AgBiz Share: \$3,960 or 37%.

FOLLOW-UP In the next quarter parts the analysis will be presented to the Food Directorate and MAFWE for their use when drafting their related regulations. Bulgaria has an elegant model of a main law and several bylaws which regulate all aspects of WGP, from gathering to food safety. However the structure of Macedonian legislation is somewhat different and different legal aspects are scattered in different legal acts under responsibility of different Ministries. Coordination between the different competent authorities will be the biggest challenge to developing effective and efficient regulations for the WGP VC.

2.5 ACCESS TO FINANCE

Overview

The fourth AgBiz “component” is Enhanced Access to Finance. The following section describes the substantial work that was done during the Quarter to improve customers’ access to finance, primarily by the AgBiz Finance Specialist.

DESCRIPTION The AgBiz Enhanced Access to Finance “component” helps customers obtain access to finance in the current difficult economic situation by understanding and communicating the comparative availability of agribusiness finance, and the new procedures and demands from financial institutions. We also track the impact of the global financial crises on the Macedonian financial sector and keep up to date on available financing and new financial products, as well as explore and present to our customers new alternative sources of available financing for agribusinesses and those most appropriate for them in the current economic situation.

OBJECTIVE Identify and help AgBiz customers gain access to viable and competitive sources of finance, including but not limited to loans, leasing, factoring and export insurance - as well as make companies familiar with and train them to successfully apply for IPARD as an emerging financing option; work with current and new suppliers of loans and loan guarantees and other financial products to understand their new products, procedures and regulations; identify sources of finance or financing guarantees for AgBiz customers; analyze companies’ financial statements, collateral issues, and financial projections; based on the result these analyses, assist companies to develop applications for loans, leases, equity or other types of financing; identify possible viable sources of equity for larger AgBiz customers; provide training to producers, processors and Small and Medium Enterprises (SMEs) on how to assess their capital needs, including but not limited to working capital requirements, long-term financing, and equity investment; understand the impact of the global financial crises on the financial sector, and how that may impact clients’ loan application processes and approvals; explore financial sourcing options such as the Macedonian Bank for Export Promotion (MBEP) which could provide customers very competitive rates and terms; investigate and promote the MBEP Export Insurance and Guaranty Fund and explore and realize the possibility to use MBEP Export Insurance as collateral for customers’ short term loans; and understand IPARD terms and conditions and assist customers to prepare for and access IPARD financial support.

2.5.1 Detailed Accomplishments vs. Projected Objectives

| Activity | Expected Result | Result Achieved |
|---|---|---|
| IPARD Training for Managers of FF&V Companies | Activity approved and agreements signed | Completed (see Section 2.5.3.2) |
| IPARD Study Tour to Croatia | Utilize Croatian experience in achieving better access to IPARD Funds for FF&V companies | Activity Description developed and approved by USAID. Possible implementation in February/March 2010. |
| IPARD Study Tour to Bulgaria | Introduce effectively prepared & successful implemented Special Accession Program for Agriculture and Rural Development (SAPARD) projects to potential IPARD applicants | Study Tour postponed until May 2010 |

2.5.2 Activities Initiated this Quarter

| Activity Initiated this Quarter | Activity Description | Progress this Quarter |
|---|---|---|
| Update Agribusiness Finance Manual | Agribusiness Finance Manual Updated | Implementation initiated; completion scheduled for February 2010 |
| “Equity Financing – Opportunities for Macedonian Companies” | In October the USAID Competitiveness Project held a seminar entitled “Equity Financing – Opportunities for Macedonian Companies” with the aim of giving company managers an opportunity to learn how to attract foreign investments and raise equity, and | At this seminar Lovre was introduced to the overall process of acquiring capital, such as how to attract and negotiate with investors, how to prepare documentation properly, |

2.5.3 Work Completed During the Quarter

Improved and detailed access to finance assistance was provided to four companies and four individuals in total amount of \$280,618. Three of them applied for a total of \$237,118 in loans and one received an export insurance policy for their exports to Delta in Serbia. To provide assistance to our customers and transfer IPARD knowledge, presentations regarding IPARD possibilities were provided to more than 17 participants from 14 companies, where we explained and shared all necessary information regarding future IPARD possibilities. Relevant sources of financing through government programs, as well as the impact of the global financial crises on the Macedonian financial sector was presented to 10 companies from AgBiz value chains and to 20 members of UAP. As a result, four of these individuals asked for and received help in applying for loans totaling \$43,500. Together with the Chief of the Credit Insurance Department of MBEP, we presented to two companies the Export Insurance product, its advantages and the possibility to use it as collateral. These customers also received information regarding all other MBEP credit products, and conditions and Guaranty Fund possibilities. These companies signed a Memorandum for Cooperation with MBEP and subsequently applied for MBEP Export Insurance. The credibility of their buyers in Russia, Ukraine, Serbia and Croatia was estimated by the MBEP. An additional ten companies received information regarding available sources and types of finance, and also an explanation of the different product characteristics and advantages to using loans, leases, equity, or other types of financing depending on the companies needs and situation. Estimations of the impact of the global financial crises on the Macedonian financial sector, and how that may affect our customers' loan application processes and approvals were updated. Changes in the loan approval procedures of the leading lending institutions were identified. To present the most current information connected with the situation in Macedonian financial markets and on all products offered to our customers and give them a chance to choose the best option, we started the process of updating the Agribusiness Financial Manual.

ISSUES The situation in the Macedonian financial sector became more stable and transparent during the Quarter. Loan procedures have become faster, collateral requirements have not increased, the average approved loan amount was higher than last quarter and the pay-back period has become longer, but there are still restrictions on real estate loans. Interest rates have stabilized, but are still at a level similar to four years ago for both new and current loans. This has a negative impact on companies' cash flow. The time period from loan application to disbursement has become more realistic. Conditions for borrowing money are still very difficult and uncompetitive for borrowers. Central Bank restrictions have not changed and reflect on commercial banks' loan conditions and disbursement policies. The 100 million Euro loan from European Bank for Reconstruction and Development (EBRD) managed by the Macedonian Bank for Export Promotion, and disbursed through seven commercial banks, is now is available to Macedonian companies.

LESSONS LEARNED Our understanding of the situation and lenders' new policies and procedures is crucial to be able to provide our customers with the most current and relevant information regarding where to apply, what documents to prepare and what to expect. A well prepared and realistic business plan has become one of the key documents requested by financial institution as a part of loan applications. A good business plan increases the chance of receiving a loan, and should also give direction to management regarding how to manage loan repayment and company development during the period of the loan. MBEP has become a more competitive and more relevant institution, and their products that are provided through eleven commercial banks with fixed interest rates from 7.5% to 8%, a grace period, longer terms for repayment and an export insurance opportunity are attractive for AgBiz customers. The potential impact on the economy from the new MBEP loan of 100 million Euros from EBRD, and the additional 100 million from partner commercial banks, with 6 % interest rate for year one and 3%+ EURIBOR, but not lower than 6%, disbursed through seven commercial banks has great potential. This loan product is designed, and contracts with commercial banks for its utilization have been signed.

Agricultural Credit Discount Fund (ACDF) funded loans still have the most competitive interest rate, but limitations on the loan amount that can be approved, and the slow procedures of commercial banks that provide these loans, are the disadvantages. Overall, while accesses to finance processes are still conservative, difficult and inefficient for our customers, some easing took place over the Quarter.

FOLLOW-UP The AgBiz Finance Specialist will continue to meet with financial institution representatives to collect information regarding new products and the conditions they require from our customers. We will continue to support our customers to understand and apply for loans, leases, equity,

or other types of financing and keep up to date on available financing and new financial products. AgBiz is very aware of the importance of IPARD funds for many of our customers. Due to new financial institutions in Macedonia, and new borrowing procedures and conditions, we have started to update the Agribusiness Financial Manual. After publishing the Manual, a workshop will be organized to present to our customers and other potential borrowers the most relevant terms and condition in all financial institutions, including IPARD and GoM funds.

2.5.3.1 Work with the Macedonia Bank for Export Promotion

DESCRIPTION During the Quarter meetings were held on a regular basis with the Macedonian Bank for Export Promotion (MBEP) to get updated on their plans and ability to finance IPARD-related loan application. MBEP implemented their plans to stimulate loan disbursement, especially investment loans and loans for export oriented companies, as a part of GoM measures related to the global economic crisis. MBEP, through the Ministry of Finance, have signed an arrangement with EBRD for receiving a loan of 100,000,000 EUR. MBEP have an agreement for disbursing loans with a 6% interest rate for year one and 3%+EURIBOR, but not lower than 6% with seven commercial banks. These loans will be available to Macedonian companies. During the Quarter, the first loans from this source were disbursed through commercial banks. There is possibility that during 2010 these loans will be directly disbursed through the MBEP. MBEP is working on factoring as a possible new product.

OBJECTIVE During the global economic crisis, and the period after, MBEP's objective is to take a lead role as a State-owned bank to help the banking sector mitigate the negative impact of the global economic crisis; use the 100,000,000EUR EBRD loan to encourage commercial banks to support IPARD projects; to inject fresh money into the banking system that is essential to the survival of Macedonian companies and to stimulate export sales by insuring exports. To help the companies manage their receivables, MBEP will start insuring domestic sales receivables and present factoring as a new possibility.

OUTCOME MBEP will increase their staff size and train them to introduce MBEP's own loan products (especially to exporters and investors) beginning in early 2010. MBEP have arrangements with seven commercial banks, including the biggest ones, for sharing the funds based on the principle of 50% participation. MBEP and commercial banks will start with disbursement of a specific credit line with a fixed interest rate of no more than 6%, for year one and 3%+EURIBOR, but not lower than 6% and other specific requirements. MBEP understands their leading role for financing IPARD-related applications for financing, and are promoting new sources of finance such as export insurance and factoring. MBEP financial products are the most attractive products on the Macedonian financial market.

FOLLOW-UP Have regular meetings with MBEP managers to obtain the most current information regarding their progress in creating new financial products. Stay up to date on information regarding which banks have signed cooperation contracts with MBEP, and under what terms and conditions. Follow the MBEP preparation process for being able to directly disburse loans, including staff development, collateral requirements and other terms and conditions.

2.5.3.2 IPARD Training for Managers of Fresh F&V Companies

DESCRIPTION/OBJECTIVE Increase the capacity of managers in fresh fruit and vegetable companies and their consultants to understand and utilize IPARD benefits when they become available. To help companies successfully apply for IPARD support, greater awareness of IPARD measures, and an increased capacity of potential IPARD beneficiaries and their consultants must be achieved. The objective of the training was to help customers in the Fresh Fruits and Vegetables Value Chain better understand the eligibility criteria, procedures and kind of projects that can qualify for IPARD funding, and increase the capacity of managers to utilize IPARD benefits when they become available. The workshop was offered just few days before the Call of Applications was released. In addition to AgBiz customers, several local consultants participated on the workshop.

OUTCOME/FOLLOW –UP Seventeen participants from fresh fruits and vegetables companies and their consultants attended the one day training “How to Design Proposals, Apply for and Manage IPARD Funds”, held on 21 December. Highly relevant workshop sessions provided participants with comprehensive and up-to-date knowledge on the measures, latest available business plan model, guiding documents, technical criteria and the food safety and environment requirements needed for successful IPARD applications. Trainees were instructed about how to fill out the IPARD application form. This helped participants understand the process, the role and responsibilities of participants, types of investments, eligible and non-eligible costs, financing of investments, reimbursement and project

evaluation criteria, and will prepare them for the application call and to submit applications that have a good chance to succeed. The participants gained an in depth understanding of the two (101, 103 and 302) measures of interest to the sector, were provided updated materials and procedures relevant to IPARD. Participants now understand the eligibility criteria, criteria that Payment Agency staff will use to evaluate and select applications for support, as well as reimbursement schemes. Participants got familiar with guiding documents, technical criteria and food safety and environment requirements needed for successful application. (For more details, see Appendix 6.2.8: “Results Report IPARD Fresh Fruits and Vegetables Training”).



PHOTO CREDIT: AGBIZ STAFF

Participants Completing a IPARD for practice, Supervised by Lovre Risteovski, AgBiz Access to Finance Coordinator

Participants also identified the potential gaps and shortcomings that currently exist and learned to start application preparation soon so once the call for proposals is announced, they can quickly apply with properly completed applications. Based on the comments obtained from the participants for further clarification of the issues related to eligible and non-eligible costs, specific requirements and project identification, the AgBiz FF&V VC Coordinator will prepare a list of questions that need further clarification and send them to the

Payment Agency and the Ministry of Agriculture. Answers obtained will be circulated to the training participants.

COST Total Cost: \$1,527; AgBiz Cost \$754 or 49%.

2.6 BACKWARD LINKAGES

Overview

After the transformation of the Macedonian political system and establishment of an independent state in the early '90s, and the subsequent transformation of the economic and political systems of the country, significant changes occurred. This was especially significant in agriculture because of the transformation of agricultural kombinats. Established systems of vertical integration between producers and agribusiness no longer existed. In the subsequent 20 years of independence, many projects active in Macedonia [Food and Agriculture Organization (FAO), GTZ, SNV) have addressed the issue of Backward Linkages in almost all agriculture subsectors, some more successfully than the others, but in general always finishing with marginal success. Although some positive examples do exist, Macedonia still does not have an established system of vertical integration/backward linkages that will satisfy the needs of farmers and the requirements of integrators (processors or traders). Recently, MAFWE recognized the lack of vertical integration models and contract farming as one of the most significant obstacles to achieving stable growth and development in the agricultural/agribusiness sector.

2.6.1 Detailed Accomplishments vs. Projected Objectives

| Project Title | Objective | Result Achieved during the Quarter |
|---------------|---|---|
| VIGAN | Improve the quality and quantity of mushrooms sold on export markets, increase the capacity of production and implement HACCP standards. Specifically: increase margins by increasing the quality of processed mushrooms; increase processing capacity to be able to increase sales and exports; introduce a new product - frozen | During the quarter Vigan's improved facilities were operational and production quantities were optimized during the peak of the season, especially for Lactarius mushrooms. Other smaller construction work and preparation of facilities according to the requirements of HACCP were implemented. Vigan reported an increase in the purchase of raw material these |

| Project Title | Objective | Result Achieved during the Quarter |
|------------------|---|---|
| | mushrooms; increase the quantity of forest mushrooms purchased; and increase the number of employees | season, although prices and demand from buyers was somewhat diminished. |
| INTER-MAK | Maintain and further upgrade Intermaak's position as one of the leading Macedonian companies processing and exporting wild mushrooms by improving and increasing its processing and storage capacity. Specifically: increase processing and sales by 200%; optimize raw material intake in the best seasons; create inventories of dry and frozen mushroom products; be able to approach US and other foreign markets and customers; introduce organic production; expand the mushroom products line; and introduce new, smaller consumer and food service packs of mushrooms | During the Quarter Intermaak focused on extending the existing HACCP system into the ISO 22000 standard covering all Intermaak facilities. With AgBiz support Intermaak implemented the HACCP-based food safety system in all consolidators that supply the company WGP raw materials. Then the new ISO 22000 food safety system was implemented and certified by an internationally accredited certification body. Intermaak achieved exports of organic certified products during the Quarter and benefited from the new MAFWE subsidies for processing and exporting organic products. |
| KORO | Establish and strengthen the company's presence on regional markets, primarily Serbia. Specifically: move from a supply push method of sales to demand pull sales in Serbia; improve competitiveness; enter major supermarket chains in Serbia; increase the Koro teas market share in Serbia; and enable total sales growth, and increased regional export sales | During the Quarter Koro focused on finalizing their organic certification. This proved to be more difficult than anticipated as Koro has a large pallet of products. As growth of the raw materials used for Koro teas starts in April and finishes in November, the certification body was unwilling to issue a certificate with only one inspection early in the year, and Koro needed to supply all recipes and make sure that all raw materials and additives to their tea blends were on the allowed organic list so an organic certificate can be granted. After negotiations a second inspection was carried out by the certification body in November and Koro expects that an organic certificate will be granted. |
| FLORES | Introduce a new organic product line for wild gathered medicinal herbs, aromatic plants and wild fruits, and create new regional and international export opportunities. Specifically: capitalize on the increasing demand for organic raw materials; implement complete physical separation of conventional and organic production lines; increase sales by 30%; introduce organic production; and be able to approach EU and other foreign organic products markets | During the Quarter Flores continued to finalize construction work on their new facilities. As sales were not intensive Flores focused on implementing HACCP prerequisites. Flores, supported by AgBiz, started implementing HACCP in three of their consolidators to complement the food safety system they are introducing in their main facilities. |

2.6.2 Activities Initiated this Quarter

| Activity Initiated this Quarter | Activity Description | Progress this Quarter |
|---|---|---|
| Assess AgBiz VC Participants use of Backward Linkages & Develop Lessons Learned/Best Practices | Identify the most successful model for contract farming to be applied on a larger scale in each of the AgBiz supported value chains | Activity Concept and Activity Description approved, SoW developed and consultant bids solicited. |
| Support an Existing Contract Farming Model - based on the results of the backward linkages assessment | Activity Concept approved | Implementation is pending recommendations from the Backward Linkages Assessment, so no AC is needed yet |

2.6.3 Work Completed During the Quarter

During the Quarter AgBiz focused on creating operational links with other donor or GoM initiatives that support backward linkages/contract production enhancement and expansion. With the objective of

improving our knowledge and awareness of how to create backward linkages between producers and buyers and exporters or processors, MAP was supported to organize a workshop with MAFWE and raw material producers to develop a contract farming model that will be accepted and supported by all stakeholders. Additionally, coordination with other ongoing [Macedonian Agricultural Advisory Support Program 2 (MAASP 2), Peoples Recovery, Empowerment and Development Assistance (PREDA)] activities to support existing backward linkages model(s) in the AgBiz supported VC was finalised, and areas for future cooperation determined. To improve the knowledge and awareness of the need to create linkages between producers and buyers/exporters and to develop and promote a model for establishing a system that will enable future formal links between producers/POs and buyers/exporters/processors, an assessment of Contract Production Best Practices & Lessons Learned was initiated.

2.7 ASSOCIATION DEVELOPMENT

Overview

Many agriculture-focused donor activities and GoM programs have the objective of supporting producer (farmer) organizations and/or agribusiness trade associations. Despite these substantial efforts only limited progress has been made in developing sustainable trade associations. MAP is currently the only apparently sustainable agribusiness-related trade association. Enhanced horizontal linkages via increasing the number and strength of trade associations is an important tool for stimulating the sustainable development of value chains. Slow and unnecessary bureaucratic procedures are still a significant impediment to the competitiveness of the AgBiz supported VCs, and the lobbying power of most AgBiz VCs is still very underdeveloped. Without a strong trade association, VC participants cannot impact GoM policies and practices and/or organise and implement effective actions to develop and enhance members' competitiveness. Sustainable trade associations in the VCs of interest to AgBiz would be very good USAID "legacy institutions". Past experience shows that member ownership is one of the main prerequisites for the successful functioning and longevity of an association. Therefore, AgBiz is supporting associations with serious member ownership, and will continuously emphasize the importance of ownership so association members clearly understand the role and intentions of the Program.

2.7.1 Detailed Accomplishments vs. Projected Objectives

| Activity | Expected Result | Result Achieved |
|---|---------------------------|---|
| Support the Formation & Strengthening the Trade Association "Wines of Macedonia" | Activity Concept approved | MoU is signed by the founder companies, all registration documents are prepared & work on the financing model is ongoing, so no AC is needed yet |
| Establish and Support an Association of Fresh Produce Exporters - cost share a professional association manager | Activity Concept approved | Implementation is pending the results of the analysis to identify the interest and commitment of fresh produce VC customers to establish an exporters trade association, so no AC is needed yet |

2.7.2 Activities Initiated this Quarter

| Activity Initiated this Quarter | Activity Description | Progress this Quarter |
|--|---|---|
| Support "Shumski Plod" with SITTA for a 5 year strategy, activity and financial plan & proposals to the GoM & donors as a model for assn development | Activity Concept and Description approved and agreements signed | Activity Concept and Description developed; agreements pending |
| Fresh Produce Exporters Trade Association | Assessment of the Interest & Commitment of Fresh Produce VC Participants to Establish a Trade Association | Preliminary questionnaires were developed and distributed to selected VC participants |

2.7.3 Work Completed During the Quarter

During the Quarter AgBiz started work on establishing an Association Development Processes and Procedures/steps for use as the AgBiz process and types of support for association development. It was decided that support will be provided for the establishment of one or two new associations in the Wine and FF&V P VCs where initial interest and need can be identified. This will be accomplished by establishing partnership (support) agreements between AgBiz and existing and/or potential trade associations that have current or potential members committed to establishing a sustainable association. AgBiz established a strategic partnership with MAP to coordinate implementation of AgBiz support to the processed vegetables value chain. An analysis to identify the interest and commitment of fresh fruits and vegetables VC participants to establish a trade association was initiated, while the interest of Wine VC participants to form the “Wines of Macedonia” trade association was confirmed. AgBiz also supported Sumski Plod to address a major policy and institutional constraint regarding multiple taxation of WGP's by engaging a consulting company to organize a stakeholders workshops on the new bylaw for WGP's that is part of the new Law on Forests that would have a very negative impact on the VC if adopted as proposed.

2.8 FOOD SAFETY STANDARDS

Overview

In addition to their importance as a value adding tool and sales prerequisite, implementation of food safety assurance systems based on HACCP principles was made mandatory by the GoM from 1 January 2009. It is estimated that only 10-15% of Macedonian food businesses were able to meet the requirement at that time. This is a serious constraint to agribusiness due to the investment needed to comply with the requirements and the limited local and affordable expertise for implementing the more advanced food safety & quality assurance systems. To support VC participants to address this constraint, AgBiz identified several approaches, including supporting the introduction of quality and food safety standards, increasing the capacity of Local Service Providers and customers' awareness of the importance of food safety standards and support value adding to bulk sales by implementing quality standards and food safety systems in those customers.

2.8.1 Detailed Accomplishments vs. Projected Objectives

| Activity | Expected Result | Result Achieved |
|---|---|--|
| WGP Consolidators Support for HACCP Implementation | Activity in implementation | Audits of two exporters' (Intermak and Fungi Flora) consolidators were finished; AgBiz approval of the third audit (Flores) was granted |
| Cost-efficient Group GlobalGAP Implementation and Certification | Four additional companies receive Certification | Fagrikom - All seven companies were certificated for GlobalGAP and Fagricom submitted an Activity Results Report; Biotehnikon - Six companies were certificated for GlobalGAP. The last one is anticipated to be certified in January. |
| ELSA Extra Fungi HACCP Implementation | Activity completed | Completed (see Section 2.8.3.2) |
| ELSA Val Fungi HACCP Implementation | Activity completed | Completed (see Section 2.8.3.3) |
| ELSA Fungi Flora HACCP Implementation | Activity completed | Completed (see Section 2.8.3.4) |
| ELSA Igor Komerc HACCP Implementation | Activity completed | Completed (see Section 2.8.3.5) |

2.8.2 Activities Initiated this Quarter

| Activity Initiated this Quarter | Activity Description | Progress this Quarter |
|----------------------------------|--------------------------------------|---------------------------------|
| Training in the Requirements for | Increase understanding and awareness | Completed (see Section 2.8.3.1) |

| Activity Initiated this Quarter | Activity Description | Progress this Quarter |
|------------------------------------|--|-----------------------|
| International Food Standards (IFS) | of the IFS standard requirements/Upgrade IFS capacity of local service providers | |

2.8.3 Competitiveness Enhancement Activities Completed during the Quarter

2.8.3.1 Training in the Requirements for IFS Standard

OBJECTIVES Upgrade the IFS capacity of local service providers.

RESULTS ACHIEVED

- The consultants received certificates for implementation of IFS. With this increased knowledge, these local service providers can start offering IFS implementation services. A consultant may be needed for full implementation, but the companies now know all the steps and can engage a consultant only for the steps that they cannot implement by themselves.
- AgBiz customers were introduced to the IFS standard for the first time and thereby increased their understanding and awareness of the IFS standard requirements. With this increased knowledge of IFS certification, companies can start preparing for IFS certification.
- Customers had an opportunity to start IFS certification. Two companies have started IFS certification. The decision to do so was made because the companies now fully understand the requirements for IFS certification. Hopefully other companies will follow this example and start IFS certification in the near future.

OUTCOME Quality department managers from five customers and two representatives of local service providers received IFS a certificate. (For more details, see Appendix 5.2.3: “Results Report Training in Requirements for IFS”).

COST Total: \$7,658; AgBiz Share: \$3,119 or 41%

FOLLOW-UP Two companies agreed to start with implementation of IFS standards.

2.8.3.2 ELSA Extra Fungi

DESCRIPTION Extra Fungi became operational in December 2005 and trades and processes mushrooms. The company buys fresh or dried mushrooms and processes them before selling to EU markets. Raw mushrooms are purchased from local intermediaries who buy mushrooms from local and regional gatherers. Semi-processed products are sold in bulk, and afterwards packaged by final marketers. In 2009 the company built its own processing capacity following food safety standards. This will enable more efficient processing and storage of their products. The total cold chamber space of the new facility is 1,600 m³ spread over 750 m² of building space. Total company owned property is 3,200 m² which would allow expanding the facility and building a proper transport and loading system around the main building. Long-term relationships have been established with customers from France and Italy. Extra Fungi approached AgBiz with an application for ELSA support to implement and certify a HACCP-based food safety system in their new processing facilities to improve their competitiveness and comply with GoM food safety requirements.

OBJECTIVES Implement a functional HACCP based food safety system; certify a HACCP-based food safety system by an internationally accredited certification body; increase Extra Fungi’s competitiveness by offering safer food; and comply with GoM and international food safety requirements.

OUTCOME During the Quarter the selected Service Provider working in Extra Fungi established a HACCP-based food safety system which was immediately put in practice. As the system was functional, a certification company was engaged by Extra Fungi to verify the system. Upon successful presentation of a functional system, Extra Fungi was awarded a certificate for their HACCP-based food safety system. Upon receiving the proof of payment to the certifier and proof that the certification process was successfully completed, AgBiz paid our agreed share to the Service Provider that implemented the system. With this, the ELSA Activity was successfully completed.

COST Total Cost: \$7,905; AgBiz Share: \$3,171 or 40%

FOLLOW-UP AgBiz will continue to monitor the progress of Extra Fungi in achieving additional successes in future sales since HACCP certification can serve a value adding tool for Extra Fungi's products.

2.8.3.3 ELSA Val Fungi

DESCRIPTION Val Fungi is a Macedonia-based company that trades and processes mushrooms and vegetables. The company buys fresh or dried mushrooms and processes them before sale to EU markets. Mushrooms are sold as semi-finished products to large chains or are transported to a company branch in Italy. From the branch office, products are sold to processors in Italy or to Italian retail chains. Raw materials are usually purchased from local gatherers and intermediaries who consolidate mushrooms. A very small part of production is sold on the local market and other Macedonian exporters. Company facilities are located in s. Belindol, Gostivar. The company started operations in 1998, but the owner has more than 15 years experience working with WGPs. Expansion of the companies processing facilities is planned. Long-term cooperation has been established with Italian customers as the main buyers. The son of the owner lives in Italy and manages the Italian branch company. In Italy Val Fungi uses subcontractors for retail product packing.

OBJECTIVES Implement a functional HACCP-based food safety system; certify a HACCP-based food safety system by an internationally accredited certification body; increase Val Fungi's competitiveness by offering safer products; and comply with GoM and international food safety requirements.

OUTCOME: During the Quarter, the Selected Service provider working in Val Fungi established a HACCP-based food safety system which was immediately put in practice. As soon as the system was functional, a certification company was engaged by Val Fungi to verify the system. Upon successful presentation of a functional system, Val Fungi was awarded a HACCP based food safety system certificate. Upon receiving the proof of Val Fungi payment to the certifier and proof that the certification process was successfully completed, AgBiz paid our agreed share to the implementation Service Provider. With this the ELSA Activity was successfully completed.

COST Total Cost: \$6,593; AgBiz Share: \$3,021 or 46%

FOLLOW-UP AgBiz will continue to monitor the progress of Val Fungi in achieving additional success in its future sales as the HACCP certificate can serve as a value adding tool for Val Fungi products.

2.8.3.4 ELSA Fungi Flora

DESCRIPTION Fungi Flora's main operations are trade and processing of mushrooms, herbs and forest fruits. The company is involved in buying fresh or dried mushrooms, herbs and forest fruits for processing and sale to EU markets. Raw materials are purchased from local intermediaries who buy mushrooms, herbs and forest fruits from local or region pickers. A very small part of production is sold on the local market, including to Alkaloid. Seven varieties of mushrooms, 21 varieties of herbs and around six varieties of forest fruits are processed in Fungi Flora's facilities located in v. Oraovica, Radovis. The company started operations in 2004, but the owner has more than 20 years experience working with WGPs. The company's products are sold primarily in bulk. Fungi Flora approached AgBiz with an ELSA application to implement and certify a HACCP-based food safety system in their processing facilities to improve their competitiveness and comply with GoM food safety requirements.

OBJECTIVES Implement a functional HACCP-based food safety system, certify the implemented HACCP system by an internationally accredited certification body, increase Fungi Flora's competitiveness by offering safer products and comply with GoM and international food safety requirements.

OUTCOME: During the Quarter the selected Service Provider working in Fungi Flora established a HACCP-based food safety system which was immediately put into practice. As the system was functional, a certification company was engaged by Fungi Flora to verify the system. Upon successful presentation of a functional system, Fungi Flora was awarded a HACCP-based food safety system certificate. Upon receiving proof of payment to the certifier and proof that the certification process was successfully completed, AgBiz paid our agreed share to the Service Provider that implemented the system. With this the ELSA Activity was successfully completed.

COST Total Cost: \$7,972; AgBiz Share: \$2,765 or 35%.

FOLLOW-UP: AgBiz will continue to monitor the progress of Fungi Flora in achieving additional success in its future sales as the awarded certificate can serve as an additional value adding tool to Fungi Flora products.

2.8.3.5 ELSA Igor Komerc

DESCRIPTION Igor Komerc, Gostivar was established in 1992 to purchase, process and trade various forest fruits, focusing on forest mushrooms. The company's processing activities consist of full processing, i.e., from raw material to final products that are mostly sold on foreign markets. Igor Komerc operates out of the Polog region and sources its raw materials from individual collectors. Igor Komerc approached AgBiz with an ELSA application to support implementation and certification of a HACCP-based food safety system in their processing facilities as a means of improving their competitiveness and complying with GoM food safety requirements.

OBJECTIVES Implement a functional HACCP-based food safety system, certify the implemented HACCP food safety system by an internationally accredited certification body, increase Igor Komerc's competitiveness by offering safer products and comply with GoM and international food safety requirements.

OUTCOME: During the Quarter the selected Service Provider working at Igor Komerc established a HACCP-based food safety system which was immediately put in practice. As the system was functional, a certification company was engaged by Igor Komerc to verify the system. Upon successful presentation of a functional system, Igor Komerc was awarded a HACCP based food safety system certificate. Upon receiving proof of payment to the certifier and proof that the certification process was successfully completed, AgBiz paid our agreed share to the Service Provider that implemented the system. With this the ELSA Activity was successfully completed.

COST Total Cost: \$5,897; AgBiz Share: \$2,204 or 37%.

FOLLOW-UP: AgBiz will continue to monitor the progress of Igor Komerc in achieving additional success in its future sales as the HACCP certificate can serve as a value adding tool to Igor Komerc products.

2.8.4 Export-focused, Business Expansion Projects Completed during the Quarter

2.8.4.1 Kokolanski

1) Results of Project implementation

Kokolanski is a Wild Gathered Products (WGP) company that focuses on three main products - Lactarius mushrooms, Boletus mushrooms and juniper berries. Company limitations on purchasing and processing larger quantities of fresh/chilled Boletus and Lactarius mushrooms in brine were due to their limited processing equipment and storage capacity. The previous facility for blanching Lactarius mushroom did not meet food safety requirements. Kokolanski wanted to achieve a greater volume of processing and increase labor productivity and company profitability.

Therefore, the Project involved upgrading and expanding the company's processing facilities, and supporting the purchase and installation of new processing equipment for blanching Lactarius mushroom and fulfilling GoM and EU requirements for food safety.

The Project began on July 1, 2008 and was completed on December 21, 2009. The Project objective was to increase Kokolanski's export competitiveness by improving and increasing their processing capacity for blanched and brined Lactarius mushrooms and implementing the preconditions for HACCP certification. Specific objectives were improved competitiveness, increased processing, raw material sourcing and purchasing capacity, implementing a food safety system based on HACCP principles and complying with GoM and EU food safety requirements.

During Project implementation there were no changes in the approved Award Budget Items or their value. Some changes were made in the time frame for completing some Items, e.g., Item 1: Extending the HACCP Scope, Item 2: HACCP Certification and Item 3: Purchase and Installation of 2 Inox Aisi 304 Blanching Vats. However, all Award Budget Items were completed before the end of the Project/Grant term.

Despite case flow problems, Kokolanski managed to purchase the blanching equipment and was reimbursed by AgBiz after the required procurement procedures were followed and the equipment was successfully installed. After installation of the new blanching equipment, Kokolanski was able to extend his HACCP scope and was certified by an international certification organization. With the installed new equipment and a certified food processing operations Kokolanski managed, on time, to satisfy GoM

requirements regarding food safety and to increasing his processing capacity for blanched and brined Lactarius mushrooms.

After installation of the new equipment, Kokolanski's processing capacity for Lactarius mushrooms increased from 750 kg/day to 1,500 kg/day. With the increase in his export competitiveness, Kokolanski reported an increase in their sales volume of Lactarius mushrooms in 2008 and 2009 versus 2007 pre-Project export sales.

2) *Implementation problems or delays encountered during project implementation and why were they encountered.*

After completing improvement work on their facilities Kokolanski experienced financing problems due to difficulties in getting their VAT refund from the GoM. As the 2009 gathering period approached, Kokolanski need all available funds for purchasing raw materials to maximize seasonal turnover. Therefore, they delayed purchasing the new blanching equipment and use them in the next Lactarius mushrooms season. Additionally, in 2009 Kokolanski experienced some problems associated with a lower yield, and therefore supply, of the Boletus mushrooms due to unfavorable micro climatic conditions in the Berovo region, and with lower export sale prices of Lactarius mushrooms due to the global economical slowdown.

3) *How were these implementation problems or delays resolved?*

Kokolanski investigated opportunities to overcome the financing challenge he was facing. To solve the shortage of finances Kokolanski utilized a bank loan until the VAT refund was received.

4) *Other information.*

Factors in the social and financial environment beyond a grantees' control, in the case of Kokolanski delayed Government Value Added Tax (VAT) reimbursement, can significantly influence Project achievements. Despite this financing problem, Kokolanski managed to properly procure the new blanching equipment, and was then reimbursed by AgBiz. After installation of the new equipment, Kokolanski's processing capacity for Lactarius mushrooms was increased from 750 kg/day to 1,500 kg/day. As part of the Project and to alleviate collection and finished product delivery problems, Kokolanski purchased a transport vehicle.

With the increase in export competitiveness enabled by the Project, Kokolanski reported an increase in sales of Lactarius mushrooms in 2008 and 2009 versus 2007 pre-Project export sales. Sales of Lactarius mushrooms in 2007 were 2,000 EUR. 2008 sales increased to 5,000 EUR and 2009 sales were 4,000 EUR. The main reason for the 2009 decrease was unfavorable weather conditions for wild mushrooms, and the effect of the global economical slowdown resulting in lower sale prices and decreased demand from the buyers. Additionally due to pressure from the local branch office of the Public Enterprise Makedonski Sumi and the unclear regulations regarding management of State owned forests, Kokolanski did not purchase Juniper berries in 2008. With the loss of revenue from the Juniper berries, and these other unfavorable factors, the company experienced an export sales decrease in 2009. However the Makedonski Sumi situation was used by AgBiz to support the Shumski Plod Association to address WGP-related Policy and Institutional Reform Needs, which will result in clarification of the regulations regarding the management of the State owned forests.

2.8.5 Summary of Work Completed During the Quarter

During the quarter the Cost-efficient Group GlobalGAP Implementation and Certification for 14 FF&V participants and the Cost-efficient HACCP Implementation Support to 32 WGP Consolidators Activities were completed. AgBiz supported the implementation and certification of HACCP-based food safety systems via ELSAs for six WGP and FF&V exporters. To increase the food safety system implementation capacity of Local Service Providers and customers AgBiz supported ToT Training on the International Food Standard in Bulgaria for seven companies and local service providers as a prerequisite for penetrating EU supermarket chains.

2.9 OUTREACH, MARKET INFORMATION AND ENVIRONMENT

2.9.1 Detailed Accomplishments vs. Projected Objectives

| Activity | Expected Result | Result Achieved |
|--|--|---|
| RMI Contributions to Moja Zemija Magazine | Provide monthly RMI and AgBiz article to Moja Zemija | Decided to continue to work with FFRM's Moja Zemja and signed an MoU for next eleven months |
| "Wines from Macedonia" Promotional Video | Eleven Videos completed, compilation completed and shown on MTV, individual videos distributed to wineries | Completed (see Section 2.9.2.1) |
| Bi Monthly Market Information Newsletter for Each VC | Complete and distribute Newsletter for the Fresh F&V VC | FV Market Information Newsletter has been developed and distributed (see Section 2.9.2.4) |
| AgBiz Website | Website updated on an ongoing basis | Posted three Success Stories and four Media Advisories on the AgBiz website |
| Technical Communication Dissemination Plan | Develop and implement the Plan to raise awareness of AgBiz technical achievements to primary audience | Developed in put in use |
| Success Stories | Monthly stories developed and published | 1)USAID AgBiz Program Adding Value Through Quality Standards Food Safety Systems Success Story; 2)USAID AgBiz Program EU Customers Buy Value Added Table Grapes from Peca Komerc Success Story; 3). USAID AgBiz Program Wines from Macedonia on air worldwide Success Story |
| Days in the Life of the AgBiz CoP Film with MTV | Film completed and "Days in the Life of the AgBiz CoP" broadcasted | The film is scheduled to be on air on MTV's First Chanel and its Satellite Program on 12th of January '10 |
| Media Exposures | Accomplish several media exposures presenting AgBiz activities | 15 media exposures accomplished in the 1QR FY'10 |

2.9.2 Work Completed during the Quarter

2.9.2.1 "Wines from Macedonia" Promotional Video and Press Conference

DESCRIPTION/OBJECTIVES Increase the positive awareness of quality Macedonian wines, promote individual brands and enhance the positive impression of Macedonian wines all over the world, ultimately increasing the export potential of individual wineries in the region and the world. As a result of the successful cooperation between USAID/Macedonia and MTV regarding the promotion of USAID activities, an Activity to promote "Wines from Macedonia" was initiated by MTV officials as being complementary to their objective of promoting wine as a Macedonian strategic export. "Wines from Macedonia" is the very first attempt of this kind to promote Macedonian wines. The "Wines from Macedonia" concept included: selecting 10 wineries to be filmed; developing a common general scenario for filming the individual wineries; filming 10 - 20 minutes of video material for each of the wineries that included informative, promotional and educational information; creating one 5 - 10 minute summarized

presentation by compiling the ten individual films to include all the best promotional information from the 10 wineries. This will then be presented on MTV's Satellite Program and made available for use by GoM representatives for promotional purposes.

OUTCOME/FOLLOW UP During the Quarter a MoU with MTV, USAID and AgBiz was signed and a list of large, medium and small/boutique wineries was prepared by AgBiz and provided to MTV to



PHOTO CREDIT: AGBIZ STAFF

Formal Launch of the "Wines from Macedonia" Promotional Video

select the ten participating wineries. The ten wineries selected by MTV were: Tikvesh, Bovin, Pivka, Skovin, Popova Kula, Dalvina, Vizba Valandovo, Elenov, Ezimit and Grkov. After the selection, the wineries were contacted by AgBiz staff to help them organize and present their products in an optimal manner. The series of ten promotional videos was filmed in less than two months, during the grape harvesting and wine making season, capturing the best wine snapshots throughout the country. To introduce the general public for this marketing activity the Macedonian National TV station, USAID and AgBiz organized a press conference on December 17th in Skopje and launched the “*Wines from Macedonia*” series of 10 promotional videos. USAID Macedonia Mission Director Michael Fritz, Editor in Chief of MTV’s First Program, Eli Tanaskova, Editor in Chief of MTV’s Good Morning Macedonia, Eli Josifovska, and AgBiz Wine Value Chain Coordinator Goran Damovski provided overviews of the “Wines from Macedonia” concept. The event celebrated the beginning of broadcasts of the 10 videos and highlighted the extensive cooperation between MTV and the USAID Communications and AgBiz teams to promote Macedonia’s wine industry. Media, wineries, partners of both USAID and the Macedonian TV station were present at the event which featured a tasting of wines from the participating wineries. By the end of the Quarter two of the individual videos had been broadcasted (Agrolozar/Dalvina and Vizba Valandovo) on MTV’s Satellite Program while the rest are currently in production and will be aired in February 2010. The “best shoots” from all ten videos will be compiled into one promotional video summary. These videos will promote individual brands as well enhance the positive recognition of Macedonian wines all over the world, and hopefully will initiate the process of creating a joint brand “Wines from Macedonia”.

Each of the participating wineries will receive a CD (branded “supported by USAID/AgBiz Program”) of their winery that can be used in their promotional and marketing activities, but not on another local TV station. (For more details see Appendices 6.2.11; 6.1.2.3 and 6.1.1.2: “*Scenario for Filming Wines from Macedonia*”; the *Success Story “Wines from Macedonia on air worldwide”* and the *Press Clippings for the Quarter* - respectively). In next quarter AgBiz will provide 100 pieces of a professionally designed DVDs and cover boxes as a quality final product, and disseminate the videos. USAID/Development Outreach and Communication (DOC) conveyed to AgBiz the message that the US Embassy is interested in becoming involved in promoting the summary video that should be completed by end of February.

COST Total Cost: \$20,466; AgBiz Cost \$ 1,751 or 8.5%

2.9.2.2 AgBiz Capacity Enhancement Activities Promotion on MTV

DESCRIPTION/OBJECTIVES On October 1st the Fresh Vegetables Value Chain and Food Safety Standards Coordinator and the AgBiz Information Officer (IO) had a fifteen minute interview on the MTV show “Dobro Utro Makedonijo”. An introduction to recent AgBiz export capacity enhancement activities were presented as well as details on the Fresh Vegetables VC completed activities. The FV VCC stressed the accomplishments of the presentation of Macedonian companies at “Moscow World Food Trade Fair”; described the post harvesting training activity and the “one on one” technical assistance as well announced the Regional Post Harvest Handling Conference in Strumica. Then IO then provided an explanation of the AgBiz “How to Apply for IPARD” training; cooperation with FFRM in providing Regional Market Information; announced AgBiz support for the “ANUGA” Trade Fair; and the outreach activity in partnership with MTV and USAID, the “Wines from Macedonia” promotional video. On November 19th, Lovre Risteovski, Fresh Fruits Value Chain and Access to Finance Coordinator, was presented on same morning program, and presented the Agribusiness Manual, in hard copy and the CD. AgBiz activities to help our customers apply for EU funds and the activity to update the Agribusiness Manual were also reviewed. Upcoming study tours for customers in the fresh fruits and vegetables value chain to learn from their colleagues in the region for how successfully to apply for IPARD were also reviewed.

2.9.2.3 Exposure at SkyNet Plus TV’s Agribusiness Show “Klasje”

DESCRIPTION/OBJECTIVE: As result of successful presentation on MTV’s Dobro Utro Makedonijo morning program, AgBiz staff members were invited to participate on the private TV station and their agribusiness show “Klasje”. On November 27th the Fresh Fruits Value Chain and Access to Finance Coordinator had a ten minute interview on Sky Net Plus. Lovre stressed the accomplishments of the AgBiz in helping Macedonian agribusinesses to access finance, and introduced the types of support that AgBiz is providing to its customers. The Agribusiness Manual (hard copy and the CD) as well the Wine and WGP Market Information Newsletters were also presented.

Thanks to the show, a number of agribusinesses from Skopje region contacted AgBiz to apply for participating in the IPARD Training for Fresh Fruits and Vegetables Value Chain participants and their Consultants.

2.9.2.4 Fresh Vegetables Market Information Newsletter

DESCRIPTION/OBJECTIVE To enhance customers' interest in and appreciation of market information, and broaden our customer and stakeholder coverage we have initiated a Value Chain Newsletter pilot program with the objective of publishing a semi-monthly "Market Information Newsletter" from each VCC to their entire potential customer base. The Newsletters contain market and competitiveness enhancement focused information and graphics/pictures. The objective of this activity is to develop a two to three page overview of export markets and competitiveness enhancement information that current and potential customers in each of the AgBiz value chains would find useful, as well as USAID, various GoM officials, the Agribusiness Chamber of Commerce (CoC), Federation of Farmers of the Republic of Macedonia (FFRM), Other Donors.

OUTCOME/FOLLOW UP During the Quarter the Fresh Vegetables Value Chain Market Information Newsletter was completed. This is the third issue, after the Wine and the Wild Gathered Products Market Information Newsletters. The FV Newsletter was translated into Macedonian and distributed to over 150 recipients, including the USAID Mission and its projects in Macedonia, GoM institutions including relevant ministries such MAFWE and MoE, the Regional Competitive Initiative, partner projects, ARD's Home Office, and it's the implementing projects, participants in the value chain, relevant associations such as FFRM and MAP; Business Service Providers, University Academics and the media. Distribution was via e-mail, and the Newsletter was posted on the AgBiz website <http://www.agbiz.com.mk/en/publications.html> (for more details see Appendix 6.1.1.1.1 "USAID's AgBiz Fresh Vegetables Market Information Newsletter").

Next Quarter the Processed Vegetables Market Information Newsletter will be completed, and media coverage will be gained as a result of the availability of the market information presented in the FV Market Information Newsletter. AgBiz will obtain offers from journalists or/and public relation agencies to examine the costs for more easily developing future Market Information Newsletters.

2.9.2.5 USAID WDC Desk Officer Visit to Bovin and GD Tikvesh

DESCRIPTION/OBJECTIVE: To maintain the involvement of USAID officials the implementation of environmental mitigation measures being carried out by AgBiz grantees, Ms. Lauren Russell, USAID WDC Desk Officer and the AgBiz Contracting Officer's Technical Representative (CTOR) visited two AgBiz customers, the GD Tikvesh's table grapes operations and the Bovin Winery.

OUTCOME: The visit was successfully completed on the 3 November. The Desk Officer was able to witness the rapid cooling chambers of GD Tikvesh and their other cold storage facilities partially supported by an AgBiz grant and were introduced to GlobalGAP implementation in the vineyards and how the company manages pesticides usage. At Bovin the Desk officer saw the new wine aging facility supported by AgBiz and was introduced to the Cleaner Production Assessment's recommendations which the winery has started to implement.

2.9.2.6 Agrolozar/Dalvina Supplement Pollution Prevention Assessment

DESCRIPTION/OBJECTIVE The EDD/PPA Checklist and Summary for several proposals included Mitigation and Monitoring Recommendations to reduce and avoid pollution and waste throughout the entire production cycle, from efficient use of raw materials, energy and water to the final product. A required mitigation measure in the Agrolozar/Dalvina EDD/PPAs was the development, by a qualified individual, of a Supplemental Pollution Prevention Assessment (SPPA). The SPPA is one of the ways of improving environmental awareness, but at the same time can cause numerous positive effects. This is necessary to meet the Project goal of having environmentally sustainable production and sales of value added agricultural products and enabling the customer to get ISO and HACCP certifications.

OUTCOME/FOLLOW –UP During the Quarter consultant Ljubomir Petkovski completed the Agrolozar/Dalvina SPPA. After internal review of the SPPA and finding it acceptable, the report was disseminated to the customer for future use and implementation. (For more details see Appendix 5.2.9 "Agrolozar/Dalvina Supplement Pollution Prevention Assessment").

COST Total Cost: \$324 AgBiz Cost Share 100%

2.10 PROGRAM DEVELOPMENT AND IMPLEMENTATION

2.10.1 Detailed Accomplishments vs. Projected Objectives

The Expected Result information for the First Quarter shown below was established in the FY '09 Q4 Quarterly Report. In the third column the Actual Results is compared to the Expected Result. With very few exceptions all Expected Results were achieved during the Quarter.

2.10.1.1 Program Development

Following are the significant program development accomplishments versus objectives for the Quarter.

| Activity | Expected Result | Result Achieved |
|---|---|---|
| Additional Funding | USAID formal approval of additional funding request | Received formal USAID approval for a \$350,000 increase of the budget to \$5,849,960 |
| FY '10 Annual Work Plan | AWP Approved by USAID | AWP approved by USAID on 24 December after minor modifications to indicators |
| Indicator Targets Revision for FY '10 and LoP | Plan and timing established for revising the indicators | Basic SoW developed for Monitoring and Evaluation (M&E) consultant support; timing established for late February/early March '10 after grantees have filed their '09 annual financial reports |

2.10.1.2 External Cooperation/Coordination

| Activity | Expected Result | Result Achieved |
|--|---|--|
| Chief of Party (CoP) Cooperation | At least two coordination meetings with related CoPs | More than two meetings held with Macedonia Local Government Activity (MLGA), Judicial Reform and MCP CoPs |
| Regional Cooperation | Stimulate the development of a regional USAID Projects coordination workshop | Successful Regional Agribusiness Workshop held in Skopje on November 10 attended by representatives from most regional agribusiness projects |
| MoU between AgBiz and MCP regarding Terms of Cooperation | Memoranda of Understanding (MoU) signed and cooperation specifics being implemented | MoU with MCP signed on 27 October outlining cooperation on FDI stimulation and export promotion; cooperation proceeding regarding fresh apple exports to India |
| Cooperation with Other Entities | Continue cooperation where it is to the benefit of AgBiz | Met with the Deputy PM's Team regarding export promotion, but minimal follow through by the DPM's Cabinet to date |
| MAFWE web portal updating | Portal updated on a monthly basis with AgBiz information | The web portal is out of use during this Quarter. Instead of posting information directly on the webpage, AgBiz provided information to MAFWE (nadica.dzerkovska@mzsv.gov.mk ; cadikovska.lidija@mzsv.gov.mk) with all planned capacity enhancement activities (according the AgBiz's AWP) for period of January - March '10 |
| AgBiz Activities Information provided to MAFWE | Sharing Program technical output with various external recipients is the objective of the AgBiz Technical Communication Plan developed to increase the awareness of USAID's AgBiz Program work in Macedonia among the GoM and other stakeholders. <i>(for more information see Appendix 6.1.3 "AgBiz Technical Communication Plan")</i> | Since AgBiz signed the Memoranda of Understanding (MoU) with MAFWE for sharing information about Program activities, AgBiz has provided information to MAFWE on a quarterly basis related to completed and planned capacity enhancement activities. Recent information provided to the Ministry included a list of all activities planned for implementation through the end of March, '10. |
| Information sharing with similar regional | Information shared other regional agribusiness | AgBiz provided information regarding planned training, conferences, workshops, study tours and trade fairs as well |

| Activity | Expected Result | Result Achieved |
|----------|-----------------|--|
| projects | projects | listed reports/profiles that might be useful for other regional agribusiness projects, and provided contacts from local, regional and international experts used by the Program (<i>for more details see Appendix 6.1.1.1.2</i>) |

2.10.1.2.1 Activities Initiated this Quarter

Following are the significant program development Activities initiated during the Quarter.

| Activity | Action Taken | Result Achieved |
|--|--|--|
| Input to the MoE Promotional Unit on the draft of their Competitiveness Support Program | In last couple of years the MoE has implemented a program for improving the competitiveness of Macedonian products and services. Based on good previous cooperation and a MoU signed with AgBiz, this year the MoE Unit for encouraging investments and economic promotion requested AgBiz support to identify key needs for improving competitiveness in the agribusiness sector and to recommend activities to be supported by the program. AgBiz in close coordination with participants from our value chains identified and proposed to the MoE a list of competitiveness enhancement activities that would work in the best interest of agribusiness companies' export success | AgBiz contributed to the MoE's prioritization process for selecting activities to be supported and in consideration of their very limited available resources. This included providing assistance to Processed Vegetables companies to exhibit at ANUGA Trade Fair, and for wineries to present their wines at the Macedonian National Pavilion at the ProWein Trade Fair |
| Coordination with the President of the New Wine Group under the Union of Chamber of Commerce (CoC) | In the framework of improving the Macedonian business environment and increasing exports of Macedonian products, in October the Union of Chambers of Commerce established a wine producers group. It is envisioned that this group will represent the interests of Macedonian wine producers in front of relevant institutions, create "Macedonian Wine" brand recognition and develop a video for international promotion of Macedonian wines. The AgBiz Wine VCC held a meeting with the elected president Mr. Ilija Malinkovski, owner of Chateau Kamnik, and discussed opportunities for cooperation. | Since many of the group's key principles are consistent with AgBiz objectives, it was agreed that we will coordinate and share information on activities such as efforts for enhancing the export capacity and joint promotion of Macedonian wineries. AgBiz invited the Group of Wine Producers to participate in the Macedonian National Pavilion at ProWein 2010 in Dusseldorf, invited representatives from and coordinated with the Group on input from the private sector regarding the MAFWE Strategy for Viticulture and Wine, as well as comments on the Draft Wine Law submitted by MAFWE. |
| Meeting with FAO Principal Advisor and World Bank Project Representative | FAO and the World Bank Project are developing joint platform for establishing an aid project in Macedonia for supporting specific wine sector issues. While screening the wine sector and locating relevant areas of focus to be included in the scope of the new project the two engaged experts, Mr. Emmanuel Hidier, FAO Senior Economist and a Wine and Spirits Industry Consultant Mr. Frederic Julia, requested a meeting with AgBiz | Since AgBiz is very active role in wine value chain competitiveness enhancement, the consultants were interested in AgBiz experience and gaps we have identified at the policy and institutional level, particularly as related to legislation and quality assurance procedures and control mechanisms. Also discussed was possible interventions needed on the private sector side that can contribute to better compliance with the EU standards. Both parties confirmed initial interest for cooperation and joint efforts on complementary activities. |
| Support to the International Women's Association for a Fundraising Event | International Women's Association in Skopje as a volunteer run nonprofit organization that acts as a key social networking base for individuals, but also helps the community through various charitable events. One of their key fundraising events is an October wine and cheese tasting. They've been hosting this event for the last six years and it has not only been a great social event and fundraising opportunity for the projects they support, but also a good occasion | Based on AgBiz work to promote Macedonian wines an IWA representative requested assistance to reaching out to some of the wineries, especially the smaller ones that could benefit the event's broader marketing and PR activities. AgBiz Wine VC Coordinator identified interest from seven wineries including and provided full facilitation for them to take part in the event. Each winery also supported the |

| Activity | Action Taken | Result Achieved |
|--|---|---|
| | for Macedonian wineries to showcase their products, especially smaller wineries that don't often reach an international audience | charitable nature of the event by donating a bottle of special wine to the silent auction. All funds raised were donated to the SOS Children's Fund in Skopje and the Poraka Center – a day center for people with mental disabilities in Negotino. |
| Meeting with MAFWE Policy and Analysis Department Regarding PIR | To start developing this initiative, the MAFWE and AgBiz representatives suggested that AgBiz support the first stakeholders meeting. However, prior to taking any AgBiz action, official approval of the concept by the MAFWE Minister is needed and currently pending | The objective of this initiative is to create an advisory body to the MAFWE Policy and Analysis Department that would include all relevant government and non-government institutions, especially representatives of the private sector. The advisory body will have the role of raising awareness of how existing MAFWE policies hinder business, initiating new policy analyses, recommending solutions, participating in joint work on various studies, strategies and action plans based on the plans or joint needs of MAFWE and the private sector. The ultimate goal of this undertaking is linking MAFWE policies (and strategic priorities) with the needs of the private sector and agribusinesses for true and timely creation of MAFWE support to agriculture and rural development |
| Meeting with the Faculty for Agriculture and Food Agro-economic Dept. regarding PIRN | During November the Policy and Institutional Reform Manager met with representatives from the Department for Agricultural Economics under the Faculty of Agriculture and Food and discussed possible cooperation regarding the PIRNs for agribusinesses in AgBiz Areas of Focus. Almost all of the professors/members of this department are frequently involved in creation of the strategies, annual plans and support measures of MAFWE, and numerous analyses in the agricultural sector requested by various institutions. They also have significant experience working with the private sector, especially on economic and feasibility studies for current and potential AgBiz customers | Readiness for cooperation was expressed by both sides whenever AgBiz finds it useful to use their services. An additional operational level meeting will be scheduled for the beginning of Q2 FY '10 |
| Cooperation on Backward Linkages with MAASP | During the Quarter MAASP Team Leader Jeremy Groome made an introductory presentation at AgBiz regarding their value chains work. The PIR Manager had a follow up meeting with MAASP staff about possible cooperation via utilization of MAASP experience in enhancing backward linkages in the AgBiz areas of focus. MAASP is in their last year of implementation | The MAASP team is summarizing their VC work and will leave behind a basis for future sustainable processes/activities. By acquiring the resulting reports, AgBiz can obtain significant information and useful insights for enhancing the number, effectiveness and sustainability of AgBiz backward linkage development activities |
| Cooperation with Swiss Import Promotion Program (SIPPO) | During the Quarter continued AgBiz cooperation with SIPPO on a cost sharing basis during 2010 was confirmed by both sides. SIPPO is in the third year of implementing their 2008 – 2011 strategy. In addition to our common interests related to EU trade fairs, interest for cooperation on technical assistance to transform the Macedonian Agency for Foreign Investments into its new role in export promotion, including agricultural products | AgBiz and SIPPO will follow the evolution of MakInvest and work with SIPPO to determine if and how we might together support its future success in export promotion of agriculture-based products |
| Regional IPARD Workshop in Strumica | Municipality of Strumica, because of more efficiency using of IPARD funds by the companies and consultants from the region organized training for IPARD projects preparation. This training makes participants familiar with IPARD, plans, programming, IPARD Authority and IPARD Process in general. | The workshop give support to the applicant and should result in a bigger percentage of utilization of the IPARD fund, better understanding of the IPARD program, IPARD process from the moment of advertisement, preparing the documentation for application, applying, approving, disbursing and monitoring. |
| MAFWE Organic | In 2007 MAFWE started a program for | AgBiz staff participated in a meeting at |

| Activity | Action Taken | Result Achieved |
|--|---|---|
| Dept. re: Input to the 2010 Organic Production Support Program | development of organic agriculture in Macedonia. The program includes subsidies for certified organic producers in the form of direct payments per hectare and a contribution to certification costs. The support program for the organic producers is working, and the number of organic producers is gradually growing. However, until now mostly small scale farmers have been involved in organic certification. AgBiz recognizes organic certification as one of the tools for adding value to agriculture-based products, and increasing the competitiveness of Macedonian agriculture. Since AgBiz has been involved in several activities regarding organic certification, especially in the WGP VC, MAFWE asked for our input for developing the 2010 Organic Production Support Program | MAFWE where aspects for the new Organic Production Support Program were discussed. AgBiz presented its views on future support and tendencies regarding organic certification. Additionally, MAFWE distributed a draft version of the 2010 Organic Production Support Program for 2010, and this was commented on by AgBiz. As a result, MAFWE implemented several specific support measures proposed by AgBiz, including subsidies for processing and sales (export) of organic products. Based on this, at least two WGP companies were supported by MAFWE for processing and export of organic certified WGP |
| MOPF Regarding the Day of Organic Production 2010 | AgBiz was approached by MOPF with a request to support the Day of the Organic Production in Macedonia organized by MOPF under the patronage of MAFWE | Due to lack of funding, MAFWE canceled their support for a number of activities, including the Day of Organic Production in Macedonia |

2.10.1.3 USAID

2.10.1.3.1 Activities Initiated this Quarter

Following are the significant program development Activities initiated during the Quarter.

| Activity | Action Taken | Result Achieved |
|--|--|---|
| FY'09 Portfolio Review | Portfolio Review input regarding AgBiz developed | Submitted to USAID on 12 October |
| Trade Capacity Building Expenditures Report | AgBiz Trade Capacity Building Expenditures input developed at the request of USAID | Submitted to USAID on 27 October |
| USAID EG Projects Lunch with the US Ambassador | As part of the continuous flow of information and updating on USAID activities in Macedonia, on November 19th, His Excellency US Ambassador Reeker organized a working lunch for CoPs from all USAID EG Projects. In the absence of AgBiz CoP due to his urgent travel to the United States, the AgBiz Senior Value Chain and Marketing Development Coordinator attended the lunch and, together with the AgBiz COTR, discussed what AgBiz considers to be the most important agribusiness related Economic Growth issues. | The discussion included a concise explanation of the lack of GoM, MAFWE, MoE and Invest in Macedonia coordination on export competitiveness enhancement and the challenges and difficulties the Program is facing in its value chain approach of dealing with these institutions separately or playing the role of intermediary. AgBiz representatives presented the joint activities with MAFWE for the Wine and Viticulture Strategy and potential Sector Export Marketing Plan with the Dutch CBI that if successful can be replicated for other VCs. Also discussed was the importance of Public Private Partnerships in export competitiveness enhancement, particularly in creating the umbrella origin recognition and the importance of GoM involvement in supporting agribusiness products export promotion without neglecting the needed cohesion and responsibility of the private sector. The Ambassador and others welcomed the initial cooperation with MCP on agribusiness related FDI attraction and export development. This was a good opportunity for AgBiz to acquaint the Ambassador as well as representatives from other USAID EG projects with agribusiness related Economic Growth issues. |

2.10.1.4 Staff Development

| Activity | Expected Result | Result Achieved |
|-----------|---|------------------------------|
| Processed | Completely transferred to Macedonian Association of | Sub contract signed with MAP |

| Activity | Expected Result | Result Achieved |
|---|---|---|
| Vegetables VC Coordination Responsibility | Processors | including a detailed SoW; orientation/training provided to MAP's representative Saso Ristevski |
| M&E Responsibilities | Are properly transferred to permanent staff | Staff trained on most M&E responsibilities by former M&E specialist and nearly all M&E responsibilities transferred to Sonja. Training to be finalized during QR1 preparation |
| Staff evaluations and salary adjustments due are completed | Staff evaluations and salary adjustments due are completed | Changed to semiannual staff evaluations with good feedback on performance |
| MCP Equity Financing Opportunities for Macedonian Companies Seminar | The USAID Competitiveness Project and the Grenoble School of Economy organized three part training series titled Closing Equity Depths. The training is designed for Macedonian professionals with a strong understanding of accounting and finance. The objective is to provide participants with the main skills and techniques to better understand the private equity financing process and to create a critical mass of M&A consultants. | The AgBiz Finance Specialist participated in phases one and two of this program during the Quarter. |

2.10.1.4.1 Activities Initiated this Quarter

Following are the significant program development Activities initiated during the Quarter.

| Activity | Action Taken | Result Achieved |
|--------------------|--|--|
| FV VCC Resignation | Develop a plan for replacing the Fresh Vegetables VCC who resigned to accept a private sector position | The temporary plan is to shift FV primary responsibilities to Lovre as FF&V VCC, with support from Goran A., and then see if that is functional. This will require sub contracting some responsibilities Goran was going to implement himself. |
| Intern | AgBiz identified a need to engage and an Intern as support for a recent university graduate to obtain business operations skills in project administration and monitoring and evaluation in an English speaking work environment. The Intern will also provide general office support assistance to AgBiz. | With the help of the MCP Project AgBiz announced an intern position on mycareer.com.mk web portal. Eleven applications were received and reviewed in detail, out of which only 4 emerged as suitable candidates. Two rounds of interviews were completed and after the second round the best candidate was selected. The Intern will be engaged for six month and will start at the beginning of the next quarter. This mutually beneficial internship will provide the Intern with the necessary business operations experience and skills and at the same time will assist AgBiz with general office support work, and release full time staff to do more value added versus routine work. After the six month period AgBiz will reassess its needs and the Intern's qualifications to extend the relationship. |

2.10.2 Program Administration and Control

2.10.2.1 Project Implementation

| Activity | Expected Result | Result Achieved |
|--------------------------------------|--|---|
| Grant-related Procurement Procedures | Staff and grantees properly utilizing checklists and grant implementation procedures | Coordinators and the Contracts Department continue to use the Grant Procedures Checklists to make sure proper procedures are being followed from grant Award budget Item completion through to grantee reimbursement, including confirmation that Grantees and their vendors are not on the OFAC list, Grantees are contributing their portion of Project costs, that AgBiz is not over obligating our Grant Budget, that Grantees are following proper procurement procedures, that all Requests for Reimbursement are |

| Activity | Expected Result | Result Achieved |
|--|---|--|
| | | consistent with approved Award Budgets, that we are not reimbursing a Grantee for more than the approved cost of an item, and that their Environmental Mitigation Measures are being implemented. An ongoing record in the AgBiz MIS is kept of grant payments versus the approved Award Budget |
| Grant Expenditures | Reimbursement and direct procurement are proceeding smoothly, in compliance and as projected | Continued to implement the established Project administration and control process assuring compliance with USAID rules and regulations, especially as related to grant implementation, the associated procurement and reimbursement |
| Project Implementation Monitoring & Support | PCs closely monitoring project implementation to help keep them on schedule and achieving projected results | The Project Coordinator assigned to each project is responsible for onsite monitoring and the Contracts Department double checks that proper procedures are being followed before any AgBiz supported procurement is approved by the CoP and that all requirements are fulfilled before a grantee is reimbursed |
| Project Implementation Monitoring | Monthly Project reviews for each VC are held with the CoP | The CoP and the each Project Coordinator held monthly meetings to review the status of all Grants |
| Project Implementation Schedules | Grantee and AgBiz investment schedules updated based on experience to date | Grantee and AgBiz investment schedules were updated on a monthly based on experience to date |
| Grantee Reporting | Quarterly Reports are enhanced in completeness and overall quality | In addition to the Expense Report and Request for Reimbursement, each Grantee submits a Quarterly Progress Report that provides their assessment of work progress, the constraints encountered and actions to minimize the constraints and/or correct problems |
| Grant Close out | Grants terminating at the end of December are properly closed | Started close out procedures for Grants to be completed in December; prepared a plan in agreement with Grantees for obtaining indicator data from Grantees beyond the term of the Grant. In December Grantees received the necessary instructions and the required documentation for closing out the Grants. Final Reports and accompanying documentation is due by the end of January 2010, a month from the Grant closing date |
| Environmental Mitigations | All mitigations are being implemented as prescribed | Five grantees submitted analyses of water samples taken during the processing season; five grantees implemented the recommendations in the AgBiz Cleaner Production Assessment Reports on companies requiring one. Five grantees are in the process of planning or designing waste water treatment systems; some grantees are implementing the ISO 14001 Environmental Standard that includes wastewater management; and one customer is installing separate pipes for sewerage, industrial and atmospheric water. Three grantees are in the process of implementing GlobalGAP in their businesses, which means that SUAP recommendations are or will be implemented |
| Supplemental Pollution Prevention Assessment | Completed for Dalvina | Completed and provided Assessment to customer for use and implementation (see Section 2.9.2.6) |

2.10.2.2 Project Reports

2.10.2.2.1 Project Expenditures

Table 1 below lists the value of all signed Projects and the value of AgBiz and grantees expenditures on each at the end of the Quarter. By the end of the Quarter AgBiz had contributed a total of \$445,373 to the twenty Projects, not including environment related work, and grantees had contributed \$7,623,847. This represents 88.2% of the AgBiz agreed support and 140.4% of customers' reported contributions to Projects. One hundred and thirty six percent or \$8.1 million, of total Project expenditures had been completed by the end of the Quarter. The higher percentage of expenditures than projected is due to the fact that Grantees invested more than projected in the Grant Award Budgets. The AgBiz share of Project

expenditures is lagging behind customers' expenditures due to modest delays in three Projects (Bovin, Valandovo and Dalvina) and the unfavorable business environment caused by the economic crisis.

| TABLE 1. GRANT DISBURSEMENTS REPORT | | | | | | | | | |
|-------------------------------------|---------------------|----------------|-------------------|------------|-------------------------|------------------|-------------------|-------------|-----------------------|
| Customers | Items Paid by AgBiz | | | | Items Paid by Customers | | | | Period of performance |
| | Approved Budget | Exp. to date | Remaining Balance | Paid % | Approved Budget | Exp. to date | Remaining Balance | Paid % | |
| Badzo | 30,000 | 24,500 | 5,500 | 82% | 40,749 | 42,752 | -2,003 | 105% | 7/3/08 - 12/15/09 |
| Kokolanski DOOEL | 7,050 | 7,097 | -47 | 101% | 35,380 | 35,380 | 0 | 100% | 7/3/08 - 12/21/09 |
| Agros 2004 | 38,900 | 38,654 | 246 | 99% | 68,579 | 69,059 | -480 | 101% | 7/3/08 - 12/31/09 |
| Avto Ria Dooel | 19,800 | 19,531 | 269 | 99% | 104,800 | 106,898 | -2,098 | 102% | 7/3/08 - 12/31/09 |
| Bonum Plus | 39,925 | 37,480 | 2,445 | 94% | 229,881 | 2,026,120 | -1,796,239 | 881% | 7/3/08 - 12/31/09 |
| Vipro | 24,000 | 23,878 | 122 | 99% | 355,313 | 429,566 | -74,253 | 121% | 7/3/08 - 12/31/09 |
| Dentina | 40,007 | 40,008 | -1 | 100% | 147,394 | 147,394 | 0 | 100% | 7/3/08 - 12/31/09 |
| Lars | 20,000 | 19,769 | 231 | 99% | 176,928 | 183,428 | -6,500 | 104% | 7/3/08 - 12/31/09 |
| Popova Kula | 40,026 | 39,057 | 969 | 98% | 169,468 | 169,468 | 0 | 100% | 7/3/08 - 12/31/09 |
| Bovin | 25,000 | 16,457 | 8,543 | 66% | 205,660 | 277,665 | -72,005 | 135% | 10/3/08 - 3/29/10 |
| Flores | 15,000 | 15,001 | -1 | 100% | 110,927 | 85,940 | 24,987 | 77% | 10/3/08 - 3/29/10 |
| GD Tikves | 30,000 | 31,415 | -1,415 | 105% | 180,500 | 180,500 | 0 | 100% | 10/3/08 - 3/29/10 |
| Inter-Mak | 20,000 | 19,940 | 60 | 100% | 454,600 | 510,600 | -56,000 | 112% | 10/3/08 - 3/29/10 |
| Ledra Agro | 20,000 | 16,562 | 3,438 | 83% | 150,000 | 110,001 | 39,999 | 73% | 10/3/08 - 3/29/10 |
| Peca Komerc | 30,000 | 30,038 | -38 | 100% | 147,237 | 150,146 | -2,909 | 102% | 10/3/08 - 3/29/10 |
| Valandovo Winery | 25,000 | 15,045 | 9,955 | 60% | 195,456 | 361,362 | -165,906 | 185% | 10/3/08 - 3/29/10 |
| Vigan | 15,000 | 13,744 | 1,256 | 92% | 180,000 | 350,000 | -170,000 | 194% | 10/3/08 - 3/29/10 |
| Agrohemija | 30,000 | 27,676 | 2,324 | 92% | 2,025,500 | 2,026,198 | -698 | 100% | 10/3/08 - 3/29/10 |
| Koro | 15,000 | 9,520 | 5,480 | 63% | 108,000 | 105,500 | 2,500 | 98% | 11/15/08 - 3/29/10 |
| Agrolozar/Dalvina | 20,000 | 0 | 20,000 | 0% | 351,000 | 264,870 | 86,130 | 75% | 4/1/09 - 9/30/10 |
| | 504,708 | 445,373 | 59,335 | 88% | 5,437,372 | 7,632,847 | -2,195,475 | 140% | |
| | | Total Grant | | | | | | | |
| | Approved Budget | Exp. to date | Remaining Balance | Paid % | | | | | |
| | 5,942,080 | 8,078,220 | -2,195,475 | 140% | | | | | |

* Grantee invested more in fixed assets than projected in the Grant Award Budget

2.10.2.2.2 Project Status

Table 2 below lists all Projects, their status at the end of the Quarter and the projected indicators for the Projects. Assuming Projects currently being implemented achieve their initial projections, AgBiz quantitative Project indicators will include \$28.7 million in increased exports, \$14.6 million in increased raw material purchases, \$9.3 million in investments stimulated, 2,704 families benefited with additional income and 500 new jobs created. These are rather impressive results for a projected AgBiz/USAID investment of \$500,000! These projections will be adjusted in March of 2010 to take into account the global economic crisis.

2.10.2.2.3 Environmental Protection

Table 3 on the following page shows the status at the end of the Quarter of the environmental mitigations included in Project grants. As can be noted from this table, the vast majority of mitigations has been completed or is proceeding as scheduled. (For more details see *Environment Mitigation Monitoring Plan*, Appendix 5.2.8).

2.10.2.3 Activity Reports

2.10.2.3.1 Activities Status

Table 4 below shows the status of all Activities at the end of the Quarter, as well as the achieved impact of completed Activities. Activities completed during the Quarter had a total cost of \$397,307 to which AgBiz contributed 21%. Completed Activities provided support to two trade associations or producer organizations and 76 agribusinesses. Twenty six new export customers were identified by some of the 251 participants in the completed Activities, the Activities resulted in over \$1.5 million in export orders being received and participants gave the Activities an average level of satisfaction score 4.6 out of 5.0.

TABLE 2. PROJECT STATUS REPORT

IN IMPLEMENTATION

| PROJECT NUMBER | PROJECT COORDINATOR | CUSTOMER | TOTAL PROJECTED COST | | | PROJECTED RESULTS FOR LIFE OF THE PROJECT | | | | | | |
|-----------------------------------|---------------------|-------------------|----------------------|-------------------|------------|---|----------------------------|---|--------------------------|----------------------------|----------------------------|----------------------|
| | | | TOTAL COST (US\$) | AGBIZ COST (US\$) | AGBIZ (%) | TOTAL SALES GROWTH (US\$) | EXPORT SALES GROWTH (US\$) | INCREASED RAW MATERIAL PURCHASES (US\$) | FINANCING PLANNED (US\$) | CUSTOMER INVESTMENT (US\$) | RURAL HOUSEHOLDS BENEFITED | INCREASED EMPLOYMENT |
| 10 | Risteovski | Agrohernija | 2,055,500 | 30,000 | 1% | 2,635,047 | 2,635,047 | 658,762 | N/A | 2,025,500 | 8 | 8 |
| 13 | Risteovski | GD Tikves | 210,500 | 30,000 | 14% | 1,185,771 | 746,597 | 439,174 | 333,333 | 1,469,998 | 24 | 24 |
| 16 | Risteovski | Ledra Agro | 170,000 | 20,000 | 12% | 197,456 | 338,547 | 0 | 136,666 | 150,000 | 7 | 7 |
| 18 | Risteovski | Peca Komerc | 177,237 | 30,000 | 17% | 901,400 | 901,400 | 585,796 | N/A | 361,710 | 109 | 9 |
| Fresh F&V VC Subtotal: | | | 2,613,237 | 110,000 | 4% | 4,919,674 | 4,621,591 | 1,683,732 | 469,999 | 4,007,208 | 148 | 48 |
| 11 | Damovski | Bovin | 230,660 | 25,000 | 11% | 1,898,601 | 1,006,023 | -17,405 | N/A | 205,660 | 9 | 9 |
| 17 | Damovski | Valandovo Winery | 219,456 | 25,000 | 11% | 4,653,786 | 3,864,447 | 768,050 | N/A | 195,456 | 364 | 119 |
| 20 | Damovski | Agrolozar/Dalvina | 371,000 | 20,000 | 5% | 1,853,659 | 1,853,659 | 741,463 | 40,000 | 617,710 | 53 | 3 |
| Wine VC Subtotal: | | | 821,116 | 70,000 | 9% | 8,406,046 | 6,724,129 | 1,492,108 | 40,000 | 1,018,826 | 426 | 131 |
| 12 | Angelovski | Flores | 125,927 | 15,000 | 12% | 2,302,375 | 2,302,375 | 551,153 | 15,000 | 135,555 | 564 | 14 |
| 14 | Angelovski | InterMak | 476,600 | 20,000 | 4% | 2,836,685 | 2,836,685 | 2,102,881 | N/A | 454,600 | 129 | 77 |
| 15 | Angelovski | Koro | 123,000 | 15,000 | 12% | 1,868,557 | 438,974 | 1,104,537 | N/A | 108,000 | 606 | 6 |
| 19 | Angelovski | Vigan | 195,000 | 15,000 | 8% | 169,003 | 160,220 | 109,794 | 23,808 | 180,000 | 419 | 19 |
| WGP VC Subtotal: | | | 920,527 | 65,000 | 7% | 7,176,620 | 5,738,254 | 3,868,365 | 38,808 | 878,155 | 1,718 | 116 |
| Being Implemented Total: | | | 4,354,880 | 245,000 | 6% | 20,502,340 | 17,083,974 | 7,044,205 | 548,807 | 5,904,189 | 2,292 | 295 |
| COMPLETED | | | | | | | | | | | | |
| 3 | Risteovski | Badzo | 70,749 | 30,000 | 42% | 7,617,888 | 7,425,322 | 5,870,919 | 956,664 | 1,060,287 | 115 | 11 |
| 2 | Risteovski | Agros 2004 | 107,479 | 38,900 | 36% | 114,186 | 17,567 | 101,010 | N/A | 302,222 | 30 | 10 |
| Fresh F&V VC Subtotal: | | | 178,228 | 68,900 | 39% | 7,732,074 | 7,442,889 | 5,971,929 | 956,664 | 1,362,509 | 145 | 21 |
| 4 | MAP | Avto Ria Doel | 124,600 | 19,800 | 16% | 406,236 | 406,236 | 378,788 | 182,222 | 182,222 | 16 | 11 |
| 5 | MAP | Bonum Plus | 269,806 | 39,925 | 15% | 704,900 | 430,273 | 94,970 | 799,999 | 800,000 | 101 | 98 |
| 6 | MAP | Dentina | 187,356 | 40,007 | 21% | 538,742 | 682,572 | 250,744 | N/A | 337,218 | 27 | 17 |
| 8 | MAP | Lars | 196,928 | 20,000 | 10% | 460,658 | 578,795 | 118,272 | 58,687 | 176,928 | 23 | 20 |
| 1 | MAP | Vipro | 379,313 | 24,000 | 6% | 1,234,219 | 1,207,172 | 531,498 | 100,000 | 355,313 | 47 | 23 |
| PV VC Subtotal: | | | 1,158,003 | 143,732 | 12% | 3,344,755 | 3,305,048 | 1,374,272 | 1,140,908 | 1,851,681 | 214 | 169 |
| 9 | Damovski | Popova Kula | 209,494 | 40,026 | 19% | 944,805 | 762,912 | 105,402 | 244,444 | 169,468 | 45 | 7 |
| Wine Value Chain Subtotal: | | | 209,494 | 40,026 | 19% | 944,805 | 762,912 | 105,402 | 244,444 | 169,468 | 45 | 7 |
| 7 | Angelovski | Kokolanski | 42,430 | 7,050 | 17% | 109,146 | 109,146 | 110,264 | 27,333 | 35,380 | 8 | 8 |
| WGP VC Subtotal: | | | 42,430 | 7,050 | 17% | 109,146 | 109,146 | 110,264 | 27,333 | 35,380 | 8 | 8 |
| Completed Total: | | | 1,588,155 | 259,708 | 16% | 12,130,780 | 11,619,995 | 7,561,867 | 2,369,349 | 3,419,038 | 412 | 205 |
| GRAND TOTAL | | | 5,943,035 | 504,708 | 8% | 32,633,120 | 28,703,969 | 14,606,072 | 2,918,156 | 9,323,227 | 2,704 | 500 |

TABLE 3. IMPLEMENTATION STATUS OF ENVIRONMENT MITIGATION MEASURES

| Grantees | Pesticides Training | Harvester Maintenance | Public Participation | Screening | Flesh Freezing | Asbestos signs | Metal Roofing supports | Cleaner Production | Waste Water Treatment | Waste Water Report | Chemical Storage | Agrochemical Storage | Dust | Good Agricultural Practices (GAP) | Fumigation | Permits | Supplemental Pollution Prevention Assessment | Monitoring | Agrochemical Storage | MSDS | Fumigation |
|-------------------|---------------------|-----------------------|----------------------|-----------|----------------|----------------|------------------------|--------------------|-----------------------|--------------------|------------------|----------------------|------|-----------------------------------|------------|---------|--|------------|----------------------|------|------------|
| Agros 2004 | √ | √ | √ | | | | | | | | | | | | | | | | | | |
| Avto Ria | | | √ | √ | √ | | | | | | | | | | | | | | | | |
| Badzo | | | √ | | | Δ | | Δ | | | | | | | | | | | | | |
| Bonum plus | | | n/a | | | Δ | | √ | Δ | | | | | | | √ | | √ | | | |
| Dentina | | | √ | | | √ | | √ | √ | | √ | | | | | √ | | √ | | | |
| Kokolanski | | | √ | | | | | √ | | | | | | | | √ | | √ | | | |
| Lars | n/a | | n/a | | | √ | | Δ | √ | | | | | | | √ | | Δ | | | |
| Popova Kula | √ | | √ | | | | | | √ | | | | | | | √ | | √ | | | |
| Vipro | | | √ | | | √ | √ | √ | √ | | | | | | | Δ | | Δ | | | |
| GD Tikvesh | √ | | √ | | | | | | | | | | | | | √ | | | | | |
| Agrohemija | √ | | √ | | | | | | | | | √ | | | | √ | | | | | |
| Valandovo | √ | | √ | | | | | √ | | √ | | √ | | | | √ | | √ | | √ | |
| Bovin | √ | | n/a | | | | | √ | | | | | | | | √ | | √ | | | |
| Vigan | | | √ | | | | | | √ | | | | | | | √ | | * | | n/a | |
| Ledra Agro | √ | | √ | | | | | | | | | | | | | Δ | | √ | | | |
| Flores | | | * | | | √ | | | | | | | √ | √ | | * | | | | | |
| Koro | | | n/a | | | | | | | | | | | | | √ | | | | | √ |
| Peca Komerc | | | √ | | | | | | | | | | | | | √ | | | | √ | |
| Agrolozar Dalvina | √ | | n/a | | | | | | * | | | | | | | * | √ | √ | | | |

LEGEND

- √ completed to date
- n/a not applicable
- * scheduled to be completed in the next Quarter
- Δ to be completed upon the EMMP attached

TABLE 4. ACTIVITY STATUS REPORT

POSSIBILITIES

| MIS Code | ACTIVITY | COORDINATOR | VALUE CHAINS / AoF | PARTNERS | *ACTIVITY COST (US\$) | | | DESCRIPTION / COMMENT |
|--------------|---|-------------|--------------------|----------|-----------------------|----------|------------------|--|
| | | | | | TOTAL | AGBIZ | AgBiz Percentage | |
| 827 | Support British Embassy in Macedonia to organize a wine tasting social event | Damovski | Wine | | 0 | 0 | 0 % | Four wineries to participate and promote their wines at the event |
| 222 | IPARD Study Tour in Bulgaria | Risteovski | FF&V | | 0 | 0 | 0 % | Introduce effectively prepared and successfully implemented SAPARD projects by the relevant consultant company |
| 616 | Support of Shumski Plod to develop a 5 year strategy, activities & financing plan for the association | Angelovski | Assn Dvlp | | 0 | 0 | 0 % | Develop recommendations and a plan for achieving financial and managerial sustainability |
| 858 | Assessment of Regulations and Practices Regarding Seasonal Employment in Agriculture | Angelovski | PIR | | 0 | 0 | 0 % | Complete a detailed assessment and analysis of the seasonal labor in agribusiness problem, with a focus on the impact on the export competitiveness and sustainability of agribusinesses |
| 863 | Support an Existing Contract Farming Model - based on the results of the backward linkages assessment | Angelovski | BL | | 0 | 0 | 0 % | Assist producer groups to develop and implement growing agreements with processors, retailers and wholesalers |
| 864 | Support the Formation & Strengthening the Trade Association "Wines of Macedonia" | Damovski | Assn Dvlp | | 0 | 0 | 0 % | |
| TOTAL | | | | | 0 | 0 | 0 % | |

APPROVED AND UNDER DEVELOPMENT

| | | | | | | | | |
|--------------|--|------------|------|-----|----------|----------|------------|---|
| 223 | Study Tour for Apple Producers in Hungary | Risteovski | FF&V | | 0 | 0 | 0 % | Expose apple growing, consolidating and exporting businesses from the Prespa region to the practices, techniques and technologies utilized in Hungary |
| 857 | Assessment of AgBiz VC Participants' Usage of Backward Linkages | Angelovski | BL | | 0 | 0 | 0 % | Make recommendations for canalizing future AgBiz support aimed to establishment of backward linkages in each of the AgBiz supported value chains |
| 132 | Workshop on Improving Backward Linkages of PV VC Participant | Risteski | BL | | 0 | 0 | 0 % | Initiate an improved dialogue between vegetable producers and processors |
| 319 | ProWein Wine Fair 2010 | Damovski | Wine | CBI | 0 | 0 | 0 % | Opportunity for companies to work together in developing sales strategies for large and competitive EU markets |
| 220 | PV VC members study tour and promotional event in Czech Republic | Risteski | PV | | 0 | 0 | 0 % | Increase participants' knowledge about Czech market of PV, meet with relevant potential buyers and promote their products |
| 221 | IPARD Study Tour in Croatia | Risteovski | FF&V | | 0 | 0 | 0 % | Utilize Croatian experience in achieving better access to IPARD Funds for FF&V companies |
| TOTAL | | | | | 0 | 0 | 0 % | |

ALL AGREEMENTS SIGNED AND IN IMPLEMENTATION

| | | | | | | | | |
|--------------|---|------------|-----------|-------------------|----------------|---------------|-------------|---|
| 856 | Updating the Agribusiness Finance Manual | Risteovski | All | Planum Consulting | 0 | 0 | 0 % | Update the existing Finance Manual that provides detailed and useful information on potential sources of finance and investment for Macedonian agribusinesses |
| 859 | Assessment of the interest & commitment of fresh produce VC participants to establish a Trade Association | Angelovski | Assn Dvlp | | 0 | 0 | 0 % | Enable companies/participants in the VC to work together to apply best practices in association development and management to enhance the competitiveness of the VC |
| 860 | Initiation of changes to the Law on forests | Angelovski | PIR | TreeFor | 0 | 0 | 0 % | Defining existing problems and drawing conclusions and recommendations for improvement and strengthening the non-wood forest products sector |
| 861 | Fresh Apple Exports to India | Risteovski | FF&V | USAID/MCP | 0 | 0 | 0 % | Establish a linkage between the Indian trader and Macedonian exporting companies in the FF&V VC |
| 817 | Cost-efficient Group GlobalGAP Implementation and Certification | Angelovski | FF&V | | 51,366 | 7,656 | 15 % | Organize Macedonian agricultural producers interested in implementation/certification of the QAS Globalgap v.3.0 through a single service provider |
| 116 | HACCP Implementation Support to WGP Consolidators | Goran | FSS | | 77,000 | 8,500 | 11 % | Support the WGP consolidators to implement food safety assurance systems based on HACCP principles through the use of a single HACCP implementation Service Provider |
| 836 | Pilot Regional Market Information Dissemination Activity with Moja Zemja Magazine | Stankovic | All | | 9,035 | 7,860 | 87 % | Effective presentation of valid, accurate and up to date market information relevant to AgBiz supported VC products and operators – export competitiveness capacity enhancement |
| 845 | Bi - Monthly Market Information Newsletter for Each VC | Stankovic | All | | 0 | 0 | 0 % | Enhance customers' interest in market information |
| 316 | Fruit Logistica 2010 | Risteovski | FF&V | | 65,000 | 18,331 | 28 % | Support Macedonian producers and traders to exhibit at the National Stand at the International Trade FairFruit Logistica 2010 |
| TOTAL | | | | | 202,401 | 42,347 | 21 % | |

TABLE 4. ACTIVITY STATUS REPORT

COMPLETED

| MIS Code | ACTIVITY | COORDINATOR | VALUE CHAINS / AoF | PARTNERS | *ACTIVITY COST (US\$) | | | # of Producer Organization / Business Assos. that received assistance | # of Agribusiness firms that received assistance | Value of new orders | # of New Customers | # Individuals Received Assistance (evaluation score) | |
|--|--|-------------|--------------------|-----------------|-----------------------|---------------|------------------|---|--|---------------------|--------------------|--|---------------|
| | | | | | TOTAL | AGBIZ | AgBiz Percentage | | | | | TOTAL | Average score |
| 846 | Application of Contemporary Technologies in the Table Grapes Production | Risteovski | FF&V | Alijansa | 19,530 | 4,530 | 23 % | 0 | 1 | 0 | 0 | 0 | 0.00 |
| 129 | "Storage of Fresh Fruits, Vegetables and Grapes - an important Component of Export Competitiveness" Conference | Risteovski | FF&V | Faculty of ASF | 24,072 | 2,393 | 10 % | 0 | 7 | 0 | 0 | 71 | 0.00 |
| 430 | Obedineti Agroproizvoditeli | Risteovski | FF&V | | 6,235 | 3,092 | 50 % | 1 | 0 | 0 | 0 | 42 | 0.00 |
| 423 | Migori | Risteovski | FF&V | Mashinotehna | 7,322 | 3,622 | 49 % | 0 | 1 | 0 | 0 | 0 | 0.00 |
| 424 | Stefanov | Risteovski | FF&V | Goran Kolev | 7,700 | 3,887 | 50 % | 0 | 1 | 0 | 0 | 0 | 0.00 |
| 415 | Venec | Risteovski | FF&V | Goran Kolev | 7,750 | 3,905 | 50 % | 0 | 1 | 0 | 0 | 0 | 0.00 |
| 419 | Dusan Ciric | Risteovski | FF&V | DNA Factory | 6,091 | 3,057 | 50 % | 0 | 1 | 0 | 0 | 0 | 0.00 |
| 408 | Vivi Prom | Risteovski | FF&V | B&V | 11,865 | 3,461 | 29 % | 0 | 1 | 0 | 0 | 0 | 0.00 |
| FRESH FRUIT AND VEGETABLES VALUE CHAIN TOTAL: | | | | | 90,565 | 27,947 | 31 % | 1 | 13 | 0 | 0 | 113 | 0.00 |
| 317 | International Trade Fair for Food and Beverages "ANUGA 2009" | Risteski | PV; WG; | MoE; GTZ | 112,044 | 8,831 | 8 % | 0 | 11 | 1,460,580 | 24 | 23 | 4.50 |
| PROCESSED VEGETABLES VALUE CHAIN TOTAL: | | | | | 112,044 | 8,831 | 8 % | 0 | 11 | 1,460,580 | 24 | 23 | 4.50 |
| 851 | CBI Wine Export Coaching Program | Damovski | Wine | CBI | 54,899 | 1,779 | 3 % | 0 | 8 | 0 | 0 | 8 | 4.81 |
| 318 | Support Four Macedonian Wineries to exhibit at the Moscow Wine Fair 2009 | Damovski | Wine | MIK-RUS CoC | 47,267 | 14,936 | 32 % | 0 | 4 | 60,000 | 2 | 10 | 4.17 |
| 852 | Roundtable to establish process for developing Wine Sector Export Promotion Plan | Damovski | Wine | CBI | 2,415 | 0 | 0 % | 0 | 8 | 0 | 0 | 0 | 0.00 |
| 855 | Workshop to provide wineries input into the MAFWE Wine and Viticulture Strategy | Damovski | Wine | MAFWE | 2,658 | 933 | 35 % | 0 | 11 | 0 | 0 | 26 | 0.00 |
| 422 | Dzumajlija | Damovski | Wine | Trio Consulting | 6,908 | 2,503 | 36 % | 0 | 1 | 0 | 0 | 0 | 0.00 |
| 414 | Pivka Winery | Damovski | Wine | Franko Design | 2,061 | 1,006 | 49 % | 0 | 1 | 0 | 0 | 0 | 0.00 |
| 403 | Vardarska Dolina | Damovski | Wine | Lik Avve | 9,742 | 4,274 | 44 % | 0 | 1 | 0 | 0 | 0 | 0.00 |
| WINE VALUE CHAIN TOTAL: | | | | | 125,950 | 25,431 | 20 % | 0 | 34 | 60,000 | 2 | 44 | 4.49 |
| 613 | STTA in Assessing Gray Areas in HACCP for WGP Sector | Angelovski | WG; Other; | GTZ | 10,750 | 3,960 | 37 % | 1 | 6 | 0 | 0 | 18 | 0.00 |
| POLICY AND INSTITUTIONAL REFORM AoF TOTAL: | | | | | 10,750 | 3,960 | 37 % | 1 | 6 | 0 | 0 | 18 | 0.00 |
| 131 | IPARD Training for Managers of Fresh F&V Companies and their Consultants | Risteovski | FF&V | | 1,527 | 754 | 49 % | 0 | 13 | 0 | 0 | 17 | 4.65 |
| ACCESS TO FINANCE AoF TOTAL: | | | | | 1,527 | 754 | 49 % | 0 | 13 | 0 | 0 | 17 | 4.65 |
| 130 | Training in the Requirements for International Food Standards (IFS) | Angelovski | All | | 7,658 | 2,760 | 36 % | 0 | 5 | 0 | 0 | 7 | 4.84 |
| 407 | Val Fungi | Angelovski | FSS | | 6,593 | 3,021 | 46 % | 0 | 1 | 0 | 0 | 0 | 0.00 |
| 416 | Igor Komerc | Angelovski | FSS | Eko Hrana | 5,897 | 2,204 | 37 % | 0 | 1 | 0 | 0 | 0 | 0.00 |
| 405 | Extra Fungi | Angelovski | FSS | GrinGroup | 7,905 | 3,171 | 40 % | 0 | 1 | 0 | 0 | 0 | 0.00 |
| 406 | Fungi Flora | Angelovski | FSS | | 7,972 | 2,765 | 35 % | 0 | 1 | 0 | 0 | 0 | 0.00 |
| FOOD SAFETY STANDARDS AoF TOTAL: | | | | | 36,025 | 13,921 | 39 % | 0 | 9 | 0 | 0 | 7 | 4.84 |
| 854 | "Wines from Macedonia" Promotional Video | Stankovic | Wine | MTV | 20,446 | 1,751 | 9 % | 0 | 10 | 0 | 0 | 29 | 0.00 |
| OUTREACH/MARKET INFORMATION/EXTERNAL COOPERATION AoF TOTAL: | | | | | 20,446 | 1,751 | 9 % | 0 | 10 | 0 | 0 | 29 | 0.00 |
| TOTAL | | | | | 397,307 | 82,595 | 21 % | 2 | 96 | 1,520,580 | 26 | 251 | 4.62 |

2.10.2.4 Agreements Signed Report

Table 5 below shows that a total of 27 agreements were signed in Macedonia during the Quarter with eight of them involving \$30,251 in direct payments to vendors, nearly all with Macedonian companies or individuals.

| TABLE 5. AGREEMENTS SIGNED REPORT | | | | | | | | |
|-----------------------------------|---|------------------|--------------------|----------|------------|-----------|--------------------|-----------------|
| Number | Company/Person | Type of Contract | SUBMITTED TO USAID | USAID CO | USAID COTR | Signed | Person responsible | US\$ |
| | Moja Zemja | MOU | 6-Oct-09 | NR | 14-Oct-09 | 21-Oct-09 | Nate | \$7,857 |
| 078 | Wine TF Moscow | FFPC | 8-Oct-09 | NR | 13-Oct-09 | 22-Oct-09 | Damo | \$12,386 |
| | Wine TF Moscow, Imako Vino | LOI | 8-Oct-09 | NR | 13-Oct-09 | 22-Oct-09 | Damo | |
| | Wine TF Moscow, Tikvesh | LOI | 8-Oct-09 | NR | 13-Oct-09 | 22-Oct-09 | Damo | |
| | Wine TF Moscow, Iskovin | LOI | 8-Oct-09 | NR | 13-Oct-09 | 22-Oct-09 | Damo | |
| | Wine TF Moscow, Dalvina | LOI | 8-Oct-09 | NR | 13-Oct-09 | 22-Oct-09 | Damo | |
| | Mines from MK | MOU | 28-Sep-09 | NR | 28-Sep-09 | 1-Oct-09 | Nate /USAID | \$1,528 |
| | MCP | MOU | 15-Oct-09 | NR | 15-Oct-09 | 23-Oct-09 | Jim | |
| | St. C&M University PHH Workshop | MOU | 5-Oct-09 | NR | 5-Oct-09 | 21-Oct-09 | Vlado | \$2,480 |
| 079 | Finance Manual, Planum Consulting | FFPC | 1-Dec-09 | NR | 1-Dec-09 | 7-Dec-10 | Lovre | \$2,500 |
| | Wine Viticulture Strategy MAFWE | AD | 24-Nov-09 | NR | 12-Nov-09 | NR | Damo | |
| | IFC Training | AD, travel | 12-Nov-09 | NR | 12-Nov-09 | NR | Vlado | |
| | Wine Sector Marketing Plan | AD | 2-Dec-10 | NR | 2-Dec-10 | NR | Damo | |
| | Changes to the Law on Forests | SOW | 10-Dec-10 | NR | 10-Dec-10 | NR | Goran A. | |
| | Changes to the Law on Forests, Shumski plod | LOI | 10-Dec-10 | NR | 10-Dec-10 | 14-Dec-10 | Goran A. | \$1,500 |
| | Backward linkages | AD | 16-Dec-10 | NR | 22-Dec-10 | NR | Goran A. | |
| | Hungary ST | AD | 22-Dec-10 | NR | 28-Dec-10 | NR | Lovre | |
| | ProWein | AD | 22-Dec-10 | NR | 22-Dec-10 | NR | Damo | |
| | PV Linkages Workshop | AD | 17-Dec-10 | NR | 23-Dec-10 | NR | Saso | \$1,000 |
| | IPARD for Fresh F&V | AD | 8-Dec-10 | NR | 8-Dec-10 | NR | Lovre | |
| 080 | IPARD for Fresh F&V | FFPC | 8-Dec-10 | NR | 8-Dec-10 | 16-Dec-10 | Lovre | \$1,000 |
| | Fruit Logistica TF | Staff travel | 14-Jan-10 | NR | 14-Jan-10 | NR | Lovre | |
| | Fruit Logistica TF Agrohemija | LOI | 14-Jan-10 | NR | 14-Jan-10 | 24-Dec-09 | Lovre | |
| | Fruit Logistica TF, Avto Ria | LOI | 14-Jan-10 | NR | 14-Jan-10 | 24-Dec-09 | Lovre | |
| | Fruit Logistica TF, Turan | LOI | 14-Jan-10 | NR | 14-Jan-10 | 24-Dec-09 | Lovre | |
| | Fruit Logistica TF Badzo | LOI | 14-Jan-10 | NR | 14-Jan-10 | 24-Dec-09 | Lovre | |
| | Fruit Logistica TF Vivi Prom | LOI | 14-Jan-10 | NR | 14-Jan-10 | 24-Dec-09 | Lovre | |
| TOTAL | | | | | | | | \$30,251 |

* COTR approval proceeds CO approval and is internal to USAID

**NR- Not Required

*** Submitted for information

2.10.3 PERFORMANCE INDICATORS

This section describes key accomplishments during the Quarter, first versus the qualitative objectives established for the Quarter, then regarding general Monitoring and Evaluation (M&E) activities and finally performance versus established Program quantitative indicators.

2.10.3.1 *Preliminary Indicator Targets Revisions for FY10 and LOP*

DESCRIPTION It is anticipated that the Indicator Targets in the AgBiz Performance Management Plan (PMP) will be reviewed, refined and modified as needed in collaboration with USAID, so that they reflect reality, the constantly changing operating environment and Program circumstances.

OBJECTIVE From time to time revise and update the performance Indicators to more effectively track the progress of agreed indicators versus objectives.

OUTCOME As part of the FY '10 AWP approval process, AgBiz revised and modified the projections for Indicators that measure performance on Increased Coverage and Assistance to Value Chain Participants and Building Human Capacity. More specifically, the FY '10 projection for Indicator 2.3 "Number of Agriculture-related Firms Receiving Assistance" was lowered from 180 to 76. Regardless of the fact that a given customer may benefit from several AgBiz supported Activities, we decided to count a given customer only once. This indicator now presents the number of additional customers that are anticipated to receive assistance during the FY '10 reporting period. Therefore, the LoP "Number of Agriculture-related Firms Receiving Assistance", reflecting the total number of exclusive customers that will have received assistance during the LoP, was decreased from 276 to 243. The LoP to date number of non-duplicated agribusinesses that have received AgBiz assistance is already 167 – plus the 76 new firms anticipated to be served in FY '10 equals a total of 243.

The same intention is reflected in adjustments to Indicators 2.4 "Number of Trade and Business Associations Receiving Assistance" and 2.1 "Number of POs Receiving Assistance". We lowered the FY '10 Indicator 2.4 target from eight to four trade associations due to the fact that there are a very limited number of currently existing or potential agribusiness-related trade associations that can be supported, so eight agribusiness trade associations was not a realistic projection for additional trade association customers and the time it takes to develop new ones. We lowered the LoP projection for Indicator 2.4 from twelve to seven agribusiness trade associations based on LoP to date serving three associations plus the four new ones anticipated to be served in FY '10. Indicator 2.1 "Number of POs Receiving Assistance" was raised from three to five for FY '10 since we have identified one additional PO we may be able to support. The LoP projection for Indicator 2.2 "Number of Rural Households Benefiting from Interventions" was raised from 3,279 to 8,000, considering that the LoP to date number is 5,567 households, so the LoP total should be increased. In addition, LoP objectives for Indicators 3.1 and 3.2 "Number of male/female individuals who have received short-term training" were increased, adjusting the target for individuals directly benefiting from AgBiz interventions to 829 males and 258 females.

The AgBiz COTR provided formal approval for the revised Indicator Targets for FY'10 and LoP on December 24. Indicator projections in the M&E MIS were adjusted accordingly. AgBiz began using the revised indicator objectives during the current Quarter. Progress achieved during the Quarter versus the adjusted indicators is presented in the Table 6 below.

FOLLOW-UP An update to the PMP is planned in the forthcoming quarter, based on actual Program and customer experience to date, indicator performance information from all 20 grantees and their 2009 official financial data. These adjustments will take into account the impact of the global financial crisis on our grantees' businesses. This reassessment will enable us to report and project more realistic Project-sourced indicators.

2.10.3.2 *Quantitative Performance Indicators*

DESCRIPTION AgBiz performance indicators are a set of quantitative measurements used to present Program results to AgBiz Management and USAID. Table 6 shows progress on the agreed indicators during this Quarter, excluding indicators that are reported only on an annual basis.

OBJECTIVE Use Performance Indicators as both a management tool for tracking the results of Project and Activity implementation, as well as for preparing progress reports to USAID.

OUTCOME Progress toward achieving nearly all qualitative Program objectives was very satisfactory during the Quarter. Since the Quarter represents 25% of the FY, an indicator that is at least 25%

accomplished can be said to be on schedule. Therefore, the previous trend of overachieving quantitative indicators continued this Quarter in that all but one of the FY '10 indicators was exceeded by more than 25%. However, indicator achievements are not necessarily evenly distributed throughout the year, so we will remain vigilant regarding accomplishing our FY '10 indicator results. The Number of Trade and Business Associations Supported were under achieved on an Year to Date (YTD) basis since work on developing the Wines of Macedonia Exporters Association and the Fresh Fruits and Vegetables Exporters Association is progressing slowly. Eleven Processed Vegetables Value Chain customers exhibiting at the Anuga 2009 and the participation of four wineries at the Moscow Wine Fair 2009 resulted in nearly \$2.1 million worth of new orders, achieving 56% of our entire FY '10 projection. AgBiz contributed an average of 14% of the total direct cost of the Activities and Projects implemented during the Quarter, thus achieving very good resource leveraging.

TABLE 6. FIRST QUARTER INDICATOR ACHIEVEMENTS

| INDICATORS | This Quarter | FY to Date | Fiscal Year 2010 Objective (10.2009 - 09.2010) | Performance (FY%) |
|---|--------------|------------|--|-------------------|
| 1. Increased Raw Material Production and Products Marketing | | | | |
| 1.11 Value of new orders (in 000 Euros) from Trade Fairs, B2B Meetings and Fast Track Projects | 1,520.58 | 1,520.58 | 2,700.00 | 56 % |
| 1.12 Number of new customers from Trade Fairs, B2B Meetings and Fast Track Projects | 26 | 26 | 24 | 108 % |
| 2. Increased Coverage and Assistance to Value Chain Participants | | | | |
| 2.1 Number of Producer Organizations receiving assistance * | 2 | 2 | 5 | 40 % |
| 2.3 Number of Agriculture-related Firms receiving assistance | 64 | 64 | 76 | 84 % |
| 2.4 Number of Trade and Business Associations receiving assistance | 0 | 0 | 4 | 0 % |
| 3. Building Human Capacity | | | | |
| 3.1 Number of male individuals who have received short-term agriculture or agribusiness productivity enhancement training | 180 | 180 | 93 | 194 % |
| 3.2 Number of female individuals who have received short-term agriculture or agribusiness productivity enhancement training | 71 | 71 | 47 | 151 % |
| 4. Value of Investment Stimulated and Leveraging Achieved | | | | |
| 4.1 Value of customer investment stimulated (000US\$) | 1,005,59 | 1,005,59 | 2,807.93 | 36 % |
| 4.2 Value of third party domestic investment stimulated (000US\$) | 0.00 | 0.00 | 0.00 | 0 % |
| 4.3 Value of total domestic investment stimulated (000US\$) | 1,005,59 | 1,005,59 | 2,807.93 | 36 % |
| 4.4 Value of foreign direct investment stimulated (000US\$) | 0.00 | 0.00 | 0.00 | 0 % |
| 4.5 Leveraging Achieved by AgBiz (%) | 14 % | 14 % | 50 % | 357 % |
| 5. Increased Access to Finance | | | | |
| 5.1. Value of customer financing (potential loans) identified (000US\$) | 280.62 | 280.62 | 610.00 | 46 % |
| 5.2. Number of new customers provided access to finance assistance | 4 | 4 | 11 | 36 % |
| 7. Policy and Institutional Reform | | | | |
| 7.1. Number of policy and institutional constraints identified and prioritized | 4 | 4 | 7 | 57 % |
| 8. Outreach | | | | |
| 8.1. Number of Success Stories produced and published | 3 | 3 | 13 | 23 % |
| 8.2. Number of media exposures (TV, Radio and Newspaper) | 15 | 15 | 34 | 44 % |

3.0 OPERATIONAL CHALLENGES ENCOUNTERED

Most of the operational challenges previously reported remained in effect during the Quarter. Key AgBiz operational challenges encountered are outlined below, separated into external and internal challenges.

3.1 EXTERNAL

The following are operational challenges over which AgBiz has from almost no to minimal control. However, what we are doing to have a positive impact on the operating challenge is indicated when that is viable.

3.1.1 GLOBAL ECONOMIC CRISIS

3.1.1.1 Influence of the Economic Slowdown on the Financial Sector

The influence of the global economic slowdown on the Macedonian financial sector during the Quarter was not as restrictive as in previous Quarters. The 100 million Euro EBRD loans, managed by the Macedonian Bank for Export Promotion and disbursed through seven commercial banks become available to Macedonian Companies and the first loans were disbursed. National Bank of Republic Macedonia (NBRM) discussed the latest data on macroeconomic movements in 2009, and a decision on an additional decrease in the reference interest rate of the NBRM by 0.5 percentage points, i.e. from 8.5% to 8% was adopted. NBRM interventions on the foreign exchange market are still directed towards purchasing foreign exchange, continuing the trend that began in June 2009. On December 31, 2009, the cumulative growth in the gross foreign reserves equaled about Euro 100 million as comparison to December 31, 2009. Thus 2009 ended with a slightly higher level of foreign reserves than projected, creating a better basis for possible reversal of restrictive financial interventions in 2010, as a response to possible risks. The official 2009 average inflation rate was -0.8% and was in line with the expectations. In November, and for the first time in 2009, industrial output registered an annual growth, although mainly due to a low base for comparison, which resulted in a slowing down of the cumulative decrease to -9.9% (compared to -11.3% as of October).

All Banks still have slow credit operations, but the situation became better in the Quarter.

Banks' loan review processes, terms, conditions and approval procedures are still very restrictive but the time period from application until financing is approval or rejected become realistic, but still not on last year level. Decreasing the repayment time frame of an already approved loan and closing revolving loans/lines of credit are common. Increasing the interest rate on approved loans stopped during the Quarter. The collateral required to secure a loan is still a large percentage of the loan value. ACDF, a major supplier of capital for agribusiness loans, is well funded and has favorable rates, but loans using their funds go through commercial banks, and the commercial banks very restrictive terms and conditions still apply.

As banks are still conservative, and their collateral requirements are difficult for borrowers to meet, opportunities are created for new types of financing that are not well established and understood in Macedonia. Specifically: Equity financing is an opportunity to raise finance for making new investments and supporting companies' business expansion plans; Leasing, short term financing and factoring have also become more attractive sources of finance; and Export insurance is a product that has become very attractive, can be used as collateral and thereby gives companies access to a new source of working capital. The net impact of these more restrictive accesses to finance conditions will be the slow

development of Macedonian agribusiness, especially as related to facilities upgrading and expansion. It also increases the importance of our customers' access to IPARD funding.

3.1.1.2 Influence of the Economic Slowdown on AgBiz Value Chains

All Value Chains During the Quarter the impact of the global financial crisis and economic slowdown continued to affect participants in AgBiz supported Value Chains. Macedonian exporters of agriculture based products experienced reduced export demand, delayed collection of receivables and difficult access to finance. World financial markets are in a longer term slump, and this has caused consumers to become more value conscience. This is putting pressure on organic and other types of more expensive food products. The impact on Macedonian agribusiness exports of this increased consumer focus on value could be either positive or negative: negative due to lowered total spending in developed EU markets, but positive if Macedonian exporters can determine a way to produce and market their products very economically. Fancy packaging and long haul supply lines that use a lot of expensive energy will result in expensive products on grocers' shelves. Macedonian firms need to evaluate how they can increase the competitiveness of their products without significant increases in costs. This will likely mean close attention to on time and correct quality raw materials purchasing, product quality preservation/loss reduction, simple but effective packaging, and high volume shipments to nearby markets. Assuming the current decline in economic activity continues into the near future, AgBiz is helping our customers to market good value, good quality products, and minimize emphasis on high value added presentations that become increasingly less acceptable to consumers. However, there is a balance to be achieved in that most competition is emphasizing their pre packaged products that many Macedonian firms do not yet offer and lowering their net prices on well presented, good quality products. Many Macedonian firms are resistant to making the changes necessary to upgrade both their presentations and way of doing business.

Fresh Fruit and Vegetables exporters are still significantly impacted by the global economic slowdown. Issues with receivables are the greatest with big retail export customers such as Konzum, Merkator and Delta. Due to delayed receivables collection and the associated very negative impact on cash flow, companies have problems with their existing loans and are renegotiating repayment terms. Availability of finance, new loan application procedures, lack of collateral and an increasing collateral requirement has discouraged even the most qualified borrowers. To help solve this issue, AgBiz has assisted companies to understand export insurance, where a minimum of 90% of approved exports can be covered - this product will improve export sales and help to minimize payment risk for sales not covered with a letter of credit or guarantee and with AgBiz support, Macedonian FF&V exporters can use an export insurance policy as collateral for short term working capital loans, and make thereby significantly improve their cash flow. The fresh fruit and vegetables marketed by AgBiz customers are for the most part low value added products, and in a recessionary period this can be an advantage in that they sell for a lower price than competitors' high value added presentations.

Processed Vegetables The global economic crisis negatively impacted processing companies' sales projections, and extended receivables collection reduced the working capital they have available to buy fresh vegetables. Significantly reduced orders from foreign buyers for frozen products were experienced (-20% in volume compared to the previous season), while the market for canned products remained stable.

Wine This Quarter represents high sales season for wine. Unfortunately, results were considerably lower than for the same quarter the previous year. Wineries experienced a decrease in sales, especially for wines in the upper price segments. International importers continued to be skeptical in their buying projections, reduced their purchases and expressed concern that the effects of the global economic crisis will remain and therefore it will be difficult to bring back customers that shifted down-market to more value oriented wines. At the same time New World wine countries continued aggressive campaigns for sustaining and expanding their market share. On the regional market that accounts for more than 60% of Macedonian bottled wine exports, the impact was even more drastic, particularly in Serbia where the overall economy suffered from a loss of liquidity that disrupted trade payments. Supermarkets and restaurants increased their payment period to more than 150 days, and the number of defaulters increased. Limited and expensive finance holds back investments by Macedonian wineries in new technology, and caused delays or canceled planned investments in expanding or improving facilities, and replanting old vineyards with more marketable varieties. At the end of the season, especially when including the new vintage, wineries have a significant inventory that if not sold will overburden companies cash flow, reduce their flexibility and push them to reduce prices that will negatively affect the whole value chain.

3.1.2 Development and Implementation of a well Coordinated and Supported Approach to Export Promotion - starting with bottled wine

Although export subsidies for agricultural and food products are not allowed by World Trade Organization (WTO) rules, alternative types of support need to be considered. Government support to marketing and promotional activities of domestic producers and exporters is allowed and limitless. These activities, if carefully plan and implemented, could significantly enhance the export success of Macedonian processing and marketing agribusinesses. Currently there is no government agency specialized in export promotion of Macedonian agribusiness products. Experience from EU and other countries, e.g., SOPEXA from France, Food from Britain from the United Kingdom (UK), CMA from Germany and AMC from Hungary, verifies that there is a need for a fully functional national agency responsible for the development and implementation of export promotion activities in close cooperation with the private sector. Recently, the GoM started work on a national export promotion agency by expanding the charter of InvestMacedonia to include export promotion. However, the necessary changes in legislation and developing the human resources capacity of InvestMacedonia for export promotion will take quite some time.

Wine exports are at least \$57 million and are in danger of decreasing unless awareness of Macedonian bottled wine is enhanced and a shift from 85% bulk to a significantly larger share of bottled wine takes place. Bottled wine has a much higher return per liter and uses significantly more local labor. Macedonian wine is not well known in markets outside the Balkans and needs an export promotion entity to compete with other countries origin promotion entities. This entity needs to be a public private partnership to make sure promotional activities are commercially grounded and that the entity can become self sustaining in the intermediate to long term. Initially the Board of directors of such an entity should be chaired by the Deputy Prime Minister (DPM), and be composed of an equal number of public and private sector members. Funding should be predominately public at the beginning, but a plan should be implemented for funding to shift over to majority private support sector based on a set aside from export sales.

Therefore, a feasibility and structure assessment that makes recommendations for a private public partnership-based wine export promotion entity is needed. An important aspect of this work would be an assessment of how other wine exporting countries promote and support their bottled wine exports. AgBiz could help design and supervise such an assessment, but does not have budget to support it. However, it is questionable if anybody else is in a position to sponsor such an assessment.

3.1.3 Effective IPARD Utilization

The first call for IPARD applications was released in mid-December 2010. AgBiz has provided significant IPARD training for customers in each of the value chains we support as well as group and one-on-one IPARD familiarization via the Access to Finance Coordinator. Initial indications are that very few customers will submit an IPARD application to the Payment Agency and that IPARD utilization in calendar 2010 is likely to be very minimal. However, IPARD represents a very important source of funding for projects that help agribusinesses prepare for Macedonia's entry into the EU. Some of the constraints to applying for IPARD funds are related to prerequisites that many Macedonian agribusinesses cannot meet, either due to "business style", or limitations on getting local permits and approvals in a timely manner.

After the close of applications, and when the number of successful applications is known, it would be very useful to conduct an assessment of why very few companies successfully applied for IPARD support, and the specific changes that are needed to increase the number of firms that can successfully apply for and receive IPARD funding. The limited AgBiz budget makes it very difficult to financially support such an assessment, but we could participate in its effective and efficient implementation.

3.1.4 Minimal Understanding of Interest in Producer Organizations and Trade Associations

Sustainable agribusiness-related Producer Organizations (PO) and Trade Associations need to be developed, promoted and strengthened in Macedonia so that agribusiness value chains can become more competitive via effective horizontal and vertical linkages, and when commercial transactions are involved provide members with scale economies.

Movements to establish producers' organizations and trade associations started in the mid-nineties and were the first post-socialist era organizations in agriculture. Initiated by support from donors and the World Bank, various trade associations and producers organizations emerged as commercial entities owned by associations, cooperatives and trade associations to participate in the new private sector-based business environment. These donor programs made numerous efforts to promote the concept and benefits of such organizations. However, a lack understanding of the benefits of such organizations still remains, and there are very few such entities in Macedonia that have made significant progress towards sustainability, and have been able to provide benefits to its members.

Macedonian agribusiness owners seem more interested in competing with each other than in cooperating for their mutual benefit. Macedonian farmers still remember the government-dictated producer organizations of the socialist era, and want to avoid the type of formal transactions normally associated with a Producer Organization.

Therefore, it is a very challenging and slow process for AgBiz, or for any other entity, to support the development of sustainable producer organizations and trade associations, even though they are a requirement as related to EU accession, and would be an important contributor to the enhanced competitiveness of our value chains.

AgBiz has started to develop trade associations in the supported value chains and will continue our efforts to challenge our customers' lack of understanding of the benefits of trade associations by presenting and promoting positive examples and piloting feasible and potentially sustainable endeavors.

3.2 INTERNAL TO AGBIZ

Progress on resolving the challenges outlined in this section is important to the success of AgBiz, and is to a great extent under the control of AgBiz and/or USAID.

3.2.1 Total Program Funding

During the Quarter AgBiz received \$350,000 in incremental funding from USAID, for which we are very grateful. However, AgBiz has established a very good performance record and can achieve even greater results with a modest amount of additional funding. The return on resources for this additional investment by USAID would be very good since the current budget is sufficient to cover basic operating ("fixed") costs. The additional funding would be used almost exclusively to implement a greater number of Activities.

Table 8 below shows the specific Activities that AgBiz should implement in FY '10 under each AoF, but for which we do not have sufficient funds. Some of these Activities are follow-on support to previously supported value chains such as WGPs and Apples, and others are activities that should be implemented to optimize the benefits of previous Activities. These needed Activities would require an additional \$155,000 in direct funding. The available Activities budget for FY '08 was around \$406,000 and for FY '09 was around \$354,000. For FY '10, even with the requested additional funding, new Activities money available will be only \$217,000, a \$137,000 or nearly 39% decrease in funding available to implement new Activities in FY '10. This is unfortunate in an environment where agribusinesses are under considerable stress due to the global economic crisis, and Macedonia is preparing for EU accession, which means many enhancements are needed to Macedonian agribusinesses to be able to compete in an era of more open borders.

Agribusiness accounts for at least 13% of Macedonian Gross Domestic Product (GDP) (compared to 13.8% for all other manufacturing), nearly 14% of registered employment and more than 12% of exports. Therefore, agribusiness is a very important contributor to Macedonian economic growth, and is important to successful EU accession, so it deserves adequate USAID funding.

Also, in the near term environment of a weak global economy, AgBiz will have a much shorter term positive impact than efforts, e.g., to attract foreign investment and develop the workforce, if we are able to implement more Activities. Short to intermediate term economic support is very important to the stability of Macedonia over the next year or so. Because so many Macedonians are directly or indirectly involved in agribusiness, additional financial support from USAID for the work AgBiz does would have a significant shorter term, broad-based benefit.

During the second half of FY 10, AgBiz will develop and present to USAID a proposal for increasing Program funding.

| TABLE 7. AOF'S PRIORITY ACTIVITIES, BUT INSUFFICIENT RESOURCES AVAILABLE | | | |
|--|---------------------------|-------------------------|--|
| FY '10 ACTIVITIES | | | |
| AoF #2 WINE (Damo) | | | |
| Activity Description | Person Responsible | Budget Allocated | |
| 1 Complete an "Assessment of Successful National Wine Export Promotion Programs & a Concept Proposal for a Sustainable Model for Macedonia" | Damo | \$ 15,000 | |
| 2 Workshop with Participants in the Wine VC focused on the Identification & Prioritization of Export Competitiveness Related PIR Needs | Damo | \$ 1,000 | |
| 3 Study Tour to visit successful wine export promotion entities | Damo | \$ 7,000 | |
| 4 Facilitate wineries to properly prepare, participate in & follow up on Poznan Wine Fair | Damo | \$ 7,000 | |
| 5 Improve market information access & specific market requirements in target markets | Damo | \$ 1,700 | |
| 6 Support a group of export oriented wineries to attend advanced wine export marketing training in the EU or US | Damo | \$ 10,000 | |
| TOTAL Anticipated Budget for Wine Priority Activities | | \$ 41,700 | |
| AoF #3 FRESH FRUITS AND VEGETABLES (Lovre) | | | |
| 1 Support a contract farming project for one Fresh Produce customer as a model - CCI with Backward Linkages | | \$ 7,000 | |
| 2 Engage a consulting company to develop a strategy & action plan for increased value adding | | \$ 4,000 | |
| 3 Provide technical assistance via international STTA & support prioritized technical & capacity enhancement needs of fresh produce operators | | \$ 15,000 | |
| 4 PHH Study Tour for pack house & cooler managers to Turkey or Israel | | \$ 4,000 | |
| 5 Support establishing a nursery center for high quality planting material | | \$ 6,000 | |
| TOTAL Anticipated Budget for Fresh F&V Priority Activities | | \$ 36,000 | |
| AoF #4 PROCESSED VEGETABLES (MAP) | | | |
| 1 Support VC participants to participate in regional trade fairs such as Novi Sad, the Gastro Fair in Split, etc. | MAP | \$ 5,000 | |
| 2 Support organizing a Regional F&V Processors' Conference in Macedonia | MAP | \$ 7,000 | |
| 3 Support a Study Tour to the Food Processing Equipment Exhibition CIBUS Tech Parma - Cross Cutting with Fresh | MAP | \$ 5,000 | |
| TOTAL Anticipated Budget for Processed Vegetables Priority Activities | | \$ 17,000 | |
| AoF #5 CROSS-CUTTING INITIATIVES | | | |
| AoF #5.1 Policy and Institutional Reform (Vasko) | | | |
| 1 A National Forum on Priority Issues for Developing a Business Environment that Supports the Enhanced Export Competitiveness of Value Added Agriculture-based Products | Vasko | \$ 4,000 | |
| 2 An Assessment of the Operating Principles of Publically Funded (or co-funded) Export Promotion Programs for Value Added Agricultural Products starting with wine | Vasko | \$ 15,000 | |
| 3 Establish & facilitate a working group of relevant stakeholders for the identification of relevant PRI issues | Vasko | \$ 4,000 | |
| TOTAL Anticipated Budget for PIR Priority Activities | | \$ 23,000 | |
| AoF #5.2 Access to Finance (Lovre) | | | |
| 1 Staff participation in financing-related training & seminars | Lovre | \$ 1,000 | |
| TOTAL Anticipated Budget for Access to Finance Priority Activities | | \$ 1,000 | |
| AoF #5.3 Backward Linkages (Goran) | | | |
| 1 Organize a series of & facilitate contract farming meetings between traders & producers to move positions closer to scientific cost of production calculations | Goran | \$ 6,000 | |
| 2 Promote Program activities related to VL support through publications in the FFRM magazine | Goran | none | |
| TOTAL Anticipated Budget for Backward Linkages Priority Activities | | \$ 6,000 | |
| AoF #5.4 Association Development (Goran) | | | |
| 1 Study Tours for VC Coordinators & association Management Board members to successful associations | Goran | \$ 8,500 | |
| 2 Shumski Plod Executive | Goran | \$ 4,000 | |
| 3 Support Shumski Plod to become a sustainable trade association via a Web site for the WGP VC and Shumski Plod | Goran | \$ 6,000 | |
| TOTAL Anticipated Budget for Association Development Priority Activities | | \$ 18,500 | |
| AoF #5.5 Food Safety Standards (Vlado) | | | |
| 1 Support value adding to bulk WGP products by implementing quality standards & food safety systems | Vlado | \$ 10,000 | |
| TOTAL Anticipated Budget for Food Safety Standards Priority Activities | | \$ 10,000 | |
| AoF #5.6 Outreach, Market Information, External Cooperation, M&E and Environment (Nate) | | | |
| 1 Media campaign on local/regional level | Nate | \$ 1,000 | |
| 2 Produce video recordings or pictures presenting Program achievements & posting them on websites | Nate | \$ 1,000 | |
| 3 Track & record relevant training, conferences, seminars & presentations available in Macedonia & communicate them to VCC & their customers; obtain feedback from customers & VCCs about their level of interest (staff time limitation) | Nate | none | |
| 4 Develop & implement a plan for cooperation with other donor projects in the Region | Nate | none | |
| TOTAL Anticipated Budget for Outreach, MI, External Cooperation, M&E and Environment Priority Activities | | \$ 2,000 | |
| TOTAL ANTICIPATED BUDGET FOR PRIORITY ACTIVITIES | | \$ 155,200 | |

3.2.2 Market Information

Useful marketing information is sorely lacking in Macedonia. As a result, there are weak linkages between production (supply) and markets (demand). Regional markets account for around 75% of Macedonian agribusiness exports. There are several regional market information sources, specifically in Albania, Serbia, Montenegro and Croatia. There are also several EU sources of market information. One of the requirements for EU accession is for a country to have a functioning Agricultural Market Information System (AMIS). Unfortunately, the substantial investment required to develop and implement an AMIS is almost solely for the benefit of EU Headquarters in Brussels.

During FY '09 AgBiz worked with the Regional Competitiveness Initiative (RCI) to determine if other USAID-supported agribusiness projects in the region are interested in cooperating on some type of regional market information system. Getting regional projects to cooperate has proven to be difficult due to their somewhat differing objectives and approaches, and the fact they are managed by competing contractors. However, RCI, as stimulated by AgBiz, has done a good job of sharing market information from regional projects and readily available sources with all agribusiness projects in the region.

There are two challenges associated with market information: 1) customers do not place much value on the information if it is not useful to either identify a potential customer or help determine a very current market price, and 2) the availability of low cost and useful market information is limited, and more importantly, it takes considerable LoE to search for, identify, prioritize and translate. This combination makes it difficult to establish a sustainable market information service. The Moja Zemija approach we are currently implementing is potentially sustainable, and the RMI section now includes market information sourced from the MAFWE's AMIS unit. However, the annual cost to AgBiz to provide useful regional market information to the RMI is at least \$8,500, an expenditure with no potential for cost sharing.

We recently investigated the Euromonitor market information service and believe that it would make a very valuable contribution to raising awareness of the value of market information, provide very useful market information for our Value Chain Market Information Newsletters and provide crucial information for the Sector Export Marketing Strategy being developed in cooperation with CBI. However, with very limited Activities funding it is difficult to acquire this market information service (for EU5,000 for six months), even though we know it is a service that would make a very substantial contribution to our export marketing enhancement support.

3.2.3 How to Effectively Implement Policy and Institutional Reforms

During the Quarter we expanded our policy and institutional reform (PIR) identification and prioritization work. We are also working with BEA and other entities to analyze how to successfully achieve high priority PIRs. Normally, PIR advocacy work would be accomplished by active trade associations. Unfortunately, only one proven-viable trade association exists that we can work with to advocate for PIRs.

One of the main roles of a trade association is PIR advocacy. So AgBiz identifying high priority policy and institutional reforms, assessing how they might be accomplished in cooperation with other USAID projects, and then working with current or potential trade association members to help achieve the reforms could help stimulate the further development of nascent trade associations. However, we are faced with somewhat of a “chicken and egg” situation in that without a viable trade association, policy and institutional reform advocacy is difficult, but first potentially viable trade associations have to be formed or strengthened. Good PIR work should help trade associations to develop.

4.0 FINANCIAL REPORT

The First Quarter Financial Report is shown below. The Report indicates that with 70% of the term of the Program completed, 77% of the total budget has been invested. The original Program budget projected greater expenditures in the first three years, so expenditures to date are consistent with the plan.

CONTRACT No. EDH-I-03-05-00006-00
Macedonia AgBiz
Quarterly Report
CONTRACT EXPENDITURES through December 31, 2009

| Category | Contract Budget | Incurring as of 9/30/09 | Quarterly Costs 10/1/09-12/31/09 | Total Costs Accrued as of 12/31/09 | Remaining |
|---------------------------------|---------------------|-------------------------|----------------------------------|------------------------------------|---------------------|
| Total All Other Costs | \$ 5,109,339 | \$ 3,588,033 | \$ 347,004 | \$ 3,935,037 | \$ 1,174,302 |
| Grants | \$ 500,000 | \$ 357,501 | \$ 54,057 | \$ 411,558 | \$ 88,442 |
| SUB TOTAL CONTRACT COSTS | \$ 5,609,338 | \$ 3,945,533 | \$ 401,062 | \$ 4,346,595 | \$ 1,262,743 |
| FEE | \$ 240,620 | \$ 160,095 | \$ 18,048 | \$ 178,143 | \$ 62,477 |
| TOTAL CONTRACT COSTS | \$ 5,849,959 | \$ 4,105,628 | \$ 419,110 | \$ 4,524,738 | \$ 1,325,221 |

5.0 PLANS FOR THE SECOND FISCAL QUARTER

The following sections outline expected AgBiz results for the Second Quarter of fiscal year 2010, organized by AoF. These results will be compared to actual results in the Second Quarter Report. In the Second Quarter AgBiz will continue to identify, develop, seek approval for, and implement value chain competitiveness enhancement Activities, will finish closing out the first nine grants and begin the process of closing out the next ten grants.

| Activity | Expected Result | Projected Completion Date |
|---|--|---------------------------|
| Fresh Fruit and Vegetables (Lovre) | | |
| Fruit Logistica 2010 | Activity implemented and Results Report completed | 6 February |
| Study Tour for Apple Producers in Hungary | Activity implemented and Results Report completed | 29 January |
| Rotterdam Study Tour & B2B Meetings | Activity description developed & USAID approval received; RfP developed, vendor and participants selected | 15 March |
| Tirana Trade Fair Follow-up | Information collecting in to prepare Three Month Results Report | 31 March |
| World Food Trade Fair Exhibition 2010, Moscow Russia | Activity Concept approved; determine budget, present it to the potential participants & determine participant interest | 31 March |
| Fresh Apple Exports to India with MCP | Support communications between the Macedonian suppliers & Indian buyers; assess the realistic export potential for the coming season | 31 March |
| Processed Vegetables (MAP) | | |
| Organize a Study Tour and B2B Promotional Event in the Czech Republic | Study tour successfully completed and Activity Results Report submitted | 29 January |
| Workshop on Improving Backward Linkages between PV Processors and Vegetable Growers | Workshop successfully completed and Activity Results Report submitted | 21 January |
| ANUGA 2009 Trade Fair Three Month Follow-up | Three Month Report on Anuga results and potential new export deals | 31 January |
| Promotional Event in Denmark/Poland with a Focus on PV & Bottled Wine | Activity discussed and agreed with BW VCC & members from both VCs; Activity Concept completed | 31 March |
| Study Tour & B2B in Canada | Activity Concept and Activity Description completed and approved | 31 March |
| Survey on the Performance of the PFV Industry in 2009 | Activity Concept and Activity Description completed and approved, field research initiated | 31 March |
| Wine (Damo) | | |
| Moscow Wine Trade Fair Follow-up | Three months follow up report completed | 28 February |
| AgBiz/CBI Platform for Developing a National Sector Export Marketing Plan | Successful First Workshop held with appropriate participants | 22-23 February |
| Facilitate Wineries to Exhibit at the ProWein Wine 2010 Trade Fair in Dusseldorf | Successfully Exhibit at the ProWein Wine Fair 2010 | 24 March |
| British Embassy Wine Tasting Event | Four wineries to participate and promote their wines at the event | 5 February |
| Policy and Institutional Reform (Vasko) | | |
| Assessment of Regulations & Practices Regarding Seasonal Employment in Agriculture | Subcontract signed with CERM, desk research conducted and mid-term report on the field research submitted | 31 March |
| Changes to the Law on Forests | Activity implemented and Results Report Completed | 31 March |

| Activity | Expected Result | Projected Completion Date |
|--|---|---------------------------|
| Enhanced Approach to Policy and Institutional Reform | New approach for FY '10 being successfully implemented | 31 March |
| Access to Finance (Lovre) | | |
| Access to Finance Workshops | Agribusiness Finance Manual Workshop held and Manual distributed to customers | 31 March |
| IPARD Study Tour to Croatia | Activity Concept and Description developed, USAID approval received, RfP developed; vendor and participants selected | 31 March |
| Agribusiness Finance Manual | Final updated version approved, printed and promoted | 15 March |
| IPARD Study Tour to Bulgaria | Activity Concept approved and Activity Description developed ; selection of vendor and participants started | 31 March |
| Backward Linkages (Goran) | | |
| Assess VC Participants use of Backward Linkages for Lessons Learned & Best Practices | Activity implemented & Report accepted | 31 March |
| Support an Existing Contract Farming Model - based on the results of the linkages assessment | Activity Concept developed | 31 March |
| FF&VP VC Study Tour & Promotional Event in Croatia and Slovenia | Activity Concept and Activity Description approved | 31 March |
| Association Development (Goran) | | |
| Develop an AgBiz Association Development Processes & Procedures | Completed | 28 February |
| Support "Shumski Plod" to Develop a Five Year Strategy - including priority activities, a financial plan and proposals to the GoM & donors | Activity Concept and Description approved, SoW Agreed & MoU Signed with Shumski Plod. Work on the Strategy started. | 31 March |
| Conduct an Analysis to Identify the Interest and Commitment of Fresh Produce VC Customers to Establish a Trade Association | Completed | 31 March |
| Food Safety Standards (Goran) | | |
| TA in GlobalGAP Implementation and Certification | Activity implemented and completed | 31 January |
| WGP Consolidators Support for HACCP Implementation | Activity implemented and completed | 31 January |
| Outreach/Market Information/Environment (Nate) | | |
| USAID/DOC Information Officers Training | Participate and present AgBiz Technical Communication Plan | 8-9 March (tbc) |
| AgBiz Website | Website updated on an ongoing basis | 31 March |
| AgBiz Conference and Training Calendar | Provide monthly input on AgBiz activities for USAID's Economic Growth Office Event Calendar | 31 March |
| Market Information Newsletters | Complete and distribute Newsletter for the PV VC | 31 March |
| Market Information Articles for FFRM's Moja Zemija Magazine | Complete monthly AgBiz market information articles | 31 March |
| Help VC Customers Utilize Market Information | Make a decision regarding Euromonitor International's "Passport" Proposal | 15 March |
| AgBiz Congratulation Ceremony | Progress planning for the Congratulation Ceremony | 31 March |
| "Wines from Macedonia" - Promotional Video | Complete broadcasting of ten individual promotional videos; Design DVD Covers and Boxes for dissemination of the videos; Complete the combined video including best promotional material for all participating wineries; Plan "Wines from Macedonia" hand-over ceremony at the US Embassy in cooperation with USAID/DOC | 31 March |
| Technical Communication Dissemination Plan | Distribute at least three pieces of technical information to stakeholders other than customers | Ongoing |
| Field Trips | Develop and Successfully Implement Field Trips with Mission | 31 March |

| Activity | Expected Result | Projected Completion Date |
|---|---|----------------------------------|
| | Management | |
| MAFWE Web Site Updating | Portal updated on a monthly basis with AgBiz information | 31 March |
| Information Sharing with Similar Regional Projects | At least two pieces of AgBiz information shared other regional agribusiness projects | 31 March |
| Success Stories | Monthly stories developed and published | 31 Jan; 28 Feb; 31 Mar |
| Media Exposures | Accomplish several media exposures presenting AgBiz activities | 31 March |
| Environmental Mitigations | Implemented as planned in the EMMP; all mitigations completed by the end of the grant | As per the due dates in the EMMP |
| Program Development and Implementation (Natasha and Jim) | | |
| Internal Budget Realignment | Internal 10 Line Item LoP Budget Developed and Approved by ARD | 31 March |
| ARD Subsidiary Office Representative | Authorize new ARD Subsidiary Office representative due to AgBiz CoP departure | 31 March |
| Internal Audit Compliance | ARD Audit compliance specialist will conduct internal audit of AgBiz including reviewing internal controls, testing financial transactions and checking compliance with contractual requirements | 29 January |
| ARD Subsidiary Office Annual Financial Report | Submit ARD Subsidiary Office Annual Financial report to the PRO per MK legislation | 28 February |
| CoP Cooperation | At least Two Coordination Meetings held with Related CoPs | 31 March |
| Cooperation with Other Entities | Continue Cooperation where it is to the Benefit of AgBiz | 31 March |
| Staffing Plan for Remaining LoP | Staffing Plan for Remaining LoP Developed & Approved | 31 March |
| Staff Midyear Performance Evaluations | Staff Midyear Performance Evaluations Successfully Completed | 26 February |
| Intern Training | Inter is properly trained in performing general office support work | 31 March |
| CoP Succession Plan | CoP Succession Plan Developed and Approved by USAID; Reallocated responsibilities & authorities clearly defined; Position Descriptions & organization structure adjusted as required | 31 March |
| Grant related Procurement Procedures | Staff and grantees properly utilizing checklists and grant implementation procedures | 31 March |
| Grant Expenditures | Reimbursement and direct procurement for remaining 11 Grants are proceeding smoothly, in compliance and as projected | 31 March |
| Project Implementation Monitoring & Support | PCs closely monitoring implementation of the remaining 11 Projects to help keep them on schedule and achieving projected results; Monthly Project reviews for each VC are held with the CoP; Grantee and AgBiz investment schedules updated based on experience to date | 31 March |
| Grantee Reporting | Quarterly Reports are enhanced in completeness and overall quality | 31 March |
| Grant Close out Batch 1 | Receive all required reporting documentation for Grants closed in December 2009 | 15 February |
| Grants Close out Batch 2 | Proper close out procedures initiated for Grants terminating at the end of March | 31 March |
| Monitoring and Evaluation (Sonja) | | |
| Evaluate Accomplished vs. Projected Indicators | Spreadsheets for reviewing & calculating grantee sales & production indicator growth developed and evaluated | 12 March |
| M&E Responsibilities | M&E Responsibilities are Properly and Completely Transferred to Permanent Staff (Sonja) | 15 March |
| Indicator Targets Revision for FY '10 and LoP | Indicator adjustments proposal via a PMP modification completed for internal review | 31 March |
| Receive Post-Evaluation Forms of Completed Activities, assess data quality & enter in the MIS | Automated M&E MIS updated | Ongoing |
| Data Collection for Project Derived Indicators | Quarterly Progress Report customized & disseminated to responsible PCs to be further distributed to Grantees | 29 March |
| FY'10 Second Quarterly Report Development | Weekly Reports produced during the Quarter reviewed & Outline Responsibilities developed | 31 March |
| Wine Industry Database | Data on trade flow in CY'09 obtained, processed & database | 22 February |

| Activity | Expected Result | Projected Completion Date |
|---|--|---------------------------|
| | updated | |
| Importance of Agribusiness to Macedonian Economic Growth Report | Data on Macedonian Agricultural Commodity Exchange in CY'09 obtained & data processing initiated | 31 March |

6.0 REPORTS PRODUCED DURING THE QUARTER

This section lists the reports produced by AgBiz during the Quarter. Due to the total size of the documents they are presented in a separate CD.

6.1 EXTERNAL REPORTS

6.1.1 Outreach Releases

6.1.1.1 Market Information

6.1.1.1.1 FV Market Information Newsletter

6.1.1.1.2 Sharing Information between Agribusiness Projects in the Region

6.1.1.2 AgBiz's Press clippings Oct-Dec 09

6.1.1.3 Scenario-Remarks Press Conference Wines from Macedonia

6.1.2 Success Stories

6.1.2.1 USAID AgBiz Program Adding Value through Quality Standards Food Safety Systems Success Story

6.1.2.2 USAID AgBiz Program EU Customers Buy Value Added Table Grapes from Peca Komerc Success Story

6.1.2.3 USAID AgBiz Program Wines from Macedonia on Air Worldwide Success Story

6.2 INTERNAL REPORTS

6.2.1 Results Report Anuga 09

6.2.2 Results Report Storage of FF&V and Grapes Important Component of Export Potential

- 6.2.3 Results Report Training in Requirements for IFS
- 6.2.4 Results Report Application of Contemporary Technologies in Table Grapes Production
- 6.2.5 Results Report CBI Export Coaching Program 09
- 6.2.6 Results Report Moscow Wine Fair 09
- 6.2.7 Results Report for Wine Strategy
- 6.2.8 Results Report IPARD Fresh Fruit and Vegetables Training
- 6.2.9 Agrolozar/Dalvina Supplement Pollution Prevention Assessment
- 6.2.10 Environment Mitigation Measures
- 6.2.11 Scenario for Filming Wines from Macedonia

U.S. Agency for International Development
Macedonia
Samoilova, 21
1000 Skopje, Macedonia
Tel: (+389 2) 310 2000; Fax: (+389 2) 310 2499
<http://macedonia.usaid.gov>