



USAID | **MACEDONIA**
FROM THE AMERICAN PEOPLE

AGBIZ PROGRAM

SECOND QUARTER FISCAL 2010 REPORT
JANUARY – MARCH 2010

APRIL 2010

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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

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	Dutch Centre for the Promotion of Imports from Developing Countries
CEFTA	Central European Free Trade Agreement
CeProSard	Center for promotion of sustainable agricultural practices and rural development
CERM	Confederation of Employers of the Republic of Macedonia
CMC	Certified Management Consultant
CoC	Chamber of Commerce
CoP	Chief of Party
COTR	Contracting Officer's Technical Representative
CPA	Cleaner Production Assessment
CY	Calendar Year
DOC	Development Outreach and Communication
EBRD	European Bank for Reconstruction and Development
ECP	Export Coaching Program
EDD	Environmental Due Diligence
EG	Economic Growth
EMMP	Environment Mitigation Monitoring Plan
EU	European Union
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
GAP	Good Agricultural Practices
GDP	Gross Domestic Product
GlobalGAP	Global Good Agricultural Practices
GoM	Government of Macedonia
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit (EU Approximation and Regional Cooperation in the Agro & Food Sector)
HACCP	Hazard Analyses and Critical Control Points
HO	Home Office
HR	Human Resources
IFS	International Food Standards
IO	Information Officer
ICMCI	International Council of Management Consulting Institutes
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
MAFWE	Ministry of Agriculture, Forestry and Water Economy
MAP	Macedonian Association of Processors
MBEP	Macedonian Bank for Export Promotion
MCA	Management Consulting Association
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
MRCC	Macedonian-Russian Chamber of Commerce
MSDS	Material Safety Data Sheet
MTV	Macedonian National Television
NR	Not Required
OIV	International Organization of Vine and Wine
PHH	Post Harvest Handling
PIR	Policy and Institutional Reform
PIRN	Policy and Institutional Reform Needs
PGI	Protected Geographic Indication
PMP	Performance Monitoring Plan
PO	Producer Organization
PPA	Pollution Prevention Assessment
PPD	Public – Private Dialogue
PREDA	Peoples Recovery, Empowerment and Development Assistance
PV	Processed Vegetables
QAS	Quality Assurance System
QR	Quarterly Report
RCI	Regional Competitiveness Initiative
RfP	Request for Proposal
RMI	Regional Market Information
SAPARD	Special Accession Programme for Agriculture and Rural Development
SEE	South Eastern Europe
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
SWOT	Strengths, Weaknesses, Opportunities and Threats
TA	Technical Assistance
UAR	United Agri Producers
UC	University of California
UK	United Kingdom
USA	United States of America
USAID	United States Agency for International Development
YTD	Year to Date
VAT	Value Added Tax
VCC	Value Chain Coordinator
WGP	Wild Gathered Products

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.

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.

EXECUTIVE SUMMARY

Program Development: During the Quarter AgBiz submitted Operational Plan FY '10, OP FY '10 Funds allocation per Component Area and FY '10 Key Issues in Agriculture reports to USAID/Macedonia, organized three field trips for the US Ambassador, US Embassy and USAID high officials including the Mission Director, the newly appointed EG Director and the COTR to increase their awareness of successful AgBiz supported Projects and reconfirm the commitment for assistance by the US Mission to AgBiz customers. Expat CoP James Maxwell completed his assignment as planned in the Contract and was replaced by local CoP Vasko Hadzievski and two Deputies, Goran Damovski DCoP for Technical Operations and Natasha Lazovska, DCoP for Administration, Finance, HR and Compliance. A new legal representative of the ARD Subsidiary office in Macedonia was appointed for both MLGA and AgBiz. A successful internal ARD audit was conducted that included reviewing internal controls, testing financial transactions, and checking compliance with USAID contractual requirements and ARD policies and procedures. Seven significant media exposures were completed during the Quarter, and a Processed Vegetables Market Information Newsletter and two Success Stories were released.

Significant cooperation with other entities included the close coordination with the DM of Agriculture on the laws on Wine and Agriculture, coordination with FFRM on a backward linkages activity regarding contract farming between the producers and processors, starting coordination meetings with the Department for Analysis of Agricultural Policies in MAFWE for the purpose of enhancing Private with Public Sector Dialogue, discussions with the Israeli-Macedonian Industrial Trade Association on links and future cooperation with Mashav and extending the contract with MAP 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 two Activity Concepts "Under Review", five Activities had been internally approved and were in "Being Developed", 12 Activities had been approved by USAID and were "Being Implemented", 10 Activities were "Completed" and one was "on Hold". Activities "Being Implemented" at the end of the Quarter were:

- Assessment of AgBiz VC Participants Usage of Backward Linkages;
- Assessment of Regulations and Practices Regarding Seasonal Employment in Agriculture;
- Support to the Shumski Plod Association to develop a 5 Year Strategy, Activities & Financing Plan;
- Assessment of the Interest & Commitment of FF&V VC Participants to Establish a Trade Association;
- Bi-Monthly Market Information Newsletters for Each Value Chain;
- Regional Market Information Dissemination in the Moja Zemija Magazine;
- Updating the Agribusiness Finance Manual;
- IPARD Study Tour in Croatia;
- Fresh Apple Exports to India;
- Wine Sector Export Marketing Plan Development (with CBI);
- Support the Formation & Strengthening the Trade Association "Wines of Macedonia"; and
- Establishing Backward Linkages between PV VC Processors and Primary Producers.

Activities successfully "Completed" during the Quarter were:

- Fruit Logistica 2010 Trade Fair;
- Study Tour for Apple Producers in Hungary;
- Workshop on Improving Backward Linkages of PV VC Participants;
- PV VC Members Study Tour and Promotional Event in the Czech Republic;
- Support to the British Embassy in Macedonia to organize a wine tasting social event;
- ProWein Wine Fair 2010;
- Initiation of Changes to the Proposed Law on Forests;
- Developing an AgBiz Association Development Process/Procedures;
- HACCP Implementation Support to WGP Consolidators; and
- Cost Efficient Group GlobalGAP Implementation and Certification.

During the Quarter 54 customers from 51 companies, one Producer Organization and two Trade Associations received assistance from Activities, and 130 individuals received training. Ninety eight new export customers were identified by Activity participants and more than \$6.2 million worth of initial

orders were received as a result of completed Activities. The total cost of Activities completed during the Quarter was \$398,608 and the AgBiz direct cost was \$53,987, for an AgBiz cost share of 14%.

Export Focused, Business Expansion Projects: All 9 signed Projects in the first batch were successfully completed and closed out and the rest of 11 Projects progressed during the Quarter with no major implementation problems. 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 and Quarterly Progress Reports were received from all grantees. By the end of the Quarter AgBiz had contributed a total of \$475,743 to the twenty Projects, not including environment related work, and grantees had contributed \$7,700,347. This represents 94% of the AgBiz agreed support and 142% of customers' agreed contributions to Projects. One hundred and thirty eight 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. In addition, Project indicator data collected during this Quarter took into account customers' 2009 official financial data and enabled us to report more realistic Increased Production, Exports and Employment indicators. More specifically, \$4.4 million in increased exports, \$6.1 million in increased raw material purchases, over \$7.0 million in investment stimulated, around 9,000 rural families benefitted with additional income and 561 new equivalent jobs were achieved. 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 second batch of ten Grants. Batch three has one Grant that will be completed at the end of the last Quarter of FY '10.

Enhanced Access to Finance: Improved and detailed access to finance assistance was provided to two companies for a total amount of \$170,000. One company received an export insurance policy for their exports to Angro Tush in Slovenia. To provide assistance to our customers and transfer IPARD knowledge, we organized a study tour in Croatia which will take place next quarter and we supported two companies during the process of IPARD application development. Relevant sources of financing through government programs, as well as the impact of the global financial crises on the Macedonian financial sector were presented to five companies from AgBiz value chains. Six individuals asked for and received help in applying for loans totaling \$55,500. Together with the Chief of the Credit Insurance Department of MBEP, we presented to four 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, and signed a Memorandum for Cooperation with MBEP and subsequently applied for MBEP Export Insurance. The credibility of their buyers in EU, UK, Serbia and Croatia was estimated by the MBEP. An additional nine companies received information regarding available sources and types of finance, and also an explanation of the different product characteristics and advantages from 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 concerning the situation of Macedonian financial markets and all products offered to our customers, as well as give them a chance to choose the best option, we completed an update of the Agribusiness Financial Manual.

Policy and Institutional Reform: During the Quarter AgBiz implemented several Activities related to addressing Policy and Institutional Reform needs. We completed work with Sumski Plod regarding proposals for the bylaws that will detail the regulations associated with gathering WGP's on public land. The recommendations were accepted by Sumski Plod and forwarded to MAFWE. We had numerous coordinative meetings with the wineries and the MAFWE to try to solve the issues concerning wine Appellation of Origin and the new Law on Agriculture regarding proposed regulations for contract farming. As requested by the PV industry, AgBiz initiated joint meetings to establish a dialog between processors and farmers including MAFWE representatives. AgBiz also continued communications with the Department for Analysis of Agricultural Policies in MAFWE to support them to establish sustainable practices for gathering private sector input, and analyzing and addressing issues on an appropriate level in the Government structure.

Operational Challenges Encountered: In addition to the global economic crisis continuing to result in weak export demand, slow receivables payment and difficult access to finance, external operational

challenges experienced during the Quarter included ineffective IPARD utilization and slow development of producer organizations and trade associations. Weak and uncoordinated GoM support for exports remains. Internal challenges included the difficulties to implement PIR activities particularly for PIR's that require some intervention in the legislative process, particularly since there are very few strong industry associations. There is only one functioning trade association and very weak organizations at the producer level. Under time pressure to adopt new laws as part of the EU approximation process, many laws were given a very limited time for public debate, and as a result have many flaws.

Performance Indicators: Progress toward achieving qualitative Program objectives was very satisfactory during the Quarter and the trend of overachieving both qualitative and quantitative indicators objectives continued. Since the end of Second Quarter represents 50% of the FY, an indicator that is at least 50% accomplished can be said to be on schedule. Almost 90% of the Indicators reported on a quarterly basis were overachieved. However, indicator achievements are not necessarily evenly distributed throughout the year. The indicator measuring Number of Producer Organizations receiving assistance was under achieved on an YTD basis and those organizations are targeted to be assisted via several Activities that are going to be implemented in the forthcoming period. Fifty-one agriculture-related firms benefitted from Activities Completed during the Quarter and a range of marketing and competitiveness enhancement training was delivered to 130 individuals. The seven Fresh Fruit and Vegetables Value Chain customers who exhibited at "Fruit Logistica 2010" plus the participation of nine wineries at the "ProWein Wine Fair 2010" resulted in over EUR4.9 million (US\$6.2 million) worth of new orders, over achieving our entire FY '10 projection for that indicator. During the Quarter we reassessed indicator performance information from the twenty grantee Projects that are the source of indicators for measuring Increased Raw Material Production, Products Marketing and percentage increase. The "Value of Purchases of Raw Materials made from Smallholder Producers" increased by 55% over the baseline or over EUR4.3 million (US\$6.1). As result of the business expansion Projects, the LoP "Value of Exports" increased by more than EUR3.1 million (US\$4.4) or 17% over the baseline, while "Total Sales" increased by 24% or around EUR5.0 million (US\$6.9). Over 10,100 "Rural Households Directly Benefited from Interventions" and 561 new FTE jobs were created or 52% more than the baseline. AgBiz contributed an average of 18% of the total direct cost of the Activities and Projects implemented during the Quarter, thus achieving very good resource leveraging.

I.0 SECOND QUARTER ACCOMPLISHMENTS

VALUE CHAINS

I.1 FRESH FRUIT AND VEGETABLES VALUE CHAIN - LOVRE RISTESKI, VALUE CHAIN COORDINATOR

Value Chain Overview

Currently the fresh fruit component of the Fresh Fruits and Vegetables (FF&V) value chain is composed primarily of AgBiz customers involved in production and/or sales of table grapes and fresh apples. Macedonia has a long standing fruit growing tradition combined with good climatic conditions. Around 6,000 hectares are currently planted in table grapes, the potential vineyard land being 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 and are one of the largest exports of agriculture-based products. Numerous groups are involved in inputs supply, production, harvesting and post harvest activities, thus growing fruits and their exports are important from both economic and social stability perspectives, especially for apples in the Prespa area.

Out of total food and food product's exports from Macedonia of around \$254 million, 20.6% belongs to 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 proper or any sorting, calibration, cooling or other post harvest activities needed for price improvement and compliance with European market standards and demands.

In the last ten years nearly all FF&V exports went to ex-Yugoslav markets. Today, the competition is more substantial and aggressive in these traditional markets, hence 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 vegetables, 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 Russian market is also an option that has become more relevant in the past few years. However, very few Macedonian fresh fruit and vegetable exporters have developed links with Russian importers, and the risks associated with selling to Russian markets have to be considered.

The Government is financially supporting planting 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 and study tours to help our customers and consultants to be prepared to develop IPARD applications.

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.

1.1.1 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 1.1.4 below.

Activity	Expected Result	Result Achieved
Fruit Logistica 2010	Activity implemented and Results Report completed	Completed, see Section 1.1.4.1
Study Tour for Apple Producers in Hungary	Activity implemented and Results Report completed	Completed, see Section 1.1.4.2
World Food Trade Fair Exhibition in Moscow, Russia (Six months Follow-up)	Six months Follow-up Report Completed	Completed, see Section 1.1.4.3
Tirana Trade Fair Follow-up	Tirana Trade Fair Follow-up	Completed, see Section 1.1.4.4
Fresh Apple Exports to India with Macedonia Competitiveness Project (MCP)	Support communication between the Macedonian suppliers & Indian buyers; assess the realistic export potential for the coming season	Potential buyers visited Agroplod Agrar and Rumko Resen, new samples were sent to India and first negotiations started

1.1.2 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	Completed, see Section 1.1.5.1
GD TIKVESH	Improving the Quality of Table Grapes and Establishing a Packing Center	Completed, see Section 1.1.5.2
PECA KOMERC	Establishing a Modern Produce Packing Center	Completed, see Section 1.1.5.3
AGROHEMIJA	Establishing a New Packing Center	Completed, see Section 1.1.5.4
AGROS 2004	Establish a new model of harvest and post harvest activities on 30 hectares of peppers	Helped its members start the coming season, including preparation of fields and planting materials.
BADZO	Improving the Competitiveness of Fresh Vegetable Exports	Continued to enhance the use of advanced technology and a monitoring system that allows full control over production.

1.1.3 Activities Initiated this Quarter

Activity Initiated this Quarter	Activity Description	Progress this Quarter
World Food Moscow Trade Show 2010	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 at and attend World Food Moscow	Activity Concept developed and approved, Activity Budget Developed, 3 Macedonian (Agrohemija, Badzo, and Vardar Gradsko) companies expressed interest in participation

Activity Initiated this Quarter	Activity Description	Progress this Quarter
Sales Mission Rijeka, Croatia	Several companies from the FP VC in cooperation with a Macedonian – Croatian company Agro Zona, and the Rijecka Veletznica (Rijeka Wholesale market) are interested in presenting Macedonian products to potential customers in Croatia and Slovenia. Management of the Rijeka Wholesale market is interested in having Macedonian products to attract more buyers to their wholesale market and is interested in organizing promotional events (for the Macedonian companies) at the Rijeka wholesale market and at few locations along the Croatian and Slovenian coast. If adequate Macedonian partners are identified, Agro Zona is interested in investing in promotional activities to promote itself as “the company in Rijeka where you can always buy Macedonian products”. Croatia is one of the traditional markets for Macedonian products, and a demand for Macedonian products exists	Activity Concept developed and approved
Rotterdam Study Tour & B2B Meetings	Assist selected Macedonian fresh fruit and vegetable growers and exporters to significantly enhance the competitiveness of their products that can be sold in European markets. Information obtained from this activity will allow AgBiz customers to provide the quality fresh fruit and vegetables required for regional markets, and to meet the specifications of E.U. markets. The activity will enhance participants understanding of the latest trends and know-how in postharvest handling techniques of fresh produce including cooling, storing, grading, packing and shipping to meet E.U. market demand. Equally important will be direct B2B meetings in the Netherlands between Macedonian exporters and Holland importers and retail supermarket representatives.	Activity Concept and Activity Description developed and approved and SoW developed for the organizer
B2B Meetings as a joint activity with Swiss importers in Macedonia	B2B meetings represent a cost-effective way to meet new suppliers and partners, build relationships and present Macedonia as a new source of fresh produce. SIPPO and AgBiz will inform and invite Macedonian companies to take part in the Buying Mission. SIPPO will invite importers of fresh fruits and vegetables in Switzerland and the EU to participate in the Buying Mission. Based on the procurement needs of the buyers and the company profiles of the Macedonian producers and traders, one-on-one pre-arranged meetings and company visits will be organized by SIPPO and AgBiz for the interested buyers	Activity Concept, Activity Description and MoU developed
UC DAVIS Post Harvest Training	This train the trainers' activity will transfer knowledge to an AgBiz staff member and a selected Professor as future trainers of Macedonian companies who have intensive post harvest operations. The Post-harvest Technology Short Course is a two week intensive study of current technical procedures used for handling fruits and vegetables and in California. It is designed for professionals interested in current advances in postharvest technology of horticultural crops. Participants will be educated, train and their general capacity to managed modern and highly competitive post harvest handling practices and storage technologies will be increased. The two participants will be trained to transfer this knowledge to all FF&V VC participants.	Activity Concept developed and approved

1.1.4 Competitiveness Enhancement Activities Completed during the Quarter

1.1.4.1 Fruit Logistica 2010

DESCRIPTION/OBJECTIVE Based on the interest and requests of Macedonian companies from the agricultural and food sector, collaboration was established between Deutsche Gesellschaft für Technische Zusammenarbeit [(EU Approximation and Regional Cooperation in the Agro & Food Sector) GTZ], Osec/SIPPO, Ministry of Agriculture, Forestry and Water Economy (MAFWE) and AgBiz to jointly support the participation of seven Macedonian companies in Fruit Logistica 2009. Following the successful presentation, the positive feedback and the results achieved in terms of meeting the objectives of the 2009 participation, six Macedonian companies plan to exhibit their products on a Macedonian National Stand at Fruit Logistica 2010 in Berlin, Germany between the 3rd and 5th of February 2010. Upon final registrations, Exhibiting in the National stand will enable the companies to: Increase participants' potential to identify new buyers such as retailers, wholesalers, aggregators and/or logistic agents; Enhance participants understanding of the latest trends and know-how in post-harvest handling of fresh produce including storing, grading, packing and shipping to meet market demand; Offer the possibility for participants to identify opportunities to work together when developing sales strategies for large and more competitive EU markets; Increase the businesses expansion possibilities of Macedonian companies from the fresh vegetables and fresh fruits value chain; Strengthen business relations of Macedonian fresh fruit and vegetable producers and traders with EU customers; Observe the latest world achievements in technology; Assess competition; and Establish new business contacts.

OUTCOME/FOLLOW-UP Participation in Fruit Logistica Berlin 2010 gave seven Macedonian fresh produce companies an opportunity to be present at one of the biggest fresh foods trade fairs in the world and to meet export-import companies, establish contacts with potential buyers, produce marketers, consolidators, wholesalers that might result in creating strategic partnerships in the future, as well as strengthening the linkages with their existing customers. Each Macedonian participant had an opportunity to exchange experiences in fresh produce (vegetables and fruits) marketing with more experienced companies from the EU and see the latest varieties and presentations of fresh fruit and vegetables.

During the trade fair, Macedonian companies established 420 contacts with potential buyers, marketers, consolidators and wholesalers that might result in creating strategic partnerships in the future, strengthened the linkages with their existing customers, exchanged experience in fresh produce (vegetables and fruits) marketing with more experienced companies from EU and they had access to the most recent know-how and new, improved technologies and management practices that can be adopted for improving productivity and enhancing competitiveness of the participants. It is likely that many of the contacts established during the trade fair will result in exchanging market information and experience in fresh products marketing with more experienced companies and viable future strategic partnerships. Exhibiting at Fruit Logistica Berlin 2010 of Macedonian fresh produce companies resulted in receiving 98 new orders for exporting Macedonian fresh produces worth over 4.4mil Eur.

Also, the participants had a chance to be informed about packing and sorting requirements. Some of companies at the trade fair, specialized in know-how in post-harvest handling techniques could be contracted to provide TA to improve AgBiz customers' post harvest techniques.

The AgBiz staff member that participated in the study tour will monitor the results achieved from the trade fair as related to increased sales and opportunities for the participants to work together when developing sales strategies, and when needed, facilitate follow-up with direct contacts established during the tour. For more details see Appendix 5.2.1 "*Activity Results Report Fruit Logistica, 2010*"

COST Total Cost: \$70,954; AgBiz Share: \$18,826 or 26%

1.1.4.2 Study Tour for Apple Producers in Hungary

DESCRIPTION/OBJECTIVE Hungary, as a part of EU has experienced and fulfilled all the requirements for quality standards, growing, post harvest handling and marketing of Ag products. Hungary has been a leader of Agricultural business in the region and as a country that has recently joined EU and passed through the transition period is a very good example for Macedonian businessman in the agricultural sector. About a decade ago Hungary was eligible to apply to the pre accession funds of EU and very soon for the EU structural funds and it is a positive example compared to other countries of South Eastern Europe (SEE) and the Balkans.

The overall objective of this study tour is to expose apple growing, consolidating and exporting businesses from the Prespa region to the practices, techniques and technologies that their Hungarian counterparts are utilizing in their apple growing and trading businesses. Six members of UAP (United

Agro Producers) had a chance during January 25-29, 2010 to see how Hungarian Companies handle apples after harvest (Post Harvest Handling). They visited post harvesting facility for apples, variety present in Hungary, Apple Institute and Wholesale Market and had meetings with relevant representatives. Also they shared with Hungarian growers their harvesting experience, and what is very important for Macedonian companies learned about experience of the Hungarian Companies with the European Funds.

OUTCOME /FOLLOW-UP Participants have understood that a National Product Council for Fruit and Vegetable Producers, Distributors and Processors can help to protect the interest of the each member of the production chain. Based on the situation



PHOTO CREDIT: AGBIZ STAFF

UAP Members exposed to a modern techniques of storing apples post-harvest handling in cooling chambers with controlled atmosphere

and current problems of the producers, the Council for instance makes suggestions how to find potential market for apple and support programs can be organized by the council as well – like “one apple a day for each pupil” project in Hungary. As this type of organization is unknown in Macedonia, further studies, practice and information should be collected to establish one. However, participants have seen the positive impact of the Council and probably they will make some efforts to create their own lobby organization.

Transfer of this experience on Macedonian apple producers is the reason why Participants are better off because of their participation on this study tour.

AgBiz staff will follow-up number of new customers and sold quantities to traders from the Hungarian Study Tour, if any. Also, AgBiz staff will follow-up possible shifts in production, post harvest technologies or marketing of the participants of this study tour. For more details see Appendix 5.2.2 “*Activity Results Report Study Tour for Apple Producers in Hungary*”

COST Total Cost: \$14,840; AgBiz Share: \$8,315 or 56%

1.1.4.3 World Food Trade Fair Exhibition, Moscow-Russia (Six Month 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 have opportunity to 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 is 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 keeps maintaining established contacts with importers from Russia and started exporting for this season with a projected value of 200,000 EUR. The actual total value will be reported at the end of the season. Rudine is in negotiation process with several other buyers from Russia present on the Trade Fair. 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 and they confirm attending on the Trade Fair this year too. After the Trade Fair Zegin started negotiations with buyers from Russia that were met at the Fair, but they still do not have any written contract.

1.1.4.4 Tirana Trade Fair (Six Month 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 the value chain participants during our discussions, and therefore this activity was well accepted by them 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. Participants 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..

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.

SUMMARY OF RESULTS: Vivi Prom and Kamen Promet became suppliers on Albanian Market. Avto Ria is still in negotiation process with Albanian counterpart.

I.1.5 Export Focused, Business Expansion Projects Completed during the Quarter

I.1.5.1 Ledra Agro

DESCRIPTION Ledra Agro Gevgelija has been established in 2004. The main business of the company is production of table grapes. Ledra Agro's vineyards are located in the area around Gevgelija that have good climate conditions characterized with early springs and late autumns that are very favorable for producing sorts of table grapes suitable for storing and demanded by the market. The company sells most of the production abroad, mostly in Serbia, Kosovo, and less on the markets in Croatia, Slovenia and Slovakia. Only around 10% is sold on the domestic market. The production is organized on 45 ha out of which 27ha are active and under yield since 2006 and 18ha are new plantations and the first harvest was in 2008. The company produces several varieties of table grapes, some of which are seedless. In the course of 2007 the company produced and sold on the market 600 tons of packed table grapes. As the market was becoming more selective and competitive every year, the company needed to improve the quality of the table grapes which are sold as fresh and adopt modern market approach. It was necessary for Ledra Agro to introduce some new ampelotechnical measures and employ certain mechanization.

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

Objective - Introduce new ampelotechnical measures and employ certain mechanization to improve the quality and competitiveness of seedless table grapes exports

Accomplishment: Modern mechanization and introduction of new ampelotechnical measures ensured higher quality of grapes. By using nebulizers (devices for application of protective substances) Ledra Agro enhanced the protection and had less burning of the grapes' skin and healthier grapes, timely and quality polishing of the grapes, all leading to increasing the grapes quality. The installing drop-by-drop system for irrigation and fertilization of vineyards allowed application of special fertilizers and protective substances with fewer residues. By digging and setting of arterial wells, installation of pumps and connecting with drop irrigation system the company secured efficient system for timely irrigation of the vineyards with ecologically clean water. This has resulted with vines obtaining more attractive grape bunches so combined with proper pruning and trellising, the yield was increased by 15%. All these measures also enabled the company to fully control the time of harvesting.

Objective: Putting in use the production line for classifying and packing the fresh table grapes and upgrade the pack house operations

Accomplishment: Ledra Agro constructed a facility for initial sorting of grapes near the vineyards and procured special wooden boxes, so that the grapes are properly delivered to the packing center. The company upgraded the current packing center in Bogdanci where the grapes are packed in modern carton boxes instead of the wooden boxes in which have been packed on the plantations and constructed refrigerating chambers where the grapes are properly cooled down to the necessary temperature for transport. With this Ledra Agro completed the whole production process and developed full chain for production and delivery of high quality fresh table grapes on the market, packed according the EU standards. The final product became of higher class and consequently achieved about 20% better market price.

The project is successfully completed, with Ledra Agro – Gevgelija contribution of goods and services valued at approximately US\$150,000 and AgBiz contribution of US\$20,000.

By realization of planned annual production program, investment in the irrigational system, classifying and packing according to the EU standards, Ledra Agro increased their export sales for EUR 154,000, increased purchased of row material for 8 million MKD, or EUR131,000 and created 15 new jobs.

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

All project objectives were met. Implementation of this project led to increased quantity of the produced table grapes, adding the value of the final product, high quality packing that reflected with increased margins and accelerated export sales.

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

It must be mentioned that location envisaged for the construction of the cold storage was changed because the necessary permission for construction was not received for the planned location. Consequently, the Company was forced to invest in cold storage on alternative location in Gevgelija. Shortage of water was resolved by digging additional wells so they insured enough water capacity for irrigation. Implementation of knowledge and techniques learned on the South Africa and California Study Tours positively reflected on the quality of grapes, the form and the color of the fruit. Regarding the production of grapes Ledra Agro also uses the expertise by the Department of Viticulture and wine at the Faculty of Agricultural science and Food in Skopje.

Regarding environmental mitigation measures, Ledra Agro implemented almost all requirements including holding a training for pesticides usage; monitoring, organizing public participation and currently is in process of obtaining an Integrated Pollution Prevention Control (IPPC). Issuing this permit by responsible authorities may take couple of years.

The company contracted the agriculture facility for conducting annual trainings for pesticide usage for the growing cooperatives. In addition to this, the company received Global Gap Certification (as activity supported by AgBiz) and all the necessary documents needed for this certification are covered by Pesticides Evaluation Report and Safe Use Action Plan (PERSUAP).

1.1.5.2 GD Tikvesh

DESCRIPTION GD Tikvesh is a joint-stock company that currently owns 1,042 ha of arable land out of which 700 ha are used for grape growing, 287 ha for cereal and crops for fodder, 30 ha for peach production and 25 ha of parent grapevines. On the sheep farm 2,340 sheep are bred and about 2,000 lambs are sold at the slaughter market. So, the company maintains and develops the following business sectors: production of grapes and fruits; production of cereal and fodder crops; production of grapevine plants - reproductive; sheep farming, i.e. production of meat, milk, cheese and wool. Table grapes production is cultivated on 320 ha. The main goal of GD Tikvesh is to become the leading Macedonian producer, marketer and exporter of table grapes.

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

Objective: The main objective of this project is increasing a quality of table grape by improving ampelotechnical measures, installation of drip (drop-by-drop) irrigation system.

Accomplishment: Installation of a new drip irrigational system on the area of 60 ha of vineyards under table grape offered sophisticated way of irrigation with significant water saving as well as decreasing the costs for its exploitation from the wells and the on-time watering of the plantations. It also allowed use of ampelotechnical measures and advanced protection of the vineyards through the system. By modernization of the grapes cultivating process, the company has dramatically increased quality and yield achieving much larger production output. The Company also diversified its table grapes production with other more attractive types of grapes demanded by the markets.

Objective: Improving the post harvest handling of table grape and modernization of packing process and expand export sales

Accomplishment: Within this project GD Tikvesh constructed a multi functional pre-cooling tunnel and cooling facility. The new installed equipment allowed full humidity control and sulfur supplying system, handling control of all process and higher level of energy efficiency. The company completely renewed and modernized the existent traditional packaging process and developed a packaging centre that additionally improved adding value and made table grapes final product more attractive and marketable. The project has enabled GD Tikves to have high quality product and to be able to customize the offer of the product in terms of packaging, weight, color, taste, sugar contents and other, according to the customers' preferences. GD Tikves implemented and received Hazard Analyses and Critical Control Point (HACCP) certification and introduced EurepGAP standard at the production level. The entire quantity of harvested grapes were properly stored and packed in adequate packaging, thus fully complying with the requirements of the international markets. Improving of the infrastructure provided much better productivity as well as working conditions for employees. With this investment GD Tikvesh managed to reinforce company corporate identity and strengthen its position on traditional Ex Yugoslav market. They also maintained long-term partnerships and started expanding on some other foreign markets.

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

There were no problems or delays encountered during the project implementation. Of course, global economy slow down had a negative impact but did not make any significant constraints to implementation of this project and fulfilling the foreseen objectives.

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

With the project GD Tikves made significant improvements in the quality of table grape but also pre-harvest, harvest and post-harvest operation that have resulted in increased sales, both domestic and international. Experience received from the Study Tours (South Africa, California) and contacts during Trade Fairs and B2B contributed a lot to the overall company growth. Since 2007, they have increased its export sales by 42mil MKD, increased purchased of raw material for 18mil MKD and increased employment by creating 86 new jobs. It is also expected that the company will have considerable benefits from this project in the future.

Regarding environmental mitigation measures, GD Tikves implemented all requirements including organized training for pesticides usage and held public participation meeting with neighbors. An Integrated Pollution Prevention Control (IPPC) is not required because the packing center will be placed in the existing facilities.

1.1.5.3 Peca Komerc

DESCRIPTION PECA KOMERC from Kavadarci is a fresh produce trading company that is involved in purchasing primarily grapes and selling them on domestic and foreign markets. In the last few years the company constructed purchasing center which has cooling chambers and chambers for preserving grapes with sulfur that enabled the company to grow and increase its export capacity. Peca Komerc's main export markets are in Serbia, Montenegro and Bosnia and Herzegovina. Not having their own packing center packing was done by their growers that started creating problems for selling to foreign markets. Products were not properly sorted, cleaned and therefore of inconsistent and not standardized quality. As a result the company couldn't add more value to the products and was only selling to wholesale markets in the region.

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

Objective: The main objective of this project was to increase the standardization and quality of the company's products and to create additional capacity for expansion into new markets. This has required constructing and equipping a modern fresh produce packing center with adequate equipment for packaging and storing fresh products. The current out-of-date packing center needed to be expanded with constructing a new building and installing of new equipment for improved temperature control as well as modernizing the sulfur adding process.

Accomplishment: With this project, where PECA-KOMERC DOOEL - Kavadarci contributed goods and services valued at approximately US\$150,146 and AgBiz support was US\$30,038, company managed to finalize and make the packing center fully operational. The upgraded packing center has allowed the company proper cooling and maintaining and packing of fresh table grapes but also other fresh produce like tomatoes, peppers, cabbage, cucumbers, peaches and apricots into standard size boxes with standardized weight and quality. Implementation of the project led to:

- Increased net margins by increasing the quality of products;
- Increased total capacity for processing which will enable increased total export sales;
- Increased quality of marketed products;
- Increased purchases of fresh produce, especially table grapes;
- An increased number of employees;

Objective: Implementation of the HACCP system to comply with necessary food safety requirements.

Accomplishment: As part of the joint project Peca Komerc implemented HACCP system that confirms that the company complies with all necessary food safety procedures required for exporting particularly within the European Union. Having HACCP system in place allowed the company to have full control over the critical control points in all processes of handling the products from buyout till loading for export.

Objective: Achieve higher sales on export markets with higher quality fresh produce products, mainly table grapes.

Accomplishment: By establishing a modern and fully equipped packing center the company started to purchase and pack additional quantities of table grapes and other fresh vegetables from local producers in the Tikvesh region. The new packing center allowed Peca Komerc to be more competitive when marketing their products to both Balkan and EU markets. This has resulted with securing additional export of table grapes to large supermarket chains in the region but also exporting first shipment of packed table grape packed in the packing center on new, modern way to a buyer from France. This project increased Peca Komerc export sales for 89,7mil MKD, increased purchased of raw material for 61.3mil MKD and created 7 new jobs.

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

During the process of implementation of this project, as well as in this quarter, Peca Komerc didn't have any problems or delays related to implementation of the project. Of course, global economy slow down had negative impact on our business but didn't make any significant constrains in developing of their business in general.

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

One of the key lessons learned was that though it required substantial investment, building a packing center with proper packing enabled Peca Komerc to continue cooperation with existing clients, but a lot of new clients who are interested to have proper packed product contact Peca Komerc and new contracts are signed and export is increased. Supported by AgBiz Peca Komerc also participated in a post harvest handling Study Tour in California and got visited by a post harvest expert David Picha. These activities had helped the company staff to become acquainted with new post-harvesting techniques for pre-cooling, cooling and storing the table grape and implement lots of recommendations provided. Regarding environmental mitigation measures, Peca Komerc implemented all requirements including obtained needed construction permits; conducted public participation meetings and the company assured safe working environment by protecting the workers not being directly exposed to accidental chemical releases. An authorized person handles the CO₂ which is used as a freezing agent. Peca Komerc has all needed construction permits. According to the Macedonian regulation the company doesn't need an IPPC/environmental permit due to the size of the company.

1.1.5.4 Agrohemija

DESCRIPTION Agrohemija is a wholesale and trading company that imports and distributes seeds and plant protection chemicals, and maintains an outstanding plant protection program throughout the country for effective control of insects, diseases and weeds. Company business model involves purchasing vegetable seeds and plant protection chemicals from long term international suppliers/partners, mainly from the USA and Holland, such as Seminis Vegetable, Royal Slues, Pioneer, VCR Cooperativi, etc., and sales and services to farmers and companies involved in agricultural production. Agrohemija has agricultural inputs wholesale storehouse in Veles, Bitola, Strumica and Skopje. In 2003 Agrohemija invested in the production of vegetables, grapes and watermelons by buying 12 ha. of greenhouses in Kocani and 56% of the capital of Agrolozar in Hamzali, Strumica. In the beginning, almost all production of tomatoes, cucumbers, peppers, cabbage, watermelons and other vegetables produced in the greenhouses in Kocani was sold on the Macedonian market and in the neighboring countries of Croatia, Serbia and Kosovo via traditional, wholesale markets.

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

Objective: Increasing the quality and value of the company's fresh produce exports through the utilization of a proper cooling and packing center.

Accomplishment: By establishing the new packing house in Strumica, Agrohemija achieved better quality, more standardized fresh products with new packaging that satisfies EU buyers' requirements. After receiving vegetables are sorted, calibrated and packed into weighted branded bags (tomatoes - 6 kg, cabbage-10 kg, cucumbers-5kg, papers and potatoes-10 kg). Packaged fresh vegetable are stored into refrigerated warehouse and then transported by refrigerated tracks to the final destination. The whole process from receiving to loading the vegetables into trucks lasts no more than 24 hours that by assuring high quality and longer shelf life of products, increases the quality and value of the company's fresh produce exports. This project increased Agrohemija export sales for 23,7mil MKD, increased purchased of raw material for 32.5mil MKD and increased employment for 28 additional jobs.

Objective: Increase efficiency and reduce the cost of post-harvest activities

Accomplishment: Utilization of the new pack house enabled Agrohemija to increase efficiency by improving post-harvest operations. With proper cooling and packing Agrohemija significantly increased the uniformity of products and by specialized calibration, cooling and packing, products losses from damaged products were considerably decreased.

Objective: Market fresh products and reaching EU standards.

Accomplishment: Since Macedonian market is too small to absorb total production of vegetables, Agrohemija took serious market efforts to identify new export market opportunities, including Germany and Austria. Initially Agrohemija conducted a market research including analysis on primary competitors from Spain and Turkey. This market research provided information about the structure of supply and demand for each of their products, and the behavior and taste of buyers in target markets. It also provided information about seasonal prices, large customers, distribution channels, and other useful market information. The research helped Agrohemija to have a good understanding of the EU fresh produce market and define its potential position as related to various markets, strategies and partners. The company also implemented EU standards required for vegetable production and pack house operations. Added value to the final products and created all necessary pre-conditions enabled Agrohemija to develop and offer branded fresh products for export. The company increased its competitiveness and improved its ability and image of being a serious supplier of high quality fresh produce.

Objective: Covering the gap in purchasing of fresh vegetables from farmers and balancing the discrepancy between the supply and demand of fresh vegetables in the region.

Accomplishment: One of the biggest problems in this sector is the oversupply of fresh vegetables at a peak season. With the project Agrohemija created a major vegetables purchasing, packing and export center in the Strumica region where individual farmers can deliver fresh produce. Agrohemija supports the farmers from the beginning of the season by supplying them with vegetable seed material, protected

devices and composts. They are also supported in education in GlobalGAP standard and other know-how for growing, fertilizing and keeping vegetable, according to buyers' needs. Farmers bring the vegetable packaged into wooden box and plastic bags of 20 kg into the packaging centre, where they are measured and controlled. Each farmer received a declaration with quality control and quantity. Only first and second class products are purchased from the farmers.

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

There were no problems or delays encountered during the project implementation. Of course, global economy slow down had a negative impact but did not make any significant constraints to implementation of this project and fulfilling the foreseen objectives.

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

In this project, Agrohemija contributed goods and services valued at approximately US\$2,026,198 and AgBiz support was US\$30,141 as established in the approved Award Budget. With organized support for quality production and effective purchasing of their products by Agrohemija, farmers in the area increased their production. The new pack house enabled Agrohemija to use the advantage of Macedonia's good growing conditions and the company's in-depth knowledge of both production agriculture and export marketing of fresh produce. Participation on Trade Fairs such as Moscow Trade Fair, Fruit Logistica Berlin and B2B, organized and supported by AgBiz, have impact on overall results of Agrohemija.

Regarding environmental mitigation measures, Agrohemija implemented all requirements including: separated their storage of pesticides and agrochemicals from areas with vegetable processing operations; conducted public participation meeting with neighbors and others potentially affected by the project. After the meeting, representative from the company trained in pesticides usage, organized short training for the neighbors and provided information for pesticides use, storage, containers disposal, safety requirements and protective cloths and Macedonian regulation for the subject. Agrohemija's products are traceable and GlobalGAP certified.

1.1.6 Work Completed During the Quarter Summary

Exporting fresh fruits and vegetables was the main work of FF&V Value Chain (VC) customers. The most significant fresh fruit and vegetables AoF accomplished objectives for this quarter were: further improvement of 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 of implementation of the four grants is in final stage. Improving pre-harvest operations for table grapes supported by AgBiz, such as the installation of drip irrigation and improved pruning and trellising, continuing during this and will take place during next quarter to. 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 and some of them developed IPARD application. New investment will start during next quarter. To enhance their export sales, and more safely enter new markets where they do not have established relations customers use of export insurance, as introduced to them by AgBiz.

The most significant AgBiz accomplishments during the Quarter included: Supporting customers to exhibit at Fruit Logistica and facilitated meetings with foreign buyers during trade fair, organized and facilitated export promotion activities through B2B Meetings and a Study Tour to Hungary; GlobalGAP certification in 14 companies; supporting fresh apple customers to send trail samples in India to establish new market linkages and facilitated meetings with India buyers in Macedonia. IPARD study tour was set up for the next quarter for participants in the FF&V VC and initiated activities regarding establishing a FF&V exporters association.

The most significant fresh fruit and vegetables AoF objectives for the next quarter are further work on improving knowledge regarding post harvest handling via attending on UC DAVIS Post harvest training; export promotion activities through B2B Meetings and a Study Tour to Holland; Sales Mission in Rijeka Croatia; ongoing help to access finance, especially IPARD and increasing their capacities regarding IPARD through Study Tour in Croatia for using Croatian experience in SAPARD funds accessing. Successfully completing implementation of the four grants is also a priority for the next quarter.

1.2 PROCESSED VEGETABLES VALUE CHAIN CONTRACTOR – COORDINATED BY THE MACEDONIAN ASSOCIATION OF PROCESSORS

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. According to the preliminary information, the industry purchased more than 75,000 tons of vegetables during the processing season 2009. Red peppers are the most important raw material for the industry, representing nearly 50% of total raw material purchases. Between 2003 and 2009 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 2009 contributed 37% (48% in 2008) in volume and 44% (compared to 52% in 2008) in value to the total of exports, while the Serbian market was the second biggest destination accounting for 22% in volume and 18% (23% in 2008) to the value of total exports. Exports to other regional markets (Croatia, Kosovo, Bosnia and Herzegovina) significantly increased in 2009. 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 28 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. Non-MAP members were regularly contacted by the association representatives in order to join the association and to increase their lobbying capacities.

1.2.1 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 1.2.4 below.

Activity	Expected Result	Result Achieved
ANUGA 2009 Trade Fair Three Month Follow-up	Three Month Report on Anuga results and potential new export deals	Completed, see Section 1.2.4.1
Study Tour and B2B Promotional Event in the Czech Republic	Study tour successfully completed and Activity Results Report submitted	Completed, see Section 1.2.4.2
Workshop on Improving Backward Linkages between PV Processors and Vegetable Growers	Workshop successfully completed and Activity Results Report submitted	Completed, see Section 1.2.4.3

1.2.2 Detailed Accomplishments vs. Projected Objectives – Projects

This matrix reports on the progress of Projects Completed.

Project	Objective	Result Achieved during the Quarter
DENTINA	Production Capacity Expansion and Export Marketing and Sales Support	Continued exports to Croatia and expressed interest in an IPARD application
BONUM	Export Market Entry and International Organization for Standardization (ISO) Compliance	Obtained ISO 22000 certificate; applied for IPARD
LARS	Improve and Increase the Productivity and Capacity of Drying	Started planning an IPARD application
VIPRO	Construction of a New Vegetable Processing Facility	Continue with reconstruction of the new facility
AVTO RIA	Establish and Operate a New Processing System for Onions	New business opportunities identified for export of onions (details in the fresh fruits and vegetables section)

1.2.3 Activities Initiated this Quarter

Activity Initiated this Quarter	Activity Description	Progress this Quarter
Promotional Event in Denmark/Poland with a Focus on PV & Bottled Wine	Presentation of Macedonian processed products and establishing new business contacts	Activity discussed with BW VCC & members from both VCs
Study Tour & B2B in Canada	Increased knowledge about Canadian market for processed vegetables and presentation of Macedonian processed vegetable products in Toronto, Canada, by PV VC members	Preliminary research completed, invitation for participation sent to 35 processing companies (28 MAP and 7 non-MAP members), 8 responses for participation received, established contacts with General Consulate in Toronto
Model Production Contracts for Processed Vegetables	Establishing model production contracts for PV VC members with primary producers and develop industrial standards for buyout of fresh raw materials	Activity Concept and Activity Description completed and approved, draft materials developed and sent for finalization to MAP working group
Survey on the Performance of the PFV Industry in 2009	Survey on the production and export performances of the processing industry in 2009	Activity Concept and Activity Description completed and approved, desk and test field research initiated

1.2.4 Competitiveness Enhancement Activities Completed during the Quarter

1.2.4.1 International Trade Fair for Food and Beverages "ANUGA 2009"(Three months Follow-up Report)

DESCRIPTION/OBJECTIVES Based on the interest of and requests from 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 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. It was envisaged 2 follow ups to be conducted by PV VC coordinator (on 3 and 6 month basis) in order results of the trade fair participation to be properly evaluated and reported.

OUTCOME/FOLLOW UP The second evaluation was completed at the end of January 2010. On the basis of conducted discussions with each company individually, the following results have been obtained and reported.

1. Univerzal promet - Two potential deals are in the process of being finalized for export of processed products to Germany and Turkey from February, 2010. The value of the contracts will be around 136,000 \$.
2. Ksenos – One new contract for export of processed products to France with a value of 14,000 \$ is completed. One more deal is in the process of being finalized for export of processed products to Israel, with an approximate value of 14,000 \$.
3. Dentina - One contract is in the process of completion for export of processed vegetables (ajvar) to Hungary. The value of the contract will be around 70,000 \$.

Bonum, Vipro, Lars, Medium Export, Dim Komerc, Tehnoalat and Konimex holding did not reported new contracts and/or business deals during the reporting period.

1.2.4.2 Study Tour and B2B Promotional Event in the Czech Republic

DESCRIPTION/OBJECTIVE The Macedonian vegetable processing industry is export oriented – 80-85% of the annual production is exported. EU markets (Germany in particular) and regional markets (Serbia, Kosovo, Croatia) are the most preferred destinations. Exports to the Czech Republic are small; only 6 tons of processed products were exported in 2005, while there was not any export registered in 2006 and 2007. In 2008, the volume of the exported products reached the amount of 110 tons and the value of 140,000 \$. According to the opinion of the PV VC members, there is a possibility for establishing stronger business contacts with Czech food importers and distributors. In return, this would result in increased exports of processed products to the Czech Republic market. Currently, the industry suffers from lack of market related data about the particular market, including export/import statistics, trends etc. The planned study tour would enable the processing companies to understand the functioning of the Czech market more clearly and to widen their perspectives in regards to new export possibilities. This is particularly important due to the fact that the average utilization of the domestic capacities is around 50%, thus leaving additional opportunities for increased production and exports. Czech Republic study tour possibility was widely discussed by PV VC members, MAP and AgBiz program. As a result, it was concluded that there was enough interest by the VC members for participation, while AgBiz included this activity in its plan of activities for 2010. MAP PV VC Coordinator was assigned to execute the proposed activity.

The overall objective of the Czech Republic study tour was to increase participants' knowledge of the Czech market for processed vegetables; meet with relevant potential buyers; promote Macedonian processed vegetables products; and to explore new export possibilities.

The study tour was completed during the period January 26-29, 2010 and included the following:

- Visiting retail stores in Prague and its surrounding - supermarkets and ethno shops;
- Meetings with food importers and distributors;
- Visit to the Macedonian Embassy in Prague, introduction of companies and AgBiz program; and
- Presentation and promotion of the processed vegetable products of the participating companies.

10 PV VC members participated in the study tour: Bonum plus, Tehnoalat, Vipro, Univerzal promet, Dentina, Altra, Kim, MTD Pajdakov, Trgoprodukt and Agrokomerc 92.

OUTCOME/FOLLOW UP The participating companies visited several retail stores in Prague and its surroundings including Tesco, Makro, Billa and Globus. A detailed review of the relevant product ranges, prices, packaging, etc. was performed by the participants. They concluded that retail chains were dominant on the Czech market; ethnic stores were emerging, but their importance in the overall food products trade was relatively small; large retail chains would demand large quantities and firm contracts which not all Macedonian processors could currently meet.

Participating companies presented their products, capacities and intentions for cooperation during the promotional event that took place in Prague on January 27, 2010. The event was organized in cooperation with the Macedonian Embassy in Prague. Introductions and the welcome were undertaken by Mr. Igor Ilievski – the Macedonian Ambassador to the Czech Republic, and by the MAP PV Coordinator, and was followed by individual presentations by the companies. Tasting of the products was also organized, where Macedonian representatives explained details about their products, how they are consumed, raw materials and technology used in the production processes, typicality of the products, etc. There were around 40 participants at the promotional event including representatives of food importers from the Czech Republic, Czech-Macedonian Chamber of Commerce, traders with Macedonian origin interested in starting importation of Macedonian processed products, etc.

The group visited the Czech headquarters of Owens Illinois (OI is the largest glass manufacturing company in the world) in Toplice, and one of their two production facilities on January 28th. After the tour and presentation of OI, the companies introduced themselves. Then, the possibility of importing glass jars into Macedonia from OI was discussed. OI is not present in the Balkan region, although they are intensively negotiating the acquisition of Jula – a Greek glass manufacturing company with established business operations in Greece and Bulgaria. The acquisition would allow OI to position itself as the main glass jars and bottles supplier in South Eastern Europe. Currently, the nearest production OI facility is located in southern Hungary, meaning that eventual import of glass jars in Macedonia would require the same transportation costs as when they are imported from Croatia and/or Moldova. Depending on the quantity and business arrangements with the clients, OI is also willing to develop a special mould for unique glass packaging, or these costs could be covered by the client in case when they are not interested in longer term contracts with the supplier. Since OI dominates the Czech market for glass packaging (60% of the market) they would use their business contacts and network to stimulate direct business contacts of Macedonian processing companies with Czech food importers, if the Macedonian companies would start using OI glass packaging. At the end of the discussion it was decided that discussions will continue and OI representatives expressed their readiness to visit Macedonia and processing facilities in the country. MAP will send an official invitation to OI company management if there is sufficient interest from the participants to pursue the business idea.

The Czech market for processed vegetable products from Macedonia could be a very interesting possibility for further exploration. The initial response from the participants in the promotional event was very positive. They spoke highly of the products they tested, although not all participants were familiar with products such as home style ajvar and lutenica. Therefore, penetration on the Czech market would require substantial promotional activities. The retail prices of the similar products present on the market looked promising for all participating companies. Therefore, the initial conclusion was that they could easily fit into the prevailing pricing structure. The group acquired enough information about the Czech market to start preliminary plans regarding how and when to approach potential Czech customers. Their overall conclusion was that a solid strategy must be prepared for Czech market penetration, in particular how to resolve key issues such as: an individual or a joint approach; private label versus promoting individual or a joint Macedonian brand(s), the budget needed for initial marketing activities, and direct shipments to the customers or establishing a warehouse in the Czech Republic with or without local partners, etc. For more details see Appendix 5.2.3 *“Activity Results Report Study Tour and B2B Promotional Event in Czech Republic.”*

Follow up: Regular follow-ups (on 3 and 6 month basis) will be conducted by the AGBiz PV VCC. The participating companies will report any new activity that resulted from the study tour. MAP will continue with contacting and providing relevant information to potential cooperation partners from the Czech republic when needed.

COST Total Cost: \$16,243; AgBiz Share: \$6,191 or 38%

1.2.4.3 Workshop on Improving Backward Linkages between PV Processors and Vegetable Growers

DESCRIPTION/OBJECTIVE

Establishing backward linkages between PV VC processors and primary producers remains an issue that needs further enhancement. Cooperation is still minimal, resulting in frequent shortages of raw materials needed by the industry and overproduction of other vegetables and reductions in their prices. During 2008 and 2009 MAP on several occasions insisted on improvements in cooperation with domestic farmers (raw material suppliers), and initiated the idea of subsidizing vegetable producers that will sign contracts and deliver their produce to the local processors. AgBiz plays very active role in the development of the PV VC and



PHOTO CREDIT: AGBIZ STAFF

President of MAP, Deputy Minister of Agriculture and AgBiz CoP at the workshop on Improving Backward Linkages.

continuously maintains close coordination with both MAP and non-MAP members. Hence, it believes that establishing a sound dialogue between the VC stakeholders is a main precondition for reducing and/or eliminating the existing problems related to raw material supplies and the competitiveness of the VC. In order to continue with previous efforts, AgBiz in coordination with MAP and supported by MAFWE and FFRM decided to organize a one day event in Skopje – a round table that would focus on improving backwards linkages with producers and foster significantly enhanced cooperation between producers and processors. Moreover and according to the preliminary discussion with the Deputy Minister of Agriculture, MAFWE was also very interested in the further development of backward linkages, and has already included the above mentioned subsidies in their draft 2010 plan for financial support to agriculture.

The overall objective of the workshop was to:

- Discuss existing cooperation related shortcomings;
- Initiate an improved dialogue between vegetable producers and processors;
- Discuss options for achieving enhanced cooperation (e.g., contract farming); and
- Discuss the possibilities for additional support to the process (e.g., subsidies).

This activity should lead to a more competitive PV VC since market requirements will be more effectively and efficiently communicated back through the entire value chain. Processors will have a more reliable supply of raw materials and producers will have more reliable markets.

The workshop took place on January 20, 2010 and acted as a platform for establishing of a dialog between VC stakeholders.

OUTCOME/FOLLOW UP There were 35 participants present on the workshop, including representatives of: vegetable processing companies (15), farmers' associations and unions (10), MAFWE, AgBiz, and Faculty of Agriculture and Food Science. PV VC members presented their expectations regarding their raw material requirements for the 2010 seasons and a recommended price list for purchasing the required raw materials based on 2009 data. FFRM and MAFWE also presented their perspectives on enhanced backward linkages.

Representatives of producers and processing companies agreed to increase their direct cooperation especially because of the new possibilities stipulated in the new agricultural law: new and more detailed

contracts between the partners, registration of buy out spots for delivery of the fresh produce at MAFWE, additional subsidy for producers that will deliver their produce to the processing capacities, etc. Also, communication problem was raised as an issue and the participants concluded that information from the processing industry should be better communicated By FFRM to their base and by MAFWE to their branch offices.

Participants agreed that under the new circumstances, contract farming would be a preferred option for both parties. Since MAFWE has not developed a sample contract, there is a possibility AgBiz (and/or other supporters) to get involved in the activity and to present possible options to MAFWE, MAP and producers' representatives. Industry standards for some agricultural products (pepper) do exist and will be further reviewed by MAP board. Since additional subsidies were announced by the MAFWE Deputy Minister, it is expected this additional stimuli to substantially increase the percentage of contracted raw materials. In return, processors will have a more reliable supply of raw materials and producers will have more reliable markets. The participants also made comments on potential inclusion of the Advisory Services as independent and impartial mechanism that could control and supervise the cooperation process. (for example in case of legal dispute between the contracted parties). However, no concrete conclusion were drawn due to the fact that there was no already existing model contract in which the above mentioned issue were recommended and/or clarified). The participating parties at the end of the workshop agreed to continue with this activity and MAFWE and FFRM to organize two additional meetings for improving backward linkages and application of contract farming concept.

As a follow up, MAFWE organized the second meeting on March 11, 2010. It was held at the premises of MAFWE. MAP members, supported by VC Coordinator revealed their recommended price list for buyout of fresh and 11 processing companies announced the quantities of raw materials that they plan to buy during the processing season 2010. The deputy minister was very much in favor of the activity and suggested more direct cooperation between the VC stakeholders. Some of the farmers' representatives stated that the recommended buy out prices should increase by the processing companies.

The third meeting was organized by FFRM and took place in Prilep on March 29, 2010. Six processing companies were present on the meeting but only two agricultural associations' representatives from Prilep region. In addition there were FFRM representatives from Skopje headquarters and from the regional office and MAFWE representatives including MAFWE deputy minister. The participating processing companies were rather disappointed due to the lack of producers on the meeting. Prior to the meeting MAP members agreed not to change the recommended prices. During the meeting local STC contracted by AgBiz for model production contract activity elaborated the draft contract that could be used for contract farming purposes and draft version of the industry standards for buyout of fresh produce. It was agreed the presented document to be sent electronically to all stakeholders for additional comments. Due to the lack of participants on the meeting, MAFWE announced that they would organize additional three business meetings between processors and producers in the main production regions during April, 2010. For more details see Appendix 5.2.4 *“Activity Results Report Workshop on Improving Backward Linkages between PV Processors and Vegetable Growers.”*

COST Total Cost: \$4,947; AgBiz Share: \$897 or 18%

1.2.5 Work Completed during the Quarter Summary

During the Quarter there was no production of processed products by the PV VC customers. The processing season was generally evaluated by the processing companies as positive, although the impact of the economic crisis was significant. Vegetable processing companies processed more than 75,000 tons of fresh produce by the end of 2009. Approximately half of the needed quantities were contracted by the processors, and the remaining amount obtained from open markets. 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 several companies completed and submitted their IPARD applications, although majority of the processors will wait for the second and third IPARD call. The limited availability of seasonal labor will remain as ongoing problem during the next processing season, so MAP members will try to resolve the issue with the Ministry of Labor and

Social Affairs before the start of the new season. The MAP request for 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, was approved by MAFWE and is part of their direct payment scheme (program) for 2010. The new agricultural and rural development law, although still not empowered, will favor contract farming model and try to eliminate the existing irregularities connected to cash payments and extreme delays in payments.

During the Quarter PV VC members were modest in their lobbying activities. The VCC disseminated to the VC members a draft version of the new agricultural and rural development law. The final version of the law has not been approved by the national Assembly during this quarter.

In regards to export promotion activities, it was announced that export support activities will be transferred from the Ministry of Economy to the Agency for Promotion of Foreign Investments (MakInvest). PV VC members, MAP and its new President supported by VCC will try to initiate a meeting with the management of Makinvest in order to better coordinate their export marketing activities for 2010.

In March, Diva Company from Strumica - a new processing capacity which started its production in 2009, became interested in participation in MAP as well in AgBiz activities that were discussed and elaborated. .

During the Quarter AgBiz work on the VC was focused on completion of the 3 month evaluation of ANUGA 2009 activity, executing Czech Republic Study tour for PV VC members and improving backwards linkages between PV VC members and their suppliers.

The most significant AgBiz work during the next quarter will be export competitiveness enhancement activities such as Canada Study Tour, 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.

I.3 WINE VALUE CHAIN – GORAN DAMOVSKI, VALUE CHAIN COORDINATOR

Wine VC remains one of the largest agribusiness sub-sectors in Macedonia and one of the most exports oriented ones. As last recorded, the VC is represented by 83 officially registered wineries most of which (90%) are with the capacity up to 50.000 hl, five wineries with capacity between 51.000 and 150.000hl and 3 wineries with capacity between 150.000hl and 500.000 liters. Approximately 60% of the capacity has been utilized for production of red wines whereas the rest of the 40% are white wines, partially due to the fact that some percentage of whites are used also for production of rakija. Serbia continued to be the no1 export destinations for bottled wine whereas Germany absorbs 50% of total bulk export and represents almost 90% of total wine export from Macedonia to EU countries. Due to the global economic slowdown there is a significant decrease in sales and prices of wine on almost all markets, particularly for bottled wine. Apart from the core group of seven wineries, active in the initiative for formation of Wines of Macedonia trade association, there has been lack of more organized horizontal coordination. Public private dialog has been strictly related to the private sector input into the finalization and adoption of the new wine law.

1.3.1 Detailed Accomplishments vs. Projected Objectives - Activities

Activity	Expected Result	Result Achieved
AgBiz/CBI Platform for Developing a National Sector Export Marketing Plan for Wine	Successful First Workshop held with appropriate participants	Completed, see Section 1.3.4.1
Moscow Wine Trade Fair Follow-up	Three months follow up report completed	Completed, see Section 1.3.4.2
Facilitate Wineries to Exhibit at the ProWein Wine 2010 Trade Fair in Dusseldorf	Successfully Exhibit at the ProWein Wine Fair 2010	Completed, see Section 1.3.4.3
British Embassy Wine Tasting Event	Four wineries to participate and promote their wines at the event	Completed

1.3.2 Detailed Accomplishments vs. Projected Objectives - Projects

Project	Objective	Result Achieved during the Quarter
VALANDOVO	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	Completed, see Section 1.3.5.1
BOVIN	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	Completed, see Section 1.3.5.2
AGROLOZAR/DALVINA	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	Dalvina management was primarily focused on developing sales and identifying opportunities for penetrating the domestic as well as entering new export markets. The winery successfully participated in ProWein in Germany where they presented their wines to a wider audience of wine professionals and held a number of meetings with respected wine importers and merchants as well as some of the biggest supermarket chains including ALDI and Kaufland. While at the fair, selected Cabernet Sauvignon was presented at a tasting organized at the stand of the Menninger Magazine. Based on these intensive marketing and promotional efforts Dalvina managed to establish a strategic partnership with an importer and distributor from Poland and negotiate an initial shipment to be realized in April. Wines from the last vintage are progressing very well. The company oenologists are particularly proud of the Chardonnay barrique that is of extraordinary quality. Some was bottled and will be placed on the market very soon. The refined taste of the Chardonnay that will have a positive impact on the overall image of Dalvina wines. The German oenology team will continue providing its services and transfer know-how to Dalvina's staff. During the Quarter Dalvina finalized the development of a well designed and contemporary web site that is functional and helped the overall presentation of the company at promotional events.

Project	Objective	Result Achieved during the Quarter
POPOVA KULA	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	Popova Kula continued their extensive export focus on the Polish Market

1.3.3 Activities Initiated this Quarter

Activity Initiated this Quarter	Activity Description	Progress this Quarter
AgBiz/CBI Platform for Developing a National Sector Export Marketing Plan (Second Workshop)	All relevant stakeholders in the Wine VC to work on identifying and in-depth analysis on the target markets	Completed, see Section 1.3.4.1
London International Wine Fair	Not developed	Canceled due to lack of commitment from wineries to exhibit
Organize B2B and B2C specialized joint promotion in selected EU markets for wine	Not developed – activity postponed for September	Evaluated readiness of companies and developed initial concept for organizing wine presentations in Poland and Netherlands

1.3.4 Competitiveness Enhancement Activities Completed during the Quarter

1.3.4.1 AgBiz/CBI Platform for Developing a National Sector Export Marketing Plan

DESCRIPTION/OBJECTIVE Individual wineries' efforts to market their wine outside of Macedonia are obstructed by very limited recognition of Macedonian wines by international buyers and consumers. A national marketing program and origin promotion is an extremely expensive undertaking for an individual winery, so any serious plan for developing and implementing a medium to long-term program for promoting national origin requires a broad platform and a joint private sector with public sector effort.

In their commitment for developing the export competitiveness of Macedonian wineries and enhancing sustainable export sales, AgBiz and Dutch Centre for Promotion of Import from Developing Countries (CBI) identified the need for developing a National Sector Export Marketing Plan that would integrate private sector and Government of Macedonia (GoM) interests, based on EU wine market analysis and the identified competitive advantages of Macedonian wines.

In December 2009, CBI and AgBiz organized a kick off meeting that was held with all relevant stakeholders in the Macedonian wine sector. The goal of the meeting was to measure the need, relevancy and commitment of the parties to enter into a process for developing a Wine Sector Export Marketing Plan (WSEMP) focused on the EU. All present stakeholders, including the Ministries of Agriculture and Economy showed great interest and commitment for such an undertaking.

The objective of the process for developing SEMP is to define specific national export marketing efforts, the optimal positioning of Macedonian wines on selected regional and international markets and promotional activities designed to create wider origin and wine quality recognition on the part of EU buyers and consumers. The process will consist of four workshops and a highly interactive process during which all participants in the SEMP development process will provide their input. CBI will provide full facilitation and guidance including relevant EU market data and expertise. AgBiz will play a coordinating role, and together with CBI will encourage all participants to provide significant input and relevant domestic industry data, and will communicate with relevant institutions that might contribute to the process.

OUTCOME/FOLLOW-UP The first technical workshop for SEMP development was held on 23rd and 24th of February. It was hosted by the Ministry of Agriculture. The working group included representatives from the Ministry of Agriculture, Ministry of Economy, Union of Chambers of Commerce and export oriented wineries have been focused on identifying the market size, Imports &

Exports, Vineyards/Grapes/Wine styles, Market developments/trends, Trade structure, Legislative and institutional framework as well as Internal Analyses on Macedonian wine sector and defining possible Unique Selling Points. Following the first workshop, selected SEMP drafting Teams had been given home assignments to draft the first Chapter of the SEMP. Participants had also been asked to prepare market information regarding the five selected EU target markets (Germany, Holland, Poland, Czech Republic and United Kingdom).

The second workshop was held on 29th and 30th March 2010 and it was hosted by Tikves Winery at their new training centre in Skopje. During two days participants worked on Selection of target markets, the External Analyses including market access requirements, and Market Opportunities on EU markets. The entire development process was assisted, coached and supported by CBI experts on wine and institutional development and USAID's AgBiz Program wine value chain coordinator. During the workshops all participating stakeholders have also become aware of the availability and/or lack of relevant EU market information, mechanisms, structures and related skills, necessary for an optimal export preparation and performance. All insufficiencies will be recorded and developed a list of actions to be undertaken in those fields.

The next workshop is scheduled for 11th and 12th of May and will concentrate on the SWOT confrontation i.e. "matching" the Macedonian sector Strengths and Weaknesses with the Opportunities and Treats of the selected EU markets. Working groups will draw conclusions on the sector's export readiness to these five EU markets; define the growth options, and define the gaps (using the action list format to formulate solutions to these gaps) and discuss and define the sector's export objectives (qualitative and quantitative) for the five selected EU markets. SEMP will allow the private sector as well as the GoM, Ministries and other institutions to jointly establish a clear set of actions for enhancing Macedonian bottled wine exports. **COST:** Total Cost:\$16.737; AgBiz Share: \$2.737 or 12.6%

1.3.4.2 Moscow Wine Trade Fair (Three-months Follow-up Report)

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. 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. Therefore, based on expressed strong interest, AgBiz supported four large Macedonian wineries to 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 The three months follow up evaluation was completed at the end of February 2010. During these three months AgBiz in cooperation with Macedonian-Russian Chamber of Commerce (MRCC) as co-organizer of the fair continued its active role in providing assistance to participating wineries when needed to maximize the benefits from Moscow Wine Fair participation. MRCC managed to provide to the four exhibiting wineries an additional detailed contact list with all relevant and recommended wine importers in Russia and follow up information on the institutional links between Macedonia and Russia. On the basis of conducted discussions with each exhibiting company individually, the following results have been obtained and reported.

1. Tikves –during the three months after the exhibition, many contacts with potential buyers mainly within Moscow wine trade area were continued. Tikves already sent offers to potential buyers that were mostly focused on red semi-dry or semi-sweet wines and showed interest in Tikves Vranec & Temjanika. Tikves remains interested in the Russian market and it interested in every updates and wine events in Russia.
2. Skovin –Trade Fair presentation was very beneficial for Skovin. They managed to revitalize the trade relationship with their former importer. Skovin re-established the contract and sent the first trial shipment of several pallets of wine. It is expected that the market will respond positively to the wine so Skovin will strengthen this strategic partnership.
3. Imako – Continued to investigate the opportunities for organizing larger scale bulk export and possible joint investment in bottling plant in Russia.
4. Dalvina - Dalvina continued to investigate interest for cooperation by the larger supermarkets Alba and Vini Mir. The company managed to send samples and later 4 initial pallets and discuss with respective wine managers various models for entering the Russian market and supplying them with high quality bottled wine.

The obvious obstacle so far is the high import duty and excessive entry fees from supermarkets, resulting in very low ex-works price. Therefore it is highly recommended by the wine industry, the Government of Macedonia to take more serious steps in strengthening the institutional links in order to provide better business environment and establishing free trade agreement among Russia and Macedonia, This will allow Macedonian wineries to gain competitive ex-works prices for good wines.

FOLLOW UP The wine industry will remain its interest in supporting the bilateral agreements between Macedonia and Russian Federation and will encourage negotiations that could result in free trade agreement between the two countries. AgBiz will help participating wineries to maintain the contacts with potential buyers/traders established during the trade fair.

1.3.4.3 ProWein 2010

DESCRIPTION ProWein is definitely the most relevant wines and spirits trade show in the EU that brings producers from Germany, Europe and every wine-producing area of the world together with key buyers importers, wholesalers and retailers as well as participants from the gastronomy, hotel, and tourist trades. At ProWein trade visitors from the globe convene to sample established products, investigate novelties, discover new trends, re-new business relationships and agreements and create new business.

Last year four Macedonian wineries supported by AgBiz Program and the Ministry of Economy successfully exhibited at ProWein 2009. They managed to establish contacts with large number of potential buyers and during the next eight months convert few of the most serious ones into customers. Based on these results, this year a group of eleven wineries, focused on export of quality bottled wine



PHOTO CREDIT: AGBIZ STAFF

Potential buyers visiting Macedonian stand at ProWein 2010

expressed serious interest and commitment to exhibit at ProWein 2010. Ten of these wineries are part of the CBI that aims to assist producers and exporters of wine in developing countries and countries with economies in transition in entering the European market and establishing sustainable trade relationships with European buyers. Being very complementary with AgBiz objectives and in line with the role of AgBiz in the Wine VC, CBI and AgBiz jointly with the Ministry of Economy of Republic of Macedonia agreed to cooperate and support

Macedonian wineries exhibiting and promoting wines at ProWein 2010.

OBJECTIVE The objective of the supported activity Enhanced Participation of Macedonian Wineries Exhibiting at the Macedonian Pavilion at ProWein 2010 Trade Fair included a) the potential to create new, sustainable EU sales; b) The potential to enhance their understanding for successful utilization of major trade fair participation to effectively develop new sales contacts; c) The need to refine their skills in business-to-business contacts; d) The opportunity to evaluate a wide range of wines from low quality to top premium offerings and get very useful insights for developing effective strategies and positioning their wines; and e) The need for the companies to work together when developing sales strategies for large and competitive EU markets.

OUTCOME Macedonian National pavilion at ProWein 2010 including eleven exhibiting wineries was without a doubt, the best joint presentation of Macedonian wineries so far. Contemporary open stile stand on the area of 120m² was very visible and captured the attention of many visitors. All wineries had lot of prearranged meetings but also managed to attract additional wine buyers and distributors interested to track the development of Macedonian wine industry. Exhibiting wineries established a large number of contacts, presented their portfolios, shared their price lists and offered their products. Many agreed to send additional samples for tasting. Several buyers seriously expressed interest to investigate opportunity to expand their product pallet and include Macedonian wine in their offer. More specifically, initial contracts were signed with 9 new customers, reaching the value of over 50,000 Euro.

Wineries that have been exporting to Germany so far, reconfirmed strategic partnerships and worked with their partners on future plans for wider penetration. Dalvina, Popova Kula and Stobi even used the support of their importers and/or representatives for Germany and Holland to participate at the stand and represent their wines.

During the fair, Macedonian exhibitors faced different approaches and interests and were able to analyze the main concerns when investigating the opportunity for establishing new strategic partnerships and especially negotiating elements such as prices and discounts, distribution, sales support depending if it is an on-trade or off-trade channel thus enhance their capacity in business-to-business contacts. Improved capacity for presentation of their wines as well as proficiency in follow up communication after the trade fair is essential for turning the most perspective contacts into deals.

Macedonian wineries had an opportunity to assess competitors' wines in different categories, price points and wine stiles. These insights will enable wineries to make necessary adjustments in the profile of their wines depending on the target market and evaluate their price structure against the desired positioning. (For more details, see Appendix 5.2.5 "*Activity Results Report ProWein 2010*").

FOLLOW-UP In order to maximize the benefits from ProWein 2010 participation, the wineries will need to really pursuing key opportunities from contacts established during the trade fair with potential buyers/traders. All gathered information and specific consumer requirements shall be analyzed and commitments given to potential buyers fulfilled.

Trying to identify ways to optimize resources and increase competitiveness, wineries initiated the interest to investigate the option for coordinated effort to establish joint storage and distribution center in Germany. This will allow wineries to have certain volume of wine on stock in Germany and deliver the required quantity in a short time that will enhance their flexibility and strengthen their negotiation position with retailers. It was also noted that joint effort for creating umbrella brand recognition for "Wines of Macedonia" is a precondition for greater responsiveness and successful and sustainable sales on this as well as other international markets.

Individually, but also as part of the Sector Export Marketing Plan developing process AgBiz will provide further assistance to exhibiting wineries to optimize their market approach in different categories on selected target markets.

COST: Total Cost:\$158,902; AgBiz Share: \$1,656 or 1%

1.3.5 Export Focused, Business Expansion Projects Completed during the Quarter

1.3.5.1 Valandovo Winery

DESCRIPTION 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. The overall set of objectives of Valandovo Winery is 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. During the implementation of the project Valandovo made serious progress in accomplishing all related objectives, but also in other aspects of the overall improvement of the company's operations. The AgBiz-supported Short-term Technical Assistance (STTA) provided by the experts helped the winery to make significant improvements in both aspects improving the quality of grapes and upgrading the winemaking.

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

The results per specific project objectives are as follows:

Objective: Increase the quality of the grapes produced by the company;

Accomplishment: Implemented business expansion project managed significantly to fulfill this objective. Engaged experts provided extensive technical assistance for improving the quality of grapes. The quality of raw material is of paramount importance for producing quality wine. Continuous STTA trained the managers in total management of the production units and their staff and use of adequate agro technical measures during the whole season. This has included full health control for the vines, fertility of buds, defoliation, choosing the number of clusters and number of leaves on the vine, necessary chemical analysis and programming the chemical protection, effective and nonaggressive application of chemicals, green pruning, decision on harvesting based on maturity of grapes, assessment of sugar content, total acids and phenolic complex, securing the best ratio of all compounds. All this measures and practice provided Valandovo Winery with high quality grapes as raw material for wine.

Objective: Successfully adopt new technology for the production of quality wines;

Accomplishment: During the project implementation Valandovo Winery adopted several new technologies for winemaking and made considerable improvements in the quality and consistency of wines. Supported by the experts, Valandovo oenologist and technologist improved managing the alcoholic fermentation and adding of yeasts and nutrients for yeasts, control of malolactic fermentation, sensory analysis for wine during its maturity and control over the development of color, odor and taste and complexity of all compounds in wine including SO₂ content, content of alcohol, content of residual sugar, and total phenol. Handling treatments with additives and winemaking operations were upgraded with using oxygen and oak barrels and alternatives for premium quality wine.

Objective: Shift from bulk wine sales to bottled wine sales;

Accomplishment: AgBiz-supported STTA program implementation enabled Valandovo winery to increase export of bottled wine under its own brand. Improved quality and secured consistency of wine also allowed Valandovo almost all quantity that is exported as bulk to be bottled in Istra VINO winery in Croatia and sold on the Croatian market under Istra VINO brand while stating on the label that it is produced by Valandovo Winery in Macedonia. Enhanced capacity of winery and improved grapes production and winemaking processes surely helped Valandovo to add value and build its own brands and create wider recognition of its own bottled wines that is resulting in significant shift in export from bulk to bottled ratio. Due to considerable improvement in quality and intensive marketing effort, it is expected that percentage of bottled sales to significantly increase by the end of the 2010.

Objective: Enlarge the capacity of the processing facility, including production of barrique wines;

Accomplishment: Winery invested in renovation of the old concrete tanks that were completely renewed and protected with epoxy covering adequate for storing wine. In the last year the winery invested 84.500 Euros in equipment such as wine pump, heat exchanger, chiller with air condensation, water reservoir and 50hl tank that will allow production of stipulated quantities of quality wine. They also purchased special tanks with capacity of 30.000 liters used for preparation for bottling wine and started purchasing barrels for building the section barrique wines that will represent the premium line of Valandovo Winery. The winery made an extensive investment of more than \$1 million to renew their outdated mechanization and purchased 40 new tractors that dramatically increase the operational capacity and improved productivity of the winery.

Objective: Facilitate new direct and indirect employment and use new hectares for raw material supply;

Accomplishment: The winery in the period of two years increased the number of permanent employees from 42 in 2007 to 58 in 2008 but also included under Valandovo winery the six production unit that were recorded separately, increasing the total number of full time employees to 209. The winery also increased the seasonal employment by additional 1000 working days that is equal to almost 5 Full Time Equivalent (FTE). Valandovo expanded its vineyards and invested in advanced posts for 50ha of new planted vines. The assortment is consisted of Merlot and Cabernet Sauvignon, Vranec for strengthening the range and some Teran that is used as a blend for extraction of color. They also purchased six new computers to completely computerize and improve their systems for record keeping and tracking stock, availability of resources and enhancing the planning process for use of crop protection chemicals, fertilizers and other inputs.

Objective: Enhance the image of Valandovo wines, open new export market possibilities and increase total sales.

Accomplishment: Valandovo participated at the Vinovita Trade Fair in Zagreb where they successfully presented their wines. They were awarded the most valuable award "Fair Champion" for their special Vranec wine brand Aleksandar, but also received gold for their regular Vranec and silver for their high quality Smederevska. This has made serious contribution to the strengthening of their presence on the Croatian market through creating extensive PR and additional visibility, but also encouraged B2B meetings with the HoReCa channel that will have positive impact on their Croatian market share growth.

Valandovo expanded their award portfolio with several prizes on very relevant international competitions such as a Silver Medal for their Aleksandar at Mundus Vini, as well as a bronze at the Decanter competition in London. This will surely open perspectives for securing additional export markets and an opportunity for an upper market move.

The winery continued its efforts to expand their bottled wine market and identify new importers to penetrate new markets. Valandovo successfully finalized the negotiation and managed to contract Frutela, the best wine importer and distributor in Bosnia and Herzegovina, IDEA, one of the biggest supermarket chains in Serbia and Kiseljak, a well established a wine distributor from Belgrade for exporting bottled wine. As a result, total sales has been increased from 239 mil MKD in 2007 to 291.4 mil MKD in 2008 but due to negative effects from the economic slowdown especially on the regional market total sales in 2009 went back to 230 mil MKD. Also, as a result from the crisis Valandovo winery postponed at least for a year, developing of a sales network on the domestic market and therefore failed to achieve projections for domestic sales. Nevertheless, nowadays the winery is finalizing the contract with a well established distributor in Macedonia to start distribution of their wines on domestic market.

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

The only projections that were not fully accomplished are for total sales. The key reason for underachievement of the total sales objectives is the global economic slowdown that had dramatic negative impact on the overall economy and resulted in shrinking of the wine market.

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

Croatia that is the main export market for Valandovo Winery was also severely affected by the crisis and the purchasing power of consumers and consequently consumption was noticeably downsized. Though for 2008 the figures showed substantial increase, in 2009 sales went back to the level of the previous year. Valadovo winery took measures and enforced marketing and promotional activities in Croatia in order to alleviate the decrease. It is expected that though even the first quarter of 2010 was not very promising, during the tourism season and later towards the end of the year sales of Valandovo Wines will fully recover and start gaining again. Extensive efforts to identify new markets for Valandovo's bottled wines are very much required. The SITTA provided had significantly contributed to the winery's effort to secure the quality of grapes needed and improve the overall quality and consistency of Valandovo wines. The winery will continue to work on improving the overall quality of wine and shift from bulk to bottled wine sales. No Award Budget deviations were encountered.

Regarding environmental mitigation measures, Vizba Valandovo implemented all requirements including: organized meeting with the neighbors; arranged proper separation of pesticides and agrichemicals as defined in HACCP system; developed Safe Use Pesticides Plan that is being implemented and under the responsibility of experienced senior Agronomist. For the cooling systems the winery uses Freon that is no poisoning nether flammable. A certified company from Bitola regularly provides service and controls the pressure and quantity of Freon in the compressors. The company implements the recommendations given in the Cleaner Production Assessment Report. Provided results from the water samples related to BOD5 concentration, heavy substances and PH. The winery has all the needed construction permits and according to the Macedonian authorities; and in addition to this Valandovo Winery is not obligated to have an IPPC/environment permit.

1.3.5.2 Bovin

DESCRIPTION Bovin is an established wine brand on the domestic market and is recognized as a producer of high quality, premium wines. Company revenues are from two sources - export sales and domestic market sales of high quality, superior wines and rakija. Bovin has diversified export markets deriving from sales to international wine importers as well as from domestic tourism services for small quantities of their wines, and the general aim of Bovin is to expand their exports. As part of Bovin's strategy for maintaining their leading position in high quality wines on the domestic market, they have decided to invest in expanding their product range to barrel aged (barrique) wines and develop and introduce their wine tourism business. They have already invested around 2,000,000 MKD in this project. These investments are directed towards winery infrastructure adaptation and preparation for barrelic production. The project supported by this grant includes building infrastructure, technical equipment, purchase of oak barrels and enological equipment and training personnel.

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

Objective: Expand the pallet and add additional value to respected Bovin wines by expanding the product range to barrel aged (barrique) wines

Accomplishment: During the implementation of the project Bovin managed to finish the expansion of the infrastructure including the part for the Barrique section that was almost completely build under the ground, finished with special wall stones for isolation adequate for storing the wine barrels. By developing the new barrique section the winery increased the capacity to add even more value to its high quality wines. The company purchased new oak barrels that were hand made in Macedonia by the local craftsman, because we wanted to have a product that will in full originate from Macedonia, but also the cost of the production of the barrels locally was far less then purchasing from imports. The wine was immediately filled in 10 barrels of Vranec, 26 barrels of Dissan (Vranec special), Cabernet Sauvignon 6 barrels, Merlot 9 barrels and Chardonnay 4 standard 225 liters oak barrels. The development of the wines was extraordinary. In order to accomplish the objective Bovin provided almost continuous training of the personnel for oak aging wine production. Our oenologists went through a training/consultation on the regular basis with experts from the faculty of agriculture in Macedonia that was organized in several consecutive sessions including practical work on handling the specific situation and quality parameters of wine. Constant improvement and upgrading the knowledge of the oenologists and production staff

secured the consistency of the wine making process and enabled improvements in wine production and new techniques for superior quality to be adopted.

Objective: Enhance the image of Bovin and strengthen their position in the premium wines segment as well as develop wine tourism business

Accomplishment: Wine made by aging in oak barrels with an appropriate combination of alternative methods allowed Bovin to respond to those markets that prefers barrel flavor, choose the best cost/quality ratio thus being more complete in the product range and attractive for some new buyers. Certain quantity of oak aged wines was already placed on the market in Macedonia and few export markets and the feedback from our customers was excellent. While participating at Wine and Spirits Fair in London and Pro Wein in Dusseldorf, we used the opportunity to promote barrique wines and to receive an acknowledgment of an extraordinary wine both from the buyers as well as from competition. We established very relevant contacts with buyers and distributors so it is likely that some of them will be transferred into export contracts. Overall, barrique wines enable Bovin to maintain its competitiveness, open new export market possibilities and ultimately increase the total sales. We have accomplished to enhance the image of Bovin and upgrade its positioning in the premium wines segment. By expanding the pallet and shifting the focus to barrique wines, the company managed to increase sales of around 10%. This investment in the barrique section, the infrastructure and wine tasting room created much better pre-conditions for further and more serious development of wine tourism as additional sales channel of Bovin wines.

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

Due to the global economic slowdown, the overall business climate has changed dramatically that had significant negative implication on the wine export sales. This has reflected through declining in consumption of high quality wines, international buyers were taking more precautious steps in ordering larger quantities and requested bigger delays in payment that has resulted in not fully accomplishing the export sales projections.

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

All specified objectives have been attained and there have been no deviations from the work plan and budget. Bovin also invested outside of the project in two other major investments including purchasing 12 new open inox tanks for fermentation of the red grapes and installing drop-by-drop irrigation system in the vineyards that has significantly increased the quality of the wine. With this additional technology the company accomplished to secure the production of high quality grapes, reduce water use and to create wines that are even more complex and preferable to be aged in oak barrels.

Regarding environmental mitigation measures, Bovin implemented all requirements including: conducted training on a regular basis every year for their employees on how to handle pesticides, mixing, applications, disposal and safe use; Safe Use Action Plan has been developed and implemented into GlobalGAP certification; recommendations from Cleaner Production Assessment and implemented “drop by drop” irrigation system; optimize use of water and chemical protection, using filters etc. The winery provided water analyses on regular bases during the year; and obtained all needed construction permits required by Macedonian authorities.

1.3.6 Work Completed During the Quarter Summary

AgBiz program continued to support the wine VC 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. Implemented projects and activities are helping wineries to make significant improvements in the quality and consistency of Macedonian wines, enabling a continuous but slow shift from bulk to bottled wine exports activities.

During the quarter AgBiz put considerable effort in coordinating private sector involvement into the finalization of the Wine Law and had decisive role in securing public-private sector dialogue. Based on identified insufficiencies, AgBiz held several coordination meetings with a core group of wineries to review the final draft of the wine law. Supported by USAID, the program organized and facilitated meetings between the wineries and the Minister and the Deputy Minister of MAFWE. As agreed, AgBiz processed and compiled all comments and suggestions for amendments from respective wineries and submitted them as integral input to MAFWE. AgBiz also coordinated wineries participation at the parliamentary committee for Agriculture where most of the key amendments were adopted in the law.

After the initial kick off meeting in December, during the quarter AgBiz in coordination with CBI started the process for developing the Sector Export marketing Plan for Wine. The first two workshops were held in February and March on which all relevant stakeholders in the wine value chain including representatives from the Ministry of Economy, MAFWE, Macedonian Chamber of commerce, Union of Chambers of Commerce and a group of export oriented wineries worked on the Internal Analysis and identifying competitive advantages for Macedonian wine, as well as selection of target markets, the External Analyses including market access requirements, and Market Opportunities on EU markets.

AgBiz Program and CBI organized and facilitated the process for developing the Sector Export Marketing Plan.

Based on last year success, in March this year AgBiz again facilitated and enhanced participation of eleven wineries exhibiting at the Macedonian national pavilion at ProWein 2010 trade fair. AgBiz made all necessary pre-arrangements from signing off participants' commitment to exhibit, arranging for available exhibition space at the ProWein Fair, organizing the process for selection and procurement of the stand construction and other relevant services, logistic provisions as well as supported wineries in pre-fair preparations of potential business contacts. AgBiz also fully coordinated all the support from co-sponsors Ministry of Economy and CBI.

During the Quarter the Program finalized the Bovin Grant that is accomplishing exceptional results in developing and promoting the new barrique wines, enabling Bovin to maintain its competitiveness, open new export market possibilities and ultimately increase the total sales. This investment in the barrique section, the infrastructure and wine tasting room created also much better pre-conditions for further and more serious development of wine tourism as additional sales channel of Bovin wines.

Valandovo Grant finished in significant improvement in the production of grapes and upgraded winemaking process that allowed considerable shift from bulk to quality bottled wine export and expansion of export markets in Bosnia and Herzegovina and Serbia. Popova Kula continued with its efforts for expanding its market share on the Polish Market. Dalvina had intensive negotiations for entering in several big supermarkets in Germany and also had signed a strategic partnership with importer of high quality bottled wines in Poland.

AgBiz continued to encourage the creation of an entity that will improve horizontal integration, allow joint export marketing efforts and represent the interest of the majority of export oriented wineries. As a result, a core group of seven exporting wineries held a formation meeting, selected the official bodies of "Wines of Macedonia" Association and submitted required documents and request for registration in the National central register. AgBiz also continued encouraging backward linkages with the wineries' producers and improving vertical linkages via the supply chain.

The most significant AgBiz work during the next quarter will be to further support export competitiveness enhancement activities, facilitate the 3rd and the 4th workshops to finalize the Wine Sector Export Marketing Plan, official registration of Wines of Macedonia and start working on building the association structure and profile as well as coordination with relevant GoM institutions to secure private-public dialog especially in the direction of developing measures for ease the situation due to the significantly declined export and excessive unsold quantities of wine.

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.

I.4 POLICY AND INSTITUTIONAL REFORM

The third AgBiz “component” is Policy and Institutional Reform. AgBiz is implementing a procedure and utilizes 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.

A policy and Institutional reform and improvement need identified, prioritized and discussed with sources of reform during the Quarter is outlined below.

I.4.1 Detailed Accomplishments vs. Projected Objectives

Activity	Expected Result	Result Achieved
Assessment of Regulations & Practices Regarding Seasonal Employment in Agriculture	Subcontract signed with CERM, desk research conducted and field research initiated	Sub contract signed, desk research and field research initiated
Changes to the Law on Forests	Activity implemented and Results Report Completed	Completed, see Section I.4.4.1
Enhanced Approach to Policy and Institutional Reform	New approach for FY '10 being successfully implemented	Discussed with MAFWE's sector for Analysis of Agricultural Policies and agreed on coordinated approach for cooperation with the private sector on gathering inputs for PIRNs, processing and addressing them

I.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.

1.4.3 Priority Policy and Institutional Reform Needs Identified During the Quarter

1.4.3.1 Protection of the Wine Geographic Indication “Macedonia” by Greece

DESCRIPTION/OBJECTIVE In February 2010 The Greek Embassy in Berlin asked German supermarkets to withdraw from sale the Macedonian wine, saying that only Greece could geographically use the name of Macedonia to indicate the origin of its wine. A letter from the Greek Ambassador for Economy and Trade to Germany Alexander Mitrogos was sent to the company of Nurnberg that sells wine from the Republic of Macedonia with the indication "Macedonian" within the chain of supermarkets EDEKA, revealing the Greek position to the name issue with Macedonia but Macedonian wine has not been taken off the German supermarket shelves. Taking the advantage of being an EU member state and having full understanding of procedures and access to relevant institutions, Greece has indeed registered "Macedonia" in the Protected Geographic Indication (PGI) list for wines, with effect from 1st August 2009. Under the EU provisions, after it has been published in the Union's official gazette, Macedonia could have appealed against the decision for registration of the term "Macedonia" for referring to Greek wines within six months but unfortunately Macedonia did not do so.

After more than a month, just couple of days before participation Macedonian wineries at ProWein 2010, the Trade Fair Messe Dusseldorf, pressurized from the Greek Embassy sent a letter to all exhibiting wineries from Macedonia with a note that in the event of failure to comply with PGI regulations, they will have to take appropriate action against them. Having large “Wines of Macedonia” branding on the Macedonian stand, statement “Product of Macedonia” on the label of each bottle and “Macedonian wine” in almost every catalogue or other promotional material created serious problem for wineries.

OUTCOME/FOLLOW UP AgBiz immediately reacted and informed all relevant institutions including MAFWE, Ministry of Foreign Affairs (MFA) and the Program Manager for Agriculture Fisheries and Rural Development in the Delegation of the European Union in Macedonia and requested to react and give recommendation regarding the note from the Trade Fair. The State Secretary within the Ministry of Foreign Affairs confirmed that the Macedonian Embassy in Berlin also submitted a letter to Messe Dusseldorf with an extensive explanation of the dispute Macedonia has with Greece on the “name issue” and the efforts for resolution under the auspices of UN as well as the specifics on the protocol for wine that Macedonia has signed with EU, defining not only free trade quotas but also varieties of wines coming from wine areas in Republic of Macedonia. Ambassador of the Macedonian Embassy to Germany, Mr. Filipov was present during the Fair and there were no problems related to PGI encountered.

After the fair the relevant representatives from the MFA, Secretariat for European Integration (SEI), MAFWE and the official Macedonian representative in OIV held a meeting where they've analyzed the situation and prepared the case to be presented to the wine committee under the European commission. Nevertheless, it is obvious that the politicization of the commercial relations by a neighboring country and implications from the protected appellation “Macedonian” for wine from Greece will have unimaginably negative and long term consequences for the whole wine VC therefore have to be identified as PIRN with high priority. Therefore AgBiz will encourage the relevant institutions including Ministry of Agriculture, Ministry of Foreign Affairs and Sector for European Integration to use their mechanisms and take all necessary steps for identifying best possible way for resolving the situation with least negative implication on competitiveness of Macedonian Wine on EU markets. Also, AgBiz will offer its assistance in the process including full coordination with the private sector and if needed will organize a workshop with the relevant GoM institutions so they can inform the wineries on the current status and GoM strategy in avoiding export limitations for Macedonian wine.

1.4.3.2 Constraints to the Competitiveness of Macedonian Agribusiness Exporters

Law on Agriculture about the Terms and Conditions for Contract Farming

DESCRIPTION/OBJECTIVE Very unconstructive and uncertain business atmosphere for wineries, F&V processors and other F&V traders was created when the government announced the newly proposed articles in the Law on Agriculture about the terms and conditions for contract farming. Wishing to help the little people (farmers) by regulating the relationships between the producers and buyers, the

government with this law entered into an area which is not possible to regulate without taking into consideration the free market economy regarding price forming and market availabilities and changes. The specific terms in the articles regulating the buy-out of the goods and form and content of the agreements will cause significant problems in relations between the parties and eventually between them and the government before end of the season. AgBiz anticipated these future outcomes and in several occasions acted together with the private sector to enlighten the representatives about the consequences. AgBiz consider this to be a PIRN that needs to be addressed.

OUTCOME/ FOLLOW UP It is expected that this law will be adopted by the Parliament in the next quarter and we anticipate not being in compliance with the needs of the private sector. Nevertheless during this quarter AgBiz initiated a demand driven activity by the PV VC to develop models for contract farming in line with the proposed law. AgBiz will wait for the official adaptation and depending on the reactions of the private sector will act accordingly to support the private sector export competitiveness with facilitating the Public – Private Dialogue (PPD).

Private Sector Input into the Draft Wine Law (continuation)

DESCRIPTION Although some of the suggestions and recommendations that AgBiz compiled from the wineries input were accepted and integrated into the draft Wine Law, due to the short notice and limited private sector involvement into the development, the Wine Law went in the process of adoption with serious deficiencies. The draft law was submitted for first reading by the members of Parliamentary Committee for Agriculture. As expected, many of the wineries complained about the very limited time given and pointed to serious defects and 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. Therefore they requested AgBiz support in providing additional time for a dialog with MAFWE and for amending the law before the final version will be presented and submitted for adoption by the Parliament.

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.

OUTCOME During the quarter AgBiz put considerable effort in coordinating private sector involvement into the finalization of the Wine Law and had decisive role in securing public-private sector dialogue. Based on identified insufficiencies, AgBiz held several coordination meetings with a core group of wineries to review the final draft of the wine law. Supported by USAID, the program organized and facilitated meetings between the wineries and the Minister of MAFWE first and few days later with the Deputy Minister. The meetings resulted in a constructive discussion where the winery managers presented the key obstacles and insufficiencies in the law that will would have negative implications on the wine value chain and will reduce its export competitiveness if passed as presented to the Agriculture Committee of Parliament. As agreed, AgBiz processed and compiled all comments and suggestions for amendments from respective wineries and submitted them as integral input to MAFWE. AgBiz Wine VCC and Contracting Officer's Technical Representative (COTR) also coordinated wineries participation at the Parliamentary Committee for Agriculture where most of the key amendments were adopted in the law including the following:

- Canceled the ban on mixing white and red wine for production of rose that is exported in large quantities primarily to Germany
- Canceled the approval from the Minister for planting new vineyards. Is not mandatory unless if it is specifically against (variety and area) what is stated in the strategy for Viticulture and Wine
- Canceled the sensory evaluation committee which means one step less and simplifying the process of getting the certificate for putting on the market the wine from the new vintage and
- Changed the requirement for requesting the certificate for putting on the market the wine from the new vintage from every three mounts to once a year for the total quantity of wine from each variety.

- Chapter for the ban for distillation was modified and adjusted to ban distillation in the same room and with the same equipment used for production of wine
- The requirement for the lab testing that will be used for physical and chemical analysis of wine was changed from accredited to authorized that will allow wineries to competitively use the services of a number of labs instead of only one accredited lab in the country

The committee also accepted the amendment proposed by the association of grape growers regarding determining the price of grapes based on the sugar content. The price based on the sugar content must be announced for each variety before the start of the harvesting season and cannot be reduced. These changes will definitely improve the Wine Law in a way to be more consistent with the process for EU approximation and not to limit the wine value chain competitiveness.

FOLLOW UP As usual, many of the chapters in the Wine Law need additional regulation for more precise definition and therefore in the next period the MAFWE will work on development of bylaws, as agreed with significant inclusion of wineries during the process. AgBiz will continue to have an active role securing the dialog and coordinating the input from wineries.

1.4.4 Competitiveness Enhancement Activities Completed during the Quarter

1.4.4.1 Changes to the Law on Forests

DESCRIPTION/OBJECTIVE 90% of the land that serves as the natural resource for wild products gathering (forests and pastures) is owned and managed by the GoM, and therefore the GoM regulates the utilization of these resources. MAFWE, as the responsible authority, in a more or less transparent way, established a new Law on Forests to be adopted by the GoM. The version presented was far from complete and was missing most major components. These would eventually be defined in by-laws to the new Law. In the new Law the Wild Gathered Products (WGP) segment is barely addressed regarding regulations, and is subject to different interpretations by different stakeholders. For example, the law describes the Public Enterprise “Makedonski Sumi” as a sole manager of the forests, including the WGP therein, over which it has the right to charge fees for using natural resources from publicly owned land. However, it is not specified to whom the public enterprise would charge fees (gatherers, consolidators or exporters), the basis of the charges (annually or per Kg) or how much should be collected from a certain company or gatherer in a certain region. Makedonski Sumi reporting and monitoring requirements are completely missing.

This uncertainty is unacceptable to WGP companies since they had bad experiences with branch offices of the public enterprise that have already tried to regulate collection and proposed unacceptably high fees to WGP companies collecting in their region. Unfortunately, no one from the private sector (WG companies) was involved in or consulted regarding drafting the Law and transparency is one of the requirements in the procedure of adopting a new law.

Recently the Makedonski Sumi developed and mailed to WGP companies a pricelist for collecting WGP on public land. They also requested that all WGP companies sign a contract to pay 15% of the value of their WGP yearly purchases to Makedonski Sumi. As this is considered unlawful by WGP companies, an initiative was introduced for Sumski Plod to address MAFWE as owner of the forests and the competent authority with the objective of clarifying and make Law of Forests regulations less inhibiting to Macedonian exports of WGP.

Several steps are needed to stimulate changes or modifications to legislation that has already been introduced or is in preparation. Stakeholders who have initiated this process need to develop and present a clear picture on the current situation, all related constraints and the consequences to the export competitiveness of Macedonian WGP in a broad context. As Sumski Plod does not have the capacities by itself to develop such a document, it is proposed to hire a consultant to lead and implement the Activity.

OUTCOME/FOLLOW UP Sumski Plod, supported by AgBiz, hired a service provider who organized two workshops with support from Nederlandse Vrijwilligers - Foundation Netherlands Volunteers (SNV), involving all stakeholders (MAFWE, Public Enterprise Makedonski Sumi, Public Enterprise for

Management of Pastures, Ministry for Environment and Physical Planning (MoEPP), Sumski Plod and other interested parties) to discuss and propose modifications and/or clarifications to the current Law on Forests. After the workshop the consultant summarized the discussions and developed a document that describes the current situation, the associated constraints and the consequences of an inadequate and the associated implementation regulations. This proposal includes changes in or amendments to the newly introduced Law on Forests and proposals for the bylaws being prepared that will detail the regulations associated with gathering WGs on public land.

The recommendations were accepted by Sumski Plod and forwarded to MAFWE. One of the more significant positive outcomes from this activity is the invitation from MAFWE to Sumski Plod and AgBiz to participate in the drafting of the bylaw on WGs based on the new law on forests.

Hopefully the MAFWE commission drafting the bylaws will take the proposal into consideration and will regulate the collection of WGs in a way that does not inhibit the competitiveness of Macedonian exports. AgBiz will continue to monitor the situation and possibly support Sumski Plod in engaging a Macedonian legal expert to perform a research on the Multiple taxation of WGs constraints on a inter institutional level and propose possible approaches for solving the constraint, by developing a document which will be used to present the case to the GoM and propose concrete solution for the problem. For more details see Appendix 5.2.9 *“Activity Results Report Initiation of Changes to the Law on Forest.”*

COST Total Activity Cost: 3,916 \$, AgBiz Share \$1,506 or 38%

I.5 ACCESS TO FINANCE

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 making IPARD terms and conditions closer to our customers and assist them to prepare for and access IPARD financial support.

1.5.1 Detailed Accomplishments vs. Projected Objectives

Activity	Expected Result	Result Achieved
Agribusiness Finance Manual	Final updated version approved, printed and promoted	Final updated version approved, printed
Access to Finance Workshops	Agribusiness Finance Manual Workshop held and Manual distributed to customers	Printing completed on 30 th March 2010. Agribusiness Finance Manual Workshop will take a please next quarter
IPARD Study Tour to Croatia	Activity Concept and Description developed, USAID approval received, RfP developed; vendor and participants selected	Activity Concept and Description developed, USAID approval received, RfP developed; vendor and participants selected
IPARD Study Tour to Bulgaria	Activity Concept approved and Activity Description developed ; selection of vendor and participants started	Activity Concept approved and Activity Description developed

1.5.2 Work Completed During the Quarter

Improved and detailed access to finance assistance was provided to two companies in total amount of \$170,000. One company received an export insurance policy for their exports to Anglo Tush in Slovenia. To provide assistance to our customers and transfer IPARD knowledge, we organized study tour in Croatia which will take place during next quarter and we supported two companies during the process of application developing. Relevant sources of financing through government programs, as well as the impact of the global financial crises on the Macedonian financial sector were presented to 5 companies from AgBiz value chains. Six individuals asked for and received help in applying for loans totaling \$55,500. Together with the Chief of the Credit Insurance Department of MBEP, we presented to four 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 and they signed a Memorandum for Cooperation with MBEP and subsequently applied for MBEP Export Insurance. The credibility of their buyers in EU, UK, Serbia and Croatia was estimated by the MBEP. Additional nine 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 completed the 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 on the level before the crises, collateral requirements have not increased, the average approved loan amount was identical with last quarter and the pay-back period has become in average 7 years, but there are still restrictions regarding interest rate and collateral especially on real estate loans. Interest rates have stabilized. This has a negative impact on companies' cash flow. The time period from loan application to disbursement has become realistic. Conditions for borrowing money are still very difficult and uncompetitive for borrowers. Central Bank measurements taken in this quarter give some optimism regarding possibility of decreasing of interest rate. Central Bank decreased the interest rates for treasury bills and decreased reserves for disbursed loans. 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 utilize by Macedonian companies.

LESSONS LEARNED Our understanding of the situation and lenders' new policies and procedures 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, become more comprehensive. Well prepared and realistic business plans are still 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 and Agricultural Credit Discount Fund are most competitive and more

relevant institutions, and their products that are provided through selected commercial banks with fixed interest rates, for MBEP with following conditions: from 7.5% to 8%, a grace period, longer terms for repayment and an export insurance opportunity, and ACDF with favorable conditions for Agro Businesses 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 updated 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.

1.6 BACKWARD LINKAGES

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 Kombinati. Established systems of vertical integration between producers and agribusiness no longer existed. In the subsequent 20 years of independence, many projects active in Macedonia such as Food and Agriculture Organization (FAO), GTZ, SNV and others 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.

1.6.1 Detailed Accomplishments vs. Projected Objectives - Activities

Activity Initiated this Quarter	Activity Description	Progress this Quarter
Assess VC Participants use of Backward Linkages for Lessons Learned & Best Practices	Activity implemented & Report accepted	Activity implemented & Final Draft of the Report submitted by the consultant
Support an Existing Contract Farming Model - based on the results of the linkages assessment	Activity Concept developed	Activity revised and reformulated to keep support options open as new support needs may be detected do to the adaptation of the new law on agriculture

1.6.2 Detailed Accomplishments vs. Projected Objectives - Projects

Project	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 mushrooms; increase the quantity of forest mushrooms purchased; and increase the number of employees	Completed, see Section 1.6.4.1
INTER-MAK	Maintain and further upgrade Intermak'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	Completed, see Section 1.6.4.2
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	Completed, see Section 1.6.4.3
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	Completed, see Section 1.6.4.4

1.6.3 Activities Initiated this Quarter

Activity Initiated this Quarter	Activity Description	Progress this Quarter
BIOFACH 2010 Trade Fair in Nuremberg	Study Tour	Activity dropped

1.6.4 Export Focused, Business Expansion Projects Completed during the Quarter

1.6.4.1 Vigan

DESCRIPTION The main business of Vigan is purchasing, sorting, processing, and packing forest mushrooms for sale to EU markets, primarily Italy and France. Until the beginning of the project Vigan was selling only fresh, salted in brine and dried mushrooms. Vigan's goal is constant expansion of their capacity for processing mushrooms and increasing the variety of products they sell on foreign markets. Due to capacity limitations, Vigan planned to construct a new facility near Demir Hisar. To achieve full functionality of these facilities Vigan acquired new equipment, including fast freezers and freezer storage chambers. AgBiz supported the installation of new, fast freezing equipment and freezing chambers in the new Vigan processing facilities. The project began on October 3, 2008 and was concluded on March 29, 2010.

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

Objective: The objective of the project was to 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 mushrooms; increase the quantity of forest mushrooms purchased; and increases the number of employees.

Accomplishment: With the project implementation, finalizing the construction of the new Vigan processing facilities and the new quick freezing equipment and freezing chambers, the company

significantly increased its processing capacity. Installation of the new equipment enabled them to improve the quality of processed mushrooms, introduce a new product - frozen mushrooms and increase the quantity of purchased and sold WGP. This has allowed Vigan to have diversity of production, higher economy of scale that improved productivity and ultimately secure better margins. In terms of product quantity that was purchased, processed and exported Vigan reported an increase from 170 Tons in 2008 to 340 Tons in 2009. Vigan reported an increase in their sales volume of WGP in 2008 and 2009 versus 2007 pre- Project export sales. Total sales rose from 13.5mil MKD in 2007, to 15.8 mil MKD in 2008 and 28.4 MKD in 2009.

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

Due to the global economic slowdown Vigan experienced some difficulties in securing access to finance under favorable conditions for the purchase of raw materials in the pick of the season. Reduction in the sales market prices as a direct consequence of the global economical slowdown additionally burdened the company. Nevertheless, Vigan managed to secure the necessary working capital via utilizing a bank loan and managed to achieve an increase in their production capacity and sales.

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

As they are now offering a more diverse pallet of products and have significantly improved and increased processing and storage capacity, Vigan expects that the sales will continue to increase in 2010.

During Project implementation there was only one change in the approved Award Budget Items. Due to a larger difference in the exchange rate, an amount of 1,256 US\$ was still available under the grant. It was proposed an additional item to be added in the Grant Award Budget which will utilize the remained fund and will be in line with and will contribute achieving the overall aim of the project. AgBiz accepted Food Safety System Implementation based on HACCP principals to be added into the Grant Award Budget. The system was successfully implemented. All Award Budget items were completed before the end of the Project/Grant term.

Regarding environmental mitigation measures, Vigan implemented all requirements including: provided analyses from wastewater sample representative during the mushroom processing season; obtained all needed construction building permits as required by Macedonian authorities and held public participation meeting with the neighbors. Vigan is not using chemicals; therefore posting the Material Safety Data Sheet (MSDS) is not applicable.

1.6.4.2 Inter-Mak

DESCRIPTION The main business of Intermak is the acquisition, processing and sales of wild mushrooms and wild forest fruits. The company has developed strong connections with WGP suppliers in their regions and currently manages 25 collection centers around the country. Intermak sells several types of fresh, frozen and air-dried mushrooms categorized by quality. The main export destination for all types of mushrooms is Italy, and to a lesser extent Germany and France. The Project increased the Intermak's productivity by adding two new, fully equipped processing facilities and tripled their daily capacity. Organic certification enabled the company to expand into new markets, based on contacts with buyers from the US. AgBiz supported the construction of one (southern) of the two new Intermak processing facilities. The project began on October 3, 2008 and finished on March 29, 2010.

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

Objective The project objective was to maintain and further upgrade Intermak's position as one of the leading Macedonian companies for the processing and export of wild mushrooms by improving and increasing its processing and storage capacity. More specifically the project aimed to increase processing and sales; optimize raw material intake in the high 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.

Accomplishment: With the project implementation Intermak constructed two additional processing and storage facilities thus improving and increasing its processing and storage capacity. Intermak was

additionally able to improve the competitiveness by organic certification of its wild gathering and processing operations and implementing and certifying against ISO 22000:2005 food safety and quality standard. Thanks to organic certification, Intermak participated at the BIOFACH 2009 and 2010 organic trade show and reported evident interest from the buyers. Intermak also participated in the activity for implementing HACCP based food safety system in 23 WGP consolidators which agreed on establishing long term supply contract with the company. Intermak reported an increase in their purchase volume of WGP in 2008 and 2009 versus 2007 and a solid increase in the sales from 82.4 mil MKD in 2007, to 92.4mil MKD in 2008. Intermak developed a retail packaging with different sizes for the dried boletus thus expanding the range of products offered by the company.

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

During the 2009 do to the Global Economic slowdown and the bankruptcy of the leading company for sales and distribution of Juniper berries for UK and USA, the Juniper berries market was seriously disrupted. This situation reflected in Intermak experiencing serious difficulties in selling more than 300 tons of Juniper berries. Nonetheless, the company expects that the juniper berry market will improve in 2010 and the sales will continue to increase. Additionally Intermak experienced problems with securing sufficient working capital for the last quarter of 2009 as quite big inventory of Juniper berries was not sold. Despite the difficulties Intermak finished the AgBiz project successfully and without delays.

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

During Project implementation there were no changes in the approved Award Budget Items or their value. In order to resolve the problem with the Juniper berry inventory Intermak invested in essential oil extraction equipment and started with production of organic certified Juniper berry essential oil. Reports from Intermak indicated that evident interest for the new product exists and is in negotiation for sales to the Canadian market. Intermak is one of the most active WGP companies in all AgBiz activities.

1.6.4.3 Koro

DESCRIPTION Koro was established in 1992 as a privately company owned by the Kolovski family. Their main business activity is the production of high quality vinegar and teas. The company has a well developed network for purchasing of raw materials, involving close to 10,000 people throughout the country. Koro is selling on the domestic market and is the second largest producer of filter teas in Macedonia with a well established brand name. The company has an organized export sales in the neighboring countries as well. Koro managed to establish a new organic product line. With the grant AgBiz assisted Koro by supporting part of their marketing activities including re-design of packaging, design of new promotional materials for target markets, newspaper advertising and entering new retail chains in export markets. AgBiz covered the cost of engaging a local expert for training in organic collection of WGP to individual collectors and supply centers operators. The project began on October 3, 2008 and concluded on March 29, 2010.

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

Objective The project overall objective was establishing and strengthening the company's presence on regional markets, primarily Serbia. Specific objectives included a shift 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; increased regional export sales and enable total sales growth.

Accomplishment: Despite the sudden change in the export and promotional strategy and shift towards EU and Scandinavian market, Koro was able to align its production according to the requirements of the new target markets and received an organic production certificate by an international certification organization. Koro reported an increase in their sales volume of WGP from 28.5 mil MKD in 2007, to 33 mil MKD in 2008 and 63 mil MKD in 2009.

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

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 change of Koro export strategy, some changes were made in the structure of the Grant Award Budget. As to the success in export of Koro filter teas to Sweden upon request from the company, AgBiz allowed a change in Item 4: Marketing – Slotting allowances for retail chain entry to Item 4: Organic certification of the wild collection operations and processing in Koro. With the Organic certification Koro expects that the sales of its products will increase in 2010 as they are now offering a more diverse pallet of products and have significantly improved and increasing their processing and storage capacity. Although with some delay resulting from the change in Koro export strategy all Award Budget Items were completed before the end of the Project/Grant term.

Regarding environmental mitigation measures, Koro implemented all requirements including: stop using insecticides; the company become Organic Certified, hence the Safe Use Action Plan is not required anymore and obtained all needed construction and environmental permits as required by Macedonian authorities.

1.6.4.4 Flores

DESCRIPTION Flores Company collects, purchases, processes and packs medicinal herbs, aromatic plants and wild fruits and sells its products to European wholesalers and agents' specialized in pharmaceutical products. Flores's major export markets are Germany, France and Italy, and to a lesser extent Spain, Switzerland, Greece and Slovenia. With the project AgBiz has supported Flores to adapt their current processing facilities via a contribution to the construction work, introduce new organic product line and engagement of a local expert for training for individual collectors and supply center operators on organic collecting of WGP's. Flores established a completely new product line for organic production that enabled them to enter a new market segment and capitalize on the increasing demand for organic raw materials for the pharmaceutical business. The project began on October 3, 2008 and concluded in March 2010.

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

Objective The project objective was for Flores to 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 Flores aimed to exploit 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.

Accomplishment: With the project implementation Flores constructed an additional processing and storage facilities, improving and increasing its processing and storage capacity by 200%. By introducing a separate processing line for organic products and successful organic certification of its wild gathering and processing operations Flores improved its productivity and is able to offer more diverse product pallet demanded by the market. Flores also participated in the implementation of HACCP based food safety system in 3 WGP's consolidators which agreed on establishing long term supply contracts with them. The company reported an increase in their purchase volume of WGP's of 98 mil MKD in 2008 versus 56.7 mil MKD in 2007 but no increase of sales was reported.

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

Due to the Global Economic slowdown Flores reported a significant reduction in the number of orders, ordered quantities and the sales prices, even by the companies that are traditional buyers. As a result Flores has a large inventory which will be gradually sold in 2010 as the economy recuperates from the crisis. Having the new organic product line and organic certification allows Flores to re-position in the

organic segment and enter new and more profitable markets in 2010.

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

During the implementation, construction works encountered some delay from the approved Award Budget time frame, due to complicated procedures for obtaining a construction permit from the local authorities. Also, during the implementation of the project there were local elections which resulted in a vacuum in the power of signing construction permits. As soon as the new representatives of the Radovis municipality were elected, construction permit was issued to Flores. There were no changes in the approved Award Budget Items or their value.

Activities Regarding environmental mitigation measures, Flores implemented all requirements including: posted signs on buildings with asbestos; constructed toilets and dressing room for their employees, following HACCP system. In addition to this, Flores cleaned the entrance area from waste and beatified the landscape around the facility. In order to properly monitor the quality of the water, Flores signed a contract with Public Health Institution from Shtip to control the quality of the water, and technical staff on every three months is doing analyses of the water. In order to decrease the work-related symptoms and lung function or disease, Flores provided face protective masks for its employees. Also, the company implemented organic production principals in accordance with the EU regulations including GAP.

1.6.5 Work Completed During the Quarter Summary

During the Quarter AgBiz focused on gathering information on the implications from the new Law on Agriculture which is important to AgBiz efforts for backward linkages development. The new law is providing an undeveloped platform which outlines the contract farming contracts which will probably result with dissatisfaction at a producer level and at buyers' level. Additionally the Law is giving the bases for development of Producer Organizations, as forms of organizing producers in to organizations, which may be supported by the EU funds. These organizations may be the backbone structure of the future supply of agricultural products to all the buyers in Macedonia, as the access to the EU funds may provide long-term sustainability to the organizations. Having this in mind, during the quarter AgBiz was focusing on gathering information that might create obstacles for the value chains' participants by the adaptation of the new Law on Agriculture in the form in which is now existing.

1.7 ASSOCIATION DEVELOPMENT

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 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 organize 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 enhancing member ownership, and will continuously emphasize the importance of ownership so association members clearly understand the role and intentions of the Program.

1.7.1 Detailed Accomplishments vs. Projected Objectives

Activity	Expected Result	Result Achieved
Support the Formation & Strengthening the Trade Association “Wines of Macedonia”	Association formed, internal bodies and procedures functional, Annual Program developed	Foundation meeting held, internal bodies elected, full registration documentation prepared and submitted to Central Registry
Support “Shumski Plod” with STTA 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, SoW Agreed & MoU Signed with Shumski Plod. Work on the Strategy started	Activity Concept and Description approved, SoW Agreed & MoU Signed with Shumski Plod. Work on the Strategy started
Develop an AgBiz Association Development Processes & Procedures	Completed	Completed, see Section 1.7.2.1
Conduct an Analysis to Identify the Interest and Commitment of Fresh Produce VC Customers to Establish a Trade Association	Completed	Initial interest identified among the FP VC participants. A periodic progress report developed in order to provide general information on the findings of the analyses and to inform on planed next steps

1.7.2 Competitiveness Enhancement Activities Completed during the Quarter

1.7.2.1 Develop an AgBiz Association Development Processes & Procedures

DESCRIPTION/OBJECTIVES There have been number of trade associations in Macedonia which have failed. The bad timing, inadequate human and financial resources devoted and associations being not representative of the sector, i.e., the association being a creature of one company, or a small group of maverick companies, were the main reasons for these failures. A lone exception is the Macedonian Processors Association (MAP) which is viewed by AgBiz as a trial for providing direct support to an existing and functional trade association. Unlike the case for producer organizations, the Government has shown little interest in supporting trade associations. However, there are clearly circumstances when it is appropriate establish a new trade association. AgBiz recognized the dissatisfaction with most existing trade associations, and the lack of trade associations to develop as legacy institutions, as the main reasons for supporting the formation of new and hopefully sustainable trade associations in the AgBiz-supported VCs.

The AgBiz principal in supporting the establishment of a new trade association is that the initiative should be undertaken by a group of exporting companies, ideally being representative of the value chain and including the largest companies and/or leaders in the value chain. An association that is seen to represent either a single company or a special interests group of companies is unlikely to achieve anything other than short-term publicity.

AgBiz aims to stimulate the formation of new trade associations and help them to become operational and sustainable. Toward the end of the AgBiz LoP a decision will be needed on how to further develop and sustain supported associations. Experience during the development period will guide that decision.

OUTCOME: AgBiz Association Development coordinator finished the work on establishing an Association Development Processes and Procedures/steps for use as the AgBiz process and types of support for association development. The finalized document was accepted as part of AgBiz policy for support to Trade associations, and the defined Processes and Procedures will be used for all association development work in the future.

FOLLOW-UP: AgBiz has supported several agribusiness value chains (VCs) and has gained extensive knowledge of the situation and relationships between the participants in each supported VC and between the VCs we support. The AgBiz approach is to develop a *single VC association*, representing exporters in a VC supported by AgBiz. AgBiz views the targeted trade associations as national associations representing an entire agribusiness subsector/VC, not a regional grouping. Therefore, the progress of the

association development AoF will provide follow-up on this activity. If needed the AgBiz Association Development Processes & Procedures may be revised and custom tailored for the individual associations.

1.7.3 Work Completed During the Quarter Summary

During the Quarter AgBiz Association Development coordinator finished the work on establishing an Association Development Processes and Procedures/steps for use as the AgBiz process and types of support for association development. The finalized document was accepted as part of AgBiz policy for support to Trade associations, and the defined Processes and Procedures will be used for all association development work in the future. A periodic report and recommendations for the approach to develop a FF&V P trade association was developed. Based on these recommendations AgBiz will continue to work in the direction of identifying and supporting the best model for developing a FF&V P trade association. Based on the stakeholders workshops on the new bylaw for WGP that is part of the new Law on Forests Sumski Plod and AgBiz representatives were invited by MAFWE to participate in the working group which will be drafting the new bylaw for WGP. The meetings of the working group started and Sumski Plod is actively participating. As it was decided by AgBiz that the AgBiz Association Development coordinator will develop the Sumski Plod association 5 year strategy and annual action plan, an outline of the strategy was developed and several interviews with the Sumski Plod members were conducted.

1.8 FOOD SAFETY STANDARDS

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.

1.8.1 Detailed Accomplishments vs. Projected Objectives

Activity	Expected Result	Result Achieved
WGP Consolidators Support for HACCP Implementation	Activity implemented and completed	Completed, see Section 1.8.2.1
Cost-efficient Group GlobalGAP Implementation and Certification	Activity implemented and completed	Completed, see Section 1.8.2.2

1.8.2 Competitiveness Enhancement Activities Completed during the Quarter

1.8.2.1 WGP Consolidators Support for HACCP Implementation

DESCRIPTION/OBJECTIVE This activity was designed to offer technical assistance for up to 30 WGP consolidators that supply Macedonian processing and exporting companies (exporters) who have already implemented HACCP. Implementation of food safety requirements is a legal obligation of all WGP companies. Companies that purchase and consolidate wild gathered products from gatherers are predominately microenterprises or individuals, often located in remote villages close to collection sites. The costs associated with implementing HACCP systems at the consolidator level are relatively high given the consolidators' size, location and internal human capacity. Consolidators supplying WGP to exporters are a necessity for the maintenance and development of WGP exports. One of the ways to assure a continued supply of WGP from consolidators to exporters is through effective support for HACCP implementation at the consolidator level.

The objective of this activity was to implement HACCP principles in food safety assurance for up to 30 WGP consolidators; reduce HACCP implementation costs at the consolidator level due to group implementation;

maintain the supply lines of WGP from consolidators to exporters; and support the strengthening of long-term cooperation between WGP consolidators and exporters.

OUTCOME: All WGP exporter companies that have participated in the activity (Intermak, Flores, Fungi Flora), with a total of 30 consolidators, have reported that the activity is completed. Two international certification bodies and adequate audit reports were presented and AgBiz carried out an audit of a representative number of consolidators. The presented reports and the confirmation from the WGP export companies confirmed that HACCP based food safety systems were implemented at all 30 consolidators. AgBiz considered the activity finalized and reimbursed the companies for the agreed cost of the activity. The activity additionally contributed the exporter companies to maintain the supply lines of WGP from consolidators strengthening their long-term cooperation. For more details see Appendix 5.2.6 *“AgBiz Results Report Support for HACCP Implementation for WGP Consolidators”*.

FOLLOW-UP: With the finalization of the activity the supported consolidators will be able to start the 2010 season without any obstacles at least from the obligation to implement the food safety systems based on HACCP principles. AgBiz will monitor the progress of the consolidators and the Exporter companies and promote the joined acquisition model to the rest of the WGP VC participants as a cost effective way to comply with the GoM food safety requirements.

COST: Total Cost: \$77,081; AgBiz Share: \$8,581 or 11%.

1.8.2.2 Cost-efficient Group GlobalGAP Implementation and Certification

DESCRIPTION/OBJECTIVES The GlobalGAP standard is designed to assure customers and consumers that certified produce is produced in a manner that minimizes any detrimental environmental impact, reduces the use of chemicals and ensures a responsible approach to worker health and safety and animal welfare. This Activity was designed and is being implemented to support 14 Macedonian fresh fruits and vegetables producing operations to facilitate cost effective group GlobalGAP services by qualified Macedonian GlobalGAP implementation service providers. The Activity took place between February 2008 and November 2009. It was anticipated to result in GlobalGAP certification of over 1,000 hectares producing various annual and perennial vegetable and fruit crops in several Macedonian regions.

The objective of the activity was to increase the number of GlobalGAP certified companies and hectares managed under the GlobalGAP Quality Assurance System (QAS); achieve significant savings in GlobalGAP QAS implementation and certification by utilizing a group approach to acquire implementation and certification services; develop the capacity of Macedonian export-oriented producers to conform to EU retail chains' food safety requirements, and thereby enhance the competitiveness of Macedonian fresh produce exports; and create sustainable linkages between GlobalGAP service providers and export oriented companies.

OUTCOME During the quarter, the rest of the participating companies were successfully audited and received GlobalGAP certification. The company FoodPlus, owner of the GlobalGAP standard, issued the certificates. All seven companies were certificated for GlobalGAP Activity Results Report was submitted by Biotehnikon. For more details see Appendix 5.2.7 *“AgBiz Results Report Cost-efficient Group GlobalGAP Implementation and Certification”*.

FOLLOW-UP Monitor the progress and the results from the enhanced competitiveness of the exporter companies that participated in the GlobalGAP implementation activity.

COST Total Cost: \$51,725; AgBiz Share: \$8,015 or 16%

1.8.3 Work Completed During the Quarter Summary

During the quarter the activities for Cost-efficient Group GlobalGAP implementation and certification for 14 FF&V participants and the Cost-efficient HACCP Implementation to 32 WGP consolidators were completed. With this more than 45 companies received support from AgBiz in improving and/or establishing better food safety and quality management systems. As the implemented systems were connected to an international certification, it is safe to assume that the export competitiveness level of all participants in the activities was enhanced.

I.9 OUTREACH, MARKET INFORMATION AND ENVIRONMENT

I.9.1 Detailed Accomplishments vs. Projected Objectives

Activity	Expected Result	Result Achieved
"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	The ten individual promotional videos were completed; Design of DVD Covers and Boxes for dissemination were completed; Combined video is under development; The hand-over ceremony scheduled at the US Embassy was canceled. Dissemination of the videos will be at the AgBiz's Congratulation Ceremony. See section 1.9.2.1
Days in the Life of the AgBiz CoP Film with MTV	Film completed and "Days in the Life of the AgBiz CoP" broadcasted	Completed, see Section 1.9.2.2
MD, EG and MAFWE's representative visiting AgBiz customers	Witnessing implementation of grantees' business expansion projects	Completed, see Section 1.9.2.3
USAID/DOC Information Officers Training	Participate and present AgBiz Technical Communication Plan	Completed, on 8 and 9 March
AgBiz Website	Website updated on an ongoing basis	Completed
AgBiz Conference and Training Calendar	Provide monthly input on AgBiz activities for USAID's EG Office Event Calendar	Completed
Market Information Newsletters	Complete and distribute Newsletter for the PV VC	Completed English Version of PV Market Information Newsletter
Market Information Articles for FFRM's Moja Zemija Magazine	Complete monthly AgBiz market information articles	Completed
AgBiz Congratulation Ceremony	Progress planning for the Congratulation Ceremony	Developed Decision Memo for US Ambassador; obtained confirmation for his participation on the event, scheduled for 4 th of May; Obtained offers from vendor for holding the ceremony; Skopje Fair was selected as best offer
Technical Communication Dissemination Plan (TCDP)	Distribute at least three pieces of technical information to stakeholders other than customers	Invited MAFWE to participate at the draft report presentation on "Assessment of AgBiz VC Participants' Usage of Backward Linkages & the Associated Lesson Learned, Best Practices and Recommended Activities"; Provided profiles and market information for fresh produce to MAFWE's Chief of Cabinet; Shared Success Stories as prescribed in TCDP
Field Trips	Develop and Successfully Implement Field Trips with Mission Management	Completed, see section 1.9.2.3 and 1.9.2.5
MAFWE Web Site Updating	Portal updated on a monthly basis with AgBiz information	Not completed, due to non-functioning of the webpage. Provided technical information via email. See technical communication dissemination plan above
Information Sharing with Similar Regional Projects	At least two pieces of AgBiz information shared other regional agribusiness projects	Completed, distributed Success Stories produced in the Quarter
Success Stories	Monthly stories developed and published	"Introduction of Oak Aging Facilities and Technology Helps Bovin Expand its Line of High Quality Wines" and "Good Relations with Growers Assures Vivi Prom's Sustainable Exports" developed and released
Media Exposures	Accomplish several media exposures presenting AgBiz activities	1) High Quality Wines are Promoted in the Macedonian Pavilion at the ProWein 2010 Trade Fair in Dusseldorf, published in "Biznis" daily newspaper; 2) Macedonian Companies Exhibit at Fruit Logistica for the Second Year in a Row –published in FFRM's Moja Zemja magazine and 3) Press Article for Macedonian Fresh Produce Companies exhibiting on FruitLogistica -Webpage article; 4) Joint Interview for Radio Free Europe (Slobodna Evropa)- AgBiz Senior Value Chain Coordinator and Marketing Development Coordinator and Outreach, Market.Info and Environment Coordinator; 5) Macedonian Producers Embrace Food Safety Standards in RCI's Newsletter, March edition; 6) Only companies with legit for Organic Certification , published in BIZNIS daily newspaper; 7) Interview with US Ambassador in Biznis

Activity	Expected Result	Result Achieved
Environmental Mitigations	All mitigations are being implemented as prescribed	<p>newspaper achievements of AgBiz mentioned under “ Three Best Practices” text box. For more details see Appendices 5.1.1.1 and 5.1.1.2</p> <p>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 sewage, 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. For more details see Appendix 5.2.10</p>

1.9.2 Work Completed during the Quarter

1.9.2.1 “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 By end of February ’10 all ten individual promotional videos were broadcasted on MTV and its Satellite Program. During this Quarter, AgBiz engaged local vendor to design and print DVD’s Prints and Covers for the participating wineries, these works were successfully completed and MTV’s provided burning to all 100 copies of the DVDs. Since, the individual videos were completed, AgBiz Wine Value Chain Coordinator shared one video per exhibiting winery at ProWein 2010 that was held between the 21st and the 23rd of March 2010 in Düsseldorf. Tikvesh, Skovin, Dalvina, Ezimit, Popova Kula and Bovin were the six wineries that had unique opportunity to present their videos at the Macedonian National Wine Stand at the Fair. During this Quarter, six out of ten participating wineries provided narratives for promoting their winery as backgrounder for developing the combined video. The videos will be completed in April, next Quarter.

Last Quarter, 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, but since the Ambassador will be out of the country during month of April, was discussed that the individual videos instead to be promoted in April in a separate event at the US Embassy as originally planned, to be official handout to the wineries at the AgBiz’s Congratulation Ceremony, which is scheduled for 4th of May, when the combined video will be officially launched. For more details about the DVD’s design see *Appendix 5.1.1.2 “Wines from Macedonia DVD’s Designs.”*

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

1.9.2.2 Days in the Life of the AgBiz CoP Film with MTV

DESCRIPTION/OBJECTIVE In compliance with USAID’s Development DOC strategy and recommendations of the DOC and Mission Director (MD) shared after completion of filming the USAID MD, a “Days in the Life of the AgBiz CoP” script was developed and shared with the DOC and MTV Macedonian National Television. This is part of a 2009 DOC office agreement with MTV. Filming AgBiz CoP was the first trial of all active USAID projects.

OUTCOME/FOLLOW –UP Help Macedonians better understand and get familiar to American culture by featuring an American family living and working in Macedonia. Present their lifestyle, culture and views about Macedonia.

On 11th of January 2010, the film was aired on “Good Morning Macedonia” TV show on the national TV station (MTV) and its Satellite Program. Film was 20 minutes long, and captured social and business life of AgBiz’s CoP. Copy of the film was provided to AgBiz CoP for record.

1.9.2.3 Mission Director, Economic Growth Director of USAID and MAFWE’s Representative Visiting AgBiz Customers



PHOTO CREDIT: AGBIZ STAFF

USAID Mission Director Michael Fritz (left) Tose Kostadinov, owner of Intermak (middle) and Vlatko Kostadinov (right) son of the owner in the new cooling facility where porcini mushroom are stored.

DESCRIPTION/OBJECTIVE To maintain the awareness of AgBiz’s supported projects and activities as well the involvement of US Mission and USAID officials in observing implementation of business expansion projects being carried by AgBiz and its grantees, Ms. Solveig Reeker, spouse of US Ambassador in Republic of Macedonia, Michal Fritz, USAID Mission Director, Joseph Lessard, Economic Growth (EG) Director and the AgBiz Contracting Officer’s Technical Representative and Ms. Lidija Cadikovska, MAFWE’s International Donor Coordinator visited three AgBiz customers, the Inter-Mak’s wild gathered produce operations; Peca Komerc’s table grapes operations and the Bovin Winery.

OUTCOME The visits were successfully completed on February 4th. The USAID Mission Director and the newly assigned EG Director were able to witness Intermak’s new fully equipped processing facilities aimed to triple their current daily output; the rapid cooling chambers of Peca Komerc and their other cold storage facilities partially supported by an AgBiz grant. At Bovin the USAID officials saw the new completed wine aging facility supported by AgBiz. Mission Director in behalf of USAID Mission and the American people addressed

the guests including Negotino’s Local Self Government representatives and applauded to owners for their effort and successful completion of business expansion project.

1.9.2.4 US Ambassador Visiting AgBiz Customers

DESCRIPTION/OBJECTIVE: Since 1993, USAID has been working alongside the Macedonian government and the private sector to accelerate economic growth and improve Macedonia’s prospects for EU membership. The Mission’s economic growth strategy is two-fold – to work on the macroeconomic level to improve the overall business environment and investment policy, while assisting individual firms and agribusinesses in increasing their



PHOTO CREDIT: AGBIZ STAFF

Ambassador Reeker, visiting Dentina’s Vegetable Processing Company and the steam boiler equipment, partially supported with grant by USAID s AgBiz Program.

competitiveness and productivity. Complimenting each other, these initiatives are encouraging foreign and domestic investors to come to Macedonia, which will open up new markets and create new jobs for Macedonian citizens.

USAID officials or/and US Embassy officials are being regular visitors to AgBiz customers, observing implementation of business expansion projects or/and activities that improve capacity of Macedonian agribusiness to become more competitive on regional and world's markets. Mr. Reeker, the US Ambassador in Macedonia, Mitko Burcevski, the Political Assistant, Rozita Mrenovski, the Economic Assistant and the AgBiz CO'TR visited two AgBiz customers, Dentina's processed Vegetables Company and the Agrolozar/Dalvina Winery.

OUTCOME The visit was successfully completed on the 23rd March. The high officials were able to witness Dentina's production capacity expansion and export marketing and sales program in the region and in Agrolozar/Dalvina shifting from bulk to bottled wine and entering export markets project.

The visits included introductory meetings with the owners and technical staff and a short tour inside the processing facilities of two AgBiz customers.

The Ambassador discussed with Dentina's owner about:

- What are the Macedonian opportunities in the Processed Vegetables Sector?
- What challenges are Macedonian exporting agribusiness facing from competitors producing the same pepper based products, especially during the current global economic crisis?
- How do seasonal labor regulations affect your company?
- Why is your company a member of the Macedonian Association of Processors (MAP)? What are the major benefits of membership? How is MAP helping you increase the competitiveness of Macedonian processed vegetable products? (Note: MAP is being supported by USAID's AgBiz Program and is contracted to manage the Processed Vegetables Value Chain.)

And in Agrolozar/Dalvina about:

- What are the challenges you have faced with the bottled wine as a new winery?
- What do you see as the important competitive advantages of Macedonian bottled wines in export markets?
- How is Dalvina utilizing those competitive advantages?
- What needs to be improved for Macedonia to be recognized as a quality bottled wine producing country and be more successful in EU markets?

1.9.2.5 USAID EG Director and Contracting Officer's Technical Representative Visiting AgBiz Customers

DESCRIPTION/OBJECTIVE In order to introduce the newly assigned EG Director with AgBiz work and accomplishments to date, in more detail, three separate field visits scenarios were developed, proposing to Director customers and their business expansion projects from all VCs. Joseph Lessard, Economic Growth Director and the AgBiz CO'TR visited three AgBiz customers, Agrohemija and its new packing center for fresh products; Agrolozar/Dalvina Winery and Vivi Prom's Fresh Produce Packing Center.

OUTCOME The visit was successfully completed on the 18th March. The EG Director was able to witness the packing centers; winery operations and discusses with Vivi Prom's produce growers and their experiences with establishing Vivi Kooper association. In addition to this, Director visited one agriculture supply store in village Bosilovo, where Agrohemija Company sells seeds and plant protection chemicals.

FOLLOW UP In the next Quarter, there are two visits that are scheduled to be accomplished. One is for PV Value Chain and the second for Fresh Fruits and Vegetables.

1.9.2.6 Processed Vegetables Market Information Newsletter

DESCRIPTION/OBJECTIVE To enhance customers’ interest 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), FFRM and other donors.

OUTCOME/FOLLOW UP During the Quarter AgBiz obtained offers from journalists or/and public relation agencies (Navigators; PromoDSGN) in order to examine the costs for developing future Market Information Newsletters via outsourcing company. After evaluating the proposals, AgBiz decided to proceed internally with developing the Value Chain Market Information Newsletter. Therefore, the Processed Vegetables Value Chain Market Information Newsletter was completed. This is the fourth issue, after the Wine; Wild Gathered Products and Fresh Vegetables Market Information Newsletters. In April, the PV Newsletter will be translated into Macedonian and distributed to over 100 recipients, including the USAID Mission and its projects in Macedonia, GoM institutions including relevant ministries such as MAFWE and MoE, the Regional Competitive Initiative, partner projects, ARD’s Home Office (HO), and its projects worldwide, participants in the value chain, relevant associations such as FFRM; Shumski Plod; Argos; MAP; Business Service Providers, University Academics and the media. For more details see Appendix 5.1.2.1 “USAID’s AgBiz Processed Vegetables Market Information Newsletter”). After distributing the Newsletter following the Technical Communication Plan, it is expected to gain media coverage as a result of the availability of the market information presented in the PV Market Information Newsletter.

1.10 PROGRAM DEVELOPMENT AND IMPLEMENTATION

1.10.1 Detailed Accomplishments vs. Projected Objectives

The Expected Result information for the Second Quarter shown below was established in the FY ‘10 First 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.

1.10.1.1 Program Development

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

Activity	Expected Result	Result Achieved
Internal Budget Realignment	Internal 10 Line Item LoP Budget Developed and Approved by ARD	ARD submitted a request to USAID to increase the amount of Program obligated funding
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	Completed, see Section 1.10.2.1
ARD Subsidiary Office Annual Financial Report	Submit ARD Subsidiary Office Annual Financial report to the PRO per MK legislation	Consolidated Annual Financial Report for ARD Subsidiary Office including both ARD projects in Macedonia, was submitted in a timely manner, compliant with Macedonian financial operations laws and regulations
Ford Focus Transfer Issue	Obtain a signed Transfer Agreement from USAID	AgBiz provided prior communication and documentation for Ford ownership and transfer procedure. USAID is in a process of getting a Transfer Agreement signed
ARD Subsidiary Office representative	Authorize new ARD Subsidiary Office representative due to AgBiz	A procedure for authorizing David Goode, MLGA CoP as the new ARD Subsidiary Office representative was initialized with the local

Activity	Expected Result	Result Achieved
	COP departure	authorities
Indicator Targets Revision for FY '10 and LoP	Plan and timing established for revising the indicators	Reassessed the indicator performance information from all twenty grantees which are basic source for measuring Increased Raw Material Production and Products Marketing. The matrix for reviewing and calculating this set of Indicators was developed and evaluated in coordination with the responsible Project Coordinators. Due to the inaccuracy in the results that were collected on quarterly basis over the last period, customers were on-site visited to confirm consistency with previously reported results. Some additional adjustments of the projections were done taking into account their 2009 official financial data that enabled us to report more realistic Project-sourced indicators
Receive Post-Evaluation Forms of Completed Activities, assess data quality & enter in the MIS	Automated M&E MIS updated	Post-Evaluation Forms of Completed Activities received, data quality assessed and activity cost adjusted; all information entered in the M&E MIS accordingly
Data Collection for Project Derived Indicators	Quarterly Progress Report customized & disseminated to responsible PCs to be further distributed to Grantees	Quarterly Progress Report customized individually and disseminated to responsible PCs that were further distributed to the Grantees. Received filled out Reports within planned schedule
FY'10 Second Quarterly Report Development	Weekly Reports produced during the Quarter reviewed & Outline Responsibilities developed	Weekly Reports produced during the Quarter reviewed; Outline Responsibilities developed and input forms distributed in accordance with the plan
Wine Industry Database	Data on trade flow in CY'09 obtained, processed & database updated	Obtained final data on wine export in 2009, processed and updated the internal data
Importance of Agribusiness to Macedonian Economic Growth Report	Data on Macedonian Agricultural Commodity Exchange in CY'09 obtained & data processing initiated	Downloaded data on selected commodities export in CY'09 from the State Statistical Office's website

1.10.1.2 External Cooperation/Coordination

Activity	Expected Result	Result Achieved
Met with Mr. Lirim Kazimi, Vice President of the Czech – Macedonian Chamber of Commerce	Interested in negotiating with members of the PV VC for potential export of processed products to the Czech Republic	A written proposal will be sent to MAP by the end of the month
Contacted by Ms. Slobodanka Zikic from Novi Sad trade fair	To support participation of PV VC members on a joint stand on Agricultural and food fair in Novi Sad	No interest by the PV VC members for joint participation on the fair
Participation on the meeting organized by MAFWE in regards to new agricultural law	Discussions and feedback from the participants	Draft law was forwarded and discussed with the managing board members of MAP
Met with John Barker, Programme Manager for Agriculture Fisheries and Rural Development Delegation of the European Union	Achieve a better understanding of each other's activities and to investigate possible coordination / cooperation	Good communication established and received full cooperation in providing the information regarding Protected Geographic Indication for wines from Greece
Coordinating meetings between the Minister and the Deputy Minister of MAFWE and representative wineries regarding the Wine Law	Discuss insufficiencies in the draft wine law and propose amendments	Wineries input integrated into the final Wine Law
Coordination meetings with Economic Promotion Unit within MoE	MoE to support wineries to exhibit at ProWein 2010	MoE supported eleven wineries to exhibit at ProWein 2010 and covered the costs for 120m ² exhibiting space
Meeting with Prof. Martinovski re: MIS (www.infoagri.net)	Possible involvement of AgBiz	AgBiz did not get involved. The proposed web based system did not have solid-based arguments for sustainability and overlapped with the AMIS initiated by the MAFWE
Meeting with Dejan Dejanov from SAMARA, the Israeli-Macedonian Industrial Trade Association	Possible cooperation on TA and investments in agribusiness	Agreed to establish a communication with the Israeli industry representative or government institution Mashav

Activity	Expected Result	Result Achieved
Meeting with a Swedish investor and trader TPC Trading and DekaDem from Skopje	Give directions to investor to the most appropriate AgBiz clients	Discussed possibilities for exporting Macedonian fresh and processed F&V to Sweden and identifying opportunities for joint ventures with Macedonian agribusiness firms; provided them with recommendations and contacts for their further investigation
Met with Natalija Puntevska from SIPPO	Joint approach to the GoM on TA for on broadening the scope of Invest-Macedonia to include export promotion	Once plans of Invest Macedonia are clear AgBiz and SIPPO agreed to coordinate the efforts in order to avoid duplication
Met with the PIR Manager of FFRM	New PIR issues and further cooperation	The PIR issues that were presented did not have direct implication to export competitiveness of MK companies. AgBiz is open for cooperation with the FFRM on every PIR issue that is in the program goals
Meeting with Standing Working Group for Regional Rural Development	Regarding future cooperation with AgBiz	The list of activities regarding regional trade fairs and B2B meetings was shared with SWG. The member countries of SWG from the Balkans can utilize the opportunities to suggest interaction activities with AgBiz customers. If appropriate SWG would cost share
Met with the General Director of the MAFWE Public enterprise AgriLand	Understand their operations and discuss cooperation	Since Agriland is active in all of the AgBiz VCs It was agreed to share information on various events and activities and coordinate in order to maximize the benefit of the private sector
Met with Gjoshe Stevk of the Faculty of Pharmacy	Offering analytical services to WGP companies	The Faculty of Pharmacology has introduced new procedures for analysis of essential oils and other ingredients in food products. As for the WGP's these analyses are quite frequent, the Faculty of Pharmacy is searching for ways to promote this service to the WGP VC. A contact with Sumski Plod association was forwarded by AgBiz to the Faculty of Pharmacy so they can approach them with a group offer for the laboratory services
Visited the PREDA offices in Prilep	Agreed to cooperate on Backward Linkage activities	PREDA focuses on regional development in frame of the Prilep municipality. One of their projects involved pepper production with a new drip irrigation system. The project also involved backward linkages with the farmers involved in the PREDA project. As AgBiz is working in the backward linkages segment it was agreed that if PREDA increases their agricultural projects impact, they will cooperate with AgBiz on establishing the backward linkages for their customers
MAFWE Forestry Department	Accepted the invitation to participate in the working group that will draft the bylaw on Wild Gathered Products as part of the Law on Forests	Upon the successful implementation of the workshops for addressing issues with the Law on Forests and the defined recommendations for future development of the national legislation, MAFWE decided to invite Sumski Plod association members and AgBiz staff to participate in the working group that will draft the bylaw on Wild Gathered Products as part of the Law on Forests. The invitation was accepted and the WGP VC coordinator was nominated to participate in to the workgroup
Met with Aleksandar Nastov - Ministry for Environment and Physical Planning and Sumski Plod	Regarding the ban on exports of Morchela mushrooms	The Ministry for Environment and Physical Planning reintroduced the ban for collecting and export of Morchela mushrooms in 2010, after its removal in 2009. AgBiz staff participated to a meeting between Sumski Plod members and m-r Aleksandar Nastov from the Ministry for Environment and Physical Planning on which the issue was discussed
MAFWE web portal updating or/and provide information for AgBiz Activities	Portal updated on a monthly basis with AgBiz information	The web portal is still out of use. Instead of posting information directly on the webpage, AgBiz provided information to MAFWE as requested. In order to enhance the cooperation between the Program and the Ministry, Lidija Cadikovska, MAFWE's International Donor Coordinator was visiting AgBiz customers. See section 1.9.2.3
Ministry of Internal Affairs	Increase the awareness of USAID's AgBiz Program work in Macedonia among the GoM	Provided AgBiz's Project Promo Package to USAID/DOC as requested for promoting USAID funded projects in Macedonia, including AgBiz
Information sharing with similar regional projects	Information shared other regional agribusiness projects	AgBiz shared the two success stories produced in this Quarter
Center for promotion of sustainable agricultural practices and rural development (CeProSard's) market investment Guidebook funded by MAFWE	Selected and provided pictures of agricultural products from AgBiz activities for inclusion in the Guidebook	AgBiz provided CD with high quality pictures to CeProSard for the Guidebook with was funded by MAFWE. AgBiz will be acknowledged as provider of the pictures from agriculture commodities

1.10.1.2.1 Activities Initiated this Quarter

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

Activity	Action Taken	Result Achieved
MAP General Assembly meeting	The recommended buying price for raw vegetables was developed, a sample contract farming agreement was reviewed, and aspects of the new Agricultural Law regarding raw material buy out procedures were discussed	MAP working group and local STC will complete the draft contract and industry standards for buy out of the fresh produce for processing purposes in coordination with MAFWE and FFRM
Meeting organized by MAP and MAFWE	Attended the meeting regarding the MAP proposed prices for buying fruits and vegetables for processing in 2010	MAP members announced the recommended buy out prices and expected quantities needed for processing season 2010
Met with Standing Working Group for Rural Development representatives	In regards to organization of processors' regional conference	SWG is interested in providing technically and financial support for MAP to organize a regional processors conference in 2010
Conference on the Importance of Tourism in Promotion of Wine	AgBiz CoP and Wine VCC participated at the Conference on the Importance of Tourism in Promotion of Wine	Gave AgBiz view on opportunities for development of Wine Tourism in Macedonia
Participated in a MoE meeting with the Mission of the United Nations Conference on Trade and Development	Discussed opportunities for FDI in Macedonia including possibilities and needs for investments in the agribusiness sector	Provided AgBiz suggestions and identified needs for investments in the agribusiness sector
The Macedonian Chamber of Commerce organized a meeting on 9 March to discuss the Wine Law and Law on Agriculture and Rural Development	Wine VCC participated at the meeting at the CoC where the Law on Agriculture and Rural Development and Wine Law were discussed	Identified needs for investments in the agribusiness sector
Investigate Market information for wine offers from Market Research Agencies	Reviewed offers from EuroMonitor, Cannadean and from GFK	Further negotiated with EuroMonitor
RCI meeting in Sarajevo	Began planning for participation in the RCI Conference in Sarajevo	Participation confirmed, traveling arrangements and planning initiated

1.10.1.3 USAID

1.10.1.3.1 Activities Initiated this Quarter

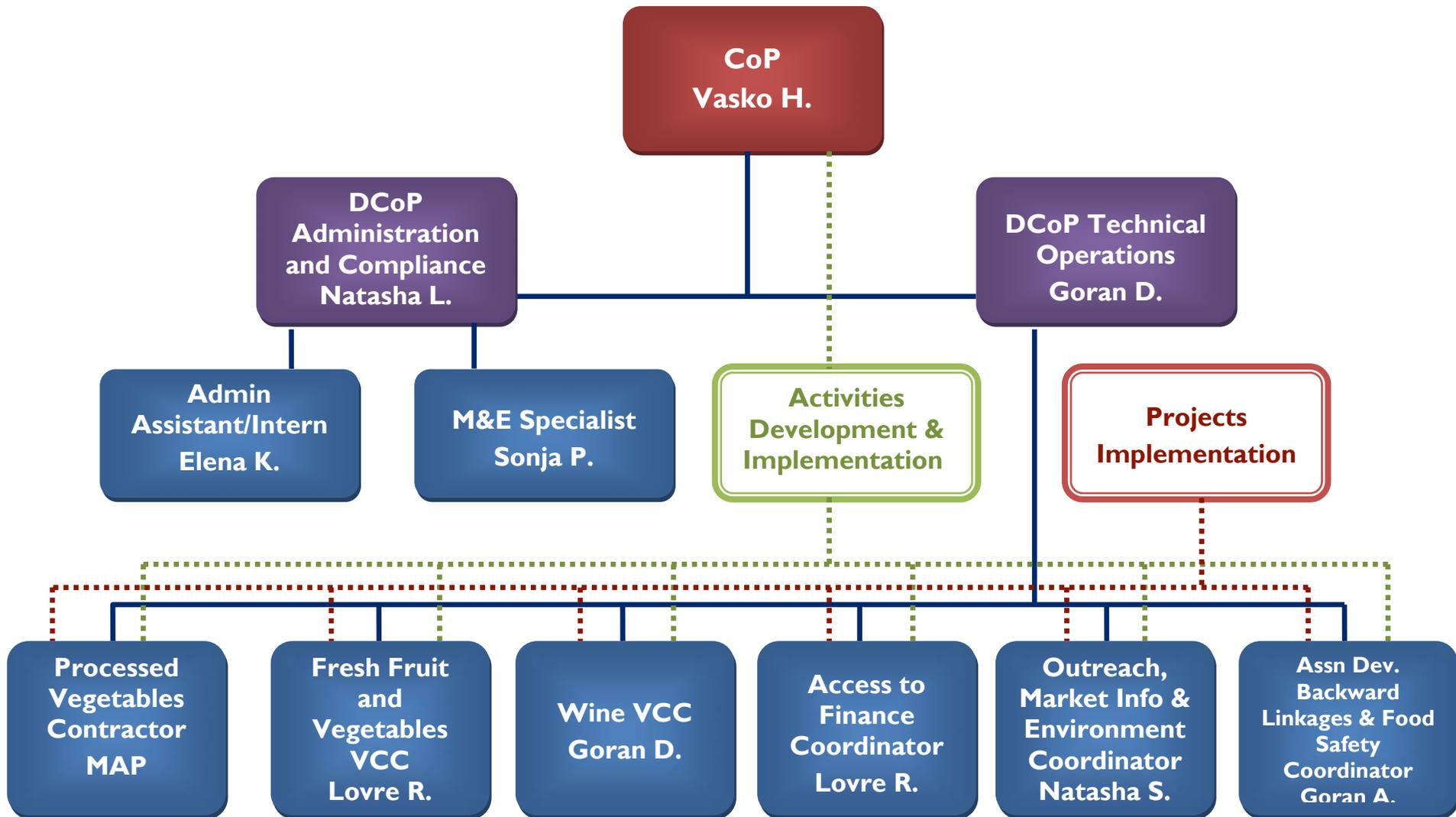
Following are the significant program development Activities initiated during the Quarter.

Activity	Action Taken	Result Achieved
Coordination meeting with MAFWE Minister, USAID EG Director and COTR	Discussed issues that have implications to the export competitiveness of agricultural products	Agreed on follow up activities; prepared Meeting Notes and provided same to USAID
New Draft Law on Associations and foreign organizations	Met with six USAID projects concerning the Draft Law; requested the USAID representative to check on the change of status required by the new law, considering the bilateral agreement between MK and USA	AgBiz is expecting USAID's response concerning the new draft Law on Associations and foreign organizations that might affect the operations of the ARD Subsidiary Office in Macedonia

1.10.1.4 Staff Development

Activity	Expected Result	Result Achieved
Processed Vegetables VC Coordination Responsibility	Completely transferred to Macedonian Association of Processors	MAP PV VC coordinator agreement extended until the end of the FY
M&E Responsibilities	Are properly transferred to permanent staff	M&E Responsibilities are Properly and Completely Transferred to permanent Staff Sonja. DCoP for Finance, Administration, HR and Compliance has overtaken M&E compliance authority
Staffing Plan for Remaining LoP	Staffing Plan for Remaining LoP Developed & Approved	Completed updated Position Descriptions for the two new DCoPs. Received USAID CO approval for new COP and DCOPs as key personnel. New Organizational Structure established, see Chart I
Staff Performance Evaluations	Staff Performance Evaluations Successfully Completed	Staff evaluations with good feedback on performance are completed
Intern Training	Intern is properly trained in performing general office support work	The mutually benefitting internship provided the Intern with the necessary business operations skills and at the same time assisted AgBiz with some of the general office support work and Activities tracking procedures
Emergency Locator Information	Emergency Locator Information available at two different locations outside the office	Emergency Locator Information collected and filed properly
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	Completed, see Section 1.10.2.1
Certified Management Consultant (CMC) training and certification	Upon invitation from the USAID MCP, and in organization of MCP, ICMCI and TamBas, AgBiz staff member participated on Certified Management Consultant (CMC) training and certification". This was a possibility to increase knowledge of this issue and link it to AgBiz client needs	Completed, see Section 1.10.2.3

CHART I. ORGANIZATIONAL CHART



I.10.2 Work Completed during the Quarter

I.10.2.1 Internal Audit Compliance

DESCRIPTION/OBJECTIVE This internal audit included reviewing internal controls, testing financial transactions, and checking compliance with contractual requirements and ARD policies and procedures. Audits are conducted in compliance to prime Contract and ARD policies and procedures. The specific task of this audit was to review:

- Internal controls and process for approving procurements of commodities, subcontracts and grants.
- Adequacy of source selection process, negotiation memorandum documents, and approvals.
- Contract files for completeness and compliance to USAID regulations, and any perceived areas where files are inadequate or deficient.

OUTCOME/FOLLOW UP During the period from January 25, 2010 to January 30, 2010 the ARD Internal Audit Compliance Specialist conducted an internal AgBiz audit. The internal audit was successful and in general showed that AgBiz has adopted sufficient internal control policies that have been properly placed in operation. These internal controls ensured that:

- a. Expenses/charges to the project are proper and supported;
- b. Management of cash on hand and in bank accounts are properly maintained;
- c. Procurement and services comply with USAID/ARD regulations including sound commercial practices like competition, reasonable prices, as well as all required approvals. Source and Origin requirements were met and waivers were obtained when needed. All the furniture and equipment have the USAID emblem as well as the ARD blue coding sticker.
- d. Sub-contracting procedures include a source selection process, negotiation memorandum documents, and approvals and files of subcontracts are complete and comply with USAID regulations.
- e. Files of Grants are complete and comply with USAID regulations
- f. Proper personnel functions such as daily rate USAID approvals, timekeeping, salaries, and benefits are properly maintained; and
- g. Commodities (such as vehicles, equipment, etc.) are transferred from other USAID projects and purchased according to USAID rules and regulation.
- h. All VAT taxes are paid, recorded, and reported as required per terms of the contracts.

AgBiz will continue to implement and improve its internal policies and procedure that enable activities and projects to be delivered to customers and be completed in a timely manner, in compliance with USAID and ARD regulations.

I.10.2.2 MCP Equity Financing Opportunities for Macedonian Companies Seminar

DESCRIPTION/OBJECTIVE AgBiz staff member initiated participation on Closing Equity Deal Seminar organized by the USAID Competitiveness Project with the Grenoble School of Economy. The idea was to increase the AgBiz knowledge regarding merging and acquisition. This knowledge will be used for assisting the AgBiz clients to proper design and implementation of the successful closing of the equity debt in order to attract foreign capital for future investment which may bring know-how and new market accesses.

OUTCOME/FOLLOW-UP The seminar was held in November 2009. The program was designed for Macedonian professionals from different backgrounds (banking sector, consultants, lawyers or financial advisors) 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 create a critical mass of M&A consultants who can serve investor needs for enterprise valuation, pricing, analysis, packaging, structuring deals, managing due diligence, conducting negotiations, etc. During the program, participant's received sufficient information to advise Macedonian companies seeking private equity and foreign investors looking for investment opportunities in Macedonia. The follow-up was hold in mid-

February 2010 and it was focus on case studies. Case study was developed and sends to Grenoble School of Economy.

Reviewing of case study and evaluation of them will be certification examination.

1.10.2.3 Certified Management Consultant (CMC) training and certification

DESCRIPTION/OBJECTIVE Upon invitation from the USAID MCP, and in organization of MCP, ICMCI and TamBas, AgBiz staff member participated on Certified Management Consultant (CMC) training and certification". This was a possibility to increase knowledge of this issue and link it to AgBiz client needs. Certified Management Consultant (CMC) represents evidence of the highest standards of consulting and adherence to the ethical canons of the profession. Less than 1% of all consultants have achieved this level of performance.

About the CMC - standards of competence

Initials CMC following a consultant's name, means that he or she is a Certified Management Consultant and has met the strict certification requirements of the national institute who is an ICMCI member. Candidates for Institute certification undergo a thorough investigation of their consulting experience.

CMC is a certification mark awarded by the Management Consulting Association (MCA) 2000 Macedonia. In 2009 it will be done under the mentoring of the Association of Management Consultants (UPS-AMC) Croatia.

CMCs pledge in writing to abide by the MCA 2000 Macedonia Code of Ethics. Their adherence to the Code signifies voluntary commitment above and beyond the requirements of law. Key provisions of the Code require that CMCs:

- Safeguard confidential information
- Render impartial, independent advice
- Accept only those client engagements they are qualified to perform
- Agree with the client in advance on the basis for professional charges

The Institute enforces the Code by receiving and investigating complaints of violations and by taking disciplinary action, including revocation of certification against any member who is found guilty of a Code violation. The Ethics Committee within MCA 2000 is in charge for examination of the complaints of violation and disciplinary actions.

OUTCOME/FOLLOW-UP The training was held during the period June 2009 till February 2010, when the process finished with certification exam. The program was designed for Macedonian professionals from different backgrounds (banking sector, consultants, lawyers or financial advisors). The objective is to provide participants with the main skills and techniques to private best consultancy services regarding ICMCI standards and regulations. Once you are qualified to apply for the CMC, the following steps must be completed to earn the designation:

1. Application.
2. Qualifying Points.
3. Client Evaluations.
4. A Preparation Seminar (Optional)
5. Final Review (Hearing)
6. Board Approval.

After 3 modules, each of them 5 days, and after positive evaluation, AgBiz staff member during January and February prepared and send for approval case study. On Final Review (Hearing), hold in March 2010, in front of ICMCI team, AgBiz staff member present the case and successfully compiled certification examination and became Certified Management Consultant (CMC).

I.10.3 Program Administration and Control

I.10.3.1 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 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 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	The Project Coordinator assigned to each project is responsible for on-site 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 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 Batch 1	Receive all required reporting documentation for Grants closed in December 2009	Received all required reporting documentation for Grants closed in December 2009 and sent HO Certifications of Completion
Grants Close out Batch 2	Proper close out procedures initiated for Grants terminating at the end of March	Proper close out procedures initiated for Grants terminating at the end of March. 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 April 2010, a month from the Grant closing date

I.10.3.2 Project Reports

I.10.3.2.1 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 \$475,743 to the twenty Projects, not including environment related work, and grantees had contributed \$7,700,347. This represents 94% of the AgBiz agreed support and 142% of customers' reported contributions to Projects. One hundred and thirty eight 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.

TABLE I. GRANT DISBURSEMENTS REPORT

Customers	Items Paid by AgBiz				Items Paid by Customers				Period of
	Approved	Exp. to	Remaining	Paid	Approved	Exp. to	Remaining	Paid	
Agrohemiya	30,000	30,141	0	100%	2,025,500	2,026,198	0	100%	7/3/08 - 12/15/09
Agroloza/Dalvina	20,000	0	20,000	0%	351,000	264,870	86,130	75%	7/3/08 - 12/21/09
Agros 2004	38,900	38,654	0	99%	68,579	69,059	0	101%	7/3/08 - 12/31/09
Avto Ria Doeel	19,800	19,531	0	99%	104,800	106,898	0	102%	7/3/08 - 12/31/09
Badzo	30,000	24,500	0	82%	40,749	42,752	0	105%	7/3/08 - 12/31/09
Bonum Plus	39,925	39,945	0	100%	229,881	2,026,120	0	881%	7/3/08 - 12/31/09
Bovin	25,000	24,936	0	100%	205,660	277,665	0	135%	7/3/08 - 12/31/09
Dentina	40,007	40,008	0	100%	147,394	147,394	0	100%	7/3/08 - 12/31/09
Flores	15,000	15,001	0	100%	110,927	110,940	0	100%	7/3/08 - 12/31/09
GD Tikves	30,000	31,415	0	105%	180,500	180,500	0	100%	10/3/08 - 3/29/10
Inter-Mak	20,000	19,940	0	100%	454,600	510,600	0	112%	10/3/08 - 3/29/10
Kokolanski	7,050	7,097	0	101%	35,380	35,380	0	100%	10/3/08 - 3/29/10
Koro	15,000	15,122	0	101%	108,000	108,000	0	100%	10/3/08 - 3/29/10
Lars	20,000	19,769	0	99%	176,928	183,428	0	104%	10/3/08 - 3/29/10
Ledra Agro	20,000	20,086	0	100%	150,000	150,001	0	100%	10/3/08 - 3/29/10
Peca Komerc	30,000	30,038	0	100%	147,237	150,146	0	102%	10/3/08 - 3/29/10
Popova Kula	40,026	39,057	0	98%	169,468	169,468	0	100%	10/3/08 - 3/29/10
Valandovo	25,000	21,500	0	86%	195,456	361,362	0	185%	10/3/08 - 3/29/10
Vigan	15,000	15,125	0	101%	180,000	350,000	0	194%	11/15/08 - 3/29/10
Vipro	24,000	23,878	0	99%	355,313	429,566	0	121%	4/1/09 - 9/30/10
	504,708	475,743	20,000	94%	5,437,372	7,700,347	86,130	142%	

TOTAL			
Approved Budget	Exp. to date	Remaining Balance	Paid %
5,942,080	8,176,090	106,130	138%

1.10.3.2.2 Project Status

Table 2 below lists all Projects, their status at the end of the Quarter and the achieved results for the Projects. Only one Project is currently being implemented, while the other eleven have been successfully closed out and achievements reported. Data that was collected during this Quarter took into account customers' 2009 official financial data and enabled us to report more realistic Increased Production, Marketing and Employment indicators. More specifically, \$4.4 million in increased exports, \$6.1 million in increased raw material purchases, over \$7.0 million in investment stimulated, around 9,000 rural families benefitted with additional income and 561 new equivalent jobs created. These are impressive results for an AgBiz/USAID investment of less than \$500,000.

1.10.3.2.3 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 5.2.10).

1.10.3.3 Activity Reports

1.10.3.3.1 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 \$398,608 to which AgBiz contributed 14%. Completed Activities provided support to two trade associations or producer organizations and 56 agribusinesses. Ninety-eight new export customers were identified by some of the 130 participants in the completed Activities, the Activities resulted in over \$6.2 million in export orders being received and participants gave the Activities an average level of satisfaction score 4.7 out of 5.0.

TABLE 2. PROJECT STATUS REPORT

IN IMPLEMENTATION											
			Projected Results								
PROPOSAL NUMBER	PROJECT COORDINATOR	CUSTOMER	TOTAL COST (US\$)	AGBIZ COST (US\$)	AGBIZ (%)	TOTAL SALES GROWTH (EUR)	EXPORT SALES GROWTH (EUR)	INCREASED RAW MATERIAL PURCHASES (EUR)	CUSTOMER INVESTMENT (US\$)	RURAL HOUSEHOLDS BENEFITED	INCREASED EMPLOYMENT
20	Damovski	Agrolozar/Dalvina	371,000	20,000	5%	55,691	30,114	260,163	264,870	77	27
WINE VC SUBTOTAL			371,000	20,000	5%	55,691	30,114	260,163	264,870	77	27
COMPLETED											
			Results to Date								
PROPOSAL NUMBER	PROJECT COORDINATOR	CUSTOMER	TOTAL COST (US\$)	AGBIZ COST (US\$)	AGBIZ (%)	TOTAL SALES GROWTH (EUR)	EXPORT SALES GROWTH (EUR)	INCREASED RAW MATERIAL PURCHASES (EUR)	CUSTOMER INVESTMENT (US\$)	RURAL HOUSEHOLDS BENEFITED	INCREASED EMPLOYMENT
2	Risteovski	Agros 2004	107,479	38,900	36%	239,024	126,829	253,496	69,059	206	6
3	Risteovski	Badzo	70,749	30,000	42%	-72,311	1,703	631,968	42,752	36	36
13	Risteovski	GD Tikves	210,500	30,000	14%	1,219,512	682,927	292,683	180,500	96	86
16	Risteovski	Ledra Agro	170,000	20,000	12%	244,901	154,336	131,707	150,001	15	15
18	Risteovski	Peca Komerc	177,237	30,000	17%	1,532,436	1,459,537	998,163	150,146	794	7
10	Risteovski	Agrohemija	2,055,500	30,000	1%	528,455	385,366	528,455	2,026,198	28	28
FRESH FRUITS AND VEGETABLES VC SUBTOTAL			2,791,465	178,900	6%	3,692,017	2,810,698	2,836,472	2,618,656	1,175	178
1	MAP	Vipro	379,313	24,000	6%	578,113	497,075	150,187	429,566	279	15
4	MAP	Avto Ria Doeel	124,600	19,800	16%	471,011	410,750	361,789	106,898	77	7
5	MAP	Bonum Plus	269,806	39,925	15%	-517,803	-676,626	102,324	2,026,120	186	35
6	MAP	Dentina	187,401	40,007	21%	704,013	592,746	117,886	147,394	106	26
8	MAP	Lars	196,928	20,000	10%	537,528	527,447	305,691	183,428	296	36
PROCESSED VEGETABLES VC SUBTOTAL			1,158,048	143,732	12%	1,712,862	1,351,392	1,037,877	2,893,406	944	119
7	Goran Angelovski	Kokolanski DOOEL	42,430	7,050	17%	-4,487	-4,756	14,242	35,380	54	-1
12	Goran Angelovski	Flores	125,927	15,000	12%	-1,026,812	-1,058,754	-330,658	110,940	1,198	8
14	Goran Angelovski	Inter-Mak	474,600	20,000	4%	-311,211	-313,324	346,471	510,600	341	41
15	Goran Angelovski	Koro	123,000	15,000	12%	560,382	299,693	-39,876	108,000	4,508	8
19	Goran Angelovski	Vigan	195,000	15,000	8%	243,577	260,163	178,537	350,000	570	1
WILD GATHERED PRODUCTS VC SUBTOTAL			960,957	72,050	7%	-538,551	-816,978	168,716	1,114,920	6,671	57
11	Damovski	Bovin	230,660	25,000	11%	157,006	-133,559	88,066	277,665	-15	1
17	Damovski	Valandovo Winery	220,456	25,000	11%	-120,445	-76,587	55,869	361,362	137	152
9	Damovski	Popova Kula	209,494	40,026	19%	18,316	-35,073	-81,301	169,486	-52	27
WINE VC SUBTOTAL			660,610	90,026	14%	54,877	-245,219	62,634	808,513	70	180
Completed Total:			5,571,080	484,708	9%	4,921,205	3,099,893	4,105,699	7,435,477	8,860	534
Being Implemented and Completed Total:			5,942,080	504,708	8%	4,976,896	3,130,007	4,365,862	7,700,347	8,937	561

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	√							√		√				
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 by end of the grant
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	
320	World Food Trade Fair Moscow 2010	Risteovski	FF&V	Russian Chamber of Commerce	0	0	0 %	Suport Macedonian companies to present themselves at one of the most relevant Trade Shows in the Russian Federation and analyze current market trends and competitors' activities
867	Sales Mission Rieka Croatia	Risteovski	FF&V	Agro Zona	0	0	0 %	Participants to establish linkages with the companies present on the Rieka Wholesale market as buyers and resellers of fresh products (Agro Zona and others)
TOTAL					0	0	0 %	
APPROVED AND UNDER DEVELOPMENT								
MIS Code	ACTIVITY	COORDINATOR	VALUE CHAINS / AoF	PARTNERS	*ACTIVITY COST (US\$)			DESCRIPTION / COMMENT
					TOTAL	AGBIZ	AgBiz Percentage	
866	Survey on the Performance of the PV VC Industry in 2009	Risteski	PV	MAP	0	0	0 %	Prepare an up-to-date data base of the fruit and vegetable processors in RM
868	Sales Mission with SIPPO - Swiss Importers meet Macedonian FF&V exporters	Risteovski	FF&V	SIPPO	0	0	0 %	Establish contracts for export of fresh fruits and vegetables to Switzerland and EU
224	Rotterdam Study Tour and B2B to Establish Foundation for Future Exports	Risteovski	FF&V		0	0	0 %	Assist selected Macedonian FF&V growers and exporters to significantly enhance the competitiveness of their products that can be sold in European markets
133	UC DAVIS Post Harvest Training	Risteovski	FF&V	UC DAVIS	0	0	0 %	Increase the understanding and knowledge of Macedonian FF&V consolidators and exporters in advanced production and post-harvest handling technologies for FF&V
222	IPARD Study Tour in Bulgaria	Risteovski	Access to Finance		0	0	0 %	Introduce effectively prepared and successful implemented SAPARD projects by the relevant consultant company
TOTAL					0	0	0 %	
ALL AGREEMENTS SIGNED AND IN IMPLEMENTATION								
MIS Code	ACTIVITY	COORDINATOR	VALUE CHAINS / AoF	PARTNERS	*ACTIVITY COST (US\$)			DESCRIPTION / COMMENT
					TOTAL	AGBIZ	AgBiz Percentage	
857	Assessment of AgBiz VC Participants Usage of Backward Linkages	Angelovski	Backward Linkages	Fagricom	0	0	0 %	Make recommendations for canalizing future AgBiz support aimed to establishment of backward linkages in each of the AgBiz supported value chains
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
616	Support of Shumski Plod to develop a 5 year strategy, activities & financing plan for the association	Angelovski	Backward Linkages		0	0	0 %	Develop recommendations and a plan for achieving financial and managerial sustainability
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
845	Bi - Monthly Market Information Newsletter for Each VC	Stankovic	Outreach		0	0	0 %	Enhance customers' interest in market information
856	Updating the Agribusiness Finance Manual	Risteovski	Access to Finance	Planum Consulting	0	0	0 %	Update the existing Finance Manuel that provides detailed and useful information on potential sources of finance and investment for Macedonian agribusinesses
221	IPARD Study Tour in Croatia	Risteovski	Access to Finance		0	0	0 %	Utilize Croatian experience in achieving better access to IPARD Funds for FF&V companies
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
862	Wine Sector Export Marketing Plan Development	Damovski	Wine		0	0	0 %	
864	Support the Formation & Strengthening the Trade Association "Wines of Macedonia"	Damovski	Wine		0	0	0 %	
865	Establishing of a backward linkages PV VC members with primary producers	Risteski	PV		0	0	0 %	Implement backwards linkages development model in particular contract farming that will be in line with new agriculture legislation
836	Pilot Regional Market Information Dissemination Activity with Moja Zemja Magazine	Stankovic	Outreach		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
TOTAL					9,035	7,860	87 %	

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 (in EUR)	# of New Customers	# Individuals Received Assistance (evaluation score)	
					TOTAL	AGBIZ	AgBiz Percentage					TOTAL	Average score
316	Fruit Logistica 2010	Risteovski	FV; PV;	SIPPO	70,954	18,826	26 %	0	7	4,422,000	98	15	4.45
223	Study Tour for Apple Producers in Hungary	Risteovski	FF;		14,840	8,315	56 %	1	0	0	0	6	4.92
FRESH FRUITS AND VEGETABLES VALUE CHAIN TOTAL					85,794	27,141	32%	1	7	4,422,000	98	21	4.69
132	Workshop on Improving Backward Linkages of PV VC Participant	Risteski	PV; WG; Other;	MAP	4,947	897	18 %	1	14	0	0	35	0.00
220	PV VC members study tour and promotional event in Czech Republic	Risteski	PV;		16,243	6,191	38 %	0	10	0	0	10	4.89
PROCESSED VEGETABLES VALUE CHAIN TOTAL					21,190	7,088	33%	1	24	0	0	45	4.89
827	Support British Embassy in Macedonia to organize a wine tasting social event	Damovski	Wine		0	0	0 %	0	0	0	0	0	0.00
319	ProWein Wine Fair 2010	Damovski	BW; Other;	CBI/Ministry of Economy	158,902	1,656	1 %	0	9	50,000	0	0	0.00
WINE VALUE CHAIN TOTAL					158,902	1,656	1%	0	9	50,000	0	0	0.00
860	Initiation of changes to the Law on forests	Angelovski	WGP;	TreeFor	3,916	1,506	38 %	1	5	0	0	32	0.00
POLICY AND INSTITUTIONAL REFORM AREA OF FOCUS TOTAL					3,916	1,506	38%	1	5	0	0	32	0.00
869	Develop AgBiz Association development processes/procedures	Angelovski	Assn Dvlp		0	0	0 %	0	0	0	0	0	0.00
ASSOCIATION DEVELOPMENT AREA OF FOCUS TOTAL					0	0	0 %	0	0	0	0	0	0.00
116	HACCP Implementation Support to WGP Consolidators	Angelovski	WGP		77,081	8,581	11 %	0	3	0	0	32	0.00
817	Cost-efficient Group GlobalGAP Implementation and Certification	Angelovski	FF; FV; Other;		51,725	8,015	16 %	0	8	0	0	0	0.00
FOOD SAFETY STANDARDS AREA OF FOCUS TOTAL					128,806	16,596	13%	0	11	0	0	32	0.00
TOTAL					398,608	53,987	14 %	3	56	4,472,000	98	130	4.75
ON HOLD OR DROPPED													
MIS Code	ACTIVITY	COORDINATOR	VALUE CHAINS / AoF	PARTNERS	*ACTIVITY COST (US\$)			DESCRIPTION / COMMENT					
					TOTAL	AGBIZ	AgBiz Percentage						
863	Support an Existing Contract Farming Model - based on the results of the backward linkages assessment	Angelovski	Backward Linkages		0	0	0 %	Revised and reformulated in order to keep support options open as new support needs may be detected due to the adaptation of the new law on agriculture					
TOTAL					0	0	0 %						

1.10.3.4 Agreements Signed Report

Table 5 below shows that a total of 31 agreements were signed in Macedonia during the Quarter with eight of them involving \$55,829 in direct payments to vendors, nearly all with Macedonian companies or individuals.

TABLE 5. AGREEMENTS SIGNED

Number	Company/Person	Type of Contract	SUMBITED TO USAID	USAID COTR	USAID CTO	Signed	Person responsible	US\$
	Hungary ST	AD	22-Dec-10	NR	28-Dec-10		Lovre	
	Hungary ST	Staff travel	12-Jan-10		14-Jan-10		Lovre	
081	Altagra Business services	FFPC	22-Dec-10	NR	28-Dec-10	25-Jan-10	Lovre	\$5,232
	PV Linkages Workshop	AD	17-Dec-10	NR	23-Dec-10		Saso	\$1,000
	IPARD for Fresh F&V	AD	8-Dec-10	NR	8-Dec-10		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 TFBadzo	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	
082	Fagricom	FFPC	16-Dec-10	NR	22-Dec-10	1-Feb-10	Goran A.	\$3,000
	Czech Republic ST	AD	20-Jan-10	NR	20-Jan-10	NR	Saso	
	Czech Republic ST, MAP	LOI	20-Jan-10	NR	20-Jan-10	25-Jan-10	Saso	\$7,363
	Seasonal Workers	AD	5-Feb-10	NR	8-Feb-10	NR	Vasko	
083	Seasonal Workers	FFPC	5-Feb-10	NR	8-Feb-10	1-Mar-10	VAsko	\$4,311
	ProWein	AD	22-Dec-10	NR	22-Dec-10		Damo	
	ProWein, Skovin	LOI	22-Dec-10	NR	22-Dec-10	10-Feb-10	Damo	
	ProWein, Dalvina	LOI	22-Dec-10	NR	22-Dec-10	10-Feb-10	Damo	
	ProWein, Ezimit	LOI	22-Dec-10	NR	22-Dec-10	10-Feb-10	Damo	
	ProWein, Bovin	LOI	22-Dec-10	NR	22-Dec-10	10-Feb-10	Damo	
	ProWein, Lozar	LOI	22-Dec-10	NR	22-Dec-10	10-Feb-10	Damo	
	ProWein, Stobi	LOI	22-Dec-10	NR	22-Dec-10	10-Feb-10	Damo	
	ProWein, File	LOI	22-Dec-10	NR	22-Dec-10	10-Feb-10	Damo	
	ProWein, Popova Kula	LOI	22-Dec-10	NR	22-Dec-10	10-Feb-10	Damo	
	ProWein, Tikvesh	LOI	22-Dec-10	NR	22-Dec-10	10-Feb-10	Damo	
	ProWein, Vardarska dolina	LOI	22-Dec-10	NR	22-Dec-10	10-Feb-10	Damo	
	ProWein, Imako	LOI	22-Dec-10	NR	22-Dec-10	10-Feb-10	Damo	
	CBI, ProWein	MOU	22-Dec-10	NR	22-Dec-10	25-Jan-10	Damo	\$2,588
	WSEMP Development	AD	16-Feb-10	NR	16-Feb-10		Damo	
084	Macedonian Association of processors	FFPC	8-Oct-09		14-Oct-09	14-Mar-10	Sasho	\$7,222
	ST Croatia	AD	18-Feb-10	NR	19-Feb-10		Lovre	
086	ST Croatia, Biotehnicon	FFPC	18-Feb-10	NR	19-Feb-10	12-Apr-10	Lovre	\$4,205
	ST Croatia, Venec	LOI	18-Feb-10	NR	19-Feb-10	8-Apr-10	Lovre	
	ST Croatia, Bitie dooel	LOI	18-Feb-10	NR	19-Feb-10	8-Apr-10	Lovre	
	ST Croatia, Intermark	LOI	18-Feb-10	NR	19-Feb-10	8-Apr-10	Lovre	
	ST Croatia, Ivivi Prom	LOI	18-Feb-10	NR	19-Feb-10	8-Apr-10	Lovre	
	ST Croatia, Vivi Kooper	LOI	18-Feb-10	NR	19-Feb-10	8-Apr-10	Lovre	
	Krum Boshkov	LOI	7-Apr-10	NR	7-Apr-10	8-Apr-10	Lovre	
	Natasha Ljubeckij	consulting contract	5-Mar-10	NR	5-Mar-10	17-Mar-10	Sasho	\$899
	ST Holland	AD	30-Mar-10	NR	31-Mar-10	NA	Lovre	
	UC Davis training	AD	7-Apr-10	NR	7-Apr-10	NA	Lovre	\$12,275
	Krum Boshkov	LOI	7-Apr-10	NR	7-Apr-10	8-Apr-10	Lovre	
085	NL Agro Invest DOO Vinica	FFPC	30-Mar-10	NR	31-Mar-10	6-Apr-10	Lovre	\$6,734
TOTAL								\$55,829

I.10.4 QUANTITATIVE PERFORMANCE INDICATORS

This section describes key indicator accomplishments during the Quarter (Table 6). In addition, Table 7 on the following page shows results achieved for annual calendar Indicators for CY'09 versus the baseline (CY'07).

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 qualitative Program objectives was very satisfactory during the Quarter and the trend of overachieving both qualitative Program and quantitative indicators' objectives continues. Since the end of Second Quarter represents 50% of the FY, an indicator that is at least 50% accomplished can be said to be on schedule. Almost 90% of the Indicators reported on quarterly basis are overachieved. However, indicator achievements are not necessarily evenly distributed throughout the year. The indicator measuring Number of Producer Organizations receiving assistance was under achieved on an Year To Date (YTD) basis and those organizations are targeted to be assisted via several Activities that are going to be implemented in the forthcoming period.

Fifty-one Agriculture-related firms benefitted from the Activities Completed during the Quarter and a range of marketing and competitiveness enhancement trainings were delivered to 130 individuals. Seven Fresh Fruit and Vegetables Value Chain customers exhibiting at the "Fruit Logistica 2010" and the participation of nine wineries at the "ProWein Wine Fair 2010" resulted in over \$6.2 million worth of new orders, over achieving our entire FY '10 projection.

TABLE 6. SECOND 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	4,858.34	6,378.92	2,700.00	236 %
1.12 Number of new customers from Trade Fairs, B2B Meetings and Fast Track Projects	98	124	24	517 %
2. Increased Coverage and Assistance to Value Chain Participants				
2.1 Number of Producer Organizations receiving assistance	1	2	5	40 %
2.3 Number of Agriculture-related Firms receiving assistance	51	80	76	105 %
2.4 Number of Trade and Business Associations receiving assistance	2	2	4	50 %
3. Building Human Capacity				
3.1 Number of male individuals who have received short-term agriculture or agribusiness productivity enhancement training	97	277	93	298 %
3.2 Number of female individuals who have received short-term agriculture or agribusiness productivity enhancement training	33	104	47	221 %
4. Value of Investment Stimulated and Leveraging Achieved				
4.1 Value of customer investment stimulated (000US\$)	323.73	1,117.30	2,213.53	50 %
4.2 Value of third party domestic investment stimulated (000US\$)	88.38	190.09	0.00	100 %

TABLE 6. SECOND QUARTER INDICATOR ACHIEVEMENTS

4.3 Value of total domestic investment stimulated (000US\$)	412.11	1,307.39	2,213.53	59 %
4.4 Value of foreign direct investment stimulated (000US\$)	0.00	0.00	0.00	0 %
4.5 Leveraging Achieved by AgBiz (%)	18 %	15 %	50 %	333 %
5. Increased Access to Finance				
5.1. Value of customer financing (potential loans) identified (000US\$)	225.00	505.62	610.00	83 %
5.2. Number of new customers provided access to finance assistance	3	7	11	64 %
7. Policy and Institutional Reform				
7.1. Number of policy and institutional constraints identified and prioritized	1	5	7	71 %
8. Outreach				
8.1. Number of Success Stories produced and published	2	5	13	38 %
8.2. Number of media exposures (TV, Radio and Newspaper)	7	22	34	65 %

During the Quarter we reassessed the indicator performance of the twenty grantee Projects that are the source for measuring Increased Raw Material Production and Products Marketing and percentage increases (Table 7). The “Value of Purchases of Raw Materials made from Smallholder Producers” increased by 55% over the baseline or over EUR4.3 million (US\$6.1 million). As a result of the business expansion Projects, the “Value of Exports” increased for more than EUR3.1 million (US\$4.4 million) or 17% over the baseline, while “Total sales” increased 24% or around EUR5.0 million (US\$6.9 million). Over 10,100 “Rural Households Directly Benefited from Interventions” and 561 new FTE jobs were created or 52% more than the baseline. AgBiz contributed an average of 18% of the total direct cost of the Activities and Projects implemented during the Quarter, thus achieving very good resource leveraging.

TABLE 7. CALENDAR YEAR 2009 INDICATOR ACHIEVEMENTS

INDICATORS	CY'09
1. Increased Production and Marketing	
1.1. Increased value (in 000 Euros) of purchases of raw materials made from small holder producers	4,365.8
1.2 Percentage increase in the value of purchases of raw materials made from small holders producers	55%
1.3. Increased value (in 000 Euros) of sales into national market by customers	1,846.9
1.4 Percentage increase of sales into national market	48%
1.5. Increased value (in 000 Euros) of intra-regional exports by customers	2,339.0
1.6 Percentage increase of intra-regional exports by customers	24%
1.7. Increased value (in 000 Euros) of international exports	791.1
1.8 Percentage increase of international exports by customers	10%
1.9 Increased value (in 000 Euros) of total sales by assisted customers	4,976.9
1.10 Percentage increase of (over previous year) of total sales	24%
2. Increased Coverage of AgBiz Customers	
2.2 Number of rural households directly benefiting from interventions	10,162
6. Increased Employment	
6.1 Number of equivalent male jobs created by supported customers	417
6.2 Number of equivalent female jobs created by supported customers	144
6.3 Percentage increase in full time equivalent (FTE) jobs by supported customers	52%

2.0 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.

2.1 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.

2.1.1 GLOBAL ECONOMIC CRISIS

2.1.1.1 Influence of the Economic Slowdown on the Financial Sector

In 2009 the global economy faced one of the deepest recessions. Although it first appeared in the developed economies, it soon received a character of synchronized recession, thereby reaffirming the high degree of global trade and financial integration. The uncertainty regarding the intensity of the effects of the crisis and its time span reaffirms itself through the constant pessimistic revisions of the projections for global growth. And so, the estimations mainly pointed to a downward spiral, with an exception of the last projections made in October, when the positive shifts of the global economy led to estimations anticipating smaller decrease of the global Gross Domestic Product (GDP) compared to the previous expectations. This shift clearly points out to the unusually high uncertainty which follows the projections, but although the intensity of the negative effects of the crisis is significantly larger compared to the expectations. The effects of the crisis in the developing economies mainly went through the channels of lowered demand for exports, limited capital flows and worsened expectations.

The constant tightening of the loan conditions for granting business loans continued in the third yearly quarter, but with a weakened intensity. Therefore, compared to the second quarter in which one third of the banks tightened the loan conditions, only 4% did so in the third quarter. Also, the majority of the banks (over 60%), in this period, estimated that the loan conditions for granting loans to companies are partially tightened while one third of the banks estimated that they are not changed. In terms of the net-assessments, a decrease of all types of loans has been recorded as a result of the lower number of banks that decided to tighten the loan conditions.

As a result of the uncertainty over the lasting of the consequences of the global financial crisis the factors, from the risk determining group, had the greatest contribution towards the tightening of the loan conditions for business loans in the third quarter. In that respect, over 70% percent of the banks estimated that the expectations for the overall economic activity, the expectations of the perspective of the sector to which a company belongs, as well as the risk of not executing a collateral affect towards tightening the loan conditions. In this respect, over 41% of the banks estimated that the competition from the market financing and the access of the bank to market financing (47.8%) partially contribute to tightening the loan conditions. As a result of the above mentioned companies had to face not only the crisis, but also a higher price of the capital. That led to a struggle for cheap loans among the companies. In order to get these limited funds, companies needed good business ideas, well worked out investment programs and guidance in its process.

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.

2.1.1.2 Influence of the Economic Slowdown on AgBiz Value Chains

Fresh Fruit and Vegetables exporters are still 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 become more satisfactory but still not on the level before the crises. To help solve this issue, AgBiz has assisted companies to use 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. In order to compensate for the effect of global economy slowdown, AgBiz supported FF&V VC participants in entering new markets, especially EU market during this quarter through assisting them to exhibit on Fruit Logistica 2010 Berlin, arranging and facilitated B2B during the Trade Fair and through organizing and supporting Study Tour and B2B in Hungary.

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 As expected, in the first quarter of 2010 due to the negative effects of the global economic slowdown on the wine industry, export sales remained the downward trend. International importers continued limiting the orders and having conservative projections and expressing concern that the effects of the global economic crisis will remain in the next period. Some wineries reported more than 30% decrease from the same quarter last year. It is particularly rigid in the upper market segment. Final data for 2009 showed that the percentage of bottled wine export from the total export decreased from 15% in 2008 to 12% in 2009. On the regional market that accounts for more than 60% of Macedonian bottled wine exports, the impact was even more drastic. The overall economies suffered from a loss of liquidity that disrupted trade payments. As a result, the demand has been seriously reduced and payment from buyers delayed. There are some receivables not collected for more than 200 days. Declining demand has resulted in significant quantities of unsold wine. If the trend continues, many wineries will end up having considerable quantities of wine on stock before the new season that will create much lower interest for purchasing raw material during the harvest. 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. These conditions will weaken the financial strength of the wineries and reduce their capacity to purchase grapes in the forthcoming season. This will enable the big traditional bulk and low end bottled wine buyers to exercise much greater bargaining power when buying Macedonian wines.

2.1.1.3 Development and Implementation of a well Coordinated and Supported Approach to Export Promotion

It is obvious that after years of unused opportunity for Macedonia to put emphasis on export and profile itself as producer of at least several export competitive products, the GoM managed to clearly identify the need for a fully functional national agency responsible for the development and implementation of export promotion activities. Therefore, the law for expanding the charter of Invest Macedonia Agency, besides stimulating foreign direct investments to include export promotion was passed. However, there are many other preconditions that need to be developed so Invest Macedonia to become operational National Agency for export promotion. In addition to some necessary changes in legislation that will fully regulate the new mandate, the Agency will have to work on rising the human resources capacity to become more specialized in export promotion. New Strategy that has to be developed will establish criteria for selection of the most competitive Macedonian products that will be supported and will define the approach and level of intervention by the Agency.

By accomplishing more than US\$52 mil in export sales in 2009, wine is one of the most important exports products for Macedonia and one of the products that best represents and contributes into the image of Macedonia in the world. At the same time is a product that cannot be widely accepted by the markets without strong recognition of the country umbrella branding. It is particularly so for bottled wine where consumers are heavily influenced by the origin. 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.

AgBiz could help in the design of the Strategy and secure close cooperation with the private sector participants from the supported value chains in the Agribusiness. The Program can coordinate an organized participation and contribution from the export ready private stakeholders from the Agribusiness into the development process of the strategy. This can help the Agency to develop the Strategy more efficiently and in shorter period and to be very commercially grounded and in the best interest to enhance export competitiveness of Macedonian companies.

2.1.2 Effective IPARD Utilization

The initial indications and expectations that a very few customers will submit an IPARD applications appeared to be accurate. Not only that a small number of customers applied but just a few applications were accepted as complete according to the criteria. On top of this fact, the various farmers' organizations organized several round tables to present how little they are informed about application requirements as a result of the inappropriate government campaign. This situation was discouraging and unacceptable for the government as well for the potential users of IPARD.

During March 2010, the government announced facilitation of the IPARD application requirements especially in terms of speeding up the process of getting local permits and approvals in a timely manner for land use concerning new investment activities linked to property rights and cadastre necessities.

It would be very useful to conduct an assessment of why very few companies successfully applied for IPARD support, and give recommendations for the specific changes that are needed to increase the number of firms with successful applications in order to improve the utilization of IPARD funding. This will be relevant for the future since the IPARD funds will be available in many years to come.

2.1.3 Minimal Understanding of and Interest in Producer Organizations and Trade Associations

It is a very challenging and slow process for any 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. The Ministry of Agriculture has recognized the trade and producers organizations as partners for private-public dialog and initiated development of guide for cooperative establishment and function. The present

situation and new movements for organizing the Ag-sectors is a result of tremendous efforts invested by the donor organizations in Macedonia since the mid nineties.

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.

2.2 INTERNAL TO AGBIZ

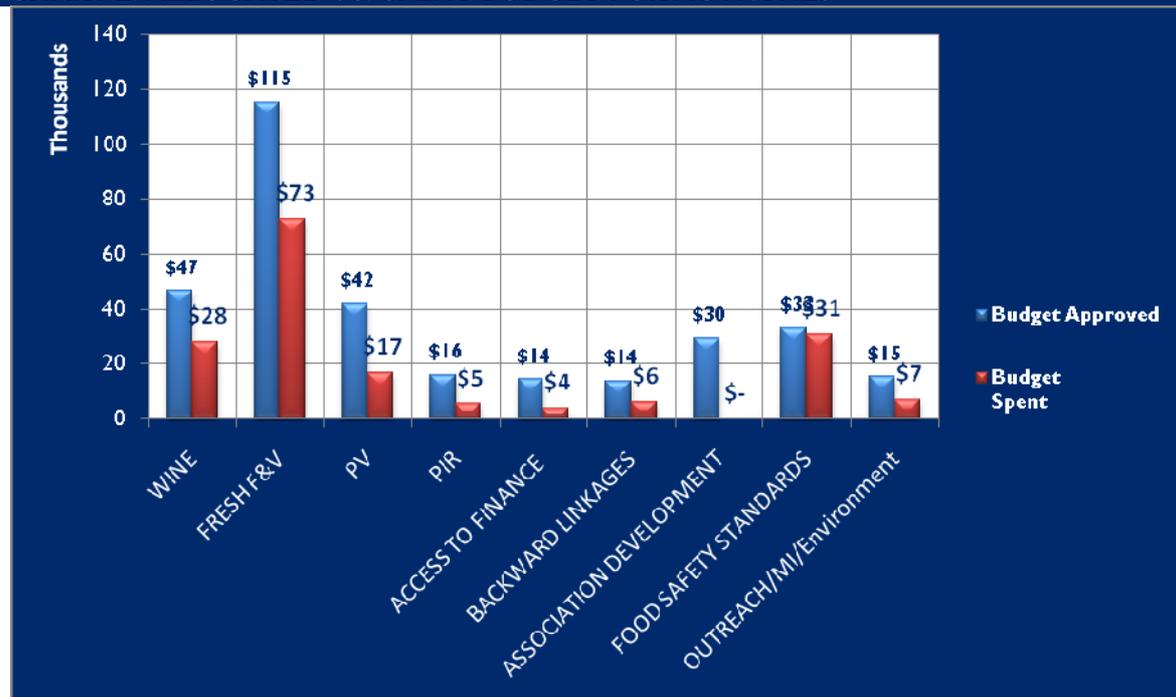
Progress on resolving the challenges outlined in this section is important to the success of AgBiz, and is to a great extent under the control of AgBiz and/or USAID.

2.2.1 Mid-term Update to the FY '10 Activities Plan

DESCRIPTION/OBJECTIVE AgBiz has established a very good performance record and can achieve even greater results with a modest amount of additional funding that was recently received from USAID. In order to optimize the return on resources and utilize it almost exclusively to implement a greater number of Activities, a mid-term update to the FY'10 Activities Plan was done over a workshop that was held at the end of the Second Quarter. The main objective was to review and update the current activities, assess the possible implementation of pending activities, replace the ones that were not likely to happen during the FY '10 and follow the activity budget situation. All AoF Coordinators presented their ideas and proposals for how to best implement their current and new proposed Activities.

The expected outcome of this workshop was to have an up to date list of all FY' 10 Activities and their implementation dates for the remainder of FY '10. The replaced activities were not limited to the list of Lower Priority Activities or to the wish list that was created in September 2009 for the Annual Work Plan Workshop. Everyone proposed a set of Activities for their AoF with target implementation dates and the projected AgBiz cost. The objective was to achieve a continuous pace of implementation and spending of the FY '10 Activities budget. Also each AoF Coordinator should give at least one Activity that if funds become available they would implement (the dynamic of the Activities expenditures by AoF is shown in the chart below).

CHART 2. ALLOCATED VS. SPENT BUDGET FOR ACTIVITIES



OUTCOME/ FOLLOW UP Activities are linked to indicators, so the newly proposed activities that had the greatest positive impact on indicators were preferred. The list was updated with the jointly accepted proposals and is now serving AgBiz for daily activity and budget tracking.

2.2.2 Market Information

Macedonian Agribusiness is lacking of relevant marketing information. There is no single and consistent source that can provide pertinent, accurate and on time market information. Hence, it is difficult for anyone from the private sector and the GoM to do serious tracking on demand and supply, analyze trends and make business decision or projections based on it. State Statistical Office provides information on domestic production, consumption and export sales from Macedonia that can be purchased upon request but data is often too summarized and processed with a delay for more than a year. The Ministry of Agriculture, Forestry and Water Economy, as part of the preconditions in the process of EU approximation is in the phase of developing Agricultural Market Information System (AMIS) but the system is not yet fully functional and provides only limited information that are almost solely for the benefit of EU Headquarters in Brussels. Initially encouraged by AgBiz, RCI continued with sharing market information from regional projects and readily available sources with all agribusiness projects in the region. Nevertheless, there are reliable sources regarding regional and international markets but those need to be identified and are usually expensive so are not utilized by Macedonian Agribusiness companies. Very few of the biggest and more developed export oriented companies have been using customized surveys and international researches.

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.

As part of the process for developing of a Sector Export Marketing Strategy being developed in cooperation with CBI and export oriented wineries lack of market information is identified as key deficiency in identifying specific target markets and developing of a Unique selling proposition for Macedonian wines. During the quarter we have reviewed the offers from a few other international research agencies and continued the negotiation with the Euromonitor for providing full access to their "Passport" market information service. It was discussed to initially start with the wine package for all EU and regional markets for the period for 12 months for the same prize of EU 5,000. After official registration AgBiz could help this activity through Wines of Macedonia association that can have the ownership of the data and build up internal capacity for market analysis. If effective, the concept can be replicated so other VC's get access to particular market information. This would make a very substantial contribution to our export marketing enhancement support and provide very useful market information for our Value Chain Market Information Newsletter.

2.2.3 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. Throughout the quarter AgBiz had numerous activities on PIR advocacy for the Wine VC linked to the new law on Wine and Viticulture and the Law on Agriculture where the potential members of the newly planned association of wine exporters were heavily involved. The significant effort resulted in affirmation of the role of joint approach of the industry and resulted in an initial assembly meeting for establishment of the new association. We expect that during the Q3 of FY'10 the association is legally registered and fully functional. The existing association of exporters of wild gathered products "Sumski Plod" had several successful PIR advocacy missions where the role of association was confirmed. We believe that these activities have empowered this organization and gave realistically based expectation for future development and strengthening.

During the quarter AgBiz completed an analysis to identify interest and commitment of FP VC participants to establish a national trade association. There was a significant interest and the follow up activities are planned for the upcoming quarter. Also AgBiz developed processes/procedures to support association development.

3.0 FINANCIAL REPORT

The Second Quarter Financial Report is shown below. The Report indicates that within the completed 75% of the term of the Program, 83% 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 March 31, 2010

Category	Contract Budget	Incurred as of 12/31/09	Quarterly Costs 1/1/10-3/31/10	Total Costs Accrued as of 3/31/10	Remaining
Total All Other Costs	\$ 5,109,339	\$ 3,935,036	\$ 269,239	\$ 4,204,275	\$ 905,064
Grants	\$ 500,000	\$ 411,558	\$ 28,495	\$ 440,053	\$ 59,947
SUB TOTAL CONTRACT COSTS	\$ 5,609,339	\$ 4,346,594	\$ 297,734	\$ 4,644,328	\$ 965,011
FEE	\$ 240,620	\$ 178,143	\$ 13,398	\$ 191,541	\$ 49,079
TOTAL CONTRACT COSTS	\$ 5,849,960	\$ 4,524,737	\$ 311,133	\$ 4,835,869	\$ 1,014,091

4.0 PLANS FOR THE THIRD FISCAL QUARTER

The following sections outline expected AgBiz results for the Third Quarter of fiscal year 2010, organized by AoF. These results will be compared to actual results in the Third Quarter Report. In the Third 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	Three months Follow-up Report	15 May
Rotterdam Study Tour & B2B Meetings	Activity Completed and Activity Report Prepared	15 May
World Food Trade Fair Exhibition 2010, Moscow Russia	Activity Description approved; determine budget, present it to the potential participants & determine participant interest	31 May
UC DAVIS Post harvest training	Activity Description approved, SoW for the Professor developed and approved, Contract with Professor developed and signed, UC Davis Post harvest training hold	26 June
B2B Meetings as a joint activity with SIPPO for FF&V exporters with Swiss importers in Macedonia	Activity Concept, Activity Description and MoU are approved and signed	30 June
Sales Mission Rijeka Croatia	Activity Description approved; determine budget, present it to the potential participants & determine participant interest, signing Lol with participants and contract for vendor, Activity Completed and Activity Report Prepared	30 June
Fresh Apple Exports to India with MCP	Support communications between the Macedonian suppliers & Indian buyers; assess the realistic export potential for the coming season	30 June
Processed Vegetables (MAP)		
Model Production Contracts for Processed Vegetables	Model contracts and industry standards developed and approved by the PV VC	April 25
ANUGA 2009 Trade Fair Six Month Follow-up	Report on new potential deals resulting from ANUGA 2009 participation	April 30
Survey on the Performance of the PFV Industry in 2009	Completion of the survey, Presentation of the final report	May 6
Promotional Event in Denmark / Poland with a Focus on PV & Bottled Wine	Activity Concept and Activity Description developed and approved	May 10
Study Tour for MAP Management Board to a well developed association in EU	Activity Concept and Activity Description developed and approved	May 20
Study Tour & B2B in Canada	Traveling to Canada and complete the study tour	May 24
Develop integrated strategy for the accelerated development of the VC	Activity Concept and Activity Description developed and approved	June 10
Wine (Damo)		
Moscow Wine Trade Fair Follow-up	Six- months follow up report completed	28 May
ProWein Wine 2010 Trade Fair in Dusseldorf	Three-months follow-up report completed	30 June
AgBiz/CBI Platform for Developing a National Sector Export Marketing Plan	National Sector Export Marketing Plan Developed	30 June
Policy and Institutional Reform (Vasko)		
Assessment of Regulations & Practices Regarding Seasonal Employment in Agriculture	Activity Completed	14 May
Enhanced Approach to Policy and Institutional Reform	Have the first jointly organized Public-Private Dialogue Workshop to provide private sector input on Agricultural policy and institutional needs for export enhancement	30 April
Multiple Taxation of WGP	Consider engaging a legal expert which will, on behalf of Shumski Plod,	30 June

Activity	Expected Result	Projected Completion Date
	present the negative impact of the developing multiple fees and responsibilities situation to the GoM, and develop proposals for solving the constraint	
Access to Finance (Lovre)		
Agribusiness Finance Manual	Final updated version approved, printed and promoted	30 March
IPARD Study Tour to Croatia	Activity Completed and Activity Report Prepared	15 May
IPARD Study Tour to Bulgaria	Activity Concept approved and Activity Description developed selection of vendor and participants started	31 May
Access to Finance Workshops	Agribusiness Finance Manual Workshop held and Manual distributed to customers	31 May
Backward Linkages (Goran)		
Assess VC Participants use of Backward Linkages for Lessons Learned & Best Practices	Activity Completed	10 April
FF&VP VC Study Tour & Promotional Event in Croatia and Slovenia	Activity Concept and Activity Description approved	8 May
Support Contract Farming	Activity Concept developed	25 June
Association Development (Goran)		
Conduct an Analysis to Identify the Interest and Commitment of Fresh Produce VC Customers to Establish a Trade Association	Activity Completed	31 March
Support "Shumski Plod" to Develop a Five Year Strategy - including priority activities, a financial plan and proposals to the GoM & donors	Activity Completed	31 April
Sumski Plod MB Study Tour	Activity Completed	25 May
Engage a consultant for the legal registration of the FP Association	Activity Completed	25 May
WebSites for the new associations	Activity Concept and Description approved, SoW Agreed & MoU Signed	25 June
Support of FP association with cost sharing to engage a short term expert/s to develop a strategy, and activities plan for the association	Activity Concept and Description approved, SoW Agreed & MoU Signed	25 June
Outreach/Market Information/Environment (Nate')		
"Wines from Macedonia"- Promotional Video	Complete combined video	15 April
AgBiz Congratulation Ceremony	Organize AgBiz Congratulation Ceremony	4 May
AgBiz Website	Website updated on an ongoing basis	30 June
AgBiz Conference and Training Calendar	Provide monthly input on AgBiz activities for USAID's Economic Growth Office Event Calendar	30 June
Market Information Newsletters	Complete and distribute Newsletter for the Wine VC or Fresh Fruits VC	30 June
Market Information Articles for FFRM's Moja Zemija Magazine	Complete monthly AgBiz market information articles	30 June
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 Management	30 June
MAFWE Web Site Updating	Portal updated on a monthly basis with AgBiz information or/and provide information to MAFWE for AgBiz's planned activities	30 June
Information Sharing with Similar Regional Projects	At least two pieces of AgBiz information shared other regional agribusiness projects	30 June
Success Stories	Monthly stories developed and published	30 April; 31 May; 30 June
Media Exposures	Accomplish several media exposures presenting AgBiz activities	30 June
Environmental Mitigations	Monitor mitigations completed by the end of the grant	
Program Development and Implementation (Natasha and Vasko)		
ARD Subsidiary Office New Representative registered	Authorize new ARD Subsidiary Office representative due to AgBiz COP departure; Change Subsidiary office responsible person and authorize new AgBiz CoP as a bank signatory	30 April
Staff Midyear Performance Evaluations	Midyear Staff Performance Evaluations Successfully Completed	30 April
Grants Close out Batch 2	Proper close out procedures completed for Grants terminating at the end of March	30 April
Revise PMP and get USAID approval	PMP revised based on recent objectives' revisions of the Projects and approved by USAID	30 May

Activity	Expected Result	Projected Completion Date
Internal Budget Realignment	Internal IO Line Item LoP Budget Developed and Approved by ARD	30 June
Grant related Procurement Procedures	Staff and grantees properly utilizing checklists and grant implementation procedures	30 June
Project Implementation Monitoring & Support	PCs closely monitoring implementation of the remaining I Project to help keep it on schedule and achieving projected results; Monthly Project review is held with the CoP; Grantee and AgBiz investment schedule updated based on experience to date	30 June
Grantee Reporting	Quarterly Reports are enhanced in completeness and overall quality	30 June
Monitoring and Evaluation (Sonja)		
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	28 June
FY'10 Third Quarterly Report Development	Weekly Reports produced during the Quarter reviewed & Outline Responsibilities developed	30 June
Wine Industry Database	Data on trade flow in First CY'10 obtained, processed & database updated	30 June
Importance of Agribusiness to Macedonian Economic Growth Report	Data on Macedonian Agricultural Commodity Exchange in CY'09 obtained and processed; Public Releases presenting final data on Employment in Macedonia and Agribusiness share in the GDP obtained from the State Statistical Office and processed accordingly	30 June

5.0 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.

5.1 EXTERNAL REPORTS

5.1.1 Outreach Releases

AgBiz's Press clippings Jan-Mar 10

Wines from Macedonia DVD's design

5.1.2 Market Information

PV Market Information Newsletter

5.1.3 Success Stories

USAID AgBiz Program Enhancing Macedonia's Premium Wines Success Story

USAID AgBiz Success Story Good Relations with Growers Assures Vivi Prom's Sustainable Exports

5.2 INTERNAL REPORTS

Activity Results Report "Fruit Logistica 2010"

Activity Results Report "Study Tour for Apple Producers in Hungary"

Activity Results Report "Study Tour and B2B Promotional Event in Czech Republic"

Activity Results Report "Workshop on Improving Backward Linkages between PV Processors and Vegetables Growers"

Activity Results Report "ProWein 2010"

Activity Results Report HACCP Implementation for WGP Consolidators Support

Activity Results Report "Cost-efficient Group GlobalGAP Implementation and Certification"

Activity Results Report Develop an AgBiz Association Development Processes & Procedures

Activity Results Report Initiation of changes to the Law on forests
Environment Mitigation Measures

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