



**USAID Serbia
Agribusiness
Project**



USAID Serbia Agribusiness Project

Annual Report – Project Year Two

October 1, 2008 – September 30, 2009

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I. EXECUTIVE SUMMARY:

The initial phase of Project Year Two was characterized by residual start-up problems that included a lethargic implementation rate, key changes in Project management, and concern regarding the original program and budget. Significant time and attention were allocated to addressing these issues in the first half of the year.

The management changes were accomplished early in the year, and in part proved only marginally disruptive. These included replacing the expatriate Chief of Party, replacing the expatriate Deputy Chief of Party, and replacing the expatriate Producer Organization Specialist with a local staff member. Changes that proved more disruptive to the program were the replacement of the local livestock and the tree fruit sector leads. These replacements required substantial time to accomplish, and thus progress on these two important sectors was not as great as expected.

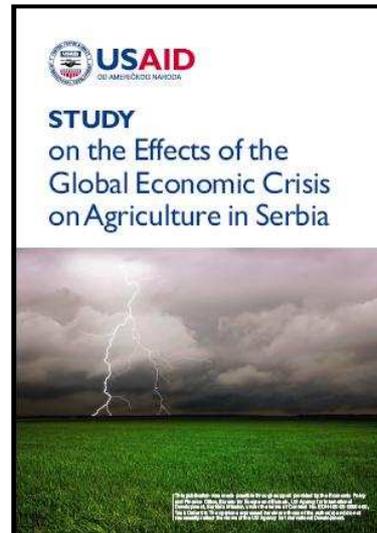
The unsatisfactory rate of implementation required much of the year to bring into balance. Solutions to this problem included a major ramp up of STTA use, capitalizing on new program opportunities, and revising the Project strategy governing trade show and fair participation. Together these changes contributed greatly to increasing program relevance, generating a higher level of program activity, and providing a more productive and rapid expenditure of funds.

Concerns about the budget and program were addressed formally by requesting a program and budget modification. This request was approved late in the year and resulted mainly in a reduced grants component and an increased budget for Project activities. This has provided Project managers, sector leads and cross-cutting specialists with the flexibility needed to design and implement a more vigorous, responsive, and opportunity-driven program. In turn this has also assisted the Project in addressing the prior two problems described.

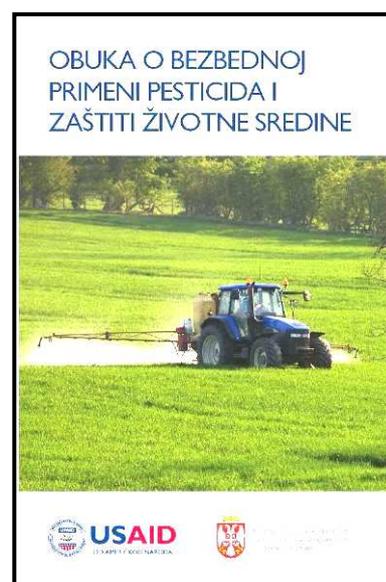
The overarching goal of the Project in Year Two was to solidify the program by; a) validating the selection of our six-subsectors; b) setting the program on course to effectively address each sub-sector; and c) establishing the momentum necessary to reach optimum implementation over succeeding Project years. Achieving these objectives was largely accomplished, but success was limited by two major obstacles encountered during the year.

The first was the impact of the global financial crisis on Serbian agriculture, which was more severe than expected. The second was the unanticipated failure of SIEPA, and the Ministry of Agriculture, to fulfill their commitments to financially support targeted international trade shows and fairs, key Project components. Overcoming these obstacles required operational flexibility on the part of the Project, and the development of innovative program strategies. While the Project found ways to mitigate these problems, Year Three nevertheless will begin with the impact of the financial crisis still evident, and with ministry support for international events still uncertain.

In the process of setting the Project on higher implementation and impact trajectories, a number of important lessons emerged that will serve as useful guides for succeeding Project years. Among the most notable are:



- Niche product markets that can withstand harsh economic conditions can be successfully identified.
- Niche markets can serve effectively as safety valves during economic hardship.
- Exports can take place in virtually any market conditions, but the products will vary and must be carefully selected.
- Grants must be carefully structured to have maximum program impact and support the larger program. They must be strategic in design and purpose.
- Expatriate and local national STTAs are invaluable Project resources, and can provide the lifeblood to development programs.
- It is critical that we are able to measure activity impact credibly. This contributes to program strategy and decision-making as well as perception.
- The Project components of Policy and Environment are important stand-alone activities, and not just program augmentations.
- Year Two was focused on setting a firm program course; Year Three must serve as the transition to sustainable program operations for Years Four and Five.
- Identifying and acting on unforeseen opportunities should emanate from Project strategy, not casual occurrences.
- Meaningful cooperation with other projects and donors is possible, and can enrich the Project, but it must be programmed and cannot be contrived.
- Project management needs to manage external realities, not be driven by them. An example is our global financial crisis study, with the resulting recommendations.



Lessons such as these learned during Year Two have positioned the Project well to move towards the outsourcing of its services and programs in the future, and towards creating the local institutional base that will continue delivering technical assistance beyond Year Five.

During Project Year Two, a total of \$33.9 million of agricultural and food products were delivered by Project client firms, based on a total contracted amount of \$50.3 million. Sales of processed and fresh fruits and vegetables account for 80% of the total delivered sales registered through the annual client survey. Based on the survey, the Project has significantly exceeded the Performance Monitoring Plan sales target of \$7 million in Year Two.

Project Overarching Indicator	Y2 Target	Y2 Actual Result
<i>Dollar value change in agricultural product sales of USAID Agribusiness Project beneficiaries (Delivered sales)</i>	\$ 7 Million	\$ 33,913,483
<i>Contracted Sales</i>	N/A	\$ 50,368,601
<i>Under Negotiation</i>		\$ 44,807,950

II. ACTIVITIES PLANNED & IMPLEMENTED DURING THE PERIOD:

Component 1: Increased Efficiency & Competitiveness of Agribusiness

OBJECTIVE 1.0 COMMODITY ACTION PLAN ACTIVITIES:

Activity 1.0.1 Berry Fruits:

To increase the overall competitiveness of, and ensure the rapid and broad-based growth of the berry fruit sub-sector, the Agribusiness Project continued to support the sub-sector. During the year Project assistance was mainly directed at businesses focused on the fresh market. In addition, a set of activities tailored to improve the quality and sales of higher value-added products were carried out, to further develop the operations of berry fruit processors. Previously identified leverage points, such as the national association Serbian Fruits, the Arilje Agricultural Innovation Center, the Cacak Fruit Research Institute, and the Arilje SME Association continued to play an important role in supporting Project activities. In some cases collaboration with them was expanded to include direct assistance, and/or using them to provide services for Project clients.

The negative impact of the global financial crisis that was initially evident in the fall of 2008 expanded, and began to affect Serbia more severely during the year, not only in export-oriented sectors such as berry fruit, but in the general Serbian economy, with the result of increased unemployment and insolvencies, and decreasing GDP. Very unfavorable natural conditions in the spring and summer 2009 have significantly decreased the yields and quality of the fruit harvested. The main characteristics of the berry fruit sector in 2009 can be characterized as follows: declining global demand, falling export prices, a carry-over from the low profitability of the 2008/2009 season, high debt loads among the processors, and limited new investments. The following paragraphs will provide details of the main events undertaken during the year.

Training and Advisory Program for Serbia Blueberry Growers: With Project grant funding the Arilje Agricultural Innovation Center implemented a Blueberry Training & Advisory program. The primary goal of this program was to help build Serbian blueberry production capacity, and to ensure high yields and increased productivity for the blueberry growers. Besides blueberry production and harvesting, the program provided advice and practical assistance related to post-harvest management, product marketing, and establishing buyer linkages. The program focused on ten Producer Organizations from South/Western and Central Serbia. The Project provided funding for the preparation of a guidebook and the provision of advisory services in the field, while the Center provided equipment and services for the program. With this program a total of 10 introductory training seminars in high-bush blueberry production were conducted around Serbia. The training sessions were attended by 162 growers - members of blueberry growers' associations, cooperatives and/or informal groups and ABDS providers. In addition to the theoretical training, 500 copies of the guidebook on blueberry production and 1,000 leaflets were produced and distributed to the attendees. During a series of 20 visits by a two-member team, 56 blueberry fields were visited to assess field conditions and plant development status. In addition more than 80 blueberry growers were advised on fertilization, irrigation, and specific orchard management measures that will help these growers improve plant development, yields, and fruit quality.

Primocane Raspberries Consultant: In Year One the Project successfully assisted interested berry producers introduce varieties of raspberries that are most suitable for fresh markets due to their shelf-life, extended production season, and very good physical appearance. To ensure the successful establishment of the new raspberry fields, and the achievement of good yields and income for the producers, the Project hired Prof. Nikolic, an experienced ABDS provider to provide

consultancy services. Between March and June, Prof. Nikolic delivered a series of training sessions, and over two cycles he provided advisory services to five client businesses that are developing primocane raspberry production in Djurdjevo, Sabac, Kraljevo, Varvarin and Piro. Each of the five business received a one-day training session in site selection, land preparation, and planting. These sessions were attended by 47 individuals, either the growers or employees of participating businesses. Following the training sessions, the consultant visited the raspberry fields, checked land preparation, planting and the field management practices. He also provided one-on-one advisory services related to nutrition, irrigation, and plant protection from pests and diseases, and he recommended other measures that will help growers maintain good plant development and provide solid potential yields.

Expatriate Blueberry Consultant: To strengthen the capacities of Producer Organizations and ABDS providers involved in high-bush blueberry production, and to enable them to successfully deal with issues related to production, post-harvest management, and the marketing of fresh berries, the Project brought in Mr. Richard Dale, an experienced producer and marketer of blueberries in the USA. As a first step, Mr. Dale assessed the growing conditions and status of blueberry production in Serbia, as well as the need for improvements in post-harvest operations. Following that initial step, Mr. Dale made a series of field visits to blueberry producers where he shared his knowledge of good practices from USA. These visits provided direct assistance to more than 25 growers and 5 ABDS providers, and the advice provided will allow them to increase their yields and improve the quality of their blueberries. The consultant also delivered three training seminars in early June that were organized in cooperation with the Producer Organizations and the ABDS providers of Central/Western Serbia. Besides covering the major topics – blueberry harvest and post-harvest operations – during the training courses Mr. Dale explained how the establishment of blueberry farms could be improved, and he presented the most effective blueberry farm management techniques. More than 90 participants attended these sessions, including blueberry growers, ABDS providers, representatives of Producer Organizations, and local authorities. Finally, a set of training materials – manuals on blueberry field establishment, harvest & post-harvest management, irrigation, nutrition and plant protection, as well as the EU marketing standard for blueberries – were produced, and they are posted on the Project web-site for downloading and dissemination.

Arilje Raspberries at Prodexpo 2009, Moscow: The Project provided a grant to allow the Arilje SME Association to gain access to new markets, and to increase the sales of Arilje raspberries, a product with PDO (Protected Designation of Origin). Russian importers and wholesalers showed significant interest in Serbian fruits, and in establishing cooperation with the Arilje cold-stores. Besides successfully launching the promotion of Arilje raspberries in the Russian market, the association and its members signed contracts worth \$310,000 for the sale of fruit products, with \$250,000 destined for the Russian market and \$60,000 going to Swedish customers. Items to be exported include prunes, frozen blackberries, and sour cherries.

Trade Mission to the United Kingdom - Application of New Varieties in Serbia: As a direct result of a Trade Mission to the UK, that was implemented by Serbian Fruits, the participating businesses have imported 92,000 raspberry canes. These canes are of the Polka and Tulameen varieties, which are the preferred varieties for the fresh market in the EU. With these materials Project clients that travelled to the UK, plus three other companies who joined the initiative afterwards, have established 10 hectares of new raspberry fields to supply the fresh market, and they have established a nursery stock of 10,000 mother plants. To ensure the successful establishment of these new raspberry orchards, and good yields and substantial incomes for the producers, the project hired Prof. Nikolic, who guided and advised the producers during the establishment and the initial management of these new orchards.

STTA for a Feasibility Study on Cranberry Production in Serbia: To address the lack of knowledge and information related to the production of cranberries in Serbia, the Project brought in Mr. R. Tomesh from the University of Wisconsin. Mr. Tomesh, who is a berry fruit specialist, advised the Project on the suitability of conditions in Serbia for cranberry production, and he recommended production, harvesting and post-harvest technologies. Combining a desk study of relevant materials and data provided by the Project, with findings from field visits, the consultant concluded that there are favorable natural conditions in Serbia for cranberry production, and that the organization of profitable production of this crop is feasible. Mr. Tomesh prepared a set of training materials, and delivered three training sessions, where he instructed Serbian producers on bed establishment, irrigation, fertilization, harvesting, pest and disease control, and cost & benefit analysis. The training sessions were attended by 61 growers, and representatives of nurseries – potential producers of planting material and ABDS providers. A local consultant, Miss Jasminka Milivojevic, assisted Mr. Tomesh in his work by providing technical information and interpretation of the growing conditions in Serbia. Based on the consultant’s report Jasminka developed training materials in Serbian that have been posted on the Project web-site for downloading.

Activity 1.0.2 Dairy Products:

Over the course of Years One and Two the Project has generally followed the strategy set out for the dairy sector in the Value Chain Analysis, and the Commodity Action Plan. Efforts have focused on creating a favorable environment for systemic changes within the sector, and the development of new distribution channels for Serbian dairies and dairy products. The main activities still underway from the Year Two Work plan include finalizing the Dairy Farm Management Campaign, the adoption of ISO 22000 certification by dairy processor grantees, establishing more local and international market linkages, and ABDS capacity building. The program to introduce new dairy management software, and the marketing/packaging grants, are only now getting under way, due to lengthy approval procedures. The following summarizes the main achievements in the dairy sector over the course of Years One and Two.

- Dairies participated at the Novi Sad and Fancy Food fairs with great success
- One dairy has signed a contract with Metro Cash & Carry for private label products
- Seven dairies have been linked with Montenegrin importers & traders
- Five dairies have received grants for the marketing & packaging grant program
- 50 dairy farms have completed the dairy farm management campaign
- Taurus AC developed and published the Dairy Farm Guide for Serbia

In Year Two, the Project was significantly influenced by the Global Financial Crisis, with partner dairies abandoning their investment plans and focusing on business consolidation. As a result the Project has to adapt to these trends as well. Despite the general negative trends, dairies have been able to maintain their levels of business operations, and some of the dairies have even managed to implement some of their investment plans. The following paragraphs will provide details regarding the main activities in the dairy sector for Year Two.

Nationwide Milk Quality & Farm Management Campaign: This is a core one-time dairy sector support activity, aiming help dairies develop, and expand, the model approach to other commercial farms, thus increasing the supply and quality of raw milk to meet EU standards. During the preparation phase, the Agribusiness Project identified Producer Organizations and Service Providers which will also benefit from the program and have the opportunity to increase their organizational, managerial and service delivery capabilities. These organizations are: the Simmental Association from Cacak, the Preobrazenje Farmers Cooperative from Guca, Maksi

Farm, the Veterinary Station of Guca, and the Centers for Rural Development in Zrenjanin, Novi Knezevac, and Vrsac. The campaign completed: field assessments of all 50 farms, feeding analyses and feeding program developed food safety and microbiology, plus reproduction animal health modules, group trainings and monitoring and corrective actions. Some of the substantial results, before final performance and monitoring are: the participation of over 300 farmers in general training programs, a Dairy Management Guidebook available both in hard and electronic format, and lectures contributed by Taurus AC and their special guest, Jack Behan, a Veterinary Specialist in Reproductive Physiology and a technical consultant of the US firm CRI (Cooperative Resources International). The Campaign is in the closing stages where final sales and performance results will be collected and used for promotion among municipalities, local economic development agencies, and dairies with the goal of promoting and adopting standard dairy farming procedures, thus benefiting all relevant stakeholders.

Help Producer Organizations Implement International Standards: This activity followed the adoption of a new Veterinary Law, effective from January 2009. Under the law, all entities (companies, individuals, etc) dealing with food products of animal origin must enforce at least one procedure in accord with HACCP standards. Kuc Dairy from Kragujevac, and Velickovic Dairy from Surdulica were selected for grant support to implement, and receive certification for, the ISO 22000 standard in their companies.

Support Development of Commercial Dairy Farm Agribusinesses: This activity focuses on supporting the development of commercial dairy agribusinesses which are targeting dairy processors' needs for a premium quality raw milk supply. These businesses will also be focused on export markets, and dairies which prefer to develop companies that can become their core supply base, by operating farms with hundreds, not dozens, of dairy cows. However, in a time of financial crisis, dairies will be able to provide only limited support to a number of interested investors in new commercial dairy farm agribusinesses. What is becoming an important initiative in these turbulent times is a request from dairies and larger farms to provide them support in manure handling technologies, enabling them to consolidate their farm operations and create new sales through transformation of animal waste into liquid manure, fertilizer and energy. The Agribusiness Project is developing relationships with interested stakeholders and is working on identifying qualified US consultants who can come out on STTAs to work with local ABDS providers to provide technical assistance to these beneficiaries.

Developing a Framework for a National Dairy Association: Early 2009, being characterized by the financial crisis and market disturbances in all sectors of Serbian agriculture, brought the questions of effectiveness of Ministry of Agriculture measures, especially related to dairy industry. Thus, dairies showed interest to develop a framework for creation of an industry representation body. For that reason, the Agribusiness Project hired the internationally renowned dairy expert, Mr. Gabriel Pascual, who has had significant prior experience working in Serbia on a USDA project promoting Serbian Dairy Industry in the US market. In the course of the assignment, Mr. Pascual and the Dairy Sector Lead met with a number of leading dairy companies assessing their views on the feasibility of creating a Serbian Dairy Industry Association. The Agribusiness Project organized a one day conference aimed at creating the framework for establishing the Dairy Industry Association. The event, which was attended by all the dairy companies which were invited, has justified the USAID Agribusiness Project initiative for establishing the association.

Enhance Agribusiness Linkages for Market Access: The USAID Agribusiness Project has facilitated market linkages for Lazar Dairy from Blace with the Metro Cash & Carry supermarket chain. The dairy passed Metro's inspection, and they have signed an agreement for the production

of a Metro Private Label cheese. In addition, both parties agreed that Lazar dairy will supply five Metro outlets in Serbia. To date, sales have totaled \$200,000.

Montenegro Business to Business Event: As part of the effort to develop/improve communication among domestic dairies, and consequently create a representative industry association, the Agribusiness Project supported of B2B event with the Montenegro Hotel and Restaurant Association. Seven dairies participated in the event, where the Kuc, Nis, Zlatibor, and Lazar dairies developed a new market for their products. The event showed that the Montenegrin market is very fragile and that there are only three or four main distributors who are solvent and who are worth partnering with to access that market. Technical support for the B2B event was provided by Mr. Gabriel Pascual. The annual survey showed that these dairies have reported more than \$500,000 in sales as a result of this event.

Assist Dairies to Obtain Halal Certification: The Agribusiness Project and SIEPA supported participation by the Sabac Dairy at the GulFood Fair, which is held in Dubai. However, to establish and expand sales to Islamic countries, the Sabac Dairy will need to have dairy products available with the Halal certification. The Agribusiness Project brought in the international Halal market expert, Dr. Cedomir Nestorovic from ECCEC Faculty in Paris, and he delivered training and technical assistance for selected dairies, and the Ministry of Agriculture.

Activity 1.0.3 Livestock:

Year Two of the Project was marked by the arrival of a new Sector Lead, after several months without a Sector Lead. The new Sector Lead began with a review of the sub-sector strategy developed during Year One, with the incorporation of new developments in the sector. During this period, the list of Project beneficiaries and partner companies was re-evaluated, and new clients have been added (including meat packers and processors, ABDS providers, and government & scientific institutions). The Sector Lead has also conducted extensive field visits, and met with and interviewed key players in the sector to gain a better understanding of the challenges in the sector. The purpose of this effort was to thoroughly understand the value chain in a short period of time, and to confirm, or identify new, points of leverage for the livestock sector.

This process was followed by a fast start of implementing the revised strategy. The main issues identified as hindering the progress of the livestock sector (low herd numbers, limited incentives for fattening operations, as well as poor linkages between stakeholders) continued to be the target for Project interventions. The Sector Lead brought in two expatriate consultants early in the process to address specific problems related to primary production (bull fattening operations), and to design strategies for strengthening the linkages between stakeholders within the sector. A special emphasis was also placed on capacity building for ABDS providers within the sector, namely veterinary services, livestock consultants, laboratory facilities, and veterinary drug distributors. In addition, the promotion of value-added products within the livestock sector was incorporated into the sector strategy. A number of companies from the livestock sector, including ABDS providers, are also participating in the International Standards grants program, the Marketing & Promotional activities grant program, and the Business Skills Improvement program.

Another aspect of assistance during Year Two was the emphasis placed on collaboration with other organizations and donors, in particular with the USDA office in Serbia (the Project jointly organized a workshop on the application of HACCP principles at the farm level), and the USAID Competitiveness project (the Agribusiness Project undertook an assessment study on the availability of slaughterhouse waste for use in an alternative energy project). The following paragraphs will provide details regarding the main activities in the dairy sector for Year Two.

Linking Producer Organizations, Farmers, ABDS Providers, and Slaughterhouses: Project grantee, *Agrar Kontakt*, successfully completed the grant program “Increase Yields in Baby Beef and Sheep Meat Production”. With this program *Agrar Kontakt* implemented a series of five training sessions in five regions of Serbia, covering a range of topics related to productivity at the primary production level, and enhancing the links between farmers, cattlemen’s associations/cooperatives, ABDS providers, and slaughterhouses. The total number of stakeholders trained included 20 Producer Organizations, 20 ABDS providers, 5 slaughterhouses, 14 local government and/or rural development center representatives, and over 90 farmers. The Project, through *Agrar Kontakt*, has continued supporting the targeted beef cattle producers from these five regions. A total of 250 doses of genetic material of first-class Simmental breed bulls was distributed through local veterinary stations, to enhance genetic performance, increase yields in beef cattle, and improve meat quality.

Integrated Marketing in Livestock Sector Strategy Development: Over the course of Years One and Two, the Project has identified that in the livestock industry individuals and businesses lack networking linkages and relationships, which results in a fragmented and heterogeneous group of businesses unable to improve the overall status of the livestock and meat industry. Producer Organizations (both producers’ and processors’), and ABDS providers play a critical role in livestock sector development. The Project brought in STTA consultant Stephen Neel to develop the concept of Integrated Marketing in the Livestock sector, which could be transposed to selected stakeholders throughout the production chain - breeders, backgrounders, feedlots and slaughterhouses. With this strategy the emphasis will be placed on direct marketing, better-quality production practices, improved animal handling and preventive measures. As an initial part of this effort, the Project used the opportunity of the 55th National Conference of the Meat Industry for Dr. Neel to give a presentation of the integrated marketing concept in the livestock value chain to the audience, which was comprised mainly of meat industry technologists and food safety experts.

Training Programs to Improve Links among Livestock Stakeholders: Primary production of livestock has been identified as one of the key impediments to sector growth. Reduced herd numbers, a poor economic and social environment for the revival of the livestock sector, and underdeveloped links between stakeholders, namely producers and processors, as well as the limited availability and the poor quality of services available within the subsector, are the main issues that are constraining the Serbian livestock sector. Over the course of Year Two the Project implemented the following training programs to support the Livestock Sector:

1. Management of Respiratory Disease in Beef Cattle. Three individual seminars on this topic were delivered by Dr Grant Dewell, a veterinary beef specialist from Iowa State University. These training sessions were presented in Novi Sad, Niš and Čačak in April 2009. A total of 146 participants attended the seminars, with extension veterinarians, beef cattle farm managers, pharmaceutical distributors, meat industry and livestock coop representatives, educational institutions, and representatives of veterinary institutes and laboratories attending. The focus of these sessions was on preventive measures, especially regarding cattle respiratory diseases which remain one of the main causes of death losses, increased production costs, and reduced efficiency in beef cattle production systems. These seminars were offered in cooperation with the Veterinary Chamber of Serbia, and have been included in their list of continuing education programs, which are now compulsory for all licensed veterinary practitioners in Serbia. A Training Manual on Beef Cattle Production, especially developed for this seminar were distributed to all participants. Additionally, the trainings served as an opportunity for local ABDS providers to present their commercial services related to animal health diagnostics and treatment to other stakeholders. At all three locations, regional Veterinary Institutes presented

the commercial services they offer relative to infectious disease diagnostics and on-farm visits. By organizing animal health trainings of this kind, and by inviting local service providers to participate, the Project is aiming to facilitate the introduction of new products and services in the Serbian market which can lead to decreased production costs and increased profitability in beef cattle production.

2. **HACCP on Beef Cattle Farms.** From June 17th to the 19th, in Ečka near Zrenjanin, the Project, in cooperation with the USDA, organized a training seminar on *HACCP on Beef Cattle Farms*. The purpose of this three-day seminar was to upgrade biosecurity measure capabilities on beef cattle farms by stressing prevention and information sharing as the key elements for viable businesses. This three-day seminar was presented by three US veterinary experts, with additional inputs by the Project's STTA Stephen Neel on the integrated marketing concept within the beef industry. The target audience included Ministry representatives and veterinary inspection on the USDA side, and thirteen USAID-sponsored participants from the private sector, including feedlot managers, service providers, private veterinarians, cattle feeding industry representatives and livestock cooperative managers. All the materials from the seminar, in both Serbian and English versions, have been uploaded onto the Project's web site and are available to all interested parties.

Participation of Meat Processing Companies in Trade Shows: The Project supported participation in a number of local and international trade fairs by client meat companies, and these companies have had success in developing new commercial contacts and in generating new international sales. The details of fair participation by meat companies is as follows:

1. In February, the Big Bull meat processing company visited the London IFE fair with Project assistance. The presence of this company at the London fair was of high importance, since the British market is unknown to the Serbian meat industry and Big Bull became acquainted with this new market and the opportunities it offered.
2. Two companies from the livestock sector exhibited their products at the Novi Sad Fair in May with Project assistance. This was the first time that Delikos from Sopot, a start-up family owned company, and Turkovic from Sjenica, a Halal export certified medium sized slaughterhouse, had had the opportunity to present their products at this fair and connect with new and potential buyers. As a result of this fair, these two companies reported \$200,000 in signed contracts, and an additional \$1.2M of contracts under negotiation.
3. Big Bull, Neoplanta, and LTS exhibited at the Moscow World Food fair in September, at the Project's booth in the Meat Hall at the fair. The three meat companies signed sales contracts \$1.3M, and they are negotiating an additional \$4.5M in contracts. At the end of Year Two these companies had already delivered products valued at \$200,000. The Russian buyers have expressed a keen interest in Serbian processed meats, patés, and ready-to-eat meals. The companies expressed an overall satisfaction with the results achieved, and the contacts made during the fair.
4. The Project supported several local fairs in Serbia which also provided opportunities for presenting their products to local agribusinesses. The Sjenica, Krusevac, and Nis local fairs were of particular significance for the livestock sector, and the Project provided limited one-time financial, as well as technical, support to the fair organizers. USAID visibility at these fairs was significant, and the fairs were an important place to make contacts with different livestock sector stakeholders.

Increasing the Production of Value Added Products: As part of the Marketing & Promotional grants program, four companies from the livestock sector have received preliminary approval for

grants. These companies are: Delikos, Big Bull, Agroživ, and Nucleus Centar. The companies have applied for assistance to upgrade their marketing capabilities, enhance their promotional materials, and to improve their visual and packaging identity. The companies have estimated that the impact of this assistance enable them to achieve \$2.6M in additional sales, and create 12 new jobs over the course of 2010.

Serbian Meat Products Market Assessment: Local STTA consultant, Ivan Lukic, began his assignment to assess the Serbian meat market towards the end of Year Two. Mr. Lukic will conduct an assessment of the management, marketing, and merchandising capabilities of a number of small & medium sized meat processing companies, and explore other elements related to the processed meat products value chain. The report will provide the Project with an evaluation of the current situation in the meat market, and provide additional perspectives for development of the market for value-added products.

OTHER LIVESTOCK SECTOR ACTIVITIES:

- A number of livestock companies are finalizing the consultation services related to the implementation of, and certification in, ISO 22000 and ISO 14001 as part of the program on International Standards. These companies will become certified, and submit their final grant program reports, within the next few months.
- The Livestock Sector Lead, and several meat sector companies, participated in the Halal certification seminar presented by professor Čedomir Nestorović on July 22, 2009, in Belgrade. The aim of the seminar was to present the opportunities, and the potential, for Serbian food companies to provide products to the regional and global Halal markets.
- Dr. Stephen Neel submitted his Final Report on Slaughterhouse Waste Evaluation. This report was prepared in collaboration with the USAID Competitiveness Project, and it was an assessment of the availability of slaughterhouse waste for use in an alternative energy project. The report will be translated into Serbian, and posted on the Project website, as information available to all interested stakeholders.
- A number of companies and ABDS providers from the livestock sector have participated in the training seminars presented around the country as part of the Business Skills Improvement program implemented by the Agribusiness Project.

Activity 1.0.4 Mushrooms & Herbs:

Activities in Year One were focused on increasing the competitiveness of Serbian agribusinesses in foreign markets and developing market linkages, thus increasing the value of exports. During Year Two the focus within this sector has been on the wild mushroom stakeholders, with the strategy of gradually shifting the volume of sales from bulk to retail. With Project assistance, approximately 15% of the wild mushrooms which were previously sold as bulk product are now being sold for the retail market. While the wild mushroom group has established good forward momentum, there is still a lot of room for shifting from bulk to retail. Serbia has yet to take full advantage of the opportunity to export high value final products, and the Year Five goal for the Project is to have the retail market account for 35% to 40% of the wild mushrooms previously sold as bulk.

Project assistance to herb companies has been on an ad-hoc basis so far, and has consisted of assistance to individual companies without a clear strategy. The main activities have been participation in international fairs, assistance to improve design, packaging, labeling and marketing, the adoption of international standards and certification, and training events. Despite the fact that these activities were not strategic in nature, they have achieved significant results. Serbian medicinal and aromatic herbs do not have the highest quality or the lowest price, but it seems that

Serbian medicinal and aromatic herbs have a good price/quality ratio. In Year Three and beyond, the Project will give market opportunities like these more attention and they will be incorporated into a strategic approach.

Bad weather conditions in 2008, and the financial crisis, have marked the first half of the reporting period. Bad weather conditions significantly reduced the quantities of wild mushrooms available for sale during the winter. Winter is known as the slowest season for the sale of wild mushrooms, but low inventories from 2008 on the part of the processors have reduced sales even further. The situation changed in second half of the year, with the start of the 2009 harvest. Favorable weather conditions increased the quantity harvested, although unit prices were lower. Nevertheless, client companies reported a significant increase in sales in the fourth quarter of Year Two. The financial crisis is affecting all Project sub-sectors, but it seems that the Mushroom & Herb sub-sector has not been significantly affected, in terms of demand. Many of the buyers of these products have been indirectly affected, especially domestic buyers. As a result of the crisis many local retailers are extending payment terms for their suppliers, and this is the main impact of the financial crisis.

In response, the USAID Agribusiness Project has initiated several activities which are oriented towards market diversification and increased exports. Other general support activities that have been undertaken during Year Two to support the sector include the following:

Training for Export Oriented Companies and Sector Specific Trainings: The Project organized a number of training events to assist client companies in the Mushroom & Herb sector. These training sessions included the following activities:

- Consultant Cherif Moujabber from the US “National Association for the Specialty Food Trade” (NASFT), delivered a training seminar to 35 participants. The training focused on the US specialty food market, changing global consumer preferences, market perspectives, and specialty food shows, with an emphasis on the role a specialty food association can play for the national industry. Bilje Borca, Fructus, Herba, Marni, Pams, and Strela attended the training.
- The Agribusiness Project sales and marketing training events for Serbian companies exhibiting and visiting the international fairs supported during Year Two. In addition, the marketing staff and representatives of the Montgomery Group from the UK, conducted training for the IFE trade shows regarding prospects for these fairs, and the potential market for Serbian companies.
- A number of sub-sector stakeholders participated in the Business Training Program. Training sessions covered following topics: Development of strategic and business plans; Finance for non-finance managers; Selling skills; Integrated Marketing Communications; and Connecting with the market and fairs. Companies participating in these training events were very satisfied with the quality of the training, and they all reported that it will improve their business.

Support the Adoption of International Standards: The Agribusiness Project is implementing a comprehensive program to support Serbian agricultural producers and processors in the process of introducing the international standards ISO 22000, GlobalGap, and ISO 14000. Four Mushroom & Herb sub-sector companies have been approved for grants to implement these standards. The companies involved are: Bilje Borca, Adonis, Maclav and Dina pecurka. They are all in the process of implementing the standards, and they will be certified in early 2010.

Co-Fund Exhibitions of Producers at International Fairs: The Project provided training and technical assistance to a group of Mushroom & Herb companies to exhibit their products at the following international trade fairs: IFE (London), Sial (Paris), WorldFood (Moscow), Vitafoods (Geneva), Fruit Logistica (Berlin), Anuga (Cologne), BioFach (Nimberg), Fancy Food (New York),

Agriculture Fair (Novi Sad), and others. Most of the sales recorded in the Annual Survey Results are a direct result of this Trade Fair activity. Participating companies observed the latest processing and packaging technologies, and established contact with number of input suppliers as well.

Support Sales Delegation Trips to EU and North American Markets: Beside the assistance related to above mentioned trade fairs, the Project is assisting companies that are not ready to exhibit at these fairs. One example is the National Association of MAP collectors and processors "Dr Jovan Tucakov". This organization was assisted with the organization of a visit to the Vitafoods International Fair in Geneva. A total of seven companies, all members of the association, were assisted to visit this fair and make new marketing contacts. The primary goal of this activity was to help small and medium sized Serbian MAP companies, with good export potential, to reach new international markets and sell their products for higher prices. Other goals were: assess market demand, establish business contacts contact inputs providers (especially tea ingredients which can not be found or grown in Serbia), and prepare the companies to exhibit at the fair in 2010. All of these goals were accomplished, and the association members have already contracted for more than \$400,000 in sales, and delivered products with a total value of more than \$250,000.

Improve Packaging Design & Labeling for Export Markets: As a result of the grant program: "Redesign of the Tea Bags, and Labeling as per US Market Requirements", the Bilje Borca Company has signed a sales agreement with its US importer, Sava, Inc., for their teas. On June 22nd the Bilje Borca Company delivered the first shipment of their products to the US market with a total value of \$92,000. It is expected that annual deliveries will be at least \$250,000.

The grant program "New packaging for Strela Products" is ongoing. The Strela Company is in the final stages of developing a new brand name, and package design. It is expected that this new packaging will result in increased exports of \$500,000 over the coming years, and up to six new full time jobs over three years. The total budget for this program is estimated at \$40,000, and the Agribusiness Project is providing a cost-share amount of \$16,500.

Effective market access, especially the market of final products, requires a significant investment in marketing and promotion. Bearing this in mind, the Agribusiness Project designed an incentive program - carried out through grant funding – where interested Project clients have access to financial support from the Project to improve their marketing capacities. As a part of this program of support to marketing and promotional activities, four mushroom and herb companies will participate in the program, and two have already been approved for grants.

Provide Support for Policy Reform for Wild Collected Products: The Agribusiness Project helped the "Jovan Tucakov" association to prepare a letter with recommendations on reforms of the legislation regarding the control of wild collected products which was sent to the MAFWM, the Ministry of Environment, and the Department for Environmental Protection. The institutions contacted have not responded positively to the recommendations provided by "Jovan Tucakov", so the Project will take different approach in Year Three. Over the course of the next year the Project will either strengthen the existing association, or assist the key firms in the industry to create a new association that could be a more effective advocate for industry positions.

New National Level Herb Processor and Exporters Association: The Trade Mission to the 2009 Vitafoods International Trade Fair in Geneva increased the participant's interest in export markets, and it strengthened their cooperation. The need for a fully functional, national level, business association for the industry is now recognized. The existing association, "Dr Jovan Tucakov", cannot fulfill the role of a national trade association, and it should focus on technical issues in the

future. A new national herb processor and exporter association needs to be established to deal with processing and export issues, such as organizing the Serbian exhibit at the Vitafoods Fair next year.

Collaborative Activities with Other Projects: The Strela Company is participating in the Community Connections Program being implemented by World Learning Serbia. This program offers a three-week, homestay-based, practical training opportunity in the US for professionals that demonstrate aptitude and leadership potential in different fields. Ms. Aleksandra Prokopovic, Strela's marketing specialist, participated in this program, and while in the US she met with American counterparts, and learned about American marketing and business practices first hand.

Increased Visibility for the Agribusiness Project in Eastern Serbia: The Project's Deputy Chief of Party and the Sector Lead met with representatives of RARIS (the Regional Development Agency Eastern Serbia) to present an overview of Agribusiness Project activities, the Mushroom & Herb sub-sector strategy, planned Year Three activities, and to discuss the potential for project activities in the Zajecar region. Representatives from local NGOs, the municipal agriculture department, the LED office, and rural development centers, from seven municipalities to attend the meeting. Following the discussion, it was concluded that RARIS should be the leverage point for information distribution regarding future Agribusiness Project activities. From the local side, RARIS and the municipality representatives will inform potential clients in their area regarding the Project in order to increase the Project's visibility to businesses in this part of Serbia.

Activity 1.0.5 Tree Fruit:

As with the Livestock Sector, the Tree Fruit sector was without a Sector Lead for the initial quarter of Year Two, and a new Sector Lead was hired early in the second quarter of the year. The new Sector Lead has gotten off to a quick start, as she was very familiar with the sector and had worked with many of the Project's client firms prior to joining the Project. The new Sector Lead has been following the activities laid out in the Year Two workplan for the sector, and the following paragraphs will provide details regarding the activities and events completed this year.

Support Market Requirements for Product Certification (GlobalGAP): Four companies involved in tree fruit production applied assistance to introduce the GlobalGAP standard (stone fruit and apple production), and one company applied for the introduction of ISO 22000 (operation of a ULO cold store for apples). ABD Prom, Atos Vinum, and Zdravo Organic have successfully passed through the certification process for the introduction of GlobalGAP, while Greeny has passed through the certification procedure for both GlobalGAP and ISO 22000. Obtaining the GlobalGAP certificate is very important for apple producers, due to the new agreement with Russia concerning pesticide, nitrate and nitrite residues in fresh fruit products exported from Serbia.

Improved Harvest and Post Harvest Management: From February 20th – March 8th Professor. Chris Watkins undertook a consulting assignment to assess the utilization of ULO cold stores in Serbia. He visited cooperatives and companies using this technology for apple storage, and provided technical assistance. Based on the assessments, the needs of the stakeholders visited, the Consultant created a training program which was delivered to a group of selected sector participants dealing with the storage of fresh apples in ULO conditions. A total of 40 participants were present at the training, with representatives from six producer organizations, nine companies and universities, five ABDS providers, and three from the media. The training material, in the form of a technical manual, was provided to all the participants. Based on the report provided by Prof. Watkins, apple post harvest issues will be treated in more details through events and activities included in the Year Three Workplan for the Tree Fruit Sector.

Improve Farm-Level Productivity and the Quality of Fresh Apples: From February 20th - March 14th, Professor Mirjana Bulatovic from Michigan State University, visited Serbia to assess the current status of apple and pome fruit production technologies used, and specific problems that producers encounter during the process. Ms. Bulatovic also provided on-site technical assistance to client companies and producer organisations. A training seminar on advanced apple production technologies followed the site visits, and it was conducted in cooperation with an ABDS provider whose expert from Israel provided training on advanced irrigation technologies. Forty-three participants attended the training, including representatives from seven producer organizations, nine companies, two agricultural universities, seven ABDS providers, and two from the media.

According to conclusions from the field visits, and requests made by apple producers, the need for technical assistance on the issues of plant irrigation/nutrition were identified. Professor Brian Boman from the University of Florida was selected to provide technical assistance in these topic areas late in the fourth quarter. The consultant performed field visits in order to assess the level of irrigation and fertigation technology being applied in apple production among Project stakeholders, and followed that up with a training program for apple producers using drip irrigation systems. A total of 23 participants attended this training session, which included representatives from ten ABDS providers, three producer organizations, five companies, and one media representative. The consultant will also develop detailed fertigation programs for three production client companies, with the goal of lowering their production costs and raising the quality of their fresh produce.

Agricultural Innovation Center Laboratory Certification: With grant support, the Arilje Agricultural Innovation Center has passed through the final assessment for obtaining the certificate from the Accreditation Board, and will receive the final accreditation certificate by the end of November. This certificate will enable the Innovation center's agrochemical laboratory's soil and water analyses to be official, and it will guarantee their precision. In addition the list of laboratory services will expand, particularly for services needed by fresh fruit and vegetable producers, who are seeing increased requirements for food safety and inspections in the main export markets. It is estimated that more than 1,000 farmers will be affected by the introduction of the new technologies and standards at the lab, and that the laboratory's role in providing advisory services and consultant assistance for safer production will be strengthened.

Providing Sales & Marketing Support for International Trade Fairs: Throughout Year Two, the Project supported participation by tree fruit companies at the following fairs: Fruit Logistica in Berlin, Bio Fach in Nuremberg, GulFood in Dubai, IFE in London, Fancy Food in New York, and World Food in Moscow. A total of 16 companies and ABDS providers took part in these fairs, either as exhibitors or members of a sales mission. The recent exhibition by fresh fruit producers at the World Food fair in Moscow was a fair with very high potential for fresh fruit exporters. The value of negotiated and contracted sales achieved by tree fruit companies at this fair exceeds \$4M to date. As a follow up on the contacts and conclusions made from this fair the Tree Fruit Sector Lead provided information on distributors of fresh fruit contacted at the fair to Project beneficiaries involved into this type of production. Since the interest shown at the fair by Russian companies for purchasing fresh tree fruit from Serbia was significant, the role of the Project in providing future sales opportunities for companies and cooperatives is considered as significant. In the future the Project will organize visits of interested Russian buyers and distributors with Serbian fresh fruit producers, as well as providing contacts for both sides.

Assist Tree Fruit Companies to Access New Markets: As a result of meetings at the Fruit Logistica fair, Dr. David Smith, the representative of the largest importer of fresh sweet cherries in the UK, the J.O Sims company, visited Serbian sweet cherry exporters in order to better understand

their production capacities, the varieties grown, fruit quality, and packaging. Growers that are currently supplying the Burlat Pro company own the only mature sweet cherry plantings in Serbia that produce significant fruit quantities. However, the levels of production technology, quality control, and packaging are not in accord with the requirements of the UK market. Out of the three companies visited, Borjana, a company from Southern Serbia is estimated to have the highest potential for exporting as soon as the orchard reaches the productive phase. The production technology at this orchard are highly developed and meet the market requirements, and consequently present the best potential for a trial shipment to UK, which will be organized during the next season, providing that adequate packaging is obtained.

Providing Linkages with Buyers from External Markets: This activity has been a regular element of the Sector Lead's cooperation with the Marketing & Sales team throughout the past year. In order to respond to inquiries from local and foreign buyers interested in purchasing fresh and processed fruits from Serbia, market linkages have been provided with the appropriate producers. Linkages concerning dried fruit, frozen sour cherries, sour cherry puree, fresh apples, and pears have been created, and results will be followed up.

Support for the Youth Enterprise Program: During the second quarter of Year Two ABD Prom participated in the internship program that was active during the summer months.

Support for Cross-cutting Activities: In cooperation with Marketing & Sales, and Communications, the Tree Fruit Sector Lead has provided a text on fresh apple and sweet cherry production in Serbia for Eurofruit magazine.

Joint activities with the Producer Organisation Specialist are accomplished by including producer organizations in the training sessions organized for tree fruit clients. Training and technical assistance on apple postharvest activities, and managing ULO cold stores were addressed towards cooperatives, since the greatest number of ULO cold stores are owned by cooperatives.

In response to the program for training to improve business skills for agribusiness companies, cooperatives and associations, the Tree Fruit Sector Lead has been informing stakeholders regarding these sessions, which were attended by representatives from 8 companies in this sector.

Introducing new Packaging Technologies for Processed, Fruit-Based, Products: In accordance with the Grant Agreement signed with Desing company for financial support to develop innovative packaging, and to introduce new packaging technology in their production of fruit fillings, toppings, dressings, and syrups, this company has concluded part of the activities included in the Agreement. An innovative new bottle for fruit toppings has been developed, together with the tools for bottles and for safety caps, and the new packaging was introduced into regular production in June. Purchasing equipment for aseptic packaging is in process, as well as consulting services to support the adoption of this type of packaging.

Support Clients to Increase Added Value through Marketing and Promotion: Four companies from the Tree Fruit Sector have been approved for grant support for the design and development of packaging, promotional material, websites, a new company logo, and product labels. These activities will take place in the first quarter of Year Three, and are expected to generate an additional \$1.4M of additional sales of fresh and processed tree fruit products.

Other Tree Fruit Sector Activities: The Tree Fruit Sector Lead has been providing data on apple production and marketing in Serbia to the Atos Vinum company that will be entering the fresh apple

market this year. Information concerning predominant varieties, yields, quality, storage, the main importers and export prices, and average prices on the local market have been provided to the company. The company's representatives have requested Project assistance to get this data in order to create marketing plan prior to apple marketing season.

The Tree Fruit Sector lead provided information to Burlat Pro company on current prices of sweet cherries in the EU that were needed in order to prepare an offer for a French buyer interested in this product. Information on last year's prices on the local market, export prices, and the packaging of apricots and peaches were presented to the Agrograf company, to enable them to respond an inquiry from a Russian buyer.

In order to estimate the status of plum and prune production in Serbia, Tree Fruit Sector Lead has been performing a number of interviews and visits to companies involved in dried fruit producing, which is mostly prune production. The reason for choosing this commodity for research is an estimate that the exports of dried fruits from Serbia are lower than their potential (contributing only 3% in the total exports of processed fruit products), as well as an awareness that these products are in demand in both the EU and Russian markets.

In connection with this research, a visit was performed to the Plum Festival in Osecina which is dedicated to the promotion of plum growing and processing. This region, situated in Western Serbia, is traditionally involved in plum production and contributes more than 40% of total plum production in Serbia. Project assistance for the development of this subsector within the Tree Fruit sector are included in the Project workplan for Year Three.

Activity 1.0.6 Vegetables:

Activities of USAID Agribusiness Project in the vegetable sector for the past year were primarily directed towards strengthening the competitiveness of domestic producers and their products. Considering the fact that competition became more fierce, both in domestic and foreign markets, Project clients were trained to apply various cost-cutting measures, and thus become more competitive in their markets. During this period of the continuing global financial and economic crisis, the most needed type of assistance was market diversification. The structure and size of production have changed considerably, both in primary production and in processing. In fresh vegetable production, the arable surfaces under vegetable production were considerably decreased due to producer's inability to collect debts from the previous period. On the other hand, surfaces for the production of vegetables which require low investments were increased, at the expense of higher quality, more expensive products, which are easier to place on the market.

Processing capacities have decreased due to the inability of processors to place products from the previous year, thus rendering large quantities of vegetables unusable, and reducing prices on domestic markets. There was a significant increase in product placement through the "Kvantas" markets, and exports to neighboring countries, primarily to Bosnia-Herzegovina, Croatia, and Montenegro, through local dealers with the payments collected in cash. Through the presentation of domestic producers at foreign agricultural fairs, significant progress was made in changing the traditional image of Serbian companies as producers of staple foods. Much progress has been made towards promoting Serbia as a producer of high quality, finished products. It is also important to note that four distribution centers began functioning during the year, which created better conditions for the placement of fresh vegetables in foreign markets.

The following paragraphs will describe the main technical assistance activities undertaken by the Project over the course of Year Two.

Training on Post-Harvest Management for Producer Groups: In this activity, post-harvest techniques and measures were presented to producers in Zablance, Mrcajevci, Rajac, Trbusani, Obrez, Gospodjinci, Silbas, Zabalj, Despotovo, Begeg, Futog and other areas. Participants were large-scale commercial producers of storable vegetables: onion, carrots, potato, red beets, parsley, celery root, etc. As part of the activity, STTA Professor Zoran Ilic visited several large-scale producers at each location, where the present methods of storage, and potential improvements, were discussed, which will result in reduced losses.

Advisory Services for the Association of Potato Producers from Leskovac: The Agribusiness Project team facilitated preparations of the Association of Potato Producers *Kondor* from Leskovac to register a cooperative, and as such apply for a loan (NIP) for building a storage facility.

Global GAP Awareness Seminars: Vegetable producers from all parts of Serbia attended a one-day seminar, which was held at six different locations, where information about the GlobalGAP certification, and Agribusiness Project support for the adoption of this standard were presented. Producers who supply supermarket chains, as well as large-scale producers who plan to enter export markets where this standard is a requirement, showed the greatest interest in this standard. (Eight clients are in the process of implementation of this standard as a result of Project assistance)

Visit to Fruit Logistica Fair for Vegetable Producers: Vegetable producers, and members of cooperatives and associations, visited the Fruit Logistica Fair in February, 2009. This activity is of crucial importance for capacity building of the Serbian producers. Equipment for semi-processing, or for fresh cut vegetables, were of the most interest for the vegetable producers.

Facilitating World Learning's Selection of Managers for the U.S. Visit: The Manager of the Vegetable Producers Association from Silbas, Ms. Marijana Pejak, and Mr. Petar Mojzes, manager of the *Agrokooperativa* cooperative from Horgos, were recommended by the Sector Lead for the World Learning program – Community Connections. These individuals were selected for the program, and they traveled to the US in May where they learned about the organization and management of Producer Organizations in the United States.

Farm Management Training for Managers of Producer Organizations: A four-day training seminar was held in Kovacica, where 24 large-scale vegetable producers received training in record keeping and the basics of farm management. This was the first of three sessions, after which the producers will have an improved ability to organize the financial aspects of their production, and to achieve better results through financial planning and cost reduction.

MDD Strategic Plan for a Packaging and Processing Facility: This company already owns a 7,500-ton, state-of-the-art cold storage capacity. The company requested technical assistance from the Project for technical support and information regarding the set up of a large-scale vegetable processing facility in the Novi Sad area. This facility will rely on the large scale vegetable producers in the region for its future input supply. Dr. Stephen Neel, conducted the research for this assignment and prepared a feasibility study for the MDD Group. After the analysis of the production potential and market opportunities, four processing lines were recommended for the production of value-added products including onion, carrot, potato, and sweet pepper.

Facilitation and Promotion of Lucic Prigrevica Company: As a result of this Project activity, the *Lucic Prigrevica* company signed a contract with the Metro Cash & Carry supermarket chain and became a supplier for following fresh vegetables: carrots, onion, and potato.

Improvement of ABDS Provider Skills (Global GAP): In coordination with GTZ, ABDS providers from the vegetable sub-sector participated in a five-day training program for GlobalGAP inspectors. These ABDS providers have become official AB-Certificate inspectors after they successfully passed the on-line exam taken after the training session.

Post-Harvest Training for ABDS Providers: Twenty extension service specialists were trained on post-harvest management. This was a new subject for ABDS providers, since this technology has not previously been implemented in Serbia by any agricultural institution/service.

Farm Management Training for Extension Service Providers: Agricultural economists from four agriculture stations were trained in farm management methods. The goal of this training was to develop their capabilities to assist agricultural producers with their financial management, and the planning of their production.

Improvement of Business Skills: A significant number of client companies in the vegetable sector were trained in sales and negotiating business skills. Some of the companies, like *Biotrend Donato*, have already used these skills and achieved remarkable results in negotiating with buyers.

Linking ABDS Providers with Local Producers: The Agribusiness Project has facilitated the strengthening of contacts between ABDS providers and producers, in order to bring them closer together and increase the level of their collaboration. The ABDS providers have not shown an adequate level of professionalism, and their presence in the field is rare. All contacts are usually made by phone, from the office, and without personal contact with their potential clients, which is crucial for their businesses.

Sales Mission and Exhibits at the Fruit Logistica Fair – Berlin, Germany: For the first time, companies from Serbia presented fresh vegetables in the EU market, at one of the world's largest fresh produce fairs. The following companies participated as exhibitors: *MDD Group* from Kac, *Zitohem* from Zrenjanin, and *Pavel Valent*, and they achieved significant results.

Presenting Local Producers at the Novi Sad Agricultural Fair: Two companies from the vegetable sector exhibited at this fair: *Biotrend Donato* from Novi Sad, and *Lucic a.d.* from Prigrevica. For both companies, this was first time their products were exhibited at an international fair. These Project clients are more than satisfied with their participation at the fair and they achieved remarkable results, and established contacts for future cooperation and sales.

Sales Mission and Exhibiting at World Food Fair – Moscow, Russia: Four clients presented their products to the Russian market: *Lucic Prigrevica*, *Repro Trejd*, *MDD Group*, and *Medvedj*. Russian buyers showed interest in both fresh and processed vegetables. Transportation costs are the largest obstacle for future development of sales to the Russian market, and this is also an issue with the Belorussian and Ukrainian markets.

Sales Mission to Gulfood Fair – Dubai, Saudi Arabia: The *Prima Produkt* company, which specializes in sweet corn and green pea production, participated in the abovementioned fair. As a result, the company sent over 30 offers to interested parties and/or contacts made at the fair.

Marketing and Promotion Activities in the Sector: During Year Two, six processing companies applied for funding to improve the visual identity of their company, or to adopt new packaging and labels for their products. These companies have gone through a training session presented by STTA

Jeff Spear, who emphasized the importance of proper packaging and label design, and the effects these factors can have on sales and marketing for their companies.

Involvement of Students in GlobalGAP Seminars: Students of the Biofarming Farming Faculty in Backa Topola, and the Agriculture Faculty Novi Sad, participated in the GlobalGAP Awareness seminars. As future agronomists, it was important for them to familiarize themselves with current trends, and be updated in the field of implementation of standards in fresh production. Students of the Vranje Agriculture high school also participated the GlobalGAP seminar there.

Involvement of Youth in Vegetable Sector Specific Training: Recipients of the junior achievement awards for vegetable sector participated in all sector specific trainings, including: Post-harvest, Farm Management, and Improvement of Business Skills.

Facilitating Foreign Investment in the Vegetable Sector in Serbia: The TNI company from Holland, and their representative Mr. Karl Wronski, came to Serbia to check possibilities for a joint venture business with Serbian producers. Six locations and producers were visited, and discussions were held regarding the potential and interest of each Serbian company. The presence of GTW (geo-thermal waters) heated production facilities, the ground water temperature, the flow potential of the well, and the land areas available for the production were priorities for the TNI company. The ITN concept is to establish glass house production with Serbian partners, where the Dutch partners will provide the technology and skills for a percentage ownership in the new company. All the local producers showed great interest in possible cooperation.

Introduction of Local Cucumber Producers to Hungarian Processors: As a result of facilitation efforts, the ATP Irrigation Company signed a contract with primary vegetable producers for 1,500 tons of cucumbers for pickling. The company will purchase, clean, and sort the products, and export them to the final buyer – a processing facility in Hungary.

Facilitation with Large-Scale Producers and Distribution Center: Over thirty large-scale vegetable producers have been introduced to the *Plodovi Fructus* company. *Plodovi Fructus* is new on the market, and their operation is planning for the purchase, cleaning, sorting, packaging and distribution of fresh vegetables for a known buyer – with 80% for export. Test shipments have been completed with eight suppliers, while several others are in the negotiation process for future cooperation with *Plodovi Fructus*.

OBJECTIVE 1.1 STRENGTHEN PRODUCER ORGANIZATIONS

In Project Year Two the Producer Organizations (PO) component was encountering certain difficulties in implementation of planned activities. Firstly, it was decided that the existence of the position of Producer Organization Development Advisor as part of the expat Project personnel was not longer necessary. Consequently, the local Producer Organization Development Specialist was named as the responsible party for the development and implementation of this Project component. Secondly, in the first five months of Year Two the local PO Specialist was also responsible for the Tree Fruit Sector which is considered one of the sectors with highest potential. Only after the hiring of a new Tree Fruit Sector Lead, in February 2009, was the PO Specialist able to dedicate all of his time and resources towards PO related activities. The following paragraphs will provide the reader with details regarding the activities undertaken by the Producer Organization component of the Project during Year Two.

Activity 1.1.1 Strengthen Organizational Capacities

Conduct an Organizational Capacity Assessment of Selected Producer Organizations: In order to measure the current level of managerial capacity of targeted Producer Organizations across the six sub-sectors, in this case Associations and Cooperatives, the Agribusiness Project conducted a survey based on the Organizational Capacity Assessment Tool (OCAT) as planned in the Project Proposal and Performance Monitoring Plan. The Project contracted most qualified local service provider through a public bidding process to implement the survey based on proposed methodology. The program of evaluating the organizations as per OCAT model was launched in December 2008, and completed in February, 2009. The leading consultant, Mr. Goran Zivkov (an ex Minister of Agriculture) made a comprehensive final report and gave Project staff a presentation of the results and findings from the survey, with recommended interventions for follow-up support to the assessed organizations. Facilitators that have passed the trainings, and successfully conducted evaluations of producer organizations, were awarded with achievement certificates and they will serve as valuable resource for future assessments throughout Serbia.

The OCAT assessment included six National Associations, 24 local Associations and 41 Cooperatives, for a total evaluation of 71 organizations that were identified as potential Project beneficiaries. Final scores of the assisted producer organizations on the OCAT system will be a baseline for measuring changes in capacity growth over time. The overall assessment results indicated that the major constraints identified with Associations and Cooperatives in Serbia, regardless of their level of development and size, are poor internal organization and low management capacities. The situation is somewhat better with Cooperatives than with Associations. OCAT also identifies three groups of cooperatives, based on their level of organizational and operational capacity, and possible assistance required. An understanding of financial management was identified as the largest problem for cooperatives, and that is followed by sales capacities, relations with outside partners and cooperative management practices in general. Management usually lacks basic business skills to operate farmers' cooperatives as agribusiness-oriented firms for effective marketing and supply services. The Project will use these findings as basis to design the type of capacity-building programs needed to strengthen targeted producer organizations over time.

Capacity building programming for producer organizations: The Project hired U.S. Consultant, Mr. John Haydu, who visited Serbia in July and August to develop a capacity building program for producer organizations, based on the OCAT survey. According to findings from the assessment report a decision was made to focus capacity building training activities primarily on cooperatives as for-profit organizations which can have an important role in the transition process for farmers in Serbia. Associations, as not-for-profit entities, provide limited services to their members and are not focused on enhancing agricultural incomes and employment. The assessment results indicated that the highest potential for improvement is with Cooperatives. The Consultant visited a selected number of cooperatives that were subject to OCAT survey to discuss the issues facing each individual organization, collect feedback on survey results and suggested support types as the baseline for capacity building programming down the line. Managers and members interviewed openly admitted that they and their members needed significant training to begin operating as a viable enterprise. As a result three training modules for agricultural cooperatives, which will be implemented in Project Year Three, have been developed. An additional, fourth module has been developed for associations and informal farmer groups interested in becoming a cooperative.

Nationwide Training Program for Cooperative Managers with Ministry of Agriculture: The Project reached an agreement with the Ministry of Agriculture on joint funding and implementation of nationwide training program managers of agricultural cooperatives in Serbia. The training

program will help targeted agricultural cooperatives remove the existing constraints by assisting their managers to improve business skills identified as lacking during the assessments. Jointly implemented, this activity is expected to reach a larger audience, enhance the quality of assistance, and to utilize resources more efficiently. The Project has formulated the content and types of trainings using findings from the OCAT study, and the training modules developed by Consultant John Haydu. The training program consists of three separate modules in the following fields/areas: (1) Cooperative Business and Strategic Management; (2) Financial Planning Tools for Cooperative Managers; (3) Marketing, Selling and Communication Skills for Cooperative Managers. Training materials and brochures will be printed and published for further dissemination. Training participants will be selected according to criteria defined by the Project, and the Ministry of Agriculture. The Project will arrange the participation of cooperatives from the six targeted sub sectors, while participants invited by the Ministry of Agriculture may well cover other agriculture sub-sectors, including grains, oil seeds, and sugar beets.

Organize and Support Larger Stakeholders' Associations: In Year Two, the Project was supporting stakeholders to initiate the formation of several national associations. One major weakness identified in the Serbian agribusiness environment is a shortage of developed industry associations that represent the interests of the subsectors. Activities to organize companies from the specialty food sector in national industry Association were slowed down due to fact that majority of companies from specialty food arena are already involved in forming of organic and dairy Associations and that can be additional burden to those stakeholders in this period.

Capacity Development of Fruits of Serbia National Association: The Association's development in Year Two was slowed down due to a delay in registration of a new entity, and because of the lack of promised help from the Ministry of Agriculture and the Chamber of Commerce for the operational start-up costs. However, as the main problems facing this association we identified the lack of skilled management, a proper organizational structure, clear goals, and a mission and long term strategy. Furthermore, the association should define the range of services that it will provide to its members and secure member commitment and sustainability. The Project will identify and hire a foreign expert for association development to work with the association's Managing Board to cope with these issues. Despite the initial problems, Fruits of Serbia succeeded to organize a number of activities with Project assistance that benefited their member companies:

- A visual identity for the Fruits of Serbia association has been developed. Logotype and a book of graphic standards for the association has been prepared by a local service provider, based on guidance from Jeff Spear, a graphic design consultant to the Project;
- The Association organized, in cooperation with Ministry of Agriculture, a one day conference on the requirements for the export of food to the Russian Federation (GOST-R certificate);
- The management of the Association have been trained to improve their business skills through training programs organized by the Project;
- For the first time the Fruits of Serbia association organized a joint promotional activity. Several companies and cooperatives, members of the association, exhibited at a joint booth at Belgrade Horticulture Fair and presented themselves under the name Fruits of Serbia;
- Under the umbrella of Fruits of the Serbia association, and with Project assistance, nine companies and cooperatives exhibited their products at the Agricultural Fair in Novi Sad;
- The Fruits of Serbia association organized a group of nine member companies to exhibit at the Anuga Trade Fair in Koeln, Germany, in October 2009, under the Association umbrella and with Project financial and technical support. The coordination of activities and information

dissemination to member companies regarding preparations for the fair and cooperation with USAID Agribusiness Project was completely carried out by Association.

Support Creation of a Serbian Organic Food Association: The Ministry of Agriculture strongly supported efforts of organic stakeholders to form new Association as the umbrella organization and facilitated a number of meetings. The Agribusiness Project was also involved during initial steps of forming the Serbian Organic Food Association, taking part in stakeholders meetings, providing advisory on the most suitable type and legal form of future organization, potential structure and budgeting, as well as activities and services that should be provided to the industry. Members were advised that, besides the membership fees, the Association must have other sources of financing through service delivery.

As a result, the inaugural assembly meeting of the first National Organic Food Association named „Serbia Organica“ was held and the association has been finally officially registered in August comprising over 100 members. Representatives of newly established national association “Serbia Organica” presented their organization and planned activities to USAID Agribusiness Project senior management. The Association will rent office space and hire a general secretary as of October 2009. Serbia has great possibilities, with its 1.150 hectares with organic production, to get close to the area of 600.000 hectares, which is estimated as convenient for such kind of cultivation. The Project will help association to develop internal organization, by-laws, articulate their strategy and support planned activities in 2010 that will benefit Association members.

Initiative to Create a new Herbs Processors Business Association: The Project supported seven companies that are members of the Medicinal and Aromatic Plants Association of Serbia, to conduct a trade mission to 2009 Vitafoods Trade Fair in Geneva, and met with buyers and distributors to negotiate potential sales. The lack of capacities of the Association to organize and coordinate this activity, and their great dependence on Project assistance, forced the companies to take a decision to form a new functional business association that will serve their interests efficiently. The Project met several times with the group of companies that will make a core of the new association to facilitate their efforts, provide advisory on the most suitable type and legal form of future organization, activities and services that should be provided to the industry, as well as on type of the Project assistance they can expect. The Project will help companies to set up viable organization, define their strategy and activity plan and carry out planned activities.

Initiative to Establish a National Blueberry Organization: As a result of networking and technical assistance delivered by the project, an initiative to establish a national umbrella organization was launched by the Project clients - blueberry growers and related ABDS providers in Serbia. Primary objectives of the organization would be improving blueberry production technology, market access and lobbying for its members. To foster the initiative the Project organized and hosted a meeting between main blueberry stakeholders; representatives of Arilje Ag Innovation Center and blueberry growers’ organizations from Arilje, Belanovica, Crna Trava and Bajina Basta. Project staff presented current trends at the blueberry markets in Europe and participants discussed production and expected yields in Serbia as well as potential for joint sales at national and export markets.

Support Creation of a Dairy Processors Association: The Dairy Sector Lead recognized the need by medium sized dairies to create a Dairy Processors Association that will represent their interests towards businesses and government institutions and address anti-competitive market behaviors. International dairy association expert, Mr. Gabriel Pascal, was identified by the Dairy Sector Lead and hired to foster development of such organization in Serbia. The consultant presented at the group meeting of dairy plant managers most efficient models of food industry based associations,

organizational structure, roles and responsibilities of members, and ways of budgeting for the association. The participants showed strong interest to establish a new dairy processors association and the Project will provide assistance to support and guide this effort. A meeting with the local Law Office was arranged to acquire more detailed advisory on the types of legal entities that could be used for this purpose. A Limited Liability Company, as originally proposed in the Consultant's report, was replaced with the Association as the most ideal legal entity that could be easily transitioned into new structure once new Associations' legislation passes thru the Serbian Parliament. The first joint activity of the dairies as an informal group was a trade mission to Montenegro and meetings and exhibition to Montenegro Hotel Association (MHA).

Support new Farmers' Cooperatives: In Year Two the Project has been supporting farmers to organize new cooperatives. Most of these initiatives were from berry fruit stakeholders. The berry sector lead, and PO Specialist have provided advisory assistance on a case-by-case basis:

- ***New blueberry growers cooperative.*** Recognizing the cooperative structure as the best concept to advance their organization, members of Association of Blueberry Growers from Belanovica have decided to establish farmers cooperative. As part of the Agribusiness Project strategy to assist non-profit associations to upgrade to profit-oriented cooperatives the Project supported inaugural assembly meeting of new Blueberry Growers Cooperative and presented interventions designed to develop new organization.
- ***New mushroom growers cooperative.*** The ten largest mushroom growers from different regions in Serbia decided to establish a cooperative that will serve them to organize joint purchase and quality control of raw materials, in particular compost, which is crucial for increased productivity and quality of the output. The Project met several times with the farmers to discuss best ways to organize new entity and support its development. In May they have registered "System Eko-funghi" cooperative. The Project will include this new cooperative in the trainings and technical assistance planned in Year Three.

Activity 1.1.2 Support Consistent & Standardized Production

GlobalGAP Product Certification of Small-Holder Farmer Groups: The Producer Organizations Specialist was assisting the Ag Info & Policy Specialist in the organization and preparation of GlobalGAP seminars in Cacak, Nis, Smederevo, Novi Sad and Subotica. Producer groups that have applied to introduce GlobalGAP standard were two agricultural cooperatives, two associations, and six informal groups gathered around downstream buyers such as processing and exporting companies as the potential certificate holders. At the end, only four grant applications for introduction of group certification in GlobalGAP were approved by the Agribusiness Project; one cooperative and three companies representing 50 smallholder fruit and vegetable growers. The key element for group certification in GlobalGAP is to put in place, maintain and run an effective quality management system (QMS) of the producer organization. That requires proper organizational capacity of producer group and the necessary trainings to staff of these organizations to manage and maintain the QMS as prerequisite for GlobalGAP certification. This is difficult to achieve, since producer organizations in Serbia are mostly poorly organized and characterized by low management capacities.

Improve Farm-Level and Post-Harvest Productivity and Quality: The Project provided support to a number of producer groups at sector specific level to improve performances of targeted producer organizations and their members related to specific commodities they produce, and value chain functions they carry out. Activities were implemented by Sector Leads with goal to improve farm level productivity, enhance harvest and post-harvest quality, reduce losses and improve product quality and marketability. Support was provided mainly through local and foreign technical advisors, ABDS providers, and suppliers. The following activities were Year Two highlights:

Capacity building of tree fruit cooperatives in post harvest and ULO storage management. Dr. Chris Watkins from Cornell University assessed capacities of five tree fruit cooperatives, ULO cold storage operators, to manage successfully storage facilities for fresh apples, evaluated the quality of apples stored under ULO storage condition and provided on-site technical assistance. Based on his findings, Consultant delivered one-day training to tree fruit POs dealing with growing and storage of fresh apples in ULO conditions (*Please see Tree Fruit Sector annual report*).

- **Capacity building of tree fruit cooperatives in advanced apple and stone fruit growing techniques.** Dr. Mirjana Bulatovic from Michigan State University visited and assessed four selected tree fruit producer organizations. The Consultant provided on-site technical assistance to each cooperative and delivered one-day training.
- **Training of producer organizations in improved postharvest handling of storable vegetables.** Four training sessions were delivered by a local specialist in different locations with the participation more than 120 members from five producer organizations. The training covered root crops, as well as other vegetables like peppers, and cabbages.
- **Trainings and TA to set-up new orchards and grow new raspberry primocane varieties for fresh market.** Local consultant Prof. M. Nikolic, was hired to help growers setting-up of new raspberry fields, and to supervise plant development providing advisory on irrigation, fertilization and plant protection measures. A series of trainings were delivered to the berry growers assisting a total of 25 farmers.
- **Training and advisory program to improve high bush blueberry production of blueberry growers.** The Arilje Agricultural Innovation Center delivered the Blueberry Training & Advisory Program to 10 POs from South/Western and Central Serbia and prepared guidebook for growers.
- **Trainings and TA to improve production, post-harvest, and marketing of fresh blueberries.** Mr. Richard Dale, an experienced producer and marketer of blueberries for fresh markets in the USA delivered three trainings and series of field visits to 90 blueberry growers, members of six cooperatives and associations.
- **Training and TA to improve management of respiratory diseases in beef cattle.** Dr Grant Dewell, veterinary beef specialist of Iowa State University, performed several on-farm assessments and provided technical assistance to two livestock cooperatives. In addition, the Consultant delivered trainings in *Management of Respiratory Disease in Beef Cattle* in Novi Sad, Niš and Cacak which included representatives of livestock producer organizations.

Activity 1.1.3 Collaboration with Other Projects and Institutions

Cooperation with USDA - Seminar on organic production. The Agribusiness Project collaborated with the USDA on the seminar “United States National Organic Program – Production, Trade, and International Agreements“. This seminar was delivered by Mr. Mark Manis, a USDA Senior Trade Policy Advisor. A review of Serbian organic production, trade and legislation was presented by the Ministry of Agriculture, and the “Terras” Association of Organic Producers. A total of 75 participants attended, among which a number of producer organizations. Following the seminar, Mr. Manis stated that this was the most successful seminar presentation he had in the region.

Study trip to US to improve management capacities of Serbian producer organizations. The Project assisted World Learning to shape their USAID funded Community Connections Program on agricultural cooperatives and associations. World Learning organized a three-week practical training in the U.S. for the managers of Serbian producer organizations in Ohio and Michigan. The PO Specialist provided inputs on types of producer organizations and the selection criteria for participants, as well as the professional goals of the program, and potential site-visits/organizations in

U.S. As a member of selection committee to choose participants of the program, the PO Specialist reviewed and evaluated over 50 application forms submitted by producer organizations. Six of the selected organizations are Agribusiness Project clients. Furthermore, PO Specialist provided advice to the participants at the pre-departure orientation meeting; what should be particularly addressed to organizations in US, learned based on their experience and then applied in organizations in Serbia.

UNDP Serbia study on cooperatives as mean to reduce poverty in rural areas. The Agribusiness Project Policy Specialist and the Producer Organization Specialist provided inputs to UNDP draft Report, prepared by “ITAD”, consultants for improvement of the institutional framework for the development of cooperatives in Serbia. The final report has been presented to the relevant Serbian ministries and organizations. UNDP Serbia sent a thank you letter to USAID Agribusiness Project acknowledging valuable inputs that were provided during the preparation phase of this report.

Mapping of Agricultural Products that can be competitively produced by cooperatives in Serbia. Project staff collaborated with experts of a UNDP project to “map” Serbian specific agricultural and food products that can be competitively produced and marketed by agricultural cooperatives. Relevant information on sub-sector commodities and cooperatives were provided to consultants. The final report has been prepared by professors from the Agricultural Faculty and shared with relevant public and private stakeholders. The list of products with potential to obtain protection of the geographic indications of origin by enhancing the institutional organization of producers, mainly through cooperatives has been made. Based on the findings from the report, the Project will consider support for producer organizations interested in obtaining protection of GI for their products and organizing production of GIs products.

OBJECTIVE 1.2 IMPROVING ABDS SERVICE DELIVERY

To compete in their markets, input suppliers, farmers, and firms all along each value chain will need to use services from ABDS service providers. Such services will assist them to upgrade their management capacity, increase yields and productivity, lower their costs, and improve financial performance, etc. The USAID Agribusiness Project has focused efforts during Year Two on creating a fabric of market driven service providers who can help the sector to develop more rapidly and on its own over the long term.

The Project has been focused on coordination and provision of these skills in technical, management, marketing and financial areas to the targeted subsectors during Year Two of the program and will continue to do so in the next year as well. Given the relatively scarce supply of ABDS in Serbia, technical assistance to firms in key points along each value chain will be initiated by the Project staff in an effort to build a network of sustainable ABDS providers.

Activity 1.2.1: ABDS Service Delivery Assistance:

The Project has worked to improve the capacity of local service providers to serve the needs of the value chains by improving their technical skills. Numerous foreign consultants (STTAs) have addressed these issues, and were involved in training and capacity building for the local ABDS providers. The project worked with large number of service providers during the year trying to link their services with the needs of sector companies. Generally, there was no Project assistance where local service providers were not involved – from grant programs for implementation of ISO and GlobalGAP standards (various service providers were involved both on the consultancy and on certifying side), to grants for improvement of packaging and the design of promotion materials. ABDS providers also assisted with dairy cattle feed trainings (Taurus and Agrar Kontakt), farm

management, the introduction of cultivated blueberries and cranberries, to organizing international trade shows where local service providers designed and constructed the booths.

The annual impact survey from Year Two has provided data that ABDS providers involved with the Project have recorded more than \$400,000 in sales revenues as a result of Project assistance. This is four times greater than the target for this indicator set in the PMP. Sales have come from a range of service providers, and via various activities, but some activities deserved to be highlighted:

- 1 **Improvement of Business Skills Program:** The ABDS/Finance specialist evaluated proposals from ABDS providers received for this business training program. The Project received 11 proposals, and four service providers were selected to deliver five separate training sessions (strategic and business plan development, integrated marketing communication, professional selling skills, finance for non finance managers and business networking and trades shows). A total of 96 persons, from 44 different companies, participated in this training program. The annual survey has measured client satisfaction with the seminars, and participants scored the seminars between 4.7 and 5.0 (where 5 is extremely satisfied). The ABDS providers involved have reported that 11 of the companies involved in the program have requested additional training and services. These ABDS providers have also reported added sales revenue amounting to \$47,282.

The example of Biotrend Donato (a small producer of vegetable-based sauces and salads, based in Novi Sad) is a compelling case demonstrating the success of the training seminars. According to Mrs Ljubica Stankov, the owner of Biotrend, they have been able to place their products in one of the largest hypermarket chains in Serbia, thanks to the skills she learned at the seminars. Three of her products are now on the shelves of Mercator – a place she never imagined to see her products. According to a quotation from her: she was able to lead the conversation during the meeting to discuss her products, and to successfully negotiate the entrance of Biotrend Donato into the Mercator hyper market retail chain network.

- 2 **Consolidation Services for Small Exporters:** Experience has shown that following international marketing and sales activities, such as the International Trade Fairs, many potential orders are never fulfilled, although the business had been contracted. The main reason for this failure to deliver the goods was the high transportation costs per unit of “less than container load” (LTL) shipments, and a lack of knowledge and contacts in target markets for warehousing and logistics. The Project team decided to address this market failure by surveying clients, and developing an appropriate response.

Over 50 Serbian companies were surveyed. The immediate response from the companies was a request for assistance to develop a competitive logistics and target market distributors for their products. In response, the Project contacted a number of logistics companies in the attempt to present the problems companies were facing and to work with them in developing and introducing services that would address the concerns and needs of the companies. This activity provided an overview of the capacities and willingness of local companies to modify and/or introduce these services. Lagermax AED, a company that has been operating in Serbia since 2003, expressed their willingness to cooperate with the Project in regard to this issue.

Through coordinated efforts the company and the project developed a consolidation service which has now been marketed to a number of interested clients. In the last quarter of Year Two, Lagermax AED sales staff have managed to consolidate a number of shipments, with the first shipment consisting of porcini mushrooms and sour cherries that left for the US in July. Lagermax has reported more than \$30,000 in new ABDS revenues in the annual survey, which is the equivalent of more than 10 consolidated full container trucks. These goods could never have been shipped if it was not for our joint consolidation initiative. The Project expects that

an additional \$1.6M of additional exports will be delivered due to the introduction of this service in the first year of operation alone. Both Lagermax AED and the Project will continue to refine and market this service to Serbian exporters.

- 3 **Introduction of new technologies – NTim drying system:** NTim technology – a company that the Agribusiness Project has nominated for the USAID annual technology award - holds patents for a food drying machine that offers the following advantages:
- Savings of structure, taste and flavor because of drying on low temperature
 - Equal temperature & humidity in the dryer because of “special piping” in the system
 - Less energy consumption because of re-use of the (warm) air
 - Environmentally friendly because of the use of solar energy
 - No air pollution because of condensation of the evaporated moisture
 - Correct final moisture content by setting Aw of the product

The Project did not take long time to realize the advantages and potential of NTim. As an immediate response, the Project supported NTim exhibits at Novi Sad fair at the Project supported booth. NTim has now confirmed sales totaling \$150,000 as a result of their participation at the fair. They are confident that sales will reach \$1M by the end of the year. The ABDS/Finance specialist, together with NTim, have prepared an analysis of the savings that can be realized if the NTim drying technology is used. Depending of the quantity of product to be dried, the savings vary, and as an example of the potential savings is a recent Russian investment in Serbia. More than \$3M were invested in this regular drying facility, to dry 20 tons per day. The savings on energy costs only from the use of NTim technology would be about \$250,000 per month, assuming the same volume of processing. The Project will ensure that potential investors in drying facilities are aware of the NTIM drying technology through series of presentations scheduled for Year Three. The Project will also continue to monitor the performance of the company.

Activity 1.2.2: Improve Access to Financial Services:

Analysis of the Impact of the Global Financial Crisis: The current crisis is at its roots a financial one. Credit was extended against assets which were subsequently found to be higher risk than anticipated, and in many cases worth less than the credit extended. The resulting contraction of credit has stemmed from two related drivers. First, creditors took enormous losses, forcing them to contract their loan portfolios to return capital ratios back to acceptable levels. In many cases, doing so has required an infusion of public funds. Creditors simply have less money to lend and are cautious about lending the funds which they do have. The retreat from the CEE has been especially severe, with funding not expected to return to the previous levels for the foreseeable future. Anticipating a negative flow of credit, loan rollover rates to emerging markets are expected to be below 100 percent for some time. The second driver for the contraction of credit has been an increase in risk aversion. After mispricing the risk on mortgage securities, creditors are hesitant to lend to any but the most secure borrowers. Risk premiums, which had hit all time lows in previous years, ballooned. Both emerging market companies, as well as developed market firms, that are all but the most secure have experienced a contraction of credit, and very high interest rates where credit is available.

The Project hired two consultants (Andrew Vonnegut and Goran Zivkov), and together with the ABDS/Finance Specialist and the Policy Specialist, they developed a detailed report (which available for download on the Project website) regarding the Global Financial Crisis and its impact on Serbian agriculture and agribusinesses.

The indicators which relate to the presence and intensity of the crisis are those pertaining to credit activity. If fewer loans are provided to beneficiaries, this means that: i) banks are reducing their credit portfolios, either in total or to only a certain specific sector or group of beneficiaries; ii) there is less demand from beneficiaries, since they have no confidence in the success of their business plans, or iii) both cases. In the case of the first half of 2009, banks significantly reduced their credit activities, and agricultural producers were less interested in taking loans, particularly those intended for investment. For instance, in the period from January to March 2009, Komercijalna Banka only approved 10 agricultural loans, whereas the same bank had approved over 6,300 loans to agricultural beneficiaries in the previous year. ProCredit bank, the bank with the greatest agricultural portfolio, with a 37% share of the total loans to agricultural producers, recorded a drop in agricultural credit activity of 28% in the number of new loans, and 40% in loan value during the period January – March. This indicates that the unit value of credit approved and disbursed has dropped from €2,768 to €2,302.

The Project organized a seminar on the *Global Economic Crisis and It's Effect on Agriculture*, which was held at the Novi Sad Fair on May 12th. Approximately 130 people attended this event, representing banks, supermarkets, private producers, producer associations, and governmental ministries and agencies. The seminar was organized in collaboration with EuroFruit Magazine, and it included speakers from key European companies (Berrygardens and The Greenery), along with the European Fresh Fruit and Vegetable Association, and the former Serbian Minister of Agricultural, Mr. Goran Zivkov. The presentations, and the report on the financial crisis, are available on the Project website and are being disseminated throughout Serbia so that companies and the Serbian government may better address the current economic challenges.

The ABDS/Finance Specialist, assisted by other Project staff, also worked on:

- The Project facilitated the dissemination of information about government/bank/donor credit/loan packages for agribusinesses (Ministry of Agriculture, SIEPA, Development funds, Republican Agency for SME development and other donors);
- The Project revised and updated the Agricultural Lending Guide, which was produced in collaboration with the Ministry of Agriculture;
- The ABDS/Finance Specialist advised individual clients on preparations and applications for bank loans and guaranties;
- The Project conducted seminars with bank loan officers to educate them on mitigating the risk involved in lending to agriculture and agribusiness. In Year Three the Project will focus on a core group of lenders, including Agrobanka, Procredit Bank, Opportunity International, Credit Agricole, Societe Generale, Intesa, and Piraeus Bank.
- The Project will assist companies from livestock and dairy industry to access funding available from the EU for building waste processing units to improve energy utilization.

OBJECTIVE 1.3 MARKETING & SALES PROGRAM

Activity 1.3.1 Trade Fair Support

Marketing & Sales, in coordination with MOAFWM and SIEPA, organized Serbian companies to exhibit at seven international trade fairs during Year Two: **SIAL, Fruit Logistica, Biofach, Gulfood, IFE London, Fancy Food New York and World Food Moscow**. The Exhibition of Serbian companies at Prodexpo was organized by the Chamber of Commerce, and supported by the

Agribusiness Project through a grant to the Arilje Association for the exhibiting companies. The Project also organized exhibits by 12 Serbian companies at The Novi Sad Agricultural Fair, and provided support to the Belgrade Ethno Food Fair through the grant program, and at this fair the Project presented a seminar on “Getting Started in the Food Business”.

Marketing & Sales also organized four sales missions to the following events: Fruit Logistica Berlin, IFE London, Vita Foods Geneva (coordinated by the Mushroom & Herb Sector Lead) and World Food Moscow. Prior to each fair Marketing & Sales staff prepared preliminary market research, provided the participating companies with marketing & sales training, conducted buyer consulting, and arranged media coverage and invitations to buyers. The Marketing & Sales staff also provided assistance to the client companies with meetings and negotiations during, and after, the fairs. The following is the statistical results of the trade fair program:

➤ Companies Assisted:	88
➤ Sales Opportunities Generated:	\$66,347,200
➤ Sales Contracted:	\$50,068,000
➤ Sales Delivered:	\$33,563,000

The following is a detailed description of the individual fairs and the results achieved with the participating companies:

- **The SIAL Fair in Paris:** The Project worked in coordination with SIEPA and the Ministry of Agriculture for organization of, and participation at, this trade fair. A total of 12 companies exhibited at this fair and 10 of the companies have reported sales as a result of this fair.
- **Ethno Food Fair:** The Project provided grant funding for the organization of this important domestic food show which takes place in Belgrade in November. More than 100 companies benefited from the financial support provided by the Project.
- **Fruit Logistica in Berlin:** In coordination with MOAFWM and SIEPA, the Project organized the exhibition of Serbian companies at this large international fair in Germany which takes place in February. A total of 18 companies exhibited their products, and an additional 18 companies participated in a sales mission trip to the fair. These companies reported that they have contracted for product sales worth \$9,262,000.
- **Prodexpo Fair in Moscow:** The Project supported the exhibition by Serbian raspberry producers at this important fair for the eastern European market in February. This activity was coordinated by the Berry Fruit Sector Lead. Four companies exhibited at this fair under the auspices of the Arilje SME Association, and they reported \$190,000 of contracted sales.
- **Biofach fair in Nuremberg:** In coordination with the MOAFWM and SIEPA, the Project supported exhibition by Serbian companies at this fair oriented towards the fresh markets. There were seven exhibiting companies at this fair, and they \$3,262,000 of potential sales.
- **Gulfood in Dubai:** The Project supported participation of Serbian companies at this fair, in coordination with the MOAFWM and SIEPA, in February of 2009. Eight companies exhibited at this fair and reported \$5,380,000 in potential sales.
- **IFE Fair in London:** The Project organized participation of six Serbian food companies at this fair, again in coordination with the MOAFWM and SIEPA. An additional ten companies participated on a sales mission to this trade fair as well. This fair took place in March of 2009 and the companies reported \$1,548,000 in contracted sales.

- **Novi Sad Agricultural Fair:** The Project organized an exhibition by 12 Serbian companies at this large, important regional trade fair held in Novi Sad in May. The participating companies reported a total of \$895,000 of contracted sales.
- **Fancy Food Show in New York:** Nine Serbian food processing companies participated in this fair, which is one of the most important food fairs in the North American market. This fair took place in June of 2009 and the exhibiting companies reported \$547,400 in contracted sales.
- **World Food Moscow Fair:** Eleven client companies participated at this international trade show in September, with the exhibits split between the meat and frozen food halls. Another 11 companies traveled to Moscow on a Sales Mission to observe the fair and make trade contacts. The companies participating reported \$8,758,000 of contracted sales.

Activity 1.3.2 Opening Domestic Markets

The Agribusiness Project's Marketing & Sales staff are in daily contact with Delta Maxi, Metro, Mercator/Rodic, Idea and Familija Markets, and are assisting client companies to make contact with these supermarket chains, and assisting them in the negotiation process. As a result of these efforts the Familija Market supermarket chain has been linked with a number of Project clients (Agrograf, Pogled, and Sir Produkt have signed contracts), Zlatibor Dairy was linked with Metro Cash & Carry, and there are many others as well. Metro Cash & Carry is now obtaining more and more of its fresh vegetable supply through Agribusiness Project supported companies.

Activity 1.3.3 Preparation for Fairs and Sales Missions

The Marketing & Sales staff have provided training sessions for participating companies prior to each trade fair. The companies were presented with data received from ITC market research, as well as provided with individual consulting for each company. The Project has also arranged coverage in local and international media for Serbian companies at these fairs, and sent invitations to buyers. During the fair itself, the Marketing & Sales staff provide individual assistance to each company with buyer negotiations, and follow up activities.

Activity 1.3.4 Training to Create Effective Marketing Strategies

Marketing & Sales STTA Jeff Spear completed his assignment in July to support the Marketing & Promotion Grant Program, with over 40 companies participating. Jeff met with each company individually, and their design/marketing service providers, to assess their initiatives and capabilities. Training seminars were conducted, one for service providers, one for producers. Follow-up processes have been developed to assure excellence in the activities, and the final products to be produced under the Marketing & Promotion Agribusiness Grant.

Activity 1.3.4 Marketing & Sales Communications

The Project organized the seminar on The Global Economic Crisis and its effect on Agriculture, which was held at the Novi Sad Agricultural Fair with 102 registered attendees. The seminar was organized in coordination with Eurofurit Magazine, and included speakers from some of Europe's largest companies, along with the European Fresh Fruit and Vegetable Association, Freshfel, and the former Serbian Minister of Agriculture Goran Zivkov.

Marketing & Sales staff have disseminated Buyer Invitations and Press Releases, and Organized Press Events prior to, during, and following the activities related to Trade Fairs. The image at right shows some of the promotional material that has been developed by the Project for use at the international Trade Fairs.

Activity 1.3.4 Market research and Market Plans

Sales and marketing, in coordination with the Tree Fruits Sector Lead, supported the visit of J.O. Sims from the United Kingdom who came to Serbia to inspect Serbian Sweet Cherry production and identify potential suppliers.

OBJECTIVE 1.4 YOUTH ENTERPRISE PROGRAM

Agriculture plays a vital role in Serbia's transition to membership in the European Union. Despite tremendous progress within a number of sectors, cultural and institutional issues remain. These challenges are perhaps most pressing among Serbian youth. Agricultural high schools and universities are largely theoretically based, with little use of applied knowledge to prepare youth to succeed in a changing agricultural environment. Consequently, youth are ill-prepared to assume roles within progressive agricultural farms and organizations. Additionally Serbian culture leads young people to avoid risk-taking. To successfully compete in the new market economy world, innovation and entrepreneurship needs to be strengthened among the youth.

The school system, including the agricultural high schools and universities, in Serbia is functioning with an outdated curricula and methodologies. Agricultural students are not prepared for the jobs and professions available in the modern business world. The main goal of the Agribusiness Project's Youth Enterprise Program is to develop an entrepreneurial spirit among young Serbian agricultural students, and encourage them to continue their agricultural studies, through a three phased program, as follows:

- An Entrepreneurship program in agricultural high schools
- An Agricultural Business Plan Competition for new enterprise creation
- An Internship program, developed in collaboration with local businesses and schools

In pursuing the above goals in a sustainable fashion, an integrated and coordinated delivery plan developed by the Agribusiness Project serves to guide the activities of the Project.

Activity 1.4.1 Entrepreneurship in Agribusiness Program

Best practices in entrepreneurial development throughout the world generally embrace a system of support approach. These systems are structured so that the support focuses on the entrepreneurs or entrepreneurial team first and the business second. There is recognition that this is largely a human development strategy as much as an economic development strategy.

The "Entrepreneurship in Agribusiness" program was launched in 19 agricultural high-schools throughout Serbia in September 2008 as an after-class activity. In October, the teachers, and "Entrepreneurship in Agribusiness" helpers, gathered in the Agricultural high-school in Futog, to discuss issues regarding the implementation of the program, and the student's reactions to the concept. Each school had approximately 20 students in the program, and no problems were identified in accepting the curriculum from their side.

The initial "Entrepreneurship in Agribusiness" classes were successfully completed by the end of March 2009. Around 150 students, participating in the program, were given instruction in modern economic principles, market issues, and management so that would be ready to step into the real life agribusiness world on their own. On the other side the teachers were very active in promoting their work on "Entrepreneurship in Agribusiness" implementation. They sent a letter to the Minister of Education in which they explained the purpose of the program, the key achievements thanks to the

new teaching approach, and the outcomes in the entrepreneurial potential the program has encouraged among the students.

The coordination meetings on the topic of “Youth and Entrepreneurship” were organized on a quarterly basis. Each participating organization worked to increase program cooperation to support young people, and to support the coordination of program activities in the field. One of the hosts of those meeting was the USAID Agribusiness project, and the meeting was focused on USAID funded Internship programs.

The National Democratic Institute, the PPES program, and the Project’s youth program director met regularly to agree upon a common approach to the Ministry of Education. A meeting of Agribusiness project and the PPES youth representatives with the Assistant Minister for Education, Mr. Lazarevic, was organized. At that meeting, the Agribusiness Project's CTO explained to the Assistant Minister all that USAID youth projects need an MoU with the Ministry. Ms. Ivana Petrovic was responsible for drafting the MoU in the name of all USAID-funded youth programs.

Since the Public Diplomacy section in the Embassy had several ongoing programs in cooperation with the Ministry of Education, it was suggested that the Project work with the Public Diplomacy to incorporate their programs and interests in the MoU. The Agribusiness Project’s Youth program director, Ivana Petrovic, prepared a first draft of the MoU, in the name of all three USAID-funded youth programs. The draft MoU is now with the Minister’s Assistant for secondary level education for the review and potential additional modification, so that it can be completely finalized before it is signed and becomes functional.

Because USAID has multiple projects working with the Ministry of Education on youth programs and entrepreneurship activities, USAID wanted to have the MoU with the Ministry in place before the Agribusiness Project moved ahead with the announcement of the business plan winners. Since the development of this MoU was well advanced, USAID has given the Agribusiness Project the go ahead to announce the winners, and make the grants to the awardees.

Activity 1.4.2 High School Youth Business Plan Competition

The Business Plan Competition is a mechanism to reward innovative ideas with the capital needed to execute the project. The Agribusiness Project made a public announcement for the Young Entrepreneurs Business Plan Competition in April of 2008. The review team selected seven plans as winners of the competition, and each of the students will be awarded a small matching grant from the Project to establish their new business (the list of winners is provided below).

Concurrently with the announcement of these winners, the Agribusiness Project also announced the start of the second round of the Youth Business Plan Competition. The Project’s Year One winners, and the new round of the Competition, were publically announced on April 14th. As part of the announcement, a new poster for the competition was developed. The poster was distributed to the schools involved in the program (a total of 19 throughout Serbia), the Junior Achievement schools, and the Agricultural Universities. The Project received new applications for the program during the months of July, August and September, 2009.

Summary Descriptions of the Business Plan Competition Year One Winners:

- 1. Dried Fruit, Vegetable and Forest Fruit/Herb Production - Nemanja Stancic**, a 22-year old Agriculture University student from Aleksinac, will receive \$15,000 from the Project to purchase a universal drying mill for drying fruits and vegetables.

2. **Dried Plum (Prunes) Production - Milos Prokic**, a 20-year old Agricultural University student from a village near Topola, is receiving grant support to purchase plum processing equipment costing \$14,500. His new business will provide employment for three people.
3. **Strawberry Production - Srdjan Stojkovic (18), and Sinisa Andjelkovic (17)**, young farmers and students a village near Vranje, will receive grant support of \$11,100, for the purchase of seedlings, an irrigation system, and a green house.
4. **Goat Cheese Production - Milos Erceg**, a 24-year old farmer and a management student from Kucura, submitted a Business Plan for developing goat cheese production. He will receive \$15,000 in grant support from the Project for milk processing and cheese making equipment.
5. **Mushroom Production - Tijana Dubljanin (21), and Bogdan Dubljanin (22)**, university students from Kraljevo, will process mushrooms without the use of artificial preservatives. They will receive \$15,600 for purchasing processing and packaging equipment.
6. **Green Pepper Production - Danijela Mucenski**, a 21-year old farmer from Kucura, has extensive experience growing a wide variety of vegetable crops, she will receive grant support of \$8,910 for renting land, and purchasing a small green house and an irrigation system.
7. **Vegetable Production - Sasa Cosic**, a 23-year old farmer from Temerin, has been involved in green house vegetables for much of his life, and he focuses on cabbage and onion production. He will receive grant support of \$12,750 for purchasing an irrigation system.

Activity 1.4.3 Internship Programs with Client Firms

The internship system that the Project has been trying to establish was based on national experience from Serbian high-schools, and international experience from other countries received from consultants from MSU. To implement the program it is necessary to work with other Agribusiness Project staff, progressive agribusiness companies, and ABDS providers. Student internships, which provide opportunities for students to gain real-world experience in the agribusiness field, and to determine if they have an interest in a particular career or create a network of contacts was not on the agenda of government programs.

The first activities related to the registration of potential Internship companies started in April. The list of the companies from the Project's database was searched and all those companies that were from the same regions and/or towns as the schools participating in Agribusiness Project's Youth Program were contacted. Letters were sent to those companies explaining the internship project and inviting them to participate in the program. The companies were given time to think about the positions they can offer to the high-school students, fill out the registration form, and send it back to the Project, so that the Project can coordinate the further activities with the school students and teachers. All the students that have applied for the Internships needed to submit their resumes, a motivation letter, and signed parental permissions. The Internships began in July 2009, and a total of 24 paid Internship positions were offered and accepted.

The Project's role was to monitor the Internships, both with the employer and the intern, via email, phone, and/or visiting the job sites. The second Project STTA for the internship program, and the Youth Program Director have evaluated the students and companies participating in the Internship Program, and have prepared the Year Three internship plan and action steps.

OBJECTIVE 1.5 OTHER CROSS-CUTTING ACTIVITIES

1.5.1 Environment:

This provides a summary of the progress of, the major achievements of, and the obstacles to, the integration of the environmental component into Agribusiness Project activities. This report also measures achievements against the Initial Environmental Evaluation recommendations. The Year Two Project Workplan included the following environmental benchmarks as objectives:

- 1.5.1.1: Ensuring compliance with regulation 16 environmental requirements;
- 1.5.1.2: A Pollution Prevention Program; and
- 1.5.1.3: Integrated Pest Management.

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

- Categorical Exclusion
- Negative Determination with Conditions
- Positive Determination

Activity 1.5.1.1 Ensuring Compliance with Regulation 16

Over the course of the year environmental screenings were completed to provide guidance to the Project on how to address the adverse environmental impacts of proposed Project activities during implementation. This was also undertaken to enhance the benefits to be obtained from Project assistance, and to introduce good practice standards for the client firms the Project assists. Based on the activities proposed in the Year Two Workplan related to environmental compliance, a two stage internal environmental screening procedure has been implemented for these activities, including applications for sub-awards. The first step in the screening process is the use of the Environmental Screening Form which resulted in the classification of each proposal as having low, medium, or high environmental risk. Low-risk grant proposals received final approval, and medium risk proposals had an EDD prepared that included proposed mitigation and monitoring actions. Environmental screenings of 70 submitted project proposals were completed during the year.

During Year Two, the Agribusiness Project PERSUAP, the very first one in Serbia, was approved by Bureau Environmental Officer. As required by the IEE, the Project Environmental Specialist completed Pesticides Evaluation Reports that provided pest control advice on target crops:

- Root and tube vegetables (carrot, celeriac, parsnips, potatoes)
- Bulb vegetables (onion)
- Brassica (cole) leafy vegetables (broccoli, cabbage, cauliflower)
- Legume vegetables (green beans, peas)
- Fruiting vegetables-edible peel (pepper)
- Fruiting vegetables- inedible peel (watermelon)
- Pomme fruit (apple, pear)
- Stone fruits (apricot, cherry, nectarine, peach, plum)
- Small fruits and berries (blackberry, blueberry, cranberry, raspberry, strawberry)
- Tree nuts (walnuts, hazelnuts)

The project pesticide selection process resulted in the current request of 51 pesticides was rigorous. During the process, some 120 chemicals were initially considered by evaluation of degrees of hazard of the pesticides, available alternatives, available non-chemical methods of control,

registration status in Serbia. Further, 75 pesticide products were evaluated, and 51 pesticides made the final selection. The screened pesticides recommended for use on project crops were selected based on: the pesticide's USEPA registration status, they are GUPs; they are listed by USEPA as being registered for use on the specific crop and pest/disease or for a similar use; they are registered in Serbia by the Ministry of Agriculture and Water Management (MAFWM), the pesticide regulatory entity; they have relatively low human toxicity or health risks; and relatively low environmental risks based on preserving natural enemies as well as efficacy; and they treat most pests or diseases in the project locations. In order to mitigate any potential adverse impact of pesticide use, several recommendations were provided via the PERSUAP.

The Safe Use Action Plan (SUAP) was also developed and the project started implementation of SUAP in cooperation with MAFWM. The Project organized individual trainings in 24 cities in Serbia on Safe Use of Pesticides and Environmental Protection; a total of 510 participants were trained and 475 of them were SPU certified. A total of 38 SPU trainers were certified to conduct SPU & EP education. This series demonstrated the absence of programs available to farmers that respond both to technical and policy needs and created a need for substantial Project support in setting the system in the country for continuation of this education.

Therefore, The Project continued to provide efforts in improving training capacity and SPU service delivery after completion of basic SPU trainings in March 2009 through Training of Trainers in presentation skills development -for the core group of 38 experts that have previously delivered countrywide training on Safe Pesticides Use .This training helped the trainees to develop a new set of skills needed for effective work with clients from the agribusiness sector and also attracted a great attention of Ministry of Agriculture and Ministry of Environment representatives and general public.

Activity 1.5.1.2 Pollution Prevention Program

The practice in Serbia in the past few years was that food processing enterprises usually adopted a passive end-of-pipe-treatment approach to pollution control to improve their environmental performance. Breaking through these traditional and costly practices, the Agribusiness project is encouraging proactive pollution prevention by its clients, starting with the introduction of the concept of Cleaner Production. Through the application of advanced technologies, and management measures to make improvement throughout the whole production process - from product design, process control, technology modification, to the management - the Project has managed to improve the status of the environment, and develop environmental policies for its pilot enterprise and ABDS clients. By cutting pollution emissions at the source, and the subsequent treatment costs, and reducing natural resource consumption to lower production costs on the other, the Project has turned environmental compliance work into an investment possibility which can increase profit margins and enhance competitiveness of agribusiness enterprises.

Short term technical assistance for Project clients on Cleaner Production was provided by two local consultants through a set of six regional workshops for interested companies. As part of the program to introduce Pollution Prevention (ie: Cleaner Production) to client companies, additional training sessions on Cleaner Production for ABDS providers were also completed during this year. The trainings for ABDS on Cleaner Production were aimed at incorporating Cleaner Production (CP) into the portfolio of services of environmental service organizations/ service providers so that they can provide these services to their agribusiness clients. The training on Cleaner Production for Agribusiness enterprises consisted of six workshops which were performed at 11 pilot food processing companies, and 10 environmental service providers. The participating companies were:

Two slaughterhouses, one meat processing company, three dairies, one vegetable processing company, two cold stores, one mushroom producer, and one tea producer.

After completion of the last workshop on CP in Agribusiness, participants from our client companies developed, as a follow up activity, Cleaner Production Action Plans for their business operations. The Action Plans resulted in business improvements which have included cost savings, improved efficiency and productivity, and reduced risks and environmental impacts. Over the course of Year Three, CP program participants will be given the opportunity to submit their Cleaner Production proposals for review, and potential grant funding, to the Agribusiness Project.

Activity 1.5.1.3 Integrated Pest Management

The USAID Agribusiness Project needed to postpone the activities related to IPM, since the identified Integrated Pest Management (IPM) Specialist, Mr. Alan Schroeder, was not able to start his assignment earlier than July 2009. The approved Scope of Work for the STTA on IPM was for training selected apple producers to use practical and appropriate IPM procedures during production, harvest, processing, and marketing of apples grown on selected demonstration sites in Northern Serbia (Tavankut, Palic and Kupusina). Mr. Schroeder focused on the transfer of practical IPM experience to growers and ABDS providers, and the preparation of apple growers for new production practices in accordance with the present and future marketing needs. In light of recent changes at the European level, the adaptation of Serbian legislation regarding plant protection products, and the integration of IPM policy into national legislation, was achieved by the adoption of a new Plant Protection Law. Together with the MAFWM, and the USDA, the Project will work on all aspects of the integration of IPM into Serbian national practices in Year Three for the crops that have been selected for Project assistance.

1.5.2 Women Entrepreneurs:

The USAID Agribusiness Project and the Agropress NGO implemented a joint “Women Entrepreneurs in Agribusiness” project during Year Two. Engaging women in agriculture is of vital importance for Serbia’s development, and will result in improved employment opportunities for women in rural areas, creating the basis for financial security, and raising the living standard of their families. The main goal of this project is to promote entrepreneurship among women living in rural areas of Serbia, encouraging them to take active participation in the improvement of their economic position through self-employment. Six training programs in how to start and run a business were implemented in various regions of Serbia. These programs reached 125 entrepreneurial women, and the impact of these programs is currently under review.

Mrs. Jasmina Nikitovic Stojicic, an FAO trainer on social & economic for rural women, and Agropress (the Union of Agricultural Journalists), were assisting the Project in establishing a group of “Women Entrepreneurs in Agriculture”. Their experience, and work on editing the regular agricultural show on national television (Znanje-imanje), has been valuable in assisting with the creation of the group.

From April to July, Agropress conducted six training sessions in the regions of Krusevac, Bela Crkva, Novi Sad, Leskovac, Kopaonik and Valjevo. The eighteen to thirty participants per training were trained on how and why they should start their own businesses, how to make a business plan, where to apply for the funds and how to communicate with their business partners. The concept of the trainings was to provide practical examples of successful businesses and new modern technologies, so these women visited farms, food processing companies, orchards, and various other value-added factories, where they gained insights in the modern agribusiness world.

In the month of May, women entrepreneurs even took part in the Conference of women in agribusiness, organized by Agropress, at the Novi Sad Agricultural Fair. There they had the opportunity to meet women entrepreneurs from all around Serbia, and share experience among themselves, and most of all had the chance to discuss the current agribusiness trends with the people from the Ministry of Agriculture and Serbian private agribusiness sectors. Furthermore, the women who are in the food preparing business participated in organizing a traditional catering for the Fair visitors, on the booth that Agropress has provided for the sale of goods or for display purposes of “Women Entrepreneurs in Agribusiness”.

1.5.3 Volunteer Program:

During the course of Year Two, the Agribusiness Project continued efforts to integrate American volunteers into ongoing Project activities. The Deputy Chief of Party, and the Grants/M&E Specialist had a number of meetings with the Serbian Union Council (SUC) to discuss the potential for their providing volunteers to assist the Project. Contact also continued with the CNFA in Washington, which is the manager of the Farmer-to-Farmer volunteer program for Eastern Europe.

By the end of the year Project management had reached the conclusion that the integration of volunteers into the technical assistance program is not practical. The SUC does not have a database of members that are ready to volunteer for work in Serbia, and each individual volunteer assignment would be a one time activity. The time and effort needed to select an assignment for the volunteer, identify the volunteer, and get the volunteer and the travel arrangements approved would make the implementation of such a program difficult and time consuming, at the least.

With CNFA, their volunteer program is well structured, but their basic approach does not mesh well with the goals and objectives of the Agribusiness Project. The CNFA program is basically a “people-to-people” type of approach, whereas the Agribusiness Project is seeking broad sector wide economic development. As with the SUC, the time and effort needed to integrate CNFA volunteers into the program does not seem to be worth the effort. At this time the Project has abandoned the idea of incorporating volunteers into the program.

Component 2: Improved Enabling Environment for Agribusiness

Objective 2.1 Improve Access to Market Information:

Activity 2.1.1: Strengthen the Serbian Agricultural Market Information system (STIPS).

Following the implementation of the survey on client satisfaction with information and reports available through the market information system in agriculture in October 2008, the Agribusiness Project has designed, in cooperation with the Ministry of Agriculture, the program for improvement of the agriculture market information system (STIPS) (www.stips.minpolj.gov.rs). The program consists of two key elements: 1) “Market analysis, utilization of information from STIPS and basics of marketing” project encompassing series of interactive seminars and workshops for farmers in 18 reporting centers organized during the course of 10 months (May 2009 to February 2010) by the service provider Agromreza; and 2) Improvement and upgrade of the system software, implemented by the service provider Radionica Krug.

Activity 2.1.2: Develop Serbian capabilities to participate in the Farm Accountancy Data Network (FADN). During the Year Two, apart from initial consultations, no specific work has been conducted with respect to FADN, since the Ministry of Agriculture had no resources and funds to initiate the full implementation of the system, due to the reduced budget in 2009.

Activity 2.1.3: Undertake Targeted Agricultural Studies and/or Surveys. Following the identification of problems related to the functioning of the cold chain for fruits and vegetables, the Agribusiness Project has contracted with the internationally recognized consulting company World Food Logistics Organization (WFLO) to prepare the Study on the Serbian Cold Chain for fresh fruits and vegetables, herbs, mushroom and berries. In addition to the WFLO Cold Chain Specialist, Dr. Stephen Neel (project coordinator) and Cold Facilities Engineer, Henry Bonar II, the team of five local expert consultants including the logistics coordinator, postharvest specialist, agricultural engineer, refrigeration engineer and agricultural economist worked on the study.

Activity 2.1.4: Provide Support for Fruit & Vegetable Consolidation Centers. The Project has been working on the consolidation of fruit and vegetable produce for exports. A significant market failure has been identified, especially with respect to the poor managing of the LTL (less than container load) shipments. The Agribusiness Project prepared the consolidation strategy that focuses on improvement of operations of logistics service providers, and has managed to organize consolidated shipments via the ABDS provider Lagermax AED doo. For more information on this initiative please see the **Component 1: Improve ABDS Delivery** part of this Report.

Activity 2.2.1: Provide support to coordinate legislative and policy reform.

- During Year Two, the Project implemented the program of support for the introduction of international quality, food safety, and environment management systems. The primary goal of the Program was to improve the quality and competitiveness of Serbian agricultural products in order to facilitate their sales in the world market. A total of 40 grant applications were received, and 28 agribusinesses were accepted for grant award. The ABD Prom Company is the first client company to complete the GlobalGAP certification.
- In cooperation with “AGROPRESS” and the Ministry of Agriculture, the Project organized a one-day conference titled “Agribusiness in Serbia 2010 - International Integrations and Perspectives” in September. The objective of the conference was to inform all relevant stakeholders regarding the agriculture sector’s most pressing and current issues, and to provide information regarding the 2010 agricultural policy, the impact of international integrations, and to facilitate dialog between Government officials, and the leading industry representatives.
- In cooperation with the Ministry of Agriculture, the Agribusiness Project has prepared a promotional video on Serbian agribusiness. The video was prepared by the production company “Pavilux”, both in English and Serbian (with a longer version of 15 minutes and a shorter 8 minute version). The video will be used to inform potential investors, traders, and policy makers, as well as producers and processors to become acquainted with the comparative and competitive advantages of Serbian agriculture.
- In the accession process of Serbia to the World Trade Organization (WTO), the Agribusiness Project’s Policy Specialist assisted the Ministry of Agriculture with the preparation of the ACC/4 document in February 2009. The document outlines the domestic support measures and export subsidies in agriculture for the preceding three year period (2006-2008) in accordance with the requirements of the WTO Agreement on Agriculture.
- The Agribusiness Project assisted the Ministry of Agriculture with the preparation and printing of the publication “Agricultural Guide” which outlines, in an appealing manner, all of the separate Government regulations governing agricultural subsidy programs applicable in 2009. The publication has been designed to provide farmers with a comprehensive source of information on the ongoing subsidy programs.
- In order to address the issue of the global economic crisis, the Agribusiness Project prepared a Study on the Effects of the Global Economic Crisis on Serbian Agribusiness. The Study

provided an assessment of the impact of the global economic crisis, but more significantly, provided specific recommendation on how to mitigate the negative effects of the crisis. The findings from the Study were presented at a seminar on the Global Economic Crisis, organized in cooperation with the EuroFruit Magazine at the Novi Sad Fair on May 12, 2009.

- Following the berry fruit trade mission to the UK, members of the association “Serbian Fruits”, and the Agribusiness Project, requested that the Plant Protection Administration provide an official opinion on the equivalent Serbian categories of planting materials which correspond to the UK certified categories: Foundation (F), Super Elite (SE), Elite (E), A and AH (Approved Health). Following consultations between the Serbian Plant Protection Administration and the UK Department for Plant Health, the Director of the Serbian Plant Protection Administration issued the official decision for acceptance of berry fruit planting material from the UK
- Following the discussions at the 15th scientific expert counseling session on the Production and Marketing of Herbs, Spices and Aromatic Plants, held in Backi Petrovac in October 2008, the Agribusiness Project assisted the Association of Producers and Processors of Medicinal Plants, Spices and Aromatic Plants in preparing two policy papers that were submitted to the Ministry of Agriculture and the Ministry of Environment & Spatial Planning on November 18, 2008. The Project provided comments on the draft policy papers prepared by the Association.
- During December 2008, the Agribusiness Project provided support to the UNDP, in the process of “mapping” Serbian agricultural and food products which have potential for GI protection. The UNDP study focuses mainly on products that are appropriate for production and marketing by agricultural cooperatives. Project’s staff assisted the UNDP experts in the process of identifying relevant agricultural products and cooperatives.
- The Agribusiness Project participated in the Regional Agribusiness Roundtable organized by the Regional Competitiveness Initiative (RCI) on November 25, 2008, in Belgrade, and the Regional Workshop on EU Funding for Agribusiness organized by the USAID RCI Project in collaboration with the CEED Network, on April 28, in Belgrade.

Objective 2.2: Support new Agribusiness policy implementation

- During Year Two the Serbian National Parliament adopted 15 new agriculture related laws based on proposals from the Ministry of Agriculture. This was the most comprehensive legislative activity in agriculture in recent periods. Following adoption of laws, the Agribusiness Project’s policy team prepared summary analyses of the adopted laws that outlines their main goals, changes introduced pursuant to the new laws, potential difficulties in implementation, and an overall evaluation of compliance with international rules and principles. The set of adopted laws ensures greater compliance of Serbian agricultural practices with rules enforced by international organizations such as the WTO and UPOV, and enables harmonization with various EU rules.
- **Warehouse Receipts (WHR):** The Agribusiness Project has provided technical assistance to the Ministry of Agriculture in the process of developing the Law on Public Warehouses for Agricultural Products (WHR Law), implementing the regulations and establishing the warehouse receipts pilot project. The Agribusiness Project brought in Warehouse Receipts (WHR) expert Krassimir Kiriakov in January to provide specific recommendations to the Ministry of Agriculture regarding the establishment of the warehouse receipts system. In cooperation with the Ministry of Agriculture and the EBRD, the Agribusiness Project organized a conference on the System of Warehouse Receipts for Agricultural Products on January 28, 2009. Around 90 representatives of financial institutions, operators of warehouses, governmental institutions and producer organizations had the opportunity to learn about the advantages of the WHR system.

- During the period April – May, local Indemnity Fund Specialist Aleksandar Milosevic was engaged by the Agribusiness Project to prepare the regulations necessary for establishing the WHR Indemnity Fund. The Statute of the Indemnity fund defines the Indemnity Fund’s name and seat, bodies and their scope of work, decision-making processes, representation, procedures for amending the Statute, etc.
- During June, the Warehouse Receipts Specialist Krassimir Kiriakov assisted the Ministry of Agriculture with preparations for the warehouse receipts pilot project. On June 11, 2009, the WHR Specialist, together with the representatives of the Ministry of Agriculture and the Intesa Bank, gave a presentation at the warehouse “Zitko” on the pilot project. The WHR Specialist and the Policy Specialist developed the three-party contract that will serve as the basis for pilot project implementation. The three-party contract was signed by the Ministry of Agriculture, selected warehouses, and commercial banks in July, to formally initiate the pilot WHR project.
- **Legalization of Plant Protection Rights:** At the preparatory training for members of the berry fruit trade mission to the UK, organized on October 24 2008, the Policy Specialist gave a presentation on the current status of, and prospects for, Serbia’s membership in the UPOV (status and outline of the draft legislation and preconditions for membership). The Policy Specialist presented information on the implications of the UPOV membership on imports and production of new varieties of berry fruits. The Law on Protection of Plant Breeder’s Rights, approved by the UPOV (International Union for Protection of New Varieties of Plants) Council as compliant with the UPOV Convention, was adopted by the Serbian National Parliament on May 29, 2009. During the Year Three the Project will consider activities for the education of relevant stakeholders on the requirements of the system for the protection of intellectual property rights for new varieties
- **Reform of the Cooperative Law & Registration in Serbia.** During Year Two, the Project had several consultations with the former President of the Cooperative Union of Serbia who is a member of the Working Group for the development of a new Cooperative Law, and his associates to discuss activities related to the promotion of agricultural cooperatives and the development of a new Law on Cooperatives. The Agribusiness Project has offered to engage international experts from the International Cooperative Alliance (ICA) to assist in the preparation of the Law. The final draft is not yet available for public discussion and comment. The Project will provide comments on the draft Law, once it becomes available.
- The Policy Specialist and the Producer Organization Specialist reviewed the draft UNDP Report on Social Enterprises in Serbia - Cooperatives: Institutional Framework and Experiences from the Practice, which was prepared by “ITAD” consultants and provided comments on proposed activities to improve the institutional framework for the development of cooperatives. Based on comments provided on the draft report, the UNDP developed final version of the report that was presented to the relevant Serbian ministries and agricultural cooperatives in July 2009.
- In terms of the work related to the associations, the Agribusiness Project’s Policy Specialist and Producer Organization Specialist participated in the inaugural assembly of the national organic umbrella association “Serbia Organica”, held at the Serbian Chamber of Commerce on May 29, 2009. In addition, the Agribusiness Project organized a presentation for the members of board of directors of “Serbia Organica”, on the recently announced grant program of the Ministry of Economy to support clusters in Serbia on June 17, 2009.

Component 3: Program Management & Administration

Objective 3.1: Agribusiness Grant Program:

In the absence of USAID's formal approval for the revised Grants Manual submitted with the Year Two Work Plan, the Project has been implementing the grants program in accordance with provisions of originally approved manual from March 2008. The revised Grants Manual has been submitted as an integral part of the Year Three Work Plan, with the revisions necessary to assure consistency with the strategic objectives of the Agribusiness Project, as well as the approved budget realignment and the lessons learned from the past two years. Since the inception of the Grants Program in April 2008, the Grant Review Committee has approved a total of 51 grants with a total grant amount of \$651,015. These grant programs are now in various stages of the award and implementation process. The grant recipients have committed to provide matching funds of \$481,789, or 42.5% of the total cost of the activities.

During the reporting period, grant funds were used to support market-driven activities designed to increase the efficiency and competitiveness of client firms by leveraging their investments in processing, packaging, new technology, marketing, promotional activities, and international food safety and quality standards. The grant funds were also used to provide general services and to support participation in national and regional trade fairs and sales missions. Grant funds have also been used to promote women's entrepreneurship in agribusiness and to finance youth business plans. Further details on the grant program in Year Two are provided in the following sections.

In addition to the 51 approved grants, there are 25 grant applications in the pipeline, with total grant funding at approximately \$400,000. These applications were submitted for the grant program to improve agribusiness competitiveness by providing matching funds (45% of the total cost, up \$30,000), for the re-design of packaging, labeling, logos, web sites, and other promotional and marketing materials. These grant applications were solicited through a public call for applications issued in May-June 2009. The Project received a total of 73 responses to this solicitation, and following an initial review 43 companies were invited to meet with the Project's Marketing Consultant for a review of their concept, and an evaluation of their service providers. After these and meetings, the companies were invited to submit the full grant applications. As of the end of Year Two the Project had received twenty-five full grant applications from the finalist companies. Based on the applications received, the expected value of the grants is approximately \$400,000, with a total projection of \$575,000 in matching funds from recipient companies. These companies have projected a total of \$7.7M in additional sales, and 185 new jobs will be created.

Activity 3.1.1 Award Investment Incentive Grants to Client Firms

1. "Bilje Borča", a processor of medicinal and aromatic herbs, received a grant of \$11,900 to leverage their investment in redesigned tea packaging for the US market, and development of a new brand name. With Project assistance, "Bilje Borča" plans to generate additional income of over \$700,000, out of which \$350,000 will be for exports in next three years.
2. An investment incentive grant of \$18,500 was awarded to Strela, a mushroom sector stakeholder to support their efforts to shift from bulk to retail packaging for the EU market. As per the grant agreement, the company will provide a cost-share of \$25,900, and the program will generate increased sales of \$2.0M, and six new full-time jobs.
3. "Desing", a private tree fruit sector company, received the grant funds of \$31,800 to assist with their investment in new packaging technology for fruit and other food products. The total project cost is estimated at \$154,000, with Project funds covering services pertaining to the development and design of the necessary tools for production of new packages. Introduction of

new technology will result in increased sales of \$3M, as well as three additional jobs and a number of seasonal jobs.

4. The value-chain assessments revealed that one of the major weaknesses among Serbian agribusinesses is the lack of accepted international food safety and quality certifications. Accordingly, an investment incentive grant scheme was developed to promote the adoption of the international food safety and quality standards – GlobalGAP, ISO 14001 and ISO 22000. Thanks to this initiative, 28 Serbian agribusinesses grants valued at \$157,269 to receive certification in these standards. The grant recipients have committed matching funds totaling \$124,094 (i.e. 44% of the total cost of the activities). As of the end of Year Two one company has already been certified in GlobalGAP, while an additional ten agribusinesses are in the GlobalGAP implementation phase. Two companies will be certified in ISO 14001, eleven in ISO 22000, two companies with both GlobalGAP and ISO 22000, one company with ISO 14001 and 22000, and one company with ISO 14001 and GlobalGAP.

Activity 3.1.2 Award Enabling Grants to Enhance Delivery of Public Goods

1. National Association of Fruits and Vegetable Producers (within the Fruits of Serbia) utilized grant funds of \$8,095 to organize a trade mission to the UK for eight berry-fruit producers and nurseries to visit Hargreaves Plants, one of the biggest nurseries in the world. This initiative emerged as a follow-up to training programs on the production of berries for the fresh market. According to the first interim report, four trade mission participants ordered 90,000 raspberry canes from Hargreaves Plants; while a member of the trade mission and a UK-based company signed an MoU for a strategic partnership and joint venture in Serbia.
2. Two enabling grants totaling \$15,943 were awarded to support the 2008 Belgrade Ethno Food & Beverage Fair, which was held in November 2008. Due to financial constraints, the Belgrade Fair applied for grant funds to support the fair, as well for technical assistance with a seminar aimed at educating Serbian producers on Food Quality Systems and Labeling in the US and the EU. According to the final report submitted by the Belgrade Fair, 162 exhibitors participated in the fair, and the agricultural product sales of fair participants is estimated at \$1,064,300.
3. Taurus, an ABDS provider specializing in dairy sector business development and extension services was awarded a \$45,940 grant to implement a comprehensive training program for 50 model dairy farms, and a generic training program for an additional 200 farms. The training program has been designed to address milk quality and food safety issues at the farm level, and it involves all relevant dairy sector stakeholders, i.e. dairy farms, ABDS providers, Rural Development Centers, cooperatives, and dairy processors. Taurus estimates that the participating dairy farms, and the ABDS providers, will generate an addition \$800,000 in sales, and generate 10 new jobs within one year following the training program.
4. One of the leading Serbian service providers for trade fairs - Coha & Associates - utilized a \$98,560 grant to organize a trade show presentation for ten (10) Serbian producers and exporters of fresh produce at the 2009 Fruit Logistica Fair in February. The grantee booked the space for the companies, designed and installed the stands, prepared promotional material for the participating companies, and arranged for travel and other logistics. The grantee, and the participating companies, provided a matching contribution of \$84,280 to the grant funds. With Project assistance, participating companies are negotiating sales of \$5,272,000.
5. The Arilje SME Association was awarded a grant for \$6,720 to promote Arilje raspberries at the Prod Expo 2009 fair, in Moscow. The grant funds were used for the stands and bilingual promotional material (Russian-English). The grantee covered the cost of lodging and international travel valued at \$6,105. Thanks to Project assistance, the Arilje SME Association

are negotiating sales of \$960,000 for their members. This activity is supporting the Association's application for a geographic origin label for Arilje raspberries.

6. An enabling grant of \$10,380 was awarded to the Agriculture Innovation Center from Arilje to conduct an intensive training program and technical assistance for high-bush blueberry growers. The training program was delivered to 10 blueberry growers' organizations mostly located in southern and western Serbia. The grantee has provided \$7,110 for this activity, as their matching contribution. In addition to the anticipated increased blueberry production and sales, ten producer organizations - with 100 members – were assisted by this project.
7. The Serbian Association of Agricultural Journalists "Agropress" received a \$39,800 grant to conduct a series of workshops and training programs for 120 unemployed women in rural areas of Serbia, and to facilitate women's entrepreneurs' attendance at the 2009 Novi Sad Agriculture Fair. The project was completed towards the end of Year Two, and already one woman has started her own businesses. The grantee will be monitoring results and reporting any additional jobs and new businesses established by the women participating.
8. The National Association of Herb Collectors "Dr. Jovan Tucakov" received the grant funds totaling \$7,014 to support a trade mission for their nine members to the Vitafoods Trade Fair held in Geneva, in May. The Vitafoods Trade Fair is one of the most important trade fairs for the MAP sector, and grant funds were used to cover 70% of the travel and accommodation costs for the participants. Based on Project assistance, Association members have signed sales contracts valued at \$234,500; with an additional \$80,000 under negotiation. These grant funds have also strengthened the Association as an important sub-sector stakeholder.

Activity 3.1.3 Award Youth Enterprise Grants to Selected Students

Pursuant to Mission concurrence, the Agribusiness Project has obligated \$92,860 to assist seven young entrepreneurs, winners of the Project's business plan competition. These grantees will use the funds to implement their business ideas. The business ideas include activities such as strawberry and vegetable production, goat cheese production; plums, mushrooms and herb drying, packaging and value-added production. With Project assistance, these seven youth businesses will generate additional income of \$585,800, as well as 69 new jobs. At the end of Year Two, three youth grants are in the final procurement phase, while four youth grants need to be approved the RCO because the cost of the equipment included in the grant exceeds \$5,000 per item.

Objective 3.2 Project Communications & Media:

In Year Two of the Project, valuable collaboration with the local press has been established. The vast majority of agricultural journalists are now well aware of Project activities, and communication with the press has been consistent and regular. The main aim is to create positive media coverage for the Project, and thus increase the visibility of project activities and USAID assistance. Another crucial aim has been building a strong rapport with relevant journalists and/or editors, and establishing a good public image for our Project activities and objectives. All communication directed towards the media, at all times, was structured in a manner that is simple, informative, direct, and newsworthy - staying clear from communication for the sake of a simple PR activity.

Promoting Serbian products through international media is of tremendous importance in informing international buyers on developments in Serbia's agribusiness sector. A substantial effort was directed at building relationships with international journalists and editors. In preparation for every international fair or exhibition, media advisories were distributed to international media, and press releases were distributed following these events where appropriate. The biggest issue has been the difficulty in accessing the various international news articles that have been published, as the clipping agency used by the Project only has access to Serbian media sources.

III. SIGNIFICANT PROBLEMS ENCOUNTERED DURING THE PERIOD:

The original Serbia Agribusiness Project Task Order budget included a total of \$5.2M in funding for sub-grants intended to support activities undertaken by grantees supporting the objectives of the project. As a compliment to these funds the original budget included a total of \$385K for “project activities”, which could be used by the project to bring in volunteers, directly provide services or undertake other direct efforts to support the development of the sub-sectors. These “project activities” would include things such as quality and safety standards training, organizational capacity assessment of producer organizations, cross-cutting studies that would support sector development (such as the cold chain study), and additional support for Serbian companies to attend international trade fairs.

As implementation proceeded it became apparent that the mix of grant funds and project activity funds needed adjustment. The grant mechanism was designed to support activities planned and initiated by project clients, and not activities designed, planned and implemented by the project. In addition, the grant proposal development and approval process is time consuming, leading to delays in activity implementation, which is slowing down project implementation. Project management has determined that grants are not an effective method of implementing “project activities”, and management determined that a re-allocation of grant pool funds to the project activities line would enhance the ability of the Project to implement activities supporting sub-sector development.

The Project went through an extensive process to solicit Business Plans from agricultural students in mid-2008, and seven (7) students were selected for Youth Enterprise Grants. Subsequently the USAID Mission requested that the Project hold off on awarding these grants until an MOU was signed with the Ministry of Education. The MOU subsequently was signed but the delay resulted in later implementation of these awards than originally was anticipated.

During the quarter the impact of the global financial crisis on Serbian agribusiness became apparent. Project management, and the technical staff, had to address this issue and to modify Project strategies and activities to adapt to the changing environment for agribusinesses. The Sector Leads conducted a brief informal survey of key Project clients, and prepared recommendations for Project management regarding changes which were needed in the Project strategy to respond to the crisis. The financial crisis will have a significant impact on three sectors that the Agribusiness Project assists, and it requires the Project to continually re-assess the types of assistance activities undertaken in each sector. The basic approach the Project will take with all sectors is to focus on assistance that will improve the ability of local firms to compete in both the domestic and international markets.

A significant increase in the pace and implementation rate of project work produced some minor ancillary problems. These included:

- Sector Leads in the field offices being stretched thin, with increasing demands on their time.
- The negative impact of the Global Financial Crisis on Serbian agriculture increased.
- Based on the study on the crisis, the Project found few good information sources in Serbia.
- As the grant program expanded, the grant procedures proved to be somewhat cumbersome.
- Professional staff teamwork required improvement.

The following were overarching problems encountered during the year:

An issue arose regarding whether the project should establish a seventh sub-sector of operations. This issue continues to be discussed within the project and with USAID. The issue is a component

of the thrust toward establishing a third regional office. The potential new sub-sector is viticulture. A determination on this issue is expected early in year three.

Use of STTAs has greatly benefitted the program. Short-term experts are acknowledged to bring lifeblood to the project and suggest new initiatives and different program directions. But they come at a cost. Sector leads and other project managers must devote substantial time to assuring that a visiting STTA performs a useful task and provides an enduring result. Management has developed approaches to minimize this problem and expect to sharpen these approaches in year three. so that has addressed this in an ad hoc fashion in year two but must solve this problem in year three.

The failure of SIEPA and the ministry to provide the funds earmarked for international fair and trade show participation became a serious issue. Management was required to develop ad hoc solutions to this problem so that important marketing events did not have to be cancelled. A firm solution to this uncertain situation is required and will be proposed by the project in due course. The solution will include elimination of the expectation that the project will provide this funding in the future. This will mark a program transition and will result in significant outsourcing of the management and administration of these project components. The project will not and cannot provide substantial funding of these events.

IV. ACTIONS TAKEN TO RESOLVE PROBLEMS ENCOUNTERED:

Subsequent to identifying the grant issue, DAI determined that \$2.2M in grant funds needed to be shifted to project activities. Based on this, DAI submitted a formal request to the USAID Mission requesting approval of the movement of \$2.2M of grant funds into “project activities”. The main advantage of moving the funds to the project activities line item is that the project will have much greater flexibility in the use of the funds, and the project will more easily be able to react to, and take advantage of, new opportunities.

Given the overriding impact of the global financial crisis on the agribusiness sector in Serbia, this became a significant issue in project implementation. The project carried out a major study of the crisis using international STTAs and produced a set of actions needed to mitigate the crisis within the sector. The study gained widespread attention, was broadly disseminated, and became the subject of an international conference in conjunction with the Novi Sad Fair. A range of problems encountered were addressed as follows:

- Administrative Assistants were hired for each of the field offices, to relieve the Sector Leads of some of the administrative tasks they were necessarily performing.
- To mitigate the impact of the current financial crisis the Project expanded niche market export opportunities for our clients, and will enter regional and neighboring markets.
- The lack of good sources of information was being addressed by the Project’s sharing of its studies and activity results, and by organizing presentations by STTA consultants.
- The procedures being used by the grant program were being reviewed and revised, to help speed up the grant process and increase the number of grants the Project awards.
- Teamwork among the Project’s professional staff was greatly improved following a team building session, adjustments to staff meeting schedules, and a focused retreat which was held in Vrsac.

- To address the problem of lagging implementation the project significantly ramped up the use of STTAs, undertook newly identified program opportunities, and revised the strategy governing international trade shows and fairs.
- Refocused the grants program component so that it better supported larger program goals and became more strategic in nature.
- To ensure availability of good information for program decisions and for better client reporting, refocused and redoubled efforts to gather credible impact data.
- Established year three as a transition year requiring movement toward service provider sustainability, the true end purpose of the project work.

V. IMPORTANT OBSERVATIONS REGARDING IMPLEMENTATION:

Based on implementation experience in year two, Project management has identified a number of observations that will help improve future Project implementation:

- Participation in Trade Fairs appears to be a key factor in increasing both domestic and export sales for Project clients. The Project will seek to maximize the use of Trade Fairs and create opportunities for firms that do not display their products to attend the fairs.
- Public events that highlight Project activities and create positive press for the Project and USAID are important.
- Project Management is concerned about the time demands that the Project may place on client firms, particularly with regards to the collection of impact data. In the future phone surveys will be conducted quarterly, with the formal written survey being conducted yearly.
- The TAMIS system, which is used to collect and centralize data on project activities and implementation, is a key Project system and must be used as effectively as possible.
- Shifting funds from the grant program to project activities allows the Project to be more innovative and to respond more flexibly to new opportunities that arise.
- Activities in the Livestock Sector have been at a relatively low level in the past quarter, but plans for new interventions should have an impact on the sector in a relatively short time. This can become an extremely high impact performance area for the project.
- The use of STTA, both expat and local national, was relatively limited early in the project. STTA use must be increased in order to increase Project impact.

Cross-cutting all Project activities is the need to continually improve our ability to capture clear and convincing impact data for USAID, and which is also required for good decision making by Project managers. The observations spawned through an increased rate of Project implementation include the following:

- The failure of SIEPA and the ministry to provide support to trade shows critical to the agribusiness sector has created a problem and an opportunity for the Project. This will be addressed in Year Three.
- Project Management has been immeasurably aided by the responsiveness of the USAID Mission to the heightened pace of activity, and the short turn-around time for necessary approvals.
- Adverse weather (rain & hail) and the lack of irrigation systems are proving to be critical issues for some sectors.

- The Project worked to minimize the use of unsolicited grants and has designed grant programs that are based on public solicitations.
- The “Less Than Load” (LTL) issue emerged as a serious problem in year two.
- The Project has greatly expanded its coordination and collaboration with USDA and other donors, and this pattern will continue into the remaining three years of the Project. Such coordination has proven valuable to the project and worth the time invested in it.
- It is clearly important to increase project outreach and visibility by placing new material on the web site.

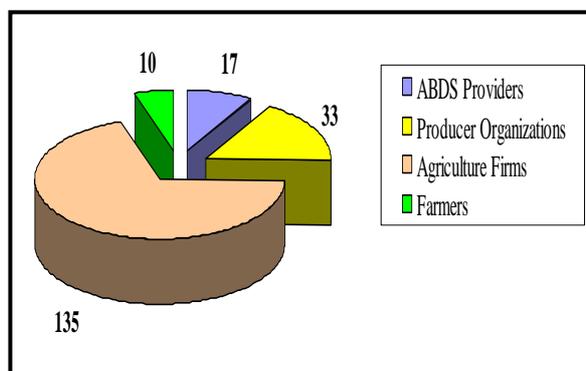
Other general observations worthy of note at this stage include:

- Exports have proven to be a critical economic safety valve during the financial crisis stress.
- Identifying niche markets is an effective approach to developing larger scale exports, particularly to the EU, UK, and USA.
- STTAs can serve uses beyond providing technical advice. They are important avenues for coordination and visibility, for example, with universities and media.
- Managing of and concern for the environment has emerged as a far more important and sensitive program component than originally envisaged.
- Cultivating the media and building media capacity are necessary and legitimate project thrusts.

VI. RESULTS ACHIEVED RELATIVE TO ANNUAL WORKPLAN TARGETS

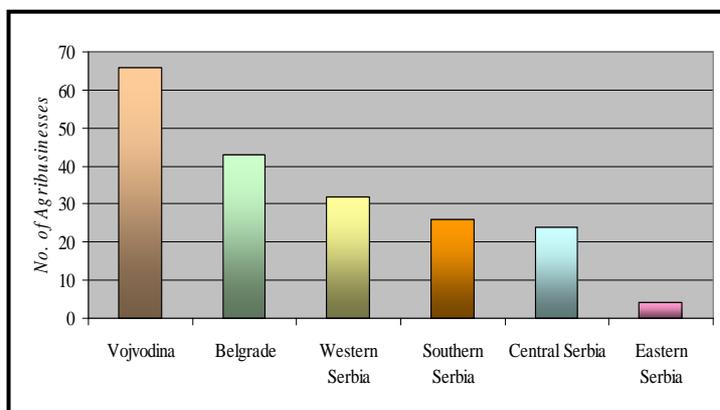
During the month of September 2009, Agribusiness Project staff collected data on the results and achievements of the Project, which are reported herein. This data collection was accomplished through individual surveys of Project clients, as well as through an analysis of the data entered into the Technical and Administrative Management Information System (TAMIS) over the course of Year Two. Based on this extensive client survey, the following impact results can be reported for this reporting period:

- A total of 195 client firms received assistance during Year Two; 135 agriculture-related firms, 33 producer organizations, 17 ABDS providers, and 10 farmers. The graph at the right shows the distribution of the client companies among the various categories.



- Out of the 195 agribusinesses that received Project assistance in Year Two, more than half of them are located in Vojvodina (66) and Belgrade (43). There are 32 Project clients located in Western Serbia, 26 in Southern Serbia, 24 in Central Serbia, and 4 clients are located in Eastern Serbia. The chart below provides a graphic picture of the geographic distribution of clients receiving assistance in Year Two.

- During Year Two, the Agribusiness Project implemented 83 separate training programs, workshops, info seminars, or conferences with a total of 4,052 participants.
- The Project also supported three national conferences, which had significant participation by key stakeholders from the private sector and the Government. These conferences included the closing conference for an international IAAS meeting, a national conference on the Warehouse Receipts system, and a national conference on “Agribusiness 2010”, organized by AgroPress.



- The Agribusiness Project provided business advisory services, and facilitated market access for Serbian agribusinesses which attended international trade fairs with Project support. The Project organized participation for Serbian companies at 11 international trade fairs.

- A total of 40 grants, with grant funding amounting to \$452,000 (USAID funds) have been approved over the course of Year Two, with a significant matching contribution (totaling \$400,000) being provided by the grantees for these activities.
- The Agribusiness Project has devoted significant time and effort to addressing policy issues aimed at creating an enabling environment for agribusinesses. A total of eight strategy papers were prepared with Project assistance, and three policy reforms have been implemented.
- To evaluate the quality of Project assistance, this year’s annual survey included questions related to client satisfaction with the assistance provided. Client satisfaction was measured on a five point scale, from 1 = extremely dissatisfied to 5 = extremely satisfied. A total of 116 agribusinesses participated in this survey. The table below shows the client satisfaction rating for the various types of Project assistance, and the overall client satisfaction rating was 4.53.

USAID Serbia Agribusiness Project – Year Two Annual Report

<i>Type of Assistance</i>	Grant Program	Market Linkages	Training/ Advisory	Trade Fair Attendance	Sales Missions
Score	4.57	4.39	4.56	4.47	4.63

Based on these client satisfaction ratings the Agribusiness Project has concluded that client firms and organizations are generally satisfied with the services and assistance they receive.

Client Sales Reported:

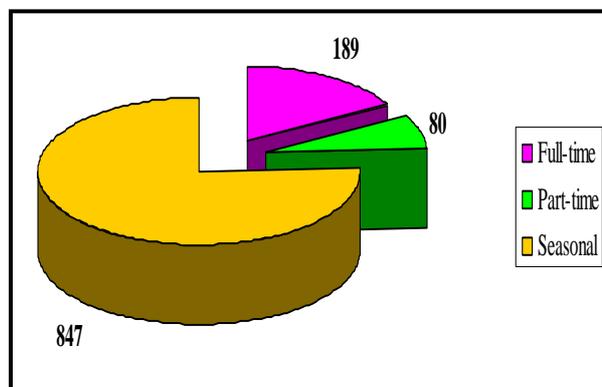
During Project Year Two a total of \$33.9 million of agricultural and food products were delivered by Project client firms, based on a total contracted amount of \$50.3 million. Sales of processed and fresh fruits and vegetables account for 80% of the total delivered sales recorded by the annual survey. Based on this data the Project has exceeded the sales target of \$7 million in Year Two. The table below provides summary data on the sales target and Project achievements.

Project Overarching Indicator	Y2 Target	Y2 Actual Result
<i>Dollar value change in agricultural product sales of USAID Agribusiness Project beneficiaries (Delivered sales)</i>	\$ 7 Million	\$ 33,913,483
<i>Contracted Sales</i>	N/A	\$ 50,368,601
<i>Under Negotiation</i>		\$ 44,807,950

Of the \$33,913,483 in delivered sales, the surveyed companies reported exports totaling \$22,047,559, which is equal to 65% of the total delivered sales. Based on the survey results, the major export markets for Serbian agricultural products are the EU with \$14,517,248, and Russia with \$6,453,418.

Employment Generated:

During Year Two the Project assisted in the creation of 269 registered (full-time and part-time) jobs, and 847 seasonal jobs. The breakdown of the jobs is; 59% of the new employees were women, and 17% were youth. The graph at the right is a visual presentation of the distribution of employment created among the various categories used in the PMP.



Since the start of the Agribusiness Project, a total of 4,010 new jobs have been created by Project assisted agribusinesses (237 full-time, 281 part-time, and 3,492 seasonal jobs). Based on the results reported by surveyed firms, the Project can confirm that the PMP target of 1,000 jobs (cumulative) by the end of Year Two has been exceeded.

Results by Beneficiary Categories:

The Agribusiness Project survey results, and the data included in the TAMIS system, have been analyzed and disaggregated into the following groups of Project clients and Project objectives, in accord with the PMP requirements:

Objective 1.1: Strengthen Producer Organizations: In Year Two, the Agribusiness Project provided assistance to 33 separate producer organizations, and this assistance included various training programs, direct technical assistance, international study tours, trade fair attendance, and Project grants. A total of 39 producer organizations have been assisted to date, which exceeds the

PMP target of 30 producer organizations receiving assistance by the end of Year Two. Members of assisted producer organizations reported a total of \$1,122,748 in delivered sales during Year Two.

Objective 1.2: Improve ABDS Service Delivery: During Year Two, the Agribusiness Project provided direct assistance to 17 ABDS providers, and 14 producer organizations and agriculturally related firms that also provide agricultural business development services. With the eight ABDS providers that were assisted during Year One, the Agribusiness Project has now almost reached the PMP target of 40 ABDS providers receiving Project assistance by the end of Year Two.

Objective 1.3: Encourage Youth Involvement in Agribusiness: The first round of the Youth Business Plan Competition was completed during Year Two, and seven youth grants, with a total grant value of \$93K, have been approved for funding. The winning ideas included activities such as setting-up commercial strawberry and vegetable production; goat cheese production; plums, mushrooms and medicinal herbs drying; food packaging; and value-added production. The Youth Entrepreneurship in Agribusiness educational program has been implemented as an extra curricular school activity, and assistance for this activity continued throughout Year Two.

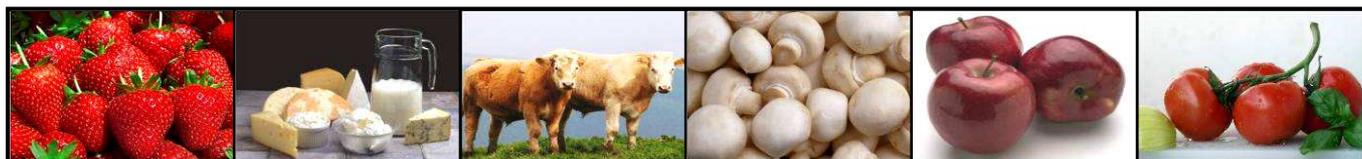
Objective 1.4: Increase Value-Chain and/or Cluster Competitiveness: Thanks to Project technical assistance and grants, 23 agribusiness client firms have adopted new technologies that enhance their productivity and production, as well as improving the quality of their products. The Agribusiness Project also launched a comprehensive program focused on the promotion and adoption of international food safety and quality standards by assisted firms – GlobalGAP, ISO 14001 and ISO 22000. Through this program, 28 clients will introduce these quality standards.

Objective 2.1: Improve Crop Production Estimates & Market Information: In Year Two, the Agribusiness Project continued its cooperation with the MAFWM to strengthen the STIPS system with more consistent data collection methodologies, and an expansion of the type of data collected. A total of 299 producers, firms and producer organizations have been trained in the use of market information (STIPS), the basics of marketing, and market analysis. Thus, the PMP target of 75 trainees for this indicator has been substantially exceeded.

Objective 2.2: Promote Legal, Policy and Regulatory Reform: The Agribusiness Project continued its efforts aimed at creating an enabling environment for agribusiness development in Serbia. The Project has prepared eight strategy papers on various topics related to the sub-sectors assisted by the Project, and these have been made public on the Project web site and shared with Project partners and beneficiaries. Three policy reforms were also implemented by the Government of Serbian in Year Two, as a result of Project assistance.

The Agribusiness Project Grant Program:

A total of 40 grants, valued at \$452,000 (USAID funds), have been approved during Year Two, with \$400,000 in matching contributions being provided by the grantees. These grant funds were used for organization of the Ethno Food Fair held in Belgrade in November 2009, and for support to companies attending 2009 Fruit Logistica Trade Fair in Berlin, the Trade Fair in Moscow, and the Vitafoods Trade Fair in Geneva. Grant funds were also used to support a trade mission to the UK for berry fruit producers; the introduction of new technology and new packaging in the food industry; as well as an extensive nation-wide training program for blueberry growers and dairy farms; and a comprehensive program supporting women entrepreneurship in agribusiness.



USAID Serbia Agribusiness Project

Annual Report – Project Year Two

October 1, 2008 – September 30, 2009

Annex I – Performance Monitoring Plan

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1. INTRODUCTION & BACKGROUND

Pursuant to the provisions of the Project Task Order, the USAID Agribusiness Project has established a performance-based monitoring system to track and document the results and achievements attributable to Project assistance. The Performance Monitoring Plan (PMP) defines the Project's monitoring and evaluation system, which is the foundation of the Project's internal and external communication strategy. This plan allows USAID Agribusiness Project staff to build on winning initiatives and take corrective actions when results are less successful than anticipated. The monitoring system is also used to compile and track performance monitoring information, including indicators required by the USAID Mission to Serbia. The indicators are divided into the following four major categories:

- 1) USAID Standard Indicators
- 2) Overarching Project Level Indicators
- 3) Component 1 Indicators: Increased Efficiency & Competitiveness of Agribusinesses
 - Objective 1.1: Strengthen Producer Organizations
 - Objective 1.2: Improve ABDS Delivery
 - Objective 1.3: Encourage youth involvement in agribusiness through the Youth Enterprise Program
 - Objective 1.4: Increase value-chain competitiveness
- 4) Component 2 Indicators: Improved Enabling Environment for Serbian Agribusiness
 - Objective 2.1: Improve Crop and Livestock Production Estimates and Market Price Information
 - Objective 2.2: Promote Legal, Policy, and Regulatory Reform

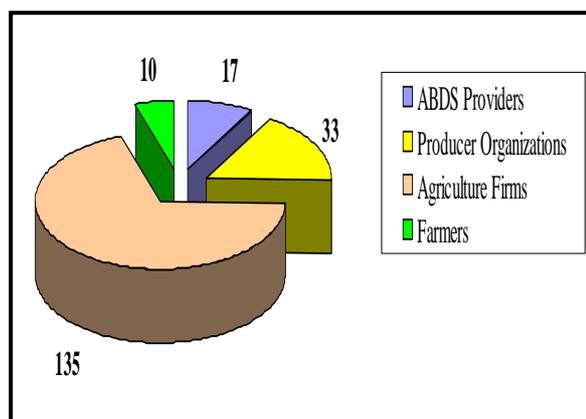
The results of Project assistance are collected from beneficiary companies, and these results are entered into the TAMIS system on a regular basis. TAMIS integrates work plan management, impact and performance monitoring, and project administration into one information system customized to the annual work plans. In addition to TAMIS, USAID Agribusiness Project staff conduct results surveys on a quarterly and annual basis using a customized questionnaire to capture and verify the outcome of Project assistance at the client level. Client impact and satisfaction surveys are efficient tools for measuring results, and getting feedback from our primary partners: agriculture-related firms, producer organizations and ABDS providers.

Technical Advisors and Sector Leads advise the Monitoring and Evaluation Team regarding the firms and organizations that should be covered by the survey for each quarter, while the more comprehensive annual client impact and satisfaction survey covers all firms and organizations that received more than one type of Project assistance in the preceding Project year. The results collected through the annual survey, and the TAMIS data available, provide the basis for the annual performance report to USAID. These types of surveys enable project management and USAID to collect reliable and verifiable quantitative data on the major sales and employment indicators, as well as other data useful for planning and strategizing Project technical assistance. This data includes the availability of agricultural business development services, new technologies, and the clients' satisfaction rating of Project assistance, etc.

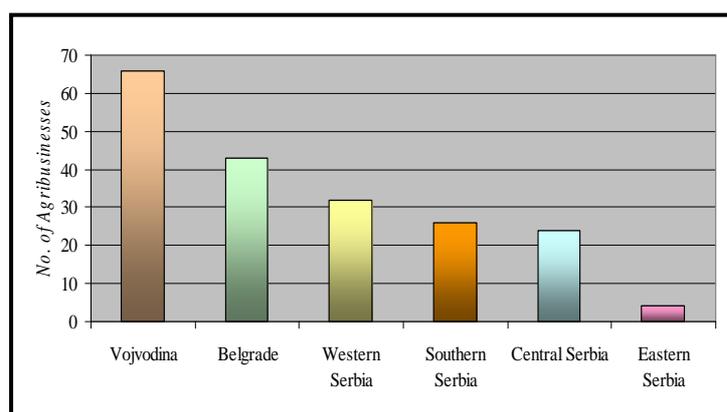
In February and March of 2009, the Agribusiness Project engaged an independent M&E consultant to review and analyze the existing Project monitoring and evaluation system. The main goal of this review was to provide a solid foundation for further improvements to the monitoring & evaluation system that would be focused on timely, accurate and informative reporting. These changes would enable senior Project management and the USAID Mission to make strategic management decisions and operational plans. The Consultant reviewed and advised Project staff on the overall M&E system (both quantitative and qualitative data collection) including: surveys, questionnaires, web presence, and success stories; as well as the flow of M&E data into annual and quarterly reports. The consultant also recommended changes and improvements to the system based in her findings. Further, the Consultant delivered training sessions on M&E issues to the Agribusiness Project professional staff, and facilitated the production of subsector specific causal models that have been used during the development of the Year Three Workplan. In her final report, the M&E Consultant stated that Project staff have done a very good job in designing and setting up the M&E system. Based on the recommendations provided by the Consultant, the Project's Monitoring & Evaluation system has been further improved.

2. PROJECT ASSISTANCE & ANNUAL RESULTS BY INDICATOR

During the month of September 2009, Agribusiness Project staff collected data on the results and achievements of the Project, which are reported herein. This data collection was accomplished through individual surveys of Project clients, as well as through an analysis of the data entered into the Technical and Administrative Management Information System (TAMIS) over the course of Year Two. The results collected in this process are divided into the four major categories as defined by the PMP.



Based on the data collected, the USAID Agribusiness Project has provided direct financial and technical assistance to 195 Serbian agribusinesses in Year Two (FY09), composed of 33 Producer Organizations, 17 ABDS providers, 135 agriculture-related firms, and 10 farmers. The figure at the right is a graphical representation of the distribution of the Project clients among the categories.



Out of the 195 agribusinesses that received Project assistance in Year Two, more than half of them are located in Vojvodina (66) and Belgrade (43). There are 32 Project clients located in Western Serbia, 26 in Southern Serbia, 24 in Central Serbia, and 4 clients are located in Eastern Serbia. The graph at left provides a geographic distribution of Project clients that received assistance during Year Two.

During Year Two, the Agribusiness Project implemented 83 separate training programs, workshops, info seminars, or conferences with a total of 4,052 participants.

The training programs and workshops covered topics such as marketing and sales techniques for trade fair participants, getting started in the food industry, and understanding trade segments. More technical sessions covered topics such as production and post-harvest management of berries (fresh and organic), organizational capacity assessment, post harvest management for storable vegetables and ULO cold stores, advanced apple and stone fruit production, production and marketing of medicinal and aromatic plants, dairy cow feeding, livestock production, and safe pesticide use.

Also, the Project supported a series of informational seminars on various topics related to the activities undertaken during Year Two. These seminars covered the following:

- Six one day seminars on the GlobalGAP system were held in Nis, Cacak, Novi Sad, Smederevo, Subotica and Vranje, with a total of more than 600 participants.

- Ten informational seminars were held on using the STIPS system for market analysis with a total of 299 participants in all these seminars;
- Twenty four technical training seminars on Safe Pesticide Use were held, in cooperation with the Ministry of Agriculture, in 24 separate towns around Serbia.

The Project also supported three national conferences, which had significant participation by key stakeholders from the private sector and the Government of Serbia. These conferences included the following:

- The closing conference for IAAS on “Safety in food chain for sustainable development in agriculture” which had more than 130 participants from around the world;
- A national conference on the operations and implementation of the Serbian Warehouse Receipts system, which had 66 participants;
- The National Conference “Agribusiness 2010” which attracted 139 participants, where the opening speeches were delivered by the Prime Minister and the USAID Mission Director.

All of these conferences and seminars attracted coverage from the local press and served to give the Project, and USAID, added visibility throughout Serbia.

The USAID Agribusiness Project has also provided business advisory and facilitated market access for Serbian agribusinesses which attended international trade fairs, including the following: SIAL Paris, Belgrade Ethno Food and Beverage Fair, Fruit Logistica in Berlin, ProdExpo in Moscow, BioFach organic fair in Nuremberg, the Gulf Food Show in Dubai, the IFE show in London, Vitafoods in Geneva, Fancy Food New York, the Novi Sad Agriculture Fair, and the Moscow World Food Fair.

In addition, a total of 40 grants valued at \$452,000 (USAID funds) have been approved over the course of Year Two, with a significant matching contribution (amounting to \$400,000) being provided by the grantees for these activities. The grant funds were used to support the market-driven activities designed to increase the efficiency and competitiveness of Serbian agribusinesses by leveraging their investments in value-added processing, improved packaging, new technology, marketing and promotional activities, education and introduction of international food safety and quality standards.

The grant funds were also used by qualified food industry business associations and ABDS providers to provide services of general benefit and support for their members’ participation in national and regional food trade fairs and study tours. Finally, the Agribusiness Project utilized grant funds to promote and facilitate women’s entrepreneurship in agribusiness, and to finance the winners of the youth business plan competition.

Since the inception of the Grant Program in April 2008, up to the end of Project Year Two (30 September 2009), the Agribusiness Project’s Grant Review Committee has approved a total of 51 grants, with total grant funding of \$651,015. These grant awards are in various stages of the award and implementation process. The grant recipients are committed to provide additional funds, as their matching contribution, in the total amount of \$481,789 (i.e. 42.5% of the total cost of all grant activities).

The Agribusiness Project has invested significant efforts in addressing policy issues which are aimed at creating an enabling environment for agribusinesses in Serbia. Accordingly, a total of eight strategy papers were prepared with Project assistance, and three policy reforms have been implemented during Year Two. The Agribusiness Project has also continued its efforts to formalize cooperation with the Ministry of Education, and to institutionalize the youth education program.

To evaluate Project assistance from the client’s (ie beneficiary) perspective, this year’s annual survey included questions related to client satisfaction with the various types of assistance provided in Year Two. Client satisfaction was measured on a five point scale, from 1 = extremely dissatisfied to 5 = extremely satisfied. A total of 116 agribusinesses participated in this year’s annual survey, and they reported quantifiable results attributable to Project assistance, as well as their satisfaction with the package of services received by the Project.

Clients were asked to rate each type of service provided (grants, market linkages, training and advisory services, trade fair attendance and study tours). Accordingly, the Agribusiness Project is able to report on client satisfaction by each type of service, as well as their overall satisfaction with the Agribusiness Project, as follows:

<i>Type of Assistance</i>	Grant	Market Linkages	Training/ Advisory	Trade Fair Attendance	Study Tour
<i>Score</i>	4.57	4.39	4.56	4.47	4.63

Overall Client Satisfaction score: 4.53

With these ratings, the USAID Agribusiness Project is able to assess to what extent the team is adeptly identifying unmet needs in the client firms, and assisting the private sector to respond to those needs.

2.1 USAID Standard Indicators

USAID/Serbia has recommended that the following performance indicators be used to measure the results generated through assistance provided by the Agribusiness Project:

- 1) Percent change in value of international exports of targeted agricultural commodities as a result of USG assistance:** Out of the 116 surveyed agriculture-related firms, 48 have reported international exports of targeted commodities (meat and dairy products, fruits, vegetables, herbs and spices) with a total value of \$22,047,559. These exports were achieved based on USAID Agribusiness Project assistance in 2009. Exports to the EU accounts for 67% of the total reported exports, with exports to Russia accounting for close to 29%. Other export markets include the United States and North America with \$305,660, and CEFTA countries with \$771,233. During Project Year One, 15 agribusinesses reported exports of the targeted commodities with a total export amount of \$3,914,809, attributable to Project assistance. Using a proportional calculation, we can report a 76% increase in the value of international exports in Year Two, over the level of exports of the targeted commodities in the previous year. The target in this results

category for 2009 is a 15% increase over the previous year's results, and based on this analysis the USAID Agribusiness Project exceeded the target.

- 2) **Number of producer organizations assisted:** A total of 33 producer organizations have received Project assistance in Year Two; thus the target of 15 producer organizations that should have received assistance during the year has been exceeded. The USAID Agribusiness Project has been working with most of these organizations since Year One, and there are now 39 producer organizations that have received assistance over the life of the Project to date.
- 3) **Number of agriculture-related firms benefiting directly from USG supported interventions:** A total of 135 agriculture-related firms have benefited directly from Project assistance since the inception of the project (October 2007), which exceeds the established cumulative target of 85 agriculture-related firms benefiting directly over the first two years of the Project. The majority of these agriculture-related firms (70%) are considered micro-enterprises (i.e. they employ less than 50 workers in total, and they have an annual turnover of less than \$8 million).

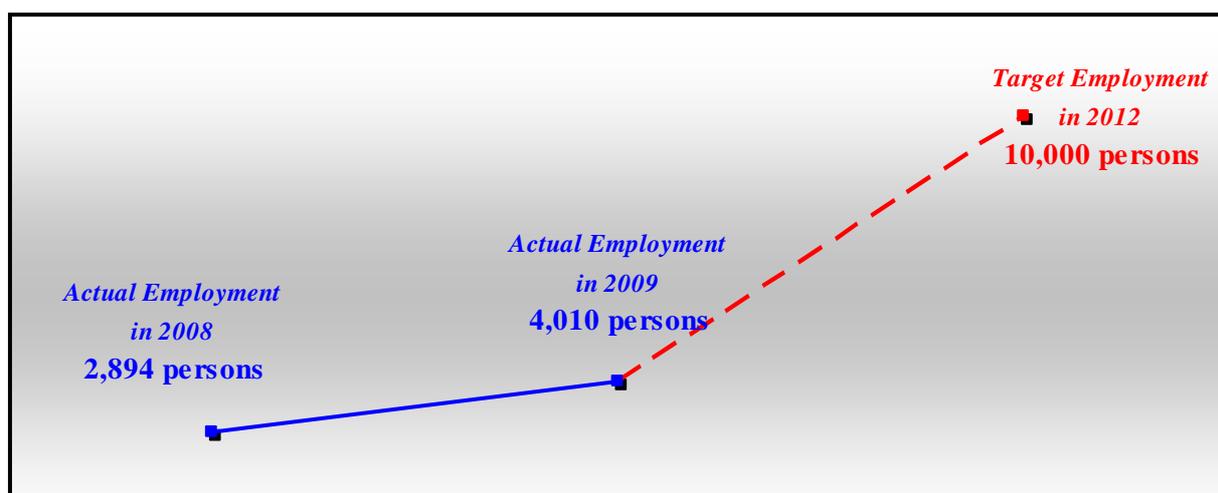
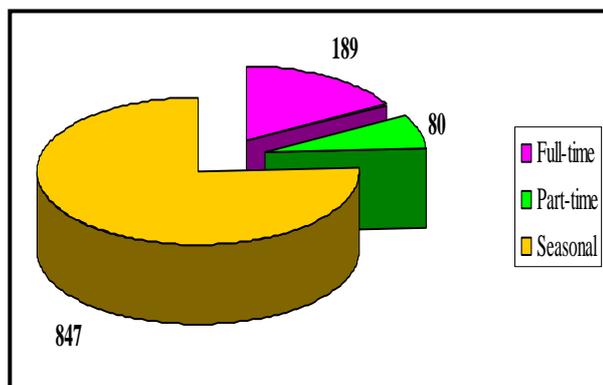
As of the end of Project Year Two, the Agribusiness Project has exceeded the targets set for each of the three primary performance indicators.

2.2 Overarching Project Level Indicators

While the results recorded with the primary indicators listed above can be attributed directly to specific Project interventions, the results recorded from the overarching Project-level indicators result from a combination of technical assistance, training, and grants that compose the portfolio of Project activities. In addition to the sales and employment results captured through the annual survey, the Agribusiness Project has acquired data regarding Serbian agricultural GDP growth, and the level of agricultural exports recorded in 2008 from the National Bureau of Statistics. The performance on these indicators is as follows:

- 1) **Percent change in agricultural GDP:** Actual results for agricultural GDP for 2008 will only be reported in December 2009, as National Bureau for Statistics publishes these data annually and one year after the end of previous calendar year (the Serbian Fiscal Year). Accordingly, the results for 2009 will be available in December 2010. The Baseline Year is 2007, when an agricultural GDP of \$4.25 billion was recorded, and the growth target for 2009 is 1% over the baseline year (ie: \$4.55B).
- 2) **Percent change in the value of agricultural exports:** The actual results for 2008 show that the value of agricultural exports was more than \$2 billion (i.e. 22.3% over the baseline of \$1.67 billion in year 2007). The Project target in this category for 2008 was 2% over the baseline, or \$1.70B. The value of agricultural exports in the first eight months of 2009 (i.e. January – August) was \$1.2 billion, and the data for the remaining four months of 2009 will only be available in the first half of 2010. However, based on the export results from the first eight months it appears that the total for the year 2009 may be below the target, due to the global financial crisis.

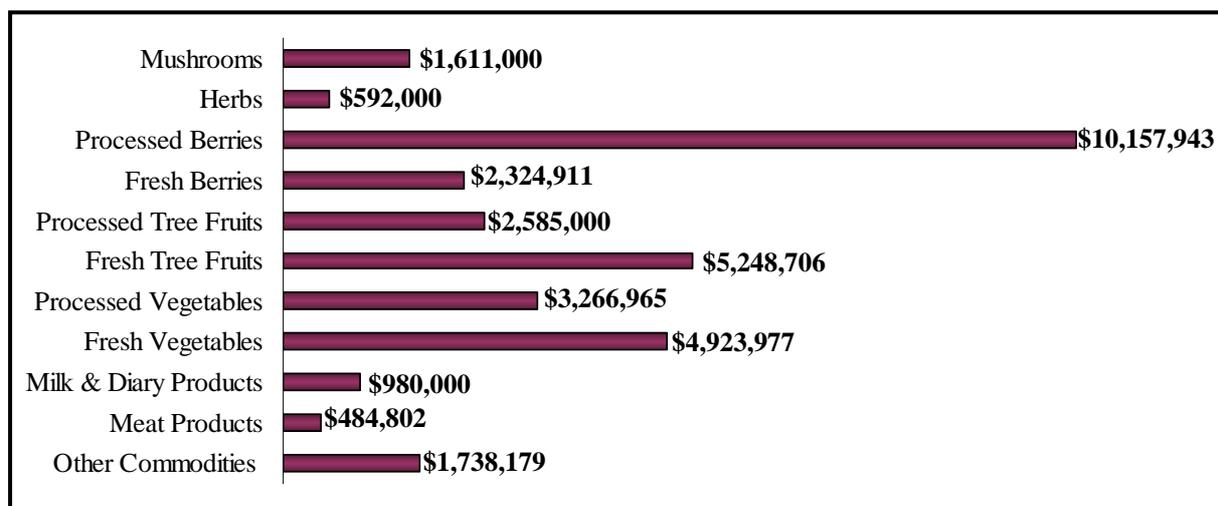
3) **Actual increase in employment in agricultural processing and services:** During Year Two the Project assisted in the creation of 269 registered (full-time and part-time) jobs, and 847 seasonal jobs. The breakdown of the jobs is; 59% of the new employees were women, and 17% were youth. Since the beginning of the USAID Agribusiness Project, a total of 4,010 new jobs have been created by Project-assisted agribusinesses (237 full-time, 281 part-time and 3,492 seasonal jobs). Based on this result, the Project can report that the target of 1,000 jobs (cumulative) by the end of Year Two has been exceeded. The graph at the right provides a visual presentation of the breakdown of the job categories used in the data collection process. The chart below shows the growth in jobs, and the overall project target for jobs in 2012.



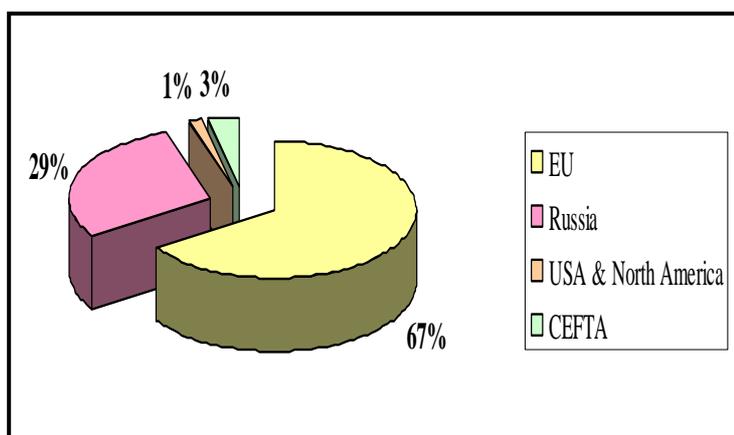
4) **Dollar value change in agricultural product sales of USAID Agribusiness Project beneficiaries:** During Project Year Two a total of \$33.9 million of agricultural and food products were delivered by Project client firms, based on a total contracted amount of \$50.3 million. Sales of processed and fresh fruits and vegetables account for 80% of the total delivered sales registered through the annual survey. Based on this data the Project has exceeded the sales target of \$7 million in Year Two.

Project Overarching Indicator	Y2 Target	Y2 Actual Result
<i>Dollar value change in agricultural product sales of USAID Agribusiness Project beneficiaries (Delivered)</i>	\$ 7 Million	\$ 33,913,483
<i>Contracted Sales</i>	N/A	\$ 50,368,601
<i>Under Negotiation</i>		\$ 44,807,950

Year Two Delivered Sales by Targeted Commodities



Of the \$33,913,483 in delivered sales, the surveyed companies reported exports totaling \$22,047,559, which is equal to 65% of the total delivered sales. Based on the survey results, the major export markets for Serbian agricultural products are the EU with \$14,517,248, and Russia with \$6,453,418 (see the chart at the right). Other important export markets include the United States and North America with a total of \$305,660, and CEFTA countries with a total of \$771,233.



2.3 Component 1 Indicators: Increased Efficiency and Competitiveness of Serbian Agribusiness

Objective 1.1: Strengthen Producer Organizations

In Year Two, the USAID Agribusiness Project continued to provide assistance to both existing and nascent groups of farmers and/or agribusiness-related firms to work together to become effective service providers for their members, and to evolve into sustainable business enterprises. This assistance was provided to 33 separate producer organizations, and it included various training programs, direct technical assistance, international study tours, trade fair attendance, and Project grants. The Agribusiness Project has been working with most of these organizations since Project Year One, and a total of 39 producer organizations have been assisted to date, which exceeds the established target of 30 producer organizations by the end of Year Two. Members of assisted producer organizations reported a total of \$1,122,748 in delivered sales during Year Two. Based on the sales results reported, the most active producer organizations in Year Two were the Arilje SME Association with \$310,000 in delivered sales (all exports), the “Jovan Tucakov” Association for Medical and Aromatic

Plants with \$200,000 in members sales, and the Mladost Cooperative with \$123,000 in sales. Other producer organizations that have potential, but as yet un-delivered, sales are Fruits of Serbia, ZZ Green Group, ZZ Vocko and ZZ Slankamenka.

During the reporting period, a total of 175 new members joined Project assisted producer organizations ZZ Prima Borovica, Bio Codex, Sistem Eko Fungi, and Serbia Organica. As a newly formed national association of organic producers, Serbia Organica reported a total of 108 new members. In the previous year, Project-assisted producer organizations reported a total of 317 new members joining their organizations, which means that 492 new members have been registered with these organizations since the start of the Agribusiness Project. The cumulative target for this indicator for Year Two is 500 members. However, according to the Producer Organization Specialist's opinion the targets for this indicator might be unrealistic (a total of 6,000 new members by the end of Project) and subject to future revision.

In Year Two, the Agribusiness Project undertook an assessment of registered producer organizations using the Organizational Capacity Assessment Tool (OCAT). The OCAT assessment scores producer organizations using indicators that scores these civil society and community-based organizations along seven dimensions that are critical to being effective organizations (governance, management practices, human resources, financial resources, service delivery, external relations, and sustainability). Each dimension was scored on a 5 point scale, where 1 = needs urgent attention, all the way to 5 = which means good, needs maintaining. This year's average score from the OCAT survey was 2.42 and this shows that most of the producer organizations need significant attention in the coming period. Pursuant to the PMP methodology, the first year's average score is set as the baseline for this indicator.

Objective 1.2: Improve ABDS Delivery

The Agribusiness Project assists ABDS providers to strengthen their operations and promotes the establishment of new ABDS firms to provide in-demand services to firms along the value chain. During Year Two, the Project provided direct assistance to 17 ABDS providers, and 14 producer organizations and agriculture-related firms that also provide agricultural business development services. With eight ABDS providers having been assisted in Year One, the USAID Agribusiness Project has now almost reached the target of 40 ABDS providers receiving Project assistance by the end of Year Two.

However, no new ABDS providers have been started with Agribusiness Project assistance since the beginning of the Project. Therefore, the Project should devote additional resources to this area, and explore the opportunities for developing new ABDS providers, and assist promising entrepreneurs interested in, and willing to, establish new ABDS enterprises. The PMP target for this indicator was a total of eight new ABDS providers started in Year Three. Should no new ABDS providers be established in Year Three with Project assistance it may be necessary to revisit this indicator with Project staff and the USAID Mission.

Project assisted ABDS providers reported new revenues totaling \$445,682 based on services provided by the USAID Agribusiness Project, which exceeds the PMP target of \$100,000 in ABDS revenues in Year Two. The services provided included consulting services related to the proper production and irrigation of herbs, vegetables and fruits; dairy farm management; logistics and distribution and/or consolidation; training in professional selling skills; strategic

business plan development; integrated marketing communications; farm management; packaging and web design; solar drying; and new technologies in agriculture.

To evaluate availability and quality of agribusiness development services, this year's annual survey included a client satisfaction rating for such services based on a five point scale, from 1 = extremely dissatisfied, to 5 = extremely satisfied. According to the survey results, the clients are very satisfied with the availability and quality of agribusiness development services available in Serbia, with an average score of 4.16.

Two producers/processors – a start-up business dealing with mushroom processing, and a vegetable producer – have received bank credits as a direct result of Agribusiness Project assistance. These credits totaled \$1,025,000, and they came from the lending institutions Agro Banka AD, and the Government of Serbia's Development Fund.

Objective 1.3: Encourage Youth Involvement in Agribusiness through the Youth Enterprise Program and Business Plan Competition

The Agribusiness Project team continued, and expanded, its efforts to attract and retain Serbian youth in agriculture and agribusinesses by encouraging youth participation in the Project's Youth Enterprise Program. Through exchanges and networking opportunities with international universities and organizations, and the development of a 4H program and Young Serbian Farmers' Association, young entrepreneurs and students are encouraged to take a leading role in agriculture. The Youth Business Plan Competition provides promising young entrepreneurs with technical assistance to develop business plans, and grant assistance to start a new business for the winners of the Project's Business Plan Competition.

The first round of the Youth Business Plan Competition was completed during Year Two and seven youth grants with a total grant value of \$93K have been approved for funding. The winning business ideas included activities such as setting-up commercial strawberry and vegetable production; goat cheese production; plums, mushrooms and medicinal herbs drying; food packaging; and value-added production.

The Youth Entrepreneurship in Agribusiness educational program was prepared as an extra curricular school activity and this assistance continued until the end of Year Two. The Agribusiness Project has also continued efforts to formalize cooperation with the Ministry of Education, and to institutionalize the youth education program.

Despite this progress on the Youth Program, the Agribusiness Project team needs to devote additional efforts to meet the PMP indicators in this category. These include indicators such as 110 youth-led businesses participating in Agribusiness Project funded activities by 2012, and 57 youth-led successful and/or operational businesses initiated thanks to the USAID Agribusiness Project by 2012. The PMP results reported in the first two years for these two indicators are way below the Project targets.

Objective 1.4: Increase Value-Chain and/or Cluster Competitiveness

The USAID Agribusiness Project utilized grants and technical assistance to promote the Project objective of rapid, sustained, and broad-based economic growth. These activities are

leveraged with other assistance activities to address the market failures hindering firms from investing in new technologies and applying international food safety and quality standards.

Thanks to Project technical assistance and grants, a total of 23 agribusinesses have adopted new technologies that enhance their productivity and production, as well as improving the quality of their products. These new technologies include new packaging technology - term seal packaging, which is a new type of package which increases productivity; a modified atmosphere which is injected into product packaging to extend product shelflife; steam injection into product packaging with a term seal; a new soil analysis used to define appropriate fertilization; dietetic low fat jam, sugar free; IFS packaging standards; a drier that uses both solar and electrical energy; new products for plant protection and nutrition; a new sorting machine; a new American concept for growing blueberries; berry production in green houses; the adoption of new organic raspberry varieties Polka and Tulameen; a new vacuum device for energy saving; new technology for the production of dietetic (vitamin) products; and a new tablet machine for products based on herbs.

The following agribusinesses gained access to these new technologies with Project assistance: Desing doo, ABD Prom, Hemel Organic Food, ZZ Slankamenka, Agrar – Kontakt, Ekologik Java doo, IGDA Impex, AERO AQUA TERRA doo, NTIM Technology, Fruits of Serbia, Povrtarska Zadruga EKOADUT, PG Pavle Terzic, PG Valent, Atlecoop, Atle doo, Agricultural Innovation Center, Blueberry growers association Belanovica, Bio Europe Stema doo, Mladost Cooperative, Agro Plus, Melisa Farm, Macval Tea and Kirka Pharma. The PMP target is set at 250 agribusiness clients accessing new technologies in the first two years of the Project, which is now considered unrealistic. Accordingly, the USAID Agribusiness Project will revisit this indicator and revise the target in consultation with USAID.

The value-chain assessments revealed that one of the major weaknesses limiting the competitiveness of companies in the selected sectors is their lack of international food safety and quality standards. Accordingly, the Agribusiness Project launched a comprehensive program focused on the promotion and adoption of international food safety and quality standards by assisted firms – GlobalGAP, ISO 14001 and ISO 22000. To launch this program a series of informational seminars on the GlobalGAP standard were held in Nis, Cacak, Novi Sad, Smederevo, Subotica and Vranje, with these seminars attracting more than 600 participants. Based on this program, a total of 28 Serbian agribusinesses have been able to introduce, and/or adopt, international food-safety and quality standards. At this stage, the Project can report that one company has already received GlobalGAP certification, while an additional ten agribusinesses are in the GlobalGAP implementation phase; two companies will implement ISO 14001; eleven companies will introduce ISO 22000; two companies will introduce both GlobalGAP and ISO 22000; one company will introduce both ISO 14001 and 22000; and one company will introduce ISO 14001 and GlobalGAP.

2.4 Component 2: Improved Enabling Environment for Serbian Agribusiness

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

An accurate, user friendly, up to date, and widely available agricultural management information system is a critical component to assisting Serbian farmers and businesses to

make production, pricing, and marketing decisions. In Year Two, the Agribusiness Project continued its cooperation with the MAFWM to strengthen the STIPS system with more consistent data collection methodologies, and an expansion of the type of data collected (in-country supply and demand balances per commodity, international trade data, and data on external reference prices). Accordingly, a client satisfaction survey is planned for February 2010, following the completion of the project on improvement of STIPS.

The Project has also completed a number of studies that have cross-cutting applicability, and which can provide information and guidance for future Project activities in multiple sub-sectors. These studies include: 1) A Study on the Serbian Cold Chain, which covered the sub-sectors of fresh fruits and vegetables, herbs, mushrooms, and berries; 2) A Study on the Impact of the Global Economic Crisis on Serbian Agribusiness, which covered all the sub-sectors; and 3) A Viticulture Sector Assessment, which was undertaken as the preliminary step to adding a seventh sub-sector to the USAID Agribusiness Project portfolio.

A total of 299 producers, firms and producer organizations have been trained in the use of market information (STIPS), the basics of marketing, and market analysis. Thus, the PMP target of 75 trainees for this indicator has been substantially exceeded.

The Environmental Protection Agency of Republic of Serbia, registered as the National Reference Center for Agriculture by the European Environment Agency, recently established an Environmental Information System to collect, assess and analyze environmentally-related data at the national and regional levels. However, due to the financial crisis further system development is stopped for the time being. Accordingly, the Agribusiness Project will plan to conduct a client satisfaction survey, in conjunction with the Environmental Protection Agency, once the system becomes fully operational and is widely used.

Objective 2.2: Promote Legal, Policy and Regulatory Reform

The Agribusiness Project continued its efforts aimed at creating an enabling environment for agribusiness development in Serbia. The following eight strategy papers were prepared in Year Two with Project assistance:

- Regulation on Organization and Job Classification of the Indemnity Fund;
- Statute of the Warehouse Receipts Indemnity Fund;
- Warehouse Receipts Law related policy documents (comments on the law, annual work plan for establishment of the WHR system, sample regulations);
- Opinion on the equivalent Serbian categories of berry fruit planting materials which correspond to the UK certified categories;
- Information on the Memorandum on the safety of products of plant origin exported from the Republic of Serbia to the Russian Federation;
- Proposals for resolving issues and the efficient implementation of regulations governing of utilization of plants under controlled use, and introducing subsidies for the commercial growing of medicinal, aromatic, and spice herbs;
- ACC/4 document (a document laying out potential domestic support and export subsidies for agriculture);
- An Analysis of 15 newly adopted agricultural laws.

The following three policy reforms were also implemented in Year Two, as a result of Project assistance:

- An official decision of the Plant Protection Administration on the scheme for acceptance of berry fruit planting material originating from the UK;
- The Law on Public Warehouses for Agricultural Products;
- The Law on the Protection of Plant Breeder's Rights (UPOV Law).

2.5 The Agribusiness Project Grant Program

A total of 40 grants, valued at \$452,000 (USAID funds) have been approved during Year Two, with \$400,000 in matching contributions being provided by the grantees. These grant funds were used for organization of the Ethno Food Fair held in Belgrade in November 2009, and support to companies attending 2009 Fruit Logistica Trade Fair in Berlin, the Trade Fair in Moscow, and the Vitafoods Trade Fair in Geneva. Grant funds were also used to support a trade mission to the UK for berry fruit producers; the introduction of new technology and new packaging in the food industry; as well as an extensive nation-wide training program for blueberry growers and dairy farms; and a comprehensive program supporting women entrepreneurship in agribusiness. The Agribusiness Project also approved grant funds to support the introduction of GlobalGAP and ISO standards by twenty-eight Serbian food processors. In addition to these forty grants, a total of seven youth grants, with a total amount of \$93K, have been approved for funding in Year Two. Since the inception of the Grant Program in April 2008, the Agribusiness Project's Grant Review Committee has approved a total of 51 grants with total grant funding of \$651,015. The grant recipients are committed to provide matching contributions, totaling \$481,789, or 42.5% of the cost of grant activities.

In conjunction with complementary technical assistance, as well as other support provided by the Project, the grant recipients have created 114 new jobs (including 24 full-time jobs), and they have reported sales of agriculture commodities with a total value of \$4,275,998. Based on the annual survey results, the grantees are very satisfied with the grant program; the overall satisfaction rate for the program is 4.57, on a scale of 1 to 5.

3. ANNUAL SURVEY – LESSONS LEARNED

Over the course of the data collection and analysis process, the Agribusiness Project staff have learned some valuable lessons that will assist the Project in its future activities. These lessons can be summarized as follows:

- The annual survey is an extensive and time-consuming effort that requires significant involvement of the entire Project staff. The annual survey as a critical and very important element of the data collection process, and it needs to be part of the Project's Year Three Work Plan. Accordingly, all staff members should plan their end of year activities around the survey, so as to avoid conflicts in their schedules and time constraints.
- The assistance provided by the internship students within the survey process, data collection, and analysis was highly valuable and appreciated, and it should become part of the regular practice for the annual and quarterly surveys.
- An improvement in the quality of the data collected through the survey has been noted, but still there is a need to provide significant and consistent assistance to clients to help them with the process of filling out the questionnaires.
- A unified questionnaire for all beneficiary groups seems to be confusing; accordingly, the M&E team, in conjunction with the Project staff, will adapt the existing questionnaire and develop more appropriate questionnaires specifically designed for ABDS providers, producer organizations, and agriculture-related firms and farmers.
- Furthermore, a number of the questions on the questionnaire (non-sensitive questions - e.g. client satisfaction rating of the Project's assistance, etc.) will be placed on the Project web site, and clients will be encouraged to provide feedback electronically. Nevertheless, sales and employment data will continue to be collected through the surveys, given the sensitive nature of this data and the verification method the M&E Team has established.

It is hoped that these changes to the data collection and analysis process will improve the quality of the impact data available for reporting to USAID, and it will make the data collection process less onerous for the professional staff and the M&E group.

4. YEAR TWO PROJECT RESULTS VS. PROJECT INDICATORS

Results vs Targets Tables

USAID Standard Indicators

Overarching Indicators

Objective 1.1: Strengthen Producer Organizations

Objective 1.2: Improve ABDS Service Delivery

Objective 1.3: Encourage Youth Involvement

Objective 1.4: Increase Value Chain Competitiveness

Objective 2.1: Improve Production Estimates & Market Information

Objective 2.2: Promote Legal, Policy & Regulatory Reform

**USAID Serbia Agribusiness Project
USAID Standard Indicators – Results vs Targets**

Performance Indicator	Methodology (data source)	Baseline	2008 RESULT	2009 RESULT	2009 TARGET	2012 TARGET
Percent change in value of international exports of targeted agricultural commodities as a result of USG assistance	Annual Client Impact Survey	Agricultural export of targeted agricultural commodities in 2008		75.99% (over previous year)	15% (over previous year)	15% (over previous year)
Number of producer organizations, water user associations, trade and business associations, and community-based organizations (CBOs) receiving USG assistance	Project data input into TAMIS	N/A	25	39 (cumulative)	30 (cumulative)	50 (cumulative)
Number of agriculture-related firms benefiting directly from USG supported interventions	Project data input into TAMIS	N/A	70	135 (cumulative)	85 (cumulative)	150 (cumulative)

**USAID Serbia Agribusiness Project
Objective 1.1: Strengthen Producer Organizations – Results vs Targets**

Performance Indicator	Methodology (data source)	Baseline	2008 RESULT	2009 RESULT	2009 TARGET	2012 TARGET	Disaggregating Categories			
							Region	No. of PO's	Sub-sector	No. of PO's
Number of producer organizations assisted as part of the USAID Agribusiness Project	Project data input into TAMIS	N/A	25	39 (cumulative)	30 (cumulative)	50 (cumulative)	Grad Beograd	4	Tree Fruit	9
							Jablanski	2	Berry Fruit	8
							Juzno-Backi	4	Vegetables	7
							Kolubarski	2	Herbs	4
							Macvanski	1	Livestock	2
							Moravicki	4	Dairy	1
							Nisavski	1	Cross-Cutting/A	2
							Rasinski	1		
							Severno-Backi	5		
							Sremski	3		
							Sumadijski	2		
							Zajecarski	1		
							Zlatiborski	3		
Number of new members joining USAID Agribusiness Project-assisted producer organizations	Project data input into TAMIS	N/A	317	492 (cumulative)	500 total new members	6,000 total new members	Producer Organization	New members		
							ZZ Prima Borovica	45		
							Bio Codex	12		
							Sistem Eko Fungji	10		
							Serbia Organica	108		
Total dollar value of member sales through USAID Agribusiness Project-assisted producer organizations	Annual Client Impact Survey	N/A	\$1,055,064	\$1,122,748	\$1M sales in Year 2	\$18 M sales (cumulative)	Domestic (US\$)	International (US\$)		
							\$398,748	\$724,000		
Average score of assisted producer organizations on the Organizational Capacity Assessment Tool	Annual Client Impact Survey	Results of the assessment conducted in December 2008 are used as a baseline		2.42 (baseline)	2.42 (baseline)	4.00				

**USAID Serbia Agribusiness Project
Objective 1.2: Improve ABDS Service Delivery – Results vs Targets**

Performance Indicator	Methodology (data source)	Baseline	2008 RESULT	2009 RESULT	2009 TARGET	2012 TARGET	Disaggregating Categories					
							Type of ABDS	#	Region	#		
Number of Agribusiness Development Service (ABDS) firms benefiting directly from USAID Agribusiness Project	Project data input into TAMIS	N/A	8	17	20 firms in Year 2	100 (cumulative)	Technical	13	Grad Beograd	10		
							Generic	4	Juzno-Backi Juzno-Banatski Moravicki Sremski Zlatiborski	2 2 1 1 1		
Number of new ABDS started with assistance of USAID Agribusiness Project	Project data input into TAMIS	N/A	0	0	3 (cumulative)	25 (cumulative)	Type of ABDS	#	Region	#		
							N/A	N/A	N/A	N/A		
Total dollar value of new revenues generated from ABDS providers as a result of USAID Agribusiness Project	Annual Client Impact Survey	N/A	\$20,000	\$445,682	\$100,000 in sales in Year 2	\$600K in sales in Year 5	Type of ABDS	\$	Type of Service	\$		
							Technical	\$398,400	Consulting regarding herbs, fruits, vegetables and irrigation systems	\$11,400		
Client satisfaction rating by firms of the availability and quality of agribusiness development services by region.	Annual Client Impact Survey	N/A	5	4.16	4	4	Generic	\$47,282		\$45,000		
										\$10,000		
										\$30,000		
										\$32,542		
										\$14,740		
										\$2,000		
										\$80,000		
										\$150,000		
										\$20,000		
Number of producers/processors who have received credit as a result of USAID Agribusiness Project	Annual Client Impact Survey	N/A	3	2	50 (cumulative)	180 (cumulative)	Type of firm	Average Score				
							POs	4.05				
							Ag Firm	4.20				
							ABDS	4.50				
							Farmer	3.75				
Total dollar value of credits received by producers/processors as a result of USAID Agribusiness Project	Annual Client Impact Survey	N/A	\$2.5 M	\$1,025,000	\$240,000 in Year 2	\$1.4 M (cumulative)	Region	#	Lending Institution	#	Sub-sector	#
							Severno Backi	1	Agro Banka ad GOS Development Fund	1	Vegetable	1
							Raski	1	Mushrooms	1		
Total dollar value of credits received by producers/processors as a result of USAID Agribusiness Project	Annual Client Impact Survey	N/A	\$2.5 M	\$1,025,000	\$240,000 in Year 2	\$1.4 M (cumulative)	Region	\$	Lending Institution	\$	Sub-sector	\$
							Severno Backi	\$1,000,000	Agro Banka ad GOS Development Fund	\$1,000,000	Vegetable	\$1,000,000
							Raski	\$25,000	Mushrooms	\$25,000		\$25,000

**USAID Serbia Agribusiness Project
Objective 1.3: Encourage Youth Involvement – Results vs Targets**

Performance Indicator	Methodology (data source)	Baseline	2008 RESULT	2009 RESULT	2009 TARGET	2012 TARGET	Disaggregating Categories				
							Male	Female	Region	#	#
Number of Youth Business Plan Competition winners	Project data input into TAMIS	N/A	0	7	12 per annum	45 (cumulative)	5	2	Raski	1	
									Pcinjski	1	
									Juzno-Backi	3	
									Niski	1	
									Sumadijski	1	
Number of youth-led businesses participating in USAID Agribusiness Project-funded activities	Project data input into TAMIS	N/A	5	7	25 per annum	110 (cumulative)	5				
Number of youth-led successful/operational businesses initiated thanks to USAID Agribusiness Project	Project data input into TAMIS	N/A	0	4 (cumulative)	22 (cumulative)	57 (cumulative)	2	2			

USAID Serbia Agribusiness Project
Objective 1.4: Increase Value Chain Competitiveness – Results vs Targets

Performance Indicator	Methodology (data source)	Baseline	2008 RESULT	2009 RESULT	2009 TARGET	2012 TARGET	Disaggregating Categories				
							Firm/POs	Farm	Type of technology		
Number of farmers and firms accessing new technologies with the support of USAID Agribusiness Project	Annual Client Impact Survey	N/A	0	23	250 (cumulative)	1,000 (cumulative)	21	2	New packaging technology		
									Drier that uses both solar and electrical energy		
								New products for plant protection and nutrition			
								Sorting machine			
								American concept for growing blueberries			
								New organic raspberry breeds Polka and Tulameen			
								Berry production in green house			
								New vacuum device for energy saving			
								New tablet machine for products based on herbs			
Number of international food-safety, quality and environmentally friendly certificates (HACCP, Global GAP, ISO, Organic, etc.) introduced to and/or adopted by agribusinesses thanks to USAID Agribusiness Project	Project data input into TAMIS	Results of the activities conducted in 2008 will be used as a baseline	5	28	N/A	TBD		#	Type of Standard		
									Tree Fruit	4	GlobalGAP
									Berry Fruit	3	ISO 14001
									Livestock	6	ISO 22000
									Vegetable	8	
									Dairy	2	
						Mushroom-Herbs	5				

**USAID Serbia Agribusiness Project
Objective 2.1: Improve Production Estimates & Market Information
Results vs Targets**

Performance Indicator		Methodology (data source)	Baseline	2008 RESULT	2009 RESULT	2009 TARGET	2012 TARGET	Disaggregating Categories							
Reliable crop/livestock production and market price information system operating within the Ministry of Agriculture		Annual or semi-annual survey on client satisfaction	2007 System Reports	2.57	Survey to be conducted in February 2010, following the completion of the project on improvement of STIPS	TBD		Type of Survey	Sub-sector	Region	No. of Trainings	No. of Producers and firms trained	Male	Female	
Targeted agricultural surveys implemented with the project support (per annum) in order to generate additional data on specific sectors or specific agricultural issues (e.g. costs and generated income per various households)		Project data input into TAMIS Data from partner organizations	N/A	6	3	2 per annum	8 (cumulative)	Study on the Serbian Cold Chain	Fresh fruits and vegetables, herbs, mushroom and berries sub sector						
								Study on the Impact of Global Economic Crisis on Serbian Agribusiness	All sub-sectors						
								Viticulture Sector Assessment	Viticulture						
Number of producers and firms trained in the use of market information & production data		Project data input into TAMIS	N/A	0	299	75 (cumulative)	225 (cumulative)	Male	Female	Type of Training	Region	No. of Trainings	No. of Producers and firms trained	Male	Female
								225	74	Market analysis, utilization of information from STIPS and basics of marketing	Moravicki district	1	11	8	3
											Sumadijski district	1	18	8	10
											Raski district	1	23	16	7
											Macvanski district	1	41	34	7
											Nisavski district	1	42	34	8
											Protiski district	1	37	36	1
											Branicevski district	1	33	22	11
											Podunavski district	1	25	12	13
											Pcinjski district	1	43	36	7
											Severno-banatski district	1	26	19	7
Introduction of an operational Environmental Information System (EIS)		Annual or semi-annual survey on client satisfaction	No system in place	Survey to be conducted upon introduction of the system	N/A	TBD									

**USAID Serbia Agribusiness Project
Objective 2.2: Promote Legal, Policy & Regulatory Reform
Results vs Targets**

Performance Indicator	Methodology (data source)	Baseline	2008 RESULT	2009 RESULT	2009 TARGET	2012 TARGET	Disaggregating Categories
Number of strategy papers prepared on policy related issues as a result of USAID Agribusiness Project activities	Project data input into TAMIS and data from partner organizations	N/A	3	11 (cumulative)	6 (cumulative)	12 (cumulative)	Type of reform
			Regulation on Organization and Job Classification of the Indemnity Fund Statute of the Indemnity Fund WHR Law related policy documents (comments on the law, annual work plan for establishment of the WHR system, sample regulations) Opinion on the equivalent Serbian categories of berry fruit planting materials which correspond to the UK certified categories Information on the Memorandum on safety of products of plant origin exported from the Republic of Serbia to the Russian Federation Proposals for resolving issues and efficient implementation of regulations governing utilization of plants under controlled use and introducing subsidies for commercial growing of medicinal, aromatic and spice herbs ACC/4 document (document outlining domestic support and export subsidies in agriculture) Analysis of 15 agricultural laws				
Number of policy reforms implemented as a result of USAID Agribusiness Project	Official Gazette of the RS (Serbian trade magazines and newspapers, GOS & Ministry data)	N/A	1	3	1 per annum	5 (cumulative)	Type of reform
			Official decision of the Plant Protection Administration on the scheme for acceptance of berry fruit planting material originating from the UK Law on Public Warehouses for Agricultural Products Law on Protection of Plant Breeder's Rights (UPOV Law)				