



**USAID Serbia
Agribusiness
Project**



USAID Serbia Agribusiness Project

Quarterly Report – Year Three Quarter Three

April 1, 2010 – June 30, 2010

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USAID Serbia Agribusiness Project

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I. INTRODUCTION & SUMMARY:

Development Alternatives, Inc. (DAI) in association with its partner firms, Booz Allen Hamilton (BAH), International Relief & Development (IRD), Michigan State University (MSU), the Training Resources Group (TRG), and the QED Group, is pleased to present this quarterly report for the period April 1st to June 30th 2010 for the USAID Serbia Agribusiness Project. This report reviews activities included in the Project's Year Three Workplan, and follows the outline for quarterly reports as contained in the Task Order (section A.8.2). The report also includes a number of separate Annexes (provided separately), which provide detailed information on Project activities.

In planning for Project activities to be included in the Year Four WorkPlan, a full review of the assumptions and objectives included in the Commodity Action Plans (CAPs) was undertaken during the past quarter. The Sector Leads have adopted some conceptual changes for these CAPs, which will be included in the Year Four Workplan document. Significant revisions have been made to the Dairy, Livestock/Meat, and Mushroom/Herb sub-sectors. These changes and revisions have prepared the Project well for the implementation of the Year Four program of activities.

The Project has fully integrated the transition concepts into Project activities, which was a goal of the Year Three WorkPlan. The continuation of the transition phase is now being prepared for the activities to be undertaken in Years Four and Five. The Project views these two years singly, since they will carry the Project through to completion, with little modification after Year Four. Years Four and Five will emphasize the final steps needed to achieve sub-sector transformations, which is a major USAID target, and a final product for the Project. Sector & functional staff have begun to define what transformations will take place in their sectors and functional areas, and the Project will begin to develop specific M&E indicators & systems for reporting on these changes.

The Project has made good progress on the promotion of new technology within the six focus sub-sectors. Discussions are underway on potential technology breakthroughs for Years Four and Five, and the groundwork was being laid this quarter. The Project expects to have technology impacts with Smart Fresh, ozone generators, and bio-digesters. The recent trade mission to the US, to assess bio-digesters, was successful, and seems to have led to a commitment by a Serbian dairy to use the GHD system at their farm. The Dairy Sector Lead expects other dairies will follow this lead.

The Project is pleased with the progress made in raising the quality of media coverage, and the increased number of media exposures. The Project will continue to implement the quarterly Agricultural Issue Conferences, in collaboration with Agropress, or others. The latest conference (see photo) in this series was just completed at the end of the quarter, a high-level, very well attended conference on Agribusiness and Sources of Renewable Energy.



This quarter also saw a surge in interest in gender issues, stimulated in large part by the Project's solicitation for business plan training for unemployed women. The quality of the applications was surprisingly high, and the number of submissions exceeded expectations. The Project expects significant media interest in this activity, and a high quality with the programs implemented.

The Project has noted a growing interest in industry associations, and cooperatives. This is a decided change in the Serbian mind-set, and may represent a transformational step. The responses to the solicitation for grants to associations were surprisingly good. Progress has also been made in the environment component, by ensuring that responsibility for the very important safe pesticide use

training activity was seriously accepted by the Ministry of Agriculture. It is now the Ministry's program and the Project will, appropriately, serve as a catalyst for this activity in the future.

Serbian participation at international trade shows continues to be a very successful, and high impact, activity for the Project. Investments in these fairs produce significant sales results, and provide invaluable preparation of future service providers. The recently completed Fancy Food and MIHAS shows exceeded our expectations, and in the case of MIHAS it has opened entirely new regions to Serbian exports. As the level of Project resources available for these events declines in Years Four and Five, the Project will shift to attracting and supporting inward buyer missions.

II. ACTIVITIES PLANNED & IMPLEMENTED DURING THE PERIOD:

During the third quarter of Year Three, the Project continued to implement a variety of activities and events included in the Workplan, and activities added in response changed circumstances. While most of the activities were based on the Workplan, the additional items, such as a continued emphasis on southern Serbia, expansion of the national SPU training program, and the development of an international food show in Belgrade, were based on newly identified opportunities.

Component 1: Increased Efficiency & Competitiveness of Agribusiness

1.0 Commodity Action Plan Activities:

1.0.1 Berry Fruits:

During the third quarter the main focus of the Agribusiness Project in the berry fruit sector was technical assistance related to the introduction of high tunnels, and the development of local expertise in this technology to extend the growing season and to improve the quality and harvest of brambles intended for the fresh market. The Project printed a Serbian translation of Cornell University's High Tunnel Raspberry & Blackberry Production Manual, and implemented the Berry Fruit study tour to Spain where ten representatives of berry fruit producers and ABDS providers. These representatives, along with the Sector Lead and a local consultant, travelled to Huelva province and visited leading producers and suppliers of fresh raspberries and strawberries for the EU market. In addition, a series of local consultant field visits, and the provision of field advisory assistance to clients planning to use tunnels, was begun during the quarter. Over this reporting period the Project also continued its assistance for the development of cranberry production, the promotion of Serbian value-added berry products at leading international trade fairs, and negotiations for the application of Ozone generators in Serbia. As result of the wide range of assistance activities provided to the National Association Serbian Blueberries, at the end of the quarter the first shipments of fresh blueberries to Austria and Russia were delivered, while additional deliveries to Germany have been successfully negotiated by the Association.

1.0.2 Dairy Products:

Over the past quarter, the Agribusiness Project implemented, and/or coordinated, several Dairy Sector specific, and cross cutting, activities and events which were included in the Year Three Workplan. These activities are designed to support the objective of increasing the efficiency and competitiveness of Serbian dairy agribusinesses. Svrljig Dairy, and the municipality of Pirot, were supported by the Agribusiness Project to complete applications for the protection of geographic designation (PGD) for Svrljig white cheese (kriska), and Pirot kackavalj. Based on client requests, the Project continued to support activities aimed at improving the competitiveness of the dairy sector, by promoting advanced biogas technologies for transforming animal and dairy processing bio-waste into renewable energy. This effort will also promote the development of US-Serbian commercial relations, by linking Lazar Dairy with GHD Inc, a biogas digester company based in Wisconsin. Representatives from Lazar Dairy visited GHD in March, and as a result Laraz Dairy has submitted a loan application for funding to finance the construction of a new biogas digester at

their farm in the fourth quarter of Year Three. In addition to the work with Lazar, the Project also supported three other dairy companies to complete feasibility studies on biogas digesters during the quarter. The Project has also made progress on the implementation of a regional dairy improvement campaign, and at the end of the quarter an agreement had been reached with the Ministry of Agriculture, Kragujevac municipality, and Taurus Consulting, to implement a regional dairy improvement campaign modeled on the dairy improvement campaign of Year Two. This effort is expected to start during the fourth quarter. Last, but not least, Sabac, Kuc, Mladost and Granice dairies have implemented dairy management software with Project support.

1.0.3 Livestock/Meat:

Over the course of the third quarter the Agribusiness Project continued to implement the technical training program for livestock farmers being provided by “Agrar Kontakt”, and the Project continued to evaluate and assess the strategy and direction for the livestock sector, given the significant challenges facing the sector at this time. During this quarter “Agrar Kontakt” completed the two remaining training programs as part of their program. These programs were implemented in Vranje and Pozarevac this past quarter, with attendance once again being much higher than expected. In Vranje 60 farmers attended the training, and 93 students also participated. In Pozarevac 39 farmers attended, and 87 students participated. The review of the Livestock/Meat sector strategy has led to a significant change in course for activities in this sub-sector. In the coming year the Project will shift the focus to small & medium scale meat processors to develop a group of firms that can become key Project partners. The Project will support these firms in their efforts to grow their markets, both internally and externally. The assistance will focus on processed meat products, based on both beef and pork, with a particular emphasis on those products that are seen as uniquely and traditionally Serbian. The Project will undertake a variety of technical assistance activities for these companies, with an emphasis on the use of local service providers as much as possible. The Project will also work with the key firms to support the creation of a new Meat Processor’s Association that can effectively represent the industry to the Serbian government.

1.0.4 Herbs & Mushrooms:

Over the course of the past quarter the Agribusiness Project continued to shift the emphasis to the herb sector, focusing on export markets and the development of a national herb processor’s association. One of the main achievements this quarter was support for three herb companies, all members of the “Serbian Flora” Association, to undertake a trade mission to the Tea & Coffee World Fair in April. The Sector Lead, together with representatives from Macval, Herba, and Fructus, attended this fair and successfully completed new sales transactions. As a result of this activity, contract sales of \$310,905 were signed by these firms, and an additional \$340,200 of future sales are under negotiation. The photo at the right shows Svetozar Petrovic, the owner of Fructus, at the fair examining new equipment from Japan for making pyramid tea bags. In addition, the new Wild Mushroom Association “Forest Fruits of Serbia” has now been officially registered. Three Herb & Mushroom associations have applied for grant program assistance from the Project, which is the next step in strengthening these national level producer’s organizations. Other major achievements in the Herb & Mushroom sector included: four companies have successfully implemented ISO standards, four companies have introduced new packaging and marketing programs, and the Project signed eleven new Grant Agreements for the introducing relevant international standards



1.0.5 Tree Fruits:

In cooperation with the Fruits of Serbia Association, and two ABDS providers, the Agribusiness Project has printed the Manual on the Fertigation & Irrigation of Apples, prepared by Professor Brian Boman from the University of Florida. 500 copies of the manual were printed, and 400 have already been distributed to clients (individual farmers and companies) of the ABDS providers which received consultancy services on irrigation and fertigation technologies. The remaining 100 copies will be provided to the Fruits of Serbia Association, and distributed to their members who are involved in apple production. Based on recommendations provided by Chris Watkins, from Cornell, regarding organization of the apple harvest, postharvest, and cold storage processes, recommendations on the best practices in apple handling and ULO storage were provided to the cooperatives receiving advice during his assignment. The main goal of the assignment, and the advice presented in the manual, is to help managers and members of these cooperatives to better organize their apple harvest and postharvest processes, as well improve the performance of their ULO storage facilities. Four companies from the Tree Fruit Sector have also completed their activities as part of the grant program to support marketing and promotional activities of Serbian agribusinesses. The Project supported the design and printing of marketing and promotional materials, website development, and new packaging, for ZZ Vocko, Foodland, Vino Zupa, and Foodex. As part of the program for the introduction of international standards, two cooperatives and 11 companies from the Tree Fruit sector have signed Grant Agreements for the introduction of ISO 22000, IFS, and GlobalGAP. The Project continued to support the introduction of the SmartFresh technology in the Serbian market, and representatives of the SmartFresh distributor have been connected to Serbian ABDS providers that can act as distributors of this product.

1.0.6 Vegetables:

This past quarter will certainly be remembered well by both vegetable producers and processors, and its implications will be directly felt in the following year. The extensive rainfall, which caused serious flooding, decimated this year's crops throughout the entire country. Experts estimate that 2010 will be one of the worst for the vegetable sector in years. Vegetable sector clients have now concluded their activities related to the marketing and promotion grant program, and these clients have improved their packaging and/or visual identity to satisfy export markets. One significant impact of this activity is that the fruit and vegetable juices produced by "Zdravo Organic" have found a place in the Slovak and Czech markets. As part of Project assistance to clients for the implementation of international standards, 14 companies from the vegetable sector have applied for the second round of grants. Unlike the previous year, when Global GAP was the main objective, all the applicant companies are in the processing business, and the highest interest is for the ISO 22000 standard. Following the review of the grant applicants, the Project will sign grant agreements with eight companies from the vegetable sector. Biotrend Donato presented their products in the US market for the first time at the Fancy Food Show in New York. The response to their products at the show was overwhelming, and several potential sales contracts have been negotiated. The two products that attracted the most attention were *Ljutko* and *Ajvi*. The Project has also entered into a collaborative arrangement for the preparation of a Vegetable Sector Analysis for the Timok region (Eastern Serbia). Eight municipalities will be included this research program, which will prepare a plan for the promotion of vegetable production and processing in the region. The partners for this effort are RARIS, GTZ, and LEDIB, along with local specialist and scientific institutions.

1.1 Strengthen Producer Organizations:

During the third quarter the Producer Organization component focused on preparing and launching the grant program for agribusiness associations, and finalizing preparations for the cooperative managers training program. In order to encourage and assist agribusiness associations to take a proactive role in creating an enabling environment for their sectors, and to provide direct support to

their members, the Producer Organization Specialist designed a specific grant program that addresses the needs of these organizations and their members. The primary goal of the Program is to help associations develop and implement a range of activities to advance their sectors, to improve their capacity to serve their members, and to sustain their viability after the Project ends. The program was launched in late April, and by the end of the quarter a total of 15 grant applications had been received. The Project has preliminarily approved, pending further review and grant award, ten applications submitted by eight national and two regional associations, representing all six targeted sectors. The Project expects to complete the final evaluation, and grant awards, by the end of July. During the third quarter, the Project continued working with the Ministry of Agriculture on preparations for the agricultural cooperative business training program. Two two-day training programs for cooperative managers will be organized in Zrenjanin (Vojvodina), and Zlatibor (South West Serbia). As part of Project support for tree fruit cooperatives, and the owners of storage facilities for fresh apples, the Producer Organization Specialist and the Tree Fruit Sector Lead have been assisting the US company Agrofresh, to promote their SmartFresh technology in Serbia. As a result of Project assistance, two local companies have been selected to represent Agrofresh in Serbia, and to start with the registration of SmartFresh in September 2010.

1.2 Improve ABDS Service Delivery:

During the third quarter, a consultant from Carr Swanson and Randolph, LLC (CSR) provided two three-day leadership training programs for 26 companies and Agribusiness staff, and one three-day training-of-trainers program for eight local consultants (40 participants in total). The purpose of these trainings was to strengthen the competitiveness of Serbian agricultural enterprises through improving the participant's ability to lead, motivate and inspire their employees and colleagues. The course focused on strengthening the qualities of personal leadership through influencing others, and this course blends in aspects of emotional intelligence as applied to business environments. At the end of the course students had a clear understanding of their own ability to lead innovation, and the development of a company, from wherever they are placed within the organization.

The main ABDS effort during third quarter was focused on the development of the new Belgrade Food show. The Project has had many challenges with this planned activity, including a serious medical issue for the owner of BelExpo (the Project's main partner for the show). After numerous meetings, and with the assistance of STTA Cherif Moujabber, the Project has managed to put the show back on track. During the quarter the show name and logo design, e-cards and invitations, exhibitor and buyer brochures, and the website (Culinaria.rs) were completed and approved by all partners in the effort. The Project and BelExpo have also compiled target lists of companies which will be encouraged to exhibit, and buyer companies that will be invited to send representatives to the show. By the end of the quarter preparations were proceeding well, with the exception of the pace of companies signing up for the show. The Project continues to review the situation on a regular basis, and some key targets have been set for go/no go decisions on the show. If these key targets are not achieved, it is likely the show will be postponed until 2011.



1.3 Marketing & Sales Program:

During this past quarter the Marketing & Sales team organized the participation of Project client companies at two international trade fairs. The events supported were as follows:

- MIHAS, Halal certified food fair in Malaysia, June 23-27. The Project supported this fair by providing a grant to the Halal Agency of Serbia which took six client companies to the fair. Participating companies reported \$1.1M in potential sales, and \$70K of contracted sales.

- FANCY FOOD, New York, June 27-29. The Project organized an exhibition by six Serbian companies, and they reported \$256K of contracted, and \$1.7M in potential sales. The Project will support the Fancy Food show again in 2011, and 100m² of the space has already been reserved for this show, which will take place in Washington DC.

The Marketing & Sales team, in partnership with Serbia Organica, the Ministry of Agriculture, and GTZ, organized the “Potential of the Organic Market in the EU” conference, which was attended by more than 100 representatives of companies, associations, institutions, etc. Speakers came from the French Ministry of Agriculture, the Synabio association, Agency Bio, and other organizations. The focus was on Germany & France, due to the high level of interest in organic foods there.

1.4 Youth Enterprise Program:

During the third quarter of Year Three the Agribusiness Project continued its program to support youth in the development of agribusiness enterprises. After reviewing the Business Plans submitted by eligible candidates, the Project has selected nine of the twelve plans submitted for the award of a start-up grant. These Business Plans received technical approval from the Project’s COTR, and an award ceremony for these Business Plan winners was held on April 29th. Award certificates for the winners were handed out by the State Secretary of the Ministry of Agriculture, Mrs. Mirjana Milosevic, and the Director of USAID’s Economic Growth Office, Mr. Jim Stein. The total value of all nine business plans is \$149,301, with the USAID share being \$121,861. Thanks to Project grant funds, these nine youth agribusinesses are expected to generate additional sales income totaling \$235,957, as well as the creation of 27 new jobs (full-time, part-time, and seasonal).

1.5 Other Cross Cutting Activities:

1.5.1 Environment:

Within the framework of the Year Three Workplan, the past quarter has seen an increasing attention being paid to environmental activities within the three priority areas: Pesticide Safety & Environmental Education, Cleaner Production, and Environmental Compliance. The Project has delivered a series of training programs in these technical areas, such as Cleaner Production, as well as in basic professional skills such as Training of Trainers for Pesticide Use & Environmental Education. All environmental activities during this reporting period have been conducted in partnership with the Ministry of Agriculture, Forestry and Water Management, and/or the Ministry of Environment & Spatial Planning. A number of meetings, workshops, structured briefings, enterprise outreach activities, and media events were conducted in an effort to improve the coordination of Project environmental efforts with other Project activities & events, and to share environmental information between key stakeholders. To achieve the Project’s environmental goals, the Agribusiness Project has also provided technical assistance to the Ministry to assist them to develop an effective institutional structure for the future of the PSEE program.

1.5.2 Women Entrepreneurs:

Based on the substantial needs for increased employment of rural women, the Project has designed a new Gender Program which will be implemented starting in July 2010. During this reporting quarter, efforts were focused on writing the RfA for the training program, and evaluating the grant proposals received. The RfA was published in May, and by June 7th, a total of 19 grant applications had been received. Following formal review of the received applications, a total of 11 applications have been accepted for final review, and possible grant award. The Gender program will be implemented in two phases: 1) The first phase will be a training program for the preparation of business plans for groups of rural women from four to five regions in Serbia, and 2) the second phase will be assisting the women to secure funding for their start-up businesses. Phase One will be implemented in partnership with local NGOs, which will select program participants based on their

interest and established criteria. It is anticipated that at least 200 women will be trained to prepare a business plan during this phase. Phase Two will take the best business plans developed by participants and these will be submitted to the Project for potential funding through start-up grants. Each start-up grant will not exceed \$15,000, and the Project plans to award 10-15 grants.

Component 2: Improved Enabling Environment for Agribusiness

2.1 Improve Access to Market Information:

The Agribusiness Project, in partnership with “Agropress”, organized the conference “Agribusiness and Renewable Sources of Energy - Potentials and Obstacles”, on June 29, 2010. The objective of the Conference was to inform and engage all relevant stakeholders in a constructive discussion regarding the importance of increasing the use of energy from renewable sources. Representatives from the Ministry of Energy and the Ministry of Agriculture presented current regulations, focusing on new decrees for obtaining the status of privileged power producer, and stimulations for power production from renewable sources; the importance of biomass as a significant source of renewable energy potential in Serbia. The event was very well attended, with nearly 200 representatives from government institutions, industry, the research and development community, and the media.

The Agribusiness Project also provided a grant to the marketing agency Head Made to implement the project “Healthy Economy - Promotion of Warehouse Receipts System” as part of a public awareness campaign for the warehouse receipts system in Serbia. During the quarter, grant milestones 1, 2, 3, 4 and 5 were completed, encompassing: design and production of the educational and promotional material for the seminars and workshops; promotion and presentation of the WHR System at the International Agricultural Fair in Novi Sad; organization of a two-day training seminar for warehouse operators; organization of a one-day training seminar for representatives of commercial banks and insurance companies; and organization of a one-day training seminar for the representatives of the extension service, rural development network, and agricultural cooperatives.

2.2 Facilitate Legal & Regulatory Reform:

The Agribusiness Project supported the organization of the conference “CAP Reform – Accession and Cooperation Challenges”, held in the National Parliament on May 14th. The conference was organized in cooperation with the Ministry of Agriculture, the Chambers of Commerce of Serbia and Belgrade, and the Cooperative Union of Serbia. The conference focused on future reforms of the CAP, and implications for Serbia’s agrarian policies and international trade in agricultural products. The conference gathered a large number of high-ranking officials, including the President of the Republic of Serbia, Boris Tadic, the Minister of Agriculture, Sasa Dragin, and Jerzy Plewa, the Deputy of Director General for Agriculture of the EU. More than 250 participants from the agribusinesses, government, the diplomatic corps, and the media attended the conference.

Component 3: Program Management & Administration

3.1 Agribusiness Grant Program:

During the quarter, the Agribusiness Project awarded fifty-one grants with total grant funding of \$354,616, and an additional fifteen grant applications, with total grant funding of \$88,284, have received preliminary approval. In addition to these awarded and approved grants, the Project has twenty-one grant applications in the final review stage, within two the grant programs specifically designed to support producer organizations, and women’s entrepreneurship in agribusiness

The Project awarded two grants to ABDS providers to enhance the delivery of public goods:

1. Based on an unsolicited proposal, the Halal Agency of Serbia received a grant of \$27,670 to support the participation by six Serbian agribusinesses at the MIHAS 2010 Trade Fair in June. These companies exhibited their products at the booth of the *Halal Agency of Serbia*.

2. Head Made, a local ABDS provider, received a grant award to implement promotional activities related to the warehouse receipts system. Head Made will use this \$32,408 grant to conduct a series of educational and promotional events, and to set-up a communication center.

Twenty-three business plan ideas were received for the second round of the Youth Business Plan competition, and following review by Project staff, twelve were selected as being viable business ideas that could be implemented. These twelve applicants were invited to submit full business plans, in the form of a grant application. Only nine applications were received by the deadline, and the grant evaluation committee approved these nine grants applications for funding. The total value of these nine grants is \$149,301, with the Project’s share of funding being 121,861.

3.2 Project Communications & Media:

During this quarter the bulk of the media coverage was received for the following events/topics:

- In April: Reports on Ambassador Warlick’s visit to the Vocko cooperative in Tavankut
- In May: Reports on the Agropress conference “Investing in Agribusiness in Serbia”
- In June: Reports on the “Agribusiness and Renewable Energy Sources”

The Agribusiness Project received the greatest local media coverage for the Youth Business Plan Competition Award ceremony, although this coverage was spread through April, May, and even into June. Other important topics that were picked-up and covered by the media included:

- Grant Programs: Reports on the Requests for Proposals for the “Support for Agribusiness Associations” and “Facilitating Women Entrepreneurship in Agribusiness” grant programs.
- Marketing & Sales: Reports on Serbian participation at the MIHAS and Fancy Food shows, as well as reports on the Culinaria fair to be held in Belgrade.
- Environment: Reports in the local press on the workshops held on Cleaner Production and the presentation of the Report on Soil Quality in Serbia

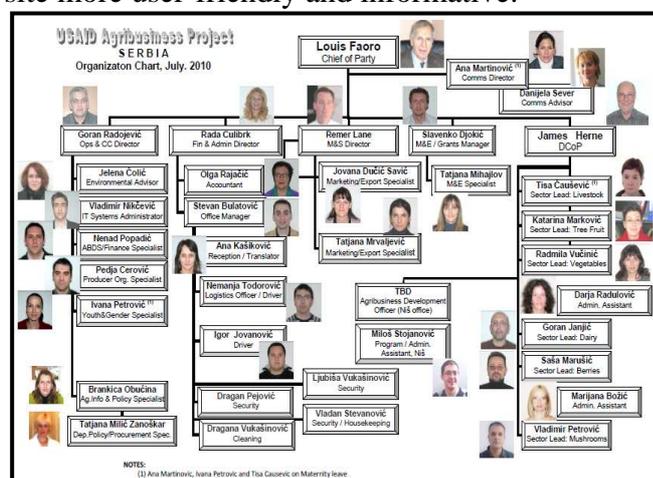
Total number of times Project activities were reported on during this quarter, by the various types of media that are formally monitored, is presented in the table below:

<i>Print</i>	<i>Electronic (TV, Radio, Internet)</i>	<i>TOTAL</i>
33	112	145

The Project web site was also a key tool for informing the media and the public on forthcoming events and news from the Project. During the quarter the website received 6,349 individual visits, with 3,002 (47.28%) being new visitors to the site. The web site upgrades made this period are expected to increase the visitor numbers, and make the site more user-friendly and informative.

3.3 General Project Administration:

During the third quarter of Year Three the personnel compliment of the Agribusiness Project has remained relatively unchanged. Mr. Milos Stojanovic, who was originally hired as an Assistant for the Youth Grant Program, was transferred to the Nis Office early in the quarter to take up the position of Program/Admin Assistant. During the quarter the Project completed the formal selection process for this position, and Mr. Stojanovic was selected as the best candidate for the position. He is currently employed on a consulting basis, pending approval of



the Agribusiness Project budget modification which will allow the full implementation of the Nis Field Office. Once the modification is received, the Agribusiness Officer position for the Nis Office will also be filled. An updated Project Organization Chart is shown on the previous page.

The Project has continued to make use of both expatriate and Serbian consultants, with a total of five expatriate STTA assignments and four local STTA assignments being started during the quarter. Four local consultants also continued assignments that were started in the second quarter, and all these assignments were related to Dairy sector activities. Over the remainder of Year Three, and continuing into Years Four and Five, the Project will continue to shift from the use of expatriate consultants to using more local consultants. The Project is also continuing to use interns, with interns providing assistance to administrative staff, the marketing team, and the grant program.

III. SIGNIFICANT PROBLEMS ENCOUNTERED DURING THE PERIOD:

While implementation has proceeded without significant problems during Year Three, the Project has encountered a few problems which have posed challenges. These issues are:

- Two years of bad weather have had a serious negative impact on some sub-sectors, particularly berries, vegetables, and to some extent tree fruits. This suggests that Project strategy to support closed, and high-tunnel, production along with anti-hail measures are on target.
- Lack of approval for the Project's requested budget modification has become an increasingly serious problem. This has delayed the full implementation of the Nis field office, and has also held up implementation of some sub-sector activities.
- Finding qualified gender business planning service providers has been daunting. The recent grant solicitation for the gender program has resulted in a number of promising applications, and the quality of their project submissions has been surprisingly high.
- The absence of finance remains a critical problem. The lack of loan funding, particularly for the purchase of crops for processing, has been an issue with some of our clients. It is frustrating to have an investment and no access to financial resources for their implementation.
- Recent legislation and trade agreements have proven to be a double edged sword. Along with broader export opportunities has come increased competition from imports. The Project study on the impact of this liberalization should offer timely advice to Project client companies.

IV. ACTIONS TAKEN TO RESOLVE PROBLEMS ENCOUNTERED:

Despite the above mentioned problems, the Project has taken steps to compensate and to continue full implementation of the Project, as follows:

- While the full staff for the Nis office cannot be hired, the office has been opened on a provisional basis. The office is proving useful, and offers a significant gateway to the south.
- The mandate to emphasize producer organizations and associations is bearing fruit. The Project is confident that the women's entrepreneur training program will attract good media attention.
- The Project continues maintain a close collaborative relationship with the Ministry of Agriculture. This has benefitted the Project in numerous ways. The Project has the ability to influence Ministry activities, and they have opportunities to rely on the Project for assistance.

V. IMPORTANT OBSERVATIONS REGARDING IMPLEMENTATION:

The Project has continued to increase the sales results, particularly for exports, over the course of Year Three. The goals for this indicator should be far surpassed by the end of the Project. The goal set for employment generated should also be met, or exceeded, as well.

This quarter raised our expectations regarding the willingness of groups to associate to achieve common goals. Applications for association grants, and recent work with new service providers, suggests the Project has been successful in promoting group activities based on self-interest.

The Project continues to record major impacts from the marketing-oriented activities, notably the design and packaging grant program. This activity will continue, to promote and support initiatives aimed at generating more competitive products that have a greater appeal to consumers.

The Project is taking a careful approach to launching the Culinaria show in September. A series of critical benchmarks have been set for a final “go” decision on this event. These benchmark dates will occur in the next quarter, and at that time a final decision on implementation will be made.

Lagermax continues to be a significant success story, with 70 containers of small quantity products having been shipped to date. Both small producers, and Lagermax, have gained in the process. Client companies have sold \$1.2M of products that would not have been sold otherwise.

VI. RESULTS ACHIEVED RELATIVE TO ANNUAL WORKPLAN TARGETS:

Based on the Sector Lead quarterly impact surveys, a total of 82 clients received assistance this quarter; 64 agriculture-related firms, seven producer organizations, ten ABDS providers and one youth NGO. To date, a total of 431 clients have been registered in the TAMIS system, with 370 clients being active, and 217 MoU’s have been signed.

A total of 44 agribusinesses (7 producer organizations, 2 ABDS providers, and 35 agriculture-related firms) reported sales results directly attributable to Project assistance this quarter:

Sales Contracted	Sales Delivered	Sales Under Negotiation
\$5,559,500	\$3,375,500	\$4,020,000

A total of 57% of the contracted sales, and 64% of the delivered sales, were for the export of Serbian food products. Exports to Europe and Russia accounted for over 92% of the total delivered sales. Based on this data, the Agribusiness Project has exceeded (\$13.2M YTD) the Year Three target for Performance Indicator No 4 (dollar value change in agricultural product sales), which is \$12M. The chart at the right shows the sales reported this past quarter by sector. Cumulatively, the Project has recorded \$52.1M in delivered sales, compared with the LOP indicator of \$72M in sales.

Client organizations reported a total of 177 new jobs being created this quarter, with 26% of these being women, and 21% being youth jobs. To date the Agribusiness Project has contributed to the creation of 4,236 jobs, which is well ahead of the Year Three target of 3,000 jobs.



VII. ACTIVITIES PLANNED FOR THE COMING PERIOD:

Project management and staff will continue to focus on implementing the Year Three Workplan, and developing new initiatives. The main focus of activities for the coming quarter will be:

- Continue expanding activities in southern Serbia, using the Nis office as a base of operations.
- Redesign the Livestock/Meat sector program, to shift the emphasis to meat processing firms.
- Continue supporting the adoption of GHD digester technology, with Lazar and other dairies.
- Select the Association Grant awardees, and finalize the grants to support women entrepreneurs.
- Continue to emphasize Environmental activities, with the SPU and CP training programs.

In addition to these efforts, the Project will continue ongoing support for client firms and the sectors that the Project supports, as well as continued support for international fairs and trade events.



**USAID Serbia
Agribusiness
Project**



USAID Serbia Agribusiness Project

Quarterly Report - Annexes

April 1, 2010 – June 30, 2010

Contract no.: EDH-I-00-05-00004-00/09
USAID Agribusiness Project

RFTOP No.: 169-07-016 under the RAISE Plus IQC

Contractor: Development Alternatives, Inc.

Report Author: Chief of Party, Louis Faoro

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USAID Office: USAID Belgrade, Serbia

Belgrade, Serbia
July 2010

USAID Serbia Agribusiness Project

Quarterly Report - Annexes

April 1, 2010 – June 30, 2010

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USAID Serbia Agribusiness Project

Quarterly Report – Year Three, Quarter Three

April 1, 2010 – June 30, 2010

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BERRY FRUIT – Quarterly Report

April 1 – June 30, 2010

1.0 Introduction and Overview

Over the third quarter the main focus of the Agribusiness Project's activities in the berry fruit sector was technical assistance related to introduction of high tunnels and development of local expertise in this new technology to extend season and improve quality and harvest of brumbles intended for the fresh market. In this period the Project completed the printing of the Serbian translation of the Cornell University's High Tunnel Raspberry and Blackberry production manual and successfully implemented the Berry Fruit study tour to Spain in which ten representatives of berry fruit producers and ABDS providers, along with the Sector Lead and a local consultant, travelled to Huelva province and visited/learned from leading producers and suppliers of the EU market with fresh raspberries and strawberries. In addition, a series of local consultant's field visits and provision of field advisory assistance to clients planning to apply tunnels was incepted in the quarter. Over the reporting period the Project continued its assistance to the development of cranberry production, promotion of Serbian value-added berry products at leading international trade fairs such as Fancy Food Show in New York, negotiations for the application of Ozone generators in Serbia, etc. As result of a range of assistance activities provided to the National Association Serbian Blueberry, at the end of the quarter first shipments of fresh blueberries to Austria and Russia were delivered, while more upcoming deliveries to Germany were successfully negotiated by the Association.

As a result of the heavy rainfall in May, followed by extremely warm weather in early June and frequent hailstorms at the beginning of raspberry harvest season, the total yield of strawberries and raspberries in 2010 will be 20% to even 30% lower than anticipated, while the fruit quality equally affected. In anticipation of main harvest in other countries in Europe, demand for Serbian IQF raspberry is stagnating and the export prices are set quite low accordingly. Weather conditions during the fourth quarter, as well as market changes and performance of Serbian stakeholders in terms of harvest, post-harvest and marketing operations will indicate quite reliably the prospects for the industry in 2010/2011. Nevertheless, early deliveries of fresh strawberries and blueberries as well as growing interest of EU and Russian buyers in other fresh berries from Serbia coupled with efforts to apply new technologies and extend season, confirm clearly that adding fresh berries to Serbian export portfolio is both a necessity and quite achievable growth opportunity for Serbia.

1.1: Strengthen Producer Organizations in the Berry Sector

1.1.1 Training & TA for the Use of New Technologies

1.1.1.1: Training on the Use of High Tunnels for Berries

During the reporting period the printing of the Serbian translation of the High Tunnel Raspberry and Blackberry production manual was completed. To suit Serbian conditions the manual, initially developed by the Cornell University, has been adapted by a local consultant hired by the Agribusiness Project. A total of 500 copies of the manual have been printed, and it will be used as a tool to assist with the know-how transfer from US-based growers and extension service providers to their counterparts in Serbia. It will also be distributed to interested stakeholders during the technical assistance and training program aimed at developing this type of production in Serbia. A few dozen copies of the manual have already been distributed during the Raspberry Days festival in Brankovina and technical assistance activities conducted by the local consultant and the sector lead.

Since mid April thru late June Mr. Mihailo Nikolic, our Local Consultant continued his assignment working on High Tunnel Raspberry production. Together with the sector lead Mr. Nikolic visited several clients in south, central and western Serbia, monitored local conditions and development status of recently-established primocane raspberry fields, advised producers on field management measures to be taken as well as recommended potential sites, types of tunnels and preparatory activities for high-tunnel and/or shade establishment.

Meanwhile the Project has obtained all approvals needed for hiring previously selected candidate - Prof. David Pitcha from Louisiana State University, and it is now at final stage of contracting him and arranging the trip/fixing specific dates for the assignment. It is expected that the ex-pat High-Tunnel Production Consultant will commence his field work in Serbia in late August. While delivering training & advisory services to project clients advancing towards the fresh berry fruit market, he will work closely with and be assisted by Mr. Nikolic, the Local Consultant.

As previously agreed with director of agricultural program “Znanje na Poklon”, through broadcasting short videos or interviews with project staff the TV B92 actively joined the initiative and on several occasions presented the USAID/project’s activities related to introduction of high tunnels and thus expanded the reach of the activity. This useful cooperation is also aimed at increasing the awareness of growers and businesses dealing with berry fruits in Serbia about opportunities in fresh market and varieties and technologies required, and it will be further developed over next quarter(s).

1.1.1.2: TA for Grantees Adopting New Technologies

As result of the global crisis and the sector’s limited access to loan financing, the usefulness and appropriateness of grants for introduction and application of new technologies in Serbia has increased. As a complement to technical assistance and training activities provided by the Project so far especially the investment incentive grants would make possible early application of high tunnels, modified-atmosphere-packaging or other new technologies that would significantly advance the sector. For these reasons the berry fruit sector lead is still working with relevant Project staff on new technologies’ grants scheme development and its justification to be submitted to USAID for review and approval. Once the grants program gets USAID’s approval, the sector lead will begin planning and delivery of tailored technical assistance to the grantees.

1.1.2 Assist Producers to Diversify Their Production

1.1.2.1: Training of Trainers – Blueberry Production

As explained in the previous report, based on market changes and identified local stakeholders’ capacities and needs, it was decided by the project to adjust the assistance and change the focus from blueberry production to its marketing and promotion. As result of a range of technical assistance provided so far, over the reporting period the project’s clients dealing with blueberries, in first place National Association Serbian Blueberry, began achieving significant results in marketing and export of fresh produce. *(For more detail please see the Support for the National Blueberry Association section of the report).*

1.1.2.2: TA for Producers Establishing Cranberry Fields

Over two and a half weeks in April and May 2010 the Cranberry Production Consultant Mr. Robert Tomesh has conducted his second assignment in Serbia with primary goal to assist first growers of cranberries in Serbia and support development of technical expertise in this production. Together with Jasminka Milivojevic, local consultant and with the berry fruit sector lead, the consultant assessed a few larger potential sites and provided future investors with recommendation regarding sites’ suitability as well as about needed land preparation and bed establishment activities. The

project team in addition visited several cranberry growers and cranberry seedlings suppliers and assessed cranberry plants development and potential disease problems, reviewed current status and potential for development of this production in Serbia, and advised the clients' staff on necessary irrigation, fertigation and other cranberry bed management and plant propagation techniques. At all visited sites it was obvious that cranberries can develop very well in Serbia, but the know-how is a lacking component.

Within the activity the project team organized and delivered in early May a series of three training sessions at three different locations in Serbia: Current and potential cranberry growers from different regions in Serbia gathered around a farmers' cooperative attended the training in Belanovica and learned about establishing the cranberry bed, its management and plant propagation. Two trainings were conducted in cooperation with Belgrade and Kragujevac universities, for students of agriculture and agronomy. Both trainings attracted a lot of interest and have recorded extremely good attendance – over 180 students of agriculture, university professors, as well as current and potential cranberry growers from different regions in Serbia attended. During the trainings the consultants hired by the USAID Agribusiness project, presented specific cranberry bed requirements and recent practices in the US, as well as provided recommendations for Serbia how establish cranberry beds and organize its regular management and plant propagation. Before the trainings began, the project staff met with officials from both universities, who welcomed this initiative and expressed their eagerness in developing further cooperation with the project. Within the activity the Project staff introduced the audience to the Youth & Business Plan Competition programs, and invited students planning to start-up businesses to take part in the programs.

1.1.3 Improve Management at Producer Organizations

1.1.3.1: Management Training for Producer Organizations

The service provider, venues and final curriculum for cooperative managers' training program have been selected and finalized during the reporting period. The program jointly developed by the Producer Organization Specialist and the Ministry of Agriculture will specifically focus on capacity building and training for cooperative managers in overall management of a PO, financial management and strategic planning and marketing. It is expected that training sessions will commence in mid July, 2010. *(For more detail please see the Producer Organizations section of the report).*

1.1.3.2: Support for the National Blueberry Association

Recently established National association *Serbian Blueberry* which gathers blueberry producers and ABDS providers has become fully operational and started to serve their members with various services. As instructed by the Project, the association's primary focus was marketing and promotion. In early May the NASB organized a visit to western Serbia for representatives of German companies Dole Foods and Kopke that specialize in fresh fruit imports and distribution. Following these visits, arrangements for the export of fresh blueberries have been made with suppliers from Serbia. The buyers also showed a lot of interest in other fresh berries, such as raspberries, currants, blackberries and strawberries, and the association is working with other POs and developing a network capable in establishing sustainable export of these products.

At the start of the blueberry harvest season, the association organized and delivered via its member Agros Trade the first ever shipments of fresh blueberries to Austrian and Russian markets. The association has also successfully negotiated a supply contract with a buyer from Germany that will be executed over the next quarter. As result of various technical assistance provided by the Project and these first practical steps of the association, over 50% of the total blueberry crop will be exported to European buyers. In addition, the NASB has established cooperation with national and

regional printed and electronic media, through which it began promotion of its primary product – fresh blueberries as well as the association itself on domestic market. *(For more detail please see the Producer Organizations section of the report).*

1.1.4 Support for the International Standards Program

1.1.4.1: Support Intl Standards for Fresh Berries

1.1.4.2: Support for Other International Standards

To improve their overall competitiveness, product quality and access to new markets, the project is continuing its support to the growth-oriented producer organizations and companies in the process of implementing various international standards. Through a project-wide program launched in December 2009 the project is covering up to 50% of consulting services' costs as well as up to 70% of costs of certification of a required international standard. The berry fruit sector lead worked closely with Ag Info and Policy Specialist to increase the berry industry's awareness of the program and helped interested clients in properly applying for certification grant. Although the global crisis has hit this sector significantly and most of clients have reduced their investments, the interest among the berry fruit sector in this program was significant. Among 11 applications received from the berry fruit sector a total of 7 have been approved from the Project. The standards sought were BRC, ISO 22000, GlobalGAP and IFS. After all the contracts have been signed, the implementation of consulting and/or certification activities has commenced. Meanwhile the first certificate has been handed out to Farmer's Cooperative "Domacin" which successfully completed certification of GlobalGAP for fresh red currants. A few more successful completions of the certification processes for the berry fruit sector clients are anticipated to happen in August 2010. *(For more detail please see the Ag Info & Policy section of the report).*

1.2: Improve ABDS & Finance Service Delivery

1.2.1 Improve the Capabilities of ABDS Providers

1.2.1.1: Berry Cold Chain Management TA & Training

During the reporting period, the project has not completed any activities that would specifically deal with cold chain management. However, through various other activities such as trainings delivered by ex-pat and local consultants and facilitation of application of ozone generators, the project has helped in improving clients' knowledge on various options to maintain the cold chain as well as in linking them with potential suppliers.

1.2.1.2: Foster Partnerships for Input Supply to Producers

As a continuation of the cooperation and partnership with Hargreaves Plants, the Project has agreed to provide logistic support for their representatives who will visit Serbia in summer 2010. This activity will support the Project's goal to ensure supplies of new strawberry cultivars and to assist with introduction of new berry varieties which are suitable for Serbian conditions, and which are best suited for the fresh markets in the EU. The Berry Sector Lead has finalized a schedule of visits and B2B meetings with clients (producers, processors, nurseries and ABDS providers) interested in adding these new varieties and/or products to their current portfolio.

1.2.2 Assist Clients to Access Financial Resources

The Berry Fruit Sector Lead has not planned any specific activities or events related to improving access to financial resources for sector clients. However, he has worked together with the ABDS & Finance Specialist in planning support and facilitating clients' access to credit and finance and provided information on available financing, factoring and/or export insurance service to interested clients on an as-needed basis. *(For more detail please see the ABDS section of the report).*

1.3: Support Sales & Marketing Efforts

1.3.1 Support Client Participation in Trade Fairs

1.3.1.1: Support Companies that Participate in Trade Fairs

Over the reporting period the Fancy Food Show, for Serbian agribusinesses major overseas fair, took place in New York, USA. Among a total of 6 Serbian companies that exhibited this year two clients were coming from the berry fruit sector – Sirogojno Co. and Frigo Grand specializing in sugar-infusion-dried and/or retail-packed frozen berries. Prior to attending the fair, all the participants received training and technical assistance to insure they are well prepared, and that their exhibit and negotiations at the fair will be successful. During the fair the exhibitors met with hundreds of their current and potential buyers – brokers, distributors, processors and retail chains, to discuss and negotiate supplies during the 2010 season. As result, the berry sector clients reported a total of 1 million US\$ worth potential exports being negotiated after the fair. *(For more detail please see the Marketing & Sales section of the report).*

1.3.2 Assist Clients to Undertake Trade Missions

The Berry Fruit Sector Lead has not planned any specific activities related to assisting sector clients in undertaking trade missions, other than one to Spain which is explained in the below paragraph.

1.3.2.1: Sales Exchange Mission to Spain (Huelva Province)

During the reporting period the Project successfully implemented the Berry Fruit study tour to Spain, with assistance from World Learning. Ten representatives of berry fruit producers and ABDS providers, along with the Berry Fruit Sector Lead and a local consultant, travelled to Huelva province and visited leading producers and suppliers of the EU market with fresh raspberries and strawberries. During this four-day activity the participants visited berry fruit fields set-up under tunnels, as well as grading and packing units of the host businesses, and they learned about the details of fresh berry fruit production, post-harvest operations and marketing. Through the provision of advisory services by both expatriate and local consultants, the Project continues to support to Serbian berry fruit industry to establish exports of fresh berries to the European market.

As a follow up, several articles on the Study Tour to Spain were published in printed media and a few reports were broadcast on B92 during “Znanje na Poklon” agricultural program. Within this educational series introducing the production of berry fruit under high tunnels and/or hoops, some of the participants spoke of their impressions from the tour, and their plans to apply the knowledge they gained. In addition, Prof. Mihailo Nikolic (AgBiz Project consultant for berry fruits) was the guest presenter on the program and he commented on the Berry Fruit study tour to Spain. Prof. Nikolic reviewed the berry production technology applied in Spain, and explained how Serbia can proceed to develop the production of berry fruits under high-tunnels, and to expand the export of fresh berries. During this broadcasts, both Mr. Trnavcevic, director of the program and his guests emphasized USAID’s support and role in the process, and their appreciation for the assistance provided by the USAID Agribusiness Project.

1.3.2.2: Sales Trade Mission to Italy (Sant’Orsola)

To avoid overlapping with the Study tour to Huelva, Spain, the activity was postponed for fall 2010 or even spring 2011. Given that the overall goal of the activity – introduction of early or late production of berries for the fresh market has partly been fulfilled during the Study tour to Spain, the sector lead will consider inclusion of this activity into a planned visit to Italy by a group of clients representing Serbia’s cooperatives sector. Final decision will be made upon consultations with the project’s relevant staff and with intended host – Sant’Orsola Cooperative.

1.3.2.3: Market Research and Studies for Berries

Over the reporting period the sector lead continued needs assessments for market researches, both of individual clients and national/regional POs, but has not undertake any specific activities or market studies related to the berry sector. Based on the needs identified and upon additional consultations with national POs, this activity will be incorporated into and developed within the year-four work-plan for the sub-sector.

1.3.3 Provide Technical Assistance in Marketing

1.3.3.1: National Campaign to Support Berry Consumption

As mentioned under activity No. 1.1.3.2, as result of the Project's assistance the National Association Serbian Blueberry developed a promotion plan and within the quarter started its implementation. Based on first results in establishing exports of fresh blueberries, the association prepared press releases and arranged a few very positive articles to be published in several electronic and printed media in Serbia. In order to increase the awareness and interest of consumers in Serbia and Europe in cultivated blueberries, the association will continue promotion of its product through media coverage of their work and organization of various promotional events.

1.3.3.2: Support Development of Fruits of Serbia Association

No specific activities aimed at supporting development of Fruits of Serbia association were conducted by the berry fruit sector during the reporting period.

1.4: Support Youth & Gender Involvement

1.4.1 Encourage & Support Youth Involvement in Berry Sector

1.4.1.1: Visit Ag Schools to Encourage Future Berry Growers

During the reporting period two trainings on Cranberry Production and Propagation Technology were delivered for students of agriculture at Belgrade and Kragujevac universities. Within the activity the Project staff introduced the audience with Youth and Business Plan Competition programs, and invited students planning to start-up their business initiative to take part in the programs. The Berry Fruit Sector Lead also arranged with professors from both universities another two lectures on High-tunnel Raspberry Production to be delivered for their students by a US-based consultant in September, 2010.

1.5: Support Cross-Cutting Functions

1.5.1 Support the Project Grant Program

1.5.1.1: New Technology Grants for Berry Production

1.5.1.2: New Technology Grants for Processed Berries

During the reporting period the Berry Fruit Sector Lead continued providing support to grantees of the Agribusiness Project grant programs to insure they implement their grants as planned, and that they timely provide necessary reports and documentation on their grants. Due to increasingly difficult operations caused by the global crisis and its limited access to loan financing, both grants in fresh berries and in higher value-added products development have become even more vital for introduction and application of new technologies in Serbia. For this reason the project staff has assessed clients' needs and is currently working on a proposal of the grant program aimed at supporting implementation of new technologies in Serbian agribusinesses. The proposal will envision both provision of technical assistance and in-kind funding from the project to qualified applicants, and it will be completed soon and submitted to the USAID mission in Belgrade for review and approval.

Given the importance of application of new technologies for future development of the sector and financial difficulties that the sector is facing to, as well as potential USAID's non-approval of the

proposal, the berry fruit sector lead also reviewed financial assistance available from local authorities that could compensate for project's potential inability to fund purchase of equipment. Cooperation with several municipalities where readiness to proceed in this has been identified will be continued so as to prepare joint programs for the second half of 2010.

1.5.2 Support Policy Reform Efforts

Since December 2008 Serbia participates in the OECD Scheme for application of international marketing standards for fruit and vegetables. Based on the Food safety law, new regulations on quality of fruits and vegetables are still being developed and harmonized with the standards from the scheme. To provide for proper application of these new regulations, the Ministry of Agriculture will organize trainings and practical exercises for inspectors, farmers and agribusinesses regarding marketing standards of fruits and vegetables. Joint project's activity with the Ministry, initially planned for spring 2010, meanwhile has been postponed for late summer/fall 2010. As planned earlier, the Project will assist in organizing the training sessions and in increasing private businesses' participation and application of related marketing standards.

1.5.2.1: Training on the Impact of UPOV Membership

Training on the Impact of UPOV Membership was tentatively planned for late fall 2009 or spring 2010, and it will be implemented in close relation to Serbia's expected official joining to UPOV. As it is not expected to happen soon, the activity will be temporarily postponed so as to coincide with and be implemented prior to or right after Serbia's official joining to UPOV.

1.5.2.2: Support GlobalGAP Adoption by Berry Producers

1.5.2.2: Support Other Standards for Fresh Berries

(For more detail please see the paragraph No. 1.1.4 above and Ag Info & Policy section of the report).

Other Berry Sector Activities:

In April the berry fruit sector lead met with USDA consultants working on development of capacities of Serbian national network of extension services. The main subject of the meeting was cold chain in Serbia. The berry fruit sector lead introduced the USDA consultants with activities done so far by the project, including the Cold chain study, and presented current status and planned activities by the project in the sector. Potential room for cooperation in chilling berries for the fresh market and introduction of marketing standards for berry fruit was identified at the meeting.

Agribusiness Project Regional office staff paid a visit to the recently established Cacak office of the Italian-Serbian Business Chamber. Project staff met with their local representatives who explained that the main function of the office is to promote business cooperation between Serbian and Italian companies. At the meeting both parties presented their programs, and discussed areas of potential cooperation. One activity of particular interest is the Chamber's capacity-building course in anti-hail protection being offered by their member, ag-input supplier "Elestra". Representatives of the Chamber also showed high interest in the Culinaria fair, and will inform their offices in Belgrade and Italy regarding this opportunity. It was concluded that the most promising fields for cooperation are renewable energy, high-tunnels & anti-hail protection, and international trade fairs.

DAIRY PRODUCTS – Quarterly Report

April 1, 2010 – June 30, 2010

Component 1: Increased Efficiency & Competitiveness of Agribusiness

I. Introduction & Summary

The Project continues to provide support and guidance within the Dairy agribusiness sector of Serbia. Particular highlight of the quarter was assistance in developing framework for application of new practices and renewable technologies aimed at improved efficiency of dairy companies. However the major highlight of the quarter was disturbance within a sector created by unfavorable weather conditions with high temperature and humidity, which led to decrease in milk supply for 15-20%, affecting serious decline in delivering final products to the market. Vast majority of farmers and companies didn't have appropriate solutions and tools to enable acceptable conditions in their farms (sprinklers and ventilators) leading to significant decline in milk production. This problem also affected other food industries which again voiced for controlled import of dry milk, which wasn't taken into serious consideration as a result of sectors disturbance on previous occasion, when dry milk import slowed the industry down.

II. ACTIVITIES PLANNED & IMPLEMENTED DURING THE PERIOD:

During the second quarter of Year Three, the Project continued to implement a variety of activities and events included in the Workplan, and activities added or declined in response to changed circumstances. While most of the activities were based on the Workplan, the additional items, such as reduction of animal waste pollution by transferring the waste into renewable energy, was based on newly identified opportunities.

Component 1: Increased Efficiency & Competitiveness of Agribusiness

1.0.2 Dairy Products:

One of the main activities was completion of assignment aimed to develop protection of geographic designation (PGD) status for the Svrljig White Cheese Kriska. Pogled Dairy, from Svrljig, will submit the detailed application to the Intellectual Property Office, and the Ministry of Agriculture, for final approval and the award of the PGD for this specific type of Serbian cheese. It is expected that this protection of the Kriska cheese will allow Pogled to better position itself on the local dairy market, and nationally as well. In addition to the economic impact, this activity is important for the promotion of rural values and traditions in the Svrljig region. Another assignment, this time coordinated with Pirot municipality is also in final stages and will be completed during the Forth Quarter. Similarly, it is expected to improve the prospects of cheese producers in the region.



The project implemented Trade Mission to Wisconsin to provide assistance to Lazar Dairy Company in identifying the potential for cooperation with one of the best US Biogas Plant Manufacturers-GHD Company. During the visit, Lazar Dairy owner and his farm manager were able to learn the advantages of the GHD technology and possibility to apply the same in Serbia. The USAID Agribusiness obviously implemented successful tour since Lazar Dairy received EUR 1,000,000 loan from Societe General Bank for introduction of renewable energy technology. The project support in feasibility

study and a tour in US showed the return on investment for 3-4 years which attracted Dairy owner to invest in such facility. Although it is a promising start, being the fact that the new law still doesn't have any such activity completed, the USAID Agribusiness Project will continue to support the Dairy to overcome potential administrative and legal barriers.

In addition to Lazar Dairy Plant, the USAID Project completed another three feasibility studies during the quarter, showing the investment prospects for dairy-livestock clients like Kuc Dairy, Almex company and Neoplanta slaughterhouse.

The USAID Agribusiness Project continues to provide support in implementation of Dairy Management Software and Trainings for technical staff in Sabac, Kuc, Mladost and Granice dairy. To date IV out of V modules are completed.

III. SIGNIFICANT PROBLEMS ENCOUNTERED DURING THE PERIOD:

During the quarter the Project did not encounter any significant implementation problems that disrupted or delayed the implementation of activities or events. There were a few items that have caused minor problems for the Project, and these can be summarized as follows:

Delay in implementation of short term technical assistance programs such as dairy hoof treatment, mastitis prevention, linear scoring and AI training program and ABDS study tour to Czech Republic. These programs were postponed as a result of ongoing efforts to establish Dairy Industry Association or Permanent Training Centers to provide institutional umbrella for the trainings, rather than having individual activities. Also, suggested training schedules conflicted with the availability of consultants or trainees (farmers involved in seasonal works)

These have been the main issues that have arisen during the quarter, but as was stated above none of them has caused any significant disruption to Project events or activities. During the course of the quarter the Project was able to continue to make progress in these areas.

IV. ACTIONS TAKEN TO RESOLVE PROBLEMS ENCOUNTERED:

The program dairy component continues to be innovative and creative in approaches to implementation issues and problems, and the items mentioned above. The specific steps taken to deal with the issues raised above are as follows:

Instead of delivering individual trainings the project is exploring the interest among dairy stakeholders, municipalities and regional/municipal institutions (LED offices, Centers for Rural Developments etc) for the formation of Permanent training centers for farmers primarily, but also other technical dairy staff. As a result the project identified opportunity to setup permanent training farm-center in Lapovo (belonging to Kuc Dairy) for Kuc and Mladost dairy contract farmers which is majority of supply in Sumadija region, The project is being supported also by Ministry of Agriculture and both dairies.

V. IMPORTANT OBSERVATIONS REGARDING IMPLEMENTATION:

A number of important observations regarding Project implementation have emerged during this past quarter. In summary they include the following:

1. This year has been characterized by extreme weather conditions which delayed some of the field works, thus affecting planned technical support schedule;
2. The financial crisis affected dairy industry, as well as, other food industry companies, limiting their capacity for additional investments, especially in developing stable raw milk supply base.

Some of the dairies are positioned in regions where majority of suppliers are over 60 years of age, which is forcing dairy to develop its own farm (Lazar Dairy);

3. Lack of Ministry guidance or policy; Ineffective law enforcement; EU standards not known fully; No central milk lab; No national associations are reasons which slow down the change in the sector;
4. Late payment from buyers, esp. institutions; Lack of enforceable contracts with producers, Lack of affordable credit, esp. if world credit crisis continues; Cash-flow crisis from late payment also limit dairies and farmers to invest in developing efficiency.
5. At the very end, the project remain to be on the right course in promoting positive change in the dairy sector as referenced with Ministry of Agriculture STTA Steve Goss presentation on opportunities in the sector, where is stressed importance of development of Permanent training centers and Dairy Association on one side and developing clear sectors strategy and operational activities by the Government.

VI. ACTIVITIES PLANNED FOR THE COMING PERIOD:

Project will continue to focus on implementing activities as laid out in the Year Three Workplan, and on continuing to develop new Project initiatives. The main focus of activities for the coming quarter will be:

- Continue implementation of the plan for expanding Project activities in southern Serbia.
- Support development of Permanent Training Center in Sumadija and similar future initiatives
- Support the adoption of the GHD digester technology with Lazar and other dairy firms.
- Continue to emphasize communication activities, and expand the use of high-profile events.

In addition to these efforts, the Project will continue ongoing support for client firms and the sectors that the Project supports, as well as continued support for international fairs and trade events.

LIVESTOCK – Quarterly Report

April 1, 2010 – June 30, 2010

Component 1: Increased Efficiency & Competitiveness of Agribusiness

OBJECTIVE 1.0: COMMODITY ACTION PLAN SUB-SECTOR ACTIVITIES

Over the course of the third quarter the Agribusiness Project continued to implement the technical training program for livestock farmers being provided by “Agrar Kontakt”, and the Project continued to evaluate and assess the strategy and direction for the livestock sector, given the significant challenges facing the sector at this time. During this quarter “Agrar Kontakt” completed the two remaining training programs as part of their program. These programs were implemented in Vranje and Pozarevac this past quarter, with attendance once again being much higher than expected. In Vranje 60 farmers attended the training, and 93 students also participated. In Pozarevac 39 farmers attended, and 87 students participated. The review of the Livestock/Meat sector strategy has led to a significant change in course for activities in this sub-sector. In the coming year the Project will shift the focus to small & medium scale meat processors to develop a group of firms that can become key Project partners. The Project will support these firms in their efforts to grow their markets, both internally and externally. The assistance will focus on processed meat products, based on both beef and pork, with a particular emphasis on those products that are seen as uniquely and traditionally Serbian. The Project will undertake a variety of technical assistance activities for these companies, with an emphasis on the use of local service providers as much as possible. The Project will also work with the key firms to support the creation of a new Meat Processor’s Association that can effectively represent the industry to the Serbian government.

The Agribusiness Project also undertook a review of the goals and objectives of the Livestock sector program, and has developed a revised plan for this sector which will be undertaken in Years Four and Five. With this shift in strategy, the Project will focus on small to medium scale meat processors, and seek to develop a core group of firms that can become key Project partners. The Project will develop close working relationships with these firms and seek to identify those firms that can become models for others. The Project will support these firms in their efforts to grow their markets, both internally and externally. The assistance will focus on processed meat products, based on both beef and pork, with a particular emphasis on those products that are seen as uniquely and traditionally Serbian. The Project will undertake a variety of technical assistance activities for these companies, with an emphasis on the use of local service providers as much as possible. The Project will also work with the key firms in the sector to support the creation of a new Serbian Meat Processor’s Association that can effectively represent the industry to the Serbian government.

The Project will use technical training sessions, held in Novi Sad, Cacak and Nis, to bring together the key meat processing firms and to provide them with information on new products and technologies that can assist them with their business. The Project will bring in an American meat processing consultant for these meetings, and following the meetings the consultant will also conduct one-on-one assignments at those meat processors who are interested in more in-depth assistance from the Project. The American consultant will be paired with a Serbian meat processing specialist, to effect a transfer of skills and capabilities. These meetings will also be used to promote the idea of a national meat processing association, to generate the support of the more influential

members of the business for this idea. As a follow-on to these meetings the Project will support travel to Sofia or Bucharest for a small group of meat processors to visit with the meat associations that were established in those countries with assistance from USAID projects. Such a visit would provide the Serbian companies with a good model for the development of an association, and good ideas for the eventual purpose and objectives of the association.

In addition to the direct TA the Project will continue to promote appropriate grant programs to the meat processing firms. These would include the International Standards grants (a number of meat companies have applied for the second round of IS grants), and the Marketing & Packaging grant program. The Project will also support the participation of select meat processing companies at regional food trade fairs (ie in Macedonia, Albania, Bosnia, Croatia, etc), and the Project will support inward buyer Missions should that be appropriate.

HERBS & MUSHROOMS – Quarterly Report

April 1, 2010 – June 30, 2010

Component 1: Increased Efficiency & Competitiveness of Agribusiness

OBJECTIVE 1.0: COMMODITY ACTION PLAN SUB-SECTOR ACTIVITIES

Over the course of the past quarter the Agribusiness Project continued to shift the emphasis to the herb sector, focusing on export markets and the development of a national herb processor's association. One of the main achievements this quarter was support for three herb companies, all members of the "Serbian Flora" Association, to undertake a trade mission to the Tea & Coffee World Fair in April. The Sector Lead, together with representatives from Macval, Herba, and Fructus, attended this fair and successfully completed new sales transactions. As a result of this activity, contract sales of \$310,905 were signed by these firms, and an additional \$340,200 of future sales are under negotiation. In addition, the new Wild Mushroom Association "Forest Fruits of Serbia" has now been officially registered. Three Herb & Mushroom associations have applied for grant program assistance from the Project, which is the next step in strengthening these national level producer's organizations.

Other major achievements in the Herb & Mushroom sector included: four companies have successfully implemented ISO standards, four companies have introduced new packaging and marketing programs, and the Project signed eleven new Grant Agreements for the introducing relevant international standards. Herbs and Mushroom sub sector is one of rare sectors where heavy rains during spring and early summer had positive influence on yields, especially regarding wild mushrooms. Although, lot of rain is good for wild mushrooms, lower temperatures then an average hold back yields to be even higher.

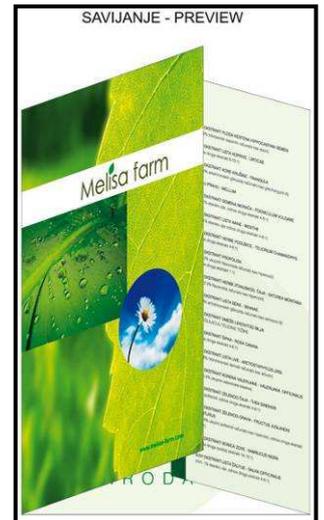
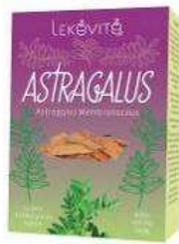
1.1.1.1: Support Clients with Marketing & Promotion Grants

A number of Herb & Mushroom sector companies have completed activities to improve their packaging and marketing activities. In particular, the Fructus Company, under the terms of grant no. Grant IC-FY-3-7 Design of new packaging for various tea products (see photo at the right) and web-site development successfully completed their project in April, 2010. USAID reimbursed \$14,000 to Fructus Company while they invested \$ 54,000 for printing. Total \$210,000 of sale is achieved thanks to the Project assistance and 9 new full time jobs are created so far. Furthermore, thanks to new packaging Fructus is negotiating export to new buyers from Slovakia and Poland. Once they contract the export Fructus plan to purchase new packaging equipment worth 250,000 EUR because current capacity of 50,000 tea boxes per day will not be enough to satisfied additional demand.



The Melisa Farm Company from Apatin finalized all activities and prepared reports regarding project IC-FY-3-3 New Visual Identity for International Markets. USAID reimbursed \$6,300 to Melisa Farm Company while they invested \$6,700 for printing. Total \$45,000 of sale is achieved thanks to the Project assistance and 2 new full time jobs are created so far. Product images for Melisa Farm are shown on the following page.

The Rick's Technologies Company, under the terms of grant no. IC-FY-3-4 Improved New Packaging for Mushrooms and Medical Herbs Products successfully completed their project in May, 2010. USAID reimbursed \$6,138 to Rick's Technology Company while they invested \$ 8,023 for printing and development new visual identity. Thanks to the Project assistance Rick's Technology's sale is significantly increased so total \$30,000 of additional sale is achieved and 1 new full time job are created so far.



Finally, the Macval Company successfully completed their project under the terms of grant no IC-FY-3-6 Improved corporate image, new packaging and an umbrella brand name development. USAID reimbursed \$22,950 to Macval Company while they invested \$ 32,558 for printing and promotions. Thanks to the Project assistance Macval's sale is significantly increased so total \$215,000 of additional sale is achieved and 10 new full time jobs are created so far. Furthermore, thanks to new packaging Macval is increasing.



1.1.2.2: Support the Development of Herb & Mushroom Associations

In work with national Herb & Mushroom Associations, the Project identified tree associations recognized as key partners and leverage points in Project's work on sector specific activities. Those are new Wild Mushroom Association "Forest Fruits of Serbia", National Association of MAP Collectors "Dr Jovan Tucakov" and National Association of Herbs Processors and Exporters "Serbian Flora". They applied within the Grants Program for Associations and they are all preliminary approved and considered for further review and evaluation. The main activities they applied for are to: address policy issues, trade missions, study tours, fairs, web site and visual identity, become member of similar international association, international campaign and promotion, target market and commodity research etc. Total value of budget for conducting these activities is \$158,519 while proposed USAID share is \$124,951. This is first phase toward "sectoral transformation" all in order to have lasting impact.

The goal is to make these associations sustainable, active, and strong enough to become a key partner with the Agribusiness Project, and to eventually take over the functions the Project is fulfilling, and to carry on these activities once the Agribusiness Project ends.

1.1.3.1: Support Standards Program for Herb & Mushroom Clients

Implementation of the first cycle of the standardization program is completed. Four Herbs and Mushroom companies have successfully implemented ISO standards.

- Bilje Borca Company has passed the final certification audit for the introduction of the ISO 22000 standard and completed their project under the terms of grant no IC-FY-2-18 ISO 22000 for Bilje Borca. Thanks to the support, they reported one full time employment and \$20,000 of additional sale. Since certification is just completed more significant increase in sale is expected by the end of year 2010.
- Macval Company also successfully completed ISO 22000 certification under the terms of grant no IC-FY-2-33 ISO 22000 for Macval Tea. Thanks to the support, they reported two full time employment and \$20,000 of additional sale.
- Uca received a grant from the Agribusiness Project to support the introduction of the ISO 14001 standard under the terms of grant no IC-FY-2-36. Thanks to the support, they reported one full time employment. Since certification is just completed more significant increase in sale is expected by the end of year 2010.
- Finally Adonis Company has passed the final certification audit for the introduction of the ISO 22000 standard and completed their project under the terms of grant no IC-FY-2-17 Introduction of ISO 22000 to Adonis.



1.3.1.1: Support Companies that Participate in Trade Fairs

The Project provided support for the participation Igda Company at the Fancy Food New York international trade fair and MIHAS Fair Trade, Indonesia. As a result, Igda is negotiating sales \$250,000 worth of dried mushrooms

Total 7 H&M companies confirmed participation at Culinaria Fine Food Fair. Those companies are Fructus, Macval, Bilje Borca, Marni, Interfood 60, Strela and Igda. Several other are still considering participation at the fair but they need additional information regarding buyers'

attendance in order to make final decision since they are looking for foreign buyers only. In addition, Strela Company requested to exhibit at the Salon del Gusto food show in Turin, Italy.

1.3.2 Assist Clients to Undertake International Sales Missions

Based on a need for supporting to two herbs companies Herba and Fructus to conduct trade mission in Tea&Coffee World Cup Europe Fair in Vienna, Austria, Sector lead join them in order to help them negotiate and make export agreements. The Fair has been held in Vienna between April 25th and 27th 2010. Third company Macval from Novi Sad joins the trade mission as well. All tree companies are members of the Herbs Association “Serbian Flora” As a result of this activity total contracted sale, at this moment is \$310,905 and total sale under negotiation is \$340,200. Main reasons for such big sales lie in the fact that most of the meetings are prescheduled and that negotiations with some companies are made at the fairs Agribusiness Project supported last year like VitaFoods Fair, Geneva and World Food, Moscow. Companies jointly contracted and negotiated above mentioned sale in most of the cases.



Approximately 70% of the sale will be delivered by Frucus Company but they will need a support from other members of the association in order to meet buyers demand in terms of quantity. For some commodities, like nettles sting, delivery will start within next few weeks. Main objectives of the trade missions are achieved i.e.

- 1) Assess international market demand, competition, and prices;
- 2) Observe, and learn about, the latest trends in the industry,
- 3) Establish contacts with buyers of semi-processed, and finished, products,
- 4) Make contact with input suppliers (especially tea ingredients and equipment) and
- 5) Contract for sales with buyers they are already negotiating with.

Finally, they had meeting with several equipment suppliers to identify, and purchase, new technology. They had shown high interest in new equipment from Japan for making pyramid tea bags and equipment from Italy for packaging classic tea bags in envelope. The photo at the right shows Svetozar Petrovic, the owner of Fructus, at the fair examining new equipment from Japan for making pyramid tea bags. There is a range of prices fro the equipment (form 90,000 EURO to 500,000 EURO) depending on the capacity so companies will conduct cost benefit analysis based on which they will decide which equipment is most beneficial for them.

1.5.2.1: Support Standards Adoption by Sub-Sector Client Firms

The Project has solicited a second cycle of the standardization program. The Project signed eleven new Grant Agreements with following Herbs and Mushroom stakeholders for the introducing relevant international standards: INTERFOOD 20 d.o.o., CENTROPAK d.o.o., DRINA PAK d.o.o., MALINA IMPEX d.o.o., INTERFOOD 60, HERBA d.o.o., PG Bojan Zivkovic, BETULA d.o.o., PG Ljiljana Petrović, Marni Mushrooms d.o.o. and OMEGA d.o.o.

TREE FRUIT – Quarterly Report

April 1, 2010 – June 30, 2010

Component 1: Increased Efficiency & Competitiveness of Agribusiness

1. ASSIST APPLE PRODUCERS TO REDUCE PRODUCTION COSTS

1.1: Training & TA on Apple Fertigation Technology

As a continuation of this activity and in cooperation with Fruits of Serbia Association and two ABDS providers, Aquaduct and Agroferticrop, the Agribusiness Project has, in printed the Manual on Fertigation and Irrigation of Apple crops by prof. Brian Boman from the University of Florida, who was performing this assignment in September 2009. The Manual contains advice on best practices for applying irrigation and fertilization technologies for apple crops with the main goal to recommend ways for reduction of production costs. The Manual has been printed in 500 copies, out of which 400 will be distributed to clients (individual farmers and companies) of these two ABDS providers involved in distribution and consultancy on irrigation and fertigation technologies. The remaining 100 copies will be delivered to Fruits of Serbia Association and distributed to their members involved in apple production.

1.2: Traininig on Apple Harvest/Postharvest/Storage

Although this activity was planned to take place just before apple harvest period, there have been some developments concerning apple post harvest treatments that also need to be incorporated in this activity. Namely, the Project has been active in supporting activities leading to introduction of SmartFresh technology into Serbian market. This technology originating from the USA is aimed at maintaining quality of freshly harvested apples and requires treating fruit before placing it in storage.

Since application of this compound is closely connected to applied harvest and postharvest techniques, trainings on Apple Harvest/Postharvest/Storage will be connected to application of SmartFresh compound after the product is officially registered for use in Serbia. Therefore, since the additional goal of this activity should be to prepare apple industry stakeholders for using this product, it is suggested for the activity to be moved into the Year Four.

2. SUPPORT DEVELOPMENT OF SUB-SECTOR PRODUCER ORGANISATIONS

2.1: Increase Capabilities of Tree Fruit Cooperatives

In cooperation with the Ministry of Agriculture, the Business Training Program for Cooperative Managers will take place on two locations - in Zrenjanin on July12-13, July 21-22 and July 26-27) and in Zlatibor (July 15-16, July 19-20 and July 29-30).

Goal of this training is to improve managerial skills of cooperative managers as well as financial planning, sales and marketing abilities of responsible cooperative members and employees. All the cooperatives to be present at this training apply with the criteria requested through a public call issued in the second quarter of this year. The Tree Fruit Sector will be presented by cooperatives ZZ Vocko, ZZ Slankamenka and ZZ Prima.

2.2: Assist Apple Cooperatives to Manage their Production

As per the assignment by STTA Chris Watkins regarding organization of apple harvest, postharvest and storage processes within apple growing cooperatives, recommendations and the Manual for best practices in apple handling and ULO storage were submitted to the cooperatives that were taking part in this assignment - ZZ Vocko, ZZ Prima, ZZ Slankamenka, ZZ Domacin and ZZ Cacanska jabuka. The main goal of the assignment and advice presented in this manual is to help managers and members of these cooperatives to accomplish better organization of apple harvest and postharvest processes as well as to accomplish higher technical performances of using ULO atmosphere during storage in order to raise quality of stored fruits and reduce storage costs.

2.3. Assist Tree Fruit Coops with Cost/Benefit Analysis

The activity aimed to assist cooperatives in creating cost-benefit analysis necessary for purchasing equipment on the example of anti-hail nets presented in the Y3 Work Plan for the Tree Fruit Sector will be conducted in cooperation with the Policy crosscutting component. Two components will cooperate in performing the Study on Impact of Weather Conditions on Agriculture in Serbia and Modality of Anti-Hail Protection. The specific emphasis will be given to various solutions for hail protection in the tree fruit sector, in particular anti-hail nets together with the cost benefit analysis of purchasing nets. The study should provide basics for establishment of the efficient market driven system of the anti-hail protection, reducing the lost income due to losses in agricultural production, as well as contribute to the improvement of competitiveness of the agricultural sector.

The Policy team and the Tree Fruit Sector Lead have conducted several interviews with potential consultants encompassing representatives of the Republic Hydro meteorological Service, and of the private companies engaged in developing new system of hail suppression. During the following weeks, meetings with several professors from the Faculty of Chemistry will be conducted and final decision made on the proposed consultant for the Study. Over the past months, Serbian agriculture, especially fruit and vegetable sectors, has suffered significant losses due to the heavy rainfall and hail occurrences.

3. ASSIST CLIENT FIRMS WITH INTERNATIONAL CERTIFICATION PROGRAM

3.1 Support Tree Fruit clients with International Standards

After the Public call for Project's Program for introduction of international standards has been completed, additional review boards for compliment with requested criteria site visits of each applicant were performed by the Sector Lead. In accordance to the information gathered during visiting and interviewing applicants, the total of 13 applicants from the Tree Fruit Sector were recommended for signing Grant Agreements for Project's support in introduction of international standards. Out of these, 9 companies and 2 cooperatives will introduce ISO 22000, 1 company will introduce IFS standards, while one cooperative and one individual producer will introduce GlobalGAP into apple and redcurrant production. All the beneficiaries that will receive grant money for this purpose will be provided with the support of the Sector Lead during implementation of projects that will last during the Quarter 4 of Y3 and Quarters 1 and 2 during the Year 4.

4. IMPROVE ABDS & FINANCE SERVICE DELIVERY

4.1: Incorporate Local ABDS Providers in Project Activities

In order to raise capacities and create a more sustainable environment for providing consultancy services to producers, suppliers of irrigation equipment and fertilizers have taken part in creating, printing and distributing the Technical Manual on irrigation and fertigation of apple crops.

5. SUPPORT SALES & MARKETING EFFORTS

5.1: Support Tree Fruit Clients with International Trade Fairs

During the third quarter, in cooperation with Serbian Halal Agency, the Project has provided support to agribusiness companies to exhibit their products at MIHAS Trade Fair in Malaysia. At this fair, the Tree Fruit Sector was represented with Foodland and Royal Eco Food companies that have exhibited their processed products. More information on this trade fair can be obtained from the Sales&Marketing Team Quarterly report.

5.2: Provide assistance in marketing and creating buyer linkages

The Tree Fruit Sector Lead has been contacting sector's beneficiaries in order to present Culinaria fair and explore potential interest among companies to exhibit at this fair. The Agribusiness Project is supporting organization of this fair that will take place in Belgrade, from September 23-25 and will present Serbian producers of fine and specialty foods. Since production of fine foods within the Tree Fruit Sector is rather limited in Serbia, there are approximately 10 companies from this sector who could present their produce at this type of fair. Project's clients that have confirmed their participation at this fair are Desing, Foodland, Duga Fruit, Royal Eco Food and Agranela.

6. SUPPORT YOUTH & GENDER INVOLVEMENT

6.1: Encourage & Support Youth Involvement in the Tree Fruit Sector

As part of the activities of Project's Youth Program, Marko Vasic from Lipolist has signed the grant Agreement for receiving support in purchasing equipment for drying tree fruits, plums in the first place. The grantee is currently preparing the site where the facility with the equipment is going to be located.

7. SUPPORT CROSS-CUTTING FUNCTIONS

7.1: Support the Project Grant Program

As per the Grant Program for Agribusinesses Associations that has been opened by June 3rd, the Tree Fruit Sector Lead has together with the PO component Specialist been providing assistance to agribusiness associations from the tree fruit sector that were interested to apply for this program. After the preliminary board of review and providing requested additional information and clarifications, the final review process will take place. Out of 15 associations that have passed the preliminary review board, four of them have applied for support to activities that are connected to the tree fruit sector. The Sector Lead will follow up continuation of the review process and provide support to associations when necessary.

7.2: Assist Marketing & Packaging Grantees as needed

As per the Grants Program for support to marketing and promotional activities of Serbian agribusinesses, four beneficiaries from the tree fruit sector - ZZ Vocko, Vino Zupa, Foodland and Foodex - have completed their activities specified in grant agreements and have received financial reimbursements accordingly.

1. ZZ Vocko cooperative has developed website, marketing material, new packaging with cooperative logo and labels for fresh produce that is mainly exported. Developed novelties in marketing presentation will make ZZ Vocko and their products recognizable at Russian and local market and contribute in attracting new buyers. A new buyer from Russia, has already contacted Vocko thanks to their website. Negotiations that followed have resulted in contracting fresh fruit delivery worth USD 670,000.
2. Vino Zupa has completed the design and production of the website, promotional and marketing material and product packaging. Results accomplished up to this moment refer to two new

employments, while increase of sales of products in new packaging is projected to USD 250,000 - 300,000 in the coming year.

3. Foodland has completed redesign and production of the website, leaflets, product line logo and labels for new and existing products. Accomplished results refer to increase of sales for USD 124,000 comparing to last year's quarter and 10 new jobs.

8. OTHER ACTIVITIES

8.1: Assisting in introduction of new apple postharvest technology to Serbian market - cooperation with Agrofresh company

Project's activities of preparing environment for introduction of SmartFresh technology into Serbian market that have started in the last quarter have continued in Quarter 3. Namely, after producer organizations involved in apple production have expressed the need for the compound used to maintain fresh fruit quality during storage, the Project has contacted representatives of US company Agrofresh that is the producer of SmartFresh chemical that is registered and applied in the number of countries. In cooperation with the PO component, the Tree Fruit Sector Lead has organized visits of Mrs. Gocha (Agrofresh Marketing Manager for Europe) and Mr. Cucchi (R&D Manager) to Serbia. Agrofresh representatives have been informed about characteristics of Serbian apple industry and the existing need of it's stakeholders for SmartFresh to be registered and applied during postharvest processes. During the three visits of Agrofresh representatives, The Project has facilitated a number of meetings between them and responsible parties of the Ministry of Agriculture, Agricultural University, apple industry representatives and potential service providers that could represent Agrofresh in Serbia and take care of the registration procedure. The goal of these meetings was to provide Agrofresh with information on the registration procedure and capacities of local ABDS who could be responsible for organization of Smart Fresh application in Serbia.

Finally, during the last visit of Mrs. Gocha to Belgrade, the Project was informed that SHS company will officially represent Agrofresh in Serbia, while another ABDS provider, ProFruit company that was suggested by the Project, will be responsible for organizing application of SmartFresh in Serbia. Further possibilities of Project's assistance are in contribution to preparing cooperatives involved in apple growing, postharvest and storage and other stakeholders from apple industry for applying new technology.

8.2.: Ambassador visit to ZZ Vocko

US ambassador in Serbia Mary Warlick, together with the USAID Mission director and other USAID officials has visited the Vocko cooperative in Tavankut near Subotica. Since 2002., USAID's projects have provided different kinds of support to this cooperative whose members are involved in tree fruit production, storage and marketing, like assistance in cooperative registration and purchase of working equipment. The Agribusiness Project has provided them with financial assistance for development of cooperative's promotional and marketing material and trainings and advisory services to cooperative's manager and members on the subject of apple production and storage technologies. Future cooperation between the Project and ZZ Vocko will refer to trainings on cooperative management, strategy planning and finance, marketing and sales. Besides, trainings for cooperative members on apple harvest management will follow. Vocko is also a part of Fruitland Association of tree fruit growing cooperatives that has applied for the Grant aimed to evaluate potentials of these cooperatives to enter processing technologies.

8.3: Presentation of Project's activities in Loznica

Together with the Deputy COP and PO Specialist, the Tree Fruit Sector Lead has conducted a presentation on sector activities as part of the overall presentation of Agribusiness Project. This presentation was hosted by the Municipality of Loznica with the main goal to inform local agribusinesses on Project activities and potentially identify new clients. The official part of the presentation which was attended by 48 people was followed by intense discussion.

8.4: Feasibility study for tree fruit and vegetables processing

As per the request of Agrar Komerc company towards the Agribusiness Project to provide assistance in introducing added value products in this company that would enable sector development in the area of Smederevo, the activity of performing an adequate feasibility study of most suitable technological processes to be introduced into Agrar komerc will take place during the second half of June and July. The main goal of this feasibility study that will enable processing of 2nd and 3rd class fruit will be to introduce new value added products, raise income of Agrar Komerc's suppliers by 10%, create additional 4 working positions and raise sales values.

8.5: Preparation of activities for the Year 4

In the past period, the Tree fruit Sector Lead has been working on identifying activities that will be performed in Project's Year 4 and preparing ground for their implementation. The outline of activities planned for Year 4 has been presented at SAP Retreat that took place from May 24-27.

Due to raising interest for sweet cherry production in Serbia and as per the request of Belgrade University of Agriculture for support in organization of the conference on Sweet and Sour Cherry Production, the Tree Fruit Sector Lead has been working on preparing this activity in terms of identifying and contacting STTA to provide the assignment regarding sweet cherry production and defining the level of contribution to organization of this conference.

Also, the sector lead has been working on creating environment for addressing sour cherry production in South Serbia by meeting and interviewing sour cherry producers, purchasers and cold stores that would be interested in taking part in these activities.

8.6: Consequences of weather conditions on the tree fruit sector in Serbia

In the past month Serbian agriculture was badly affected by heavy rains, storms, floods and hail that have caused the greatest damage to fruits that are harvested currently (sour and sweet cherries). Other crops that are in the very ending phase of ripening (plums, peaches) and apples are affected by fungal diseases that will contribute to quality reduction.

Sour cherry yields in both main production areas in Serbia - Macva and the South of Serbia - are from 30-50% lower than last year, while the quality is not optimal. The purchase price for sour cherries has reached USD0.5 per kilogram which is almost three times more than in the past year. Such a high price is, however, not the result of high quality, but of low yields. Cold stores involved in sour cherry purchase are at this moment satisfied with fruit quality, but are concerned about the obvious lack of produce that can meet their buyers' quality requirements.

Symptoms of fungal disease on sour cherry



Main harvest period of plums and peaches is expected in coming days. Status with these crops is more satisfactory comparing to sour cherries, under the condition that fruits were not hit by hail. Areas hit by hail and heavy wind suffered up to 70% of damage to fruits.

As far as apples are concerned, it is expected that the yield will be 25% - 30% lower than last year, depending on the area. The biggest problem in apple orchards at this moment is great susceptibility of crops to fungal diseases which reduce fruit quality. In order to maintain quality, additional sprayings (3-4 more than in a "normal" season) are being applied which directly increases production costs and does not guarantee the best fruit quality after all. Due to these plant protection measures that are applied, some producers are expecting lower yields of higher quality that will result with higher price than last year, while some others are expecting both yields and quality to be lower than in the 2009.

Taking into consideration the overall status in the tree fruit sector at this moment, it can be concluded that yields of all tree fruit crops are or are expected to be lower for 20 - 50% percent depending on the crop and the growing area. Besides, quality of sour cherries is also lower than usual and quality of apples as well is expected to be lower in some production areas.

While expecting forming of purchase prices and information about Serbia's main competitors, producers and exporters will also be concerned about quality parameters that will be imposed by their final buyers because the percentage of 1st class fruit is going to be lower than anticipated.

The situation in Poland, as Serbia's main competitor in tree fruit production, is similar - the country has also been hit by heavy rains and hailstorms that have caused yield reduction. However, Poland still has stored apples from the season of 2009, and significantly higher tree fruit production comparing to Serbia.

End of harvest and the very start of exporting season (July and August) will provide the definite picture of the potential for exporting tree fruit from Serbia in the season 2010/2011 and sector's position at the market. However, it is positive that yields will be lower and there is going to be a lack of quality tree fruit at the market in the coming season which will surely affect processing sector and final consumers as well by causing increase of price.

VEGETABLES – Quarterly Report

April 1, 2010 – June 30, 2010

Component 1: Increased Efficiency & Competitiveness of Agribusiness

OBJECTIVE 1.0: COMMODITY ACTION PLAN SUB-SECTOR ACTIVITIES

The previous period in the vegetable sector will certainly be remembered both by the producers and processors, and its implications directly felt in the following year. The extensive rainfall which caused the floods, decimated this year's crops in the entire country. Experts estimate that this year will be the worst one for the vegetable sector in years. Certain cultures, such as watermelon, melon, and pepper, have destroyed on over 80% of planted areas. This is important to mention as precisely these products are exported unprocessed.

Peas for industrial processing (freezing, pasteurization) proved to be in slightly better situation, as larger part of the raw product was ensured. The prices for fresh consumption have significantly increased in relation to previous years even through the quality of products has decreased, which is a certain indicator of current state, or the relationship between supply and demand on the market. The producers find themselves in a difficult situation, as it is already apparent that sufficient quantities (or quality) of raw materials will not be provided.

This will primarily influence the export products (pepper, sugar corn, root vegetables, etc.), which were placed on markets of Russia and European Union, but also the neighboring countries. Prolonged wet and humid periods resulted in the increase in various disease on vegetable cultures, causing the increase in the use of protective chemical preparation, which, again, will influence the increase in the price of these products. These trends will affect primarily mostly mass production of so-called root crops. According to preliminary estimates, the yields will be decreased up to 40%, depending on the region (South-Backa 30%, North-Backa 35%, Morava region 40%, etc.). The reason for such drastic losses lies in the fact that tubers have largely decayed after spending over 72 hours in water / in certain cases, areas were under water for over 20 days. Unfortunately, this year continues to be difficult for producers, who failed to ensure their production due to high prices.

Activity 1.1.1: Food safety standard implementation.

In the previous quarter, processes of standard introduction, which were initiated in the Year 2 of Project implementation, have been completed. This is true for companies that deal primarily with vegetable processing, with the goal of improving the quality of facilities and processing lines according to international standards insisted upon by the clients. With the completion of this process, additional 20 companies have acquired precondition for export of their products to international markets, which significantly improves their production competitiveness.

Activity 1.1.2: Analysis of the markets in Russia, Belarus, and Ukraine for vegetable product

Upon the final report delivered by STTA Andriy Yarmak, list of buyers has been sent to vegetable sector clients. Three of them established contacts with recommended buyers and negotiation process was initiated. The clients primarily showed interest for fresh vegetables grown in closed environment, as well as open environment watermelons and peppers. In addition, it is interesting to note that the clients recognize Serbia as a producer and previously a regular supplier, with which contacts were severed in the previous period. Opening of chances for our producers on this market is significant, but also challenging, as they will have to face fierce competition, primarily from

Poland, but also other European countries. Even though contacts were established, chances for export have significantly been decreased as a result of poor weather conditions, which significantly decreased the yields and the quality of products.

Activity 1.1.4: Marketing and promotion grants

Vegetable sector clients concluded activities related to marketing and promotion grant. Number of clients worked on improvement of packaging and/or general visual identity of the company with a goal to satisfy export market. As a result of this activity, fruit and vegetable juices in small retail packaging produced by Zdravo Organic find their place on a Slovak and Czech markets. Sigma AZ company involved in frozen vegetables did probably the largest change of image and visual identity. New mono vegetables packaging are already present in super market chains in Serbia and Bosnia. New promotional materials should serve for attracting foreign buyers in addition to CEFTA countries where they are already present.

Biotrend company also already presented new packaging of their products in the country and at the Fancy Food Fair held in New York, June 2010. First impressions are overwhelming and several very firm potential sales have been negotiated. Two products attracted most attention and those are *Ljutko* and *Ajvi*.

Other companies interested also for foreign market finalized their catalogues and other promotional material, some of them are: Superior, Suncokret, and others.

The differences are so vast that the quality of packaging and design of domestic firms has now positively achieved European standards. Also, considering that these are all retail packages, the value of export of these products, as well as the profit margin realized in such a way is significantly higher.

Activity 1.1.5: International standard implementation

As part of assistance to clients in the implementation of international standards, 14 companies have applied from the vegetable sector. Unlike the previous year, when some companies expressed interest also to the Global GAP standard, this year was dominated primarily by the companies who deal mostly with processing, which meant the interest was reserved for ISO 22000, but also certain specific standards (IFS or BRC, for example) – the introduction of these standards was initiated, primarily according to the demands of foreign markets/clients.

During our regular client visits, the source of capital of certain companies which does not comply with regulations of the Project was undisclosed. Even though potential for the development of vegetable sector has been recognized on the part of these companies, which invest large funds in vegetable production and processing. At the end of this evaluation and decision process it has been decided to sign contracts with a total of eight (out of fourteen) companies.

Activity 1.1.6: Preparations for the SPU training

Interviews with over 200 clients of vegetable sector are completed and lists are made according to geographical locations. The interest was shown primarily on the part of producers of fresh vegetables, but also industry suppliers. This training will include mostly producers around producer organizations. Clients are very interested in the subject so there is a possibility to expand the group in the following period.

These trainings will certainly contribute to the improvement of quality and control of produced vegetables in Serbia. As another effect, rationalization of the consumption/utilization of chemical

preparations is expected, whose trade and usage in the country remains controversial and uncontrolled.

Those lists are submitted to environmental specialist and Ministry of Agriculture. Unfortunately these training have been postponed because of Ministry of agriculture. Activity will be continued in first quarter of Year 4.

Activity 1.1.7: Fancy Food New York, June 2010

Biotrend Donato company presented for the first time their line of products on the U.S. market. First impressions are overwhelming, and several very firm potential sales are negotiated. Company needs to find a distributor for U.S. markets and that is the next step in order to fulfill requirements of interested buyers. Two products attracted most of the attention and those are *Ljutko* and *Ajvi*. One of the ideas in order to decrease transportation costs is to send products in bulk (barrels) to US and then to do fill smaller retail pack. Greatest interest for their products was shown by distributors who cooperate with specialty and delicates food stores.

Activity 1.1.8:

Vegetable sector analysis for the Timok region (Eastern Serbia) has been initiated; eight municipalities are included in this extensive research (Boljevac, Bor, Zajecar, Negotin, Kladovo...) after which a development program will be promoted. Partners for this project are RARIS, GTZ, LEDIB plus local specialist and scientific institutions.

This will be the first vegetable sector analysis done in this region in the past several decades and according to the plan will be presented to the public in first quarter of Y4. This document should offer guidelines for further development of the vegetable sector, but also point to new market trends which dictate the transfer to less familiar but more expensive types of vegetables, which are more profitable on smaller plots.

Through the process of including municipalities in this project it is expected that the funds form municipal budgets will be spend more relevantly and rationally. Also, this document should help attract investments in this region, which has been economically weakening in the past 20 years. Partner organizations are interested in assisting the realization of development ideas, which will be recommended based on the assessment of the current state and data gathered with the help of municipalities.

Other activities:

“Sagal” company from Kraljevci exported first shipments of fresh tomato to German market. The value of the export quantities is around US\$35,000. The buyers are satisfied with the quality of the product and further deliveries have been negotiated and settled. This contact has been achieved due to the participation of Sagal company at the Fruit Logistica Fair in Berlin in February 2010.

Also, with the assistance of the USAID Agribusiness Project, this company has signed a contract with “Idea” supermarket chain, which will further place their products in its facilities on Croatian coast. High tunnel production capacities of this company were increased this year from 1,500m² to 3,000m², which assured conditions for serious placement on the foreign market.

With the recommendation of the USAID Agribusiness project, two companies from the vegetable sector have been placed on the list of exhibitors at the Fair on Sial Pari (Planten and Biotrend), which will be held in October under the sponsorship and organization of SIEPA agency for the promotion of export.

Company Planten is the first and currently the only vegetable producer hydroponic system which shows supreme results with the application of modern technology.

The price of these products is somewhat higher, but the variety and quality makes the company highly competitive with the producers on the markets of the EU. Both companies have high quality and modern packaging which represents one of the preconditions for realizing good results on this demanding market.

USAID Serbia Agribusiness Project

Quarterly Report – Year Three, Quarter Three

April 1, 2009 – June 30, 2009

Annex 3 – Cross Cutting Reports:

Marketing & Sales

Producer Organizations

ABDS & Finance

Youth & Gender

Environment

MARKETING & SALES – Quarterly Report

April 1, 2010 – June 30, 2010

Component 1: Increased Efficiency & Competitiveness of Agribusiness

Objective 1: Implement Firm-level Activities

1.1 Trade Fair and Export Sales Preparation Trainings

1.1.1 HALAL training and preparation training for Fancy Food New York

- Marketing and Sales held a presentation - marketing training with STTA Cedomir Nestorovic with aim to prepare Serbian companies for the upcoming MIHAS fair of Halal food in Kuala Lumpur, Malaysia.
- M&S held trainings to the HALAL certified companies participants of MIHAS fair in Malaysia (Royal Eco Food, Foodland, Igda, Altamed, Mlekara Subotica and LTS farmer) and to the participants of FANCY FOOD fair in New York (Mlekara Sabac, Igda, Sirogojno, Frigogrand, Arex and Biotrend Donato). M&S also organized presentations from the representatives of Fed-Ex and Lufthansa Air Freight for the shipping of samples to NY for the fair.
- As well, a new Serbian distribution center has been established in Boston. This will facilitate the opportunity for Serbian companies to deliver less than full container shipments to US retailers and improving Serbia's market competitiveness and market opportunities.

1.1.2 Food Safety and Standards Requirements

- M&S together with ABDS team started working with laboratories in order to identify the needs and current problems in Serbian laboratories.

1.2 Opening Domestic Markets

- M&S team started a new round of interviews with domestic retail chains due to the substantial changes in management they have been subjected to.
- Metro approached the project with the request for apricot producers which Project provided
- Also, Metro proposed the Project to assist Nis Dairy in resolving milk quality problems after purchasing

1.3 Business Trainings for Firms

- M&S team together with Serbia Organica, Ministry of Agriculture and GTZ, organized a conference "Potential of Organic Market in EU which was attended by more than 100 representatives of different companies, associations, institutions, certifying companies, etc. Speakers from profound representatives of the French Ministry of Agriculture, Synabio association, Agency Bio, Fibl, etc. Focus was made on Germany and France and due to high interest showed by organic sector it may turn out to be annual organic event which will show examples of different countries every year.
- M&S participated as a speaker in the NALED conference with Belgrade Markets and the Belgrade Chamber of Commerce on the organization and need for a new Terminal Market for fresh fruits and vegetables, fish, meats and dairy to be constructed in Belgrade. As previously agreed with the Belgrade Markets and the Ministry of Agriculture, USAID Agribusiness Project has agreed to provide technical support for the new Market Terminal project.

1.4 Marketing & Promotion Grants

2.1 Trade Fair Support

2.1.5 Fancy Food, New York, June 27- 29, 2010

Six companies exhibited with the following results:

IGDA	\$ 0 contracted ;	\$ 240,000 potential
AREX	\$ 210,000 contracted :	\$ 210,000 potential
BIOTREND	\$ 16,000 contracted:	\$ 20,000 potential
FRIGOGRAND	\$ 0 contracted:	\$ 0 potential
SABAC DAIRY	\$ 30,000 contracted:	\$ 200,000 potential
SIROGOJNO	\$ 0 contracted	\$ 1,000,000 potential
=====		
TOTAL:	\$256,000 contracted	\$ 1,670,000 potential

2.1.6. MIHAS, Halal, Kula Lumpur, Malaysia, June 23-27, 2010

Mlekara Subotica \$ 0

LTS Farmer \$100,000 Potential

Royal Eco Food \$150,000 Potential

Altamed \$200,000 Potential

Igda \$350,000 Potential

FoodLand \$300,000 Potential and \$70,000 Contracted

Total Potential \$1,100,000

=====
Total Contracted \$70,000

2.1.7 World Food – scheduled for September

- M&S prepared the SoW for STTA to provide business linkages with Serbian producers and buyers from Russia, Belarus and Ukraine. Companies will be prepared in advance and prescheduled meetings will be held at the fair in Moscow.

2.1.8. CULINARIA in Belgrade Fair

- M&S prepared SoW for STTA to provide buyers from regional countries Hungary, Romania, Bulgaria and Albanie. Also, M&S works on attracting buyers from European countries to come and visit the fair.

2.1.9. Belarus Trade Fair

- M&S will coordinate Belarus trade fair with SIEPA

2.2 ABDS and Association Preparation for Export Promotion / Government Coordination for Export and Sales Promotion

- M&S met with potential UK investors looking into greenhouse production in Serbia. They complained about the lack of available data on the feasibility of greenhouse production in Serbia following differing results from various existing greenhouse operators. The investors could potentially invest between 5 and 10 million euros . M&S will examine potential STTA for a market feasibility study for greenhouse production in Serbia.
- M&S advisor, together with ABDS and dairy advisors visited Inga Food Fair in Zagreb in order to do a market research on potential market demand and to promote Belgrade Food Show

Culinaria. Agribusiness staff met Chamber of Commerce of Croatia and got their preliminary buy in for participating at Culinaria fair. In addition, 2 potential selling agents for attracting exhibitors to Culinaria fair in Croatia and Slovenia were met.

- **British Chamber of Commerce** - M&S met with the British Chamber for the organization of a **export promotion and investment conference** to be organized in London in early October, the M&S initiative with the British Chamber has been joined by the EBRD and the Serbian Ministry of Agriculture. The Ministries of Economy and Trade are also expected to join. A working committee for the conference will be organized in the coming weeks.
- **ABDS** met with group of investors interested in developing an innovative fertilizer in Serbia. Follow-up with the investors is on-going.

PRODUCER ORGANIZATIONS – Quarterly Report

April 1, 2010 – June 30, 2010

OBJECTIVE 1.1: STRENGTHENING PRODUCER ORGANIZATIONS

INTRODUCTION & SUMMARY:

During the third quarter the Producer Organization component focused on preparing and launching the grant program for agribusiness associations, and finalizing preparations for the cooperative managers training program. In order to assist agribusiness associations to take a proactive role in creating an enabling environment for their sectors, develop and implement a range of activities to advance growth of their commodities and to provide direct support to their members, the Producer Organization Specialist designed a specific grant program that addresses the needs of these organizations and their members. The program was launched in late April, and by the end of the quarter a total of 15 grant applications had been received. The Project has preliminarily approved, pending further review and grant award, ten applications submitted by eight national and two regional associations, representing all six targeted sectors. The Project expects to complete the final evaluation, and grant awards, by the end of July.

During the third quarter, the Project continued working with the Ministry of Agriculture on preparations for the agricultural cooperative business training program. Two two-day training programs for cooperative managers will be organized in Zrenjanin (Vojvodina), and Zlatibor (South West Serbia). As part of Project support for tree fruit cooperatives, and the owners of storage facilities for fresh apples, the Producer Organization Specialist and the Tree Fruit Sector Lead have been assisting the US company Agrofresh, to assess the Serbian market and promote their SmartFresh technology. As a result of Project assistance, two local companies have been selected to represent Agrofresh in Serbia, and to start with the registration of SmartFresh in September 2010.

Task 1.1.1: Generic Business Training Program for Cooperative Managers

The Project continued to work with the Ministry of Agriculture on preparations for the business training program aimed at managers of the 28 selected agricultural cooperatives. The Ministry completed the bid process to select locations and hotels where the trainings will take place. This extensive cooperative training program will get underway in mid July 2010, and will be organized for the two groups of cooperatives in Zrenjanin (Vojvodina) and Zlatibor (South West Serbia). The Project invited five additional cooperatives that did not pass participation criteria set by the Ministry of Agriculture. These are the Project clients and two cooperatives from Sandzak region that expressed strong need for business trainings for cooperatives.

Task 1.1.5: Support to Cooperatives at Sector Specific Level

Introduction of new service that match apple growers' organizations needs - In an attempt to assist tree fruit cooperatives, owners of storage capacities of fresh apples, to introduce SmartFresh (SF) as a new postharvest technology, PO Specialist and Tree Fruit Sector Lead have been working with US based service provider Agrofresh, owner of this technology, to facilitate their Serbian registration. Project assistance has focused on the registration of the technology in Serbia, and the identification of a local service provider that can organize registration, testing and marketing of this technology in Serbia. Mr. Andrea Cucchi, Agrofresh's Research and Development director has met with experts from Novi Sad agricultural faculty to hire them to perform biological testing, physical and chemical properties evaluation and other necessary trials for Serbian registration of SF product.

Thanks to the Project support Agrofresh has decided firmly to introduce Smart Fresh in Serbia and besides cooperatives that have over 50% capacities of ULO cold stores, entire fresh apple industry will have access to new postharvest technology. As a result two local companies have been selected to represent Agrofresh in Serbia and start with registration of SF in September 2010. Further Project assistance in Year 4 upon successful registration of SF will be to prepare cooperatives involved in apple growing, and other stakeholders from the apple industry to introduce SF.

Task 1.1.6: Strengthen national associations

Adoption of the long-awaited new Law on Associations has been a major driving force for the development of professional associations and membership organizations in Serbia in the Project Year 3. Pursuant to that, during first two quarters the Project was providing assistance to client agribusinesses to organize new national associations. To further encourage and assist associations to take a more proactive role in creating an agribusiness enabling environment for the industry, organization of sector activities, and to provide direct support to their members, PO Specialist has designed a specific grant program for agribusiness associations that will address the needs of these organizations and their members. This quarter raised our expectations regarding the willingness of groups to associate to achieve common goals. Applications for association grants, suggests the Project has been successful in promoting group activities based on self-interest.

Activity 1: Support grants program for associations

The Grant Program has been launched in late April with an open call (RFA) in national daily Newspaper to all interested associations that meet program criteria. Through a four-week public application process, which was completed on June 3rd, the Agribusiness Project has received 15 grant applications. It is expected to complete final evaluation and approval process of grant applications by the end of July. Formal review board has preliminarily approved, for further review and grant award, ten applications submitted by eight national and two regional associations, from all six targeted sectors.

Agribusiness associations that match Program criteria will be able to utilize the Project funds in support to members' joint activities in the following areas: marketing and promotion, product development, technology transfer, joint ventures and investments, lobbying and advocacy to change industry-related policies, and capacity building of association and members. The primary goal of the Program is to, through provision of professional and financial assistance, help associations develop and implement a range of activities within a one year timeframe to improve their capacities to serve members, advance sector, foster growth of their commodities, and to sustain its viability after the project ends. The Project wants to encourage associations at a national level or at a regional level, to take more proactive role in the organization and implementation of sector activities, creating enabling agribusiness environment for the industry and providing direct support to its members building this way a demand for such organizations and services.

During the grant application process the Producer Organization Specialist has been responding to inquiries from interested associations and providing them advisory on program criteria and application procedure. A series of meetings were held with representatives of associations: Serbian Coldstores Association, Serbian Flora Association, Serbia Organica Association, Fruits of Serbia, Fruitland, and Serbian Blueberry Association. PO specialist facilitated the meeting of Fruitland Association managing board to discuss their potential joint investment in joint venture for a tree fruit processing plant. Initial support for the investment preparation and feasibility study will be first needed. Representatives of Intesa Bank also attended the meeting to provide advices to cooperatives regarding financing, loans and how to invest beyond their present collateral for ULO cold stores. PO specialist met with Serbia Organica Association and GTZ consultant, MR. Ulrich

Marz to help association to prioritize activities for their proposal for grants program. As a result all these associations are the project clients and as a result of these consultations they all have prepared and submitted complete and responsive applications.

Here is the list of applicants that have been approved for further review and grant award:

1. National Association of Medicinal and Aromatic Herbs Processors and Exporters “Serbian Flora”;
2. National Association for the Development of Organic Production “Serbia Organica”;
3. National Association “Forest Fruits of Serbia”;
4. National Association of Blueberry Growers “Serbian Blueberry”;
5. Association “Cluster Agro-industry” Subotica;
6. Union of Start-up Associations of Nish Region;
7. Business Association of Serbian Cold Stores;
8. “Fruit Land” Association;
9. Association Group “Fruits of Serbia”;
10. Association for Medicinal and Aromatic Herbs "Dr. Jovan Tucakov”;

Given the complexity of the proposed grant activities for associations, we will have a different approach with the Project technical staff that will be involved in monitoring and implementation of each grant and providing technical assistance to grantees. Teams of Project staff will assigned to each grant, both sector leads and cross-cutting staff, depending on the sector and type of the association and proposed grant activities.

Activity 2: New associations’ development

New mushroom processors association - Due to improved regulations for the associations in Serbia, new initiatives have been emerging in this quarter to which Project provided a limited support. A group of 20 companies, all processors and exporters of wild mushroom products, have established a new national association to officially represent the wild mushroom industry in Serbia. Project staff attended the formation assembly meeting of this new association, and advised the members on important aspects of the new Law on Associations and how to structure and develop a sustainable organization at the national level. The Association was also advised on grant program criteria and application procedure.

New initiative for service providers association - Group of design and branding companies showed an initiative to establish their professional association in Serbia and they asked for our Project to help them with initial steps (registration procedure according new Law, making the statute and by-laws as well their long term strategy). Although, these companies are not solely oriented to agribusinesses they serve a significant part of that sector. Most of them are working with our Project clients and they could be a pool of service providers for design and branding activities for agribusinesses in Serbia. The main goal of new association will be assisting members through specialized trainings to raise their management capacities and organizing joint usage of outsourcing services to decrease operational costs of each member. New association could be a pool of service providers for design and branding activities for agribusinesses in Serbia that can be further assisted by the Project. Next step is to help these companies in making their statute and by-laws and organizing a foundation assembly meeting of the new association.

Other cross-cutting activities

SPU trainings - Producer Organizations specialist arranged for a newly formed Union of farmers associations from Branicevski and Podunavski Districts to have their members participating in the Pesticides Safety and Environmental Education/Certification program that is going to be organized by USAID Agribusiness Project under supervision of MAFWM. The Union sent a list of their members interested to participate in trainings. Farmers are selected from eight municipalities according to criteria set by PSEE Program. Project expects participation of at least of 15 farmers more from these two districts as an addition to already selected 21 farmers from Branicevski District.

Communications - The Producer Organization Specialist has provided a statement to Radio Television Serbia (RTS) regarding good models for agricultural cooperatives in Serbia, and he also compared Serbian cooperatives with current EU cooperative models. RTS is preparing a short emission regarding six apple grower cooperatives in Serbia, that have invested in their own modern storage facilities, as good role models for other farmer cooperatives. Those cooperatives recommended the USAID Agribusiness Project to RTS and the Agribusiness PO Specialist in particular, as an expert in this field. The show should be broadcasted in early July during the heavily watched news bulletin Dnevnik 2.

ABDS & FINANCE – Quarterly Report

April 1, 2010 – June 30, 2010

OBJECTIVE 1.2: IMPROVING ABDS SERVICE DELIVERY

➤ ACTIVITY 1.2.1: DEVELOP AN ABDS PROVIDER NETWORK

Task 1.2 Introducing new technologies

As a continuation of assistance to its clients to access new technologies and establish partnership relations with foreign partners and thus improve inputs supply and/or availability of relevant sector-specific services, the project facilitated introduction of new fertilizer Agrosol from Austria to local ABDS company Agromarket. Agrosol is the growth stimulator which helps photosynthesis and is completely natural and on the list of organic products from Austrian Ministry of Agriculture. Agromarket will test the Agrosol and the results will reveal if they will pursue this opportunity. The results should be ready by the end of September. In case it proves what Agrosol company declares it can stimulate and increase growth of vegetables and fruits from 10% to 20%.

Task 1.5 - Management training - capacity building and promotion

In May of 2010, Carr Swanson and Randolph, LLC (CSR) provided two 3 day leadership training programs for approximately 26 companies/Agribiz staff and one 3 day training-of-trainers program for 7 consultants. The purpose of the training was to strengthen the competitiveness of Serbian agricultural enterprises through improving participants' ability to better lead, motivate and inspire their employees, colleagues and superiors. The course was not offered as a management course – it was not designed for “leaders” of companies. Instead, it focused on strengthening the qualities of personal leadership through influencing others. It was designed around Kouzes and Posners' well known seminal book *The Leadership Challenge*. In it they define 5 practices of effective leadership, including: inspiring a shared vision; modeling the way; enabling others to act; challenging the process; and encouraging the heart. The course also blends in aspects of emotional intelligence as applied to business environments. At the end of the course students had a clear understanding of their own ability to lead innovation and development of a company from wherever they are placed within the organization.

Day one of the training program focused on introductions, an overview and demonstration of the five practices, an exercise on change and its impact on the workforce, and an in depth look at practice 1- modeling the Way, with related exercises. Day two consisted of extensive exercises, discussions and experiential activities around practices 2 and 3, Inspiring a Shared Vision and Challenging the Process, along with exercises in team collaboration. Day three centered around practices 4 and 5, Enabling Others to Act and Encouraging the Heart, along with a segment on designing and conducting Breakthrough Conversations.

The training techniques used by the CSR included: lectures, discussion groups, modeled examples, experiential learning in individual and team role-plays, and self-assessment questionnaires. The participants were provided a Leadership training manual and numerous handouts. The training-of-trainers was identical in content to the other trainings with the exception that they were provided with a detailed facilitators guide for conducting the training and discussion were held about how the consultants could both train various segments and integrate the course, materials and activities into their practice. Two of the consultant trainees helped Mr. Swanson conduct the second training for companies by giving some of the exercises and helping with the debriefs.

CSR senior partner Pete Swanson arrived in Belgrade on May 2, 2010. The first group underwent training May 3-5, the training-of-trainers occurred May 6-7,10, and the second training for companies occurred May 11-13. Certificates and a negotiations exercise were provided to graduates May 14. Mr. Swanson departed May 15.

Observations

Students really took to the program as it was a new field and taught in an unconventional way. Leadership studies and training is a new discipline in Serbia, which is plagued with traditional, hierarchical models of leadership in companies. This is especially true with agriculture, where many companies are small and run by families. There were in fact many small, family run businesses represented in the training. The students appreciated this because it gave them ideas about how they could challenge established mindsets in a potentially safer way than direct confrontation or passive aggressive methods. They especially liked the idea of constantly moving from a “dance floor” exercise to then examining their unconscious and reactionary behaviors in the from a “balcony “perspective. When debriefed their actions were analyzed and assessed for the underlying mindset, attitude and bias which drove that particular approach or behavior. Students really appreciated being exposed to this methodology. The group also responded well to the idea of a leader as a coach, whereby they were restricted in their efforts to counsel an employee by only asking open ended questions rather than giving them orders or advice. This stretched their thinking and capabilities significantly.

Student Comments

At the end of each program participants were asked to express their views on the training. Overwhelmingly they said it was one of the most positive and impactful experiences they had ever received. This was due to three specific points. First, it was presented in a fashion counter to traditional Serbian style lecture format. No lecture was more than 10 minutes, and every major point was backed up with an activity designed to deepen the learning and pull experiences from the student. Second, the content of the training forced the students to examine their own assumptions, biases and mindsets – an activity many had never engaged in. Third, the students had not been exposed to leadership materials or concepts before. This was consistent with our experience from our previous offerings in Serbia for the prior economic development project. The students indicated continuing education was very important.

Summary and Recommendations

The participants and trainers were appreciative of the training and indicated both the training course and the training-of-trainers initiative were directly relevant to their daily professional practice. There was also a high level of excitement, anticipation and energy among all groups for Agribiz to offer a basic and advanced course on business negotiations, which is scheduled for delivery August 2-14, 2010 (inclusive of another training-of-trainers program).

In summary, the value of CSR previous work in Serbia, and the good judgment made by Agribiz in offering this training, has clearly created interest within the Serbian private sector for leadership development and a new way of thinking about leadership. Critical to the success of this course was the alternative it gave students to the traditional, hierarchical forms of autocratic leadership found in many local companies.

Task 1.4 - Prepare and promote new Belgrade Food Show

Bulk of the time during third quarter was absorbed by the development of the new Belgrade show project. We had many challenges along the way among others serious illness of the Belexpo owner. After many meetings and with the assistance of Mr. Cherif Moujabber from Creative Expos and Conferences, who we hired as an STTA, we managed to put the project back in tracks. For that purpose we had to prepare the status check document. Please see the document below. We successfully finished the designs of show name and logo, e-cads and invitations, exhibitor and buyers brochures, website is online (Culinaria.rs), compiled target lists of companies for exhibiting and for inviting to visit. Finally everything was functioning very well except for one thing – the pace of the companies signing up for the show was slow. We had to develop the back up for it and we set up the July 15 as a date by which we will have to have a minimum of 60 companies applied for the show in order to move on with this activity. If we do not meet this goal we will most probably postpone the show for the next year.

CULINARIA: STATUS CHECK

Reviewed: June 21, 2010

OVERVIEW - CULINARIA

General Information

Culinaria – Fine Food Show
Belgrade, Serbia - Belexpo Center
September 23-25, 2010
www.culinaria.rs

Exhibitor Goal: 60 minimum -
Key Buyer Goal: 1,000
Attendance Goal: Exhibitors, Buyers and Public: 2,000

Exhibit Hours: Day one: Grand opening 11:30 – 12:00; working hours until 17:00
Day two: 10:00 – 18:00
Day three: 10:00 – 15:00
Exhibitor Move-in: 2 day before the show (not problem to arrange other dates)
Exhibitor Move-out: 1 day after the show

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Message

CULINARIA is the first specialty food show in the region to focus primarily on trade buyers. CULINARIA is bringing the highest international trade show business standards. CULINARIA is the definitive opportunity to present your fine food products to serious buyers, in the efficient and comfortable setting of a modern business oriented trade show.

Purpose

Bringing the first business oriented fine foods and drinks tradeshow in Southeast Europe.

Primary value: Business to business encounters

Secondary value: Business to consumer exposure

Exhibitors

Primary: Food and beverage producers from countries in the region:

- Serbia
- Croatia

- Macedonia
- Bosnia and Herzegovina
- Montenegro

*Message: “Find direct suppliers of food producers that have made Southeastern European food so popular recently.”

Secondary: Food and beverage producers, near the region, who are interested in the Southeastern European markets and neighboring markets:

- Italy
- Austria
- Albania
- Hungary
- Romania
- Bulgaria

Exhibit/Show Structure

Day 1 – 23 September 2010: Buyers only.

Day 2 – 24 September 2010: Buyers and public. Private buyers’ lounge with hospitality suites available for private meetings, scheduled in advance, between buyers and exhibitors.

Day 3 – 25 September 2010: Buyers and public.

Activities and educational sessions will be scheduled on the tradeshow floor over all exhibition days.

Fee Structure

Exhibitors – Inclusive:

Exhibitors – Empty:

Buyer Attendee:

Public Attendee:

KEY DATES AND DEADLINES

Dates	Complete	Belexpo	AG PROJECT	Notes
16 June 2010, Wednesday		<ul style="list-style-type: none"> • Draw up floor plan 	<ul style="list-style-type: none"> • 	<ul style="list-style-type: none"> •
25 June 2010, Friday		<ul style="list-style-type: none"> • Contact, via phone, top 30 exhibitor prospects not listed on the AG PROJECT list (approximately 5 per day for the office) • Complete formal marketing plan 	<ul style="list-style-type: none"> • Contact and confirm 7 of 10 bell weather exhibitors • Identify and contact top 5 prospects for each sector (distribute to the AG PROJECT) 	<ul style="list-style-type: none"> • Create a way to communicate contacts and confirmations between both groups • Record – for both to see – committed booth space
7 July 2010, Friday		<ul style="list-style-type: none"> • Contact, via phone, next top 70 exhibitor prospects not listed on the AG PROJECT list (approximately 5 per day for the office) 	<ul style="list-style-type: none"> • Confirm 20-30 top buyers for the show 	
15 July 2010, Friday		<ul style="list-style-type: none"> • Decision date to move forward with the show or not 	<ul style="list-style-type: none"> • Decision date to move forward with the show or not 	

MARKETING FOCUS AND GENERAL TIMELINE

General Segment/Reach Table

	Domestic	International
Exhibitors	<p style="text-align: center;">Primary Owner: Belexpo</p> <p style="text-align: center;">Phone Calls Advertisements Mailings Activities PR</p> <p style="text-align: center;">Benefit to the market:</p> <p style="text-align: center;">Introduced to the international marketplace as a valid producer and exporter of quality foods and beverages.</p> <p style="text-align: center;">Cost of the stand is less expensive than 1-2 trips to visit international buyers. (There will be more than 2 international buyers at the show.)</p> <p style="text-align: center;">Support your region. Be a positive representative of what Serbia can offer domestically and internationally.</p> <p style="text-align: center;">Buyer day, buyer lounge and private appointments. Activities and education planned to keep buyers on the floor.</p> <p style="text-align: center;">Observe what the public is drawn to. Are there any trends that surprise you? Product, packaging, other?</p>	<p style="text-align: center;">Primary Owner: AG PROJECT</p> <p style="text-align: center;">Fancy Food Show Promotion Phone Calls PR</p> <p style="text-align: center;">Benefit to the market:</p> <p style="text-align: center;">Participate in a foods and beverage show that is closer to home.</p> <p style="text-align: center;">Build more – and stronger relationships – with neighboring countries for imports and exports. Use this show as a gateway to other countries surrounding the region (Russia/Middle East).</p> <p style="text-align: center;">Cost of the stand is less expensive than most shows and touching more markets.</p> <p style="text-align: center;">Buyer day, buyer lounge and private appointments. Activities and education planned to keep buyers on the floor.</p> <p style="text-align: center;">Observe what the public is drawn to. Are there any trends that surprise you? Product, packaging, other?</p>
Buyers	<p style="text-align: center;">Primary Owner: Belexpo</p> <p style="text-align: center;">Phone Calls Mailings PR</p> <p style="text-align: center;">Market includes: Supermarkets Minimarkets Restaurants</p> <p style="text-align: center;">Benefit to the market:</p> <p style="text-align: center;">Able to be introduced again to the local products and terms of exportation and popularity.</p> <p style="text-align: center;">Understand international products</p>	<p style="text-align: center;">Primary Owner: AG PROJECT</p> <p style="text-align: center;">Fancy Food Show Promotion Phone Calls PR</p> <p style="text-align: center;">Benefit to the market:</p> <p style="text-align: center;">“Find direct suppliers of food producers that have made Southeastern European food so popular recently.”</p> <p style="text-align: center;">Better understand the region and the current state – as well as future plans – for the region regarding foods and beverages.</p> <p style="text-align: center;">Better understand what is available in the</p>

Public	<p>without having to travel to the surrounding countries.</p> <p>Meet with numerous exhibitors in a single day, seeing numerous options at one time.</p> <p>Observe what the public is drawn to and favors. What do they seem to want in stores and restaurants?</p> <p>Buyer day, buyer lounge and private appointments. Activities and education.</p>	<p>immediate and surrounding regions.</p> <p>Meet with numerous organizations at one time.</p> <p>Buyer day, buyer lounge and private appointments. Activities and education.</p>
	<p>Owner: Belexpo</p> <p>PR Advertisements</p> <p>Benefit to market:</p> <p>See what is new with familiar or unfamiliar products from the region.</p> <p>Ask questions, sample and share your own thoughts or requests.</p>	<p>Owner: Belexpo</p> <p>PR Advertisements</p> <p>Benefit to the market:</p> <p>For those that attend, sample what is available. See what is changing with familiar or unfamiliar producers.</p>

Marketing Flow

Date	What	Owner	Reach	Cost
June 2010	Interview: Studio B Nenad Cherif	Belexpo	(Serbia) Domestic Public	
June 2010	Fancy Food Show, New York Industry tradeshow <i>Pavilion to introduce Serbia and to introduce Culinaria</i>	AG PROJECT/Belexpo	International Buyers/Exhibitors	
July 2010	Market Magazine 2 page spread <i>(Advertisement and PR text)</i>	Belexpo	(Serbia) Domestic Buyers/Exhibitors	
July 22, 2010	Press Conference Restaurants; Participants can present their foods and beverages; gifts for journalists?	Belexpo/AG PROJECT	(Serbia, International?) Domestic Press	TBD

September 2010	Market Magazine 2 page spread (<i>Advertisement and PR text</i>)	Belexpo	(Serbia) Domestic Buyers/Exhibitors	
TBD	Newspaper Insert	Belexpo	(Serbia) Domestic Buyers/Exhibitors/Public	€6000 (looking for a sponsor)
TBD	E-mail At 50% sold - Filling up - Sign up - Set appointments	Belexpo	Exhibitors	
TBD	E-mail At 65% sold - Filling up - Sign up - Set appointments	Belexpo		
TBD	E-mail At 90% sold - Filling up - Sign up - Set appointments	Belexpo		

YOUTH & GENDER – Quarterly Report

April 1, 2010 – June 30, 2010

Component 1: Increased Efficiency & Competitiveness of Agribusiness

OBJECTIVE 1.4: YOUTH ENTERPRISE PROGRAM

During the third quarter of Year Three the USAID Agribusiness Project continued to support the Youth Enterprise Program, and all of its activities.

After reviewing submitted and preliminarily approved Business Plans, and preparing all the necessary documentation, nine of twelve preliminarily approved Business Plans were sent to, and approved by the Agribusiness Project COTR. These awardees were invited to the Youth Business Plan Competition Award Ceremony which was held on April 29, 2010. The award certificates were handed out by the State Secretary from the Ministry of Agriculture, Mrs. Mirjana Milosevic, and the Director of Economic Growth Office at the USAID Mission in Serbia, Mr. Jim Stein.

The total value of all nine Youth grants is \$149,301, with the USAID share of the project value being \$121,861. The matching contributions that will be provided by the youth grant applicants totals \$27,440. Based on the proposals received from the awardees, these nine youth agribusiness grants will generate additional income in a total amount of \$235,957, as well as 27 new jobs in the businesses that will be created (full-time, part-time and seasonal).

During the third quarter of Year Three, the Agribusiness Project continued its collaboration with Junior Achievement Serbia. JAS has continued to utilize a Project grant totaling \$21,100 to integrate an additional 25 agricultural high schools throughout Serbia, into a comprehensive extra-curriculum educational program for the students in those schools. The program will be implemented over a period of eight months, with three phases (i.e. milestones). The project began on February 1, and it will be completed by October 31, 2010.

Specific program activities which are included in this program include the following:

- Forming classes in chosen schools through selection of all students who applied
- Implementation of the proposed training programs
- Erste bank volunteer mentors conducting Banks in Action lectures in the selected schools (February 2010 – May 2010)
- Training of the new teachers for other JAS programs
- Annual conference of principals (25 Agricultural High Schools principals) – February 2010
- Challenge Day in Novi Sad in cooperation with British Council in February 2010
- Challenge Day in Nis in cooperation with British Council, Erste Bank and City of Nis in March 2010
- Regional Innovation Camp and Trade Fair – April 22-25, 2010 in cooperation with JA-YE, British Council, Erste Bank and other partners.
- National Trade Fair and CSR event– May 2010
- JAS advertising campaign, ongoing from September 2009, in cooperation with Publicis LTD Agency, Cromer group and Farmer & Spajic

The Agribusiness Project continued to work on developing an Internship Program for high school students, and began work on promoting the Internship Program for Agriculture University students. For this purpose the Agribusiness Project renewed cooperation with IAAS (International Association of students in Agriculture and related Sciences), which hosted the regional conference of the IAAS in Belgrade over the period of May 24 - 31, 2010. The Agribusiness Project recognized that event as a good opportunity for the promotion of the Internship Program, and obtained COTR concurrence to provide financial support for this event. The Agribusiness Project share of the cost was \$2,850 out of a total cost for the event of \$14,150.

The Agribusiness Project's team also used this event to make a presentation of its activities, and a stand to collect students' CVs for future internship program was set up at the event. Also during this quarter more than 80 letters of invitation were sent to Project client companies inviting them to participate in the Project's Internship Program.

During the quarter there were many other initiatives taken to promote the Project's Youth Program. Project staff members had several meetings to discuss how to improve the education of young producers and processors in the field of business education. The most important new contacts made during the quarter were with the Business High School in Leskovac, and the Fund for the Supplemental Education of Young Farmers.

OBJECTIVE 1.5: OTHER CROSS CUTTING ACTIVITIES

➤ **ACTIVITY 1.5.4: WOMEN ENTREPRENEURS IN AGRIBUSINESS**

Following the successful presentation of the Agribusiness Project at the 2nd Women's Conference during Y3Q2, Agribusiness Project efforts in Q3 were focused on establishing and designing the types of assistance needed by rural women, and women interested in agribusiness in general. Gender program staff contacted many women's associations, and other groups that gather women entrepreneurs, throughout Serbia in order to determine which associations are well organized and willing and able to participate in the activities to be carried out by the Project. Several meetings with representatives of the Women's Associations from Nis, Valjevo, Cacak, and Uzice were held, during which the Gender program and the Agribusiness Project were presented, and intensive discussions with the women's associations from Kragujevac, Leskovac, and Belgrade were undertaken to determine their interest and capabilities.

To identify possible partners for the implementation of the Women Entrepreneurship Program, Project staff also intensified their contacts with Regional Chambers of Commerce and the LED offices, presenting the Agribusiness Project to them. Representatives of the abovementioned institutions and associations showed great interest in the Agribusiness Project's Gender program and helped spread the word of it, which resulted in increased interest and numerous contacts with unemployed women, NGOs, and Women's Associations, which in turn led to a greater visibility for the Gender program, and the Agribusiness Project in general.

During these meetings it became clear that there are two basic groups of potential beneficiaries of the Agribusiness Gender program

- 1) women starting from zero – i.e. majority of population in rural areas, and
- 2) women who have some type of agribusiness activity but need further directions toward developing their business.

Based on these, the Gender program team has defined a program to facilitate and promote entrepreneurship among women living in rural parts of Serbia, encouraging them to take active participation in the improvement of their economic position through self-employment.

The starting points for defining the RFA for the program were based on the following assumptions and statistics:

- Serbia has 7.381.579 inhabitants, including 3.792.622 women.
- The overall socio-economic position of rural women is rather marginalized since they are mostly serving as family helpers in the households. That position not only gives them no authoritative role but exposes them to higher poverty risks as well. According to statistical data, 71% of poor households are rural households without land, or they possess less than 1.5 ha.
- Furthermore, they are additionally deprived inside the households and farms as economic actors, as they do not have any decision making power, nor access to farm incomes and household budgets. Therefore, improvement of their position requires simultaneous action focused on rural development and improvement of the position of farming households, and action focused on improvement of gender equalities.

Based on these assumptions, it became clear that the specific goal of this program should be education of women in rural areas on approaches, methods and mechanism they should use for starting their own private businesses, increasing profits and improving their overall position in agribusiness. This should be done by implementing a Grant program to Facilitate Women Entrepreneurship in Agribusiness which will consist of the following 2 phases:

- 1) Training in business plan writing for groups of rural women in 4 regions in Serbia, and
- 2) Funding the start-up businesses.

The Gender program team decided to use selected local associations as partners for organizing the programs, including organization of the training programs, based on Project requirements. The prospective applicants should focus on facilitating the training workshops which will lead to the creation of business plans that will be submitted to the Agribusiness Project within a “Best Business Plan Competition for Rural Women” contest. The Project will further consider the selected business plans for funding using the start-up grants mechanism and/or technical assistance. The training Program will be funded through the USAID Agribusiness Project grant fund.

Over the past quarter, efforts were focused on writing the RFA for the training program, and the start-up grants. The RFA for this program included the following provisions:

- The Phase 1 Training will be implemented in partnership with local NGOs which will select participants based on interests and established criteria. Individual grants awarded to the selected NGO or Association shall not exceed US\$30,000 in total. It is anticipated that at least 200 women will be trained in business plan writing.
- In Phase 2, the best business plans developed using the knowledge acquired through the training program will be submitted to the Project for funding through start-up grants. Each start-up grant will not exceed \$15,000 and the Project plans to award 10-15 grants.
- The Program will be implemented in four distinct regions of Serbia: Western, Eastern, Southern and Central Serbia, using 12 cities which are the centers of the districts in these regions.
- Eligible participants will be unemployed women with business ideas and/or activities underway in the following sectors: livestock, dairy, tree fruits, berry fruits, vegetables, herbs and mushrooms
- The grant applicants will further refine and develop the eligibility criteria for participants, as well as a transparent invitation and selection methodology, in their grant applications. The Agribusiness Project will approve the proposed criteria, as well as the final list of the selected training participants.
- The training participants must have the intention to pursue their careers in the agribusiness sector upon completion of the training program, as well as the ability to legally register an agriculturally-related firm (or farm).
- Additionally, the Agribusiness Project will continue to support women’s entrepreneurship through other programs which will enable women entrepreneurs to take advantage of local, regional and international market opportunities. The Agribusiness Project team will also provide women entrepreneurs with other types of technical assistance which are available within

the Agribusiness Project's programs of activities. The goal is to increase women's capabilities and competitiveness in the agribusiness sector, and to facilitate their equal participation in positioning in the market.

The RFA for this program was announced in May, and by June 7, a total of 19 applications had been received. Following a formal review of the received applications and documentation, 11 applications were accepted for further review, and possible grant award.

During this quarter, many women approached Project staff in order to find out more about the Grant Program to facilitate Women Entrepreneurship in Agribusiness, and they expressed their interest in attending the trainings for business plan writing. They were advised to wait for the end of selection process for training program implementation and, afterwards to join the training sessions.

Intensive contacts with Women's Associations and NGOs during Q3 helped the Gender program staff to gain a better insight into the number, capacities and organizational structure of these organizations. Organizations which have advanced in terms of structure, membership and type of assistance provided to their members could be partners in implementation of Gender program and the Project should focus in the next period on establishing partnership with these stakeholders.

ENVIRONMENT – Quarterly Report

April 1, 2010 – June 30, 2010

I. Introduction & Summary

Over the past quarter, USAID Agribusiness Project efforts related to environmental issues were focused on ensuring Project’s compliance with environmental Regulation 16, along with implementation of the Pesticide Safety & Environmental Education/Certification program, and the Cleaner Production/Technologies program as laid out in the Year Three Workplan.

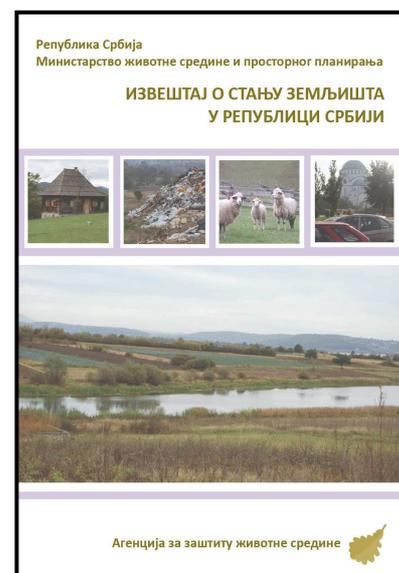
The Project has recognized that most initiatives relative to the integration of environmental concerns in agriculture are being carried out as small isolated activities, and many are still at the pilot phase in Serbia. The scale and scope of these activities reflect the limited capacity of the implementers and the decision-makers, and the general sense is that these projects are difficult to initiate and the results have been mixed. Moreover, there is now recognition that to have any real impact these activities involve a lengthy process which seeks to change the perceptions of those whose responsibility it is to improve the status of the environment in Serbia. Therefore, the USAID Agribusiness Project has developed a Strategy Paper for the implementation of the Pesticide Safety & Environmental Education/Certification (PSEE-SSA) program. The PSEE Strategy was approved by the Ministry of Agriculture (MAFWM) as a basis for achieving the main goal of the Program, which is to strengthen the Ministry’s technical capacities through the establishment of a critical resource mass (ie a trainers network) for the development of a sustainable national SPU educational system. The Environmental Monitoring and Integrated Soil Fertility management Activity was also completed during this reporting period.

II. Activities Planned & Implemented During the Period

Component 1: Increased Efficiency & Competitiveness of Agribusiness

1) The Project continued to implement the Environmental Monitoring and Integrated Soil Fertility Management Activity, which was started in the previous reporting period, by recognizing the potential to accelerate the delivery of technical assistance and information. The USAID Agribusiness Project prepared the first for Serbia report on the status of agricultural soils and environmental monitoring in Serbia. Given the significant pressures on natural resources in Serbia, the dynamic state of the environment demands information that is both timely and accurate. As detailed in the Year Three Workplan, taking advantage of this demand required close collaborative relationships with both the Ministry of Agriculture, and the Ministry of Environment and Spatial Planning, to coordinate public messages and environmental policy advocacy.

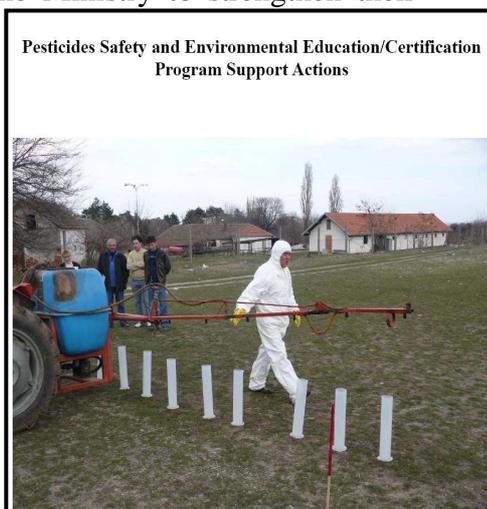
The printed report, [Soil Status in Serbia](#), should serve as a tool for the efficient use of data on soil resources (including data on the profitability and productivity of the agriculture sector). It also examines issues such as a) competitiveness, especially as regards the agricultural sector’s contribution to the nation’s wealth, and b) the viability of farms, related to the potential for farms to survive in the market, including the diversification of sources of income within farming. The report



also brings a social dimension which is called equity – meaning “equal opportunity” – both territorially (between rural and non-rural areas) and sector-wise (between agriculture and other economic sectors), and between men and women in the sector. The issues considered under this report are also opportunities for use and farmers’ access to resources and social services, and the human capital and its characteristics. The environmental dimension of the report concerns management and conservation of soil resources, especially focusing on the protection of soil, showing the pressure of activities such as livestock raising, the use of fertilizers, plant protection products, and other polluting substances. The follow-up activity planned for next quarter is report dissemination to USAID Agribusiness Project partners, and the wider public.

2) The Pesticide Safety and Environmental Education Strategy paper was prepared by the Project’s Environmental Specialist, and approved by the MAFWM as a basis for achieving the main goal of the PSEE Program – that is to provide technical assistance to the Ministry to strengthen their technical capacities through the establishment of a critical mass of resources (technical trainers) for the development of a sustainable national educational system. In order to facilitate the development of the PSEE infrastructure in Serbia, the Project also developed a program of support actions for the PSEE task that will make up the causal chain in the relationships between agricultural production and the three dimensions of sustainability under consideration (environmental, social and economic dimensions). Implementation of the program of PSEE support actions will begin in the following quarter of the current Project year.

3) The USAID Agribusiness Project reached agreement with the Ministry of Environment and Spatial Planning, (the Cleaner Production Department) on the development of an awareness raising program on the benefits of Cleaner Production technology, environmental and integrated management systems, and product related measures of sustainable business development, which will support the Agribusiness Project's Year Three Cleaner Production Technology program.



USAID Serbia Agribusiness Project

Quarterly Report – Year Three, Quarter Three

April 1, 2010 – June 30, 2010

Annex 4 – Enabling Environment Report:

OBJECTIVE 2.1: IMPROVING ACCESS TO MARKET INFORMATION

ACTIVITY 2.1.1: STRENGTHEN THE SERBIAN MARKET INFORMATION SYSTEM (STIPS)

ACTIVITY 2.1.2: DEVELOP FARM ACCOUNTANCY DATA NETWORK CAPABILITIES

ACTIVITY 2.1.3: ORGANIZE TARGETED AGRICULTURAL STUDIES/SURVEYS

OBJECTIVE 2.2: FACILITATING LEGAL & REGULATORY REFORM

ACTIVITY 2.2.1: SUPPORT LEGISLATIVE & POLICY REFORM COORDINATION

ACTIVITY 2.2.2: SUPPORT NEW AGRIBUSINESS POLICY IMPLEMENTATION

AG INFORMATION & POLICY – Quarterly Report

April 1, 2010 – June 30, 2010

Component 2: Improved Enabling Environment for Agribusiness

OBJECTIVE 2.1: IMPROVE CROP & LIVESTOCK PRODUCTION ESTIMATES, MARKET PRICE INFORMATION, AND PROVIDE SUPPORTING STUDIES TO THE GOS

Task 2.1.1: Strengthen the Serbian System of Market Information in Agriculture (STIPS)

As envisioned in the Year 3 Work Plan, the Agribusiness Project, in cooperation with the Ministry of Agriculture and selected ABDS providers successfully completed all activities pertaining to the improvement of the agriculture market information system (STIPS) (www.stips.minpolj.gov.rs) during the first two quarters of the year. For additional information on the implemented activities, please see the relevant quarterly reports.

During the 3rd quarter, the Agribusiness Project's policy team discussed with the representatives of the Ministry of Agriculture in charge for the market information system, possibilities for further collaboration with respect to the market information system. The areas for further cooperation to be implemented in Year 4 may encompass: adding the information on supply of selected agricultural commodities, available quantities and contact information of producers to facilitate sales of such commodities, and inclusion of international prices in the system.

Task 2.1.2: Organize targeted agricultural studies/surveys

Activity 2.1.2.1: Study on Impact of Weather Conditions on Agriculture in Serbia and Modalities of Anti-Hail Protection

During the quarter the Agribusiness Project's policy team in cooperation with the tree fruit sector lead finalized the Scope of Work for the Study on Impact of Weather Conditions on Agriculture in Serbia and Modalities of Anti-Hail Protection. The goal of the Study is to analyze the status of existing system for hail protection and provide potential solutions for the improvement of the system (recommendations for introduction of new technologies, including breakdown of needed technical and technological interventions and action plan for implementation). The specific emphasis will be given to various solutions for hail protection in the tree fruit sector, in particular, anti-hail nets. The study should provide basics for establishment of the efficient market driven system of the anti-hail protection, reducing the lost income due to losses in agricultural production, as well as will contribute to the improvement of competitiveness of the agricultural sector.

The staff engaged in the preparation of the Study conducted several interviews of potential consultants including representatives of the Republic Hydrometeorological Service and private companies engaged in developing new system of hail suppression. Interviewed consultants expressed very opposite opinions regarding the optimal structure of the future system. During the following weeks, meetings with several professors from the Faculty of Chemistry will be conducted and final decision made on the proposed consultant for the Study. Over the past months, Serbian agriculture has suffered significant losses due to the heavy rainfall and hail occurrences.

OBJECTIVE 2.2: FACILITATE LEGAL, POLICY, AND REGULATORY REFORM

Task 2.2.1: Study on the Impact of International Integration of Serbia on Agricultural Sector

During the quarter, the Agribusiness Project's policy team through the RFP procedure selected the qualified service provider "SEEDEV" to prepare the Study on the Impact of Liberalization on Serbian Agricultural Sector. The task to be conducted encompasses quantitative and qualitative analysis of the effects of the liberalization under the SAA with the EU, free trade agreements with Turkey and Belarus and accession to the WTO across the overall agricultural sector and selected products and stakeholders. The Study will also analyze the competitiveness of Serbian agricultural products, changes and trends in production, sales and consumption, demand, foreign trade, etc. The Study will aim to identify the competitive advantages gained or lost by Serbian agricultural producers, processors and exporters, as well as those of Serbia's leading competitor countries.

Following the successful completion of the contract terms negotiations with the vendor SEEDEV the parties signed the contract for preparation on the Study. The SEEDEV proposed the team of eminent researchers (Mr. Goran Zivkov, Prof. Miroljub Labus and Mr. Stephen R. Goss) and analytical staff, with extensive background in agriculture, macro and micro-economics and international trade. The work on the Study will consist of two phases. The first phase will encompass preparation of the general tariff analysis of the liberalization process and its impact, and this part of the Study is due on July 25, 2010. The full report encompassing general tariff analysis and sector specific detail analysis is due on September 25, 2010. The payments for the aforementioned tasks will be implemented in two installments, after presenting the appropriate progress reports. The total cost for the preparation of the Study is 42,900\$.

Task 2.2.2: Preparation of the Guidebook on Integration of Serbia to the EU and CAP

During the quarter, the Agribusiness Project's policy team received the COTR technical concurrence and rate approval for the proposed local STTA Andrija Pejovic to prepare the Guidebook on Integration of Serbia to the EU and CAP. Mr. Pejovic has been proposed and contracted for this assignment based on his work related to the process of enlargement of the European Union and financing of (pre-) accession process; impact assessment and economic evaluation of integration process; specific experience in agriculture and EU integration process; programming, institution building and management of EU funds.

The outline of this publication has been agreed with the department for EU integrations of the Ministry of Agriculture. The main purpose of the publication is to make the EU accession related topics as closer as possible to the average Serbian farmer, and to make farmers more familiar with the rules and obligations within the European single market in the field of agriculture. The publication will provide information about the Common Agricultural Policy of the EU, status of Serbian integrations to EU and main effects of integration process on the agricultural sector. The deadline for completion of the publication is July 31, 2010.

The Agribusiness Project supported organization of the conference "CAP Reform – Accession and Cooperation Challenges" held in the National Parliament on May 14, 2010. The conference was organized in cooperation with the Ministry of Agriculture, Chambers of Commerce of Serbia and Belgrade, and the Cooperative Union of Serbia. The topics addressed at the conference encompassed: the reform of CAP and its implications on national agrarian policies and international trade in agricultural products; how the agrarian policy of the EU may fulfill the needs of structurally different agricultural sectors in the EU countries; lessons learned in utilization of pre-accession funds of the EU, etc. The conference gathered large number of high-ranking official, including President of the Republic of Serbia, Boris Tadic, Minister of Agriculture Sasa Dragin and Jerzy Plewa Deputy of Director General for Agriculture of the EU, as well as ministers of agriculture of

Croatia, Macedonia, Portugal, Estonia, Hungary, Slovakia and Czech Republic. More than 250 participants from the agribusiness sector, governmental institutions, diplomatic core, and media attended the conference. The Agribusiness Project born the costs of printing and design of promotional materials and catering for the conference. The Project selected “Coba&Associates” as vendor for printing and design of promotional material, and “Slatka Kuca” as vendor for catering services. The picture to the right shows President Tadic listening to the presentations following his introductory speech.



Task 2.2.3: Provide support to legislative and policy reform coordination

Over the quarter, the Agribusiness Project received the preliminary CTOR technical concurrence for the initially approved sixty nine grant applications for international food safety and quality standards. According to the grant applications, the agribusinesses plan to use the grant funding in the total amount of \$348,221 to cover part of the cost of consulting and certification services for the specified standards. The grant applicants have agreed to provide matching contribution in the total amount of \$328,743 to cover 50% of the total consulting costs and 30% of the total certification costs. The Project staff is now completing signing of MoUs and grant agreements with the applicants that were recommended for acceptance by sector leads following the field visits of to their businesses. Out of the initially approved sixty nine grant applications, three applicants (Menex, Fotos and Petar Dobrkovic) decided not to proceed with the introduction of the standard, primarily due to the financial difficulties, while Fortis who applied for introduction of two standards, abandoned the Organic certification, due to the extension of their conversion period. In addition, ten applicants are being additionally evaluated due to their size, ownership and conclusions from the field visits, and most likely will not be recommended for final approval.

The Agribusiness Project’s policy team developed the scope of work and technical documentation for engaging the local STTA expert to assist the General Inspectorate of the Ministry of Agriculture with introduction of the Risk Analysis IT tools. The task has been initiated in order to implement the requirements of the Food Safety Law which prescribes that measures applied to achieve high level of protection of human health and life must be based on risk analysis. The risk analysis consists of three interconnected components: risk assessment, risk management and risk communication. In order to ensure proper implementation of the risk analysis, the General Inspectorate of the Ministry should have appropriate data and records, procedures for reporting, monitoring and tracking relevant factors and implementing corrective actions, organized and supported through appropriate IT structure and tools. The proposed consultant should provide expert advice to the Ministry on necessary changes and actions to be made in their IT structures and operations in order to develop and introduce efficient risk analysis system. The Agribusiness Project’s policy team received the CTOR technical concurrence for engaging the local STTA Vladimir Obucina, and is now in the process of obtaining rate approval for the proposed consultant from the RCO office.

The Agribusiness Project in cooperation with the Association of Agricultural Journalist “Agropress” organized the conference “Agribusiness and Renewable Sources of Energy - Potentials and Obstacles” at the National Bank of Serbia Hall, on June 29, 2010. The objective of the Conference was to inform and engage all relevant stakeholders in a constructive discussion regarding the importance to increase production of energy out of renewable sources. The Assistant Minister in the Ministry of Energy and Mining presented currently applied regulations, focusing in particular on Biomass Action Plan 2010-2012, new decrees on the requirements for obtaining the

status of the privileged power (green electricity) producer and stimulations for power production from renewable sources. In addition, the Minister of Agriculture presented the importance of biomass (plant and animal biodegradable waste material) resources, which represent more than 60% of total renewable energy potential in Serbia. The event was very well attended (see the photo at the right) with nearly 200 representatives from the government institutions, industry, research and development community and media.



The Agribusiness Project Senior Policy Advisor and Finance/ABDS Specialist participated in the 5th Annual USAID Regional Competitiveness Initiative (RCI) Conference on Finance and Economic Growth that took place in Hotel Europe, in Sarajevo, between 18th and 20th April, 2010. During the three-day event, participants presented and discussed a number of topics related to competitiveness, finance, workforce development and economic growth that are particular to Europe and Eurasia. In particular, the Project staff presented the agricultural market information system and promoted the “Culinaria” trade show in Belgrade. Participants at the conference included leading regional experts on competitiveness, as well as representatives from the regional USAID projects and missions. This conference was also an opportunity for all participants to discuss possible areas of collaboration, as well as the effects of the global economic crisis in Eastern Europe.

The Agribusiness Project participated in the conference on Conference on the Status and Expectations in the Market of Agricultural and Food Products in Serbia organized by the USDA and the Ministry of Agriculture in hotel Zira on June 14 and 15, 2010. The purpose of the conference was to present the current situation with regard to specific agricultural products, as well as the economic and other factors that affect the supply and demand in agricultural products in Serbian market. The second part of the presentation was dedicated to the accession process of Serbia to the EU, and its implications on the agricultural sector in Serbia, with specific emphasis on the meat, dairy, fruits and vegetable sector. The conference gathered representatives of the government, private sector and donor community.

Task 2.2.4: Support policy implementation

Activity 2.2.4.1: Warehouse Receipts (WHR) – During the quarter, the Agribusiness Project received the COTR final technical concurrence to the unsolicited concept paper submitted by the marketing agency Head Made to support the public awareness campaign about the warehouse receipts system in Serbia. The Head Made will utilize the grant funds in the amount of \$32,408 to conduct a series of educational and promotional events and to set-up a communication center to provide on-going information about the system. The Head Made is a partner organization of the Warehouse Receipts System Indemnity Fund. The activity targets all stakeholders involved in the warehouse receipts system and deals with functioning mechanisms and benefits of the system for the agribusinesses, stimulates and facilitates participation of the agribusinesses in the system in this harvesting season. Envisioned results of this project go beyond this singly activity, and therefore the project is named “Healthy Economy”. The warehouse receipts system is designed to alleviate the financial problems that most of the agricultural producers face while waiting to sell their commodities stored in the warehouses off-season, and enable utilization of the loans for further agricultural production and processing during this period. Adequate implementation of the warehouse receipts system in Serbia will facilitate agricultural production leading to recovery and further development of domestic agriculture and economy overall.

During the quarter, under the grant agreement “Healthy Economy”, the following milestones have been completed and activities conducted:

- **Milestone 1:** design and production of the educational and promotional material for the training seminars and workshops: educational print and video material, including general brochure about the WHR system and project Healthy Economy, three versions of inserters customized to different targeted groups and folders for inserts, flyers, invitation cards, posters, other promotional material, etc.
- **Milestone 2:** promotion and presentation of the WHR System at the International Agricultural Fair in Novi Sad (May 15 to 22, 2010). The representatives of the Head Made, Indemnity Fund and the Ministry of Agriculture presented the features of the system at the stand of the Ministry, organized interactive communication points with touch screens and open discussion at the “Open Door” workshop with the aim to raise awareness on the benefits of the warehouse receipts system among the visitors of the fair.
- **Milestone 3:** organization of a two-day training seminar for warehouse operators to facilitate their participation in the WHR system and become registered public warehouses. The trainings were held on May 31 and June 1, 2010 in Andrevlje, Fruska Gora. The training agenda included the topics such as operations of the public warehouse, organization of controls in public warehouses, managing technological quality of grains, features of the warehouse receipt, relations between banks and public warehouses, trade in grains, etc. Total of 47 representatives of the warehouses in Serbia attended the training.
- **Milestone 4:** organization of a one-day training seminar for representatives of commercial banks and insurance companies, to facilitate their participation in the WHR system. The training was held on June 9, 2010 at Salas 137, Cenej. The lecturers presented about development of new commercial bank’ services within the WHR system; WHR as official certificates of ownership over commodities, use of WHR as collateral for lending; endorsement of the WHR; bank guaranties for warehouses; collection of debt and of sales of commodities linked with the WHR; possibilities for establishment of the clearing house at the commodity stock exchange that would provide settlement services for financial and commodities derivatives, etc. Total of 43 representatives of commercial banks and insurance companies attended the training.
- **Milestone 5:** organization of a one-day training seminar for the representatives of the extension service, rural development network, and agricultural cooperatives about the characteristics of the warehouse receipt system. The training was held on June 11, 2010 in the premises of the FINS in Novi Sad. The main goal of the training was to educate representatives of the extension service and rural network in the WHR issues to serve as leverage point in transferring information



on WHR to end users, and further promotion of the system among agricultural producers. The training covered the following topics: legislative framework of the warehouse receipts system, functioning and benefits of the system, role of the agricultural producers in the system, quality and depositing of grains in public warehouses, access to finance. Total of 47 participants attended the training.

USAID Serbia Agribusiness Project

Quarterly Report – Year Three, Quarter Three

April 1, 2010 – June 30, 2010

Annex 5 – Agribusiness Grant Program

Objective 3.1: Agribusiness Grant Program

Activity 3.1.1: Establish & Manage the Agribusiness Grant Program

Activity 3.1.2: Award Investment Incentive Grants to Client Firms

Activity 3.1.3: Award Capacity Building Grants to POs and ABDS firms

Activity 3.1.4: Award Youth Enterprise Grants to Selected Students

GRANT PROGRAM – Quarterly Report

April 1, 2010 – June 30, 2010

OBJECTIVE 3.1: AGRIBUSINESS GRANT PROGRAM

➤ ACTIVITY 3.1.1: ESTABLISH & MANAGE THE AGRIBUSINESS GRANT PROGRAM

During the reporting period, the Agribusiness Project’s grants review committee awarded fifty one grants with total funding of \$354,616, and an additional fifteen grants received preliminary approval with a total funding amount of \$88,284. These additional grants will be awarded in July 2010. In addition to these awarded and preliminarily approved grants, there are twenty one grant applications in the final stages of review, which have been submitted within the two grant sub-programs now underway. These programs are designed to support producer organizations, and women’s entrepreneurship in agribusiness

The grant sub-program for producer organizations is designed to support non-profit and for-profit non-governmental producer organizations to improve their management and operational capacities, as well as the provision of services to their members and clients. Following the COTR’s principal approval for this grant activity, an open four-week public call for individual grant applications was placed in the newspaper “Politika”, and on the Project’s website. The Project grant evaluation committee reviewed and evaluated all fifteen grant applications received during the application process. Pursuant to the basic selection criteria, the committee preliminarily approved ten applications with a total funding amount of close to \$500,000. Accordingly, these ten applications are now being considered for further review and processing (i.e. two grant applications are ready for final review and approval, while the other eight need to provide additional information and clarifications prior to final review).

The grant sub-program for women entrepreneurship in agribusiness was developed to support women start-ups in agriculture, through a business training program and then the award of follow-up micro-grants for the best business plans developed by the participating women. The Project has allocated a provisional amount of \$300,000 to support both of these activities (i.e. the training program, and the start-up grants). The Project’s COTR has provided technical concurrence for this grants sub-program, which is also in line with the Special Provisions (A.23) of the Task Order, and the Project’s Year Three Work Plan. Following closure of the public application process, the Project grant evaluation committee reviewed all nineteen received grant applications, and selected eleven grant applications for further review and processing. Based on the specific evaluation criteria, and the scoring system, the committee will select up to five grant applicants to deliver the business training program in four selected regions of Serbia to women interested in starting an agribusiness.

During the reporting period, significant efforts were also put in place to assure timely completion of the grants awarded last year, for marketing activities and the introduction of international food safety and quality standards. These grants have significantly contributed to the overall sales and employment results reported in this quarterly report, and provided great benefits to the agribusinesses involved. Further information on the impact of these grants is provided below. Nevertheless, the second round of grants in the sub-program for marketing

and promotional activities, scheduled to begin in June 2010, has not been launched yet due to issues with the budget realignment. This is the last grants sub-program planned for this fiscal year, but most likely it will be postponed to the first quarter of the next fiscal year, while the main focus in the next three months will be on the above-mentioned grants sub-programs for producer organizations and women entrepreneurship.

➤ **ACTIVITY 3.1.2: AWARD INVESTMENT INCENTIVE GRANTS TO CLIENT FIRMS**

Following COTR technical concurrence to the sixty-nine grant applications submitted within the grant sub-program for the introduction of international food safety and quality standards, the sector leads visited and/or contacted all the applicants to determine which ones are eligible for grant assistance. These assessments were been completed by June 23, 2010, and the sector leads recommended fifty five agribusinesses for grant awards. According to their proposals, these fifty five agribusinesses will utilize grant funds totaling \$268,928 to cover Project's share of the costs of consulting and certification services; while an additional \$265,723 will be provided by the grantees as their matching contribution. Based on the estimates included in their grant applications, the grant applicants will generate \$31.5 million in additional sales, and add 417 new jobs in their production facilities. Likewise, as was the case last year, most of the companies applied for the ISO 22000 standard. While the Ministry of Agriculture has published the official list of registered service providers for organic certification, the Project issued only seven grant awards for the organic standard.

As for last year's grant sub-program for food safety and quality standards, out of twenty eight approved grantees, twelve have been certified so far, with an additional two that might become certified by the end of July, 2010. Throughout the implementation of this program, the Agribusiness Project has been adopting a flexible framework which allows the companies to complete the certification process in accordance with a pace that suits their financial and operational capabilities. Yet, many companies have withdrawn, and cancelled their grant agreements, because of the financial crises which is the main excuse for not completing the certification process. Once completed, this grant sub-program will be evaluated, and the findings will be incorporated in the annual performance report.

The grant sub-program for marketing and promotional activities in agribusiness, launched in May 2009, reached its conclusion this quarter, with twenty-one grantees having completed their marketing projects. These agribusinesses were the most proactive, and they implemented a variety of marketing related activities - including corporate identities and trademarks, packaging and label design, brochures and sales promo material, website design, events and promotional displays, corporate sales videos, and retail store design. Only two companies out of the twenty three originally approved for grants have not completed their marketing activities. One company changed their ownership structure (i.e. it became foreign-owned) thus becoming ineligible for grant, while the other one faced bankruptcy caused by the on-going financial crises.

In order to capture the results of this grant activity, the Project engaged Mr. Jeff Spear, an international marketing expert who has been providing his expertise and technical assistance throughout the implementation of this grant activity. The follow-up process of Mr. Spear was imperative in this key stage to evaluate the achievements of the service providers in preparing and delivering appropriate materials, and to conduct an analysis of the results from this grant

sub-program. Mr. Spear also provided further guidance on to the Project on adjustments or improvements required for the second round of the program. Between May 24th and June 9th, Mr. Spear met with twenty grant recipients, and their service providers. According to Mr. Spear's final report, increases in market impact and enterprise growth were recorded by all grant recipients, with only a few exceptions. The grant recipients reported close to \$1.4M in delivered sales, and 48 new jobs; ABDS revenues of nearly \$700,000; with further growth projections over the next two and a half years. While most of this growth is due to enhanced marketing practices and more effective communications, helping companies to improve their marketability has given them new confidence, and a desire to grow their businesses. A few highlights and indications of the growth impact are provided below:

Vegetable Sector Client *Biotrend* - Sossini brand

- The response from the new design strategy created “a complete renaissance of the company”
- Increased sales across all markets will result in a doubling of the size of the business - adding 15 new employees

Livestock Sector Client *Delikos* - Casa Maiac brand

- Sales trends are on the rise – the company has an optimistic outlook for the future in spite of the economic crisis
- Contacts resulting from the USAID Agribusiness Project have allowed the business to record early successes.
- The company is penetrating all domestic markets; and anticipating exports to Germany and all of the former Yugoslavia countries

Herbs Sector Client *Macval Tea* - Macval brand

- Added 20 full time employees from the town of Coka (an underdeveloped region) and another 10 seasonal employees
- Voted 2010 Producer of the Year by the Novi Sad Chamber of Commerce
- Sales doubled in size over the past two years

Dairy Sector Client *Niska mlekar* - Robi brand

- Robi production increased by 300%, following the introduction of the marketing campaign, to 30,000 L/month – and Niska will maintain production at this level
- 2009 Sales: €10.7 million; 2010 Sales (projected): €12.7million
- Increased volume of milk purchases from local farmers

➤ **ACTIVITY 3.1.3: AWARD ENABLING GRANTS TO ENHANCE DELIVERY OF PUBLIC GOODS (GRANTS TO POS AND ABDS PROVIDERS)**

During the reporting period, the Agribusiness Project awarded the following grants to two ABDS providers which are aimed at enhancing the delivery of public goods:

1. Based on an unsolicited proposal, the Halal Agency of Serbia received a grant award of \$27,670 to support the attendance by six Serbian agribusinesses at the MIHAS 2010 Trade Fair, which was held in Kuala Lumpur, Malaysia, June 23-27, 2010. The companies exhibited at one booth under the umbrella of the *Halal Agency of Serbia*. The Halal Agency of Serbia used the grant funds to implement numerous activities prior to, and

during, the trade fair, which included two one-day preparatory educational seminars about the halal network's business potentials and opportunities; field visits to the participating halal-certified companies; booking of the space and arrangements for proper design and construction of the stand; preparation of the marketing material; travel arrangements and other necessary logistics, as well as facilitation of the business-to-business linkages prior and during the trade fair. Based on preliminary results, the participating agribusinesses signed export contracts totaling \$70,000, while an additional \$1.1M is under negotiation. This activity was implemented in close cooperation with the Malaysian Embassy in Belgrade, while H.E. the Malaysian Ambassador personally participated in info seminars.

2. Head Made, a business service provider from Serbia, received a grant award to conduct activities in support of the promotion and public education of the warehouse receipts system in Serbia. According to the grant application, Head Made will utilize grant funds amounting to \$32,408 to conduct a series of educational and promotional events, and to set-up a communication center to provide on-going information about the system. Head Made is a partner organization of the Warehouse Receipts System Indemnity Fund, which will assure long-term sustainability of the project. This activity is focused on all stakeholders involved in the warehouse receipts system, and deals with the functional mechanisms and the benefits of the system for agribusinesses. The system stimulates and facilitates participation of agribusinesses during harvesting season. The envisaged results of this project go beyond this single activity, and therefore the project is named Healthy Economy. The warehouse receipts system is designed to alleviate the financial problems that most agricultural producers face while waiting to sell their commodities which are stored in warehouses during the off-season, and to enable the utilization of loans for further agricultural production & processing during this period. Adequate implementation of the warehouse receipts system in Serbia will facilitate agricultural production, leading to recovery and further development of domestic agriculture, and the economy overall. The project is in line with the approved Year Three Work Plan, and directly contributes to the applicable objectives, in particular Task 2.2.4: Support policy implementation and Activity 2.2.4.1: Warehouse Receipts (WHR). Further details about this grant activity are provided under Policy section of the Quarterly Report.

➤ **ACTIVITY 3.1.4: AWARD YOUTH ENTERPRISE GRANTS TO SELECTED STUDENTS**

A total of 23 business plans were solicited during the second round of Youth Business Plan competition. Agribusiness Project technical staff (sector leads and the marketing team) analyzed the submitted business plans and selected twelve business plans as viable business ideas that can be implemented. Accordingly, these twelve applicants were advised to submit their business plan ideas to the Agribusiness Project, in the form of a grant application.

However, nine youth grant applications were received within the deadline, while two business plan winners withdrew from the application process. The grant evaluation committee approved these nine grants applications, and on April 29th, 2010, prof. Mirjana Milosevic, State Secretary of the Serbian Ministry of Agriculture, and Mr. Jim Stein, Director of USAID's Economic Growth Office, together with Lou Faoro, the Project's Chief of Party, handed over award certificates to the winners of this year's competition. The total value of all nine grants is \$149,301; with the USAID share being \$121,861, while the matching contribution to be provided by the grant applicants totals \$27,440. The grant funds will

support young entrepreneurs in their businesses endeavors, which include the production of specialty cheeses and dairy products, setting up a self-service milk sales point, a mini dry mill for fruits and vegetables, medical herbs production and processing, the production of Shiitake mushrooms on substrate, setting up high-tunnel production of strawberries on mulch film, and high-bush blueberry fields. Thanks to Project grant funds, these nine youth agribusinesses are expected to generate additional income totaling \$235,957, as well as 27 new jobs (full-time, part-time and seasonal).



USAID Serbia Agribusiness Project

Quarterly Report – Year Three, Quarter Three

April 1, 2010 – June 30, 2010

Annex 6 – Project Communications

Objective 3.2: Project Communications

Activity 3.2.1: Develop & Implement a Project Communication Strategy

Activity 3.2.2: Create and Manage an Agribusiness Project Web Site

COMMUNICATIONS – Quarterly Report

April 1, 2010 – June 30, 2010

OBJECTIVE 3.2: PROJECT COMMUNICATIONS

Activity 3.2.1: Develop & Implement a Project Communication Strategy

Since the media (print & electronic) are one of the key target groups within the Project’s Communication Strategy, a continuous effort has been made to inform key medial outlets regarding Project activities and results. A number of tools are being used in this effort: Press Releases, Media Invitations and Advisories, the Media room and News segment on the Project web site, as well as sharing updates with the Association of Agricultural Journalists ‘AGROPRESS’, and “Moja Farma” media portal, which disseminates information further to their members.

In this quarter the most media coverage was achieved for the following events/topics:

- In April: Reports on Ambassador Warlick’s visit to the Vocko cooperative in Tavankut
- In May: Reports on the Agropress conference “Investing in Agribusiness in Serbia”
- In June: Reports on the “Agribusiness and Renewable Energy Sources”

It should be noted that the **Youth Business Plan Competition Awards** received the largest overall media attention, however it was ‘spread’ through April, May and even June, while more reports are announced for later on, when the winners receive their equipment/materials.

Even though there is a smaller number of media reports in this quarter (145), compared to the previous quarter (200), it should be noted there is an increase in the ‘quality’ of the reports (a few examples: on May 4th, a feature article, ½ page, with a photo, on Agribusiness Project activities was published in **Blic** (the highest circulation daily newspaper in Serbia); the National TV of Serbia (RTS) broadcast an excellent 2 min. piece on the Youth Business Plan Competition as part of the best (in terms of viewer audience) rated info program in the country “Dnevnik 2; the most prominent Serbian daily Politika ran the article on Renewable energy sources conference, giving full credit to USAID etc).

Media monitoring results can be presented through the **Media coverage** for this period:

Print	Electronic (TV, Radio, Internet)	TOTAL
APRIL		
7	50	57
MAY		
14	33	47
JUNE		
12	29	41
QUARTERLY TOTAL		
33	112	145

Media Coverage Breakdown by Event/Topic:

During the month of April:

- Information on Ambassador Worlick’s visit to the Vocko cooperative in Tavankut (32 reports)
- Report on the Youth Business Plan Competition Awards, with mention of USAID Agribusiness Project support (12 reports)
- Announcement of the Ministerial ‘Common Agricultural Policy’ Conference (6 reports)
- Reports on the USAID Agribusiness Project activity - support for the “Protection of geographic designation of Pirot cheese” (2 reports)
- Other reports (total: 5) – interview with Michael Harvey, interview with one of the Project clients and report on Food Safety conference - all mentioning USAID Agribusiness Project activities and support (3); Remer Lane’s statement re: Terminal market project proposal (2)

During the month of May:

- Info on Agropress’ Conference “Investing in agribusiness in Serbia” and USAID Agribusiness Project participation (13)
- Info on new Request For Proposals (RFP) - Support for Agribusiness associations and USAID Agribusiness Project support (12)
- Report on Youth Business Plan Competition Awards with mention of USAID Agribusiness Project support (6)
- Information on the Conference on trends on EU organic market and USAID Agribusiness Project support (5)
- Miscellaneous (total: 6 reports) – feature article on USAID assistance to Serbian agriculture (1); interview with Agribusiness Project Director of Sales and Marketing (1); statement of Agribusiness Project Director of Sales and Marketing on Terminal market project (1); report on project assistance/trainings in cranberry production (1); report on project support for the study tour in Spain re: high tunnel berry fruit production (2)

During the month of June:

- Announcement of participation of Serbian companies at MIHAS food fair with USAID Agribusiness Project support (13)
- Announcement of participation of Serbian companies at Fancy Food Show in New York & Culinaria fine food fair in Belgrade (9)
- Announcement and reports on Conference “Agribusiness and renewable energy sources” organized by Agropress and USAID Agribusiness Project (9)
- Announcement and report on (Cleaner production) certificate presentation, organized by the USAID Agribusiness Project (4)
- Report on USAID Agribusiness Project & Ministry of environment workshop on soil quality in Serbia (2)
- Miscellaneous (total: 4 reports) – Quoting USAID Agribusiness Project sector lead on raspberry assortment in Serbia (2); Info on Agropress’ Conference “Investing in agribusiness in Serbia” and USAID Agribusiness Project participation (1); Mention of USAID Agribusiness Project support for one of the clients’ projects (1)

In this quarter, a lot of effort was put into increasing the positive image of USAID, through a series of articles and success stories – which will be printed in internal newsletter Fast Facts, as well as in the Bulletin, to be inserted in **Blic**, highest circulation daily newspaper in Serbia.

Project Assisted or Hosted Public/Publicity Events:

Over the course of the quarter, the Project organized, and/or took part in, numerous public events which generated positive press coverage, and which provided the USAID Mission and the Embassy with opportunities to participate. These events included the following:

- Common Agricultural Policy (CAP) Conference in Belgrade
- Conference on trends on EU organic market in Novi Sad
- Youth Business Plan Competition Awards in Belgrade
- Conference on Agribusiness and renewable energy sources in Belgrade
- Environment related workshops (Cleaner production and Integrated management)

In addition to hosting USAID representatives, these events were also an opportunity to host and maintain good cooperation with representatives of the Serbian Government, including the Minister of Agriculture, Assistant Minister of Energy and Mining, Assistant Minister of Agriculture etc.

Other Media Coverage Generating Activities:

Aside from the events, media coverage was also generated through the Media Advisories and Press Releases regarding the following project activities:

- **Announcement of participation of Serbian companies at international fairs:**

Press Releases were sent out to announce participation of Serbian companies and the presentation of halal products at the **Mihai fair** in Kuala Lumpur, as well as regarding participation of Serbian companies at the **Fancy Food Show** in New York. A follow-up Press Releases will be prepared if Serbian companies attained good results at these fairs.

In addition to these international events, the **Culinaria** fair, to be co-organized by the Agribusiness Project and BelExpo, has also been promoted in media - through interviews, articles in newspapers and relevant Internet portals. Culinaria's promotional material (flyers, brochures) was also distributed at project-organized events.

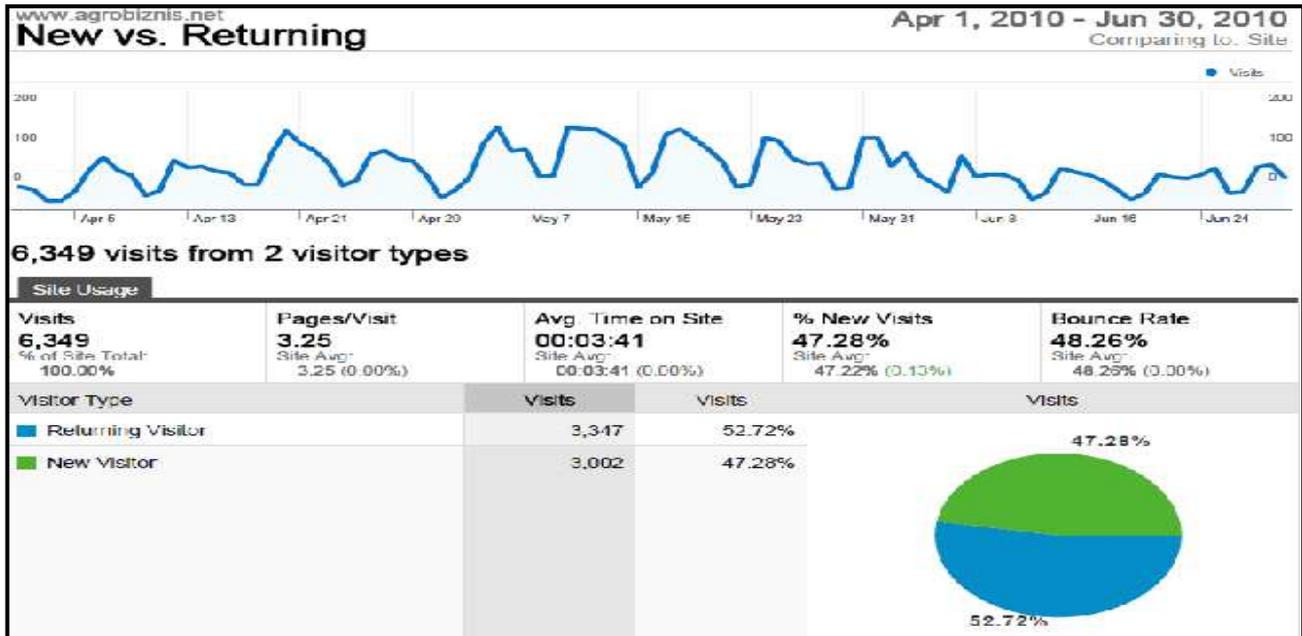
- **Request for Proposals (RFPs):**

In addition to advertisement in the Politika newspaper and info on the Project web site, Press Releases were sent out informing the public on the Project's ongoing RFPs: one regarding the 'Support for Agribusiness associations' and the other one regarding "Facilitating Women Entrepreneurship in Agribusiness". As a result, the project received 34 applications for these two RFPs, from interested companies/organizations/associations.

Activity 3.2.2: Create and Manage an Agribusiness Project Web Site

In addition to public events and media advisories/press releases, an important tool in dissemination of project related information is the Project web site.

- **In total**, the website had **6,394 visitors** during the third quarter (April-June 2010)
- Of this number, approx. **47%** (3,002) were **new visitors**, as shown in the graph below



In order to assist media in their work and share with general public quality information regarding project implementation – the RESOURCES page of the website is continuously updated with new materials: publications, presentations, research papers, and documents.

The web site is also used as a tool to inform media and general public on relevant upcoming events (through the “Calendar of events” and “Media” sections/pages), open vacancies, as well as news from the Project (News page).

Managing the web site aims to keep the Project web site ‘alive’ - reflecting the changes the Project is experiencing during its growth (implementation). List of changes done in the Third Quarter include:

- Enriching the Technical assistance page with a sub-page containing info on latest STTAs missions/engagement (with photos) - check: <http://www.agrobiznis.net/english/recent-assignments/>
- Adding contact, branding guidelines and downloadable documents (logos, photos) in the Media Room - check: <http://www.agrobiznis.net/english/14/media/>
- Differentiating ongoing and closed RFPs (by listing them under separate tabs) - check <http://www.agrobiznis.net/english/19/procurement/>
- Making a drop-down menu for various segments of the Resources page - <http://www.agrobiznis.net/english/18/resources>
- Refreshing the visuals of the Project web site by replacing existing photos in the site header with brighter and bigger ones: <http://www.agrobiznis.net/english/>

Overall, the Project website has proven to be an effective and reliable means of providing Project information to various project target groups. Significant increases in the number of new visitors to the web site, as well as a steady number of returning visitors, shows that the web site offers up to date, relevant, and beneficial information to its visitors.

USAID Serbia Agribusiness Project

Quarterly Report – Year Three, Quarter Three

April 1, 2010 – June 30, 2010

Annex 7 – Administration & Personnel

OBJECTIVE 3.3: GENERAL PROJECT ADMINISTRATION

ACTIVITY 3.3.1: PROJECT ADMINISTRATION & PERSONNEL MANAGEMENT

ACTIVITY 3.3.2: PROJECT STAFF MENTORING & TEAM BUILDING EFFORTS

ACTIVITY 3.3.3: CONSULTING SUPPORT FOR PROJECT IMPLEMENTATION

ADMINISTRATION & PERSONNEL – Quarterly Report

April 1, 2010 – June 30, 2010

OBJECTIVE 3.3: GENERAL PROJECT ADMINISTRATION

➤ ACTIVITY 3.3.1: PROJECT ADMINISTRATION & PERSONNEL MANAGEMENT

During this reporting quarter the project has not had any significant changes in personnel. Mr. Milos Stojanovic, the Youth Grant Program Assistant was transferred on a temporary basis to the Nis field office during the second quarter. During this past quarter, as part of the process of fully staffing the Nis office, the Project completed the selection process for the Program/Admin Assistant for the Nis office. Mr. Stojanovic was selected as the best candidate for this position, and he was appointed to this position early in the quarter. His contract is of limited duration for the time being, and it will be extended to run to the end of the Project once the budget modification has been approved and the contract with DAI is amended.

The new field office in Nis is also fully established at this time, although the full staff compliment has not been hired as yet. The addition of an Agricultural Officer for the Nis field office is pending approval of the budget modification. Once this is complete this position will be filled (the selection process is already complete, and the final candidate is waiting to be hired). This will allow the Agribusiness Project to continue to expand the activities in the south, and to implement the changes to the Livestock/Meat sector activities planned for Year Four.

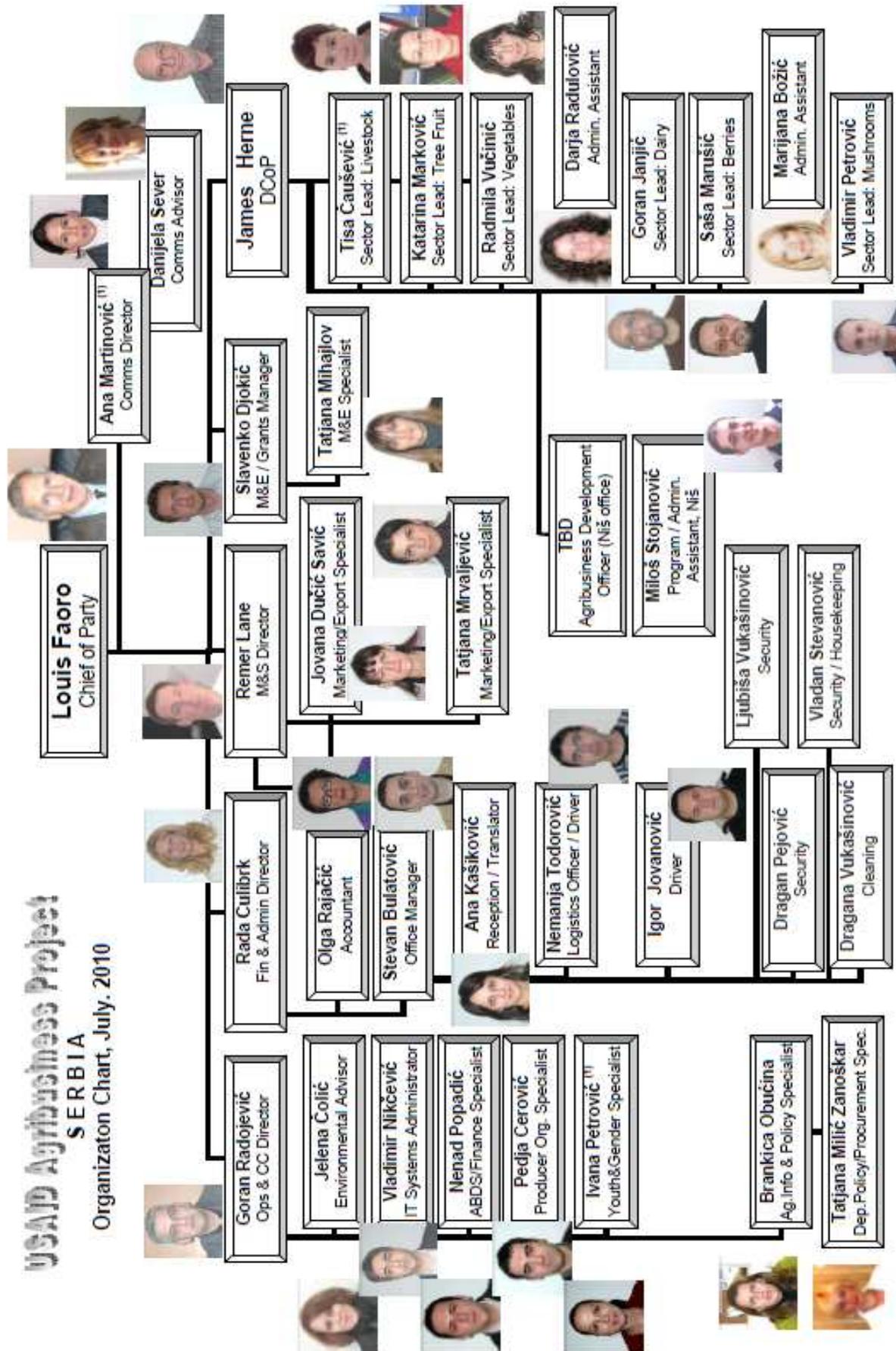
As the Project continues to grow and mature, the Organizational Chart has continued to change based on changes in staffing and staff assignments. A copy of the current Organizational Chart (as of April 2010) is provided on the following page of this report.

➤ ACTIVITY 3.3.2: PROJECT STAFF MENTORING & TEAM BUILDING EFFORTS

Efforts to develop a staff mentoring system, and a performance evaluation program, began in Year Two and continued with an STTA by Ed Salt, a personnel management consultant from the Training Resources Group, in May of 2009. During this past quarter there have been no new developments on this element, and there are no plans at this time to bring Ed Salt back to Serbia for additional assistance on this topic.

➤ ACTIVITY 3.3.3: CONSULTING SUPPORT FOR PROJECT IMPLEMENTATION

The Project continues to utilize the services of STTA consultants, both expatriate and local, to support the in-country staff on their implementation activities. Over the course of the past quarter the Project brought in four expatriate consultants, and completed five local STTA assignments using the services of four separate consultants. It is expected that the number of consultant assignments will increase in the coming quarter, as the production season begins and technical assistance can be provided “in the field”.



NOTES:

(1) Ana Martinović, Ivana Petrović and Tisa Čaušević on Maternity leave

USAID Serbia Agribusiness Project

Quarterly Report – Year Three, Quarter Three

April 1, 2010 – June 30, 2010

Annex 8 – Project Impact Report

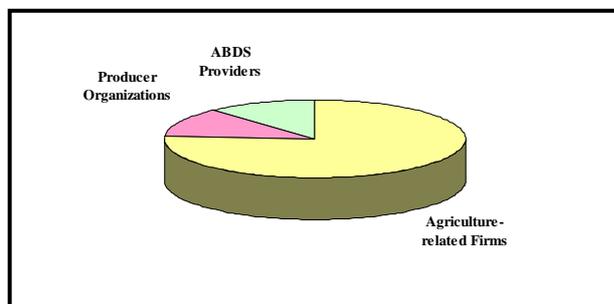
- 1. Number of Client Firms Assisted this Quarter**
- 2. Sales Results Reported by Client Firms**
- 3. Employment Generated by Client Firms**
- 4. Results Segregated by Client Firm Type**

PROJECT RESULTS & IMPACT – Quarterly Report

April 1, 2010 – June 30, 2010

Similar to the methodology which has been used for previous quarterly client impact surveys, the data for this quarter were collected from those client firms and producer organizations which had generated sales, employment and other results, attributable to the Project's assistance. These results could be due to assistance provided in the past quarter, or as a result of assistance provided in previous quarters. As per the data collected in the impact survey, the Agribusiness Project reports the following impact results for the Third Quarter of Year Three:

- A total of 82 clients received assistance from the Project in this reporting period; including 64 agriculture-related firms (including eight farmers), 7 producer organizations, 10 ABDS providers, and one youth NGO. To date, a total of 431 clients have been registered in the TAMIS database system, while 370 clients continue to be active, and 217 MoU's have been signed with client firms. The image at the right is a graphical representation of the distribution of client organizations this quarter.
- A summary of Project assistance types provided to the assisted clients this quarter is as follows:



- A total of **1,091** attendees were been registered at the various training programs and workshops organized by the Project. These programs included the following specific events and activities, among others:
 - A training program on cranberry production and propagation technologies by Project STTA Robert Tomesh;
 - Training programs for companies conducted by Mr. Peter Swanson on transformative leadership for business and how to create a culture of success;
 - A workshop on the prospects of EU organic market for Serbian producers and processors;
 - A series of workshops on environmental issues, such as cleaner production in agribusiness, pesticide safety, and integrated soil management.

In addition to these training events, four grant awards provided for additional training programs focused on various aspects of the AgBiz program, as follows:

- Junior Achievement's Innovation EXPO for more than 130 young entrepreneurs from 11 European countries and Serbia, which was conducted under the terms of grant award no. EG-FY-3-24;
- A series of technical training programs on beef quality assurance, and farm management, were held in Vranje and Bujanovac by Agrar Kontakt, under the terms of grant award no. EG-FY-3-25;
- Training on halal products, and introductory workshops for the MIHAS trade fair, in cooperation with Malaysian Embassy in Belgrade and Mr. Cedomir Nestorovic, an expert in halal-food issues, were organized by the grantee (Halal Agency of Serbia) under the terms of grant award no. EG-FY-3-35; and finally,
- Under the terms of grant no. EG-FY-3-36, the grantee Head Made facilitated a public awareness campaign regarding the warehouse receipts system in Serbia.

- In addition to the above mentioned training programs and workshops, the USAID Agribusiness Project supported two national conferences on issues of relevance to agriculture and agribusiness in Serbia. These conferences were:
 - A national conference on the *Common Agricultural Policy* which attracted 250 participants;
 - A conference on agribusiness and sources of energy which attracted 189 participants and significant media attention.

- Also, the Youth Business Plan Competition Award Ceremony was held this past quarter with over 50 participants attending. All these conferences included attendance of highly placed government officials, such as the Minister of Agriculture, the State Secretary, etc., as well as relevant USAID Mission representatives.

- A total of 6 companies attended Fancy Food Trade Show held in New York City, in the period June 27 – 29, while Halal Agency of Serbia organized a joint booth for six halal-certified companies from Serbia at the Malaysia International Halal Showcase (MIHAS) held in Kuala Lumpur, in the period June 23 - 27, 2010.

- A total of 44 agribusinesses (35 agriculture-related firms, 7 producer organizations, and two ABDS providers) reported the following results directly attributable to Project assistance:

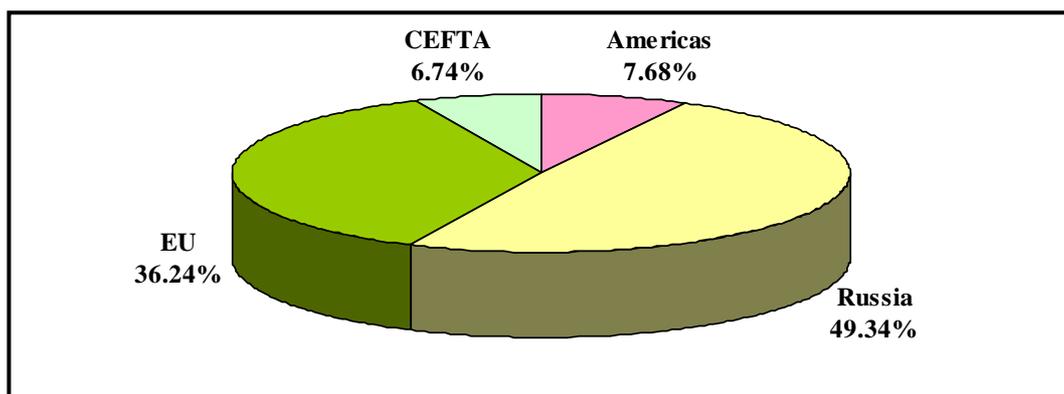
INDICATOR: *Dollar value change in agricultural product sales of USAID Agribusiness Project beneficiaries*

Sales Contracted	Sales Delivered	Sales Under Negotiation
\$5,559,500	\$3,375,500	\$4,020,000

- A total of 57.4% of the contracted sales, and 63.6% of the delivered sales, were for the export of Serbian food and agricultural products.

- With a total of \$3,375,500 of sales delivered in during this quarter, dollar value change in agricultural product sales for USAID Agribusiness Project beneficiaries has reached \$13,251,248 this year, which is ahead of this year’s annual sales target of \$12 million.

Y3Q3 Delivered Export by Countries/Regions



- According to the survey results, Russia and the EU remain the key markets for Serbian agricultural products, with 85.6% of the total deliveries reported in this quarter. As usual, fresh fruits and frozen vegetables make up the largest share of the exports to Russia, with a total value of \$1,059,500. Exports to the EU account for 36.2% of the total delivered exports, and this was made up of primarily fresh blueberries, various vegetables, and frozen fruits. A total of \$778,334 of these products were exported to Germany, France, Poland, Austria, Hungary, and the United Kingdom. Fresh vegetables, with a total value of \$144,666, were also exported to Bosnia and Croatia. The surveyed agribusinesses also delivered frozen fruits worth \$165,000 to the United States and Chile.

Y3Q3 Delivered Sales by Commodities



- Fresh tree fruits and vegetables are leading trade commodities this past quarter, with a 44.7% share of the total sales reported by the surveyed agribusiness clients. This was well ahead of the frozen and processed fruit and vegetable exports, which accounted for only 25.2% of sales. Sales of milk and dairy products accounted for 16.6%, while the sale of herbs & spices accounted for 12.6% of the total value of all delivered sales this quarter.

INDICATOR: *Actual increase in employment in agricultural processing and services*

- Client organizations reported the creation of a total of 177 new jobs (i.e. 12 full-time, 54 part-time, and 111 seasonal) this quarter. Out of this number, 26% were women and 20.9% were youth. To date, the Agribusiness Project has contributed to creation of 4,236 jobs, i.e. 298 full-

time jobs, 335 part-time jobs and 3,603 seasonal jobs, which is well ahead of the cumulative target of 3,000 jobs for the first three years of the Project.

Results by Beneficiary Categories

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

Producer Organizations:

- Seven Producer Organizations participated in the survey: i.e. three national associations (Fruits of Serbia, Serbia Organica, and National Association “Serbian Blueberry”) and four agricultural cooperatives, and they reported delivered sales for their members directly attributable to Agribusiness Project assistance valued at \$1,387,500, out of contracted sales of \$3,095,000. These organizations also reported that an additional \$1,040,000 of future sales are under negotiation. The members of the three national associations (Fruits of Serbia, Serbia Organica, and National Association “Serbian Blueberry”) reported exports with a total amount of \$1,322,500, while the agricultural cooperative “ZZ Vocko” signed a sales contract worth \$670,000 for exports to Russia.

Agriculture-related Firms:

- A total of 64 agriculture-related firms received Project assistance during this reporting period, while 35 agriculture-related firms reported sales and employment results directly attributable to Project assistance provided prior to, and during this quarter.
- A total of 62.8% of the agriculture-related firms that participated in the impact survey are considered small businesses; i.e. they employ less than 50 workers, and have an annual turnover of less than \$10 million. Twelve of the surveyed agriculture-related firms (i.e. 34.3%) employ between 51 and 250 workers, and have annual turnovers that exceed \$10 million. Only one firm (Mlekara Sabac) is considered to be a very large agribusiness, as it has more than 250 employees and an annual turnover of over \$50 million. These data show that Project assistance is primarily focused on Serbian SMEs involved in agriculture and agribusiness.

ABDS Providers:

- Ten ABDS providers received Project assistance during the reporting period. Two ABDS providers reported the generation of \$15,720 in new revenues, thanks to USAID Agribusiness Project assistance.

INDICATOR: *Number of farmers and firms accessing new technologies with the support of USAID Agribusiness Project*

A total of ten agriculture-related firms, two producer organizations, and one ABDS provider reported the introduction of new technologies thanks to Agribusiness Project assistance. These new technologies include a new berry fruit growing technique under tunnels, potted and hydroponic production, as well as post-harvest operations with berry fruits. In addition, ozone generator technology, enriched UHT milk, and packaging using pyramid tea bags are under consideration.



USAID Serbia Agribusiness Project

Quarterly Report – Year Three, Quarter Three

April 1, 2010 – June 30, 2010

Annex 9 – Project Weekly Reports

- 1) Weekly Report – Week of April 5th**
- 2) Weekly Report – Week of April 12th**
- 3) Weekly Report – Week of April 19th**
- 4) Weekly Report – Week of April 26th**
- 5) Weekly Report – Week of May 3rd**
- 6) Weekly Report – Week of May 10th**
- 7) Weekly Report – Week of May 17th**
- 8) Weekly Report – Week of May 24th**
- 9) Weekly Report – Week of May 31st**
- 10) Weekly Report – Week of June 7th**
- 11) Weekly Report – Week of June 14th**
- 12) Weekly Report – Week of June 21st**
- 13) Weekly Report – Week of June 28th**



USAID Serbia Agribusiness Project – Weekly Report

Week of April 5th, 2010
COTR: Djordje Boljanovic

DAIRY/ENVIRONMENT: The USAID Agribusiness Project has finalized plans for a Trade Mission to the US state of Wisconsin for representatives of Lazar Dairy from Blace. Two Project staff members will accompany the owner and farm manager from Lazar on a four day mission to visit operating GHD designed anaerobic digesters at selected dairy farms in Wisconsin. The owner of GHD, who visited Serbia in November 2009 on a USDA mission, has selected four sites for the visits which will take place on the 19th and 20th of April. These sites will give the Lazar representatives critical information on the GHD digesters, and should lead to a decision on the part of Lazar to install a GHD digester at their farm. The picture at the right shows the digester tank at Volm Farm, in Kewaskum WI, which is one of the sites that will be visited as part of this Trade Mission.



Other Project Activities:

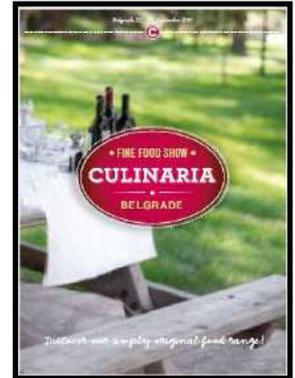
- **Producer Organizations/Mushrooms:** A group of 20 companies, all processors and exporters of wild mushroom products, have established a new national association to officially represent the wild mushroom industry in Serbia. Project staff attended the formation assembly meeting of this new association, and advised the members on important aspects of the new Law on associations and how to structure and develop a sustainable organization at the national level.
- **Collaboration:** Agribusiness Project staff met with Pat Foster-Truly, an independent consultant advising the Mission on bio-diversity issues, and provided her with information and contacts that she will be able to use as she completes her assignment in Serbia. AgBiz Project assistance focused mainly on the issue of wild herb collection, as this is a sector which has some regulatory issues (ie licensing and control of exports) and where there may be issues related to endangered plant varieties.
- **ABDS/Finance:** Project staff met with representatives of Opportunity Bank to discuss a potential client for their subsidized loan program. AgBiz Project staff recently visited the livestock & meat processing company, SIM Impex, in Bela Palanka, and they expressed an interest in securing new debt financing for their working capital needs. The ABDS/Finance Specialist will inform SIM Impex regarding the terms of the loan program available from Opportunity Bank, and intervene to assist when and where needed.
- **Tree Fruit:** ZZ Vocko cooperative has completed the design and printing of promotional material as part of the AgBiz Grant program for marketing & promotional activities. The cooperative has developed a website, marketing material, and new packaging, with the cooperative logo, as well as labels for fresh produce for export. A new buyer from Russia has already contacted Vocko thanks to their website, and this buyer has contracted for fresh fruit deliveries worth \$670,000.
- **Vegetables:** The Biotrend company, from Novi Sad, has finished the re-design of their packaging for their salads and sauces which will be used for the local market starting in April. These new designs have been prepared for three separate products, which will be packaged in 500 gr and 200 gr packaging for the retail market. With their previously redesigned packaging for other products, BioTrend has seen a significant increase of their sales in super market chains. With both product lines they will now launch a direct marketing campaign, which will include product sampling and tasting in the retail chains.
- **Grants:** **During the past week the** Agribusiness Project reimbursed a total of \$11,249 to the following grantees: 1) *Ribnjak "Sutjeska"* received the final reimbursement for their grant upon successful introduction of the ISO 22000 standard, and 2) *Junior Achievement Serbia* received an interim payment in the amount of \$8,800 upon successful completion of Milestone 1



USAID Serbia Agribusiness Project – Weekly Report

Week of April 12th, 2010
COTR: Djordje Boljanovic

ABDS/MARKETING: The Project’s ABDS/Finance Specialist, accompanied by Marketing staff and the Dairy Sector Lead, paid a visit to INGA 2010, the Zagreb trade fair for specialty foods to learn from their experience in developing and launching a new regional trade fair for the food industry. Project staff met with individuals and organizations that will assist with the development of the Belgrade fair, and they received positive feedback on the concept, and the potential for the fair. At the same time the Project has continued to work with the organizers of the fair (Expo XXI) and the flyer to publicize the fair has been finalized and printed. An image of the cover page of the flyer is shown at the right. By the end of April the web site for the fair will be completed and on-line, and interested individuals will be able to learn about the fair from and register as an exhibitor, a buyer, or a participant.



Other Project Activities:

- **Policy:** In response to the RfP for a Study on the Impact of Liberalization on the Serbian Agricultural Sector, the Project received a proposal from SEDEV which proposed a team of eminent researchers for the study. This study will undertake both quantitative and qualitative analyses of the effects of liberalization under the SAA, the free trade agreements with Turkey and Belarus, and accession to the WTO, across the agricultural sector. The study will present what are the expected effects of these trade liberalizations on the agricultural sector, and distinguish these liberalization effects from those effects due to improvement in the regulatory environment, changes in FDI, the global financial crisis, and industrial and agricultural restructuring. The Project is negotiating with the vendor for this study.
- **Herbs & Mushrooms:** The Agribusiness Project grant to Fructus doo, for the design of new labeling and packaging for various tea products, has been successfully completed and the Project has reimbursed \$14,000 to the company for the project. Fructus invested \$54,000 in this project, mainly for the cost of printing the new labels and packaging. Fructus has also reported a total of \$210,000 in new product sales as a result of this grant assistance, and nine new full-time jobs have been created so far. In addition, because of the new packaging of their products, Fructus is negotiating exports of their teas to new buyers from Slovakia and Poland. The image at the right shows some of their new tea packaging.
- **Berries:** Mr. Mihailo Nikolic continued his STTA assistance for High Tunnel Raspberry production. Together with the Sector Lead, Mr. Nikolic visited several clients in southern and central Serbia, and monitored the condition and development of recently-established primocane raspberry fields. The consultant advised producers on field management measures, and recommended potential sites and preparatory activities for additional high-tunnel, and/or shade production. Via the upcoming Study tour to Spain, and with a US expert on High Tunnels, the Project will continue technical assistance to expand berry fruit production for the fresh market, and for seasonal extensions.
- **Marketing & Sales:** The Marketing & Sales team organized a meeting between a buyer from the Swedish Netto supermarket chain (representing more than 1200 shops in 5 EU countries), and 10 Serbian companies, based on a request from the Atle coldstore. Atle, which is already supplying Netto with frozen fruits, received an inquiry from them on the possibility of consolidating truck-load shipments of a variety of products from Serbia. The Project team contacted potential suppliers, organized the meeting, and facilitated negotiations between the buyer and the suppliers that participated in the event. Ten companies have sent samples of their products for quality testing by Netto, and based on the response following the testing, Atle will organize the first shipment of consolidated goods.
- **Grants:** The Agribusiness Project has reimbursed grantees a total of \$29,755 following completion of their grant programs. This includes \$10,770 for Kuc Dairy, \$14,000 for Fructus doo, and \$4,985 for Youth Business Plan grantee Milos Prokic for a blanching/rehydration machine (prune production).



USAID Serbia Agribusiness Project – Weekly Report

Week of April 19th, 2010
COTR: Djordje Boljanovic

COMMUNICATIONS: The US Ambassador to Serbia, H. E. Mary Warlick, together with Mike Harvey and other USAID officials, along with the USAID Agribusiness Project Chief of Party, visited a farmers cooperative near Subotica (in Tavankut) known as Vocko. This cooperative was formed with USAID assistance and has continued to be a partner with other USAID projects since then. Since its formation, the Vocko Cooperative has received equipment and technical assistance from USAID (via the projects) totaling \$120,000. The Ambassador's visit received significant local and regional (Vojvodina) media coverage, and a report on the event was distributed to 25 local TV stations throughout Serbia by the "Moja Farma" media outlet. The picture at the right shows the Ambassador with representatives of the Vocko Cooperative, and other members of the Ambassador's delegation.



Other Project Activities:

- **Policy:** The Minister of Agriculture announced a conference titled "CAP Reform – Accession and Cooperation Challenges" at a press conference at the Chamber of Commerce. The Conference will be held at the National Parliament on May 14th, with an anticipated attendance of 300 people, including up to 70 representatives from foreign ministries of agriculture. The Conference will address CAP reforms underway in the EU, and their implications for Serbia's national agrarian policy and international trade in agricultural products. The conference is being organized by the Ministry of Agriculture, the Serbian Chamber of Commerce, the Belgrade Chamber of Commerce, the Alliance of Serbian Cooperatives, and the Institute for Agricultural Economics, with support from the USAID Agribusiness Project.
- **Tree Fruit/Producer Organizations:** The Tree Fruit Sector Lead and the PO Specialist have provided advice to two ABDS providers seeking to become the local service provider for the Agrofresh company, and Smartfresh. In accord with criteria from Agrofresh regarding service providers, two companies (Agrol and Profruit) were contacted based on their business capacities, their experience with the Serbian apple industry, and their compliance with the criteria. During the coming week, Agribusiness Project will facilitate meetings with these companies and representative of Agrofresh to assist with identifying the most suitable company to be the authorized service provider for the Smartfresh product in Serbia.
- **Producer Organizations:** The Grant Program for Agribusiness Associations was launched on April 20th with an open call in the Politika daily newspaper. The Project's Producer Organization Specialist prepared the final technical documentation, the RfA, the Program Overview and Criteria, and the Application Form, which are posted on the Project website. The deadline for applications is June 3rd. The primary goal of the Program is to help associations develop and implement a range of activities to improve their capacities to serve members, to advance their sectors, to foster growth, and to become viable before the Project ends. Relevant information has been distributed to all client associations.
- **Marketing/Sector Leads:** Marketing & Sales, in collaboration with the Sector Leads, organized a working breakfast with the Serbian economic attachés who will be departing for their foreign posts in the near future. The Project also organized the participation of company representatives, representing all six Project sectors. Both the attachés and the company reps (more than 60 participants) were satisfied with this initiative, and the breakfast was held in a collegial and effective working atmosphere. The Project will continue to monitor the work of the attachés, and follow up as necessary in the future.
- **Grants:** This past week the Project paid out a total of \$50,391 to three grantees. This included \$11,837 to BioTrend Donato and \$19,533 to Zdravo Organic for successful completion of their marketing & packaging grants, and \$19,021 to Agrar Kontakt for the completion of Milestones 1 and 2 in their *Beef Quality Assurance and Farm Management Training Program*. The firm SIM Impex (Livestock Sector) from Bela Palanka also signed an MOU with the Project this past week.

USAID Serbia Agribusiness Project – Weekly Report

Week of April 26th, 2010

COTR: Djordje Boljanovic

Youth/Communications: Prof. Mirjana Milosevic, State Secretary of the Serbian Ministry of Agriculture and Jim Stein, Director of the USAID Economic Growth Office, together with Lou Faoro USAID Agribusiness Project CoP, announced on April 29, 2010 in Belgrade, the winners of competition for the best youth agriculture-related business plan. Nine young entrepreneurs from Vojvodina, Central, Western and Southern Serbia, who were awarded the certificates on this occasion, will receive small grants valued at over \$120,000 that will enable them start or improve their own small agribusinesses (mini-dairy, high-tunnel production of strawberries, production of mushrooms, fruit drying etc.). This event received excellent national and local media coverage (two broadcasts on national RTS TV – one was 2 min long, with the statement by Jim Stein, in the prime time news program called "Daily News 2"). Independent production "Moja farma" reporters covered the event and will distribute it further through their network of 25 local TV stations throughout Serbia. Additional media coverage was agreed with the national Fox TV to promote each of the awardees and present a new round of the USAID Agribusiness Project's competition later in May.



Other Project Activities:

- **Grants/Policy:** COTR gave his technical concurrence for 69 international food safety and quality management standards grant applications. The Project will spend \$348,219 while the grant applicants will provide matching contribution in the total amount of \$328,744 to cover 50% of the total consulting costs and 30% of the total certification costs. Based on the estimates included in their grant applications, they will generate \$35.8 million in additional sales, and add 597 new jobs.
- **Grants/Gender Program:** COTR provided principal technical concurrence for the grants program to support women entrepreneurship in the rural areas of Serbia through a training program and start-up grants. The Project allocated a provisional amount of \$300,000 to support both activities (training program and start-up grants).
- **Grants/Marketing:** COTR provided a final technical concurrence to the unsolicited concept paper submitted by Halal Agency of Serbia to support attendance of 15 Serbian agribusinesses at MIHAS 2010 Trade Fair, which will be held in Kuala Lumpur, Malaysia, in the period June 23-27, 2010. According to the grant application, the Halal Agency of Serbia plans to utilize the grant funds in the amount of \$42,990 to cover the costs of booth space and promotional material, as well as the cost of project management and coordination. According to the preliminary estimates, the participating agribusinesses will generate \$800,000 in additional export and 10 new jobs, while up to 15 agriculture-related firms and the members of 12 producer organizations will benefit directly thanks to this project.
- **Herbs and Mushrooms:** Sector Lead attended the Tea&Coffee World Fair in Vienna, Austria on April 25-27, together with representatives of Macval, Herba and Fructus herb companies, to assist them in making new sales transactions. As a result of this activity, initial contracted sale is at the level of \$310,905 and the total additional sales under negotiation are at \$340,200.
- **Environment:** COTR gave his technical concurrence for implementation of the national PSEE/SPU training program. The project received inquiries from 2,911 farmers located in 3 regions in Serbia. Implementation of the training program is expected to start in June 2010 and it should be completed by the end of September 2010.





USAID Serbia Agribusiness Project – Weekly Report

Week of May 3rd 2010
COTR: Djordje Boljanovic

DAIRY/ENVIRONMENT: This past week the Dairy Sector Lead and the DCOP participated in a Trade Mission to Wisconsin with representatives of Lazar Dairy from Blace. The host in Wisconsin was GHD Inc, a designer and builder of anaerobic digesters specifically designed for dairy farms. During the week six digesters were visited, ranging in size from 3,500 cows, to 800 cows. The GHD digesters are very practical and simple, and cost much less to build and operate than the types offered by European suppliers. The GHD digesters also provide a higher energy yield, and as a by-product they produce a fine sterile fiber that can be used as bedding for the cows. The photo at the right shows Steve Dvorak of GHD explaining the value of the fiber to Milan Vidojevic, owner of Lazar Dairy. The USAID Agribusiness Project will continue to work with Lazar Dairy to support the introduction of this new US technology. While Lazar is interested in pursuing this technology for their dairy farm, the Project will provide them with support on the policy and regulatory areas to insure they receive the benefits prescribed by the new laws regarding alternative energy production.



Other Project Activities:

- **Policy:** The Minister of Agriculture, along with the Vice-President of the Serbian Chamber of Commerce and the President of the Belgrade Chamber of Commerce, announced the forthcoming international conference "CAP Reform – Accession and Cooperation Challenges", at a press conference held on May 7th at the Serbian Chamber of Commerce. The Conference will take place on May 14th with an expected 300 participants. The Conference will deal with reform of the EU CAP program, and implications of the reform on Serbia's national agrarian policy and international trade in agricultural products. The USAID Agribusiness Project will cover the costs of printing and design of promotional material and catering for the conference.
- **Berries:** Cranberry Consultant, Mr Robert Tomesh completed his second assignment in Serbia to support cranberry growers and the development of local expertise for this new berry fruit crop. Together with local consultant Jasminka Milivojevic, and the Berry Fruit Sector Lead, the consultant delivered two training sessions on Cranberry Production and Propagation Technologies. These training sessions were held at Belgrade University (Faculty of Agriculture), and at the University of Kragujevac (Faculty of Agronomy) in Cacak. Both sessions attracted a lot of interest and were extremely well attended – with over 180 participants in total. As part of the program, Milos Stojanovic introduced the Youth Business Plan Competition program, and invited students planning to start-up a new business to apply.
- **Marketing/ABDS:** The contracted design studio finished the second brochure for the Culinaria trade show (see image at right). The Project has agreed with GTZ to begin printing the materials - with 4000 copies produced this week - 2000 small brochures; 2000 large brochures. Agribusiness Project staff will attend the Sarajevo RCI regional conference next week, where the Culinaria trade show will be presented to regional USAID Projects to seek their support and cooperation.
- **Grants:** Following USAID technical concurrence, an advertisement was placed in "Politika", and on the Project's website, for a new grant program to support women entrepreneurship in the rural areas of Serbia. Pursuant to the RfA the Agribusiness Project will award up to five grants, for up to \$30,000 each, to local for-profit and/or non-profit non-governmental organizations to design and implant a specifically designed training program for women entrepreneurs. Following participation in the training programs, individual grant awards will be made to a number of women entrepreneurs to support their efforts to develop new, start-up, agribusinesses. The activities undertaken with these individual grants must be completed within one year from the date of the grant award.



USAID Serbia Agribusiness Project – Weekly Report

Week of May 10th 2010
COTR: Djordje Boljanovic

POLICY/AG INFO: The USAID Agribusiness Project supported the organization of a conference titled "CAP Reform – Accession and Cooperation Challenges", which was held on May 14th. The conference addressed the issue of reform of the EU CAP program, and the implications of these reforms on Serbian national agrarian policies, and international trade in agricultural products. In addition to the President of the Republic of Serbia, Mr. Boris Tadic, the Minister of Agriculture Mr. Sasa Dragin and Mr. Jerzy Plewa, the Deputy of Director General for Agriculture of the EU Commission participated in the conference. The conference also brought together the ministers of agriculture from Croatia, Macedonia, Portugal, Estonia, Hungary, Slovakia, and the Czech Republic, and they shared their views regarding of CAP with the participants and offered advice on the accession process. The conference was attended by 300 participants, representing the Serbian government, foreign governments, the private agribusiness sector, the diplomatic corps, and media. There was extensive coverage of the Agribusiness Project support for this conference.



Other Project Activities:

- **Environment:** The Agribusiness Project held a kick-off workshop for the Pesticide Safety and Environmental Education/Certification program this past week. A total of 85 participants (trainers to be used in the broader pesticide safety education program) attended the workshop, and they took part in basic PSEE trainings, and preparation of the work-plan for the training program. The PSEE tools and methodologies of field testing, evaluation, and reporting on the PSEE training results have also been finalized, along with the design of brief handbook of short-listed tools and reporting formats.
- **Producer Organizations:** The Producer Organization Specialist represented the Project at a panel discussion on "Agricultural Producers Associations and Financing of Agricultural Producers" held in Kula this past week. The panel was part of the regional Program "Business Bačka" connecting local entrepreneurs with potential strategic partners. Speakers included Milan Stegić, Assistant Minister of Agriculture, Dr. Miladin Ševarlić from the Agriculture Faculty in Belgrade, and the regional manager of ProCredit Bank. The Producer Organization Specialist used the opportunity to discuss potential joint activities with the assistant Minister of Agriculture and other stakeholders from the cooperative sector. It was agreed that national conference with topic on Serbian agricultural cooperatives in transition to EU and reform of cooperative sector in Serbia would be a great chance to address this issue in public and speed up the development of Serbian farmers cooperatives.
- **ABDS/Finance:** Mr. Pete Swanson, from Carr Swanson and Randolph, provided two three day leadership training programs for 26 companies and Agribusiness Project staff, and one three day training-of-trainers program for eight consultants who will become leadership trainers in the future. The purpose of the training program was to strengthen the competitiveness of Serbian agricultural enterprises through improving the participants' ability lead, motivate and inspire their employees, colleagues and superiors. The program is based on Kouzes and Posners' well known book *The Leadership Challenge*. At the end of the course the students had a clear understanding of their own ability to lead innovation and the development of their companies no matter where they are placed within the organization.
- **Grants:** The USAID/COTR has provided final technical concurrence to the unsolicited concept paper submitted by Head Made, a local marketing agency, to support a public awareness campaign for the warehouse receipts system in Serbia. Head Made will use grant funds to conduct a series of educational and promotional events, and to set-up a communication center to provide on-going information regarding the warehouse receipts system. The Head Made is a partner organization of the Warehouse Receipts System Indemnity Fund. The proposed activity will target all stakeholders involved in the system and will deal with the functional mechanisms and the benefits of the system for agribusinesses and farmers.

USAID Serbia Agribusiness Project – Weekly Report

Week of May 17th 2010
COTR: Djordje Boljanovic

SOUTHERN STRATEGY: Over the course of the past week the USAID Agribusiness Project organized a number of activities and events to support the Southern Strategy and to capitalize on the availability of the new field office in Nis. The DCoP and Milos Stojanovic from the Nis office spent two days visiting new companies that have applied for grants to adopt international standards. The Vegetable Sector Lead visited grant program applicants as well, and met with the RARIS office in Zajecar to discuss potential collaboration on the preparation of a study on vegetable production and processing for the Timok Region of Serbia. The Operations Director and Marijana Bozic from the Cacak office also spent two days in the south, visiting with women entrepreneurs and members of women’s associations that may become Project partners. The Agribusiness Project will now be making more extensive use of the field office in Nis, by having the Sector Leads and Cross Cutting Specialists spend more time working from the office, and by organizing training sessions and other Project events that can be held in the conference area in the new office. The photo at the right shows employees of HERA doo in Prokuplje preparing burek, which they freeze and sell in Serbia and the EU as well. HERA has applied for an ISO standards grant.



Other Project Activities:

- **Berries:** During this past week the Project successfully implemented the Berry Fruit study tour to Spain. Ten representatives of berry fruit producers and ABDS providers, along with the Berry Fruit Sector Lead and a local consultant, travelled to Huelva province and visited leading producers and suppliers of the EU market with fresh raspberries and strawberries. During this four-day activity the participants visited berry fruit fields set-up under tunnels, as well as grading and packing units of the host businesses, and they learned about the details of fresh berry fruit production, post-harvest operations and marketing. Through the provision of advisory services by both expatriate and local consultants, the Project will continue to support to Serbian berry fruit industry to establish exports of fresh berries to the European market. The picture at the right shows the group observing blueberry production under high tunnels.
- **Communications/Berries:** On May 23rd an introductory four-minute report on the Study Tour to Spain was broadcast on B92 during “Znanje na Poklon”. In the program one of the participants spoke of his impressions from the tour, and his plans to apply the knowledge he gained. This educational series, introducing the production of berry fruit under high tunnels and/or hoops, will be continued over the next few weeks with programs on how to set-up tunnels, and how to manage bramble plants under covers.
- **Dairy/Grants:** During the week of May 17th to 21st the Dairy Sector Lead focused on the Dairy Management Software Training program - Phase IV (out of V). Technical staff from the Sabac, Kuc, and Mladost dairies were trained on how to use four program modules, and adjustments to the software package have been completed to customize it for each of the individual dairy companies participating in this grant activity. Completion of the training program is expected to take place in early July 2010.
- **Grants:** During this week the Project paid out \$65,028 as reimbursement to four grantees under the Marketing & Packaging grant program. The clients receiving payments were as follows: Sigma AZ ((\$5,940); Macval Tea (\$22,950); Rick’s Technology (\$6,140); and Vino Zupa (\$30,000). The Project will be launching a second round of the Marketing & Packaging grant program in the near future.



USAID Serbia Agribusiness Project – Weekly Report

Week of May 24th 2010
COTR: Djordje Boljanovic

BERRIES: On May 30th the third in a series of short TV broadcasts regarding the introduction of high-tunnel production technology for berry fruits was broadcast on TV B92 within their agricultural program “Znanje na Poklon”. Prof. Mihailo Nikolic (AgBiz Project consultant for berry fruits) was the guest presenter on the program and he commented on the Berry Fruit study tour to Spain which was organized by the Project, with assistance from World Learning. Prof. Nikolic reviewed the berry production technology applied in Spain, and explained how Serbia can proceed to develop the production of berry fruits under high-tunnels, and to expand the export of fresh berries. During this broadcast, both Mr. Tmavcevic, the director of the program and Mr. Nikolic emphasized USAID’s support and role in the process, and their appreciation for the assistance provided by the USAID Agribusiness Project. The photo at the right shows some of the study tour participants examining berry production under high-tunnels in Spain.



Other Project Activities:

- **Producer Organizations:** The Project’s Producer Organization Specialist has been holding a series of meetings with Serbian agribusiness associations which are interested in applying for the recently launched grant program for associations. Meetings were held with the President of Serbian Coldstores Association, the President of Serbian Flora Association, representatives of the Serbia Organica Association, and the business secretary of “Fruits of Serbia”. All four associations are in the process of finalizing their grant applications. These associations bring together many of the main stakeholders from targeted sectors. The PO Specialist also provided advisory assistance to the associations on Grant Program criteria, and the application procedure.
- **Policy/Ag Info:** The USAID Agribusiness Project signed a contract for preparation on the Study on the Impact of Liberalization on Serbian Agriculture, with the local consulting company SEEDDEV. The study will be completed over two phases. The first phase will encompass preparation of a general tariff analysis of the liberalization process and its impact, and this part of the Study is due on July 25, 2010. The full report encompassing the general tariff analysis, and sector specific detail analyses, is due on September 25, 2010. A team of local and foreign experts, with extensive backgrounds in agriculture, macro and micro-economics, and international trade, will be responsible for preparation of the Study.
- **Policy/Warehouse Receipts:** The marketing agency Head Made has completed milestones 1 and 2 under their grant agreement to support the public awareness campaign for the warehouse receipts (WHR) system in Serbia. Head Made is a partner organization with the Warehouse Receipts System Indemnity Fund. Milestone 1 encompassed the design and production of educational and promotional material for training seminars and workshops regarding the warehouse receipts system. This is the key grant-funded activity, whereas all the educational print and video material, promotional brochures, flyers, invitation cards, posters, etc will be used during the training programs and workshops, and they will serve as reference materials afterwards. Within milestone 2, a series of activities were conducted during the International Agricultural Fair in Novi Sad to assure adequate promotion, and information dissemination, for the warehouse receipts system. The Grantee, representatives of the Indemnity Fund, and the Ministry of Agriculture, presented the features of the system at the stand of the Ministry of Agriculture; the Grantee also organized multimedia interactive communication points for Novi Sad Fair visitors, and organized discussions at the “Open Door” workshop to provide feedback on the system.
- **Grants:** During this week the Project paid out \$33,665 as reimbursement to three grantees under the Marketing & Packaging grant program. The clients receiving payments were as follows: FoodLand doo (\$21,903); AgroPartner doo (\$1,794); and Sunckret doo (\$9,968). The Project will be launching a second round of the Marketing & Packaging grant program in the near future.



USAID Serbia Agribusiness Project – Weekly Report

Week of May 31st 2010
COTR: Djordje Boljanovic

Policy/ABDS: Under an Agribusiness Project grant agreement to support the public awareness campaign regarding the warehouse receipts system in Serbia, marketing agency Head Made organized a two-day training seminar for warehouse operators to facilitate their participation in the warehouse receipt system so that they can become registered public warehouses. The training program was held on May 31st and June 1st in Andrevlje, Fruska Gora. The agenda included the topics such as operations of a public warehouse, organization of controls in public warehouses, managing the technical quality of grains, features of the warehouse receipt, relations between banks and public warehouses, and trade in grains, etc. More than 60 representatives of Serbian public warehouses, and other interested parties attended the event.



Other Project Activities:

- **Producer Organizations/Tree Fruit:** As part of the Project's assistance for tree fruit cooperatives, and the owners of storage facilities for fresh apples, to introduce SmartFresh as a new postharvest technology for Serbia, the PO Specialist and the Tree Fruit Sector Lead have been assisting the US company Agrofresh, the owner of this technology. Project assistance has focused on the registration of the technology in Serbia, and the identification of a local service provider that can market the technology here. With Project support, Agrofresh has decided to introduce Smart Fresh into Serbia in September, and the Serbian apple industry will now have access to this new postharvest technology. The PO Specialist and the Tree Fruit Sector Lead met with the selected local company that will represent Agrofresh, and discussed further Project assistance regarding preparing the cooperatives involved in apple growing, and other stakeholders from the apple industry.
- **Herbs & Mushrooms:** The Herb & Mushroom Sector Lead and the PO Specialist met with Zora Dajic, to discuss the "Serbian Flora" proposal which will be submitted in response to the grant program for associations. Zora was hired by the association to develop their proposal and she will be responsible for implementing the association's activities. The Agribusiness Project also organized an assembly meeting of "Serbian Flora" so the members could discuss, and make final decisions on, activities which will be supported by grant funds.
- **Berries:** The Berry Fruit Sector Lead attended the opening ceremony of the new fruit drying plant built by Project client Sirogojno, in Rupeljevo near Pozega. This is the first plant in the Balkans which uses the sugar-infusion fruit drying technology. Besides the many suppliers and clients of Sirogojno, a number of ABDS providers and representatives of local and/or regional authorities attended the ceremony. During the event the company's management emphasized the importance of the assistance that the Agribusiness Project provided, which has been focused on the development of sales/exports, and the introduction of international standards.
- **Producer Organizations:** The Producer Organization Specialist has been continuing to respond to inquiries from interested organizations which are contacting him regarding the announcement of the Association Grant program. The Producer Organization Specialist has provided all interested associations with additional information on the program which will help them to prepare complete and responsive applications. The deadline for the submission of grant applications was Thursday, June 3rd, and as of that date 17 associations had applied for this grant program.
- **Grants:** During this week the Project paid out \$68,215 as reimbursement to five grantees under three of the Project's grant programs. Foodex (\$1,159), Agroziv (\$24,632) and PK Zlatobor (\$13,916) received reimbursement for costs they incurred as part of their marketing grants. Agrar-Kontakt (\$9,777) received reimbursement for costs related to the Beef Quality Assurance training program, and Head Made (\$18,731) received an interim payment for promotion of the warehouse receipts system.

USAID Serbia Agribusiness Project – Weekly Report

Week of June 7th 2010
COTR: Djordje Boljanovic

BERRY FRUIT: During the second week of June the harvest of the Project's strongest export commodity – raspberries – began. As usually, the first raspberries in Serbia were harvested in the Sabac region. The quality of fruit is only average. As a result of the heavy rainfall in May, followed by extremely warm weather in early June, it is expected that the total yield of raspberries for 2010 will be 20% to 30% lower than anticipated, and it will be far below the 86,900T recorded in 2009. Even though export prices have been declining over the last twelve months, the total exports of raspberries reached \$198.5M (61,000T) in 2009. Besides the poor weather conditions which can severely affect the quality and quantity of fruit harvested, the hottest issue for growers and processors is the purchase price – first estimates are that farmers will be paid around 1.5€ per kilogram of raspberries delivered to a coldstore, or the nearest collection point.

Other Project Activities:

- **Vegetables:** On Wednesday June 9th, at the Agribusiness Project office in Nis, the Vegetable Sector Lead organized the first meeting of the group which will work collaboratively on the development of an analysis of the vegetable sector in the Timok Region. This analysis will cover ten municipalities in this region, including: Boljevac, Kladovo, Knjazevac, Majdapek, Sokobanja, Bor, Zajecar, Negotin and Golubac. A draft scope of work for this assignment was reviewed and discussed with representatives of GTZ, LEDIB, RARIS, and the USAID office in Nis. The final version of the SOW will be submitted to the Project's COTR for review and approval within the next two to three weeks. The expected duration of this study is three months, after which a final report and recommendations will be presented at a conference to be held in one of the municipalities included in the study.
- **Environment:** The Project's Environmental Advisor organized a "Cleaner Production" Workshop & Award Ceremony in Nis on June 12th. Twenty-two companies that completed the first phase of the Cleaner Production training program received certificates confirming their successful completion of the training. The Project's Deputy CoP made the opening remarks at the event, and the USAID Field Representative in Nis presented the certificates to the awardees. Following the award ceremony the participants attended a workshop which provided them with additional training on the Cleaner Production system.
- **Policy/ABDS:** Under the grant agreement for the public awareness campaign regarding the warehouse receipts system in Serbia, the marketing agency Head Made organized a one-day training seminar for the banking sector to orient them to the role of banks within the warehouse receipt system. The training was held on June 9th in Cenej. The training agenda included topics such as: the development of new banking services based on the WHR; warehouse receipts as official certificates of ownership for commodities, the use warehouse receipts as collateral for lending; the endorsement of WHRs; and bank guarantees for warehouses. About 50 representatives from commercial banks and insurance companies participated in the training.
- **Producer Organizations/Herbs:** The Producer Organization Specialist received a request for assistance from a woman producer from the Svilajnac municipality. Recently the Israeli company Green Only, which specializes in spice production, announced a new factory in Svilajnac, a green field investment worth 850,000€ that will organize the production of spices on 100 hectares, and provide significant local employment. This investment will make Svilajnac the center for spice production in Serbia, and there will be potential for local farmers to switch to spice growing to become suppliers of the Israeli company and to organize their operations through cooperatives and/or producer organizations.
- **Grants:** During this week the Project paid out \$62,849 as reimbursement to four grantees under the Project's various grant programs. Mlekara Mladost (\$29,394) and Mlekara Vihor (\$11,135) received reimbursement for costs they incurred as part of their marketing grants. The Halal Agency of Serbia received \$14,920 as payment for the completion of Milestone One in their grant for participation at the World Halal Expo in Malaysia. Junior Achievement received \$7,400 as the second payment in for the completion of Milestone Two under their grant agreement.



USAID Serbia Agribusiness Project – Weekly Report

Week of June 14th 2010
COTR: Djordje Boljanovic

POLICY/ABDS: The marketing agency Head Made, in cooperation with the Warehouse Receipts Indemnity Fund and the Agribusiness Project, organized a one-day training seminar for representatives of the public and private extension services, the regional rural development network, and agricultural cooperatives regarding the warehouse receipt system. The training was held at the premises of FINS in Novi Sad. This activity was part of the grant activity supporting the public awareness campaign to publicize the warehouse receipts system in Serbia. The main goal of the training was to educate representatives of the extension services, and the rural network, on key WHR issues so they can be leverage points to transfer information on the WHR system to the final users, and to extend the promotion of the system among agricultural producers. Around 50 participants attended this training event, as can be seen in the photo above right.



Other Project Activities:

- **Environment:** In an effort to break through the traditional and costly practices of using end-of-pipe treatments for pollution control, the Agribusiness Project has been supporting proactive pollution prevention by client firms since the second year of Project implementation. As part of the program *Cleaner Production Development and Implementation*, a regional workshop "Info-Days on Cleaner Production in Agribusiness" was held in Pancevo on June 14th as a joint effort by the Ministry of Environment, the Regional Chamber of Commerce, and the Agribusiness Project. Participating companies and Producer Organizations from Juzni Banat were introduced to the program on Cleaner Production (CP), as well as to recent developments in the area of environmental legislation in Serbia.
- **Producer Organizations/Grants:** The Agribusiness Project received 15 grant applications for the newly launched Grants for Associations program. The formal review of the submitted grant applications has been completed, and ten applications have been preliminarily approved and will be considered for further review and grant award. Two grant applications are ready for final review and approval, while the other eight applicants need to provide additional information and clarifications prior to final review. Given complexity of the proposed grant activities, as well as the volume of the documentation submitted with the applications, which all needs to be reviewed and evaluated, a well-organized review process and an effective grant file administration system needs to be established as soon as possible.
- **Marketing:** Preparations for the Fancy Food show in New York are in their final stage. A final meeting with exhibitors was held at the Project office, and six companies will exhibit at the show this year. The companies are: BIOTREND DONATO – vegetables; IGDA - dried mushrooms; AREX - marzipan confectionery; SIROGOJNO - dried fruit; FRIGO GRAND - frozen fruit; and MLEKARA SABAC - dairy. Preparations for the MIHAS trade fair in Kuala Lumpur are also complete, and the Project has collaborated with the Halal Serbia Association to organize Serbian companies to participate in this show.
- **Gender/Grants:** Following closure of the application process for the Women Entrepreneurship Grants Program, the Project's Grant Evaluation Committee has reviewed all 19 grant applications received, and selected 11 grant applications that meet the basic requirements for further review and consideration. Based on the evaluation criteria and the scoring system, the Grants Evaluation Committee will select up to five (5) grant applicants for awards to deliver business training programs in the four regions of Serbia identified, to women entrepreneurs in those regions interested in starting an agribusiness.
- **Producer Organizations/Marketing:** The Producer Organization specialist attended the preliminary meeting of ten design and branding companies that have taken the initiative to establish their professional association in Serbia. The PO specialist explained the most efficient models for forming such a national association, and how the Project could help them with this effort. Although, these companies are not solely oriented to agribusinesses, they serve as a significant support for the sector.



USAID Serbia Agribusiness Project – Weekly Report

Week of June 21st 2010
COTR: Djordje Boljanovic

TREE FRUIT: Sour cherry purchases in Southern Serbia started approximately 10 days ago. Yields this year are estimated to be 30% lower for cherries for processing, and 50% lower for first class cherries intended for pitting and freezing. Current purchase prices in the Merosina region are 34 Euro cents, which is three times greater than the price at the beginning of the purchase season last year. The situation in Macva, which is the second largest sour cherry production area in Serbia, is similar. Cold stores and processors, who are purchasing sour cherries from individual producers, are expecting they will have inadequate supplies of sour cherries during the 2010 production season. An additional problem is the inability of the cold stores and processors to secure bank credits, which limits their ability to become fully engaged in the purchase process. The situation in Hungary and Poland, which are Serbia's main competitors in sour cherry production, is quite similar. Due to heavy rains, floods, and low temperatures, their fruit yields are also significantly lower this year. Therefore, it seems highly likely that Serbia (as well as Poland & Hungary) will not be able to meet the demand from the market for sour cherries this season throughout Europe.

Other Project Activities:

- **Berries:** During this past week the printing of the Serbian translation of the High Tunnel Raspberry and Blackberry production manual was completed. The manual was developed by Cornell University, and it has been adapted to suit Serbian conditions by a local consultant hired by the Agribusiness Project. A total of 500 copies of the manual have been printed, and it will be used as a tool to assist with the know-how transfer from US-based growers and extension service providers to their counterparts in Serbia. The manual will also be distributed to interested stakeholders during the technical assistance and training program aimed at developing this type of production in Serbia. A few dozen copies of the manual have already been distributed during the Raspberry Days festival in Brankovina.
- **Dairy:** Project technical assistance to the Pirot and Svrlijig municipalities to support their applications for protected geographic designation (PGD) for local specialty dairy products (Svrlijig white cheese - *kriska* - and Pirot *Kackavalj*) has been completed. Both assignments have ended with the production of elaborate documentation which will be sent to the Serbian Institute for Intellectual Property for final review and approval. Upon receipt of final approval, Pirot municipality dairies, and the Svrlijig dairy, will become the holders of the protected geographic designations for these products.
- **Producer Organizations/Communications:** The Producer Organization Specialist has provided a statement to Radio Television Serbia (RTS) regarding good models for agricultural cooperatives in Serbia, and he also compared Serbian cooperatives with current EU cooperative models. RTS is preparing a short emission regarding six apple grower cooperatives in Serbia, that have invested in their own modern storage facilities, as good role models for other farmer cooperatives. Those cooperatives recommended the USAID Agribusiness Project to RTS, and the Agbiz PO Specialist in particular, as experts in this field. The Communications Advisor helped the PO Specialist to prepare for the interview, and the show should be broadcast next week during the heavily watched news bulletin *Dnevnik 2*.
- **Tree Fruit/Grants:** The Fortis company, which has their production and processing in Bojnik, near Leskovac in Southern Serbia, has passed the final certification audit for the introduction of the IFS standard in their tree and berry fruit processing operation (freezing and storing). Fortis has a grant from the Agribusiness Project to support the introduction of the IFS standard, which is something that has been requested by the company's main buyers from Germany and Switzerland.
- **Producer Organizations/Berry Fruit:** The National Association of Blueberry Growers, "Serbian Blueberry", organized a visit to the Arilje area of Serbia for buyers of fresh fruit from the German companies Dole Foods and Kopke. Following these visits, preliminary arrangements for the export of fresh blueberries have been made with suppliers from Serbia. The buyers are also very interested in other fresh berries as well – such as raspberries, currants, blackberries and strawberries.



USAID Serbia Agribusiness Project – Weekly Report

Week of June 28th 2010
COTR: Djordje Boljanovic

POLICY/DAIRY: The Agribusiness Project, in cooperation with the Association of Agricultural Journalists “Agropress”, organized a conference on Agribusinesses and Renewable Sources of Energy - Potentials and Obstacles” which was held at the National Bank of Serbia, on June 29th. The objective of the Conference was to inform, and to engage stakeholders in a constructive dialogue, regarding the importance increasing the production and use of energy from renewable sources. The Assistant Minister from the Ministry of Energy & Mining presented the current regulations, focusing in particular on the Biomass Action Plan 2010-2012, new decrees on the requirements for obtaining the status of privileged power (green electricity), and producer incentives for power production from renewable sources. The Minister of Agriculture discussed the importance of biomass (plant and animal biodegradable waste material) resources, which represent more than 60% of the total renewable energy potential in Serbia. The event was very well attended, with nearly 200 representatives from government, industry, the development community, and the media.



Other Project Activities:

- **Environment:** To accelerate the delivery technical assistance & information, the Agribusiness Project organized, in cooperation with the Ministry of Environment & Spatial Planning, a workshop titled "Integrated Soil Management" for 35 crop-soil consultants, input dealers, water testing laboratories, and non-governmental organizations. The Report on the Status of Soils in Serbia, a deliverable of the Environmental Monitoring & Integrated Soil Fertility Management Activity of the Agribusiness Project, was also presented at the workshop. The results of the research done by many different institutes in Serbia on heavy metal content in soil substrates throughout Serbia (Cu, Pb, Fe, Zn, Cd, Mn, Ni, Cr and Co), which was presented by the Environmental Protection Agency, focused the attention of workshop participants, and the press, on the need for public institutions to disseminate environmental data to end-users. The welcome note for the workshop was given by Mr. Art Flanagan, Senior Adviser at USAID.
- **Berries:** At the start of the blueberry harvest season, the National Association of Serbian Blueberries (NASB), organized and delivered via its partner Agros Trade the first ever shipments of fresh blueberries to Austrian and Russian markets. The association has also successfully negotiated a supply contract with a buyer from Germany that will be executed next week. The Project has strongly contributed to establishment of the NASB, and building its capacities through a wide range of assistance, such as expert advice and capacity building during the foundation and registration processes.
- **Marketing & Sales:** The Agribusiness Project supported the participation of Serbian companies at two international trade fairs during the past week: the MIHAS show in Malaysia, and FANCY FOOD in New York. MIHAS is a predominantly halal oriented show, and this was the first time Serbian companies have been at the show. Five companies participated, and they contracted for \$70,000 of sales, with a potential for an additional \$1.1M in future sales. Six companies participated in the Fancy Food show, and they signed contracts for \$256,000 in sales, with an additional \$1.7M of potential sales.
- **Dairy:** Lazar Dairy has secured a loan for 1.0M€ from Societe Generale to build and operate a new biogas digester (using the technology offered by GHD of Wisconsin), which will utilize animal waste from their farm plus whey from their dairy processing plant. The Dairy Sector Lead, and AgBiz consultant Danijela Ilic, also helped the owner/manager of Lazar to prepare the necessary documentation for the location permit. Although this is seen as a potential success story, and a fine example of cooperation between a Serbian (dairy) and an American (biogas technology) company, the Project and the dairy manager are aware that this is a new technology for Serbian government institutions and bureaucratic obstacles are seen as a potential problem for the successful implementation of this activity.

USAID Serbia Agribusiness Project

Quarterly Report – Year Three, Quarter Three

April 1, 2010 – June 30, 2010

Annex 10 – Project Success Stories

Serbia Exports its first Blueberries

MIHAS Fair Opens the Halal Market

Macval Domestic Sales Grow by 40%



USAID | SERBIA

FROM THE AMERICAN PEOPLE

SUCCESS STORY

Serbia Exports its first Blueberries

The newly established blueberry association has completed the first exports of blueberries to the EU.



Photo: Agribusiness Project

The image above shows boxes of Serbian blueberries being packed for export. These berries will be shipped to new customers in Austria and Russia, and future shipments will be sent to Germany. This is a remarkable development for Serbia, which is a new entrant in the international market for blueberries.

The National Association of Serbian Blueberries, which was established in late 2009 by the main blueberry producers, has already managed to organize exports of Serbian blueberries to the EU. So far in 2010 the association has managed to export more than 30 tons of fresh blueberries, with a total value of \$195,000. Additional exports will be completed over the balance of the 2010 harvest season.

USAID funded projects in Serbia first began supporting the establishment of blueberry production back in 2006. Prior to that, there was no commercial blueberry production, and most Serbs confused blueberries with billberries. When USAID launched the Agribusiness Project in late 2008, the berry sector was chosen as one of the focus areas, and this new project picked up where previous projects had left off and continued to provide assistance for the newly emerging blueberry industry. Initial assistance from the Project focused on technical issues, but as blueberry production grew, the focus has shifted to marketing.

Towards the end of 2009, as the blueberry growers realized they needed an organization to represent their interests, and to gather enough blueberries to justify international sales, the largest blueberry growers came together and formed the National Association of Serbian Blueberries (NASB). The members of the association control about 45 ha of production, which makes up 60% of total production in Serbia. As marketing of their berries was the main challenge facing the growers in late 2009, the association addressed that issue immediately.

Working through one of the largest members of the association – Agros Trade – the association has been able to enter into sales agreements with buyers from Austria and Russia, and they have already shipped more than 30 tons of fresh blueberries to these customers. The value of these sales is more than \$195,000 to date, and additional sales are in the pipeline. The NASB also hosted some German buyers who were on a visit to Serbia earlier this year, and it is expected that the NASB will conclude sales to Germany this year as well. The German buyers were also interested in other berry products as well.

In addition to the marketing efforts, the NASB will be assisting members to achieve international certification. The association, via member Agro KMK, will receive GlobalGAP certification this year, which will further enhance the ability of the association to market and sell blueberries. Beyond this, the association is also planning a national promotional campaign to educate Serbian consumers to the nutritional value of blueberries.



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FROM THE AMERICAN PEOPLE

SUCCESS STORY

MIHAS Fair Opens the Halal Market

The Halal Agency of Serbia, with Project assistance, organized a Serbian food display at MIHAS 2010.



Photo: Agribusiness Project

The image above shows the delegation that travelled to Malaysia to participate in the MIHAS trade show. This includes Halal Agency of Serbia staff, representatives from the participating firms, and Agribusiness Project employees. The companies displayed their products under the banner of "Halal Serbia".

The Halal Agency of Serbia has assisted Serbian food processing companies to penetrate the Asian halal market with Agribusiness Project assistance. The companies at the MIHAS show signed contracts worth \$70,000, and are negotiating an additional \$1.1M of potential future sales to Asian customers. These firms believe that the Asian halal market has great potential for Serbian halal food producers.

The international Halal market amounted to more than \$600M in 2009, with two thirds of that being in Asia. In order to assist Serbian firms to capture some of this market, the Agribusiness Project has been providing assistance to selected firms that produce halal foods, and preparing them to present their products to enter these markets. The Project brought an international halal marketing consultant to Serbia to advise client firms, and the Halal Agency of Serbia, on market prospects, and it provided a grant to the agency to support their participation at the MIHAS Trade Show in Malaysia, in June 2010.

The grant provided to the Halal Agency of Serbia enabled them to facilitate the entry of selected Serbian firms into the Asian halal market. This activity was a first for Serbia, as there has never before been a Serbian Halal display at this show, which is the largest halal show in the world. Prior to the show, the Project assisted the agency to select appropriate firms, and the halal consultant and Project staff provided training to the firms to prepare them for the show. Representatives from the Malaysian Embassy in Belgrade also assisted, and the Halal Agency of Serbia prepared a catalog of the companies displaying at the show, that was handed out to visitors to the booth.

The companies that participated in the show were very satisfied with the results, which are very respectable given that Serbian halal food products are virtually unknown in the Asian region. The companies reported that they have signed contracts for the supply of \$70,000 worth of halal products with new customers, and they are negotiating the supply of an additional \$1.1M of future sales. The companies also reported that they now have more confidence in their ability to sell into the Asian market, based on their reception at the show and their impressions of Serbian products relative to the other products on display.

The CEO of the Halal Agency of Serbia also had a chance to meet the Prime Minister of Malaysia, who visited the Serbian booth, and they discussed potential future cooperation and collaboration between Malaysia and Serbia.



USAID | SERBIA

FROM THE AMERICAN PEOPLE

SUCCESS STORY

Macval Domestic Sales Grow by 40%

With Agribusiness Project assistance, Macval has successfully introduced teas as a new product.



Photo: Macval Tea

The image above shows the packaging for one of Macval's new tea products – the Body Balance herbal tea. This new product has been introduced on the Serbian market and has proven to be very successful. Macval Tea developed the packaging for this product with Agribusiness Project grant assistance.

With Serbia Agribusiness Project assistance, the new Macval Tea company has successfully launched a line of tea and herb products which resulted in additional sales of \$210,000 in 2009 for the Macval Group. Sales continued to grow in 2010, as Macval began exporting these tea & herb products to other ex-Yugoslav republics.

The Macval Company is a small family owned firm located near the village of Coka, in northern Serbia. The company was founded in 1991 by Lazar and Mirko Oluski, a father and son team. The company has 800 ha of land for production, and it currently produces more than 800 tons of dried herbs a year, both mostly for export. Their main customer is the Martin Bauer Company from Germany, which buys a wide variety of semi-processed medicinal and aromatic herbs. Macval also exports to Italy, the USA and Canada, and, with Agribusiness Project assistance, they have begun exporting to Switzerland.

In order to grow their business, Lazar and Mirko decided that Macval needed to introduce some new products for the domestic market. Since they were in the aromatic herb industry, the logical product extension for them was to introduce teas and other dried herb products. Macval developed a new line of teas and other products, and a new company – Macval Tea – was formed to handle the production and sales of these products. In order to insure the success of these products Macval Tea also needed a new identity for this company, along with the associated branding, packaging and labeling designs.

This is where the Agribusiness Project has played a key role in assisting Macval Tea to successfully launch these new products. The Project provided Macval Tea with a small matching grant, which allowed the company to hire a local marketing company which helped them with the development of a new logo for the company, along with product names, a brand identity, packaging & labeling, a web site, and a complete marketing strategy for the tea and herb products.

Since the launch of these new products in late 2009 Macval has increased its domestic sales by 40% over the sales recorded in 2008. The sales of these new tea products were \$210,000 last year, providing a firm foundation for future growth of Macval Tea. In 2010 Macval Tea also started to export these products to the ex-Yugoslav republics, expanding the growth of sales. The tea and herb product line has also led Macval Tea to add ten full-time employees to their business.