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FOR THE PERIOD 01 APRIL 2012 THROUGH 30 JUNE 2012

FOSTERING AGRICULTURAL MARKETS ACTIVITY PROJECT (FARMA)

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FOR THE PERIOD APRIL 1 2012 – JUNE 30 2012

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FOSTERING AGRICULTURAL MARKETS ACTIVITY (FARMA)

Contract No.168-C-00-09-00102-00
FARMA - Bosnia and Herzegovina (BiH)

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LIST OF ACRONYMS

APS	Annual Program Statement
ACED	Agency for Cooperation, Education and Development
AI	Artificial Insemination
B2B	Business-to-Business
BAM	Bosnian Convertible Mark
BBI	Bosnia Bank International
BiH	Bosnia and Herzegovina
BHEPA	BIH Export Promotion Agency
CEED	Competitiveness Enhancement and Enterprise Development (USAID Project)
CEFTA	Central Europe Free Trade Area
COP	Chief of Party
CCA	Cluster Competitiveness Activity
CIM	Centre for International Migration and Development
CRP	Center for Development and Support
CRS	Catholic Relief Services
CzDA	Czech Development Agency
DAI	Development Alternatives Inc.
DAN	Development Agency North
DCA	Development Credit Authority
DF	Development Fund
DFID	Department for International Development (UK)
DGP	Development Grants Program
EC	European Commission
EPPO	European and Mediterranean Plant Protection Organization
EU	European Union
EUR	Euro
F&V	Fruit and Vegetable
FADN	Farm Accountancy Data Network
FARMA	Fostering Agricultural Markets Activity
FBiH	Federation of Bosnia Herzegovina
FDI	Foreign Direct Investment
FTC	Foreign Trade Chamber
FRK	Farm Record Keeping
FSA	Food Safety Agency
GAP	Good Agricultural Practice
GAP II	Governance Accountability Project, Phase II
GBP	Good Beekeeping Practices
GDP	Gross Domestic Product
GFP	Good Feeding Practice
GHP	Good Hygienic Practice
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
Global GAP	Global Good Agricultural Practice
GP	Good Practices
Ha	Hectare
HACCP	Hazard Analysis and Critical Control Points
HPLC	High Pressure Liquid Chromatography
ICS	International Control System
IEE	Initial Environmental Examination
IMF	International Monetary Fund
IPA	Instrument for Pre-Accession Assistance
IPARD	Pre-accession Support for Rural Development
IOAS	International Organic Accreditation Service
ISO	International Organization for Standardization
JMC	Joint Management Committee
KRA	Key Result Area
LAMP	Linking Agricultural Markets to Producers Project
LGSA	Local Government Support Activity
LLC	Limited Liability Company
LINK	Association for Entrepreneurship and Jobs
LoP	Life of Project
MAP	Medicinal and Aromatic Plants

M&E	Monitoring and Evaluation
MEDI	Micro Enterprise Development Initiative
MIMIS	Municipal Management Information System
MFI	Microfinance Institution
MoA	Ministry of Agriculture (and Forestry and Water Management)
MoFTER	Ministry of Foreign Trade and Economic Relations
MOU	Memorandum of Understanding
MT	Metric Ton
NERDA	North-East Regional Development Agency
NIB	National Institute of Biology
NRMP	National Residue Monitoring Plan
OK	Organic Control
OSCE	Organization for Security and Cooperation in Europe
PARE	Partnership for Advancing Reforms in the Economy (USAID Project)
PDO	Protected Designation of Origin
PEA	Programmatic Environmental Assessment
PERSUAP	Pesticide Evaluation Review and Safe Use Action Plan
PFS	Partners for Financial Stability
PGI	Protected Geographic Indication
PHA	Plant Health Administration (BiH)
PIR	Project Intermediate Result
PLOD	Center for Promotion of Local Development
PMP	Performance Management Plan
PO	Partner Organization
PUM	Netherlands Senior Experts Program
RCC	Regional Competitiveness Council
RCI	Regional Competitiveness Initiative
RDA	Regional Development Agency
R&D	Research and Development
REZ	Regional Development Agency for the Region of Central Bosnia
RFA	Request for Applications
RKN	Root Knot Nematodes
RMP	Residue Monitoring Plan
ROI	Return on Investment
RS	Republika Srpska
SAA	Stabilization and Association Agreement
Sida	Swedish International Development Agency
SIPPO	Swiss Import Promotion Program
SMS	Short Message Service (text messaging via cell phone)
SPIRA	Streamlining Permit and Inspection Regimes Activity
SPS	Sanitary and Phytosanitary
STTA	Short-term Technical Assistance
SVO	State Veterinary Office
SWG	Standard Working Group – a coalition of ministries of agriculture of the countries of the region
TA	Technical Assistance
TAIEX	Technical Assistance and Information Exchange instrument (managed by the EC)
ToT	Training-of-Trainers
TSG	Traditional Specialty Guaranteed
UHT	Ultra-high temperature
UNDP	United Nations Development Program
UNCTAD	United Nations Conference on Trade and Development
UNECE	United Nations Economic Commission for Europe
USAID	United States Agency for International Development
USC	Una-Sana Canton
USD	U.S. Dollar
USG	U.S. Government
USK	<i>see</i> USC
VCE	Value Chains for Employment
WTO	World Trade Organization

NOTE:

The intent of this quarterly report is to provide information on the project's progress on planned activities. Readers who are more interested in information on the project impacts are encouraged to read FARMA's annual reports.

All photos used in this report were made by the FARMA project, unless noted differently.

Executive Summary

This is the eleventh quarterly report of Fostering Agricultural Markets Activity (FARMA), a U.S. Agency for International Development (USAID) and the Swedish International Development Agency (Sida) jointly funded agricultural development project in Bosnia and Herzegovina (BiH), currently slated to run through August 2013.

One of the highlights in this quarter was the "FARMA Day." The Embassy of Sweden hosted the "FARMA Day" event, the purpose of which was to show the exciting impact of the development work financed by the governments of Sweden, and the U.S. in support of agricultural producers in Bosnia and Herzegovina (BiH) through the FARMA project.

"FARMA Day" was opened by H.E. Bosse Hedberg, Ambassador of Sweden in BiH, who greeted dignitaries and guests. Ambassador Hedberg stressed the significance of the results achieved by the agricultural producers with FARMA assistance and urged the representatives of the BiH institutions and local agencies to take note of these successes; to talk to producers and hear their stories.

Ambassador Hedberg accompanied his guests, U.S. Ambassador Mr. Patrick Moon, Ambassador of the Czech Republic Mr. Tomáš Szunyog and the Federation BiH Minister of Agriculture Mr. Jerko Ivanković-Lijanović, on a tour of the product stands and discussions with farmers and producers who showcased their products at this event. Seventeen local partners/beneficiaries represented the dairy, fruit and vegetable, honey, and medicinal and aromatic plants industries. FARMA beneficiaries had an opportunity not only to showcase their products but also to sell their products to dignitaries and guests.



Photo 1- FARMA Day event at the Swedish Embassy

Another highlight was the Regional Access to finance forum “SEEnovate: Supporting Intelligent Growth”, which was held in Sarajevo on Tuesday 19 June. This forum was an opportunity for more than 30 investors to meet with 44 representatives of BiH companies. The forum, which was attended by 160 participants, was organized by USAID Projects PFS, RCI, CEED, PARE, USAID/Sida Projects FIRMA and FARMA, and the Regional Competitiveness Council (RCC). The goal of the forum was to raise awareness about availability of various funding sources, investment opportunities as well as to provide an opportunity for direct business-to-business meetings between companies and potential investors.

Details on other activities and impacts of the project can be found in the remainder of this quarterly report. A new addition to this quarterly report is a section on cooperation with local institutions, which aggregates those elements from the rest of the FARMA Quarterly Report that specifically relate to the collaboration with local institutions. This section will be a permanent feature of future quarterly and annual reports.

About the Project

FARMA is a \$14 million, four-year program co-financed by the U.S. Agency for International Development (USAID) and the Swedish International Development Agency (Sida), and implemented by Chemonics International.

The program is designed to provide technical assistance in BiH targeted subsectors of agricultural markets through demand-driven assistance aimed at improving the competitiveness of BiH agricultural products. Bosnia and Herzegovina is in a unique position in the current global economic environment to spur economic growth and establish a foundation for sustained access to regional and international markets.

FARMA's approach focuses on four integrated components:

- Building sustainable market linkages for BiH producers;
- Increasing access to finance;
- Building the capacity of partner organizations and other counterparts; and
- Enhancing the policy environment to benefit the competitiveness of BiH agricultural goods.

FARMA's objective is to achieve rapid, sustainable and broad-based economic growth through demand-driven assistance aimed at improving competitiveness of BiH agricultural producers and agricultural businesses. FARMA is working to expand environmentally sustainable production, processing, domestic sales, export sales, and the production of value-added products.

In FARMA, Sida and USAID have created a program that is helping BiH accomplish several critical objectives: to increase agricultural competitiveness; to meet European Union accession standards; to reduce poverty by expanding environmentally sustainable production; and to increase sales, exports, and employment.

Contextual Background

The purpose of this section is to describe the wider environment and conditions during the reporting period that affected the project, the country, and the region. Understanding the accomplishments and challenges of FARMA requires this larger context. While these factors can negatively affect FARMA's work, they do not change the project's implementation approach.

EUROPE

Developments in the EU have significant effect on BiH. Changing circumstances may have a significantly positive or negative effect on the political and economic stability of BiH.

The Greek economic crisis has continued, thus contributing to overall economic uncertainty in Europe. French voters elected a new President, Mr. Francois Hollande.

REGION

Regional developments have very important repercussions for BiH. The largest trade partners of BiH are its neighboring countries, Croatia and Serbia. These countries have a complicated history, but their relationships persist. Consequently, regional developments have impacts (positive and negative) on BiH and its economy.

Serbian presidential elections were held in May and Mr. Tomislav Nikolic was elected President. It is yet to be seen how this electoral outcome will influence the pace of Serbian EU accession.

DOMESTIC

Any domestic development may have positive or negative impact on the agricultural economy, thus the FARMA project monitors the local political, social and economic conditions to identify potential opportunities and problems for the project implementation, if possible well before they occur.

The political and economic situation in BiH was largely unchanged; budgetary and other economic problems persist. The fragile political coalition at the state level disintegrated, causing another top-level political crisis. With the prospect of upcoming local-level elections (municipal level), it is unlikely that this new crisis will be resolved soon, due to political maneuvering of ruling parties.

Animal and Dairy Sector

The primary objectives of the dairy program include: (1) improving hygiene and milk quality and reaching EU standards; (2) improving the quality and volume of on-farm forage, while reducing costs; (3) improving dairy herd genetics; (4) improving record keeping; and (5) greater production of higher value products.

SECTORAL IMPACTS

Over the past two years, total sales of FARMA beneficiaries from this sector exceeded USD 331 million, while the sales over the baseline reached USD 59.5 million. Sales in each year grew on average 20 percent. Gross and net profits of FARMA beneficiaries reached USD 12.5 million and USD 7.7 million respectively.

Quarterly Highlights

- Round table on 'Harmonization of milk quality decree in BiH.'
- First results of the pilot program 'Two harvests per year' – the first harvest of vetch, fodder pea mixture of oat for silage was completed in May, while corn was seeded for the next harvest this year.
- Two in-country study tours with 80 participants from the Una Sana and Tuzla Cantons were completed.
- Completed schools for dairy farmers in cooperation with the Agriculture Institutes and the RS Extension Service.

IMPROVING HYGIENE AND MILK QUALITY AND REACHING EU STANDARDS

By the beginning of April, FARMA completed dairy schools for dairy farmers. During the reporting period, FARMA focused on technical assistance directly in the field with a one-on-one training on animal feed improvements and general farm management. In addition, FARMA organized two two-day training sessions for dairy farmers from ZE-DO canton in cooperation with RDA REZ Zenica.

In May, representatives from CzDA visited beneficiaries of their program "Capacity building in milk quality and safety in Bosnia and Herzegovina", which is being implemented in cooperation with FARMA, and expressed satisfaction with the significant improvements in milk hygiene and quality on dairy farms. They stressed the importance of FARMA-organized trainings, regular site visits and technical assistance by FARMA to the success of the program.



Photo 2 and 3 – Site visits to dairy farms in north-eastern Bosnia

As described in greater detail in the EU Integration section of this report, FARMA initiated activities focused on the harmonization of milk quality decrees throughout BiH. Currently in BiH there are three milk quality decrees, with different standards, measurements, and

specifications. The FARMA project organized a round table in 10 April 2012 to discuss this issue with representatives of milk processors, associations of milk producers, agriculture institutes, representatives from ministries in both entities, and the BiH Food and Safety Agency (FSA). During the round table, an agreement was reached to harmonize the milk quality by-laws in the country. As a result, the RS MoA completed this activity in May, and the FBiH MoA expects to complete harmonization of their by-laws in the next few months.

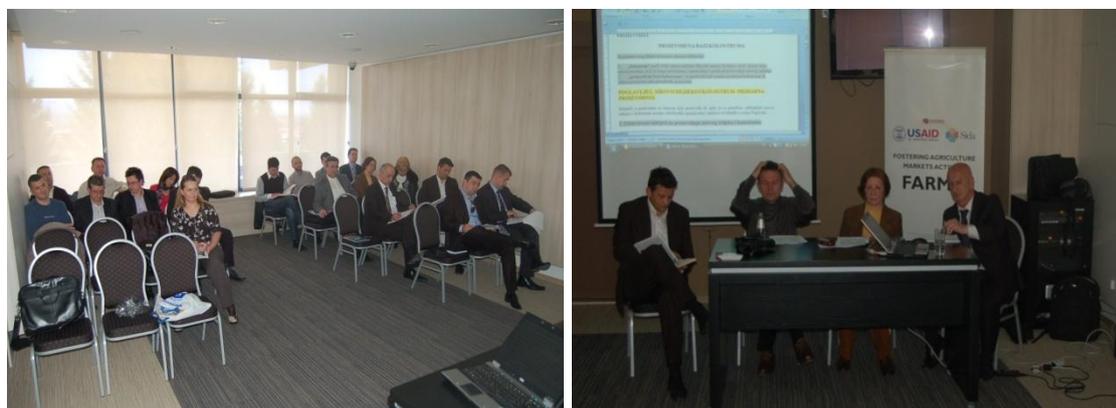


Photo 4 and 5 – Round table event on the harmonization of milk quality by-laws

The roundtable on ‘Harmonization of milk quality decree in BiH’ was particularly important for the dairy industry in preparation for Croatia’s entry to the EU. According to a report “Analysis of milk production in BiH 2011”, which was produced by Milkprocessing doo, large dairy processors, such as Mlijekoprodukt and Meggle that collect milk from nearly half of the producers in BiH, may suffer significant losses if they are unable to continue exporting products to Croatia once it joins the EU. Needless to say, if access to the Croatian market is limited and alternative markets are not identified; dairy producers will also suffer as they will not be able to sell their milk to processors.

One of FARMA’s goals is to improve access to EU markets by ensuring that local producers meet EU standard requirements and obtain necessary certifications. The Code of Good Agricultural Practices includes standard requirements and environmental concerns for the dairy sector. The protection of water quality is one of the cornerstones of European environmental policy. The 1991 Nitrates Directive (91/676/EEC) is one of the earliest pieces of EU legislation aimed at controlling pollution and improving water quality. The RS Ministry of Agriculture also underlined the importance of FARMA’s efforts in introducing the Nitrates Directive and asked for permission to include a FARMA’s brochure “Nitrates Directive (91/676/EEZ)” on their [web site](#). FARMA is currently preparing activities for a pilot program to implement the Nitrates Directive on dairy farms and raise awareness in the rural community and relevant institutions.

IMPROVING THE QUALITY AND VOLUME OF ON-FARM FORAGE

Voluminous feed bought on the market is usually 30% more expensive than the feed produced on the farm. Hence, improving the quality and volume of on-farm forage is the best solution to cost-effectively increase milk production and farm profitability. A pilot program “Two Harvests per Year” has already showed results – the first harvest of vetch, fodder pea mixture with oat for silage is was performed in May while corn was seeded for the next harvest this year. Quality of the feed was improved due to the proteins from vetch and fodder pea mixture with oats. Previously, the lad was only used for corn production. This land use approach will help farmers to increase feed production without the need to invest in the purchase or lease of new land, thus further decreasing the costs of feed production.



Photo 7 – Preparation of land (November 2011)



Photo 6 – On-site testing of seedlings in spring (March 2012)



Photo 9 – Testing before harvest (early May 2012)



Photo 8 – Silage preparation (end of May 2012)

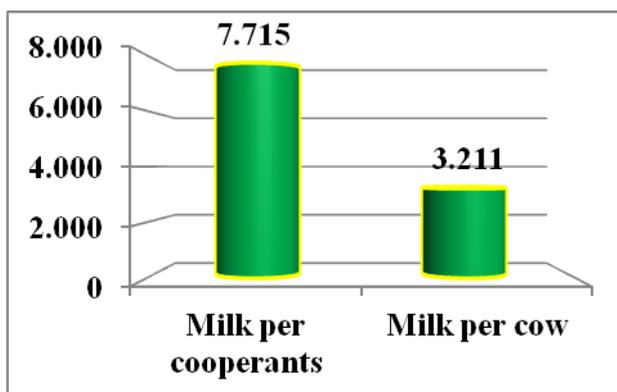
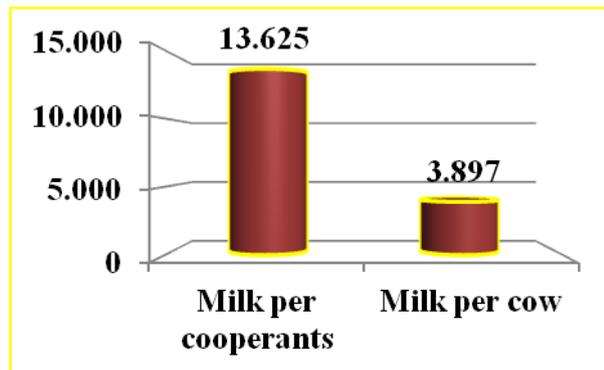
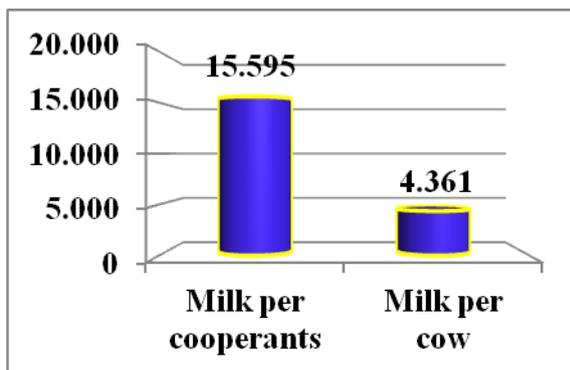


Photo 10 – Preparation of land to sow corn (June 2012)

The premise of interventions and activities in this area is also very simple: if the dairy cows are not adequately fed, they cannot produce more milk. The most common problem in milk production in BiH is the lack of large amounts of feed resulting from the lack of mass

agricultural production of alfalfa, clover, silage corn and grass. This is an especially daunting problem for small dairy farms. If milk producers buy voluminous feed commercially, milk production is too expensive and not economically viable as the voluminous feed bought at the market is usually 30 percent more expensive than the feed produced on the farm. Hence, improving the quality and volume of on-farm crops is essential to increasing milk production economically.

Data received from three of the biggest milk processors shows improvements in the volume of milk produced as a direct result of improved feed production and balance/mix of feed.



FARMA is also working on innovative approaches to improve the quality and availability of feed. A grant was provided to Kiko doo, a feed production company from Bijeljina, to produce pellet feed, which was delivered to twenty dairy farmers who will record the impact of using this new feed on the quality of milk.



Photo 11 – Distribution of pellet feed to farmers

In cooperation with agriculture institutes from Tuzla and Bihac, FARMA organized in-country study tours for farmers from Una Sana and Tuzla regions to Prnjavor. These tours provided farmers with an opportunity to observe first hand automated milking parlors and an organic dairy farm with lagoons for manure in accordance with EU regulations.

During the study tour of Una-Sana farmers, Mr. Smail Toromanovic, Director of Una Sana Canton Agricultural Institute, expressed his gratitude to farmers in the RS and awarded Mr. Usorac, the President of the RS Agricultural Producers Association, a Certificate of Appreciation for his assistance to fellow farmer, Mr. Emir Suljkanovic. Mr. Usorac and the RS Agricultural Producers Association collected donations to assist Mr. Suljkanovic after his farm suffered damaging losses from a fire last year.

IMPROVING DAIRY HERD GENETICS

Results of FARMA's Artificial Insemination program, as seen in the table below, are impressive. Many farmers experienced difficulties at the beginning, however they are now significantly benefitting from the program. Artificial insemination allows farmers to select bulls of the highest quality in order to improve the genetic make-up of their dairy cows. Through FARMA's program, farmers have access to genes from bulls of a quality they may not have been able to afford individually. Frozen semen can be transported globally.

The program is also very cost effective – instead of a minimum 40 KM per one visit of veterinarian for AI, now with frozen semen kept in their containers, they minimized expense, but they also improved farm productivity by being able to artificially inseminate dairy cows at the right time, which is crucial because it extends their lactation period.

Lack of the veterinary stations and technicians create many problems for farmers to choose the proper timing for AI which is crucial for reproduction in dairy cows. Through visits and meetings with farmers and institutes, the FARMA team has noticed that there is a need for improvement of AI including the education of farmers to be able to perform this work independently of veterinary services. In a majority of countries with a developed dairy sector, the law allows certified farmers to perform the AI on their farms in order to improve the quality of their herd and overall farm management. These farmers are certified by an authorized institution. AI is especially important to farmers who live in remote areas because if they are certified for AI they will not be dependent on existence of Veterinarian Stations in their area.

No	NAME OF THE FARMER	INSEMINATION		Success Rate (in percent)
		Cow	Heifers	
1	Idriz Selimović	8	4	65
2	Zoran Petrović	14	7	66
3	Fahrudin Omerović	4	2	66
4	Goran Tadić	31	13	76
5	Muhamed Mehmedović	8	3	65
6	Marjan Bogdanović	12	4	70
7	Pero Stolić MK Company	19	18	75
8	Đuro Stević MK Company	6	4	75
9	Ostoja Janjić	4	1	80
10	Vojin Đurić	6	2	75
11	Aleksa Dakić	19	12	75
12	Ilija Jović	8	3	70
13	Milo Mitrović	23	15	70
14	Meho Đedović	8	7	70
15	Ostoja Nikolić	47	37	70

16	Nebojša Đokić	51	34	70
17	Radivoje Milovanović	15	7	60
18	Branko Radovanović	9	4	50
19	Miloš Cvijanović	8	5	50
20	Other members - veterinary	43	18	60
21	Enes Tatarević	7	6	75
22	Aziz Miđan	14	9	65
23	Ekrem Alagić	12	6	75
24	Smail Beganović	13	7	75
25	Esmir Džanić	16	8	60
26	Nisvet Balić	9	4	80
27	Igor Šubić	18	11	70
28	Vladimir Usorac	29	14	70
	TOTAL	461	265	70

IMPROVING RECORD KEEPING

During this period, FARMA organized trainings in financial record keeping for dairy farmers in cooperation with RDA REZ. Also, FARMA prepared a pilot program “Farm record keeping in accordance with EU directives” and introduced it to the RS Ministry of Agriculture, which supported this activity and their experts will also participate in this pilot program. Farmers will be obligated to work on record keeping in accordance with all EU standards, and observers will be teams from the Agriculture Institutes, extension services and the FARMA project. This activity will support farmers to improve their farm management and be in compliance with international standards, thus preparing them to absorb funds from the EU and fulfill requirements made by IPARD.

INCREASING SALES OF DAIRY PRODUCTS

Cheese producers are working hard to improve their standards in accordance with EU directives. In this respect, FARMA is providing assistance to cheese producers to reach environmental standards. Small cheese producers have sought assistance from FARMA in order to establish an association of cheese producers of BiH. Starting in September 2012 FARMA will support the association’s efforts to create a collective brand for the BiH market and preset new cheese varieties.

VISIT OF AMBASSADOR HEDBERG AND EMBASSY OF SWEDEN STAFF TO EKO VLASIC COOPERATIVE

Ambassador Hedberg and 18 other staff members of the Embassy of Sweden visited the FARMA beneficiary Eko Vlastic. Mr. Elvedin Mehic, director of the cooperative, and four female workers hosted the visit. After donning protective shoe coverings, embassy visitors were shown the facility. They were given an explanation of the benefits that had been achieved with the support of USAID/Sida assistance through the FARMA project. This support included an extension on their building, stainless steel milk containers for use by cooperative members, a new cheese maturation room, and other equipment. Mr. Mehic explained that this dairy operation benefits more than 200 rural families all of whom are returnees to this area and all of whom depend on agriculture for a livelihood.



Photo 12 and 13 – Visit to Eko Vlastic by the representatives of Sida and the Swedish Embassy

Through cooperation with FARMA Eko Vlastic has been able to progress from a cheese packaging operation that packaged the cheeses produced by farmers to a cheese producing facility. By collecting the sheep, goat, and cow milk and processing the cheese in their HACCP certified facility, they have been able to improve the hygiene and quality control, thereby dramatically upgrading their cheese products. Almost all of their cheese recipes have been improved based on FARMA assistance. FARMA supported study tours to Slovenia where Eko Vlastic acquired the ability to produce flavored cheeses that now have much higher demand than the dairy can supply. In addition to tasting the cheese products, Embassy staff had the opportunity to purchase those cheeses they liked the best. Mr. Mehic expressed gratitude to the ambassador for the support, stating that without it they could not have made the necessary capital investments as banks are very reluctant to give loans to cooperatives. Ambassador Hedberg said that he and his staff were gratified to see that through FARMA supported improvements Eko Vlastic has increased employment, provided a steady and secure market for local farmers, and significantly increased the economic viability of the locality.

Medicinal and Aromatic Plants (MAPs) & Honey

The primary objectives in this sector include: (1) increasing the cultivation of medicinal and aromatic plants (MAPs); (2) moving toward higher value products; (3) improving marketing; and; (4) bringing the MAPs and honey sector up to EU standards.

SECTORAL IMPACTS

Over the past two years, total sales of FARMA beneficiaries from this sector reached almost USD 60 million, while the sales over the baseline reached USD 20 million. Over that period, sales increased by 86 percent. Gross and net profits of FARMA beneficiaries reached USD 5.6 million and USD 2.8 million respectively.

Quarterly Highlights

- New contract signed between FARMA and Women for Women International for the cultivation of medicinal and aromatic plants.
- Introduction of new technologies and improved methods for medicinal plants distillation and cultivation continued with foreign expert in country providing direct assistance to producers.
- Tea Fest in Sarajevo held.
- Continued intensive technical assistance to Eko Mozaik.

INCREASING THE CULTIVATION OF MEDICINAL AND AROMATIC PLANTS (MAPs)

FARMA is placing added emphasis on the cultivation of medicinal and aromatic plants (MAPs) to reduce collection from the wild and to enable the provision of high quality raw material for MAP processing. Training on MAP cultivation has been provided to both farmers and companies in BiH to encourage both new MAP cultivation and the expansion and improvement of existing MAP plantations.

To initiate new MAP plantations, a new contract between Women for Women International and FARMA for Implementation of a MAP Cultivation School was signed. The school, which is currently training twenty women from Dobož, Olovo, Ahmići and Jablanica began courses in mid-May. In connection to this, the company Prirodno bilje from Banja Luka signed a contract to purchase medicinal plants produced by the women from the school, thus allowing the school participants to already have secured a customer for themselves and providing the Prirodno bilje with additional medicinal herbs to process. This is the second phase of the project funded by FARMA, and implemented by Women for Women International, where twenty women will have an opportunity for advanced training in the cultivation of medicinal and aromatic plants, and to provide additional income for themselves and their families.



Photo 14 – Signing of the contract between Prirodno Bilje and women who are cultivating MAPs.

In addition, FARMA grant funds were approved for The Podrinje 1, a women's association from Skelani, near Srebrenica, to increase cultivation of medicinal plants, focusing on lavender. The project will engage 15 women who will be able to earn additional income for their families. Podrinje 1 also obtained funding through the USG special fund for Women Empowerment Projects from the US Embassy BiH in the amount of USD 35,160. The purpose of this grant is to establish a medicinal and aromatic plants nursery for further cultivation of lavender, balm, sage, marshmallow and heather. With this support, Podrinje 1 will expand MAP cultivation as well as increase the production of value added products such as essential oils.

As a result of FARMA's efforts to promote MAP cultivation, 130 ha are now cultivated throughout BiH with different MAPs (chamomile, marigold, lavender, mint, different spices). Efforts to promote MAP cultivation will continue to the end of the project.

SUCCESS STORY: GROWING CHAMOMILE AT PRIRODNO BILJE IN BANJA LUKA

The "Prirodno bilje" company from Banja Luka presented their business results to fifty guests and dignitaries, including H.E. Mr. Bosse Hedberg, Ambassador of Sweden in BiH and Mr. Zoran Kovačević, Deputy Minister of Agriculture, Forestry and Water Management of Republika Srpska (RS). The speakers emphasized the fact that, when considering high unemployment and enormous underdeveloped land, cultivation of medicinal and aromatic plants can contribute significantly to local economic development. In 2011, "Prirodno bilje" got the concession to use 35 hectares of land in Prijedor municipality from the RS Ministry of Agriculture, Forestry and Water Management. The company developed a chamomile plantation with assistance from FARMA, which donated drying facilities and land cultivation machinery. As a result of these efforts, 20 families have been engaged in chamomile production and one agronomist was employed.



Photo 15 and 16 – Prirodno Bilje event

MOVING TOWARD HIGHER VALUE PRODUCTS

FARMA strives to improve processing technologies to increase value adding and profitability in the MAP sector. For example, FARMA engaged an expert on MAP cultivation and distillation who is visiting and working with POs during June and July to introduce new technologies and production methods in distillation and cultivation. Some of the companies that have already received this assistance are already implementing the recommendations and reaping the benefits from production technique improvements. For example, Elmar

changed their cooling system arrangement, which increased the production of immortelle essential oils from 0,8 kg to 1,6 kg per ton of plant material. More details about the impact of such assistance will be documented in the next quarterly and annual reports.

Similarly, Lamaruž, which has received a FARMA grant to help them obtain new vacuum packaging for their soaps, will soon be able to offer a standardized product with a longer shelf life. This improvement to their production process will significantly increase their soap production – by an estimated 100 percent increase.

IMPROVING MARKETING

FARMA continues to provide technical assistance to improve the marketing and promotion of MAP products both in domestic and international markets.

On the domestic front, FARMA helped MAP companies to promote their products at this year's Festival of Tea and Medicinal Herbs or "Tea Fest." Over 60 exhibitors from Bosnia and Herzegovina and the region presented their products at Tea Fest.



Photo 17 – Tea Fest event in Sarajevo

This year the festival organizers, with support from FARMA, prepared interesting additional events, such as "Marigold Day", "Tea cupping", and "Lavender Day", to promote various MAP products. Visitors were especially attracted to the fair's "Tea House" where they could taste selected teas and rest. Visitors were also allowed to decide how much to pay for the tea they tried, and drinking coffee was not allowed. FARMA beneficiaries, including Neven, Rudo, Lamaruž, Grude, Halilović, Sarajevo and Ljekobilje from Trebinje and their new products were promoted during this year's Tea Fest in Sarajevo to the public and the media.

In addition, several MAP companies participated at the FARMA Day event at the Swedish Embassy, including Neven Rudo, Faveda Sarajevo, Lamaruž Grude, Udruzenje zena Podrinje Skelani, cantonal Bee Association Sarajevo and EkoMozaik Sekovici, where they had an opportunity to promote their products to the visitors and the media.

On the international front, FARMA is working with the BiH Foreign Trade Chamber to develop a Catalogue of MAP Companies to improve their presentation on international

markets. This will help facilitate business contacts, hopefully leading to new contracts, which will in turn increase production, sales, employment and exports.

In addition, FARMA is developing a study on potentials and possibilities for BiH honey and honey products to be exported to niche markets within the EU. The finding from this study will be used by FARMA to design an approach to help honey processors access EU markets.

BRINGING THE MAPS AND HONEY SECTOR TO EU STANDARDS

FARMA continues its efforts to training both the beekeepers and processors on EU standards.



Beekeepers are being trained throughout BiH on modern beekeeping technologies. Technical assistance to upgrade technical knowledge for EkoMozaik Staff responsible for beekeeping and honey production started in April 2012. FARMA has provided intensive training to help prepare beehives for the summer season and honey production.

Photo 18 – One example of classroom training in beekeeping

At the processor level, FARMA and representatives of the BiH State Veterinary Office visited local honey producers that have a potential to export their products to the EU in order to determine their progress in meeting the EU export requirements. The HACCP system was implemented by three of the four that were visited, which is important to note since HACCP compliance is one of the prerequisites for export to the EU. Moreover, two of the four honey producers have benefited from FARMA-organized trainings on HACCP. Significant improvements were noted in all four processors compared to the previous visit, however most producers still need to substantially improve their record keeping in accordance with their HACCP plan.

EKOMOZAIK - WOMEN EMPOWERMENT THROUGH ORGANIC FARMING



The overall objective of this program is to fight poverty and social exclusion by enabling and accelerating economic development of the rural population through the creation of a market-driven, business-like model capable of long-term sustainable growth. The FARMA project continued providing technical support to EkoMozaik, in order to ensure the success of the project and assist USAID in monitoring the activities and results.

Photo 19 – Ekomozaik honey

Fruit and Vegetables (F&V)

To achieve FARMA's goals, the project concentrated its activities in three segments: (1) Introducing new production technologies and standards in production and processing; (2) Introducing new berry varieties to ensure the sector gains a competitive advantage in the long run; (3) Facilitating market linkages, through participation in fairs and direct contacts with potential buyers, to help POs access higher paying markets.

SECTORAL IMPACTS

Over the past two years, total sales of FARMA beneficiaries from this sector exceeded USD 181 million, while the sales over the baseline reached USD 15.8 million. Over that period, sales grew by 17 percent. Gross and net profits of FARMA beneficiaries reached USD 6 million and USD 2.7 million respectively.

Quarterly Highlights

- Heko doo from Bugojno exported 100,000 berry seedlings to Serbia. This is the first time such a large quantity of berry seedlings was exported from BiH.
- Bare root seedlings of newly introduced berry varieties were planted on 12 locations in BiH. A total of 6,815 seedlings were distributed.
- Three in-country study tours and one study tour to Serbia was organized for over 100 farmers.
- A National Berry Conference was organized in cooperation with the Swiss CARITAS.
- Strawberry Days held in Celic. FARMA project delivered several presentations during this event.
- Jaffa Komerc from Blagaj obtained GlobalGAP certification for cherries.

NEW PRODUCTION TECHNOLOGIES AND STANDARDS IN PRODUCTION AND PROCESSING

Focusing on the 2012 growing season, FARMA conducted a series of training sessions throughout Bosnia and Herzegovina on growing techniques for fruit and vegetables. Training sessions on berry production were organized in 16 locations throughout BiH, which were attended by a total of 805 farmers. In addition to this, the Extension Service in Bratunac conducted eight training events in Bratunac/Srebrenica region on berry production, which were attended by 93 farmers. Furthermore, training sessions on greenhouse vegetable production were organized in seven locations, which were attended by a total of 162 farmers.



Photo 20 – Well-attended training on raspberry production.

Considering that farmers in the Una-Sana Canton planned to plant more than 50,000 raspberry seedlings in this region, FARMA cooperated with the Italian NGO ICEA to organize technical training for farmers on the establishment and maintenance of raspberry plantations.

In addition, FARMA organized three educational in-country study tours from over 100 farmers from various regions of BiH.

Moreover, a regional study tour was organized for a group of raspberry farmers from Kozarska (Bosanska) Dubica to Serbia, to observe berry production practices in the region. The study tour was held from 28-29 June 2012 and participants visited several cold storages and berry orchards (mainly raspberries) in Serbia where they learned and exchanged knowledge about raspberry production and sales. A visit was also conducted at the Arilje Innovation Agricultural Center that provides laboratory and advisory services to the growers as well as one company that produces final products (berry juices) and a site for the production of wild strawberries in greenhouses, exclusively for the fresh market in France.



Photo 21 and 22 – Study tour to Serbia

Considering the raspberry sector is becoming increasingly competitive with downward price trends partly due to global economic slowdown and partly due to competition from countries with lower labor costs, FARMA and the Swiss Caritas organized a national conference titled “Production of Berries in BiH - Opportunities and Challenges.” The one-day conference provided a venue for 54 berry producers, processors, distributors and governmental representatives to discuss sector developments and identify future opportunities and challenges, with an aim to facilitate improved competitiveness of the berry sector in BiH.



Photo 23 – Conference on the production of berries in BiH, organized together with the Swiss Caritas.

As noted in the EU Integration and Standards part of the report, the BiH Ministry of Foreign Trade and Economic Relations, FARMA project, the UNDP Value Chains for Employment project and Swiss Caritas, organized a workshop on ‘UNECE / EU standards for fresh fruit and vegetables’ on 16 May in Sarajevo. The workshop was particularly relevant as Croatia has started to implement and enforce these standards on the border with BiH. Presentations were conducted by representatives of the Ministry of agriculture from the Republic of Croatia and a representative of the United Nations Economic Commission for Europe (UNECE).

Having benefited from FARMA's technical assistance during the project, Jaffa Komerc from Blagaj (Mostar region) obtained the GlobalGAP certification for cherries. Other products will also be certified through GlobalGAP very soon. FARMA also approved a grant to Jaffa Komerc to introduce new and improved packaging that meets the demanding EU requirements for packaging to facilitate improved EU market access for BiH producers. Funds will be invested in an automated line for the production of special crafted and waxed cardboard of various dimensions boxes which are suitable for fresh produce. Waxed cardboard is specifically suited to cooling storage facilities.

INTRODUCING NEW VARIETIES

High tunnels, covered with nets, have been placed on the berry demonstration site in Butmir. These nets will act as protection against the sun and high summer temperatures. The nets will be removed just before the autumn and tunnels will be covered with plastic foils.

FARMA organized dissemination and distribution of bare root seedlings of the newly introduced berry varieties in 12 locations in BiH. A total of 6,815 new varieties of seedlings were distributed to farmers and producers.

FACILITATING MARKET LINKAGES



Photo 24 – Promotion of Heko doo seedlings at OBI Center in Blazuj

A beneficiary of the FARMA project, Heko doo from Bugojno, successfully exported 100,000 berry seedlings valued at BAM 80,000 (EUR 40,000) to Serbia. This is the first time such a large quantity of seedlings was exported from BiH. In addition, a promotional event of Heko doo and their products was organized in the OBI Center in Blazuj where demonstrations of proper growing technology were held for buyers.

A draft marketing plan was prepared for AD Popovo Polje from Trebinje.

EU Integration, Standards and Environment

The project continued intervention in three key areas: (1) improving the quality infrastructure to align with the EU acquis, improve market access and increase competitiveness of the BiH agriculture sector (2) assisting POs with implementing standards to prepare them for certification so they increase food safety standards and reach desired markets; and (3) ensuring environmental compliance to satisfy the requirements of the project IEE and promoting sound environmental practices in alignment with environmental sustainability goals.

Quarterly Highlights

- Five-day advanced training sessions at the National Institute for Biology and the Agricultural Institute in Slovenia for staff from phytosanitary laboratories. All participating laboratories now have the basic tools for successful and reliable use of laboratory tests for the determination of quarantine pests of potatoes.
- Assessment of four veterinary laboratories completed.
- FARMA organized a workshop on 'UNECE / EU standards for fresh fruit and vegetables'. Croatia has started to implement and enforce these standards on the border with BiH.
- Organska Kontrola (OK), BiH organic certification body, has obtained EU approval to provide certification service in Serbia and Montenegro.
- As a result of FARMA's technical assistance, two cheese processors developed a "Plan of activities for gradual reduction in emitted pollutants following best available technologies". Plans have been submitted to relevant institutions authorized to issue environmental permits.

IMPROVING THE QUALITY INFRASTRUCTURE AND THE BUSINESS ENVIRONMENT



Photo 25 – Training in laboratory methods in Slovenia

FARMA continued to support the implementation of the National Monitoring Program for Quarantine Pests of Potatoes with an aim to have the BiH monitoring program approved by the EU. All activities were developed in full cooperation with the BiH Plant Health Administration. The BiH Plant Health Administration and FARMA organized two advanced training programs for laboratories included in the implementation of the National Monitoring Program in this quarter. Training on Quality Management System and Root Knot Nematodes (RKN) was held at the Agricultural Institute Ljubljana in May 2012. Training in laboratory methods for identification and characterization of bacteria causing potato brown rot and ring rot, covered by the relevant EC Directives and their annexes (98/57/EC and 93/85/EEC) was held at National Institute of Biology Ljubljana, in June 2012. Trainings were organized for laboratory personnel from Agricultural institutes from Mostar, Sarajevo and Banja Luka and the Agricultural Faculty in Banja Luka. It is considered now that all laboratories have all the basic tools required for successful and reliable use of laboratory tests for the determination of quarantine pests of potatoes.

To overcome constraints for the export of products of plant origin to the EU, the BiH Ministry of Foreign Trade and Economic Relations (MoFTER), FARMA project, UNDP Value Chains for Employment project and the Swiss Caritas, organized a workshop on "UNECE / EU Standards for Fresh Fruit and Vegetables." The workshop was particularly relevant as Croatia has started to implement and enforce these standards on the border with BiH. Presentations were conducted by representatives of Ministry of Agriculture from Republic of Croatia and a representative of the United Nations Economic Commission for



Photo 26 – Workshop on marketing standards for fresh fruit and vegetables in Sarajevo

Europe (UNECE). FARMA will continue to provide support to MoFTER and other relevant institutions in development and implementation of regulation of marketing standards for fresh fruit and vegetables, with an aim to harmonize BiH legislation with the EU *acquis* and to implement equivalent standards for goods imported to BiH.

FARMA worked intensively with the BiH Veterinary Office (SVO) in overcoming constraints for the export of honey and milk to the EU. In cooperation with the Czech Development Agency, training sessions for veterinary inspectors on the "sampling of honey" as part of the National Residue

Monitoring Program were conducted in Brcko, Mostar, Banja Luka and Sarajevo. Joint FARMA and SVO visits were also conducted at honey processors to ensure their facilities and production methods meet EU standards. In addition, assessment of four veterinary laboratories that have the greatest potential to conduct residue tests in milk and honey as part of the National Residue Monitoring Program was conducted and recommendations for their capacity building was provided.

The Czech Development Agency (CzDA) will be implementing a project "Strengthening the capacity of veterinary laboratories and veterinary inspection services for implementation of National Residue Monitoring Program (NRMP) in accordance with EU standards" in order to increase capacity and competence of SVO and other institutions responsible for the implementation of the NRMP. FARMA will leverage with the CzDA to implement this project in BiH. In addition, USAID/Sida FARMA cooperated with the BiH Food Safety Agency to organize a round table on the harmonization of milk quality regulations in Teslic. Participants included representatives of all the relevant institutions as well as representatives of milk processors and dairy producers. Agreement was reached to harmonize these regulations within BiH.

In addition, FARMA also participated in a number of meetings and roundtables organized on the implementation of the road map for overcoming constraints for the export of products of plant and animal origin to the EU, focusing on issues of accreditation of laboratories.



Photo 27 – Training on organic beekeeping standards

Further, FARMA continued to support the organic certification body (OK) in BiH to extend geographical scope of their internationally accredited certification services in the Balkan region. European Commission granted approval to OK to certify in Serbia and Montenegro on June, 21 for the following scopes of certification: bee-keeping, wild harvested products, plant production and processing (Official Journal of the European Union L 162). In a meeting held in April, the BiH Institute of Standardization (BAS) also adopted OK's (private) organic standards, which were developed by OK, as the BiH national organic standards. Standards will be published by the end of 2012.

FARMA also initiated activities in relation to protection of traditional agricultural and food products. FARMA's international expert assessed the current processes and overlap in competencies in BiH with regards to Protected Designation of Origin (PDO) and Protected Geographic Indication (PGI). The consultant met with representatives of MoFTER, BiH Food Safety Agency as well as the BiH Institute of Intellectual Property Rights. The findings were presented to MoFTER and the Directorate of European Integration. The findings indicate that BiH needs to make changes to remove these overlaps and also to meet the EU requirements either by modifying the existing Law on Geographical Indication or upgrading current regulations administered by the BiH Food Safety Agency to a law. Both MoFTER and DEI were pleased with the findings of the consultant, which will be used to inform the Council of Ministers on the issue.

MoFTER and TAIEX organized a two day conference in Sarajevo titled: "Further Integration of Agricultural Markets – Chances and Challenges for Bosnia and Herzegovina." FARMA addressed the question of competitiveness of the agricultural sector reviewing what is being done in the private sector and what needs to be done in the public sector.

ASSISTING POs IMPLEMENT STANDARDS

FARMA continued to assist POs implement standards and quality management systems. The technical assistance (TA) was provided to EKOPLOD and an association that was established with assistance of Prozor-Rama Municipality. On their request, FARMA provided TA in order to meet the requirements that apply to smallholder organizations that wish to apply for organic certification. In the upcoming period, the project will provide TA in the area of setting up quality assurance system, conducting an internal inspection, development of a smallholder manual and documents needed for certification.

In addition, TA for implementation of various standards and systems (GlobalGAP, Organic, HACCP System) was provided to Bašo d.o.o., EIN Natural, Investor, VIP Krajina and Zlatna kap. FARMA also linked the Bašo d.o.o. and H&H Fruit with the project "Translation, Education and Implementation of Standards for Environmental Protection in Agricultural Production" (U.S. Embassy Sarajevo) for further support in standards implementation.

Since the beginning of the project, FARMA assisted 70 producer organizations to implement relevant standards, while more than 30 have been certified.

ENVIRONMENTAL COMPLIANCE

FARMA continually follows USAID environmental regulations, particularly the IEE, PEA and PERSUAP pertaining to FARMA. A large number of site visits to POs that were recipients of PDF Grants were conducted this quarter to document environmental compliance.

To help POs comply with local environmental laws, FARMA organized a program to support eight cheese processors in development of the "Plan of activities for gradual reduction in emitted pollutants following best available technologies" for submission to local institutions (authorized to issue environmental permits) as required by the local laws. FARMA assisted in the development of an environmental baseline study which includes information on the current state of the environment at the given location, pollution sources and qualitative and quantitative characteristics of pollution (solid waste, noise, air and water pollution) with descriptive and graphical presentation. These studies also included recommendations for pollution prevention and cleaner production measures and a rational use of raw materials, which includes a cost analysis for implementation of these activities on an annual basis. This has been aligned with the legal requirements for the use of Best Available Technologies (BATs) and pollution reduction to legally permitted levels. For two PO's (Agrocentar from

Donji Vakuf and Puđa & Perković from Livno) plans were fully developed and submitted to relevant institutions for issuance of environment permits. It is expected that the plans for the other POs will be submitted by the end of August.

Access to Finance

The primary objectives of activities in this cross-cutting component include: (1) increasing the ability of POs to obtain new financing from commercial institutions; (2) increasing the ability of POs to attract new foreign investments; (3) disseminating information on available financial products for agriculture; and (4) preparing local POs to access EU pre- and post-accession agriculture and rural development funds.

Quarterly Highlights

- Mushroom d.o.o. obtained working capital financing from the RS Investment and Development Bank valued at BAM 900,000 with FARMA's assistance.
- Co-organized the regional access to finance forum- "SEEnovate: Supporting Intelligent Growth"- held on 19 June in Sarajevo with other USAID and Sida-financed projects.

INCREASING THE ABILITY OF POs TO OBTAIN NEW FINANCING FROM COMMERCIAL INSTITUTIONS

FARMA focused on providing specialized training in business planning and farm record keeping. The project completed second and third training module of trainers on the topic of business planning to the Agricultural Institute of Una Sana Canton.

Moreover, as a result of the FARMA assistance in development of the enterprise business plan and the requisite loan application, the Mushroom company attained BAM 900,000 commercial working capital loan from the RS Investment and Development Bank. According to agreed terms, the working capital financing loan term is three years, with six-month grace period, and 5.61% APR.

INCREASING THE ABILITY OF POs TO ATTRACT NEW FOREIGN INVESTMENTS

This is the most challenging task in the domain of access to new finance due to a number of reasons (such as, the world's financial crisis, political instability in BiH, discouraging local tax policy, difficulties potential investors have in accessing information, etc.). FARMA focused on providing assistance to individual companies interested in attracting FDIs.

For example, FARMA provided assistance in the development of a project prospectus for ten local companies (Roing, Unaplod, Posavina Koak, Citofarm, Rico Pale, TK Bosna Sanski Most, Toplana Prijedor, Palavra Travnik, TKC Andy Cazin, Farm Jozo Tomic Tomislavgrad). These documents were provided to foreign investors at the regional access to finance forum- "SEEnovate: Supporting Intelligent Growth"- held on 19 June in Sarajevo. The goals of the conference were: to raise the awareness of SMEs on the availability of equity investment in the region as well as the requirements of equity investors; provide information to investors on the prospective supply of high-growth SMEs in the Western Balkans; and recommend business environment improvements for equity investment. More than 160 representatives of innovative small and medium enterprises (SMEs), investors and policy makers from the region attended the event (particularly 30 investors and 40 companies). The Forum served a platform to showcase most recent investment and business opportunities in South East Europe to over 30 equity fund investors. The event was organized by the USAID and Sida funded projects: FARMA, FIRMA, PFS, RCC, RCI, CEED, and PARE. European money lenders announced the launch of two new financing facilities, with the combined worth of

EUR 245 million to assist innovative small and medium-sized enterprises (SMEs) in the Western Balkans. Foreign investors reviewed 23 project prospectuses and were interested to meet nine BiH companies during the conference. The lone representative of agriculture enterprises in this group was Roing, which had three B2B meetings during the conference. Investors were unfortunately not interested in other agricultural projects presented.

STRENGTHEN POS CAPACITY TO ATTAIN RELEVANT AND TIMELY INFORMATION ON AVAILABLE FINANCING

Further, FARMA finance expert presented potential projects for external financing and possible branding initiatives (plum, apple, and sauerkraut) in a “Conference on Branding of Regions Gradiska, Laktasi, Dubica and Srbac” which was organized by GIZ and these municipalities.

An example of value of the information producers receive from these events and beneficiary attended a number of project training events. One such training- "Factoring and insurance of receivables (A/R)"- proved very beneficial for its owner, Mr Basic. The company had been exporting their goods to Germany for some time and after this training, Mr. Basic decided to insure certain portion of new customers (i.e. Donau Gemuseeiz Pllatlinga, Mamingkonserven fabrik it Maminga, BEG Bayern GmbH Aholming) A/Rs with the IGA. As Baso d.o.o. was not able to collect receivables from German customers, but since 90% of the total invoice (EUR 123,000) was insured through factoring with IGA, Mr. Basic is currently waiting on reimbursement from IGA.

PREPARING LOCAL POS FOR ACCESSING EU PRE- AND POST-ACCESSION AGRICULTURE AND RURAL DEVELOPMENT FUNDS.

FARMA (leveraging costs with GIZ, RS Chamber of Commerce and SERDA) organized two presentations on Croatian experience in use of EU pre-accession funds IPARD with 112 producer organizations attending these presentations. Furthermore, the project conducted two training sessions on farm record keeping as per EU directives for 17 participants which included individual farmers, cooperative members and extension advisers.

ACCESSING DEVELOPMENT CREDIT AUTHORITY (DCA) LOANS

Independently from FARMA, USAID and Sida jointly fund a loan guarantee program (DCA guarantee facility) with UniCredit Bank, VolksBank BH, and Raiffeisen Bank. The program is available to small and medium sized businesses and cooperatives.

FARMA conducted analysis of the draft business plan and accompanying projected financial statements of the Jonuz company from Blazuj. These documents were produced by the company in order to attain a DCA loan to construct the cooling chambers for berry fruits. The company submitted its BAM 2.5 million (roughly EUR 1.25 million) application to UniCredit Bank (BAM 2 mil. to be financed by ODRAZ foundation and BAM 0.5 mil. from the DCA facility). Unfortunately, it is very unlikely that this project will be funded by the bank due to the company's cash flow issues.

Low utilization of the second DCA Guarantee Program signed in September 2010 was discussed at the meeting held on June 25, 2012 with the representatives of USAID PARE and USAID/Sida FIRMA. Despite the fact that a number of promotional activities regarding the DCA Guarantee Program were conducted by all three projects during the last three years, the use of the Guarantee is still low. Raiffeisen Bank BiH has utilized 7.93%,

Volksbank BH 12.71% and UniCredit bank BiH has utilized 29.12% of the DCA Guarantee Facility. The group has summarized the reasons which caused unpredictably low utilization of guarantee:

- The financial crises decreased demand for the investment loans and increased demand for the trade loans, loans for refinancing and restructuring which are not qualified for DCA coverage
- The banks reported decrease of the corporative lending and increase of non-performing loans and reserves
- The banks prefer to finance their long term clients rather than those who start up their businesses, also the banks find agricultural business risky thus avoid providing loans to this sector
- The loan price (interest plus fees) are not competitive compared with the prices of the RS Investment-Development Bank and Federation Development Bank especially when the DCA guarantee utilization fee is included in
- The banks (especially Raiffeisen Bank BiH) were faced with the change of managing and sales/risk staff, thus impacting the knowledge/experience on DCA facility Raiffeisen Bank BiH expressed their understanding/treatment of the DCA Guarantee as a comfort factor

Representatives of the PARE, FIRMA and FARMA projects concluded that only the DCA partner banks are in a position to comment and/or explain low utilization of the DCA Guarantee facility, and propose actions for the improvement. A meeting with the three banks will be held in near future which should result in measures for improving the use of this facility.

Partners Development Fund

In compliance with the terms of the contract, Chemonics developed a Partners Funds Manual (PDF) which incorporates FARMA's subcontracting rules and procedures and the Development (Grant) Fund (DF) Manual. The DF is designed to comply with the European Commission Grant Award Processes and future IPARD funding requirements to the extent feasible. Although there are differences in general funding structures, the FARMA DF fund is similar to IPARD's basic management rules and eligibility criteria. The FARMA DF objective, structure and characteristics reflect key IPARD principles.

A total of four grants with a value of 177,194.83 BAM were approved during the quarter by the JMC. These grants will be used to create conditions to increase MAP cultivation and production of value added products, production of fruit juices and introduction of new improved fresh produce packaging to meet EU standard requirements. These grants are expected to contribute to creation of three new direct job and 175 indirect jobs. The awardees' contribution amounted to 226,055.42 BAM (roughly 1.27 BAM for each 1 BAM in grants).

GRANTS SUMMARY				
Sector	No. of Grant Awards	Total Value (BAM)	Avg. grant amount	% Total
F&V	2	123,261.98	61,630.99	69.56
MAP	2	53,932.85	26,966.43	30.44
Total	4	177,194.83		100.00

GRANTS SUMMARY	
Type of Organization	No. of Awards
Company	2
Associations	1
Craft organization	1

GRANTS SUMMARY	
Geographic Coverage	No. of Awards
Federation BiH	3
RS	1

During the quarter two grants were completed and closed. Overall, the recipients met and in some cases exceeded the expected project results. FARMA grant funds of 1.6 million dollars available during the project's base period were fully committed as of the end of June 2012. Also, as of the end of March, 87 percent of totally committed grant funds were disbursed.

During this quarter FARMA completed three subcontracts, two with Slovenian partner organizations, Agricultural Institute and National Institute for Biology from Ljubljana and one with local NGO Zene za zene International.

Cooperation with Other Donors

This section does not report new or additional information from that provided in the body of the FARMA Quarterly Report. Rather, this section aggregates those elements from the rest of the FARMA Quarterly Report that specifically relate to the collaboration with the other organizations and/or donors.

CZECH DEVELOPMENT AGENCY

The Czech Development Agency (CzDA) has signed a Memorandum of Understanding with the United States Agency for International Development (USAID) and the Swedish Development Agency (Sida) to cooperate through the USAID/Sida FARMA Project in such a way as to leverage the interests of all three donors. It allows the CzDA to highly target specific interventions that contribute to its development objectives in cooperation with FARMA. The advantage to CzDA is that it benefits from the management oversight, technical assistance, and reporting provided by the FARMA team.

FARMA continues to cooperate with the CzDA particularly in the area of training dairy farmers in the Northeast Bosnia, berry demonstration plot and rural advisory for raspberry growers in the Bratunac area. In addition, the CzDA will be implementing a project "Strengthening the capacity of veterinary laboratories and veterinary inspection services for implementation of National Residue Monitoring Program (NRMP) in accordance with EU standards" in order to increase capacity and competence of SVO and other institutions responsible for the implementation of the NRMP. Joint training events of veterinary inspectors as well as an assessment of veterinary laboratories was conducted.

GIZ

FARMA (leveraging with GIZ, the RS Chamber of Commerce and SERDA) organized two presentations on Croatian experience in use of EU pre-accession funds IPARD with 112 producer organizations attending these presentations.

UNDP, SWISS CARITAS AND UNECE

To overcome constraints for the export of products of plant origin to the EU, the BiH Ministry of Foreign Trade and Economic Relations (MoFTER), FARMA project, UNECE, UNDP Value Chains for Employment project and the Swiss Caritas, organized a workshop on "UNECE / EU Standards for Fresh Fruit and Vegetables." The workshop was particularly relevant as Croatia has started to implement and enforce these standards on the border with BiH. Presentations were conducted by representatives of Ministry of Agriculture from Republic of Croatia and a representative of the United Nations Economic Commission for Europe (UNECE).

SWISS CARITAS

Considering the raspberry sector is becoming increasingly competitive with downward price trends partly due to global economic slowdown and partly due to competition from countries with lower labor costs, FARMA and the Swiss Caritas organized a national conference titled "Production of Berries in BiH - Opportunities and Challenges." A one-day conference provided a venue for 54 berry producers, processors, distributors and governmental representatives to discuss sector developments and identify future opportunities and challenges, with an aim to facilitate improved competitiveness of the berry sector in BiH.

Cooperation With Local Institutions

This section does not report new or additional information from that provided in the body of the FARMA Quarterly Report. Rather, this section aggregates those elements from the rest of the FARMA Quarterly Report that specifically relate to the collaboration with local institutions.

MINISTRY OF FOREIGN TRADE AND ECONOMIC RELATIONS

To overcome constraints for the export of products of plant origin to the EU, the BiH Ministry of Foreign Trade and Economic Relations (MoFTER), USAID/Sida FARMA project, UNDP Value Chains for Employment project, UNECE and the Swiss Caritas, organized a workshop on "UNECE / EU Standards for Fresh Fruit and Vegetables." The workshop was particularly relevant as Croatia has started to implement and enforce these standards on the border with BiH. Presentations were conducted by representatives of Ministry of Agriculture from Republic of Croatia and a representative of the United Nations Economic Commission for Europe (UNECE). FARMA will continue to provide support to MoFTER and other relevant institutions in development and implementation of regulation of marketing standards for fresh fruit and vegetables, with an aim to harmonize BiH legislation with the EU *acquis* and to implement equivalent standards for goods imported to BiH.

FARMA also initiated activities in relation to protection of traditional agricultural and food products in close coordination with MoFTER as well at the BiH Institute of Intellectual property Rights and the BiH Food Safety Agency. FARMA's international expert assessed the current processes and overlap in competencies in BiH with regards to Protected Designation of Origin (PDO) and Protected Geographic Indication (PGI). The consultant met with representatives of MoFTER, the BiH Food Safety Agency as well as the BiH Institute of Intellectual Property Rights. The findings were presented to MoFTER and the Directorate of European Integration. The findings indicate that BiH needs to make changes to remove these overlaps and also to meet the EU requirements either by modifying the existing Law on Geographical Indication or upgrading current regulations administered by the BiH Food Safety Agency to a law. Both MoFTER and DEI were pleased with the findings of the consultant, which will be used to inform the Council of Ministers on the issue.

MoFTER and an EU Program TAIEX organized a two day conference in Sarajevo titled: "Further Integration of Agricultural Markets – Chances and Challenges for Bosnia and Herzegovina." FARMA addressed the question of competitiveness of the agricultural sector reviewing what is being done in the private sector and what needs to be done in the public sector.

In addition, FARMA also participated in a number of meetings and roundtables organized by MoFTER on the implementation of the road map for overcoming constraints for the export of products of plant and animal origin to the EU, focusing on issues of accreditation of laboratories.

BIH PLANT HEALTH ADMINISTRATION

FARMA continued to support the implementation of the National Monitoring Program for Quarantine Pests of Potatoes with an aim to have the BiH monitoring program approved by the EU. All activities were developed in full cooperation with the BiH Plant Health

Administration. The BiH Plant Health Administration and FARMA organized two advanced training programs for laboratories included in the implementation of the National Monitoring Program in this quarter. Training on Quality Management System and Root Knot Nematodes (RKN) was held at the Agricultural Institute Ljubljana in May 2012 and the BiH Plant Health Administration was informed about the results of this training.

BIH VETERINARY OFFICE

FARMA worked intensively with the BiH Veterinary Office (SVO) in overcoming constraints for the export of honey and milk to the EU. In cooperation with the Czech Development Agency, training sessions for veterinary inspectors on the "sampling of honey" as part of the National Residue Monitoring Program were conducted in Brcko, Mostar, Banja Luka and Sarajevo. Joint FARMA and SVO visits were also conducted at honey processors to ensure their facilities and production methods meet EU standards. In addition, assessment of four veterinary laboratories that have the greatest potential to conduct residue tests in milk and honey as part of the National Residue Monitoring Program was conducted and recommendations for their capacity building was provided.

BIH FOOD SAFETY AGENCY

FARMA worked closely with the BiH Food Safety Agency with respect to the protection of traditional agricultural and food products (as described above under MoFTER) as well as issues related to the harmonization of milk quality decrees. In cooperation with the BiH Food Safety Agency, FARMA organized a Round table on this topic which gathered representatives of milk processors, associations of milk producers, Agriculture Institutes, representatives of both Entity Ministries. Agreement was reached to harmonize the By-laws in the country. The RS MoA completed this activity in May, while the FBiH MoA is expected to do this soon.

ENTITY MINISTRIES OF AGRICULTURE

FARMA cooperated with the Entity Ministry of Agriculture regarding the issue of harmonization of milk quality decrees (described in detail under BiH Food Safety Agency). FARMA also prepared a pilot program "Farm record keeping in accordance with EU directives" as well as Nitrates Directive and introduced it to the RS and FBiH Ministry of Agriculture. The Ministry of Agriculture RS underlined the importance of FARMA efforts in introducing the Nitrates Directive and asked for permission to use the document prepared by FARMA on their web site –

<http://www.mpsvrs.org/mps/Doc.aspx?cat=5&subcat=133&id=191&lang=cir&txt=197>

BIH INSTITUTE OF STANDARDIZATION

In a meeting held in April, the BiH Institute of Standardization (BAS) adopted OK's (private) organic standards, which were developed by OK, as the BiH national organic standards. Standards will be published by the end of 2012. FARMA, together with OK and the Swedish Grolink, recommended these standards to the BiH Institute of Standardization.

Gender and Minority Equality

This section of the report does not report new or additional information from that provided in the body of the FARMA Quarterly Report. Rather, this section aggregates those elements from the rest of the FARMA Quarterly Report that specifically relate to the topic of project's activities in domain of gender and minority equality.

PRINCIPLES

USAID/Sida FARMA recognizes that gender and minority equality are necessary components for economic growth, not only for women or minorities and their families, but also for BiH's overall competitiveness and the performance of individual producer organizations. Inequalities create inefficiencies, impose costs on productivity, and impede competitiveness. FARMA seeks to positively discriminate in favor of women's organizations and other disadvantaged groups where significant social benefit can be gained.

FARMA's REACH

USAID/Sida FARMA sought to actively include women in various project activities. Over 5,900 women have taken part in various FARMA-organized training events since the start of the project. This constitutes 21% of the total number of FARMA training participants.

FARMA has worked with 45 women-run organizations directly and collaborated with a number of women organizations and associations. In addition, women are represented in the FARMA Coordination and Advisory Bodies – bodies made up of stakeholders who provide guidance to FARMA to improve project implementation and impact.

To initiate new MAP plantations, a new contract between Women for Women International and FARMA for Implementation of a MAP Cultivation School was signed. The school, which is currently training twenty women from Dobož, Olovo, Ahmići and Jablanica began courses in mid-May. In connection to this, the company Prirodno bilje from Banja Luka signed a contract to purchase medicinal plants produced by the women from the school, thus allowing the school participants to already have secured a customer for themselves and providing the Prirodno bilje with additional medicinal herbs to process. This is the second phase of the project funded by FARMA, and implemented by Women for Women International, where twenty women will have an opportunity for advanced training in the cultivation of medicinal and aromatic plants, and to provide additional income for themselves and their families.

In addition, FARMA grant funds were approved for The Podrinje 1, a women's association from Skelani, near Srebrenica, to increase cultivation of medicinal plants, focusing on lavender. The project will engage 15 women who will be able to earn additional income for their families. Podrinje 1 also obtained funding through the USG special fund for Women Empowerment Projects from the US Embassy BiH in the amount of USD 35,160. The purpose of this grant is to establish a medicinal and aromatic plants nursery for further cultivation of lavender, balm, sage, marshmallow and heather. With this support, Podrinje 1 will expand MAP cultivation as well as increase the production of value added products such as essential oils.

Annual Indicator Update

FARMA PERFORMANCE MONITORING TABLE	LoP Goal*	2010 Total	2011 Total	This Quarter	LoP Total	% of LoP Goal Attained
PROJECT OBJECTIVE						
Percent change in sales of participating producer organizations	35%	16%	10%	n/a	26%	74%
Change in employment in participating producer organizations	25%	-1%	23%	n/a	22%	88%
Number of new products eligible to enter EU markets	2	0	3	n/a	3	150%
Return on investment*	6.8:1	4.4:1	5.41:1	n/a	5.41:1	79%
PIR 1: SUSTAINABLE MARKET LINKAGES FOR BIH PRODUCERS BUILT						
Percent change in the value of international exports of agricultural commodities linkable to FARMA assistance (F)	11%	24%	22%	n/a	22%	200%
Number of producers in selected sector/sub-sectors achieving certifications aligned with EU standards and requirements	20	2	22	8	32	160%
PIR 2: ACCESS TO FINANCE INCREASED						
Amount (USD) of private financing mobilized with DCA-guarantee (F)	4,000,000	86,253	1,042,474	n/a	1,128,727	28%
Value of FDI (USD) accessed by selected POs with FARMA assistance	2,000,000	5,843,328	0	n/a	5,843,328	292%
Percent change in the value of loans and investments in assisted POs	25%	49%	5%	n/a	54%	216%
PIR 3. PRODUCER ORGANIZATIONS AND OTHERS COUNTERPARTS' CAPACITY BUILT						
Number of agriculture-related POs benefiting directly from the FARMA project (F-indicator)	236	314	139	21	474	201%
Number of farmers, processors and others who have adopted new technologies or management practices made available for transfer as a result of FARMA assistance (F-indicator)	12,800	6,592	15,077	627	22,296	174%
PIR 4. ENHANCED POLICY ENVIRONMENT TO BENEFIT COMPETIVENESS OF BIH AGRICULTURAL GOODS						
Number of policy reforms analyzed with FARMA assistance (F-indicator)	15	6	7	2	17	113%
Specific policy constraints identified and action plans developed (qualitative)	2	2	2	n/a	4	200%

* The LoP goal are the targets to the end of the base period. New targets will be set to include the approved option period i.e. to the end of August 2013, and these will be submitted with the workplan for 2012-2013 period.

The FARMA project carries out data collection once per year, at the end of the first calendar quarter, to measure results from the previous year. The table above represents quarterly update of data (where such updates are available).

Major Activities Planned Next Quarter

ANIMAL AND DAIRY

1. Start the pilot program on 60 farms throughout BiH on “Farm record keeping in accordance with EU Directives” – preparation of brochures, meetings with stakeholders and introduction of the program to farmers.
2. Preparations/planning for the ToT training in the EU Nitrates Directive; the Artificial Insemination program; animal feed and soil testing program; activities related to the promotion of BiH cheeses.
3. Selection of grant recipients as per the RFA on the EU Nitrates Directive.
4. Technical training for dairy farmers.
5. Work with cheese producers to establish an Association of cheese producers in BiH.
6. Study tour to Slovenia – Radgona fair (financed by the Agriculture Institute in Maribor).

MAPs AND HONEY

1. International STTA on MAP distillation and cultivation technology.
2. Training on modern beekeeping technologies and good beekeeping practices will be provided to beekeepers, including EkoMozaik.
3. MAP cultivation training according to good agricultural practices.
4. Together with Pcelarstvo Mulabdic from Zepce and municipality Zepce, a promotional event/presentation of new innovative bee practices will be organized. Up to five beekeepers will present their innovation in beekeeping to more than 100 beekeepers. FARMA project will award best innovation.

FRUIT AND VEGETABLES

1. Establishing a strawberry demonstration plot in Celic.
2. Finalizing the program on the introduction of new berry varieties in cooperation with the CzDA. Preparing presentations to promote the results of this program.
3. Technical training throughout BiH, including during the plum fair in Gradacac.

EU INTEGRATION, STANDARDS AND ENVIRONMENT

1. Workshop for the BiH Plant Health Administration and other relevant authorities on the update the existing monitoring program for quarantine pests of potatoes.
2. Workshop - drafting regulations in BiH – on marketing standards for fresh fruit and vegetables.
3. Presentations at the USAID Regional Environmental Compliance and Sustainability Workshop at Kolašin, Montenegro.
4. Conference for agricultural advisors, with international participation (Switzerland, Austria, Slovenia).

ACCESS TO FINANCE

1. Continue with ToT on Business planning to the Una Sana Canton Agriculture Institute.
2. Deliver 4 trainings on Farm record keeping.
3. Assist one PO with a loan application for DCA facility.
4. Research new financial products that could be attractive for POs, to inform during winter trainings.
5. Conduct a preliminary research on agricultural insurance in BiH.

PARTNERS DEVELOPMENT FUND

1. Publish an RFA on Assisting the dairy farmers and producer organizations to comply with the requirements of the EU Nitrates Directive in order to solicit applications for grant awards.

2. Sign at least two subcontracts with competitively selected POs for different activities which support FARMA to achieve project goals;
3. Approve at least three small grants to qualified POs to support their development goals.
4. Close at least five grants.

MARKETING

1. Develop a SOW to facilitate better access to local and regional agricultural price information.
2. Start providing graphic design services to POs.

Financial Expenditures

Line 1- The Contract Budget indicates the total allocated amount for the three-year base period plus the executed one-year option period of the program. Line 2- Obligated Funds, indicates funds currently obligated by the donors; these are funds available to the project. Line 3- Quarterly Expenditures, indicates the project expenditures for the reporting period, which are an estimate as FARMA's June invoice has not yet been finalized. Line 4 – 2012 Expenditures, indicates expenditures in this calendar year to the date indicated. Line 5- Total Project Expenditures, indicates the project expenditures for the life of the project. Line 6- Balance of Obligated Funds, is the difference between available (obligated) funds and total expenditures of the project. Finally, Line 7- Percent of Obligated Funds Invoiced, indicates how much of obligated funds were expended by the project through the end of the reporting period.

STATUS OF BUDGET EXPENDITURES	
Contract budget:	\$13,998,686
Obligated Funds	\$11,123,814
Quarterly Expenditures* (April-June 2012)	\$549,670
2012 Expenditures (January-May 2012)	\$959,705
Total Project Expenditures (Sept 2009-May 2012)	\$9,400,124
Balance of Obligated Funds:	\$1,723,690
Percent of Obligated Funds Invoiced:	85%

As of the end of this quarter, 71 percent of the project length had been completed, against 67 percent of the budget spent.

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