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USAID KOSOVO PRIVATE ENTERPRISE PROGRAM (KPEP)

ACTION PLAN for the rapid development of NON-WOOD FOREST PRODUCTS in the Republic of Kosovo

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Implemented by
Booz Allen Hamilton

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

ACTION PLAN FOR THE RAPID DEVELOPMENT OF NON-WOOD FOREST PRODUCTS IN THE REPUBLIC OF KOSOVO

The detailed time-line of activities of the action plan is presented in Annex I.

Kosovo Private Enterprise Program project (title of the project).
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1. PURPOSE OF ASSIGNMENT

This assignment is contributing to the goals of the component “private sector support in targeted sectors with potential for growth and competitiveness” of the USAID financed Kosovo Private Enterprise Program (PEP) project.

The specific objectives of the assignment, as per consultant’s scope of work, include:

1. Identify the characteristics and situation of the non-wood forest product sub-sector in Kosovo.
2. Identify the characteristics and situation of the local, regional, and international markets for products that are currently being supplied and have the potential to be supplied based upon shifts in the market and projections.
3. Develop a vision for growth and action plan to address constraints in the value chain with an objective for growth.

In line with the scope of work, to achieve these objectives, the consultant shall undertake, but not be limited to, the following main tasks:

1. Since there is a lack of data which encompasses the sub-sector, the consultant will interview stakeholders to gain an understanding of the size of the sub-sector and the potential for growth. Most indications from Serbia are that growth levels of 10-15% per year are easily obtainable.
2. Identify areas where there is potential for vertical and horizontal cooperation which can be leveraged to generate growth. This cooperation can be defined as local and regional. For example is there market benefit by looking at a regional value chain involving Kosovo, Macedonia, and Montenegro.
3. Is there legislation relative to this sector that may prohibit hitting projected growth levels? In the 1990’s Serbia introduced quotas to protect forests from over-harvesting. These quotas remain in effect.
4. Is there potential to cultivate wild species? Mercy Corps has done some work in this area and interviewing and their local partner may be useful. Serbia has a very good infrastructure including seed banks, institutes, and NGO’s supporting the sector.
5. Develop a vision for growth. This will include market opportunities, constraints, action plan with activities at point of leverage, and expected results.

The consultant will be responsible for the following deliverables:

1. Identification and description of the sector.
2. Market analysis for non-wood forest products, current and potential
3. Vision for growth with action plan

2. BACKGROUND

During the time of Yugoslavia, Kosovo was mostly regarded as a supplier of raw materials, including wild berries, mushrooms and herbs, for processors located elsewhere in Yugoslavia. Consequently, the only real income was generated by the collectors in the field, an income very dependent on the climatic conditions of the season.

It was not until the 1980's that any value-added activities began to take place in Kosovo in the NWFP sector, with the emergence of entrepreneurs and a legal framework permitting their private business operations. Unfortunately, many of the entrepreneurs had their facilities destroyed, machines and stock stolen, setting them back years in their development.

With the end of the conflict and return to a more stable business environment, investments again began to flow into the sector, from the entrepreneurs themselves through their own savings and/or banks and from international donor organizations.

Today the NWFP sector is made up of a network of professional and experienced processors, with well-established export markets, and a large number of experienced collectors across the country.

The end international markets for Kosovo berries, mushrooms and herbs have not changed, through the fall of Yugoslavia and the conflict, until present time. The main export markets have been and still are the larger countries in the EU, and in particular Germany. Germany is the core market for herbs and berries, while Italy always ranks high in import of mushrooms. The difference from Yugoslavian time is that now the Kosovo processors are exporting directly, while before collectors were supplying the raw materials to processors in Serbia, Slovenia and Croatia, who in turn were exporting the products to importers and wholesalers in North-Western Europe.

From an employment point of view, the surfacing of Kosovo processors mean more employment in management and administrative positions within these companies, as well as a demand for seasonal workers to handle the post-harvest processes. Add to this number of jobs, the additional income generated to collectors and cultivation farmers, and the economic impact of the NWFP sector become obvious and significant.

3. EXECUTIVE SUMMARY

This assessment of the Non-Wood Forest Product (NWFP) sector in Kosovo seek the answer to the question: “Does the sector have the internal strengths and capacities, and external market opportunities to contribute, quickly and substantially, to the development goals of the Republic of Kosovo, and to fulfilling the project objectives of KPEP?”

On all measurable accounts, the answer is yes.

Probably, like no other export-oriented sector in Kosovo, the NWFP sector has all the ingredients required to grow rapidly, generating increased sales for the involved companies, economic growth for the country and thousands of new working places for the population, all over Kosovo but particularly in rural areas.

The NWFP sector draws its ultimate strength from its extensive range of basic products, (berries, herbs and mushrooms) which are of internationally recognized high quality and with high levels of flavor. The natural composition and character of the harvested products In Kosovo means they are often naturally superior to many of their competitors.

The collection and cultivation of NWFP are very labor-intensive activities and business operations, which in turn constitutes the second competitive advantage of the NWFP sector. Relatively high labor costs in most EU member states are forcing local companies to convert from local production to imports. Kosovo has the human resources available, in particularly in the regions, at a competitive price. Add to this advantage the fact that a large segment of the rural population has extensive experience and tradition in the collection of NWFP.

The local network of processors makes up the third pillar on which to build an effective and practical action plan for the rapid development of the NWFP sector in Kosovo. The processors are the drivers of the entire sector, injecting large amounts of cash into the rural communities as they buy out the harvest, processing the raw materials to contain their natural qualities and finally, exporting the products to importers in the EU, generating significant income for the companies and for the Kosovo economy.

To further improve the overall performance of the NWFP sector in Kosovo, measured in increased turnover among the processors and higher numbers of employment, the thrust of project interventions should be focused on strengthening the business operations of the leading processors in the country.

It all starts (and ends) with quality control. As mentioned earlier, the basic products (berries, mushrooms and herbs) are of very high quality when collected in the mountains or harvested on the farm plots. In order to protect the competitive advantage that nature and the climate have created, and hinder any loss of value through contamination or man-made mistakes, the processors must implement and adhere to all international standards referring to food safety.

From a marketing perspective, to hold internationally issued and recognized certification for HACCP, GAP and even organic agriculture, is no longer a novelty and competitive advantage but a fundamental requirement among customers

In order to offer a competitive end product to importers/wholesalers in the EU, the processors must not only assure that the products are of the highest quality, and accordingly certified, but the price must be competitive as well. The relatively low labor costs in Kosovo is a positive factor in setting the price, but other factors, such as low quantities, limited variety of available species, transportation cost, are less positive, and measures must be taken to overcome these shortcomings. To become

interesting to EU importers and wholesalers as a long-term supplier and business partner, the processors must first of all increase their total volumes and variety of products.

The cultivation of berries and herbs is a very underdeveloped sub-sector in Kosovo, yet cultivation is the key to increase volumes, relatively rapidly, and to expand the variety of available products. Initial steps into cultivation have already been taken by some local processors, noteworthy APC with berries and Agroprodukt in Iztog with herbs. Both processors use the same methodology, supplying seeds and seedlings to interested farmers, technical assistance throughout the cultivation and harvesting phases, against a contract for buying-out the harvest. This model needs to be introduced to more farmers and effectively multiplied in other regions of Kosovo, building on the existing network of processors, as local focus points.

As the quality and output of NWFP increase, there must be market channels in place to absorb the production. Fortunately, several of the processors already have established export links to the EU, primarily importers of mushrooms in Italy and in Germany for herbs and berries. Consequently, the international marketing interventions by KPEP should build on the existing export channels, draw on available market information and experience, and focus initially on expanding the number of buyers in the established markets, before expanding into new geographical markets. The marketing approach should be pro-active, seeking direct contact with potential importers and wholesalers through trade missions and trade shows.

To ensure the sustainability of the marketing activities, and ensure that important market information gathered through trade missions and trade shows is disseminated to the benefit of as many Kosovo processors as possible, it is essential that the processors themselves instigate, finance and manage a national, professional association for the NWFP sector.

As a means of directly supporting improvements in processing capacity and increase in total outputs per processor, further investments are required in machinery, equipment, freezers and cold storages. Detailed investment reviews must be completed by KPEP prior to any approval of investment support, taking into consideration, not only the expected effects of the investment, but the company's business model, sales record, contracts with buyers, and financial capacity to cost-share investments and at the same time run the business successfully.

In conclusion, the successful implementation of all activities in the action plan depends on the active contribution and participation of the processors. These companies are the NWFP sector's "Generators-of-Growth" (GoG). They are the ones who will take the financial risks and reap the economic benefits, if successful, but more important they are the ones who will legally employ thousands of people across the country, by increasing their sales and exports.

4. FIELD ACTIVITIES TO ACHIEVE PURPOSES

In an effort to create an up-to-date picture of the characteristics of the non-wood forest product sector in Kosovo, including the major corporate actors, the consultants met with and interviewed a large number of companies active in the sector, as well as with supportive organizations and public institutions.

Date of Meeting	Name and Position Title Organization	Purpose
Feb. 17	Ramo Sagdati, ACKI KOMERC	Interview and compiling company profile
Feb. 17	Nuridin Bajrami, HIT FLORES	Interview and compiling company profile
Feb. 17	Ibrahim Redzeqi, JUNIPER FRUCTUS	Interview and compiling company profile
Feb. 18	Fatmir Krasniqi, FUNGO FF	Interview and compiling company profile
Feb. 20	Muhamed Disha, MD Consulting	Interview on HACCP certification process (ISO and organic certification) and available resources in Kosovo
Feb. 20	Prof. Ferat Rexhepi	Interview on academic support for MAP in Kosovo, MAP association
Feb.23	Muzafer Luma and Deme Loxhaj, Kosovo Forest Agency	Interview on Agency's role in regulating harvest of non-wood forest products
Feb. 23	Dukagjin Zeka, Faculty of Agriculture	Interview of availability of seed and seedling production in Kosovo
Feb. 24	Avni Shabani and Ardian Shabani, APC (Agroproduct Commerce)	Interview and compiling company profile
Feb. 24	Agim Hasani, AMKOS	Interview and compiling company profile
Feb. 25	Bejtush Gashi, EUROFRUIT	Interview and compiling company profile
Feb 25	COP John Mackillop, Branimir Dimitrijevic - KPEP	De-briefing on progress of Action Plan for NWFP sector and discussions
Feb. 26	Dobrivoje Stevanovic, SKARDUS	Interview and compiling company profile
Feb. 26	Faton Nagavci, INTER-COOPERATION	Discussion on MAP and mushroom sectors in Kosovo, exchange of experiences
Feb. 27	Ivan Vokojovic, ASPROMET	Interview and compiling company profile
March 2	Skender Pelaj, KOOPERATIVA RUGOVA, Mehmed Mekaj, BERATI ASSOCIATION, Halit Avdijaj, GROPRODUKT-SYNE	Interview and compiling company profiles
March 4	Visar Aliu, BESIANA	Interview and compiling company profile

5. TASK FINDINGS

5.1 The Supply side

5.1.1 Current situation

5.1.1.1. List of Non-wood forest products harvested in Kosovo

Scientific	Albanian	English	Serbian
Achillea millefolium	Bar pezmi	Yarrow	Stolisnik
Aconitum napelus	Pelini	Aconite	Jedic
Anemone nemorosa	Fillikatja e pyllit	Wood Anemone	Bela sasa
Antennaria dioica	Antenaria dioike	Cat's-foot	Srcopuc
Anthylis vulneraria	Antilida	Lady's finger	Vulneraria
Arctostaphylos uva-ursi	Rrusharusha	Bearberry	Medvjetka
Asperula odorata	Njegjira	Woodruff-asperule	Lazarkinja
Atropa belladonna	Helmarina	Banewort	Belebile
Bellis perennis	Lule shqerre	Daisy	Krasuljak
Betula pendula	Mështekna	Silver Birch	Breza
Carlina acaulis	Ushojëza pa kërcell	Carline	Kravljak
Castanea sativa	Gështënja	Sweet Chestnut	Kesten
Centaurium erythraea	Bar ethësh	Common Centaury	Gorcica
Cetraria islandica	Ushojëza pa kërcell	Island Cetraria	Islandiski lisaj
Cichorium intibus	Bresa	Chicory	Cikori
Colchicum autumnale	Gjerokulli	Meadow Saffron	Mrazovac
Convallaria majalis	Lotëzonja	Lily-of-the Valley	Djurdjevak
Cornus mas	Thana	Cornell-tree	Drijen
Corylus avellana	Lajthia	Hazel	Lijesnik
Crataegus monogyna	Murrizi	Whitethorn	Bijeli glog
Crocus sp.	Krokusi	Saffron	Safran
Digitalis lanata	Lule togeza	Grecian Foxglove	Digital
Epilobium angustifolium	Epilob	Fireweed	Vrbovica
Fragaria vesca	Dredhëza	Wild Strawberry	Sumska pagoda
Frangula alnus	Tulkuqi, zogla	Alder	Krusina
Fraxinus ornus	Frasheri	Flowering Ash	Crni jasen
Galium verum	Ngjitesja e vertetë	Yellow Galium	Zuta brocika
Genista tinctoria	Gjineshtë	Dyer's Greenweed	Zhutilica
Gentiana asclepiadea	Gentiana e Asklepit	Gentian	Lincura
Gentiana punctata	Gentiana pikaloshe	Dotted-flowered Gentian	Lincura
Geranium macrorrhizum	Kamaroshja rrenjemadhe	Cranesbil	Zdravac
Hedera helix	Urthi	Bindwood	Brsljan
Hypericum alpinum	Lulebalsami alpik	Common Alp	Kantarion
Hypericum perforatum	Lulebalsami	Common	Kantarion

Juniperus communis	Dëllinja e zezë	Juniper	Kleka
Malus sylvestris	Molla e eger	Wild Apple	Divlja jabuka
Mentha longifolia	Menta	Mint	Nana
Orchis morio	Salep	Orchis	Salep
Origanum vulgare	Çaj mali	Wild Marjoran	Mravinac
Petasites albus	Lapua i bardhë	Butterbur	Bijeli lopuh
Petasites hybridus	Lapua hibrid	Butterbur	Crveni lopuh
Plantago media	Cemerdelli	Haory Plantain	Srednji trputac
Polygonatum odoratum	Poligonati	Angular Solomon's seal	Pokosnica
Primula acaulis	Agulija pa kërcell	Primrose	Jagorcika
Primula officinalis	Agulija mjekësore	Cowslip	Rani jaglac
Prunus spinosa	Kulumria	Sloe	Trn
Pteridium aquilinum	Fieri i shqipës	Bracken	Bujad
Pyrus sp.	Dardha e egër	Wild Pear	Divlja kruska
Robinia pseudoacacia	Bagremi	Yellow Lokust	Bagrem
Rosa sp.	Trendafili i egër	Dog Rose	Divlja ruza
Rubus fruticosus	Manaferra	Dewberry	Kupina
Rubus idaeus	Mjedra	Raspberry	Malina
Salix alba	Shelgu	White Willow	Bela vrba
Sambucus nigra	Shtogu	Elder	Crna bazga
Sanguisorba minor	Sanguisorbë e vogël	Salad Burned	Dinjica
Sorbus aucuparia	Vadha e eger	Roman	Jarebika
Tanacetum vulgare	Karajpeli	Tansy	Vratic
Taraxacum officinale	Lule shurdha	Blowball	Maslacak
Teucrium chamaedrys	Arresi dushkvogël	Common Germander	Dubicac
Thymus sp.	Krasta	Wild Thyme	Majcina dusica
Tilia cordata	Bliri	Lime	Lipa
Tussilago farfara	Thundër mushka	Horse Weed	Konjska kopita
Urtica dioica	Hithra	Stinging Nettle	Kupriva
Vaccinium myrtillus	Boronica	Bilberry	Borovnica
Veratrum sp.	Shtara	Falsehellebore	Cemerika
Verbascum thapsus	Netull	Wool Mullein	Divizma
Veronica officinalis	Veronik	Common Speedwell	Veronika
Viola odorata	Manushaqja	Sweet Violet	Ljubica
Viola tricolor	Manushaqe trengjyrëshe	Wild Pansy	Sarena ljubica

5.1.2. Summary of interviewed companies

We have interviewed 12 companies, all processors, and one association active mostly as a collection point and sub-supplier to the other processors. This is the group of most prominent and relevant companies involved in the NWFP business in Kosovo. It is our estimate that the members of this group represent more than 90% of the total volumes and turn-over of this sector.

The total number of persons employed by these businesses are 1,039. From this 69 are full-time, 970 are seasonal employees and for the collectors/farmers the estimated number is around 6,000. Depending on the size of the company, the number of its collectors ranges from 100 to more than 1,000 collectors.

Top ten species collected/harvested and their respective volumes are as follows:

Species	Volumes in tons
Blueberry	1,067
Juniper berry	1,049
Mushrooms	810
Rosehip	650
Wild apples	318
Wild rose	32
Cowslip/Primula off.	26
St. John's wort	23
Elderberry	21
Bearberry/Uvea ursi	20

Markets

For the actors in the NWFP sector the local market represents a very small portion of overall incomes, less than 5%. Businesses who act more like collection points sell almost all of their volumes to local processors/exporters. Among the wild products only frozen blueberries (250 and 500 g) and very small quantities of dried mushrooms are sold in local retail market. Locally cultivated mushrooms (champignons), however, now hold a strong position in the local market (retail and restaurants).

Products from the NWFP sector are much more attractive for international markets. Serbia is the main regional market for berries and mushrooms, while Macedonia and Albania are good regional markets for herbs. Montenegro is also importing berries and mushrooms.

Among the European market, Germany is the main buyer of herbs and berries and Italy is known for its mushroom purchases. Berries and mushrooms are also exported to Holland, France, Belgium, Austria and Slovenia.

Quality control issues

Beside the support on best cultivation practices provided by Intercooperation, GTZ and CARE, some companies have engaged experts from Serbia and Bulgaria, including the fruits institute in Cacak, specialized in the cultivation of raspberries, blackberries and blueberries. However, there exist a lack of proper manuals on cultivation practices.

Intercooperation, GTZ and CARE have all hosted training sessions on best picking practices. Some brochures are developed, but these focus more on identification of berries and herbs rather than on practical picking methods and techniques.

International standards (HACCP, GAP, organic certification)

All company owners have attended some presentations on international standards and requirements of export markets, organized by previous USAID projects (KBS and KCBS), GTZ, Intercooperation and CARE. Consequently, they are all aware of the importance of international standards to their businesses.

As of today, only one company, APC, is HACCP certified, while the other companies are very interested in starting the procedure for HACCP certification. Three of the companies have agreement with ALBINSPEKT, an organic certification consulting company, based in Tirana, for organic certification.

Post-harvest processing

Except three companies (Açki, Berati and Rugova), all the companies possess some kind of dryers. One company (Agroprodukt in Istog) has four dryers. The dryers vary in capacities, starting from 1 t up to 3.5 t per day.

Six of the companies have cleaning machines for blueberries and juniper berries (calibrators). One company has a machine to cut herbs, separator of dust and separator of leaves and a pressing machine.

Seven companies have shock freezers (-40 °C), with capacities from 60 m³ up to 150 m³, while eight companies have cold storages with – 20 °C, capacity from 20 m³ up to 150 m³.

In summary, the group of companies possesses a good processing foundation in machinery, equipment, freezers and cold storages. Some of the investments have come through international donor programs, including USAID, but the majority of investments are being covered by the companies themselves, which in turn is a clear indication of the companies' positive outlook on the NWFP sector in Kosovo.

Management

Every entrepreneur interviewed declared that the NWFP sector has huge potential for growth. They stressed that with adoption of international standards, better cooperation within the sector and with adequate equipment this could become the leading export sector in the Kosovo economy.

Turnover

The companies' turnovers range from 50,000 € up to 2,500,000 €. Total turnover for the 13 companies interviewed is 7,520,000 €.

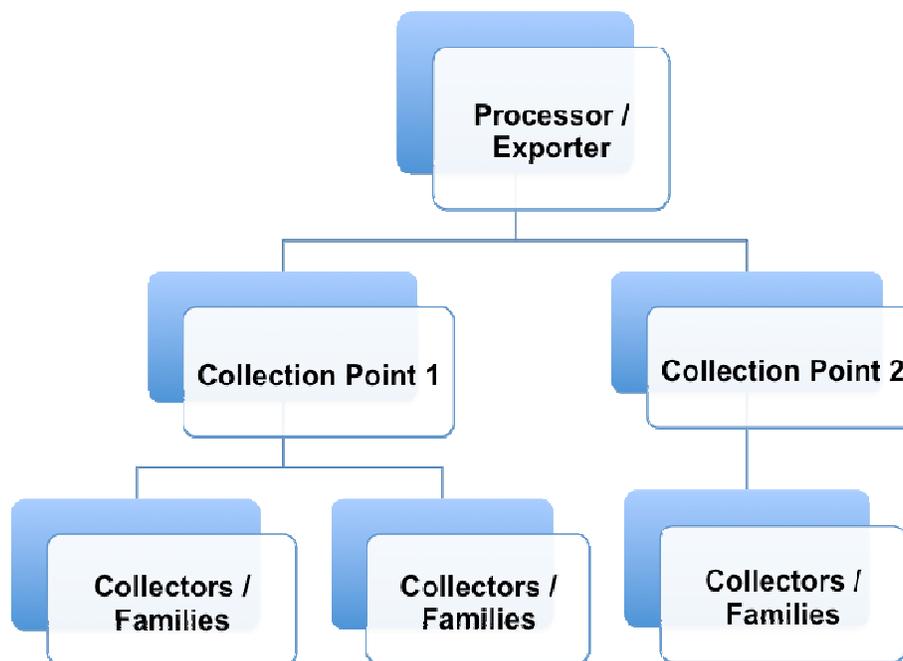
Six of the companies (38%) have a turnover of less than 500,000 €, while two companies (15%) have turn-over higher than 1,000,000 €.

A summary of the exact data, as collected from the companies, is presented in Annex II, which will also act as a benchmark, to track growth and development in the sector.

In Annex III, the Company profiles are compiled and presented with photographs from the respective companies.

5.1.2.1. Supply structures – wild and cultivated NWFP

Wild non-wood forest products



The supply-chain for wild non-wood forest products is driven by the local processors. The major *processors* have invested in processing premises and facilities, as well as machinery and equipment. The processors have the established export contacts and, in most cases, the financial resources to pay the collectors in cash on delivery. Ideally, it is the processors who communicate with the collectors about what species to collect and at what exact time of the season. Also, the processors have the technical knowledge of each species and transfers collection skills to the collectors on an ad hoc basis.

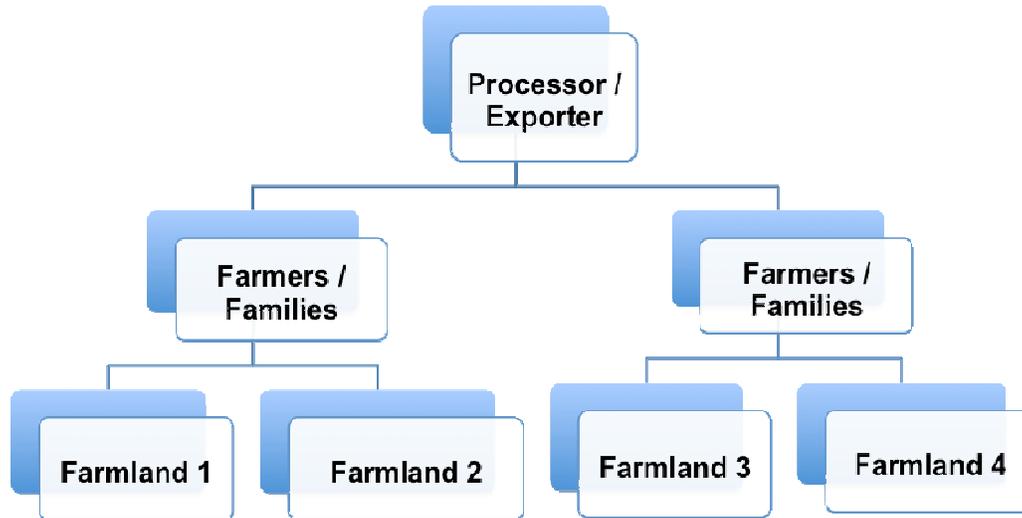
As a means of reducing the risk of contamination and general loss of value of the collected species, the processors either run their own network of collection points across the country, or work with locally owned and managed collection points. A collection point should consist of a dryer for herbs and/or a cold storage for mushrooms and berries, and be constructed according to international standards on a concrete base.

Collection of wild non-wood forest products is often a family-oriented activity, and a unique opportunity for the rural population to create additional income for itself. Depending on the natural and climatic characteristics of the region, collection of wild berries, mushrooms and herbs can be an almost year around income-generating activity.

In order to optimize the collection of wild non-wood forest products, and broaden the product base and geographical regions, the communication between the processors and the collectors must be well structured and regular. Through regular communication over-harvesting may be avoided, as collectors will not collect at will, but based on clear market indications from the processors. By meeting with

collectors regularly, the processors will have the opportunity to disseminate new methods of collection, and introduce new species.

Cultivated non-wood forest products



The processors are even more in the driving seat in the supply-chain for cultivated non-wood forest products. One reason for this is the fact that cultivation of these types of species is a relatively new concept in Kosovo. Also, in cultivation of berries and herbs the farmers are dependent on the processors to supply the seeds and seedlings, unless the farmers are ready to invest themselves which is very unlikely as the crops are new and the market is unknown to them.

Again, the major *processors* have invested in processing premises and facilities, as well as machinery and equipment. The processors have the established export contacts and, in most cases, the financial resources to sign purchase contracts with the farmers and buy out the harvest at a pre-set price.

The processors have the technical knowledge to cultivate a particular berry or herb, and transfers this skills set and expertise to the individual farmer through theoretical and practical training sessions.

The individual farmer invests in the cultivation process by planting the berries and/or herbs on his/her piece of land, and strictly follows the cultivation procedure of the particular crop (weeding, watering, etc), set down in the contract by the processor.

As a means of reducing the risk of contamination and general loss of value of the harvested species, the farmers' land plots must be in close proximity to the processors, or to a collection point. The same collection points used for handling wild non-wood forest products can be used for the cultivated species.

As with the collection of NWFP cultivation is a family-oriented activity, and another opportunity for the rural population to create additional income for itself. Depending on the natural and climatic characteristics of the region, the cultivation of berries and herbs can be a very important and profitable income-generating activity.

In order to optimize the cultivation of non-wood forest products, and broaden the product base and geographical regions, initial rounds of awareness campaigns are necessary to introduce the financial and other benefits of cultivation, as well as requirements and contractual arrangements with the processors, to the rural population.

As cultivation of NWFP is rolled out across the country, the processors will communicate regularly with the farmers to disseminate new methods of cultivation, and introduce new species.

5.1.3. SWOT

Strengths	Weaknesses
<p>Basic product of high quality, favorable natural composition and characteristics.</p> <p>GoG companies possess sector experience and have established export markets.</p> <p>GoG companies have invested in premises, machinery, equipment and in human resources.</p>	<p>Only one GoG is HACCP certified, none of the companies are organically certified or have documentation for GAP.</p> <p>GoGs are too dependent on a small number of clients.</p> <p>Cultivation of berries and herbs is very under-developed.</p> <p>There is no functioning non-wood forest product association.</p>
Opportunities	Threats
<p>Ministry of Agriculture, Forestry and Rural Development's ambition to certify processors harvesting non-wood forest products will benefit the GoG companies</p>	<p>Political instability</p> <p>Macro-economic crisis</p>

5.1.4. Map – geographical location of interviewed companies



5.1.5. “Generators of Growth”

“Generators of Growth” are companies, located in Kosovo, which already has been certified or are actively seeking to implement international standards. In turn, this confirms the company managements’ understanding of the requirements of international markets. Adhering to these international standards is no longer a novelty, but an absolute necessity among producers and exporters in order to penetrate EU/US markets. Without proper quality control standards in place and certified, any marketing interventions will have limited to no impact.

Implementing international quality standards will, in almost all cases, involve investments on the side of the company in up-grading the physical premises where production processes take place. To qualify as a “Generator of Growth” the companies must not only be willing to go through the technical certification process, but they must make necessary financial resources available to implement required modifications and reconstructions. KPEP can assist the companies in developing investment projects and approaching financial institutions and other donor organizations for support, on a case-by-case basis.

As growth of outputs (volumes) in the NWFP sector will be heavily dependent on the sector’s ability to explore opportunities in cultivation, as a complement to collection of wild species, the “Generators of Growth” must already have started the process of cultivation of berries, mushrooms and/or MAPs, or be willing to explore pilot cultivation units for these kinds of species. The choice of species to be cultivated will depend on market demand, characteristics of the local environment and traditions among local population.

Almost all of the identified “Generators of Growth” companies have received grants by previous USAID, and other donor organizations, to purchase machinery and equipment. However, as the companies begin to implement the international quality standards the requirement may arise for further investments in machinery and equipment. A “Generator of Growth” company must be willing to and have the financial resources to cost-share such new investments in quality control measures.

At the same time as the companies are strengthening its operations and products, as a result of the introduction of international quality standards, tailored international marketing activities will be developed and implemented. The “Generation of Growth” companies must take an active part in the development of the marketing activities, and co-finance the implementation of the marketing activities, such as trade shows, trade missions, ‘good practice’ missions, website development, etc.

As a means of assuring that improved and up-to-date market and technical information flow smoothly and regularly to the “Generators of Growth” and other companies active in the NWFP sector, a national association must be established and/or strengthened to supply services tailored to the needs of the members. It would be expected that the “Generators of Growth” take a lead in building and managing sustainable sector associations in Kosovo.

KPEP offers a long-term relationship of continuous development with the “Generators of Growth” companies, including technical assistance and opportunities for grant support. KPEP will expect the same long-term commitment on the side of the companies.

5.2. Markets

While the local market for berries, mushrooms and herbs is small in Kosovo, there are opportunities for growth, as a result of changing eating habits among the local population. Customers are becoming increasingly aware of food safety issues and nutrition, which should be an advantage for those local producers who can deliver high quality end products. Some of the mushroom processors are already delivering fresh and dry mushrooms to prominent restaurants in Prishtina.

However, the local market will always be secondary to the main processors as they pursue direct export to the major EU markets. The regional market could be expected to decline, as a result of the processors' ambition to add value added to their products and export directly to the importers and wholesalers of the EU.

5.2.1. Berries

5.2.1.1. Kosovo

Among the berries only blueberries, in small packages (250 and 500 g), are present on the Kosovo retail market. Approximately 1,5 t of these blueberries are sold per year, at a value of more than 6,000 €.

On the retail market the main buyers are ETC and Albi Commerce from Prishtina and Nedex from Peja.

5.1.1.2. Regional

Serbia is the main regional market for Kosovo berries, especially for blueberries and juniper berries. The total volume of blueberries sold to Serbia is more than 550 t/year and for juniper berry around 500 t/year. The berry market in Serbia has a value close to 2,000,000 €. Major buyers from in market are Juprom, Ekovoce and Intofood.

Other regional markets for berries are Macedonia and Montenegro with much lower volumes compared to Serbia. In total, the volumes on these two markets are not higher than 150 t. The main buyer of berries in Macedonia is Flores company, while in Montenegro it is Bioplod company from Rozaj.

5.1.1.3. EU

Europe's largest market for blueberries is Italy with annual volumes of approx. 300 t. The main market for juniper berries is Germany, which absorbs around 250 t/year. Other important markets in Europe are France, UK, Belgium, Holland and Slovenia. The blueberry market in UK alone is valued at 40 million pounds.

In 2004, the total import of frozen raspberry into the EU was 120,000 tonnes, almost half of which was destined for the German market. 25% of the imports went to France, and approximately 10% to Austria. Serbia, Poland and Chile are the largest suppliers of raspberries into the EU markets.

5.2.2. MAP

5.2.2.1. Kosovo

Kosovo market for MAPs is very limited. Only producers of teabags purchase these herbs and the main herbs sold are chamomile, mint, linden, linden and nettle. The major buyer is Herbakos from Prishtina.

5.2.2.2. Regional

Main importing countries for MAPs in the region are type Macedonia and Albania. The biggest buyer in Macedonia is Flores company and oregano is preferred herb imported, with average yearly volumes of 10 t.

Albania market, with the main importer Albducros imports oregano and whitethorn, with average volumes of 15 t.

5.2.2.3. EU

The value of European herbal industry is estimated at about €4 billion. The EU imports mainly herbs such as parsley, marjoram, oregano, thyme, bay leaves, rosemary, basil, mint, savory, dill, tarragon and sage. Bulgaria and Albania are the largest exporters of herbs in South East Europe.

The leading five importers of herbs in the EU are Germany, France, UK, Netherlands and Spain. Among them Germany is the dominant actor in the value-chain, importing in bulk, processing the materials and re-exporting the end products.

The German market for fresh herbs is the largest in the EU, with imports exceeding 63,400 MT in 2004. In addition, Germany is the world's second largest market for organic herbs and spices. In 2006, Germany imported 229 million tonnes of spices and herbs, at a total value of € 404 million.

The European market for herbal supplements and herbal medicines was worth \$7.4 billion in 2003.

5.2.3. Mushrooms

5.2.3.1. Kosovo

The local market for wild mushrooms is still at a very low level. Only one company (Fungo FF) sells dried mushrooms in packs of 28 and 100 g. in retail supermarkets, like Albi, Interex, and Maxi. Some restaurants in Prishtina have started to use wild mushrooms. For champignons there is better market, both in retail and restaurants. Its value to around 80,000 € .

5.2.3.2. Regional

In the region, Serbia is again the biggest market, with more than 50% of the total amount of mushroom harvested, which is around 400 t. The main buyers of mushrooms in Serbia are Jurofungo, Funland and Marni.

5.2.3.3. EU

Largest market for mushrooms in Europe is Italy, with an average of 300 t imported per year, The main Italian buyers are Merlini, Fungorodica, Novafunghi and Dante Gianpiero.

The main importers of fresh mushrooms in the EU are Germany, Italy, Austria and France, covering some 90% of all imports. For example, France and Germany import more than 5,000 tonnes of chanterelles annually.

6. CONCLUSIONS AND RECOMMENDATIONS

At the moment, the large majority of the berries, mushrooms and herbs entering the value chain in Kosovo are collected rather than cultivated. The quality and characteristics of the wild species gives Kosovo a natural competitive advantage over many other countries.

However, the supply of wild berries, mushrooms and herbs are not un-limited, and the risk is very high that without proper forest management and regulation in place, un-controlled harvesting methods and over-harvesting will soon lead to the loss of certain species, in turn leading to a fall in supply of wild berries, mushrooms and herbs. In neighboring Albania, certain wild species have already disappeared from the forests due to un-controlled harvesting.

In Kosovo, the Ministry of Agriculture, Forest and Rural Development issued an administrative order in March, 2008, formally ordering relevant institutions to regulate the harvest of non-wood forest products through the introduction of a license system.

What may initially seem to be a threat to the business with non-wood forest products in the short-term, may very well become a contributing factor to the development of a more structured local business sector capable of harvesting and producing high quality products, in compliance with international standards.

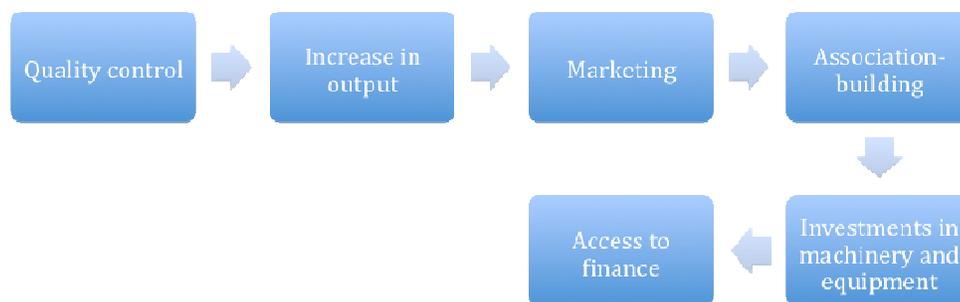
From a corporate point of view, co-operation with the authorities acting in protection of the environment is one important step to strengthen the NWFP sector, and generate a higher degree of quality products. Also, as a means of further increasing output, there is a need for companies to move into cultivation of berries, mushrooms and herbs.

It is an over-arching recommendation that KPEP promotes and develops *cultivation*, in particular of berries and MAPs in Kosovo, as a complement to the collection of wild species. It is a decision which makes good business sense, as cultivation will allow the processing companies and farmers to spread the risk over a larger number of species, they will not be as dependent on the weather and climate, and total volumes will increase as well as employed personnel and farmers.

Until now, the leading companies in the NWFP sector have invested in premises, machinery and equipment, often supported by international donor agencies, and most of them have established export markets. The current status of the leading companies is very encouraging, and as network these companies have the will and capacity to grow very rapidly, and pull with them the entire NWFP sector in Kosovo, with the tailored support from KPEP.

However, from an international perspective, the sector is still under-performing, due to various hurdles, such as lack of international standards, low volumes and limited market penetration, which have to be overcome in close co-operation between the leading companies and KPEP.

In order to rapidly develop and strengthen the NWFP sector in Kosovo, including both wild and cultivated species, a series of KPEP managed interventions are required:



In short, successful linkage of Kosovo processors and exporters into international supply chains will depend on the implementation of *international standards*, such as HACCP, GAP and Organic certification. These internationally recognized standards are no longer a novelty, but a fundamental requirement for any long-term business relationship. This means that without the international standards, Kosovo companies will be limited to competing against each other on the small Kosovo market and/or ad hoc and small scale exports to neighboring countries and other non-EU markets. In turn, international marketing activities will not have expected impact, as long as the Kosovo companies do not adhere to international standards. Hence, immediate attention should be given to the quality control issue among all Kosovo companies who want to co-operate with KPEP.

Beyond international standards, successful export of non-wood forest products to the EU will depend on the variety of available products and volumes. KPEP should, in close co-operation with the countries leading companies in the sector work to *increase the total volume of collected and cultivated species* in Kosovo. In the wild collection, volumes may be increased through capacity-building of collectors and processor staff, so that the 'right' species and collected at the 'right' time, meaning when the species are at their prime. As discussed earlier, the major push for increased volumes will be through the introduction of cultivation of berries and herbs. Processors will take the lead and main economic risk by supplying local farmers with seedlings, technical assistance and contracts for buying-out the harvest, and KPEP can support the processors with technical assistance and through the Strategic Activities Fund Program.

While the processors are implementing the new international standards, and at the same time working to expand their product base, KPEP will work closely with the leading Kosovo processors to develop and implement *marketing* activities linking to specific products to specific international markets. Germany is the largest importer of MAPs in the EU, and any market research and direct marketing activities for herbs should consequently start with Germany. Trade missions, following a per-set agenda of meetings with importers, should be the preferred marketing tool, combined with fact- and trend-finding missions to important international trade shows.

In order to forward their interests and further develop the sector of non-wood forest products, it is important that the leading companies in the sector unite in a *NWFP Association*. To succeed the association must be financed, managed and driven by the companies themselves, with technical assistance support from KPEP, and other donor organizations. The statute and services should be agreed upon by its members, but could include international market research, technical support services, lobbying Government and developing sector-wide projects for further development of the sector.

All of the leading companies in the sector have declared the need of additional *investments* in freezers, cold storage, machinery and/or equipment. There is a well-established link between these investments and increased outputs, quality assurance as well as increased employment and income-generation in the local communities. However, a connection must be made between the implementation of international standards by the applying companies and further investments by KPEP. Investments should be one integrate part of the overall improvement of the companies' premises and performance, as per by KPEP's action plan for the rapid development of the NWFP sector, and not a stand-alone activity.

Some of the interviewed companies in the sector, mentioned cash-flow as a major hurdle for corporate growth. As the processors pay the collectors in cash, while having 30 days net as payment term with international customers, it is easy to see their difficulty. To cover the gap in cash-flow, the processors rely on their own savings and local financial institutions. Several of the companies were having problems with the banks. As a KPEP activity, technical assistance could be offered to the processors, in the form of business plan development, filling in loan application and in presenting the companies in front of the banks.

6.1. Quality control

6.1.1. Hazard Analysis and Critical Control Points (HACCP)

HACCP is widely recognized as a fundamental instrument in the management of food safety. The principles of HACCP emerged from the work of Codex Alimentarius Commission, as a joint activity by FAO/WHO (Food and Agriculture Organization/World Health Organization) Food Standards Programme for the United Nations, to develop food standards, guidelines and codes of conduct. Major food retailers and importers of food products, including non-wood forest products, have since recognized HACCP as requirement for any food safety system.

HACCP is a systematic and scientific methodology used to identify and control hazards in food preparation, processing, manufacturing and to ensure that food is safe for consumption. The benefits of HACCP are summarized in Annex IV.

The steps a company has to take, in order to implement HACCP and receive HACCP certification, are several:



As a departure point, in order for the HACCP certification process to be successful, the company *management must be fully committed* to the process. Adequate human resource capacity must be appointed to deal professionally with the required documentation, and regular communication with the HACCP consultant.

An HACCP consultant will make an initial *assessment* of the current situation at the company, identify gaps and develop an overall plan for HACCP implementation. The

report will be presented to the company management, discussed and approved, before proceeding to the next stage.

To *establish a HACCP system* within the company involves a detailed hazard analysis and identification of the critical control points. Critical limits should be established as well as a monitoring system, corrective actions, verification procedures, documentation and record keeping systems.

Having agreed upon all the above mentioned interventions with the HACCP consultant, the company need to start the process of *implementation*, which may include modifications of existing premises, construction of new working spaces, movement of available machinery, purchase of new equipment, hiring of new employees, training of staff, etc.

Following the implementation phase, a *pre-audit* will take place. The audit may show that additional improvements have to be made before actual certification.

With all the final improvements completed and the documentation finalized, an external certifying agency will audit and hopefully *HACCP certify* the company.

It is estimated that for the majority of the leading companies in the sector in Kosovo it would take 1 to 1,5 years to successfully implement the HACCP guidelines and receive HACCP certification.

It is recommendable to use available and qualified local HACCP consultants to complete all technical assistance and support, but the final audit, as a means of reducing costs, and allow for more regular and intensive communication between the company management and the HACCP consultant. However, it is a requirement that the local HACCP consultant is an associate or regional representative of a major international standards company.

Recommendation 1 – Leading companies in the sector, “Generators of Growth” must begin the process of preparing for and obtaining HACCP certification.

6.1.2. Good Agricultural Practices (GAP)

To further assure food safety, from the field/forest through harvest and post-harvest processing to storage and transportation, it is highly recommended that farmers and collectors adopt and adhere to Good Agricultural Practices (GAP). GAP play an important role in helping farmers integrate a multiplicity of codes, standards and regulations devised by governments and non-governmental organizations; and help to address a variety of environmental, economic, social sustainability, food quality, and food safety goals.

GAP is a methodology used to reduce the risk of contamination during the growing/picking, harvesting and handling phases. GAP also assists the farmers/collectors in satisfying customer demands on food safety and external audit agents. There are clear and financial incentives for farmers/collectors to introduce GAP, as it means minimizing the risk of contamination, which in turn would have negative affects on sales and risk the reputation of the farmers/collectors.

Good record keeping is an essential component of GAP. Data should be collected regular on trainings completed, soil and water analysis, use of manure, and other applications, which indicate that the farmers/collectors are acting in accordance with GAP. Since GAP is based on a system built on risk assessment and outcome based practices, farmers and collectors can easily integrate their good agriculture and collection practices (GACP) program with other on-farm programs such as HACCP and Organic Certification.

The World Health Organization has published a detailed guideline on good agricultural and collection practices (GACP) for medicinal plants.¹ The complete guideline is presented in Annex V.

University of California has developed a self-audit program in GAP for growers and handlers, which could be used by the processors, farmers and collectors in Kosovo, as a departure point in assessing their current status in relation to the requirements and directives of GAP.² The Self-audit, complete version, is presented in Annex VI.

However detailed, the guidelines and self-audit programs are theoretical and highlights general approaches, rather than practical solutions to the collection/cultivation of individual species. The GAP guidelines and self-audit program may constitute the theoretical foundation for training activities developed and implemented by KPEP in the field of GAP.

To increase the impact of any capacity-building activities on the beneficiaries – farmers, collectors and processors, it is necessary to tailor the training materials and methods by species (mushroom, berries and herbs) and depending on if the species are cultivated or being collected wild. Furthermore, it is recommendable to use an international GAP expert for the introductory trainings sessions, and initial field practice, while switching to regional GAP experts for the more extensive, in-the-field training.

Serbia cultivates very high quality raspberries and blueberries, which are exported to major importers in the European Union. A GAP expert for berry cultivation should be identified in Serbia and engaged short term with KPEP in support of the local berry farmers and processors in Kosovo. For cultivated herbs, GAP experts can be identified and mobilized from Albania and Bulgaria, depending on the species. Currently, both Bulgaria and Albania are investing heavily in the cultivation of herbs, and both are among the largest exporter of herbs in the world. In the area of collection of wild herbs, a GAP expert from Bosnia could be identified and mobilized. Bosnia has established itself as a major exporter of wild herbs, and at the same time it has introduced good picking practices among its collector communities, to secure its natural heritage. For the collection of wild mushrooms, again Bulgaria could provide technical expertise in GAP.

Following the training activities by the international and regional GAP experts, it is recommended that the regional GAP experts stay on as ‘virtual’ coaches to the trained local Kosovo company managers and/or agronomists. By staying in touch through email and telephone, the regional experts may offer technical support on an ad hoc basis, and/or be used as external experts on specific missions in the field. The development of a technical support network, locally in Kosovo and regionally, will be very cost-effective to the farmers/collectors/processors and will encourage them to make use of available technical and human resources when problems arise, rather than risking the entire harvest.

In order to ensure that the GAP training activities can be run regularly in the future, with no or limited contribution by international and regional GAP experts, it is essential that a Training-of-Trainer (ToT) program is developed and implemented. Ideally, local agronomists employed or associated with the leading companies in the country, would be trained by the international and regional GAP experts, in sessions separate from the GAP training sessions with the farmers/collectors/processors, and with the technical and administrative support of KPEP. The ToT program would allow for the creation of a pool of Kosovo GAP experts in the different field of species

¹ “WHO guidelines on good agricultural and collection practices (GACP) for medicinal plants”, WHO, Geneva, 2003

² “Good Agriculture Practices – A Self-Audit for Growers and Handlers”, University of California (Davies)

(herbs, mushrooms, berries), who may roll out GAP trainings across Kosovo, in a cost-effective manner, on a yearly basis, and ad hoc, as new farmers/collectors enter the market.

Also, manuals, including user-friendly descriptions of GAP and illustrations, should be designed, printed and disseminated to farmers/collectors/processors. These manuals should be species specific and easy to use in the field. This means, for example, that each cultivated herb, say chamomile, will have its own practical handbook, preferably in portable pocket size. Handbooks, covering some species, have already been produced by other donor organizations and companies in the non-wood forest product sector in Kosovo and in the region. As a means of technical assistance support, it is recommended that KPEP experts research and identify available training materials and practical handbooks, explore the right to use the materials, translate and edit as appropriate, before setting out to develop its own sets of species tailored training sets.

Recommendation 2 – Farmers/Collectors/Processors involved in the non-wood forest product sector should be introduced to Good Agricultural and Collection Practices, and participate in practical and tailored training sessions hosted by international and regional GAP specialists in berries, mushrooms and herbs.

Recommendation 3 – Local agronomists should be trained by regional GAP experts to become trainers in GAP, on specific species among mushrooms, herbs and berries.

Recommendation 4 – Printed training materials and handbooks for cultivation/collection of specific species should be produced, printed and disseminated.

6.1.3. Organic certification

The average consumer of food products, in particular in the EU and US, is becoming increasingly concerned about the quality of the food consumed. The trend towards healthier food and eating habits is growing stronger, and although the market for organic products is small in comparison to the non-organic market, its market share is growing, as more and more food retailers begin to complement their product-lines with organic stock. As the Kosovo berry/mushroom/herbs processors move through the process of HACCP and GAP implementation, for most of them, the next natural step in the process of achieving the highest possible yield and income is to qualify for organic certification by an international certifying agency.

The basic benefits of organic certification of non-wood forest products are a higher selling price (especially true for essential oils) as the demand for organic products outperform supply, in most crops and depending on the season, increased consumer confidence in the exporter which may spill over on the exporter's non-organic products and improved market penetration as the exporters/processors may allow themselves to venture into niche crops with very high demand in the EU and US.

Organic certification is a verification process, which confirms that a specific product is produced in accordance with a set of standards. Although many farmers and processors may label their produce as ecological, this is not the same as formal organic certification. Organic certification standards are set and enforced by private associations, certification bodies and sometimes by the state.

In the EU, the scope, definitions, principles, requirements, regulations and directives referring to organic production and labeling of organic products are defined in Council Regulation (EC) 834/2007, which came into effect on January 1, 2009, effectively

repealing Regulation (EEC) No. 2092/91. The complete Regulation No 834/2007 is enclosed in Annex VII.

The most prominent national organic certification authorities in Europe are KRAV (Sweden), SKAL (Netherlands), Soil Association (UK), Naturland (Germany), AB and EcoCert (France), BioAgriCert (Italy) and IMO (Switzerland). A EU importer must be certified by an accredited certification authority as well as registered with the national organization responsible for organic policy and legislation. Furthermore, the importer must apply for and receive a permit for each product to be imported, from each specific source, assuming that the exporting country and the exporter's organic certification has not been accepted by the EU as an equivalent standard. Very few countries in South East Europe has achieved this stage of development in organic certification institution-building.

In the United States, the US Department of Agriculture administers the National Organic Program (NOP), which develops, implements, and administers production, handling, and labeling standards for organic agricultural products. Also, it is the role of NOP to accredit certifying agents (international and American) who inspect organic production and handling operations and to document that they are in accordance with USDA standards. More information about NOP can be found on its official web site: www.ams.usda.gov/nop. Two of the main organic certification authorities in the US are Farm Verified Organic and Organic Crop Improvement Association. USDA has also introduced its own seal aiming to be recognized as the national US standard.

In the context of Kosovo, the organic certification process has to be anchored in one of the EU based organic certification authorities. Representatives of these EU authorities exist and are active in South East Europe, which offers the Kosovo companies a more cost-effective road map for organic certification, as extensive and regular travel by international certifiers may be avoided.

It is the recommendation of the consultants that KPEP, in co-operation with the "Generators of Growth" companies, contact directly 5-6 national organic certification authorities in the EU and US, to explore their interest to conduct organic certification in Kosovo, and request concrete technical and financial offers for undertaking the task. As part of this initial inquiry, the certification authorities should supply a list of previous clients in the region, a proposal for certification procedure including available regional certification agents and consulting companies, and information on bilateral donors who may have supported and financed the organic certification process for companies and organizations in other countries in the region.

Also, in the initial phases of the KPEP action plan for the non-wood forest products, it would be very useful for the leading companies to participate in 'Good Practice missions' to neighboring countries and meet directly with companies which have achieved organic certification from internationally recognized authorities and to learn more about the investments made and practical impact organic certification has had on the performance of the companies. During the good practice missions the Kosovo companies will also have the opportunity to meet with regional certification consultants and national bodies.

A number of the leading companies have already been approached by an Albanian organic consulting company, by the name Albinspekt. However, it is unclear if Albinspekt is only providing pre-certification technical support to companies, or if it is also involved in the actual certification process. It is recommend that KPEP further investigate the exact nature of Albinspekt's operations in Kosovo, and explore to what extent it is a registered representative of an international organic certification authority, and if there is opportunities for co-operation.

Recommendation 5 – Assist the “Generators of Growth” in establishing working relationship with one or more national organic certification authorities in the EU, and support them with technical and administrative assistance throughout the entire certification process.

6.1.4. Technical Support Structure

The rapid introduction of HACCP, GAP and organic certification will put pressure on the human resources available in the “Generators of Growth” companies. On one hand, the administration must be able to handle dramatically increased loads of documentation, and on the other hand, the new standards must be introduced to the farmers and collectors. Add to this the challenge of introducing new species, and the need for regular and structured technical support to farmers and collectors becomes obvious, and a requirement for achieving the set goals of improvements in quality and increased outputs.

Agricultural colleges and university professors may offer assistance in mapping available resources in the field of non-wood forest products in Kosovo, compiling detailed descriptions of the geographical condition in specific areas (climate, rainfalls, drought, snow cover and soil analysis) and making concrete recommendations, based on the data mentioned above, on which species are most likely to succeed in a particular region. However, the academics are based in Prishtina and the time available for off-campus consulting services is limited. There is a clear need to build local agronomist capacity in the regions to better serve the farmers and collectors.

It is the recommendation of the consultants to engage minimum four local agronomists, either through the “Generators of Growth” companies directly or initially under the auspices of KPEP.

The agronomists must be trained, as mentioned above in the GAP section, by international and regional experts in the cultivation of berries and herbs, to the extent that they can in turn lead training sessions, theoretical and practical, for the farmers/collectors. The agronomists must specialize their skill set on different varieties of berries and herbs, beyond obtaining expertise on all stages of cultivation and preparation, processing, drying, freezing and packaging of the species. A comprehensive capacity-building program should be developed for the agronomists, for the entire action plan period, assuring that the agronomists refresh their know-how base and learn new techniques on a yearly bases.

The “Generators of Growth” companies are all located outside of Prishtina, in the South, East, North and Western parts of the country. Ideally, each of the four regions will have one agronomist. The product areas where the agronomists must build their expertise are cultivation of berries and herbs, and wild collection of berries, mushrooms and herbs, depending on the region and the product range of the closest “Generators of Growth” company.

The farmers, who will engage in the cultivation of berries and/or herbs, will need to go through an initial theoretical and practical training phase, in order to adequately equip them with the skills and expertise necessary to cultivate berries and herbs professionally. However, the initial training activities must be complemented by ongoing consulting support through all stages of cultivation, from planting of seedlings, to weeding and harvesting. The agronomists must be on stand-by, ready to assist the farmers on short notice.

For the collectors, the agronomists must focus their educational program on good picking practices (GACP) and the introduction of modern picking techniques and equipment. Again, as new collectors will enter the mountains every year, the training

of collectors must be an on-going activity implemented by the agronomists but managed by the respective “Generator of Growth” company.

On the ‘Good Practice mission’ to Bulgaria, it would be recommendable to meet with the UNDP managed project, JOBS in HERBS, which have hired and trained 8 agronomists, all across the country, to service local farmers who engage in herb cultivation. The skills and expertise of the Bulgarian agronomists are continuously upgraded through a training program, and it would be very useful to learn more about the exact content of this capacity-building program, materials used and who are the trainers.

Recommendation 6 – Engage minimum 4 local agronomist, located in the regions where the “Generators of Growth” operate, and build their capacity to service the farmers and collectors in the respective regions.

6.2. Increase in Output

To increase the output of non-wood forest products, collected and cultivated, is important for different reasons. Kosovo processors should work to increase their volumes in order to become more interesting to major EU/US importers as long-term business partners and suppliers.

By producing higher volumes, the Kosovo processors will have the capacity to fill in the trucks, rather than driving them half empty. This will significantly lower the transportation cost, and make the final product better priced for the importers.

The larger importers are actively searching to buy larger volumes from one supplier, rather from a larger number of smaller suppliers in one country. Larger volumes of course mean lower prices, but dealing with one exporter has benefits also when it comes to quality control.

To further accommodate the needs of the major international importers, who often have requests for specific species, the Kosovo processors should increase the variety of species cultivated, collected and held on stock.

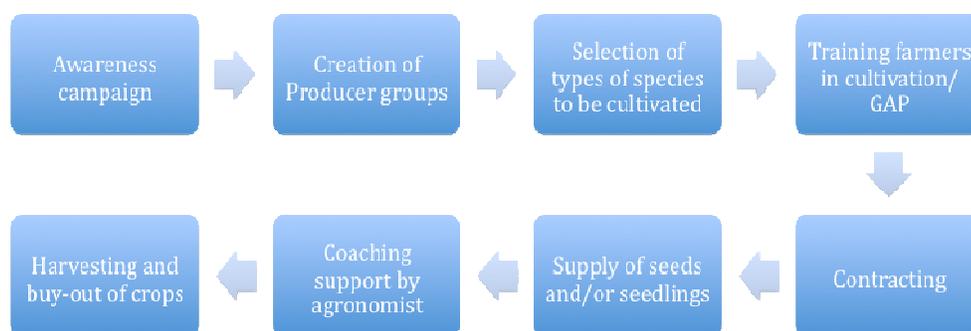
A very positive result of increased outputs in non-wood forest products will be an increase in employment and income-streams among the rural population, and within the organizations of the processors.

At the moment, the collection of non-wood forest products takes place in most mountainous regions of Kosovo. An increase in the output of wild species can only happen by, one, exploring new geographical areas within the territory of Kosovo, and, two, by collecting new, not yet collected, species for which markets have been identified.

Cultivation of berries and herbs are at its infant stage in Kosovo, with plantations of herbs taking place only in Iztog and Gjilan regions, and berries mainly by APC in Podujevo. At the same time, cultivation of herbs and berries have enormous potential in Kosovo, thanks to very favorable soil and climatic conditions and access to water, as well as access to available and willing human resources in the rural areas.

Building on the existing practical experience in cultivation and the corporate capacity of the two companies – APC for berries and Agroprodukti-Syne for herbs, the immediate objective of KPEP should be to roll out a *methodology for cultivation of berries and herbs*, firstly, in those geographical areas where other NWFP processors are located.

The methodology for cultivation, involving local farmers, is illustrated below.



As cultivation of berries and herbs is a relatively new agricultural practice in Kosovo, potentially new farmers need to be made aware of what is required to enter cultivation and what are the economic terms. In co-operation with APC and Agroprodukti-Syne, KPEP should develop presentation materials and printed

handouts, and run a *Cultivation Awareness Road-Show* across the country introducing new rural communities to the benefits of berry and herb cultivation.

It is most likely that families, rather than individual farmers, will sign up to cultivate berries and herbs. It is recommended and encouraged to attempt to unite the different farmer families in one specific geographical area into *Producer groups*. This will make it easier for the responsible processor to communicate with the group, rather than with every single farmer. Also, joint transportation, training and certification can be under-taken by the producer group, which would be more cost-effective and profitable.

Having signed up local farmers for cultivation, the first steps would involve identification of the exact plots of land to be cultivated, and completion of soil analysis.

Based on the results of the soil analysis (ph levels, mineral content, etc.), and an overview of the climatic conditions in the area, a selection of *appropriate berries/herbs* will be presented to the farmers by an external expert.

In order to secure the highest possible quality on the cultivated species, *all farmers must be trained* in GAP, as part of KPEP's drive to introduce international standards. The training sessions will be crop specific, and hosted by the respective processor and involving regional and local experts. A collection of training materials will be designed, and used during the capacity-building sessions. All training will have a theoretical and a practical component. In order to qualify for receiving free seeds and seedlings from the processors, each farmer must have participated in the training sessions, and passed a short examination. The examination will be developed by KPEP in co-operation with the processors.

With the land plots identified and species for cultivation agreed upon between the farmer and the processor, and following the successful training of the farmers, the parties can move on to *contract negotiations and agreement*. In summary, as per contract, the processor will supply the farmers with seeds/seedlings, coaching during the growing phase, assistance in harvesting and will buy out the harvest for a set price in relation to quality. The farmers, on the other hand, agree to cultivate agreed upon herbs/berries, in a manner illustrated in detail in the contract (weeding, watering, etc), on his/her land, and sell the harvest to the processor, and nobody else.

Following the signing of contracts, the processors will supply the farmers with *seeds/seedlings*, and instruct the farmers on how to plant the respective seed/seedlings.

Throughout the growing phase, the processor will make himself or an agronomist available to the farmers, offering ad hoc *technical advice and support*. The processor/agronomist will also make regular control visits to the land plots to evaluate progress and consult the farmers on how to improve their cultivation practices.

The processors/agronomists will inform the farmers when is the best time to harvest, and will be on hand to advise on best *harvesting practices*, per crop. By offering hands-on support, the processors/agronomists will engage the farmers in on-the-job training. This technical support methodology is essential during the first year of cultivation, before the farmers become confident in the new crops.

The supply chains ends, from the side of the farmers, with the processors picking up the harvest and paying the farmers for the yearly yield.

Recommendation 7 – Roll out a methodology for cultivation of herbs and berries, in close co-operation with the companies APC (berries) and Agroprodukti-Syne (herbs) with the objective of increasing the total area of cultivated land in Kosovo, and the output of cultivated berries and herbs.

6.3. Marketing

6.3.1. Good Practice missions

The basic idea behind these missions is that there exist a great number of practical good practice examples in the region, in areas of cultivation, wild collection, international standards, organic certification, training-of-trainers programs, export marketing, financial mechanisms in support of agricultural producers, and more, which could be replicated in Kosovo.

The fact that other companies and organizations, in the region, have been successful in developing their non-wood forest products and sectors, in economic circumstances very similar to the ones in present Kosovo, will make these ‘cases’ particular relevant, applicable and interesting to the leading companies in the NWFP sector in Kosovo.

Through the ‘good practice missions’ the participating company owners and managers will have the opportunity to discuss, face-to-face, with representatives of similar companies and sector support organizations, practical issues involving cultivation and collection, processing and international marketing.

The observations, information and innovations absorbed during the good practice missions will benefit the involved Kosovo companies directly, and the overall sector as new and sustainable forms of co-operation among companies, organizations and donors will be explored.

It is recommended that KPEP, in close co-operation with the GoGs, prepare and implement 3 good practice missions as soon as possible, before the season starts, to Bulgaria, Bosnia and Serbia.

KPEP and the GoGs should decide who of the company owners/managers should participate in each specific mission. It is important that not the same persons go on each single mission. Ideally, as many different owners/managers should participate and have the opportunity to personally experience good practices in the region.

Upon the completion of the three good practice missions, it is recommendable to host a Dissemination workshop, in which KPEP staff and the participating company owners/managers share their experiences, discuss observations and findings, and decide on ways to incorporate new ideas and methodologies for developing the NWFP sector into the action plan.

6.3.1.1. Bulgaria

Mission summary

Timing	No later than April 30, 2009.
Duration	4 days (1 travel day from Kosovo to Bulgaria, 2 days of meetings and 1 day travel back to Kosovo).
Focus	Cultivation of MAPs, Organic certification and Association-building.
Agenda (tentative)	<ul style="list-style-type: none"> - Bulgarian Association of Herbs and Mushroom Producers (www.babg.net) in Sofia - JOBS herb incubator network (www.job-bg.org) in Sofia and 8 locations across the country, including Velingrad - “Mountain Kiss” organic jam producer in Velingrad http://biostart.cbivel.org/html/prod.htm - Bioselena, Foundation for Organic Agriculture (www.bioselena.com)

	- Balkan Bioherb, producer and exporter of organic herbs
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6.3.1.2. Bosnia

Mission summary

Timing	No later than April 30, 2009.
Duration	4 days (1 travel day from Kosovo to Bosnia, 2 days of meetings and 1 day travel back to Kosovo).
Focus	Wild herbs and berries collection, processing, and good picking practices.
Agenda (tentative)	<ul style="list-style-type: none"> - Introduction of “International Standard for Sustainable Wild Collection of Medicinal and Aromatic Plants (WWF)”, Local contact person: Sladjana Bundalo zsratkovic@yahoo.co.uk - Olle Svensson AB, (Bos Agro Food)Largest berry processor/trader in Scandinavia with Raspberry processing facility in Srebrenica - KLAS, bakery, which has a modern processing and cold storage for berries in Sarajevo. KLAS finances and work closely with 600+ farmers, offering everything from seedlings to technical support. - Cooperatives for raspberry producers, www.pperp.org/en/socio/zenica.htm - Company Roing, wild herbs processor, essential oils producer, major exporter www.roing.net/

6.3.1.3. Serbia

Mission summary

Timing	No later than April 30, 2009.
Duration	3 days (1/2 travel day from Kosovo to Serbia, 2 days of meetings and 1/2 day travel back to Kosovo).
Focus	Cultivated berries farmer groups and processors and herbs processor/cultivator, HACCP, organic certification and organic certification agent. Also wild mushroom processors and exporters.
Agenda (tentative)	<ul style="list-style-type: none"> - Company “Zadrugar”, frozen fruit processor, located in Ljubovija (NOP organic, HACCP, ISO and Kosher) - Company “Marni”, wild mushroom processor and exporter, located in Krusevac (ISO 9001 and organic certified) - Company(-ies) in the Arilje region (raspberry, blueberry, blackberry) - EcoCert office Balkan (Regional representative office of the German organic certification authority), in Belgrade - Dr. Josef Pancic Institute, in Belgrade

6.3.2. Trade missions

A trade mission is a very pro-active form of direct marketing. It entails that a group of Kosovo companies travel to a specific export market and hold meetings directly with potential importers.

In order to be effective, the trade missions have to be preceded by extensive market research, identifying a list of priority client leads on the specific geographical market. The decision of which importers to visit has to be made by KPEP in close co-operation with the GoGs.

To further improve the impact of the trade mission, it is recommendable to engage an external consultant, familiar with the specific products and market, and preferably being a citizen of the country, which the trade mission is targeting. By engaging an 'inside wo/man' from the potential export market, the trade mission will enjoy a 'door-opener' effect, as the targeted companies are more likely to open up to a familiar face, rather than complete newcomers from abroad. Also, the external consultant will assist in the selection of the most important importers to be visited, and will act as a form of guarantee for the quality of the trade mission and its participants in front of the visited companies.

The agenda of the trade missions have to be carefully planned to allow for maximum number of meetings and minimum time spent on traveling in the country. Ideally, the trade mission will travel to the target market during the preceding weekend, hold 5 days of meetings and travel back to Kosovo the following weekend.

Following each trade mission, KPEP staff in co-operation with GoGs, should compile detailed mission report, presenting each individual meeting, background on companies visited, observations, findings and proposed follow-up actions. The approved mission reports should be disseminated to all members of the KPEP initiative in the NWFP sector.

6.3.2.1. Germany

Germany is the most important EU market for herbs and berries. Consequently, it is recommended that the first trade mission go to Germany. The main objective of the trade mission will be to learn the most recent market trends and demands of the buyers, by further developing already existing business contacts (importers, retailers, producers), and hold meetings with newly identified client leads. The trade mission could also include meetings with companies manufacturing machinery and equipment for the processing of herbs and berries.

Both Agroprodukt (herbs) and APC (berries) are exporting to Germany, and have established business contacts with major importers in Germany. It is recommended that the trade mission to Germany is organized by Agroprodukt and APC jointly, and supported by KPEP. As technical assistance, KPEP could conduct a detailed market research of the berry and herb market in Germany, identifying new importers with whom APC and Agroprodukt are not yet in business relations with.

The trade mission should be implemented as soon as possible in the Spring of 2009, in order for the market information collected to guide the cultivation and collection of herbs and berries already this season.

Mission summary

Timing	No later than May 30, 2009.
Duration	9 days (2 travel days from Kosovo to Germany, 5 days of meetings and 2 days travel back to Kosovo).

Focus	Meetings with importers of berries and herbs, manufacturers of processing equipment and machinery
Agenda (tentative)	<ul style="list-style-type: none"> - APC's existing clients - Agroprodukt's existing clients - Lebenbaum U Walter GmbH (importer/distributor of organic products) - Innotech (machinery, dryers, etc.) - Other client leads to be identified prior to trade mission as a market research exercise by APC/Agroprodukt and KPEP

6.3.2.2. Region (Macedonia, Albania, Serbia, Bulgaria)

Countries in the region, such as Macedonia, Serbia, Bulgaria and Albania, represent major competitors to Kosovo on the established export markets, such as the EU and US. However, the same corporate competitors may also be defined as stepping-stones for export, meaning the Kosovo companies can still sell their products to importers and processors in the region, while building up their own capacity (quality and quantity) for direct export to the US and EU markets.

It is recommended that 2-4 days trade missions to Albania (herbs), Bulgaria (herbs, mushrooms), Serbia (berries, herbs) and Macedonia (berries, herbs, mushrooms). The objective of the trade missions will be to further develop existing business contacts and open up new business opportunities.

During the time leading up to the initial trade missions, KPEP staff in close cooperation with GoG companies, should complete market research per target market and products, hold preliminary planning meetings to agree on mission participants, timing and meeting agenda.

Summary of missions

Timing	No later than May 30, 2009.
Duration	2-4 days, including travel days
Focus	Meetings with importers/processors/exporters of mushrooms, berries and herbs
Agenda (tentative)	<p>The regional trade missions could include meetings with the following companies:</p> <p><u>Bulgaria</u></p> <ul style="list-style-type: none"> Trakia Export, Sofia (herbs) Bioprogramma, Sofia (herbs) Bakalski, Plovdiv (herbs) Bulgrano, Sofia (mushrooms) Sofrim, Sofia (mushrooms, berries) Mid Biotrade, Sofia (mushrooms, berries) <p><u>Albania</u></p> <ul style="list-style-type: none"> ATC, Durres (herbs) Xherdo, Skrapar (herbs) Hodaj & Borl, Rrogozhine (herbs)

	<p>Telab, Tirana (herbs) Pepa, Durres (herbs) Alboem, Tirana (herbs) Elbashehu, Elbasan (herbs)</p> <p><u>Macedonia</u></p> <p>AGROKOOP NOVA, Kicevo (mushrooms, berries) AMANITA, Bitola (mushrooms) BIOFRUIT (mushrooms)</p> <p><u>Serbia</u></p> <p>IGDA Impex, Belgrade (mushrooms) MARNI, Krusevac (mushrooms, berries) NATURA Coop., Zemun (berries) FORTIS, Belgrade (berries) MALINA PRODUKT, Belgrade (berries) VITAM trade, Belgrade (berries) Vulic & Vulic, Nis (berries)</p>
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6.3.2.1. Other EU markets

In the second year, 2010, it is recommended that KPEP, in co-operation with the GoG companies, conduct a comprehensive market research on other major EU export markets – Italy, France, UK, Spain and the Netherlands, identifying new business opportunities among importers of berries, mushrooms and herbs in these countries.

Identified client leads should initially be contacted by email with promotional materials and telephone follow-up, inviting them to visit the KPEP/GoG stand at the upcoming trade show, BioFach or Anuga, whichever is next on the calendar.

The decision to go on a trade mission to any of these targeted five EU markets, or any other international market, should be made after having met potential importers at the trade shows, and based on any positive feed-back from these companies in relation to the quality and price of the products offered by the GoG companies.

6.3.3. Trade shows

Participation in international trade shows offers the Kosovo companies a fantastic opportunity to learn more about the specific trade they are in. However, to maximize the impact of any trade show, its participation must be carefully planned and executed. The participants must be trained in numerous tasks, such as stand-design, inviting key client leads to the trade show beforehand, preparation of promotional materials, dress code, meeting schedules and management, and more.

It is recommended that every trade show is followed-up professionally with email communication to all visitors, thanking them for meetings held, and if there is a business demand for it, through a tailored trade mission.

The NWFP markets in the EU are well represented by two major trade shows – BioFach and Anuga.

6.3.3.1. BioFach

BioFach (www.biofach.de), held every February in Nuremberg, Germany, is the most prominent trade show involving organically certified products in the EU. The BioFach is under the patronage of the International Federation of organic Agriculture Movements (IFOAM). This year's trade show had over 2,700 exhibitors, out of whom 66% were international, and the number of visitors was 46,771, including 38% internationals from 129 countries.

Next year's BioFach will be held on February 17 to 20, 2010 at the Exhibition Centre Nuremberg.

It is the recommendation of the consultant that KPEP and the GoGs immediately start to plan for participation in next year's BioFach, and make corresponding reservations for adequate exhibition space.

Although BioFach is for organically certified operations, achieving organic certification is the aspiration of all the GoG companies, and having a first hand look at what the organic agriculture market really involves – in quality, investments, competition, markets, retailers, and more, will be very illustrative, informative and inspirational to the GoG companies.

It is recommended that participation at BioFach becomes an annual activity, as part of the co-operation between KPEP and the GoGs in implementing the action plan.

6.3.3.2. ANUGA

The Anuga trade show (www.anuga.com) is held every other year, in October, in Cologne, Germany, moving to Paris, France for the alternate years. Anuga is probably the most important trade show in the world for food and beverages.

The previous Anuga trade show in Cologne, in 2007, had a total of 163,000 visitors from 175 countries. The exhibitors totaled 6,607 from 95 different countries. The world's most prominent retail chains participate at the Anuga giving the exhibitors a unique opportunity to meet with and sell-in their products to international supply chains.

As with the BioFach trade show, Anuga offers the Kosovo companies the chance to learn from the best, identify potential new markets and buyers, and at the same time study the competition, and confirm the importance of high quality products adhering to international standards.

It is recommended that participation at Anuga becomes an annual activity, as part of the co-operation between KPEP and the GoGs in implementing the action plan.

6.3.3.3. Other trade shows

As the NWFP sector in Kosovo grows and the performance of its companies improves, including the implementation of international quality control standards, it may be useful to explore the opportunities associated with other trade shows internationally, as means of expanding export into new markets.

Some geographical markets may have very specific needs and demands for non-wood forest products, which could generate new business opportunities for the GoG companies. Furthermore, as the collection of wild species, and in particular the cultivation of berries and herbs, are very labor-intensive activities, this type of agriculture is becoming less and less competitive in Northern and Western Europe due to the higher labor costs. This automatically creates a new opportunity for the GoG companies to research and explore.

Any expansion into new export markets, and participation in trade shows, should be preceded by comprehensive market analysis, detailing the market size, list of largest importers, and most imported products.

6.3.4. Marketing strategies

As a means of formalizing the marketing activities, it is recommendable that KPEP, in close co-operation with the GoG companies, develop marketing strategies for each of the major product groups – berries, mushrooms and herbs, and targeting specific international export markets.

The process of developing practical marketing strategies should be instigated by KPEP, following the completion of specific marketing activities (trade shows, trade missions, etc) in 2009, and be based on feed-back and discussions among KPEP staff and GoG companies.

However, with the revival and strengthening of an NWFP Association, the continuous upgrading of the marketing plan could become an integrate part of the Association's portfolio of services.

Recommendation 8 – Plan and implement “Good Practice Missions’ to Bulgaria, Bosnia and Serbia in the early Spring of 2009.

Recommendation 9 – Plan and implement a trade mission to Germany, also in the Spring of 2009, focusing on importers of berries and herbs. Trade missions to other major EU markets do not need to take place before 2010, and should be preceded by comprehensive market research work.

Recommendation 10 – Plan and implement trade missions to regional countries (Albania, Bulgaria, Macedonia and Serbia) also in the Spring of 2009, focusing on importers/processors/exporters of mushrooms, berries and herbs.

Recommendation 11 – Plan for and participate on a yearly basis, as exhibitor, at the Biofach and Anuga trade shows, starting at Anuga, in Cologne, Germany, in October 2009. The participation at other international trade shows should be a result of extensive market research, leading to clearly defined new market opportunities and list of identified client leads in that particular market.

Recommendation 12 – Initiate the work in developing market strategies for each of the major product groups – berries, mushrooms and herbs, and targeting specific international export markets. During implementation, transfer the responsibility of market strategy upgrading and management to the NWFP Association.

6.4. Association-building

The Kosovo Association for Medicinal and Aromatic Plants (KOMAPA) was established as part of the Kosovo Business Support (USAID) project in the early 2000. KOMAPA is a registered association with its own statutes, including founders, membership, objectives, and list of possible activities for the association to be undertaking.

However, for different reasons the association never came off the ground, and at the moment it only exists on paper.

This does not mean that a national association for the NWFP sector is unnecessary or unwanted. On the opposite, from a policy point of view, an association has an important role to play in lobbying the Government and relevant ministries on legislation affecting the performance of the sector, and disseminating information about EU directives, as part of the EU accession process, to its members. From a corporate standpoint, an association can fulfill joint duties and manage activities, for the benefit of the membership of the association, such as market information gathering and dissemination, relations with public administration and agencies and other demand driven services.

It is the ground rule in successful association building that it must be completed with a bottom-up approach, rather as a top-down initiative. This means that, in the case of the NWFP sector in Kosovo, the association must be initiated, developed and managed by the GoG companies, rather than KPEP, other donors, universities and organizations.

It is a very promising development that a group of six-seven company owners, all among the identified 'Generators of growth' companies, have already met to discuss business co-operation and the establishment of an association. From discussions with company owners it also became clear that there is an informal network in place, by which companies co-operate selling and buying products from each other. Again, this is a very positive indicator of their willingness to co-operate on business related and other issues which may affect the sector as a whole.

KPEP should encourage and support the revival of KOMAPA or the establishment of a more business-driven association, to which KPEP should offer technical assistance, as the new founders define its guiding principles, settle for a statutes and develop its own portfolio of services and the human resources to implement and manage the association.

It is recommended that KOMAPA's name is changed to include not only medicinal and aromatic plants, but mushrooms and berries as well. Any new association should strive to have all three products areas in its name. The new name could be "Mushrooms, Berries and Herbs Association of Kosovo".

The new portfolio of services should be developed following a need assessment completed among the potential members of the association, but could include:

- International market research
- Subscription to food and beverage publications
- Dissemination of market research and trends to members
- Maintenance of Association web site
- Hosting of workshops and presentations
- Organization and implementation of trade shows and trade missions
- Development of small-scale projects for the benefit of the sector and presentation in front of bilateral donors/embassies (Project example:

upgrading of individual collection points within the network or supply chains of the GoG companies)

- Development and yearly revision of marketing strategies for berries, mushrooms and herbs

Realistically, the association will be financed mainly by membership fees rather than through the provision of fee-based services. This means that the founders, or GoG companies will be the main contributors to the budget of the Association, without which it will have difficulties in surviving. Again, the instant support of the GoG for the development of a NWFP sector association is a pre-requisite.

On this note, the association must take every possible step to develop and manage services which small and medium sized enterprises, and small farmers, are willing to pay for or cost-share.

The association may want to explore the legal requirements and conditions for hosting and managing a leasing scheme catering exclusively to groups of collectors and farmers, who are currently involved in the NWFP sector, or individuals/families who would like to enter into wild collection or cultivation.

As discussed in detail above, in order to increase the output of non-wood forest products, there is need to improve the collection techniques among the collectors, which in turn may demand investments in new equipment. In the case of cultivation, where the largest increase in output can be expected, farmers will need to invest in tractors, irrigation system, hand tools and other equipment to start production of berries and herbs, or expand their current operations. Through a leasing scheme, the association would lease the equipment to the collectors and farmers, who would pay back the lease over a 2-3 year period, at a competitive interest rate.

The advantages of the leasing scheme are multiple. The association remains the legal owner of the machinery and equipment until the farmer/collector has paid back the lease in full. This hinders the farmer/collector from selling the machinery/equipment, due to a poor harvest or other needs. Also, should the farmer/collector default, the association will easily reclaim the leased equipment/machinery.

From a financial point of view, the leasing scheme will generate regular income for the association.

In case the legal framework is in place for the association to manage a leasing scheme for NWFP companies, collectors and farmers, the founders of the association (GoG companies) are recommended to invest the amount of EUR 100.000 in the leasing scheme, as a start up fund, and invite KPEP, USAID, EU and bilateral donors and organizations active in the sector to invest in the leasing scheme.

In case the legal framework for leasing is not in place, it is recommended that KPEP lobby and support the respective ministries with technical assistance, as a means of improving the business environment in Kosovo.

Recommendation 13 – Assist the GoG companies in reviving and reshaping KOMAPA or establish a new association for the NWFP sector.

Recommendation 14 – Investigate the status of any legislation dealing with leasing of machinery and equipment, as a leasing scheme would constitute an ideal financial mechanism for support of farmers and collectors.

6.5. Investments in machinery and equipment

6.5.1. Individual company investment review

Acki Komerc

Investment description	Amount	Expected impact
Refrigerated truck with capacity 2 t.; Dryer for mushrooms and wild apples.	20,000 €	Increase in sales of 50%, with additional employment of 3 permanent staff and 5 seasonal staff.

Amkos

Investment description	Amount	Expected impact
Refrigerated storage	70,000 €	This investment would triple the processing volumes and employ 30 more seasonal workers.

APC

Investment description	Amount	Expected impact
Cold storage	70,000 €	Through this it can employ 3 full time workers and 30 seasonal, while sales would go up for 20%-25%.

Aspromet

Investment description	Amount	Expected impact
Processing facility with 80 m ³ , a forklift and storage shelves	16,000 €	Sales increase of 30%, and an additional 10 seasonal workers.

Eurofruti

Investment description	Amount	Expected impact
Refrigerated storage with tunnel and necessary storage with 350 m ² .	50,000 €	Increase in employment by 20 seasonal workers and increase in sales by 100%.

Fungo FF

Investment description	Amount	Expected impact
Freezing storage with 150 m ²	88,000 €	Employment of 7 new full-time staff and engagement of additional 1,000 collectors

Hit Flores

Investment description	Amount	Expected impact
Freezing storage with capacity for 150 t	90,000 €	Increase in sales and volume by 100% and 30 additional seasonal workers

Juniper Fructus

Investment description	Amount	Expected impact
Refrigerated truck, freezing facility	25,000 €	Increase in sales for 50%, two new workers

Skardus

Investment description	Amount	Expected impact
Refrigerated minivan of 2 t, generator and selection belt	22,000 €	Increase in sales and volumes by 50%.

Rugova Cooperative

Investment description	Amount	Expected impact
Supply its three collection points with refrigerated storage	45,000 €	Sales and volumes would be doubled and 5 new employees hired, plus another 20 seasonal employees

Berati Association

Investment description	Amount	Expected impact
One dryer, freezing storage, machine for cleaning of blueberries and juniper berries, packaging machine and racs for collection of blueberries 50 pieces.	31,000 €	Sales and volumes could go up by 100%, 3 new employees

Agroprodukt

Investment description	Amount	Expected impact
Cold storage	20,000 €	Increase of sales for 30% and additional 20 seasonal workers.

Besiana

Investment description	Amount	Expected impact
Movable belt for cleaning of berries	18,000 €	Increase in sales by 30%, 5 additional full-time workers and

		10 seasonal
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Summary of investments needed

Total amount of investments: € 585.000

Estimated new full-time jobs created: 25

Estimated additional seasonal workers to be employed: 188

Estimated sales growth: Between 25-30% (4 companies) and 100% (3 companies)

6.5.1. Other investment needs

The initial list of investment needs, presented above, focus mainly on improving the core processing base of each company. This is a logic intervention to increase output and at the same time assuring a higher degree of quality.

However, as international standards are being introduced, traceability of the products backwards from the processing plant to the collection points and onto the fields or land plots is becoming increasingly important. In turn, this means that the overall standard of the many collection point, scattered across the country, must be upgraded as well, and equipped accordingly.

At the moment, some collection points can better be described as physical places where crops are received from collectors. These physical places could be an old school yard, an empty shop or the town square. By definition, a proper collection point should accommodate the same international standards as the main processing plant, and to handle the incoming crops professionally it is recommended that each collection point is constructed on a concrete base, have access to water and electricity, include a dryer and a cold storage.

Some of the companies in the sector have already begun the process of upgrading their collection points. It is recommended that as a second wave of investments, through KPEP or other donors, to focus on the collection points.

Recommendation 15 – In order to be eligible for financial support through the Strategic Activities Fund, the interested companies must subscribe to the NWFP action plan, and show a track record of participation in and cost sharing of its activities. Also, the applying companies must show a business model, which makes full usage of the new investment.

6.6. Access to finance

A small number of the interviewed companies mentioned cash-flow problems as one of the factors hindering their growth as a business. Most of the companies however were proud to announce that they were in very good relations with the banks, did all their transactions through the banks, and had access to significant over-drafts.

Of course, the importance of good bank relations should not be under-estimated in a trade where the collectors/farmers will expect to be paid in cash, while the paying processor export the products and get paid only 30 days after delivery.

As the need for assistance in this field appears limited, among the group of interviewed companies, the consultants would recommend a shorter technical assistance intervention, which could include the following tasks aimed at those local companies who had cash-flow difficulties:

- Business plan review and preparation
- Assistance in preparation of loan application
- Assistance in presentation in front of banks or other financial institutions

Recommendation 16 – Engage a short-term expert to assist those companies, who identified cash-flow as a problem, in preparation of business plans and loan applications, as well as presentation in front of banks or other financial institutions.

6.7. Summary of recommendations

- Recommendation 1 –** Leading companies in the sector, “Generators of Growth” must begin the process of preparing for and obtaining HACCP certification.
- Recommendation 2 –** Farmers/Collectors/Processors involved in the non-wood forest product sector should be introduced to Good Agricultural and Collection Practices, and participate in practical and tailored training sessions hosted by international and regional GAP specialists in berries, mushrooms and herbs.
- Recommendation 3 –** Local agronomists should be trained by regional GAP experts to become trainers in GAP, on specific species among mushrooms, herbs and berries.
- Recommendation 4 –** Printed training materials and handbooks for cultivation/collection of specific species should be produced, printed and disseminated.
- Recommendation 5 –** Assist the “Generators of Growth” in establishing working relationship with one or more national organic certification authorities in the EU, and support them with technical and administrative assistance throughout the entire certification process.
- Recommendation 6 –** Engage minimum 4 local agronomist, located in the regions where the “Generators of Growth” operate, and build their capacity to service the farmers and collectors in the respective regions.
- Recommendation 7 –** Roll out a methodology for cultivation of herbs and berries, in close co-operation with the companies APC (berries) and Agroprodukti-Syne (herbs) with the objective of increasing the total area of cultivated land in Kosovo, and the output of cultivated berries and herbs.
- Recommendation 8 –** Plan and implement “Good Practice Missions’ to Bulgaria, Bosnia and Serbia in the early Spring of 2009.
- Recommendation 9 –** Plan and implement a trade mission to Germany, also in the Spring of 2009, focusing on importers of berries and herbs. Trade missions to other major EU markets do not need to take place before 2010, and should be preceded by comprehensive market research work.
- Recommendation 10 –** Plan and implement trade missions to regional countries (Albania, Bulgaria, Macedonia and Serbia) also in the Spring of 2009, focusing on importers/processors/exporters of mushrooms, berries and herbs.
- Recommendation 11 –** Plan for and participate on a yearly basis, as exhibitor, at the Biofach and Anuga trade shows, starting at Anuga, in Cologne, Germany, in October 2009. The participation at other international trade shows should be a result of extensive market research, leading to clearly defined new market opportunities and list of identified client leads in that particular market.

- Recommendation 12** – Initiate the work in developing market strategies for each of the major product groups – berries, mushrooms and herbs, and targeting specific international export markets. During implementation, transfer the responsibility of market strategy upgrading and management to the NWFP Association.
- Recommendation 13** – Assist the GoG companies in reviving and reshaping KOMAPA or establish a new association for the NWFP sector.
- Recommendation 14** – Investigate the status of any legislation dealing with leasing of machinery and equipment, as a leasing scheme would constitute an ideal financial mechanism for support of farmers and collectors.
- Recommendation 15** – In order to be eligible for financial support through the Strategic Activities Fund, the interested companies must subscribe to the NWFP action plan, and show a track record of participation in and cost sharing of its activities. Also, the applying companies must show a business model, which makes full usage of the new investment.
- Recommendation 16** – Engage a short-term expert to assist those companies, who identified cash-flow as a problem, in preparation of business plans and loan applications, as well as presentation in front of banks or other financial institutions.

7. EXPECTED RESULTS AND IMPACT

The expected results and impact of the proposed interventions are based on the assumption that the Action Plan for Non-Wood Forest Products (2009 – 2012) is implemented, meaning that the large majority of its activities are successfully completed, including:

- the majority of the participating local companies have implemented most of the international standards.
- cultivation of berries and herbs is introduced in at least another 6 regions of Kosovo.
- new international client leads established for mushrooms, berries and herbs through international marketing activities.
- the NWFP Association is established and functioning, offering market and technical information, as well as demand driven services to its members.
- the majority of the presented investment needs are approved and implemented.
- a larger number of the participating companies have established improved relations with banks and other financial institutions.

Expected results and Impact:

In setting the expected results and impact targets, it is important to agree on the departure point, meaning what is the current situation in the NWFP sector in Kosovo, in relation to turnover and employment.

There is a lack of official export statistics, making benchmarking depending on the data collected from the interviewed companies. However, it is estimated that the 13 interviewed companies combined stand for approximately 90% of all collection/harvesting and export of NWFP in Kosovo, hence the data collected will be very close to the total in both turnover and employment. The remaining 10% are made up of small scale operations, who are not registered and leave no paper-trail.

Increase in turnover (economic growth)

As a benchmark, the 13 interviewed companies declared a combined turnover of EUR 7,520 million. This is a substantial amount, and gives an indication of how much is injected into the local economies as the processors pay the collectors and farmers in cash on delivery.

The target should be to double the turnover by these and other companies who may join the sector to minimum EUR 15 million by the end of KPEP in 2012.

Increase in employment

Benchmark. The 13 interviewed companies declared the following employment figures:

Permanent staff: 69 persons

Seasonal workers: 970

Collectors and farmers: 22.300 (additional income generated)

The target should be to increase the number of **permanent staff to 100 persons, seasonal workers to 1.500 persons**, and increase the number of persons

generating extra income as **collectors or cultivating farmers to 40.000**, by the end of KPEP in 2012.

8. KPEP MANAGEMENT ISSUES

Coordinator

The implementation of the recommendations and specific activities presented in the NWFP action plan will require a high degree of project management from the side of KPEP and daily coordination with the GoG companies.

In order to successfully handle the increased work load and intensity of the work, it is recommended that KPEP employ a full-time local Coordinator for the development of the NWFP sector. The Coordinator will work closely with the Agriculture Marketing Manager and report directly to the Agricultural Competitiveness Director.

The responsibilities and duties of the NWFP sector Coordinator would include, but not be limited to:

- Contribute actively to the implementation of KPEP and the pursuit of its objectives.
- Coordinate the activities of the Kosovo Private Enterprise Program (KPEP) within the sector of non-wood forest products and to ensure the adequate implementation of the “Action plan for the rapid development of non-wood forest products in the Republic of Kosovo”.
- Prepare annual and quarterly work plans for the implementation of the NWFP action plan.
- Provide guidance and technical assistance to the Generators of Growth (GoG) companies.
- Coordinate all planning and implementation of activities with the GoG companies.
- Coordinate and support the activities of the local agronomists working with the GoG companies, monitor their performance and approve monthly reports submitted by the agronomists.
- Participate in training needs assessment for the local farmers, collectors, processors and other companies and organizations involved in the sector, and propose training events and activities to meet the identified training needs, including theoretical and practical training.
- Help identify national, regional and international consultants with special expertise, who can contribute to the successful implementation of the NWFP action plan; assist in drafting scopes of work and technical specifications as relevant, and work with such consultants for the efficient implementation of their assignments.
- Participate in the development of a marketing strategy for berries, mushrooms and herbs, in close co-operation with the GoG companies and the NWFP Association, and coordinate its implementation.
- Assist the creation, strengthening and development of local producer groups (collection and cultivation) in target communities.
- Support and facilitate the development of Good Agricultural and Picking Practices among farmers and collectors.
- Support and facilitate the development of organic farming in the target communities, including organic certification.
- Work closely with the NWFP Association and GoG companies to establish a flow of information to the processors, farmers and collectors regarding up-to-date market information, expert advice and consultation, including on relevant international and EU standards, organic farming, certification issues, etc.

- Actively promote the non-wood forest product sector throughout Kosovo and present the KPEP initiative at local, regional and national events and initiatives as agreed with the KPEP Project Management.
- Build and maintain active contacts and cooperation with national and international partners and organizations working for the development of the NWFP sector in Kosovo.
- Write weekly, monthly, quarterly and annual progress reports in a timely manner, in a format agreed upon with KPEP Project Management.
- Reports shall be sent to Agriculture Competitiveness Director for review and approval.
- Coordinate and oversee the work of the NWFP sector and action plan in close co-operation with the Agriculture marketing manager.
- Actively participate in KPEP Monday staff meetings.
- Actively develop his/her professional skills through participation in training programmes and events as agreed with the KPEP Project Management.
- Agree performance targets with the Agriculture Competitiveness Director.

A draft version of a job description for the NWFP Coordinator is presented in Annex VIII.

Monitoring

It is also recommended that an external expert, familiar with the NWFP action plan, conduct regular monitoring missions on a quarterly basis, to follow-up on progress made in implementing the action plan, and support KPEP project management and the GoG companies in planning and implementation of activities.

In specific, the monitoring expert could have, but not be limited to, the following main tasks:

- Interviews the “Generators of Growth” companies, to track progress and address new issues.
- Hold briefing, progress review and planning meetings with KPEP local staff, responsible for the management of the NWFP Action Plan’s implementation.
- Assist in the preparation and implementation of specific activities in the action plan.
- Draft list of new and revised recommendations.
- De-briefing presentation with KPEP management.
- Revise the NWFP action plan, following approval of changes by KPEP management.

9. ANNEXES

Annex I	Action Plan (2009 – 2012).
Annex II	Summary of company data (products, employment, turnover, etc).
Annex III	Company profiles (photos from processing units).
Annex IV	The benefits of HACCP.
Annex V	World Health Organization on Good Agriculture and Collection Practices.
Annex VI	GAP (self-audit scheme).
Annex VII	Council Regulation (EC) 834/2007 on organic agriculture.
Annex VIII	Draft Job Description for NWFP Coordinator position
Annex IX	“Generators of Growth” – description and entrance criteria

Annex I

Action Plan (2009 – 2012)

Annex II

Summary of company data

Annex III

Company profiles

Annex IV The benefits of HACCP

Food safety management systems built in accordance with the principles of HACCP have a clearly defined structure.

Process Based System: Business will benefit from a clear definition of processes and procedures. Effective communication and continual process improvement are the cornerstones of a functioning management system.

Customer and Consumer Confidence: A controlled food operating environment and effectively implemented and applied food safety system will improve customer and consumer confidence in the safety of food.

Risk Management: It uses a systematic approach covering all aspects of food production from raw materials, processing, distribution, point of sale to consumption and beyond. It moves a company from a solely retrospective end product testing and sampling approach towards a preventative approach that is designed to reduce product losses and liabilities.

Management Responsibility: It enables management throughout a business to demonstrate their commitment to the production and supply of safe products and within facility environments that are favourable for the production or supply of safe food.

Relationship Improvement: To enhance the relationships between organizations in the food chain, customers and enforcement agencies.

Records: Record-keeping enables a more efficient and effective government and customer oversight, and allows investigators to see how well a firm is complying with food safety laws over a period of time rather than how well it is doing on any given day. The documentation within a food safety system facilitates the inspection activities of food inspectors.

Legal Protection: It has been widely accepted that HACCP based systems present the food industry with the most effective management tool to enable the production and supply of safe food. As such, the adoption of this approach can offer a legal defence in the event of an outbreak of food borne diseases.

Trading Benefit: HACCP based approaches are a benefit to companies seeking to meet customer and legal requirements whether in the domestic or for the export market.

Alignment with other management systems: HACCP based food safety management systems can be combined with other management systems such as ISO 9001:2000. This combination provides a hazard analysis approach with pre-requisite programmes along with a framework to manage a food safety system.

Annex V
Collection Practices

World Health Organization on Good Agriculture and

Annex VI

GAP (Self-audit scheme)

Annex VII
agriculture

Council Regulation (EC) 834/2007 on organic

Annex VIII Draft Job Description for NWFP Coordinator position

DRAFT - JOB DESCRIPTION

Title: NWFP Coordinator

Planned Start Date: 1 April 2009

Planned Duration: XX (text) months

Location: Prishtina

Objectives of the Position

To coordinate the activities of the Kosovo Private Enterprise Program (KPEP) within the sector of non-wood forest products (NWFP) and to ensure the adequate implementation of the “Action plan for the rapid development of non-wood forest products in the Republic of Kosovo”.

Scope of Work and Responsibilities

- Contribute actively to the implementation of KPEP and the pursuit of its objectives.
- Coordinate the activities of the Kosovo Private Enterprise Program (KPEP) within the sector of non-wood forest products and to ensure the adequate implementation of the “Action plan for the rapid development of non-wood forest products in the Republic of Kosovo”.
- Prepare annual and quarterly work plans for the implementation of the NWFP action plan.
- Provide guidance and technical assistance to the Generators of Growth (GoG) companies.
- Coordinate all planning and implementation of activities with the GoG companies.
- Coordinate and support the activities of the local agronomists working with the GoG companies, monitor their performance and approve monthly reports submitted by the agronomists.
- Participate in training needs assessment for the local farmers, collectors, processors and other companies and organizations involved in the sector, and propose training events and activities to meet the identified training needs, including theoretical and practical training.
- Help identify national, regional and international consultants with special expertise, who can contribute to the successful implementation of the NWFP action plan; assist in drafting scopes of work and technical specifications as relevant, and work with such consultants for the efficient implementation of their assignments.
- Participate in the development of a marketing strategy for berries, mushrooms and herbs, in close co-operation with the GoG companies and the NWFP Association, and coordinate its implementation.
- Assist the creation, strengthening and development of local producer groups (collection and cultivation) in target communities.
- Support and facilitate the development of Good Agricultural and Picking Practices among farmers and collectors.

- Support and facilitate the development of organic farming in the target communities, including organic certification.
- Work closely with the NWFP Association and GoG companies to establish a flow of information to the processors, farmers and collectors regarding up-to-date market information, expert advice and consultation, including on relevant international and EU standards, organic farming, certification issues, etc.
- Actively promote the non-wood forest product sector throughout Kosovo and present the KPEP initiative at local, regional and national events and initiatives as agreed with the KPEP Project Management.
- Build and maintain active contacts and cooperation with national and international partners and organizations working for the development of the NWFP sector in Kosovo.
- Write weekly, monthly, quarterly and annual progress reports in a timely manner, in a format agreed upon with KPEP Project Management.
- Reports shall be sent to Agriculture Competitiveness Director for review and approval.
- Coordinate and oversee the work of the NWFP sector and action plan in close co-operation with the Agriculture marketing manager.
- Actively participate in KPEP Monday staff meetings.
- Actively develop his/her professional skills through participation in training programmes and events as agreed with the KPEP Project Management.
- Agree performance targets with the Agriculture Competitiveness Director.

III. Terms and Conditions for Provision of the Services

The NWFP Coordinator shall act under the supervision of the Agriculture Competitiveness Director and report directly to him/her. The NWFP coordinator shall conduct him/herself in a professional and ethical manner at all times and will not enter into any activities, which may adversely affect the image of KPEP or any part thereof.

IV. Qualifications

University degree
Excellent organizational and communication skills
Excellent management skills
Professional experience in the area of non-wood forest products
Ability to work in a team
Ability to work under pressure
Excellent computer literacy: MS Office, Windows

Annex IX “Generators of Growth” – description and entrance criteria

“GENERATORS OF GROWTH”

“Generators of Growth” are companies, based in Kosovo, which KPEP should actively support and co-operate with in order to drive the Non-Wood Forest Product sector forward, and in order to successfully implement the action plan.

In order to qualify as a GoG, companies must fulfill all/most of the following criteria:

1. Support the goals of KPEP
2. Support the NWFP action plan
3. Work to adopt **international quality standards** (HACCP, GAP, ISO, Organic certification)
4. Willingness and financial capacity to implement the international quality standards (re-construction of premises)
5. Already established EU export **markets**
6. Willingness to **increase outputs** through cultivation (not only collection of wild species) and to work closely with local farmers, producer groups, etc. (supply of seedlings, TA, buying-out contracts, etc.)
7. Willingness and financial capacity to cost-share further **investments** in machinery and equipment
8. Cost-share tailored **marketing** activities, developed and implemented in co-operation with KPEP
9. Initiate and manage a national sector **association**