Intercooperation: Horticultural Promotion Kosovo HPK

A Vision for Fruit and Vegetable Marketing Channels in Kosovo

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1 INTRODUCTION AND COURSE OF THE MISSION

The Swiss-Danish financed project “Horticultural Promotion Kosovo (HPK)” has been involved in supporting the horticultural sector in Kosovo since 2002.

Kosovo has a major trade deficit in fresh vegetables: in 2002, the country imported 36,942 tonnes (valued at €12.44 mill.) compared to exports of only 3,687 tonnes (€ 473,398). The marketing system is undeveloped but competitive. The large majority of vegetables is sold through wholesale markets with most of the local produce being delivered directly to the markets (and even sold to consumers) by individual producers. Some traders buy produce from farmers at their farm or at the seasonal market in Xërxë. Supermarkets report to obtain 10% of the retail sales of fresh fruit & vegetables and expect their proportion to expand rapidly. They source much of their produce from the wholesale markets but increasingly convince individual and reliable producers to deliver to them. Producers rarely collaborate with each other to jointly market their produce.

HPK has produced analyses of wholesale prices and trade data for fresh vegetables for several years now. It has promoted links between producers and traders. Currently, it explores the promotion of quality standards and of the consumption of local produce by consumers, the development of marketing links with producers, and the introduction of a premium range of fresh fruit and vegetables in supermarkets. In addition, it promotes and co-finances the establishment of cool stores and co-finances the establishment of a private collection centre in Rahovec – another traditional vegetable producing area.

The objective of this consultancy was to develop a **vision** of what the characteristics of fresh horticultural produce marketing should be over the next five years with an emphasis on analysing how and where and by whom the scattered production should be grouped for reaching urban consumers (and export markets as a second priority). Moreover, the steps to be taken by actors and donors to contribute to the development of such a vision should be identified.

HPK engaged the international agricultural marketing expert who was asked to carry out the following tasks: provide an overview of the main production areas of horticultural produce, including production quantities, the degree of organisation of the farmers, the current flow of goods from these places as well as main problems encountered in marketing and future perspectives, including investments in market infrastructure. In addition, an overview should be provided of the general flow of goods within Kosovo plus imports coming from outside the country plus exports, including a clear understanding of the major transhipment points.

The information collected was expected to result in a vision of the mechanisms and infrastructure to support such trade flows in the horticultural sector in the next five years, including a road map of how such a vision could materialise – along with the implications for donors and for the interventions of the HPK Project in 2010.

This mission for HPK was the second mission of the international marketing consultant Sigrid Giencke to Kosovo. The first mission carried out in November 2009 had been a feasibility study for a collection centre in Mamusha, the main tomato production area in Kosovo. The preparation of the feasibility study in Mamusha brought up further questions about the general situation in marketing horticultural produce, the current flow of goods and the need for better market infrastructure. Therefore, the consultant was asked for further supporting HPK in this context.

The assignment took place from 20 to 29 January 2010. The consultant worked intensively with the local expert Fatmir Selimi and with the HPK specialist Luan Hoti. During the mission, all relevant production areas in Kosovo were visited, including talks with relevant farmers, traders and wholesalers. In addition, meetings were held with MAFRD and KPEP. The mission ended with a presentation of results in the HPK office on Friday, 29 January. In addition to the HPK team, representatives of SDC as well as of USAID were present.

2 SITUATION ANALYSIS

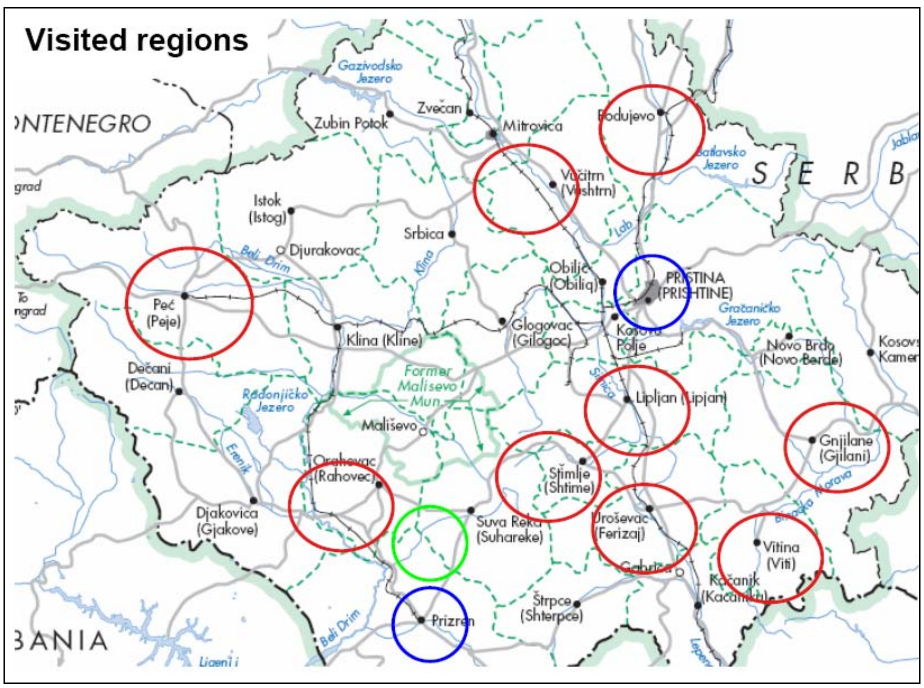
2.1 Current Situation in the Production and Sale of Horticultural Products in Kosovo

The mission to prepare an overview of the marketing situation of horticultural produce was mainly based on visits to the main production areas as well as production and marketing information available within the HPK project, especially at the website.

It had been agreed to look into different products and regions. With regard to products, the special focus was on

- Fresh highly perishable vegetables such as tomato;
- Fresh perishable vegetables such as pepper;
- Storable vegetables such as carrot, onion, cabbage;
- Fresh very perishable fruit such as strawberry, raspberry, pear;
- Fresh perishable fruit and stored fruits such as apple.

Regions were selected according to the above mentioned products. The areas visited were: Prishtinë, Podujevo, Vushtrri, Pejë, Istog, Lipjan, Gjilanë, Viti, Ferizaj and Shtime, Rahovec and Xërxë, including Mamushë.



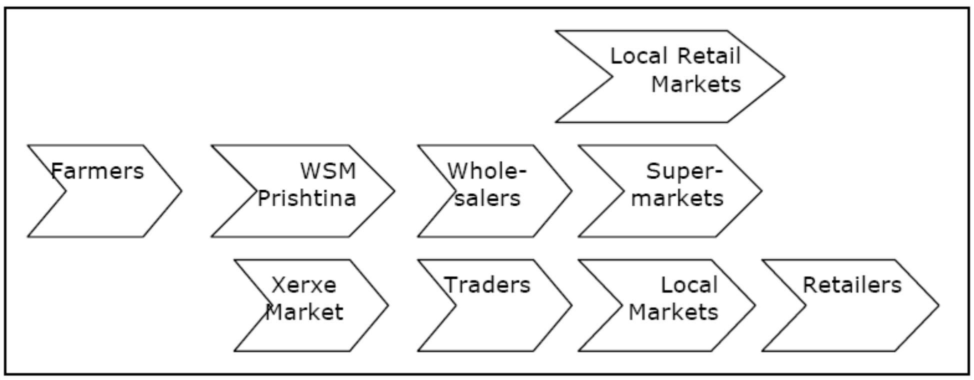
The areas visited are known for producing the following horticultural goods:

- Mamushë: main area for early tomatoes (greenhouse), plus cucumber, pepper, melon, cabbage, spinach etc.
- Rahovec: main area for pepper. Other products are watermelon, melon, tomato, cabbage, onions, potato, as well as grape.
- Pejë:
  - Arrishtë: apple
  - Çyshk: tomato, onion, cabbage, potato etc.
  - Rauzë: cabbage, tomato
- Istog- Kovrage: apple

- Viti - Mogillë: Potato (no.1), watermelon, pepper, cabbage.
- Gjilan and Viti: apple.
- Lipjan: pepper, tomato, carrots, potato, onions.
- Ferizaj: apple, pear, strawberries, cabbage, onion, pepper.
- Vushtrri: cabbage, onion, potato, strawberries.
- Mitrovica: apple, plums, strawberries, greenhouse vegetables.
- Podujevo: cabbage, onion, carrots, pepper.

2.1.1 Marketing Channels and Actors in the Marketing Chain

As shown below, the marketing channels used for local produce differ from produce to produce. However, the way producers trade their produce in Kosovo is similar in the different regions. As for transport, it is reported that the transport to the main selling points is mainly done by farmers. Selling at the farm gate is very rare, except for some storable products.



Collection centres: In the region, e.g. planned in Krushe e Madhe and in Mamushë, farmers show more and more interest in establishing collection centres in their production region. A main reason is that they want to reduce transport costs and spend less time on trading. In contrast to assembly markets, collection centres are based in production areas (not at main roads) and focus on the production of the associated farmers. The focus is on specific products that attract local traders, e.g. pepper in Krushe e Madhe or tomatoes in Mamushë. Collection centres can have several functions: pooling products of different farmers at one place in order to be individually collected by traders or serving as a centre for the collective marketing of a producer group offering various functions and services.

(Assembly) Market in Xërxë: An important market place in Kosovo is located in Xërxë. Although the market is just a parking lot, the place plays an important role in the distribution of local produce from the region of Rahovec. The main product is pepper, but, as reported, more and more products are traded via Xërxë. Despite its primitive infrastructure, Xërxë takes over the function of an assembly market where producers from different production areas come together to sell agricultural products to local traders for further distribution in the country. As in Xërxë, assembly markets are normally situated at main roads and collect (different) produce from various production areas.

Wholesale Market Prishtinë: The most important marketing channel for local produce as well as imports is the wholesale market in Prishtinë. Its main role is to gather supplies from different production areas for distribution to urban areas. This is done by farmers directly supplying the wholesale market. They either sell directly to wholesalers or to local traders and retailers at the farmers' section. Prishtinë wholesale market is particularly important as an entry point for imports. Most of the wholesalers based at the market act as importers with good linkages to neighbouring markets and production. The wholesale market supplies retailers such as shops and supermarkets. Still, in most cases, retail clients including supermarkets purchase at the wholesale market. However, supermarkets increasingly expect to be supplied by wholesalers (and other market partners).

The **wholesale market in Prizren** plays a less important role in Kosovo and rather supplies the city with products coming from imports or local sources. It was reported that produce (local and import) often arrives in Prishtinë and is sent to Prizren from there. Produce from the surrounding regions is directly supplied by farmers. However, wholesalers at Prizren market complain about the increasing role of supermarket selling produce to consumers at low prices.

Wholesalers: In Kosovo wholesalers are mainly importers with a good network in the Balkan region. During the season, wholesalers also trade with local produce to ensure continuous supplies of their customers. However, wholesalers do not travel around so much to purchase produce; they expect their local suppliers to assume the transport function. They are important suppliers of supermarkets. Therefore, it is expected that wholesalers will maintain their market position due to their good contacts abroad and their import knowledge.

Local markets: In Pejë and other larger places in Kosovo, the central market places function as wholesale and retail markets: some sell in bulk (en gros) and not en detail (household packaging), others target end consumers. Suppliers are farmers and farmer-traders; the latter collect produce from neighbouring farmers as well as local traders.

Local retail markets: retail markets in the cities or like in Prishtinë green markets are open on daily bases and focus on end consumers. Vendors are local traders, retailers and sometimes farmers. The latter are more found on weekly markets in smaller places.

Local Traders: An important function in distributing local produce as well as imports in the country is taken over by local traders. They buy from farmers at the above mentioned places and further distribute the produce to other retail markets or directly to retailers. The quantities traded are smaller than the one traded by wholesalers and often local traders do not have an infrastructure such as storage etc. Their truck is mainly used as outlet and storage. The role of local traders in the market becomes less and less important due to the increasing importance of supermarkets in the supply of end consumers.

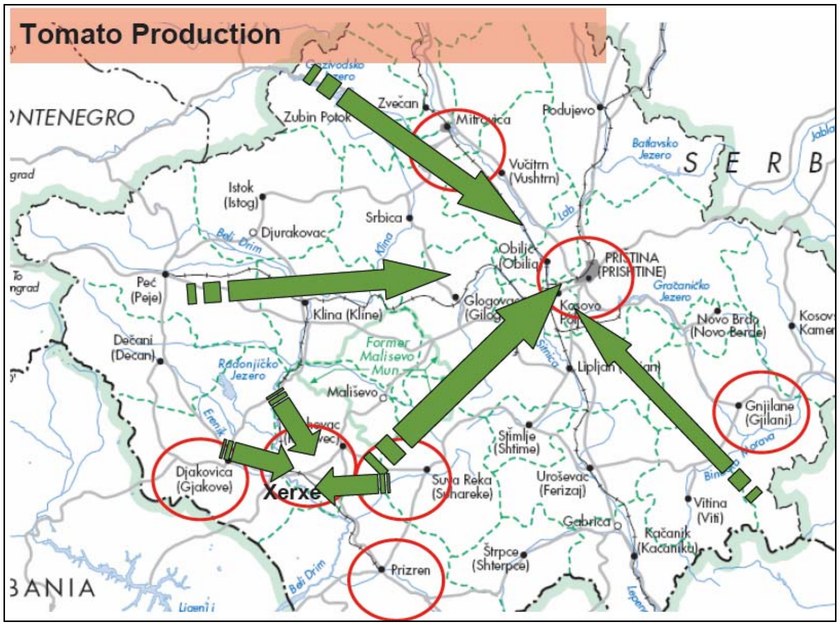
Supermarkets: The retail structure in Kosovo is more and more dominated by supermarkets. Nearly every larger municipality has a supermarket. We find individual supermarkets directly supplied by farmers and local traders as well as supermarket chains such as ETC Elkos, Interex, Citipark etc. with a number of outlets in the country. ETC plays a dominant role in the sector. Their warehouses in Prishtinë and Pejë are used for the further distribution of goods to other places in the country. Currently, e.g. ETC sometimes even buys larger quantities at the farm gate and assumes the transport function.

2.1.2 Marketing Channels for Local Produce

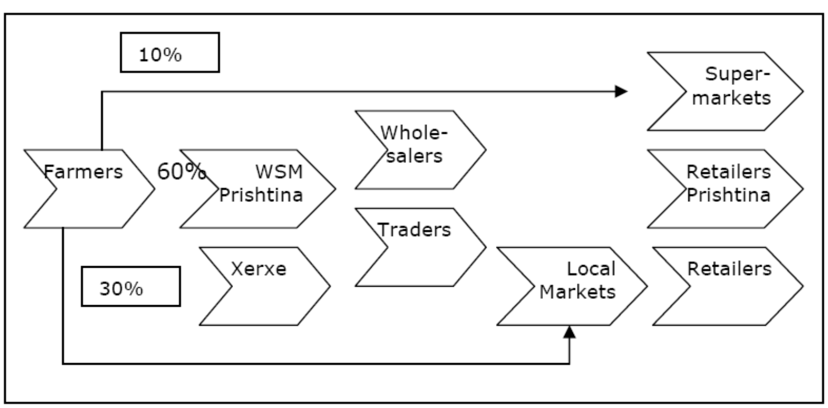
The following overview summarises the results of the mission. Detailed information on production, trade and the flow of goods were sourced from the HPK website[1] as well as from interviews with the different market partners. According to HPK, the Kosovo Ministry of Agriculture MAFRD stopped updating their statistics in 2007 because of internal problems. Therefore, up-to-date information on production and trade quantities are not available.

[1] The HPK product profiles provide comprehensive information on production areas and quantities as well as origin of import and related quantities.

- **Tomatoes**

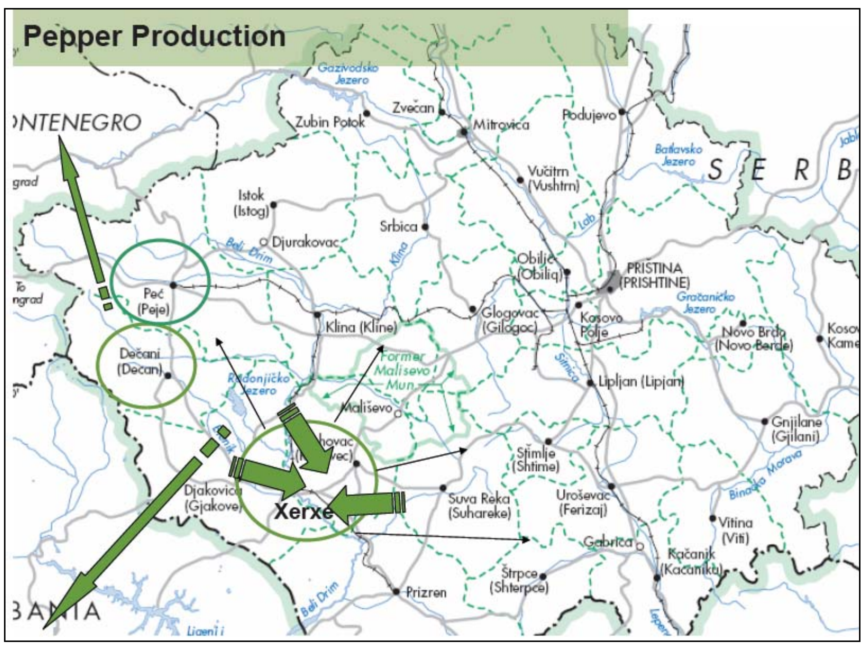


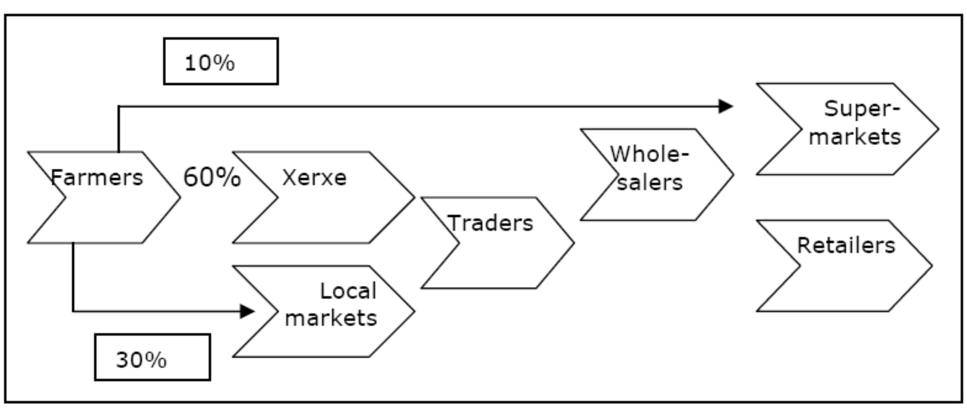
- o Main production region is Rahovec region which comprises the most important area for tomato production in Mamushë. This is especially known for the early production of tomatoes and is a major supplier of the Kosovo market during the local season. Tomato production in Mamushë sums up to 8,000 – 9,000 tons per year, produced on 75ha. The municipality of Celinë in Rahovec region follows with 50ha tomato production.
- o The region of Pejë, especially in Qyshk as well as in Gjilan, Mitrovica and Pristina region are further important production areas.
- o Main market channel Prishtinë wholesale market: Very perishable products such as tomatoes are mainly brought to Prishtinë wholesale market. It is reported that 60% of the fresh produce is sent there. The main reason for this is the high demand in Prishtinë (more than half of the population lives in the capital) and the developed trade structure with retail markets and a functioning wholesale market.
- o The wholesale market with its farmers' section is the main entry point for local tomatoes in the capital. Wholesalers as well as retailers buy the produce there.
- o In addition to Prishtinë wholesale market tomatoes are sold directly at local markets in the production regions as well as to other local markets via Xërxë market.
- o Supermarkets buy directly from larger farmers, in addition to their purchases from wholesalers in Prishtine.
- o The market channels of the local produce can be described as follows:



- o Tomatoes are a seasonal product and are only available from local production in summer. In the off-season, imports dominate the market. Entry point for imports is Prishtinë wholesale market where the relevant importers are based who distribute the produce to other areas in the country.

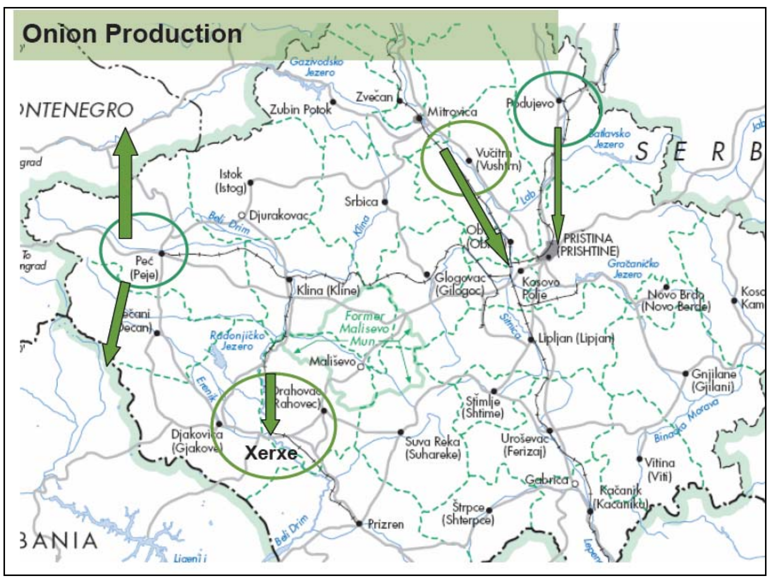
- **Pepper**
  - o Pepper is mainly used for home processing and is a very seasonal product. The production sums up to more than 100,000 tons per year. Imports are not important for the market supplies. The production of peppers is concentrated in municipalities of Rahovec (1,528 ha) Deqan (720 ha) and Peja (620 ha).
  - o Main market channel Xërxë market: Since the region of Rahovec is with more than 1,500 ha of pepper the main production area, Xërxë market plays a major role in trading with this product. It is reported that at least 50% of the production from the region is sold at Xërxë market. In some villages in the region, e.g. Krushe e Madhe, producers offer their produce in the village at a provisional market place. From these places, the produce is further distributed all over Kosovo. Actors involved are mainly local traders selling the produce at local markets or directly to retailers.
  - o As for tomatoes, supermarkets are supplied by farmers and wholesalers.
  - o In the last years small quantities of pepper were exported to processing companies in Albania. These sales were based on contracts; however, farmers were not always successful in fulfilling the agreements.

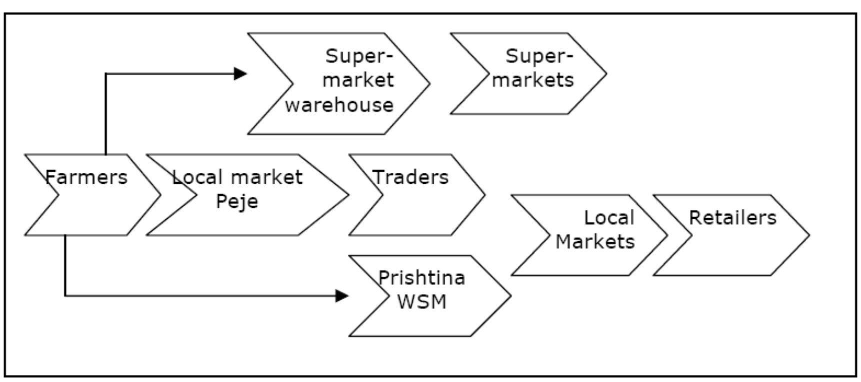




Storable vegetables such as onions, carrots, cabbage and potatoes are partly stored and mainly sold in the production following regions:

- **Onion**:
  - The local production covers around 60% of the market demand in Kosovo (in total 14,000 tons). The main sources of imports are Turkey, Egypt, Greece and Macedonia.
  - The production area mainly concentrated in the municipalities of Pejë (with 235 ha), Podujevo (180 ha), Rahovec (150 ha), Suharekë and Deqan each with 140 ha and Klinë (130 ha).
  - Main production area for onions is Pejë where the main market channel is the local market in town, or farmers sell directly to retailers including supermarkets. This year's production is mainly sold in the Pejë region due to low yields that result in high prices[2]. The supermarket chain ETC with a warehouse in Pejë absorbs growing quantities for further distribution in the country. In addition, producers export onions to Montenegro and Albania. However, exports to Montenegro become more and more difficult due to bureaucratic obstacles.
  - Further important channel Prishtinë wholesale market: From other production areas such as Podujevo produce is mainly sent to Prishtinë wholesale market where 70% are sold to supermarkets.



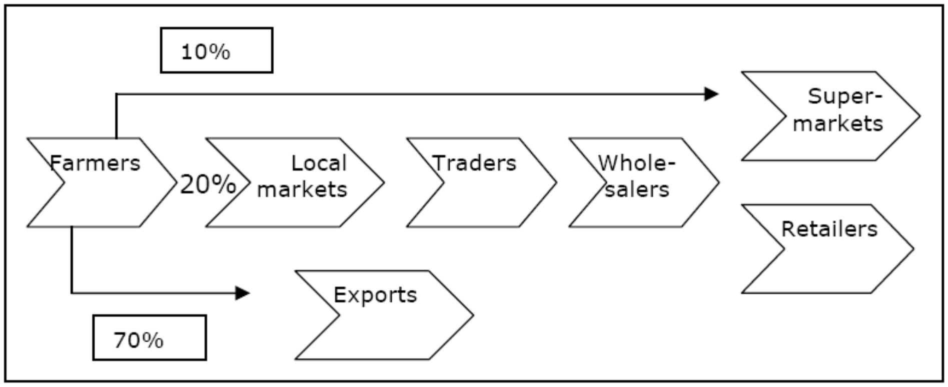


2 Wholesalers reported that onions imported from Germany were cheaper than local onions in spite of high transport costs.

- In years with larger production, farmers try to store onions to achieve better prices. Onions should be stored at around 0° Celsius, not below -1° Celsius, because -1,5° C is the freezing point. Similar to potatoes, a relative humidity (air moisture) of 65-70% is important to avoid loss of water. Potatoes and onion should be stored loose or in boxes. Good ventilation is important and so are a good thermal insulation, heating system and humidifier.
- The available storage facilities are often basic and in the hands of individual farmers and do not allow controlled storage conditions.

- **Cabbage**
  - Cabbage is produced all over Kosovo and is sold to constantly oversupplied markets in the season.
  - Main market channel: Xërxë is still a major trading point for further distribution in Kosovo.
  - In general, cabbage is mainly sold at local green markets and to retailers/supermarkets.
  - Cabbage is mainly grown for further home processing. A lack of professional processing facilities is a major problem in sales. Adequate storage facilities for long-term storage are not available.
- **Carrots**
  - The total market volume of carrots in Kosovo is estimated more than 3,000 tonnes amounting to 2,000 tonnes coming from local production and imports of 1,000 tonnes, mostly coming from Macedonia. Local production of carrots represents approximately 60% of total market share.
  - The production area is mainly concentrated in Peja and Podujevo municipalities. According to farmers in the area, the product has a good potential and achieves reasonable prices.
  - The main selling point is Prishtinë wholesale market and, in addition, there are more direct sales to supermarkets and retail markets.
  - A lack of long-term storage facilities impedes a longer supply of the market. In order to be able to compete with imports that dominate the market, better storage facilities would be required. Just like cabbage, carrots should be cooled to 0°C soon after harvest and should be kept at 0°C, with a high relative humidity in the cold storage.
- **Potatoes**
  - Potatoes are grown in many regions of Kosovo. Places visited were Viti (300 – 400 ha), Pejë and Vushtrri.
  - Important market places are local green markets.[3] Supermarkets are also important customers.
  - However, many farmers reported that they store their potatoes (up to 80% of their production) until February for export to Albania and Montenegro. Especially Albanian traders buy at the farm gate.

[3] A local farmer selling his products at the green market in Lipjan.

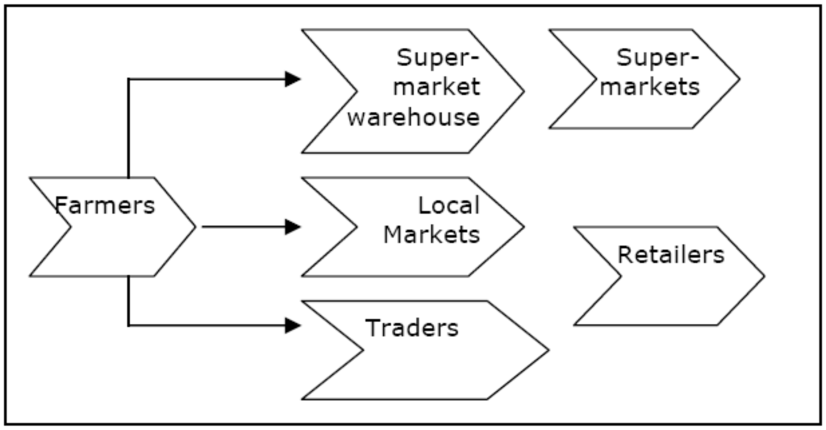


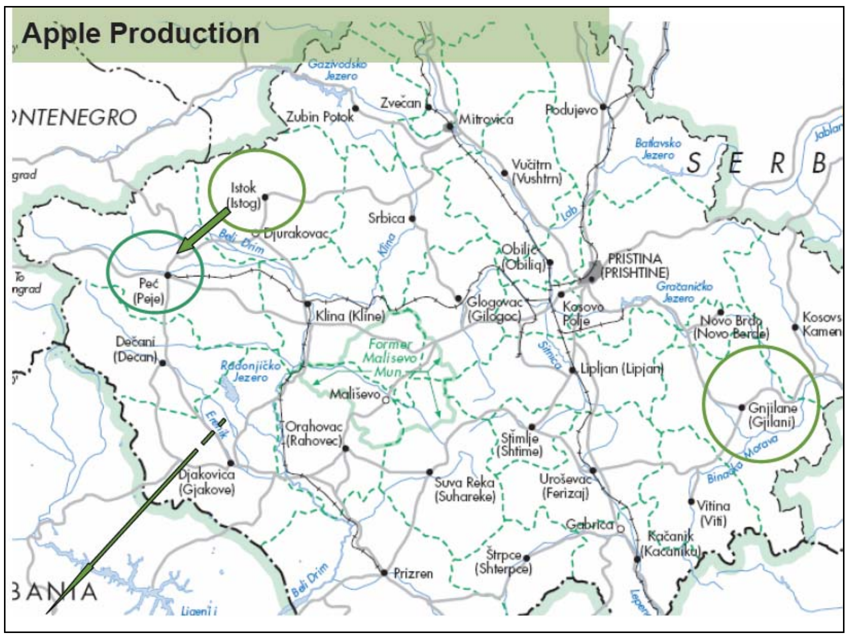
- o The main problem in potato marketing are the basic storage facilities that result in low quality. In addition, a lack of calibration and packaging material impedes sales. Potatoes from Kosovo compete with supplies from Serbia and other Balkan countries. Storage and quality problems hamper sales at local level.
- o Potatoes should be stored not below 3° Celsius and not above 8-10° Celsius depending on their further use:
  - Edible potatoes should be stored at between 3-5° Celsius in relative humidity (air moisture) of 95%. The high moisture prevents losses of water and avoids shrinking of the potatoes. Before taking them out of the storage, the temperature should be increased to up to 10° Celsius to avoid blue spots (a disease). Furthermore, potatoes should be stored in a lightproof area, protected from sunlight (otherwise potatoes get green).
  - Potatoes for processing are stored at a higher temperature: at around 6-8° Celsius, for potato chip processing they are stored at around 10° Celsius (to avoid sugar). Sugar causes problems (burning) in the frying process of potato chips.

Fruit: Important fruits are apples, strawberries, grapes.

- **Apple**
  - o The total market volume of Apples in Kosovo is estimated at more than 12,000 tonnes. The main share (70%) is originated from imports. Apples from local sources are seasonal products and are produced in many areas of Kosovo. Local production can only satisfy 30% of the demand. Therefore, the market is dominated by imports, especially from Macedonia, also during the local season.
  - o Main production areas are Istog with Kovrage, Pejë region and Gjilan.
    - o Istog municipality - village Kovraga, - 13 apple growers are organised within the farmers' association "Pema" covering more than 40 ha. Due to young orchard 800-1,000 tons are expected. Four farmers have installed cold storages, each with 100 tons capacity; established with support of USAID and HPK.
    - o Pejë municipality - Village Bllagaje - 14 farmers are organised in the "Udruzenje Voqara Bllagaje13" association with 17 ha.
    - o Gjilani municipality 13 fruit growers are organised in an association called "Fruti". Together with 44 farmers from Viti the production covers 47 ha commercial apple orchards.
  - o Growing quantities of apples are expected due to national programmes investing in orchards.
  - o Main market channel: In the regions visited, apples are mainly sold to traders and supermarkets, often directly at the farm gate, and at local greenmarkets. In Kovrage, this year nearly all quantities were sold to supermarkets, in Pejë only 20% went to the

supermarkets. The rest was sold wholesale or retail at weekly markets in Pejë (60%), Klinë, Gjakovë (20%).





- Some farmers have invested in storage facilities[4]. Growing production will require more modern storage facilities allowing farmers to supply the market for a longer period. Normal cold storage (best temperature around 0°C) allows storing until January-February.
- More advanced technology called controlled atmosphere (CA)[5] storage requires air-tight, refrigerated warehouse rooms that are sealed after having placed the apples inside. The oxygen content in the storeroom air is reduced from 21% to 2.5%, and the carbon dioxide level is increased from 0.25% to 2-5%, and high humidity is maintained. This technology is not yet available in Kosovo.

• **Strawberries**

- Strawberry production is still new in Kosovo but in many areas already available on a larger scale.
- Strawberries are sold in the regions, from the farm gate or directly to supermarkets and retailers.

- Cooling and packaging are problems that influence sales, although there is a great demand for strawberries.
- Some producers show interest in export, but the EU is a difficult and highly competitive market. Especially Spain supplies early production. Better opportunities are seen on the Albanian market which, however, would require cooling transport and adequate retail facilities.

• **Grapes**

- An important production area is Rahovec (3000 ha) with the related wine industry. The production focus is on wine (70%).
- Table grapes only account for 30% of the grapes. Sales problems due to peak production hinder the increase of table grape production.
- Storage life is another important characteristic of table grapes. On-farm storage kept near 0°C would allow for a fair storage of at least two weeks for most varieties if efforts were made to maintain high humidity. Some varieties are suitable for good or excellent storage under such conditions and would maintain their quality for 3 to 4 weeks or longer.
- However, decent storage facilities are not available so that famers are forced to sell immediately to the market.

4 New storage in Kovrage, co-financed by HPK.

5 CA storage is standard in the EU.

2.1.3 Summary of the Production and Marketing Situation

The situation at the production side is widely known: we find a scattered production with small farms producing on different plots. The low level of mechanisation means manual work but it is also observed that farms partly face a lack of labour force. The way of production and post harvest handling often entails quality problems. Especially farmers who cooperate with other farmers encounter problems when selling larger quantities to supermarkets due to non-uniform quality. A lack of adequate storage facilities adds to the quality problems and problems in getting good packaging material further impede cooperation with supermarkets.

However, capable farmers increase their surface by leasing land in spite of high prices per ha. Due to high land prices and even a missing land market, some farmers transfer production to Albania to supply Kosovo and Albania. A farmer met in Krushe e Madhe reported that he had leased 4 ha of land in Divjaka to produce early open field products. Farmers producing storable products, such as apples or onion, start to invest in on-farm storage facilities allowing them to extend the sales period.

However, positive developments are mainly the result of individual efforts. There is only little willingness to cooperate with other farmers in marketing. The village-based associations visited are active in collective activities such as trainings, exchange etc., but are not yet successful in collective marketing due to limited trust and limited common interest as well as great differences in product quality.

Many of the associations are donor-driven and the members expect the donors to invest in collective marketing facilities such as collection centres and storage. It was observed that cooperation functions on a family base or in interest groups. A family-based cooperative was visited that achieved very positive results in collective marketing.

Another problem in joining forces is the short production season and the dominance of imports during the local off-season. However, products that are in demand, such as apples, are supported by MAFRD through planting programmes and the provision of seedlings/planting materials.

2.2 Development in Trade – Retail and Wholesale

When comparing the situation in production with the situation in the retail sector, a contradiction is obvious: on the one hand, scattered production sold through primitive market infrastructure, on the other a concentration process in the retail sector resulting in a significant dominance of supermarkets: individual supermarkets as well as supermarkets chains.

There are no data available on the market share of supermarkets in the sales of fresh fruit and vegetables but farmers and traders report that at least large parts of the local produce are absorbed by supermarkets. Supermarkets have already developed their networks and they are in contact with (capable) farmers and the main production areas. Supermarket chains, however, intensively look for larger farmers and larger supplies. Still, the larger suppliers ETC and others looked for do not yet exist or have just started their activities.

In contrast, retail markets lose market shares due to more convenience offered by supermarkets. Consumers in Kosovo increasingly prefer one-stop-shopping. Retail markets offering fruits and vegetables have a primitive infrastructure and often only take place once a week. Therefore, they are not very convenient for shopping.

Important suppliers of retail markets are local traders who also lose market shares because of supermarkets. A local trader stated: *In the past I could sell 5 tons of tomatoes per day at a green market, today only 500 kg.* As supermarkets more and more directly approach farmers, these local traders also lose their function as intermediaries. Some local traders reported to go back to farming because they see good opportunities in production and benefit from their trading experiences and networks.

Wholesalers based at Prishtinë wholesale markets specialise in imports and trade local produce only in the season. They are also important suppliers of supermarkets. Therefore, it is expected that wholesalers will maintain their market position due to their good contacts abroad and their import knowledge.

3 VISION – MARKETING OF HORTICULTURAL PRODUCE IN 2015

3.1 The Vision

The consultant was asked to develop a vision of the marketing of horticultural produce until 2015. Having analysed the current situation and market developments, the following vision has been defined:

The development in the horticultural sector will be strongly influenced by the development of the retail sector. In 2015, the horticultural sector in Kosovo has developed modern structures and is competitive and able to supply large buyers and exporters.

It is expected that supermarkets will dominate the retail sector in future. However, other market channels will not disappear, but their market relevance will decrease.

3.2 Implementation of the Vision – Road Map

3.2.1 Improvement of (public) Market Infrastructure

According to the TOR, the vision is expected to describe the mechanisms and infrastructure required to support trade flows in the horticultural sector in the upcoming five years. In this context, it would be ideal to invest in different market infrastructure projects on a larger scale (assembly, wholesale, retail markets). Improving the market infrastructure would require funds, commitment and planning, but the Ministry (MAFRD) has not yet worked on modernisation plans for improving market infrastructure in Kosovo.

In contrast to other countries in the region, no feasibility studies have so far been implemented on wholesale markets or other market infrastructure. Albania, for instance, has significantly profited from the rural market infrastructure programme financed by the World Bank which started in 2000 and resulted in a number of markets in the country. Therefore, it is of utmost importance to create awareness of the need for better infrastructure within the MAFRD.

Referring to the Albanian example and to experiences in other countries, improvement of market infrastructure should be initiated by the government given that such investments require public support. The government in cooperation with the donor community could develop tools to initiate public and private investments.

- MAFRD could launch a market channel development programme including a loan or grant schemes allowing groups or individuals to invest in modern infrastructure.[6]
- Furthermore, the MAFRD could initiate value chain financing schemes offering access to short-term finance e.g. based on warehouse receipts, contracts.
- With regard to wholesale markets, Prishtinë wholesale market needs to be improved, although according to the responsible market management this is currently not planned. Improvements would especially be needed in the farmers' section where the parking lot would at least require gravelling and shade for the produce sold there. Furthermore, the constructions in the wholesale section do not follow any planning. To arrive at a decent improvement of the wholesale market in Prishtinë it is recommended to prepare a study on improvements required and ways of financing and implementing them. Here, it is important to closely cooperate with the town hall, wholesalers and owners of the site.

[6] In this context, the upcoming EU financed programme on supporting the processing industry could be expanded to other market channels to serve the entire fruit and vegetable value chain. Still, it will be challenging to ensure a constant supply of Kosovo's processing industry with raw material. This problem is shared by the F&V processing industry in many Balkan countries.

Such a study could be initiated by the market management, the wholesalers association or even by the Ministry.

- Significant investments in a new building or new markets require very careful considerations. With a view to the time span anticipated from planning to implementation, new projects may not yet be operational within the planned five years. Furthermore, taking the development of the retail sector into consideration, the future function of the wholesale market should be analysed carefully.
- Furthermore, the MAFRD or local authorities could invest in feasibility studies on assembly markets identifying the right concepts, places and investments required. The future role of the market in Xërxë which already functions as an assembly market is particularly important. Given that the trading location is in private hands, possibilities to move the market to a larger place need to be investigated. Developing the market in Xërxë into an assembly market could attract and stimulate further investments in the region, but the local municipality presently gives priority to selling a warehouse near the current market place and not to an investment into market improvements.
- Other places such as Kllokot also may require improvements in trade infrastructure; currently farmers sell significant quantities along the main road. Here, a more detailed analysis would be required to get to the right approach.
- Improvement of the daily operating wholesale/retail market places in Prizren and Pejë and other larger urban market places in Kosovo would have a positive impact on the relevance of these places in the regions, but the required investments most probably exceed the financial capacities of the local municipalities.
- Investments in weekly market places will most probably be too expensive due to the limited utilisation of the places. Revenues would only be obtained on one day per week. Currently, parking lots are used for the weekly market day in many municipalities.

3.2.2 Identification of Private Initiatives to group scattered Production

Looking at the fresh produce sector, the future trade flow of local produce will to a large extent be directed towards the different warehouses of the supermarket chains. Imports will most probably still arrive in Prishtinë wholesale market for further transport to the supermarkets.

Such a system does not depend on markets but on direct supplies. With regard to local produce, the collection function of pooling larger volumes for supermarkets and other larger buyers remains important but will not yet be taken over by farmers' organisations. Therefore, to meet the future demand of the retail sector, respectively supermarket chains, it will be important to pool produce for larger supplies.

This refers to a main issue in the TOR to put emphasis on analysing how and where and by whom scattered production should be grouped for reaching urban consumers (and export markets as a second priority).

With regard to production and demand the establishment of collection centres with larger storage facilities would be interesting in places like Mamushë (tomato), Rahovec area, (e.g. Krushe, Celinë for pepper), Pejë region (apple, onions, cabbage), Podujevo (onions, carrots, potatoes), Gjilan region (apple), Viti region (potatoes) etc.

However, the issue of setting up collection centres was intensively discussed in the context of Mamusha. Although there is a demand for collection centres, managing the places remains the major question. Due to low group cohesion, farmers' associations are not yet in the position to run collection centres and local traders are mostly too small to take over the function. Therefore, it is recommended to focus on capable people open for co-operation less than on collective market infrastructure depending on village-based associations.

Thus, the focus in pooling produce should rather be on individual initiatives (farmers, traders, others) able to modernise production and marketing in Kosovo.

- An important target group is defined as capable **key farmers** able to involve also smaller, less active farmers. Key farmers are respected farmers in a region with good networks in production and trade. These farmers are able to grow (but are not necessarily large farmers) and are willing to share their network with other farmers. Interesting initiatives identified during the mission were for example
    - Farmers leading the main apple producer associations in Kovrage (Nasif Blakaj), in Pejë (Hivsi Medunian) and in Gjilan (Agim Isufi).
    - An important farmer in potato production in Viti/Mogille: Radoslav Jovanovic,
    - A key farmer producing carrots, onion, cabbage in Podujevo (Bekim Vokrri)
    - Leaders of the cooperative Agribisnesi in Rahovec region (pepper, watermelon etc).
- A further interesting target group are **traders/wholesalers** (especially for export) interested in establishing private collection centres[7], e.g.
    - The planned collection center (for cabbage processing) of the exporter Kelmendi in Ruhot.
- Another interesting target group are "**interest groups**" of equal partners with a common understanding and willing to join forces (own initiative, not donor driven). Such groups are for example local traders investing in production using their network for sales. Knowing the growing demand for larger quantities, they join forces in sales. Interesting examples have been identified such as
    - A group of farmer-traders in Vushtrri (Hasan Besheri, Burim Plona) producing onion, carrots, cabbage.
    - A family based cooperative producing potato, cabbage, onion in Çyshk (Selman Scala).

The defined target groups need technical and financial support to improve their facilities (collection, storage and cooling, sorting, grading, packing, transport) and to allow others to participate[8]. The interest of the initiatives identified refers in particular to

- Access to credits and grants for investments in storage and cooling facilities;
- Pooling produce also from other farmers;
- Access to packing material;
- Export information: studies on export requirements to EU, CH;
- Information on lease contracts also abroad;
- Production and business planning.

As there is a great demand for investments in storage facilities it is recommended to collect information on suitable storage technologies for the different products helping investors to make the right choice.

3.2.3 Inventory of Production

A first step to create more transparency in production and supplies could be an **inventory of production** allowing potential buyers to contact interested farmers. GTZ, in close cooperation with the Ministry and the extension service, has prepared a model for such an inventory in

[7] A blue print of a collection centre study is already available with the Mamusha collection centre study. KPEP has also prepared a study on a distribution centre, including a detailed cost analysis.

[8] It is not recommended to carry out general studies on storage facilities. Studies should be related to concrete actors and planned investments.

Albania.[9] The respective brochure provides information on production quantities in different areas, seasonality, names and contacts of farmers and information on their production. The brochure was published in English and Albanian language and distributed on CDROM as well as in hard copies.

Such information will also help to better categorize the different farmers and to identify more key farmers and potential interest groups.

In addition to a general inventory, village-based producer groups/associations as well as key farmers could collect information on local production, especially on the upcoming production during the season. As mentioned in the case studies in the annex, production information and planning are key issues in cooperation with the buyers.

3.2.4 B2B Meetings

Producer-wholesaler/supermarket meetings (or producer-processor meetings) are a helpful tool to support cooperation between different actors in the chain and to create trust and commitment among farmers and their customers. E.g. in cooperation with the above mentioned target groups B2B meetings could be organised inviting suitable customers such as selected wholesalers/exporters or supermarkets.

Careful preparation and follow up of the B2B meetings is particularly important. The meetings have to have clear targets: establishing contacts between farmers and traders, exchanging information on supply and demand[10], agreements, contracts and transactions etc.

- The meetings will need moderation, at least at the beginning.
- The meetings should focus on complementary products or production schemes (greenhouse production, potatoes, apples, crops for processing industries etc.), in different regions to avoid competition between the different producer groups and buyers.
- The composition of the groups (producers, traders, processors) has to be carefully planned. Good experiences have been made with specialised meetings or separated tables for specialised groups. The (regional) mentality of the target groups should be taken into consideration.
- Open meetings (i.e. inviting everybody interested) risk to fail. A relatively confidential and trustful atmosphere with carefully selected participants is a precondition for success.
- HPK could monitor the developments after the meetings, directly and after a certain period to identify problems, need for support, success stories etc.
- If the target groups show interest in certain topics such as standards, packaging, sorting & grading, joint seminars/trainings could be helpful to strengthen the cooperation.

With improved cooperation general producer-trader-meetings will lose their importance; it is to be expected that farmers and traders will continue their cooperation in direct meetings/negotiations.

Meetings with processors have to be organised according to their demand. An interesting example is reported from Bulgaria where the processor association organises producer-processor meetings every year. The meetings start with an open discussion about successes and problems occurred in the last year followed by individual confidential meetings between processors and interest producer (groups). The association monitors the meetings and their outcomes.

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[9] HARTA E POTENCIALEVE PRODHUESE TE FRUTA - PERIMEVE PER TREG DHE EKSPORT NE SHQIPERI 2006

[10] The proposed production inventory and collection of production information could support such meetings.

A following example of the outcome of B2B meetings is reported from Albania:

Case Study Albania – Cooperation with the Processing Industry

- **Initially:** small agricultural farms, lack of agro-technology, irrigation, infrastructure (transport), lack of concepts for cooperation and specialisation, cooperation with processing was not seen as a real alternative.
- **Changes:** high dynamic in production due to improved technology, seeds and inputs, increasing production areas and quantities resulting in increasing competition and lower prices, farmers started with production planning to expand the season to obtain better prices. In addition, further markets are envisaged: production of vegetables and potatoes for the processing industry and export.
- **Positive developments:** farms with bigger production volume are able to and interested to cooperate with the processing industry. Interesting products are: tomatoes for sauce**,** pepper for processing.
- Having initially supported farmers in the production for the fresh market, GTZ started supporting farmers with bigger production areas in their cooperation with the processing industry (after 4-5 years). Cooperation started with a well-known processing company with high capacity and technology. Before, the company mainly imported raw material from abroad. GTZ supported with contacts abroad.
- **GTZ Support in producer-processor cooperation:** organisation of B2B meetings between farmers and processor. The processing company provided the seeds. GTZ hired an expert supporting/ advising the farmers during the season, especially in plant protection and fertilization. Farmers received a farm management notebook. Training of harvesting workers to ensure the requested standard and quality of the product.
- **The result of the cooperation**: 3 farmers planted 12 ha of pepper. The average yield: 32.5 ton/ha. Production costs: 120 EUR/ton. Net income: 2,350 EUR/ha.
- **Conclusion:** Production for the industry is possible. Farmers involved have to be grouped (interest group) and specialise only in this kind of production. Contracts have to be concluded from the beginning with clear terms which avoid future conflicts.

3.2.5 Strengthening the different Market Actors

The mentioned different market actors – farmers, local traders, wholesalers, processors, exporters, supermarkets – are interested in improved public and private infrastructure, but also in improving their capability in meeting the market demand. HPK is interested in providing support to the different actors. As outlined above, the market position of the current market actors will most probably change in the upcoming years. Therefore, it will be important to assist in preparing for the changes.

Farmers: To prepare farmers for new market developments requires comprehensive support, as already discussed earlier. Although it is recommended to focus on private initiatives in pooling produce for larger customers, the issue of collective marketing remains important. As shown in the EU examples in the annex, forming producer groups or cooperatives responses to the growing demand in the retail sector. Furthermore, cooperatives and producer groups get significant support from EU funds in developing their businesses. Regarding an envisaged EU accession in the coming decades, it will be important to create awareness of the advantages of groups and to train farmers in collective marketing and organisational development (without expectations of immediate cooperation).

A further important issue in improving the marketing performance will be the collection and provision of production information as mentioned above. Further issues to support their marketing functions are outlined in the context of product development (see the following chapter).

Local traders: The role of local traders is already changing although they still play an important role in distributing produce in Kosovo. Support of local traders could especially focus on improving linkages with farmers to take over certain functions (e.g. transport) in the value chain.

It is not known whether local traders are organised or be part of the wholesaler association. In Albania wholesalers who were organised in an importers' association opened their organisation to local traders to broaden the scope of their activities and being able to provide also services to their members. This could be discussed with both parties – local traders and wholesalers.

Wholesalers: As wholesalers know their business well, support in their trading activities will not be an issue. Still, organising B2B meetings with local farmers could be an interesting contribution. Support for wholesalers at Prishtinë wholesale market could concentrate on discussing infrastructure improvements at the market as well as on organisational development (OD) to strengthen their organisation. In this context it is recommended to analyse and discuss the present situation to get to a strategic plan on the way forward in OD. It is expected that the following issues are of importance:

- Functions and tasks of the association and its board
- Methods of association management
- Strategic & operational planning for the association
- Income generation, financing & budgeting
- Services to members including development of a service catalogue.

As mentioned above, it could be discussed to open the organisation to local traders, in case they are not yet members[11].

Supermarkets: Referring to the experiences from Albania an inventory of the production was a very helpful tool for all trading partners to get an overview of the potential suppliers. Here, also supermarkets will appreciate such information. In addition, the proposed B2B meetings will be a further important contribution to improve the cooperation with local farmers and perhaps traders. As outlined in the next chapter, improved quality and packaging material are further topics supermarkets are interested in.

[11] In Albania, the wholesaler association transformed from an importing to a more domestic type of organisation. Furthermore, the members also went into exports. The association also opened to commercial producer groups as members.

4 RECOMMENDATIONS FOR HPK

4.1 Summary

The objective of this consultancy was to develop a vision of the characteristics of fresh horticultural produce marketing over the next five years with an emphasis on analysing how and where and by whom scattered production should be grouped for reaching urban consumers (and export markets as a second priority). In addition, the steps that actors and donors could take to contribute to the development of such a vision were expected to be identified.

A major challenge Kosovo faces in the development of market channels is a lack of public programmes and the lack of a strategy of the MAFRD. In comparison to other places where donor programmes, initiated by the governments, assisted in market channel development and feasibility studies on investments in market infrastructure, the improvement of the marketing channels in Kosovo has lost many years. Looking at the fast development of the supermarkets in the country, producers in Kosovo have to get prepared for a very modern market system.

The situation of farmers in the EU and in countries exporting to the EU shows that especially small farmers benefit from joining marketing cooperatives/groups. The low level of organisation and the low interest in grouping are therefore a further challenge for the development of the sector in Kosovo.

Consequently, the recommendations resulting from this assignment refer to various issues relevant in horticultural development. Especially support of individual initiatives is required to set up a better infrastructure which allows others to join in, e.g. by using storage, transport or packaging facilities or benefiting from business contacts of key farmers and traders.

The consultant recommends to concentrate on selected areas, products and persons/groups to develop better infrastructure and thus, better co-operation and supplies. This will require constant advice; not only financial support.

Regarding the next steps the following is recommended:

- Preparation of an inventory of production as information for potential customers;
- Initiating the collection and provision of seasonal production information on group/village base as up-to-date information for the markets;
- Discussion with the MAFRD on the development of a marketing channel development programme, including the provision of loans and grants as well as value chain financing tools.
- Discussions with MAFRD, market management, wholesalers, traders and farmers on improvements of Pristinë wholesale market.
- Discussion about a feasibility study on the market in Xërxë with the MAFRD and the municipality of Rahovec;
- Collection of information on storage technologies for different crops to inform potential investors;
- Support to traders and wholesaler association with regard to organisational development
- Preparation of market studies on EU exports and market requirements;
- Implementation of the recommended steps outlined on a product base (see below) in cooperation with the proposed/identified key farmers;
- Implementation of the recommendations (also in other groups) given in the first report targeting farmers from Mamusha such as organisational development, capacity building, product and quality improvements and marketing.

4.2 Recommended steps outlined on a product base

With regard to products, the following recommendations are made for future HPK support:

Tomatoes (focus on Mamushë)

- Improve cooperation with key farmers and local traders, respectively, (e.g. Xhemil Taq) for joint supplies to supermarkets and wholesale market;
- Training of farmers in sorting and grading done by wholesalers;
- Provision of further cooling facilities (container) if needed;
- Follow up of Mamushë collection centre feasibility study;
- Study tour to Turkey (see previous report);
- Internship of farmers' sons in Turkey (see previous report);
- Training on marketing costs (see previous report);
- Improvement of quality (IPM) and improvement of documentation (farmers handbook) (see previous report);
- Branding of IPM products (see previous report);
- Expansion of the production season with the help of new varieties (see previous report).

Pepper

- Discuss the possibility for a Xërxë market feasibility study (in cooperation with the municipality and MAFRD);
- Cooperation with KPEP in a collection centre in Krushe e Madhe (?);
- Linkages to the processing industry in Albania, Macedonia, including a field trial on production costs.

Onion, Carrots

- Identification of key farmers: SWOT analysis and business planning
- Support in on-farm storage technologies
- Support in packaging materials
- Support of cooperation with smaller farmers
- Organisation of B2B meetings with supermarkets, traders.

Modern onion storage facility of the Çyshk cooperative

Potatoes

- Identification of key farmers: SWOT analysis and business planning
- Support of cooperation with smaller farmers
- Information on storage technologies
- Support in quality improvements allowing joint storage/supplies
- Identification of Albanian traders and organisation of B2B meetings as well with supermarkets and Kosovo traders
- Packing materials for supermarkets.

Apple

- Identification of key farmers: SWOT analysis and business planning
- Support in on-farm storage technologies
- Quality improvements with IPM
- Access to packaging materials
- Support of cooperation with smaller farmers
- Information on production development in the upcoming years (GIS)

Strawberries

- Quality improvements
- Training on the use of pesticides (MRL)
- Access to packaging materials
- Organisation of B2B meetings with supermarkets, traders and linkages also to export, e.g. Albania
- Access to cooling trucks, including cost calculations

ANNEX 1: TOR

A Vision for Fruit and Vegetable Marketing Channels in Kosovo
Draft Terms of Reference

Background

Kosovo horticulture

During the 1990s Kosovo's already weak and under-capitalised agricultural sector declined substantially to a point where it was best characterised as essentially subsistence farming. The escalating civil war after 1997 then halted virtually all commercial agricultural activity in Kosovo, as well as much household subsistence activity in the main conflict zones. From June 1999 onwards, agricultural sector activity effectively re-started, but under extremely adverse conditions. One sub-sector that is showing considerable promise is that of greenhouse production – mainly of vegetables. An inventory in 2008 indicated that there were 154 ha of greenhouses in Kosovo (over 2.5 ares) with an average area of 24 ares per farm. Production is focused on tomato and cucumber – with occasionally lettuce as a second crop. The vast majority of the infrastructure, however, is made up of simple polythene tunnels of low height and poor ventilation allowing for just one crop per year with harvest concentrated in the summer.

Vegetable trade and marketing

Kosovo has a major trade deficit in fresh vegetables – 36,942 tonnes being imported in 2008 (valued at €12.44 mill.) compared to an export of only 3,687 tonnes (€473,398). The marketing system is undeveloped but competitive. The large majority of vegetables are sold through wholesale markets with most of the local produce being delivered directly to the markets (and even sold to consumers) by individual producers. Some traders buy produce from farmers at their farm or at the seasonal market in Xërxë. Supermarkets report capturing 10% of the retail sales of fresh fruit & vegetables and expect their proportion to expand rapidly. They source much of their produce from the wholesale markets but are increasingly getting individual and reliable producers to deliver to them. Producers rarely collaborate with each other to jointly market their produce.

HPK & other donors' involvement in the Kosovo marketing sector

HPK has produced analyses of wholesale prices and trade data for fresh vegetables for several years. It has promoted links between producers and traders. It is currently exploring with supermarkets the promotion of quality standards and of the consumption of local produce by consumers, the development of marketing links with producers and the introduction of a premium range of fresh fruit and vegetables based on UNECE and Integrated Production standards. It is currently promoting and co-financing the establishment of cool stores (but for apples) as well as co-financing the establishment of a private collection centre in Rahovec – another traditional vegetable producing area. The US-financed KPEP has been active in linking farmers to export opportunities for (field) peppers.

Objective

The objective of this consultancy is principally to develop a **vision** of what the characteristics of fresh horticultural produce marketing should be over the next five years with an emphasis on analysing how and where and by whom should scattered production be grouped for reaching urban consumers (and export markets as a second priority) and the steps that actors and donors could take to contribute to the development of such a vision.

The preparation of a feasibility study on a collection centre in Mamusha brought up further questions regarding the general situation in marketing horticultural produce, the current flow of goods and the need for better market infrastructure.

HPK is interested in more details about the marketing situation and future perspectives in marketing allowing the project to fine-tune the own future activities and provide information on recommended interventions in marketing to other donors/actors in the sector so that a sensible and well designed system could be established in Kosovo.

Detailed ToR
The consultant should:

1. Provide an overview of the main production areas of horticultural produce incl. production quantities, degree of organisation of the farmers, current flow of goods from these places, main problems in marketing and future perspectives incl. investments in market infrastructure
    a. This information will be collected via
        i. existing studies, statistics etc. plus
        ii. Visits to the main production areas interviewing farmers and their organisations, representatives of municipalities etc.
2. Provide an overview of the general flow of goods within Kosovo plus imports coming from outside the country plus exports incl. a clear understanding of the major transhipment points – ie generic (eg farm gate) and actual (such as Xerxe).
    a. This information will be collected via
        i. existing studies, statistics etc. plus
        ii. Interviews with farmers and their organisation, visits to the main trading places/markets interviewing local traders, wholesalers and their organisations as well as the retail sector.
3. Contact officials and existing donor projects regarding their experiences in the horticultural trade sector and their plans/interest in improving/investing in market infrastructure
    a. These information will be collected via
        i. existing studies etc. plus
        ii. Interviews with officials from the Ministry of Agriculture, Ministry of Trade as well as representatives from donor projects resp. donor organisations.
4. Prepare an overview of the current situation including an overview of the flow of goods based on the collected information.

5. Prepare a vision of the mechanisms and infrastructure to support such trade flows in the horticultural sector within the upcoming five years.
    a. This includes
        i. A map of Kosovo showing the different transhipment points and trade flows at present and in future.
        ii. A detailed definition and characteristics (eg collection centres need to be close to the main areas of production) of the types of transhipment points eg:
            1. Source of produce
            2. Stores
            3. Assembly markets
            4. Collection centres
            5. Wholesale markets
            6. Retail distribution centres
            7. Export (?)

6. Indicate the difference characteristics of marketing channels based on type of produce such as:
   a. Fresh highly perishable vegetables (tomato, …
   b. Fresh perishable vegetables (pepper, …
   c. Storable vegetables (carrot, onion, cabbage, …
   d. Fresh very perishable fruit (strawberry, raspberry, pear, …
   e. Fresh perishable fruit (apple, …
   f. Stored fruit (apple, …

7. Develop a road map of how such a vision could be materialised – along with the implications for donors and discuss the findings and recommendations with the HPK team

8. Provide more detailed recommendations for the HPK Project's interventions in 2010.

Expected outputs

- An interim presentation of findings to the HPK team
- A final presentation of the findings of the study to a wider audience
- A draft report not exceeding 25 pages (plus annexes) in English
- A final report not exceeding 25 pages (plus annexes) in English

Time frame

Items	Dates
▸ Signature of Contract	18 January 2010
▸ Consultancy	20 – 29 January 2010
▸ Delivery of the first draft	15 February 2010
▸ Comments by the project	
▸ Final report	1 March 2010

Allocated days (to be invoiced by the consultant)

Items	Days
▸ Review of relevant documents[12] prior to the mission	1.0
▸ Travel from consultant's home base to Kosovo	0.5
▸ Working days in Kosovo	8.0
▸ Travel from Kosovo to consultant home base	0.5
▸ First draft preparation (consultant's home office)	4.0
▸ Final report (consultant's home office)	1.0
Total	**15**

[12] Reference to article 9

ANNEX 2: MISSION PROGRAMME

Agenda 20 to 29 of January 2010

Date	Time	Programme	Who
Wednesday January, 20	9:00 14:30 16:00	Departure to airport Hamburg Arrival in Pristina, Briefing meeting with Neil Parker, Fatmir Selimi, Luan Hoti	Sigrid Giencke
Thursday January, 21	08:30 10:00 – 18:00	Meeting in HPK office Travel to Peje region Visits to • Nedjad Fatai, Farmer-Trader Rauze • Hivsi Medunian, Apple producer, Arrislik • Selman Scala, Onion, potato, cabbage producer, Cyshk • Nasif Blakaj, Apple Producer, Kovrage	Sigrid Giencke Fatmir Selimi
Friday January, 22	09.00 – 17:30	Travel to Rahovec region Visits to • Fehim Rexhepi, Intermediary • Isa Dinai, Perdrini Pepper Association, Krushe e Madhe • Ilvi Derguti, Municipality Rahovec Rural Development • Cousin of land owner Xërxë market • Mustafa Hoxha Winecompany Eko, Rahovec	Sigrid Giencke Fatmir Selimi
Saturday January, 23	09:00-17:00	Travel to Viti Region Visits to • Besim Sahiti, input dealer and service provider, Viti • Potato producers in Skyfterai • Radoslav Jovanovic, potato producer in Mogille • Agim Isufi, Gjilan: Apple association	Sigrid Giencke Fatmir Selimi Luan Hoti
Sunday January, 24		Documentation, Reporting	Sigrid Giencke Fatmir Selimi
Monday January, 25	09:00– 17:00	Travel to Lipjan and Ferizaj Visits to • Nasi Ibrahim Lipija (Municipality – Rural Devlopment) • Strawberry Producer near Lipjan • Agim Kasumi, Input dealer, Ferizaj • Geg Zefi, strawberriy producer, Ferizaj	Sigrid Giencke Fatmir Selimi
Tuesday January, 26	9:30- 15:30	Travel to Vushtrri and Mitrovica Meetings with • Hasan Besheri and Burim Plona, both trader and farmer, Vushtrri • IADK NGO, Mitrovica, working with farmers associations	Sigrid Giencke Fatmir Selimi Luan Hoti
	15:30	Documentation, Reporting	Sigrid Giencke

Date	Time	Programme	Who
Wednesday January, 27	9:00 – 13:00	Travel to Podujevo Meeting with • APC Mushroom processing • Bekim Vokrri, Cabbage and carrot producer, Podujeva	Sigrid Giencke Fatmir Selimi
	14:00-15:00	Prishtina: • Meeting with Mustafa Kastroti, member of Agribusiness Cooperative from Rahovec	Sigrid Giencke Fatmir Selimi
	16:00:20:00	Preparation of Presentation	Sigrid Giencke
Thursday January, 28	9:00 – 10:00	Meeting with John McKillop and team KPEP, USAID project	Sigrid Giencke Fatmir Selimi
	11:00-12:00	Meeting in Ministry of Agriculture and Rural Development MAFRD, Isof Cikoji Horticultural Production Department	Sigrid Giencke Fatmir Selimi
	13:00-20:00	Preparation of Presentation	Sigrid Giencke
Friday January, 29	09:00	HPK Office: Finalisation of Presentation	Sigrid Giencke Fatmir Selimi
	11:00-13:00	Debriefing – presentation of findings to the development actors (SDC, KPEP) and HPK team	Sigrid Giencke Fatmir Selimi
	15:00	Flight back to Germany	Sigrid Giencke
	21:00	Back in Hamburg	Sigrid Giencke

ANNEX 3: EU EXPERIENCES

Looking at the situation in the EU, the production and marketing of horticultural produce is focussed on large buyers – the supermarket chains - because 80-90% of the fresh produce are purchased in supermarkets (end consumers). With regard to the marketing of local production, different developments can be observed:

- Large farmers have direct agreements with supermarkets. These farmers constantly grow, buy/lease land from other farmers to meet the demand of their customers. These farmers mostly operate on local level and supply customers in their region.
- Smaller individual farmers serve niche markets such as green markets or sell at the farm gate. In addition, some smaller farmers sell to traders/packing companies who store and later pack their produce, e.g. potatoes, apples or onion.
- Farmers' cooperatives or associations, often regionally based in specific production areas, act as marketing companies for the farmers (examples are outlined below). Storage is on-farm or with the cooperatives, depending on the product and the location.
- Traders as collectors of produce from smaller farmers take over the function of storage and packaging. These traders mainly deal with storable products such as apples, potatoes, onions. In case of the below mentioned Elbe Obst association, these packing companies cooperate with the association to increase the volumes.
- Wholesale markets increasingly lose their function as important market suppliers. Customers at wholesale markets are mainly small retail shops, restaurants etc. Supermarkets are no longer supplied by wholesale markets.[13]

Case Study Landgard

Landgard is a Germany-wide operating cooperative for fruits, vegetables and flowers (except for onion and potatoes). 3,000 farmers are members, 1,000 of them produce fruits and vegetables. Landgard as a cooperative has taken over the marketing function. All sales are through the cooperative; members agree to delivering 100% of their production, although the storage function remains with the farmers. The cooperative runs large distribution centres based in the production areas and supplies farmers with packaging materials. (Farmers pay for packaging and get reimbursed after sales. The buyers also pay for the packaging). All produce is packed according to customers' demands. Main customers are supermarkets.

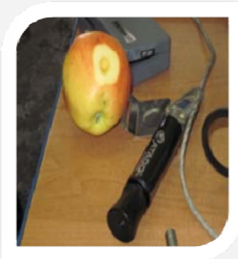
All farmers are GlobalGap certified (in Germany called QS-GAP) and the cooperative bundles supplies. The distribution centres are IFS-certified, including HACCP.

All supplies of the members are based on agreed production plans. Close monitoring of the production avoids any unexpected supplies. Due to the great demand of the customers, a major problem of the cooperative is shortfall in crop, e.g. due to bad weather. In this case, the cooperative imports from other places to satisfy customers' demands.

The role of the farmers is to concentrate on production and to continuously improve the technology. The food market in Germany is highly competitive and constantly under price pressure. Therefore farmers are forced to reduce costs and increase yields to stay in business. The average yield of greenhouse tomatoes has gone up to more than 50 kg per sqm and cucumber up to 75kg per sqm. Energy saving investments are important for additional cost reductions.

A further challenge for farmers and their cooperative is the requirement of the main customers (discounters) to reduce the minimum residue level (MRL) of pesticides down to 30% of the EU directive. With products like cabbage and apples the requested MRL are achievable. Problems occur especially with strawberries and lettuce. Here, the cooperative closely cooperates with the extension service to achieve the set standards. Soilless production in greenhouses also reduces infections/ pests and therefore pesticides. The cooperative regularly tests the supplied produce to ensure the agreed quality.

[13] Today, new investments in market infrastructure are in private hands. Even the latest wholesale market in Germany, the Frankfurt Fresh Centre, is a private investment of farmers and traders in the region.



Case Study Elbe Obst

The producer organisation Elbe Obst, a registered association, pools produce from 450 producers cultivating different kind of fruits on 6,000 ha (180,000 tons) near river Elbe. Pooling, sorting, grading, storage and packing is done off-farm in nine collection centres located in the production area and equipped with cooling, sorting and packing technology (see below). A separate marketing company is in charge of sales activities and also manages the sales of associated packing companies. Packing is done according to customers' demands. Similar to Landgard, farmers are GlobalGap certified, the distribution centres are IFS certified. Main customers are supermarket chains. Production schemes are IPM and organic.