CAPEX CAPITALIZATION OF EXPERIENCES

SUBSECTOR APPROACH FOR PROJECT'S INTERVENTIONS

The case of the **soft fruit industry** in Southwest Kosovo

OCTOBER 2004

Swiss Project for Horticultural Promotion - **KOSOVO**

DEZA
DDC
DSC
SDC
COSUDE

inter cooperation

Time Frame	2001- today
Implementation	SPHP-K[2]/ Intercooperation
Partners	Malteser, Klip, SDC
Financing	Swiss Agency for Development and Cooperation SDC
Localization	Southwest Kosovo
Target Population	Pilot farmers, farmer groups/ associations/ enterprises

Author	Robert Berlin
Collaboration	Nora Gola[3], Heini Conrad[4], Maxhun Shehaj[5] and Luan Hoti[6]

INTRODUCTION

The once robust capacity to grow soft fruit in Southwest Kosovo ,primarily for juice processing and for the fresh market, was vastly reduced in the late 90s by the disappearance of large state-owned companies. Today, linking small-scale producers to national markets remains a major challenge in Kosovo and in other transition countries. The lack of strong organizations, the dispersion of small scale producers, poor technical and marketing skills combine with inefficient market channels and restricted access to credit severely limits the development of the soft fruit sector in this region.

Since April 2001, within these framework conditions, SPHP-K has implemented several Participatory Technological Development (PTDs) agreements to reintroduce soft fruit production in Kosovo enabling these newly established small-scale growers to compete with imported products and improve their linkage to the market. This project intervention has been primarily based on the hypothesis that soft fruit production in the region could become an income generating activity. After three years, the Project endeavored to increase the market share of local produced soft fruits through the infusion of capacity building activities -communication,institutional,organizational and business development, co-financing of demonstrations, networking and business linkages.

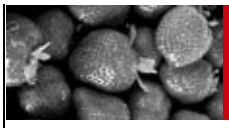
The experience in the Southwest Kosovo is a good example of how 30 farming families, including four led by widows, could progressively develop into the largest soft fruit production area in Kosovo. At the outset of their experience with SPHP-K/ IC, none of the farmers had been primarily involved in soft fruit production, and most of the families were depending on funds send by the Diaspora. Additionally, very small quantities of strawberries were produced locally (3 growers producing less than 4 tons in total).

Today, the region boasts an annual production of more than 110 tons of soft fruits on around 10 hectares generating more than 81,700 € of income. The market share represents now approximately 15% of the Kosovo consumption (the rest are mainly imported products). Several innovative marketing strategies have been used including improvements in

1. SPHP-K is the Swiss Project for Horticultural Promotion in Kosovo. It is executed by INTERCOOPERATION (IC) and financed by SDC
2. Chief Technical Adviser, SPHP-K
3. Horticultural and Business Adviser of SPHP-K
4. Marketing Specialist, Intercooperation
5. Top and Soft Fruit Adviser, SPHP-K
6. Marketing Adviser, SPHP-K
7. This area discussed comprises 30 hectares of rural land within the Gjakova Municipality located in Southwest Kosovo
8. PTDs = Participatory Technological Development agreements = Participatory and co financed development of technologies (in general 50% of the total cost)

packaging, joint marketing, promotion at fairs and branding. Additionally, new market channels have been developed including group selling, direct selling and "pick-it-yourself". Meanwhile, a soft fruit association is being created and quality standards elaborated. In addition, a group of 5 women jointly produced and commercialized 1,500 kg of homemade jam under a shared brand name (Freskia).

This paper presents the experiences of SPHP-K/ IC on the subject of redeveloping the soft fruit market for small farmers in the Southwest Kosovo while developing business services, and increasing income in rural areas. The paper is targeted at enterprise development agency practitioners and is organized in four sections: This first describes the Project's intervention,the second presents the results and achievements; the third gives some lessons learnt and the last section offers some considerations for scaling up



INTERVENTION OF SPHP-K

With regard to strategy, the project adhered to a six step process as described in the Final Report of the Horticultural Adviser (MORRISS,2003) and resumed in Table 1:

In 2001-02,market research (GIRON,2001) and (HOTI,2002) and investigations led by SPHP-K identified a strong demand for soft fruits in Kosovo primarily for the fresh market and also processing. Furthermore, good capacities for fruit growing within the Southwest of Kosovo have been acknowledged.

After an exchange with MALTESER and KLIP , the decision was taken to support a group of four widows to restart the commercial production of strawberries. Thus, SPHP-K/ IC joined forces with MALTESER and KLIP to refinance the purchase of equipment lost during 1998-99 conflict and the introduction of high quality strawberry plants.

9. The agreement signed between widow-led families and MALTESER (capacity building) and Kosovo Local Initiative Programme (KLIP) (grant) allowed the refinancing needed of equipment lost during the war. Total budget 21,000€ .

In 2002, a small to medium yield of soft fruit was successfully marketed locally. This event raised considerable local interest amongst neighboring villages. Consequently, during the period 2002-2004, SPHP-K supported the establishment of demonstration plots amongst more than 30 farmers, introducing new technologies in production and post harvest and facilitating market linkages.

Table 1: Recapitulation of the actions fulfilled and main accomplishment

	ACTIONS FULFILLED DURING THE INTERVENTION	SUMMARY OF ACCOMPLISHMENT
Year 1 *2001-2002*	Step 1: Investigation through farm and market surveys	Two major decisions were made: 1. Selection of the soft fruit subsector for Project's intervention 2. Selection of the Southwest Region
	Step 2: Situational analysis	1. Selection of strawberry as a crop and 6 varieties 2. Identification and selection of 4 pilot farmers
	Step 3: Participatory planning of activities	1. Elaboration of Participatory Technical Development agreements in collaboration with partners organizations
	Step 4: Start up of activity	1. Implementation of the activities including training and co financing of activities
	Step 5: Assessment and monitoring activities in technologies and marketing	1. Technical assistance 2. Assessment of the technological and demonstration to other farmers 3. Assessing market potential and pilot marketing
	Step 6: Participatory evaluation and planning of activities (2002-04)	1. 26 new farmers interested in soft fruit production 2. Three strawberry varieties chosen
Years 2-3 *2002-2004*	Further expansion of Soft Fruits	1. Decision to increase the soft fruit programme 1. Selection of raspberry, and blackberry as additional crops 2.30 pilot involved in commercial nurseries 3. Two commercial nurseries established and being certified by the ministry 4. Farmer association established (FRAGARIA) 5. Brand developed (Frutet e imeta) 6. Homemade Jam production "Freskia"
Year 4 *2004-*	Scaling up –replication	1. New area of intervention identified in the Northwest Region 2. Six new farmers involved in the Northwest

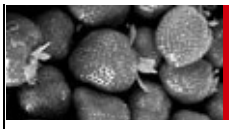
During the Project's intervention, soft fruit growers have demand for various types of business services. In addition to the technical, methodological, marketing support received from SPHP-K, pilot farmers received services and support from private sector, other NGOs, donors, government, family and banks (Table 2).

Direct financial support from SPHP-K,MALTESER,KLIP for years 2001-02,2002-2003,2003-04 were 21,000 € , 42,000 € , 8,500 € , respectively for a total of 71,500 € . (Agreements were combined MALTESER, KLIP, SPKP-K (2001-02), or SPHP-K, pilot farmer alone (2002-04). These figures do not include financial costs due to SPHP-K staff support and investment done in infrastructure.

Table 2: Business Services received by Soft Fruit growers (30 pilot farmers) and facilitated by SPHP-K during the period 2001- 2004.

BUSINESS SERVICES CATEGORIES	PROVIDER	CLIENTS	FUNDING	FORM
Training and technical assistance		**W = Women M = Men**		
Establishment of demonstration plots: (12,600€ [11])	*SPHP-K, consultants*	*12W, 30M*	*SPHPK*	*Co financed*
Technical advice, trainings (1,000€)	*SPHP-K, consultants,*	*7W, 23M*	*SPHP-K*	*Subsidized*
Product Development				
Quality standard and packaging (5,000€)	*SPHP-K*	*7W, 23M*	*SPHP-K*	*Subsidized*
Production of homemade jam (3,000€)	*consultant, SPHP-K*	*4 W*	*SPHP-K*	*Co financed*
Market Access				
Market survey (3,000€)	*SPHP-K , company*	*Market, growers*	*SPHP-K*	*Subsidized*
Trade fairs (1,200€) and advertising (1,300€)	*Apollonia,designer*	*4 W, 8M*	*SPHP-K*	*Subsidized*
Linkages for nurseries and growers:	*2 Nurseries , 1 distributor*	*7W, 23M*	*Nurseries, distributor*	*Non subsidized*
Organization and management				
Training in management	*Consultant*	*4 W*	*MALTESER*	*Subsidized*
Crop costing	*SPHP-K*	*Banks, growers*	*SPHP-K*	*Subsidized*
Redaction of status for farmer's association	*SPHP-K,members*	*8M*	*Members*	*Non subsidized*
Infrastructure				
Access to water for irrigation (30,000€)	*Local company*	*18W, 18M*	*SDC*	*Matching grant*
Input Supply				
Linking nurseries with soft fruits nurseries (25,800€)	*SPHP-K*	*8W, 14M*	*SPHP-K,nurseries*	*With return*
Linking growers to packaging suppliers	*Coordinator*	*4W, 8M*	*Members*	*Non subsidized*
Group order for plants (500€)	*Nurseries, members*	*4M*	*Members*	*2004*
Financial				
Access to funds for reconstruction (22,000€)	*KLIP*	*4W*	*KLIP*	*Co financed*
Access to grants for minorities (6,000€)	*SDC*	*8W*	*SDC*	*Co financed*
Access to credit for income generation	*MALTESER*	*2M*	*MALTESER*	*50% grant and 50% as a credit*
Credit (10,000€)	*Bank*	*3M*	*Clients*	*Non subsidized*

11. These figures do not include financial costs due to SPHPK staff cost



RESULTS & ACHIEVEMENTS

Five main results have been achieved through SPHP-K's intervention:

1. The revitalization of the soft fruit industry in Southwest Kosovo;
2. Additional incomes generated from the soft fruits industry;
3. Integration of women in the rural economy;
4. The development of new marketing channels in the soft fruit sector;
5. Developing business services for the soft fruit industry;
6. Participatory Technology Development.

The major achievements are summarized below:

1. Revitalization of the soft fruit industry in Southwest Kosovo

During the intervention period, the production progressively increases from around 4t produced in 2001 to more than 110t produced in 2004. In addition, a women group started with the production of homemade jam in 2004 and succeeded to commercialize 1.500 kg in 750g and 350g jars. During the early nineties, the production achieved around 300 t of strawberries yearly.

Table 3: Development of the soft fruit industry in Southwest Kosovo

	2001	2002	2003	2004
Strawberries[13]	4t	9.6t	42t	85t
Raspberries[14]	nd	nd	12t	16.5t
Blackberries	nd	nd	8t	11t
Homemade jams				1.5t
	4t	**9.6t**	**62t**	**114t**

One of the greater Project's concerns has been to extend the production period through the introduction of early and late varieties and through the promotion of technologies like mulch, fleeces and greenhouses. In 2004, the use of these technologies, crops and varieties allowed extending the production period from a period of two months (May- June) to a period of 6 months (from mid April to mid October). The calendar of commercialization is presented in Table 4.

Table 4: Presence in the market of soft fruits produced in the Southwest (2004)

	April	May	June	July	August	September	October
Strawberries	x	xx	xx	x			
Raspberries			x	xx	X		
Blackberries					X	xx	x
Homemade jams				x	x	x	X

x= beginning/ end of production xx=peak of production

12. Average yield for three years of production for strawberries: respectively 8t for year one, 1.5t for year two and 10t for year three.
13. Average yield for raspberries& blackberries for year one and two: respectively 9t for year one and 11t for year two.

2. Additional incomes generated from the soft fruits industry

The 110 tons sold during the 2004 harvest generated around 81,700€ of revenues for 36,282€ in 2003 and 2,112€ in 2002. No data is available for 2001.

Table 5: Evolution of revenues from the soft fruit industry in Southwest Kosovo 2001-04 (figures in €)

	2001	2002	2003	2004
Strawberries[14]				
Price/kg	1.5*	1.2*	1.5*	1.3*
Plantation 2001;1.2ha	-	2,112	17,802	12,600
Plantation 2002;3ha	-	-	12,480	37,605
Plantation 2003:3.5ha	-			8,960
Raspberries and blackberries[15]				
Price/kg	nd	nd	1.2*	1.0*
Plantation 2002:2.5ha			6,000	21,725
Jam production				
Price/kg				2.5
Homemade Jam;1.5t				810
Total		***2,112***	***36,282***	***81,700***
Total for the three years				***120,094***

* Average price during the peak season

3. Integration of women in the rural economy

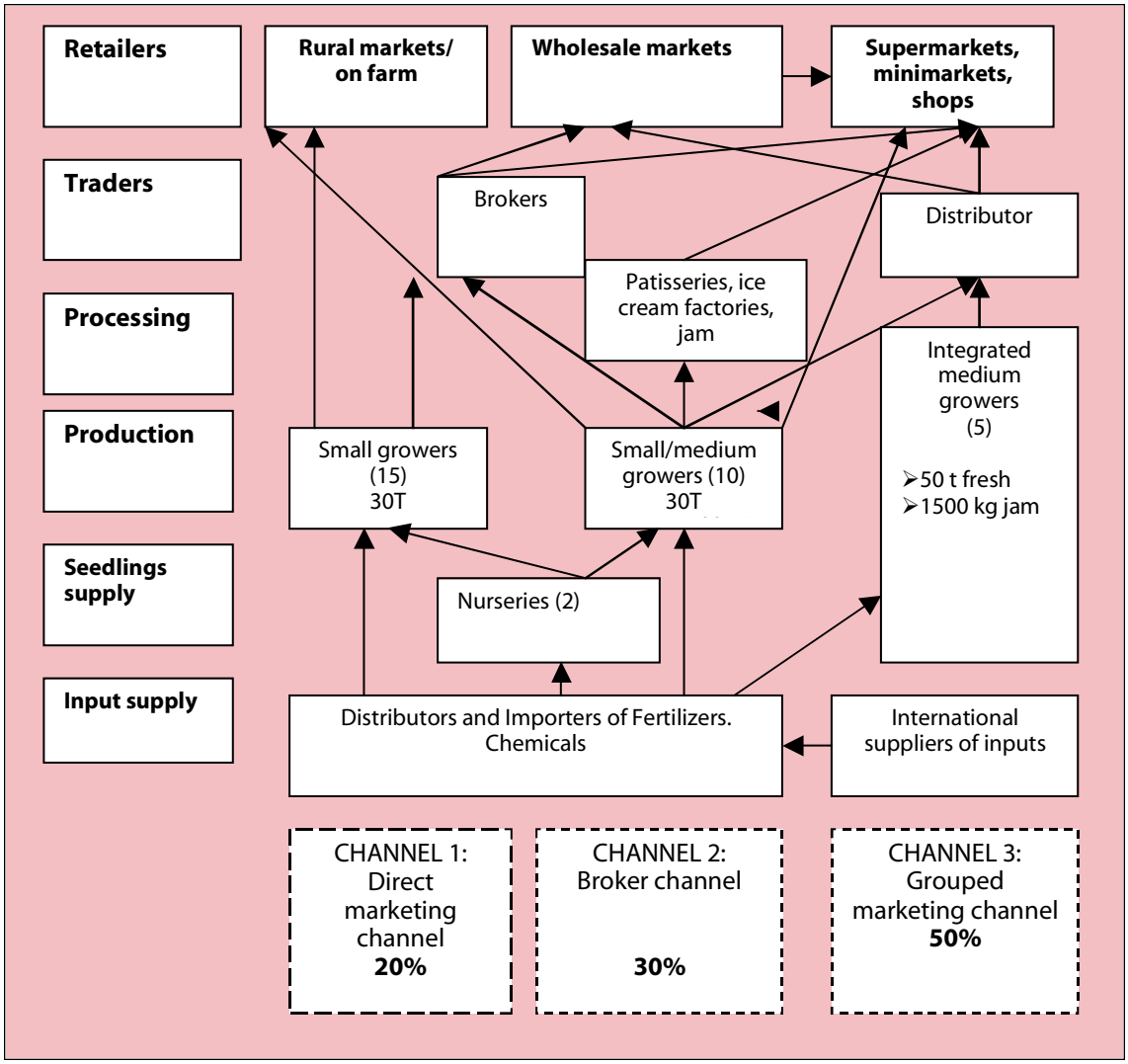
Economic activities near the farmhouse can improve the work efficiency of the whole family (SCHEUERMEIR at al, 2004). Experiences in the soft fruit sector have been the integration of women as active participants of the sub sector. Six widow-led families have been involved in soft fruit production and were able to find a market. In addition, four women jointly processed soft fruit and marketed 1500 kg of jam under the brand name Freskia. This new economic activity near the farmhouse improves the work efficiency of the whole family, and if more developed, may enhance economic growth and create additional employment opportunities.

4. The development of marketing channels in the soft fruit subsector

An analysis of the marketing channels from farmer to consumer reveals that the basic elements of the marketing system are present, although some are still archaic. Farmers in most locations are willing and able to choose amongst several market channels and to travel to alternate markets to improve their margins. During this period of time, farmers experienced a range of different marketing methods going from the "pick-it-yourself", selling to brokers and direct distribution under the same brand name.

14. Average production cost for three years of cultivation. Respectively 0.98 € for year one, 0.21 € for year two and 0.25 for year three.
15. Average production cost for two years of cultivation. Respectively 0.90 € for year one, 0.21 € for year two.

Figure 1: Soft fruits marketing channels in the Southwest Kosovo



From Figure 1, three distinct product channels are evident:(1) direct marketing channel, (2) broker channel,and (3) grouped marketing channel. Each one has specific characteristics about the way that it operates, though there is some overlap between them.A brief summary of each channel is set out below:

Direct marketing channel: the small growers in this channel either sell directly from the farm,from local and weekly markets, or to the rural area. This channel is the weakest of the three, though it has been the most innovative. Direct marketing farmers have utilized a variety of marketing promotion tools such as market stand,"pick-it-yourself",signboards as well as different types of packaging.

Broker channel: the small and medium growers in this channel either sell to brokers, or sell directly to small patisseries, ice cream factories or shops. This channel is the strongest one in terms of farmers involved. These brokers function only during the season and are constantly looking for quality products since they do not have any regular growers.

Group marketing channel: these medium farmers have integrated and grouped their operations both forward (collection, transport, post harvest including processing and distribution) and backwards (seedlings production).There are only about five farmers that fall into this category, with varying degrees of integration. These farmers have a very strong and growing market; usually

command higher prices for their products through the adoption of quality standards and direct distribution to urban retailed markets.

5. Business Services in the soft fruit subsector

Soft fruit growers have received various types of business services as presented in Table 2 and 6. All these services have contributed to the revitalization of the subsector. From these services, training and technical assistance as well as infrastructure, which can be considered as public benefit intervention, have been highly subsidized.

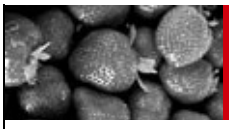
Table 6: Business services received by the soft fruit growers in the Southwest

CATEGORY OF BUSINESS SERVICE	SUBSIDIZED SERVICE PROVIDERS	NO SUBSIDIZED SERVICE PROVIDERS
Training and technical assistance	◆SPHP-K ◆Consultants ◆NGOs, government	◆Input supply companies (embedded services – costs covered by operational revenue) ◆Consulting firms or individuals
Product Development	◆SPHP-K ◆Designer ◆Consultant	◆Growers
Market access	◆Consultancy companies ◆SPHP-K ◆Fairs	◆Private distributor (embedded services) ◆Private nurseries (embedded services) ◆Members of the farmer group ◆Fairs(costs covered by fees)
Organization and management	◆SPHP-K ◆NGOs	◆Lobby groups ◆Producer association
Infrastructure	◆Government ◆Donors	◆Growers
Input supply	◆SPHP-K ◆NGOs	◆Input suppliers ◆Nurseries
Financial	◆NGOs ◆Bank	◆Bank ◆Input supply companies ◆Family network

Other services like product development, market access, organization& management, input supply and finance have been partially subsidized and became commercially viable once the subsector reached a certain level of development.

6. Participatory Technological development (PTD)

Participatory Technological Development agreements (PTDa) as a participatory method of developing technologies (with around 50% of cost sharing) proved to be a good and flexible method for functional technology and product development. Farmers have introduced a new crop, have learned about new techniques, and have learned to improve the quality of their products through new marketing tools (packaging, signs, stand, and brand name). Additionally, women from Babaj e Bokes have learned how to process soft fruit with simple techniques which provides a standard product of high quality to the market. The entrepreneurial enhancement of both the farmers and the processors is noticeable, since they have organized the distribution under a same brand name, purchased in group inputs and prepared status for a new farmer organization.

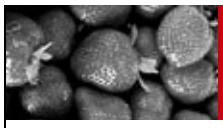


KEY LESSONS TO BE LEARNED

The selection of an agricultural subsector for an intervention should be based on a strong market demand and good agro- climatological conditions. In the case of soft fruits, evidence of a strong demand has been produced through market surveys. In addition, investigations at the farm level revealed good production potential for the Southwest region. As a second step, situational analysis led to the selection of strawberry as a main crop and to six varieties to be tested. After three and half years of intervention, local soft fruits producers increased their market share from almost 0% to around 15%-, competing and substituting imported product.

The length of a project's intervention should be based on the time required to reach the break even point. It is important for international cooperation programs to realize that supporting the development of a new subsector is not a short term commitment. Additionally, significant human resources and financial means are required at the initial steps of generation and validation of technologies. In the case of the soft fruit subsector, the project focused on introducing more intensive production systems like drip irrigation and crop protection techniques to increase productivity and to extend production period. During this critical phase, if no subsidies are available, small farmers with low capacity of investment may face with overwhelming difficulties. It is only after market channels starts to function and growers make their first profit that self development takes place and opportunities for significant reduction of subsidies are created.

Non-subsidized business services are viable if these provide immediate tangible results or if they are embedded. During the period of intervention,growers received business services of seven different categories. For training and technical assistance and product development services have been provided and financed by the project directly. For the future, it is still not clear if private providers will find a market. For services, like facilitating access markets and organization& management, providers like fair organizers, intermediaries and distributors might sell services to producers particularly if they are partially subsidized. Concerning infrastructure, it is usually considered as a public benefit intervention, and therefore should be provided by governments or/ and donors. Embedded services, like access to inputs are especially promising for the subsector and started to be visible during the third year of intervention. Finally, financial services are becoming more available with banks developing credit lines for agriculture.



CONSIDERATIONS

for sustainability and scaling up

Linking subsector and business services has contributed to successful linkages between growers, distributors and markets, this despite the early stage of development of this industry. Bridging these two aspects can result in programs that address subsector constraints and opportunities in a sustainable way, thereby providing sustainable development. Factors contributing to this success are:market demand and growth potential,good agro-ecological conditions, closeness to the market, availability of matching funds and financial services, presence of advisers and opportunities of new business opportunities in the subsector.

At an initial stage for generation and validation of technologies, some degree of subsidized services is needed mainly to reduce risk taken by farmers. It is important that these services are delivered for demonstration purposes only, and on a declining base. As a result of the Project's intervention,growers in the Southwest have now validate three varieties of strawberries and crop management techniques and have therefore set up the base for a future development of this industry.

With the project's market led approach the break even point has been the real factor of decision for farmers to continue and get specialized in this crop.The result has been that they have started to organize themselves for marketing, after having realized the profitability. In addition,closeness to the market and concentration of growers in a limited area has proved to be a good option since it favored exchanges in technologies and facilitated the commercialization process (brokers, group selling).

Sustainability, reproducibility and scaling up of these experiences are the next challenge. The newly created farmer association FRAGARIA,with the support of SPHP-K shall continue improving skills and develop the organization. In addition the Project is working to transfer this experience to the eastern part of Kosovo. Nevertheless, key questions remain. What will happen if no technical and marketing advice is delivered in a subsidized manner? Will growers and especially small growers be ready to pay for advice and for training? And will technical advisers see small farmers as a market? It is expected that some of the services received by farmers will be provided by suppliers and intermediaries in an embedded manner, or may be provided by public institutions. However, the future is not guaranteed for services like training, technical advice and technological development that are the key for a future expansion and development of the entire sector.

Contact

SPHP-K/ Intercooperation, Ekrem Rexha st. No 3 Arberia/
Dragodan, PO Box 2, Pristina 38000, Kosovo,
tel. +381(0)38 243 034,
email: **info@intercoopkos.org**

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