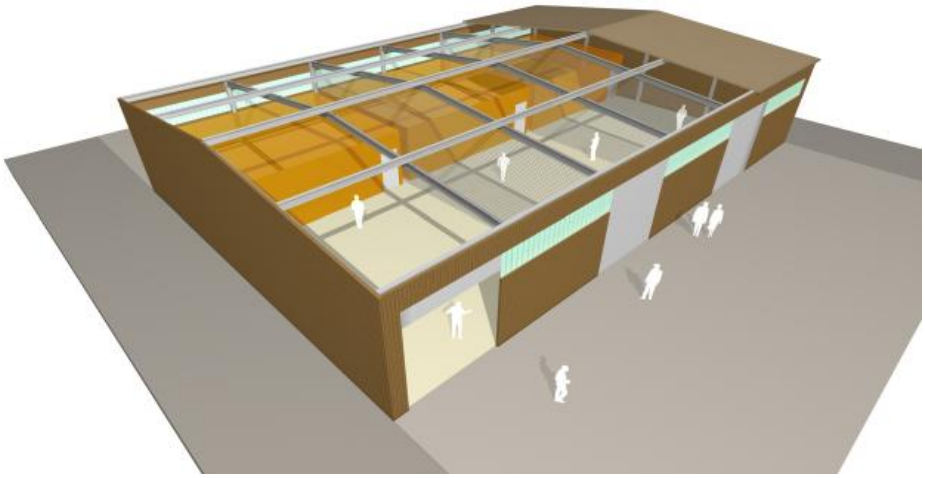
Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

Swiss Cooperation Office Kosovo

MINISTRY OF FOREIGN AFFAIRS OF DENMARK

Horticultural Promotion in Kosovo (HPK)

Project funded by
the Government of Switzerland and the Government of Denmark



Feasibility Study on a Collection Centre in Mamusha

Prepared by

Sigrid Giencke
Fatmir Selimi

November 2009

Table of Contents

1 INTRODUCTION

The Municipality of Mamusha in Kosovo is interested in implementing a collection centre project entitled “Collection (Grading & Packing) Centre Mamusha”, in short the collection centre project. Within the framework of its “Horticulture Promotion Kosovo-HPK” project, the Swiss NGO Intercooperation supports the preparation of this project through a feasibility study. The present report aims at summarising the most relevant information in order to facilitate decision-making for the project. This report is also meant as a source of condensed information to inform potential donors.

A collection centre in Mamusha has been under consideration for quite a while. Currently, farmers from Mamusha mostly sell their produce through Pristina wholesale market, the main market place for wholesale trade in horticultural produce in Kosovo. Due to the difficult situation farmers face at Pristina market, trade from Mamusha moves more and more to other market places in Kosovo, a fact which results in a scattered market situation for Mamusha farmers. As a consequence, it is envisaged to concentrate sales activities in one location in the outskirts of the municipality and to reduce the transport and transaction costs for Mamusha farmers.

A driving force in the development of the collection centre is the Mamusha Farmer Association created in 2008 and structured into 11 neighbourhood groups. They represent 120 out of 175 farmers in the municipality. Therefore, the target groups of the collection centre project, farmers from Mamusha, especially the association of Mamusha farmers, fully support the project to set up a new collection centre in the outskirts of the municipality. Other parties involved, such as traders, wholesalers, exporters are also interested in the idea of a new collection centre. Above all, customers with a high and constant demand for produce, such as supermarkets, appreciate an improvement of the supply system that allows the purchase of goods in better and bigger quantities in one location.

Major concerns of the target groups as well as the other parties mentioned are mainly related to

- low group cohesion among the farmers in the municipality causing competition among farmers (and traders) and undermining the pricing of produce;
- the uncertain commitment of the farmers to supply the collection centre;
- the proposed location of the new collection centre creating high costs of road and site development and the still unknown impact of the new “autostrada” connecting Prizren and Pristina;
- the dimension and costs of the collection centre.

The present report mainly addresses these issues and provides proposals to facilitate the set-up of an economically viable collection centre. The planned market facilities have been designed so as to provide modern standards. Expensive equipment such as cold storage will be included but this investment still requires careful consideration.

2 SITUATION ANALYSIS

2.1 Current Situation in the Production and Sale of Horticultural Products from Mamusha

Despite all obstacles, the production and selling of vegetable produce from Mamusha, especially greenhouse products, is functioning and volumes are constantly growing. HPK has recently elaborated an analysis of the production in greenhouses and open fields in the area, including projections for the development in the next 10 years.[1] In 2009, the following areas were planted with vegetables in greenhouses – tunnel type in Mamusha municipality:

1. Tomatoes 75 ha
2. Cucumber 25 ha
3. Melons 10 ha
4. Peppers 5 ha

The main product is, and will remain tomato, but a certain diversification is envisaged. The majority of greenhouses is still equipped with low level technology (99%), but investments in new greenhouses are visible everywhere.

Due to the climatic conditions in the production area, the production season is fairly short starting earliest in May/June and lasting until the end of September. Unlike Albania, a second crop is more problematic in Kosovo due to the more continental climate.

For the majority of crops, planting/ transplanting of crops in the greenhouse is done at the end of March (tomatoes, cucumbers), for melons and peppers it is done at the beginning of April. The time of maximum market supply (when approximately 80 per cent of farmers supply their produce to the market) is as follows:

- Cucumber - from 10 May and continuing to be harvested until the first week of August (the highest production occurs at the end of July).
- Tomatoes - from 20 June and continuing to be harvested until the end of September. The highest production occurs during July and August.
- Peppers - from 1st June and continuing to be harvested until the end of August. The highest production occurs at the end of June/beginning of July.

1 Information based on: Production & Marketing Volumes in Mamusha – 2009, Qamil Cena – Adviser

- Melons- from 6 June and continuing to be harvested until the end of August. The highest production occurs in July – August.

Mamusha is well known as a region with early production from greenhouses and with this advantage is well positioned in the market in Kosovo. Still, the future development of the greenhouse areas depends on the overall market demand and price development for vegetables. However, based on the current area and dynamics of greenhouse establishment until 2009, the average production increase in new greenhouses and existing greenhouses is estimated to amount to 10% per year.

Greenhouse production area											
Year /ha	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Tomatoes	75	83	91	101	111	122	134	147	162	178	195
Cucumber	25	28	30	33	37	40	44	49	53	59	65
Melon	10	11	12	13	15	16	18	20	22	24	26
Pepper	5	6	6	7	7	8	9	10	11	12	13
Greenhouse production quantities											
Year / t	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Tomato	8,100	8,910	9,801	10,781	11,859	13,045	14,349	15,784	17,363	19,099	21,009
Cucumber	3,300	3,630	3,993	4,392	4,831	5,314	5,846	6,430	7,073	7,781	8,559
Melons	1,500	1,650	1,815	1,996	2,196	2,415	2,657	2,923	3,215	3,536	3,890
Pepper	250	275	302	332	366	402	442	487	535	589	648

Production in the open field (23,000 tons in 2009), that used to be the main source of income in the past, will become progressively less important in the future as greenhouse production expands. According to the farmers, the income coming from greenhouse production and the income coming from open field production each contribute 50 per cent to the total income. However, with a wide variety of products (cabbage, melon, watermelon, pepper, onion, spinach, cauliflower, red cabbage, broccoli), open field production allows farmers to generate income also outside the summer season.

The expected increase in greenhouse production causes some problems farmers will have to deal with in future - especially the lack of qualified labour in the municipality. A major element of this problem is that the farmer/owner takes direct responsibility for all sales operations so that, in his absence, crop management and harvesting are left to family members whose capacities are limited. The establishment of a collection centre in the village is seen as a way to reduce the time the farmer spends away from his crop.

Currently, the main selling point for Mamusha farmers is Pristina wholesale market, where farmers sell on an individual basis. The transport to Pristina (70 km resp.1 to 1.5 hours travel) is done with their own vehicles, which are also used as “points of sale”. The customers in Pristina are mainly Pristina-based wholesalers who complement their range of products with the demanded Mamusha products, especially tomatoes. Further selling points for farmers are the wholesale market in Prizren, the retail/wholesale market in Peja, and the market in Xerxe which could be defined as a sort of assembly market where mainly farmers sell to local traders. Xerxe has developed into an important meeting point for farmers and traders especially due to the well known production of pepper in this area.

With the increasing importance of supermarkets in Kosovo, some of the larger Mamusha farmers sell also to chains like Benaf and ELKOS/ETC. The contact with the latter has been established by HPK and resulted in sales of 20,000 – 30,000 boxes of tomatoes in the season 2009. However, initially sales of up to 100,000 boxes had been envisaged, but the farmers involved were not able to meet the demand. HPK supported the farmers with a pre-cooling facility allowing them to cool their produce to ensure better quality.

As also observed in other places in the region, e.g. in Bosnia-Herzegovina, selling at farm gate is not so common in Kosovo. Although the market system is not so developed with regard to physical market infrastructure, farmers tend to meet traders/buyers at market places[2].

Given that Mamusha region is a well-known production area and the farmers belonging to the Turkish minority are said to be hard working, they are highly esteemed in the sector and get a lot of support from donor agencies and projects. In this context, the farmers, in 2008, decided to form a farmers' association (consisting of 11 neighbourhood groups representing 120 out of 175 farmers in the municipality), allowing them to get better prepared for the market and also for outside support. Since the group is still young, group cohesion is not yet well developed. Some initial common activities have been carried out, such as input purchases, sharing mechanisation and some sales activities, e.g. joint supplies of supermarkets. However, farmers in Kosovo in general, and especially farmers from Mamusha, are known for being very individualistic. They prefer to keep business in the (wider) family instead of sharing/ cooperating with neighbours. This attitude somehow contradicts the purpose of the creation of a group/association.

The time-consuming individual sales activities are seen as the major problem of Mamusha farmers. They are the reason for further market disturbing effects that are criticised by all market partners:

- Because marketing costs are not calculated, farmers show no/only little interest in cooperating with each other or with existing local traders[3] as regards their supplies for Pristina wholesale market.
- To reduce the time to be spent at Pristina wholesale market, Mamusha farmers report that they compete at the wholesale market by offering lower prices.
- According to wholesalers, this attitude also disturbs trade at the wholesale markets: farmers compete with wholesalers offering products from Mamusha.
- In general, there is little trust between farmers and traders. Farmers feel exploited/ cheated by traders and do not accept any profit made by the traders as justified.
- In this context traders complain that farmers do not stick to agreements: loading a truck in Mamusha entails a constant increase in prices during loading, as traders report.
- Difficulties in the relationship with traders support the influx of imports from neighbouring countries as many wholesalers are also importers and are well connected, especially with Macedonia. Thus, oversupplies in Macedonia flooded the market in Kosovo in 2008 and led to a decrease in prices and strong competition at Pristina wholesale market.
- Pristina wholesale market continues to be the main market place for Mamusha farmers but infrastructure conditions in the sections allocated to farmers are primitive. Dust, dirt and unbearable hygiene conditions affect the products traded in this place.
- The farmers' section at Pristina wholesale market is an unpaved parking lot accommodating more than one hundred farmers per day during the season.

Therefore, the starting point for the planning of a new collection centre in Mamusha is the situation at Pristina market. Pristina wholesale market is the main market place for wholesale trade in horticultural produce in Kosovo and is located in the outskirts of town. Today, 130 wholesalers trade in the market. Most of the traders have set up their own warehouses or use trucks for presenting their goods. Even the roads of the wholesale area have been paid by the

---

2 Here, a difference is seen to Albania where selling at the farm gate was very common at least before modern market infrastructure was available. Farmers mostly had no proper vehicles to transport the goods and long distances to the different scattered market places - impairing direct supplies.

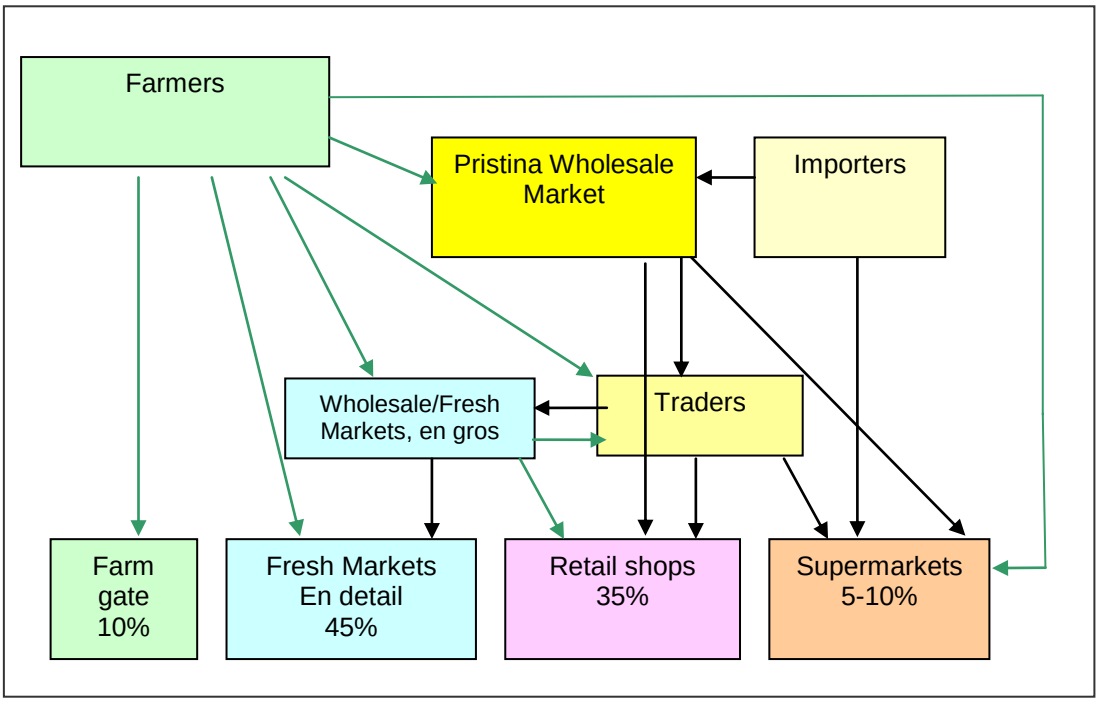
3 A farmer-trader from Mamusha trading with his own produce and buying from other farmers reported that this year he only bought produce from Mamusha at Pristina market because of farmers' limited interest to sell to him or to cooperate with him with regard to transport. Furthermore, due to competition, produce from Mamusha is cheaper at Pristina wholesale market than produce offered at the farm gate in Mamusha. This is in contrast to general expectations where farm gate prices are expected to be lower. Thus, Pristina market price forms the reference price in Kosovo.

traders in return for exemption from rent payment. Still, the market place is partly congested. The hygienic situation is acceptable in the wholesalers section, but critical in the farmers' section. Here, especially in the case of heavy rains, the access road and the place itself are difficult for all loaded trucks. However, the market operator is neither in a position to ensure organised trade operations nor in the financial position to invest in adequate trade infrastructure.

Due to the unbearable situation in Pristina market, many farmers have moved to other market places and increasingly use places like Xerxe, Prizren or linkages to supermarkets. The trading situation at these other markets is comparable to the one in Pristina, also due to the limited space and growing trading volumes. None of these markets provide adequate facilities in terms of hygiene, security and shelter against rain and sun. Therefore, none of the markets can substitute the main wholesale market. Consequently, the problems at Pristina market fuel the interest in a collection centre allowing farmers to save time and sell under better conditions.

2.2 Wholesale Trade System for Fresh Fruit and Vegetables

The graph below presenting the trading system in Kosovo is based on experience/ information collected in BiH. As similarities are observed, it is expected that the trade flow is structured in a similar way.



Most of the horticultural produce reaching Pristina (supply volume is difficult to estimate) is produced within a radius of 50 to 100 km around the city. Areas with a high-potential are Mamusha, the regions around Xerxe/Rahovec, Peja and Ferizaj. The bulk of the supply comes from small-scale production given that 80% of the farms have less than 4 ha fragmented farm land, only 0.6% have more than 10ha.

Wholesalers trade mainly with imports and in the season with local produce. The quantities traded differ, but on average the capacities of a wholesaler amount to 2,000 tons of fruit and vegetables per year. In general, this group has a market stand (own construction) at the wholesale markets plus some further logistic equipment. Cold storage facilities are installed in some places, but are not yet common equipment. The same is true for grading facilities. Customers are retailers, other traders, supermarkets, restaurants and export.

Some traders deal with exports, but export opportunities still need to be developed due to the limited quantities available (although production is increasing), quality problems (grading/ packaging), timing of production as well as limited access to foreign markets.

Small wholesalers (especially those based in smaller markets such as Prizren) face increasing competition from supermarkets given that they cannot compete with the low price policy of the supermarkets. In addition, this market mostly gets its supplies from Pristina market. Farmer-traders, handling smaller quantities of up to 500 tons, are often the link between the markets.

In general, traders at wholesale markets are supplied by farmers; very rarely, and only if there is a strong demand, do traders buy directly at the farm gate. Because of the importance of the early production of tomatoes and cucumber, most of the traders are supplied by Mamusha farmers.

2.3 Retail Trade with Fresh Fruit and Vegetables

The structure at retail level is still dominated by fresh markets as the main source for the final consumers. The composition of the buyer groups at the wholesale markets has not substantially changed in the last decade. Most of them are small retail outlets, restaurants, and traders supplying green markets.

However, there is another buyer group of note: supermarkets become increasingly important in the supply system. The supermarket system is steadily gaining ground in the supply of the urban population. This is also true for the distribution of fruits and vegetables. Their present market share may be in the range of 5 - 10 per cent, but the investments of the supermarket chains indicate that their market share in the segment will also increase. In order to serve this clientele, wholesale traders, importers and farmers have started to supply loose and pre-packaged fruits and vegetables of upper quality, although the handling of fresh produce in supermarkets is not always of good quality. Supermarkets like Interex and City Park use wholesalers to run the fruit & vegetable sections as a shop-in-shop system.

2.4 Expectations for the Impact on the Distribution System

The collection centre project will address all Mamusha farmers, who presently sell at different market places in Kosovo. In the past, the expansion of the production volume in Mamusha was followed by an increase in trade contacts. The project, however, will reduce competition among farmers in order to improve their market efficiency. Therefore, the demand for a collection centre in Mamusha is strong; especially the Municipality is highly committed to the project and confident in finding financial support for implementation.

Farmers (also from neighbouring villages) expect significant improvements from the project. They expect to

- reduce the time spent on sales activities;
- strengthen their market position;
- reduce competition;
- supply larger buyers such as supermarkets, increase of export;
- store produce to get better prices ;
- improve produce quality (esp. with cooling facilities).

To meet the expectations, it will be of utmost importance that farmers in Mamusha commit themselves to the collection centre to reduce their marketing costs by making use of economies of scale.

The market partners, such as wholesalers, traders, supermarkets and retailers also support the project to set up a collection centre. This improvement of the supply system will meet their expectations, as there is:

- more efficiency in supply and purchase: one-stop-shopping = one person as contact person;
- consistency of (larger) supplies;
- better quality of products: improved classification and packaging including the reduction of waste;
- more price transparency for traders;
- an improved level of the technical efficiency in market logistics.

However, many of the market partners have low expectations due to past experiences with Mamusha farmers.

3 TECHNICAL CONCEPT AND DESIGN OF THE PROJECT

3.1 Concept Options for Mamusha

When defining the idea of improving the marketing situation for the farmers in Mamusha, the discussion always focussed on a “Collection Centre”. However, during the preparation of the feasibility study, discussions started about the right concept and management of the place. The question was raised whether a collection centre in Mamusha was the right answer to the problems/ challenges farmers are faced with. Different options have been discussed in order to study the pros and cons.

Wholesale market Pristina: Some wholesalers recommended that farmers should rent space at the wholesale market to pool the produce there and thus provide easy access for the main market partners/wholesalers of Mamusha farmers. This proposal is meant as a sort of storage facility, not putting Mamusha farmers into the role of traders/wholesalers. However, this proposal is not favoured by Mamusha farmers and the Municipality as both insist on a place in Mamusha.

With regard to the concept of the place, the option of an **Assembly Market** has also been discussed. Assembly markets are markets where producers and small collectors come to sell agricultural products to larger traders and agro-processors. Assembly markets are often combined with local rural markets and are normally situated at main roads. The place Xerxe has a sort of assembly market functions as it is located at a main route, where farmers from different regions offer the goods they produced in the neighbourhood. An assembly market with simple but modern infrastructure can be found in Lushnja/Albania (see below), a popular place already visited by Mamusha farmers as well as their mayor.

Lushnja fulfils the requirements of an assembly market as it is located at a main road and is used by farmers from all surrounding villages and important production areas. Farmers mostly sell individually from there; the opening hours are very early in the morning, when traders come to pick up the goods to be sold, e.g. at Tirana wholesale market or for export. The market was constructed in 2003 and was a success story from the very beginning as Lushnja was already known as junction/meeting point for traders and farmers.

A further option under discussion is a **collection centre** like in Divijaka/Albania, also a place visited by representatives from Mamusha. Collection centres in general are located in production areas to collect the produce of farmers of the region. The setting up of a collection centre can serve different functions such as

- Pooling products of different farmers at one place to be collected by individual traders; or
- A centre for the collective marketing of a producer group offering various functions and services; or

- A place owned and managed by a trader who cooperates with farmers and traders in supply and sales activities as is the case in Divjaka.

Divjaka collection centre went through all the above mentioned stages. Based in an important production area, the place has a long tradition as a collection point: even in communist times, it functioned as collection point for produce. Later it became a meeting point for farmers and traders; the place was just equipped with a weighing bridge and a coffee bar.

Divjaka region is well known as an early production area of open field products (potatoes, watermelon, carrots). With the support of donor projects, a farmers' association (called Adriatik) was created to improve the organisation of farmers. GTZ supported the group in establishing a collection centre, but due to a lack of funds the project was not implemented. Finally, the owner of the premises developed the place into a modern collection centre where farmers from the region sell their produce to the trader who washes, grades, stores, and cools the produce, if necessary.

3.2 A Suitable Concept for Mamusha

In contrast to the farmers who envisage to reduce the time spent on trading, the mayor of Mamusha is in favour of a "mixed concept" for Mamusha: a mix of an assembly market and a collection centre as the ones he saw in Lushnja and Divjaka.

An **assembly market concept** would allow farmers to maintain their individual approach, but would also require a number of traders to come to Mamusha to pick up the goods. In contrast to Lushnja,

- A market in Mamusha would not be located at a main road and would only be supplied by farmers from one municipality (perhaps some neighbouring villages would also use the place).
- The production season is short, so the place would only be attractive for some months a year.
- There is no tradition of farmers' meeting in Mamusha and, furthermore, it is not very common to buy at the farm gate/in the villages. Farmers are rather expected to transport their produce

to market places.

- Mamusha would face competition from Xerxe market which functions as an assembly market.

The concept of an assembly market was further discussed in the context of the new motorway connecting Prizren and Pristina. If a market was located close to a motorway access, it could theoretically function as an assembly market collecting goods from several regions. However, as known so far, the motorway accesses will be located near Prizren and Therande/Suhareka but not near Mamusha.

If the collection centre, as supported here, was successfully implemented in Mamusha, it would still be possible to plan an assembly market place at this site to be set up at a later stage and attracting farmers and traders. However, it is recommended to start the project as a collection centre in the classical sense pooling produce at one place and allowing larger quantities to be traded, as envisaged by the farmers.

Still, the success of a collection centre requires experienced management of the place.

3.3 Management of the Collection Centre

3.3.1 Ownership

The Municipality of Mamusha as the potential recipient of the envisaged grant and owner of land and buildings would be the executing and implementing agency of the project.

- During the construction period of the market, it will be the promoting unit for the entire development.
- The Municipality would probably rent out the place to tenants to carry out all day-to-day management activities under a proper management agreement[4]. During the operation phase of the market, the Municipality will be supervisor of the collection centre and responsible for its future development. A board representing the Municipality and other stakeholders such as the users of the collection centre (farmers, traders) could be formed to assist in this operation.
- With the start of operation, the Municipality will not be involved in active trading. The Municipality will gain its revenues from rents and perhaps entrance fees.

To develop the project, it will be necessary to identify potential investors/donors as soon as possible. Technical assistance e.g. from HPK could be provided in order to initiate the process and to promote the next steps of the project.

3.3.2 Collection Centre Management

In discussions with the different stakeholders of the planned project, different options were discussed for the management of the place. The following table provides an overview of different options under discussion.

The first option is the management done by the **Municipality**. With a view to the expectations expressed by farmers, the main target group of this project, active trading should be in the hands of the market partners and not in the hands of the owner of the site – the Municipality.

[4] As the project is still in an early phase, it will require further discussions and consideration on how to run the collection centre. The Municipality already stated to be interested in cooperation with traders.

Management CC Mamusha	Pros	Cons
Public/Municipality	• No risks for farmers and traders	• Would Municipality have the skills required? • Would manager be able to steer the business?
Mamusha Association	• Future concept • Better market position with regard to pricing	• Group is not yet strong enough • Low group cohesion • Recruitment of manager
Traders (1-2)	• Market knowledge & access to clients • Export opportunities • Could take over further value addition including the provision of packaging	• Quantities traders can absorb? • Would supermarkets buy from traders? • Lack of trust: farmers vs. traders
Supermarket	• Supermarket has capital & market and its market share is increasing • Could take over value addition including classification?	• Cannot absorb all quantities
Mix traders-farmers	• Gives farmers time for developing collective marketing activities • Access to different market channels • Reduced costs	• Trust • Acceptance

A further option in the discussion of the management is the **management in the hand of the farmers' association**. Such a management concept requires strong group cohesion and experience in collective marketing. In neighbouring countries such as Greece and Italy as well as Turkey, strong farmers' cooperatives run their own collection centres to supply large buyers such as supermarkets. Therefore, such a management concept would be a good option for the future, but the farmers' association in Mamusha clearly stated that it was not able at the moment to take over such a function. The group is too weak and not well organised. The recruitment of a manager running the place would be most probably too expensive and includes the risk of lack of trust. Still, the association is interested in having a say in the management of the centre, e.g. via a board and/or through an office located at the site.

A concept favoured by the Mamusha farmers is **management in the hand of a trader or traders** buying from the farmers and further selling the produce to the main markets and customers in Kosovo. Buyers also expect a professional management at the collection centre and therefore also prefer traders to run the place. Some traders have already shown their interest in managing the place, but they also made their reservations. The major concern is the lack of trust between farmers and traders and the risks of getting no or only small supplies. Therefore, none of these traders shows willingness to pay rent at the beginning of the operation. A "grace period" of two years free of charge is the requirement of the traders at this stage of the project.

The **supermarket** ELKOS/ETC proposed to locate the collection centre near their new warehouse in Rahovec. In this context the option of a supermarket as collection centre manager was discussed, but farmers (and Municipality) prefer to locate the collection centre in Mamusha. Furthermore, it is doubtful whether a supermarket chain could absorb the potential quantities supplied by the farmers. However, it would be an option for ELKOS to set up a collection centre at their warehouse to attract farmers from a wider area.

A **mix of farmers and traders** renting space at the collection centre to run their businesses had been proposed to allow the farmers' association to gain experiences in collective marketing in

parallel to supplying the trader(s). However, at this stage of the discussion this option is not favoured by the farmers as they still do not feel prepared to run their own space. Traders also expressed reservations about this option. Still, farmers would be interested in renting storage space especially in the off-season to stock their storable open-field products. The option of recruiting a manager to run the place jointly would not be accepted by the traders as well, due to cost reasons but also traders tend to run their business themselves.

To summarize: in the discussions held so far, the favourite option is the management in the hand of one or two traders. Whether the space is rented out to only one or to two (or more) traders requires further consideration and also depends on the specialisation of the traders (e.g. local market – export). Knowing the attitude of the farmers, a direct competition between the traders has to be avoided. To choose traders complementing each other would be an advantage for the place.

A public tender could bring up the availability of interested and capable companies to operate the collection centre on a lease base. The private company/ies assume responsibility for the operation of the utility (incl. payment of all running costs by the tenants) at a defined level of responsibility. Such contracts should be signed in the first phase for 2 years with the possibility of extension. It should be envisaged to rent out the place to traders preferably the entire year.

The tasks remaining with the Municipality will comprise letting and management services:

- Collection of fees/rents and service charges;
- Insurance for the property;
- Water and electricity payments;
- Security provision;
- General repairs and maintenance;
- Annual budget;
- Fixing of tenancy agreements.

3.4 Operation of the Collection Centre

3.4.1 General Aspects

The operation should allow a maximum of business development. Common services like electricity, cleansing, garbage collection (incl. composting) and security will be provided at a compulsory level for all users. The users, in turn, will accept these conditions, once they enter the premises. All services will be provided and guaranteed against a fee/rent system.

Entry barriers for trade participants will be fairly low but should be regulated through a gate fee system or strict control to avoid flooding of the area by unwanted individuals.

The collection centre will focus on horticultural crops, but if users agree and interest can be proved, it could gradually be opened to other products such as horticultural production inputs and agricultural machinery.

In practical terms, the collection centre should be operational at least during the main season, around 100 days per year. How the collection centre will be operated during the low and off-season should be agreed between the tenants and the Municipality as security, cleaning and other running costs will be incurred. However, it should be envisaged to rent out the place to traders not only during the season but preferably during the entire year.

3.4.2 Planned Capacity of the Collection Centre

A collection centre in Mamusha is expected to improve the marketing system especially for the increasing greenhouse production. To calculate the volume to be traded from the collection centre, the total greenhouse production of 13,000 tons per year (2009) has to be taken into

account. On average, 130 t produce are traded per day over a period/season of 100 days. During peak production, more than 300 tons per day are harvested and traded.

To calculate the volumes of the new Collection Centre the following considerations have been made:

- Year 1: 20% of the total greenhouse production = 2,600 tons
- Year 2: 25% of total greenhouse production = 4,600 tons

Farmers expect to channel more than 50% (>7,000 tons) of their produce through the collection centre, if the management of the place is able to absorb these quantities.

Estimated Supplies at Collection Centre	Year 1	Year 2	Year 3	Year 5	Year 7	Year 10
Supplied tonnage per year	*2,630*	*3,288*	*6,575*	*7,890*	*9,205*	*9,205*
- Supplies base year 2009 (13,150 tons) - Constant production	20%	25%	50%	60%	70%	70%
- Supplies in % of projection of production 2010 until 2019	18%	21%	38%	37%	36%	36%

The new facility should be designed to cater for ideally 50-60% (approx. 7,000 tons) of the production in year 2009. Daily deliveries are expected in a range of between 50 and 100 tons of horticultural produce (according to season) on 100 marketing days per annum. On a daily basis, the centre would be frequented by 50 to 100 farmers daily, using approximately 50 to 100 vehicles. Due to the current size under discussion it is questionable if the place could cope with larger quantities above 9,000 tons per annum.

3.5 Design and Costs

3.5.1 Determination of the Area Needed

According to FAO experiences, approximately 5 tons of produce are moved per year and sqm in a wholesale market in a developing country and 25 tons in advanced countries.

According to the net sales area of approx. 600 sqm provided here, this collection centre project would aim at about 12 tons per sqm assuming a turnover of 7,000 tons in 3-6 months. The sales area could be much larger as parts of the roads and parking area could be used for quick off-loading and on-loading thus reducing the demand for fixed sales area.

As the available area of the proposed site (see also chapter 4) has not yet been defined, the expected minimum of land required to accommodate the collection centre is determined with around 6,500 sqm to allow trucks to enter and to provide enough parking space as well as space for further expansion.

3.5.2 Physical Capacity of the Collection Centre

The collection centre is expected to grow to a turnover of approx. 7,000 to 10,000 tons per year. In the first phase, a turnover of 7,000 tons is envisaged. The presented design includes a closed hall (no.2) and a roofed truck-to-truck-sales area (No. 3) plus an open parking space (no. 4 and 5) providing space for at least 40 vehicles. The closed hall is set up providing a plinth area of about 600 sqm.

The roofed truck-to-truck-sales area, which is copied from Lushnja market, would provide space for about 16-20 vehicles. Whether this construction will already be part of the first project phase requires further consideration. It is recommended to postpone this to a second phase.

The main sales area is designed as an insulated hall with a plinth area of about 600 sqm and with a clear height of 4.80m (eaves) and 5.80m (ridge), enclosed with 3 roller doors around 4 x 4 metres. The frame is a steel construction, profile glazing glass in the roof allowing natural

lighting during the day and cross-ventilation. The trading hall could be divided by mesh partitions into a number of separate trading units. The mesh partition could be fixed at the steel pillars and girders. The trading and loading area is on ground level without loading bays.

An office for market administration, security or service providers such as catering could be located within the hall. The concentration of all services at one place facilitates quick and easy communication and ensures also contact with the customers/suppliers.

3.5.3 Hall Infrastructure

From the farmers' perspective, the required functions of the collection centre are as follows:

- Pooling and loading facilities;
- Cooling for greenhouse production;
- Storage for open field production.

Pre-cooling facilities for fresh harvested produce is not yet demanded by the market partners as it is not yet a common technology. The functions of sorting/ grading/ packing especially of greenhouse products are expected to be done in the greenhouses as products like tomatoes are too perishable for "double-handling". Traders and exporters even propose training farmers themselves to improve their post-harvest handling.

The design shown below includes 3 cold stores, each 100sqm (10mx10m and 3m height). Three separate stores allow a different utilisation of the cooling facilities as well as the possibility to rent out the chambers to different tenants. As the cooling facilities are expensive, it should be considered to install the three chambers step-wise starting just with one or two chambers.

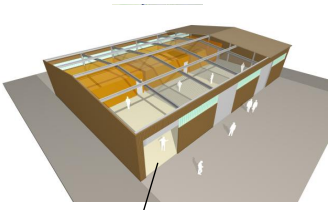
3.5.4 Site Infrastructure

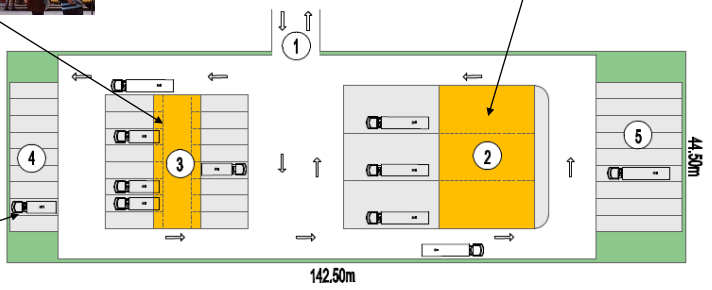
According to the Municipality in Mamusha, the infrastructure facilities of electricity, sewerage and piped water are available in the immediate vicinity (150m) allowing extension and connection. One entry and exit point is proposed. For security purposes, a boundary wall has to be provided for the collection centre area. A gate house could be posted at the entrance of the site. Toilets are provided in the service area of the hall.

The roads within the collection centre are designed partly as a one-way system with a combined entry and exit point to and from the site. The exterior yard surface could comprise asphalt and should allow a proper drainage of the area.

Areas at the premises should be reserved for waste and garbage collection. Activities at the collection centre are expected to result in the daily production of vegetable wastes amounting to some hundred kilograms per day. This must be treated and disposed of hygienically.

Collection Centre - Design





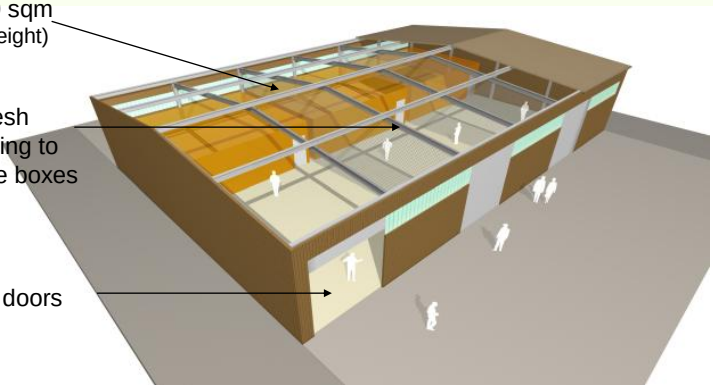
Surface: 6,341 sqm

Collection Centre – Hall (details)

Cooling:
3 chambers
à 100 sqm
(3m height)

Wire mesh
partitioning to
separate boxes

Roller doors



W x L x H: 20 x 30 x 4.5 - 5 = 600 sqm

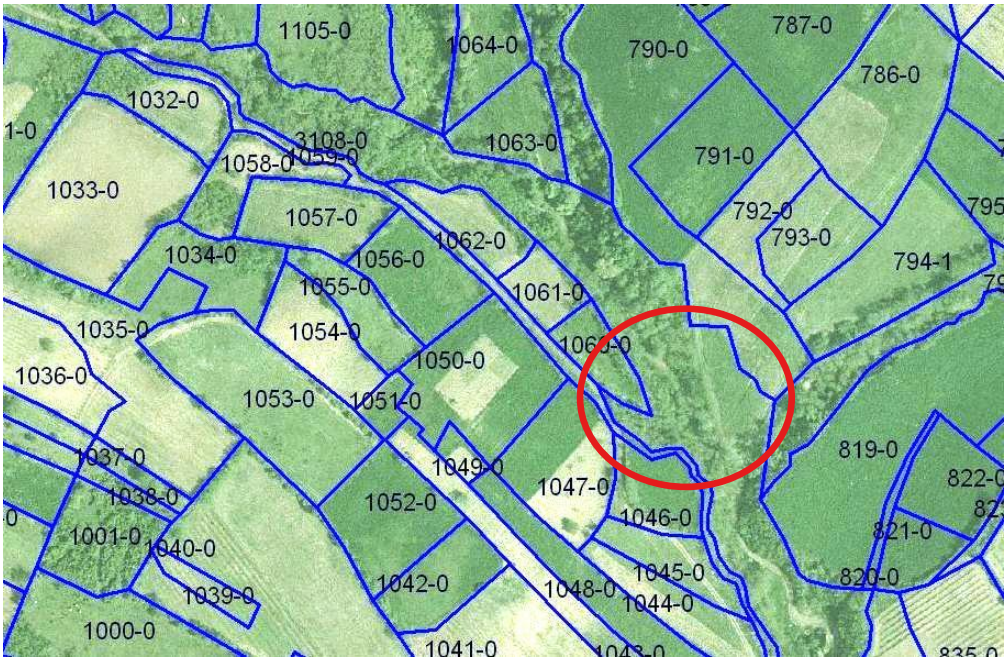
3.5.5 Costs

Collection Centre Mamusha	Area	Costs
Site Development	?	?
Area		
Proposed area	6,341 sqm	
Market hall	600 sqm	€ 180,000 - 200,000
- Earth work, drainage		
- Concrete work		
- Electrical installation/lighting		
Cold storage facilities		
Cold storage 1	100 sqm	€ 25,000 - 30,000
Cold storage 2	100 sqm	€ 25,000 - 30,000
Cold storage 3	100 sqm	€ 25,000 - 30,000
Parking	40-60 vehicles	€ 25,000
Roads	5,000 sqm x € 5/sqm	
Other facilities		
Fence	374m x € 10/m	€ 3,740
Toilets	2	€ 1,000
Gate houses	1	€ 500
Access to water, sewage, electricity	€ 30 per m/150m	€ 13,500
Total costs		**€ 250,000 – 330,000**
Roofed truck-to-truck	900 sqm	?
- Total area 30mx30m	*18-20 vehicles*	
- Roofed area 10mx30m	*300 sqm x €175 /sqm?*	

4 LOCATION OF THE COLLECTION CENTRE

4.1 Proposed Site

The site currently proposed is north of the centre of the municipality of Mamusha, a plot that belongs to the Municipality. As reported, public land is rare; mostly land is in the hands of private owners. Private land seems to be too expensive and, furthermore, there is only little willingness to sell land.



The site located at the road to Reti/Rahovec and Apterrusha is proposed by the Municipality and well accepted by the farmers although it is not located near the production area which is situated south of the municipality. The target group fully accepts the proposed site on condition that sufficient space is ensured. The distance to the production area is of lesser or negligible importance compared to the long time spent on travelling to Pristina market or to other markets.

According to the Municipality, the parcel no. 3108-0 has a gross area of up to 3 hectares. The plot is more than 1 km long and only partly located alongside the road. The road is just a pathway and its expansion is planned to be finalised in 2010. Part of the road will only be gravelled, but the part up to the collection centre will be covered with asphalt (tarmac). However, the financing of the necessary road improvements is not yet secured.

The proposed position of the collection centre within parcel no. 3108-0 has a width of a maximum of 50 meters, but road expansion will slightly reduce the size. As detailed maps of the proposed position are not available, it is difficult to estimate/define the available surface of the proposed site. Currently, a part of the place is used as garbage and soil dump. The major problem of the site is seen in the V-shaped area (valley with a small river bed) which would require backfilling for utilisation. At the rear side to the riverbed a dam or wall would most likely be required to secure the site. As reported, the Municipality has experiences with such premises and assesses site development as not being such a huge problem as it seems to be at the moment. However, the costs involved are not yet known and it is still not clear whether the proposed position can accommodate the proposed collection centre planning. An alternative location is currently not available.

To summarize the challenges of the proposed location:

- The financing of road expansion is not yet ensured.
- Site development (especially backfilling) could be difficult and costly.
- Location requires traffic to pass the municipality and will most probably not attract farmers and traders from other regions thus allowing the development of an assembly market.
- Alternatives are not available.

5 PROJECT COSTS AND REVENUES

5.1 Projected Costs and Income of the Municipality as Owner

In the following, all investment and operating costs as well as all revenues are calculated at constant prices, based on prices of November 2009.

5.1.1 Investment Costs of the Collection Centre

The investment costs of the development of the collection centre are estimated at between € 250,000 and € 350,000. These investment costs are relevant for the economic viability of the collection centre. The costs of site development are public responsibility and the costs are not assigned to the collection centre. Equipment costs are only relevant for the proposed cold storage facilities. A stepwise implementation should be considered. All other movable equipment should be installed by the tenants.

5.1.2 Operating Costs

The recurrent annual operating costs consist of staff salaries to let the place, expenditures for insuring and maintaining the buildings and the equipment. These costs are estimated at € 500 per month summing up to € 6,000 per year. Costs of the insurance of the building are estimated at € 3,000 per year. The tenants will bear all running costs such as water, electricity and refuse collection.

5.1.3 Revenues

The assumed revenues consist of rental income from the hall. A monthly rent of € 3 per square metre forms the basis of the calculation. Traders clearly stated that they would not accept a rent of € 5 per square meter even if cooling facilities were included. They expect a rent of € 2 per square m. To minimize the risks, the financial calculation includes a grace period of 2 years free of rent, as demanded by the interested traders.

Additional income could come from parking fees, charged at least during the peak season to allow a smoother traffic flow. This fee is calculated at € 2 per vehicle per day for a period of 100 days.

5.1.4 Financial Viability

Given that the financing of the collection centre project has not yet been decided upon, the conditions are not yet known. The mayor of Mamusha is interested in a grant. The calculation shown in the table below includes the above-described costs and revenues and a grace period of 2 years under the assumption of a grant. Without considering depreciation, the collection centre could become an interesting investment for the Municipality (after 2 years), even if the running costs were higher than estimated. However, if depreciation is included (here just calculated as pure building costs even for the cooling facility) the calculation remains negative over a period of 10 years. This calculation shows that the collection centre project could not cope at all with funding based on a loan. A higher rent already in year 1 would of course improve the economic viability.

5.2 Projected Income and Costs for the Tenants

A detailed analysis and income-costs calculation can be found in the report on a vegetable packing, cooling and sales enterprise, prepared by USAID/Booz Allen[5]. This report provides an in-depth analysis of a modern business model based on a yearly turnover of 6,150 tons; thus, similar to the collection centre project.

However, the detailed costs listed in the USAID report exceed the costs discussed with traders.

- It is expected that traders in Kosovo would try to reduce costs as much as possible, especially regarding personnel and salaries.
- In addition, transport costs are expected to be lower as refrigerated trucks are recommended in the study, but are not yet so common in use. Traders calculate roughly costs of € 50 per 20-t-truck to Pristina and not € 150-300 as estimated in the study.
- In the USAID report, the running costs of a cold store are calculated based on electricity costs. To get an idea of the running costs, wholesalers in Pristina wholesale market were interviewed and reported running costs of € 5,000 per year for 100 sqm of cold store. These costs include electricity but also the change/refilling of the cooling liquid.
- Fluctuating prices complicate the calculation. The average selling prices on which the USAID study is based are around € 0.50 per kg of produce (tomato, cucumber, cabbage, melon). Whether this average price is appropriate for Mamusha tomatoes requires further discussions with traders and farmers.

Therefore, a projection of the profitability of the Mamusha collection centre for the tenants is difficult at this stage of the project as many factors need to be considered and could significantly influence results. Referring to the USAID study, it seems that the business would be financially attractive and viable under the assumption of a low rent and that traders/tenants do not pre-finance the production and are able to lower the running costs.

[5] USAID/Boos Allan: Vegco Business Model: A Vegetable Packing, Cooling & Sales Enterprise, Kosovo 2009

Mamusha Collection Centre - Municipality

- before tax and financing

12 month rent 3 € per sqm

	Capacity	Max	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
		in €										
Trader/ Cooling/Trade qm (3 €/sqm/month)	600	21.600	0	0	21.600	21.600	21.600	21.600	21.600	21.600	21.600	21.600
Parking 2€/day/100days	20 vehicles	4.000	4.000	4.000	4.000	4.000	4.000	4.000	4.000	4.000	4.000	4.000
Income		**25.600**	**4.000**	**4.000**	**25.600**	**25.600**	**26.112**	**26.634**	**27.167**	**27.710**	**28.264**	**28.830**
Maintenance/add. costs			**6.000**	**6.000**	**6.000**	**6.000**	**6.000**	**6.000**	**6.000**	**6.000**	**6.000**	**6.000**
Insurance			**3.000**	**3.000**	**3.000**	**3.000**	**3.000**	**3.000**	**3.000**	**3.000**	**3.000**	**3.000**
Cash Flow before financing+depreciation			**-5.000**	**-5.000**	**16.600**	**16.600**	**17.112**	**17.634**	**18.167**	**18.710**	**19.264**	**19.830**
cumulated cash flow			-5.000	-10.000	6.600	23.200	40.312	57.946	76.113	94.823	114.088	133.918
Depreciation			**15.000**	**15.000**	**15.000**	**15.000**	**15.000**	**15.000**	**15.000**	**15.000**	**15.000**	**15.000**
Civil Works 5% (20 years)	300.000 €		15.000	15.000	15.000	15.000	15.000	15.000	15.000	15.000	15.000	15.000
Equipment 15% (6-7 years)												
Cash Flow before financing			**-20.000**	**-20.000**	**1.600**	**1.600**	**2.112**	**2.634**	**3.167**	**3.710**	**4.264**	**4.830**
cumulated cash flow			-20.000	-40.000	-38.400	-36.800	-34.688	-32.054	-28.887	-25.177	-20.912	-16.082

6 RISK ANALYSIS AND SUMMARY OF THE FINDINGS - RECOMMENDATIONS

6.1 Benefits

The benefits expected from the collection centre are especially related to the reduction of marketing and transaction costs. Farmers would like to save time and effort in delivering their produce to the collection centre. With pooling larger quantities at one place, farmers also expect to increase market opportunities; especially access to exports and to larger buyers.

Market partners such as wholesalers and supermarkets are also interested in larger quantities and consistent supplies, but especially in improved quality. Although the produce from Mamusha is of good quality, proper interim storage and cooling facilities would contribute to a longer shelf-life of the perishable products.

Delivering produce at the collection centre could also improve farmers' willingness to cooperate. Some larger farmers from Mamusha, who currently already supply supermarkets and other larger buyers, showed their willingness and interest to stop their individual sales activities to the benefit of the collection centre. The collection centre as joint sales point could contribute to strengthening the group activities and one day result in collective marketing activities. It is expected that, with the acceptance of the collection centre as main point of sale, the Mamusha farmers' association will be strengthened and able to take over functions in the collection centre.

6.2 Risks

The favoured management concept is to hand over the collection centre to professional market partners with regular customers. Therefore, a high risk is not expected to come from the market side as products from Mamusha are in demand.

However, the collection centre will not completely solve the problems occurring during the peak season. Oversupplies of the market, especially with tomatoes, combined with low prices require further solutions/ changes: diversification, earliness of production, expansion of season and perhaps a second crop in autumn (e.g. with the help of heating), different production methods such as new substrates, varieties etc.

In this context, the short season of Mamusha greenhouse production is also a risk for the collection centre as it will be difficult to run the place all around the year.

Also with regard to exports, the demand for tomatoes outside Kosovo should not be overestimated or mixed up with the demand for local pepper. Kosovars based in EU countries are demanding local pepper for home processing etc. But im-/exporters clearly stated that there is no specific demand for greenhouse tomatoes or cucumber from Kosovo, as they are not a special variety, but competing with and replaceable by tomatoes of other origin.

Nevertheless, a main risk for the success of the collection centre is seen in the supplies coming from Mamusha farmers. As the place has no tradition as meeting point and farmers are used to meet buyers at market places, the risks remains that farmers will not change their habits. Lack of trust among farmers and traders is seen as major problem in running the collection centre. As mentioned in the USAID report on the Vegco Business Model[6] traders can/will not always please farmers to supply them:

"One way to reduce supply chain risk is to develop a strong link with growers by providing them with a consistent profitable return, and technical assistance to help them increase yields and income over time. The technical assistance part of the relationship is the easiest portion to implement. Consistently helping farmers make a profit can be a bit more difficult, as both Vegco and the farmers are price takers in the marketplace (not price makers)."

[6] USAID/Boos Allan: Vegco Business Model: A Vegetable Packing, Cooling & Sales Enterprise, Kosovo 2009

A lack of supplies is a known problem in the development of new market infrastructure. For example, new wholesale or assembly market projects in Bulgaria and Romania faced similar problems because farmers decided to bypass the modern facilities and to maintain existing relationships. Furthermore, modern market facilities contribute also to more transparency, often loved neither by traders nor by farmers. Informal markets and transactions are sometimes preferred for tax reasons or less complex requirements.

Still, with regard to customers of the collection centre, the question remains whether customers who are used to being directly supplied by Mamusha farmers accept purchases at the collection centre via a trader.

The financial viability of the investment depends on the provision of a grant, but is still weak when taking depreciation into account. A higher rent already in year 1 would of course improve the economic viability.

6.3 Summary of the Findings - Recommendations

The objective of the feasibility study is to provide guidance to stakeholders, potential donors, and development agencies (including HPK) and other actors, on the overall feasibility of investing in, and operating, a grading and packaging centre in Mamusha for the marketing of fresh vegetables produced in Mamusha Municipality. Furthermore, the recommendations should take into account existing and future conditions for the marketing of such produce in Kosovo and should provide and comment on different options that could be available to decision makers. The results of the study should also deepen actors' understanding of the issues involved in order to guide similar investments in other parts of Kosovo in the future.

With regard to Mamusha, the main findings can be summarized as follows:

- The idea of a collection centre is supported by farmers and market partners. They expect the following:
  - Reduction of transport & transaction costs;
  - Availability of larger quantities;
  - Stable pricing;
  - Improved quality.
- Required functions are the pooling/collection of produce, storage and cooling. Sorting, grading, packaging of greenhouse products (esp. tomatoes) are expected to be done directly at the greenhouses; therefore, the main function of the collection centre would not be to function as a grading and packing centre.
- Market partners expect "one-stop shopping", i.e. dealing just with one partner/group, but market partners are concerned about the commitment of Mamusha farmers, especially with regard to group cohesion, pricing and supplies.
- Regarding the management of the collection centre, traders and farmers show interest in participating in the operation of the CC, but there is no willingness to share the risks/costs; at least not in the first years.
- At the moment, the Mamusha Farmers' Association is in favour of one trader as market operator. Association members would individually supply this trader, given that the group does not yet feel prepared for collective marketing.
- The proposed location is accepted by farmers and traders, but the development of the site will be difficult and perhaps costly.
- Financially, the set up of the collection centre requires certain preconditions:
  - Provision of grants for the investments (and site development?)
  - Willingness of the Municipality to subsidise the collection centre, at least in the first years.

Given that none of the business stakeholders (farmers and traders) is willing to share the risks of the investment, the risks remain with the Municipality as this investment will be on public ground. In addition, it is to be expected that the place will less attractive, if, for financial reasons, it is constructed without cooling facilities (although, at the start of the project, a reduced number of cooling units would be possible). However, as the project is somehow also in the public interest, the collection centre project could not only be seen under profitability aspects, but could also be assessed with regard to the social-economic effects it has on the production area Mamusha.

As the feasibility study is also expected to contribute to the discussion on similar investments in other parts of Kosovo in the future, the Mamusha case, on the one hand, is very specific but, on the other, could also be generalized for other projects.

- The relatively closed greenhouse production area in Mamusha is very special in Kosovo and has to be seen as the USP[7] of Mamusha. However, the advantage of being well known and demanded does not facilitate group development/ cohesion in the municipality. Farmers' individualistic approach is in contrast to market demands and the problems farmers are faced with in supplying the market. Still, this seems to be a major challenge also for other farmers' groups in Kosovo.
- As there is very little tradition in supplying collection points but a strong movement towards selling at market places (wholesale, retail, markets with mixed functions) it will be difficult in general to establish new collection centres in Kosovo.
- Looking at other examples in the wider region, it is obvious that privately initiated and set up collection facilities are more successful than public ones. Here, investors are strong farmer associations or experienced traders with a good network. Private investments often rather follow a low-cost approach and base the investment on existing business. Even supermarkets invest in collection centres if this is advantageous for them: The supermarket chain Konzum that is active in Croatia and neighbouring countries has set up collection centres in some production areas, e.g. in the mandarin production area at Neretva-delta in Croatia. Given that the local farmers are not in a position to run a centre themselves, Konzum decided to collect mandarins at a sorting and packing station where farmers can supply all their produce individually. The described example of Divjaka in Albania also demonstrates the positive impact of private investment.
- With regard to markets, it is often for the public benefit to set up decent market facilities in order to improve the urban infrastructure. In most cases, these market places have already a longer tradition and are well accepted by the market partners. Therefore, improvements of existing market facilities in Kosovo are recommended and most probably financially viable. Places like **Xerxe** could be improved as the location at a main road attracts farmers and traders from different areas in Kosovo. In addition, an improvement of **Pristina wholesale market**, especially in the farmers' section, could have a good impact on the supply system on Kosovo, especially for farmers based near to the capital.
  Lessons learned from other places in the region are the importance of closely involving local municipalities and stakeholders in project planning and implementation. As public investments, it is important for the local municipality to benefit from the project. In cases where the Municipality was left out and the management of the place was in the hands of a ministry or others, municipalities tend to maintain an existing primitive market place in parallel to the new construction. This results in competition and losses for the new infrastructure.

7 USP Unique Sales Proposition

7 NEXT STEPS

The next step for the implementation of the collection centre project is the general decision on the project and the identification of potential investors/donors interested in supporting the project. After a positive decision, the Municipality and the other stakeholders would start to further clarify the location and the concept. In the following, an overview of the further stages of the project is given.

7.1 Next Steps "Location"

- Assessment of the proposed location, including a soil expertise to define the necessary actions and costs to backfill the place;
- If necessary, identification of an alternative site;
- Clarification of road development plans and financing;
- Site development and definition of available surface for the collection centre;
- Final design of the collection centre including updated cost calculation and calculation of financial viability.

7.2 Next Steps "Concept"

- Discussion with stakeholders and decision on the management concept and the function of the Municipality;
- Acquisition of tenants/operators, perhaps via an open tender;
- Agreement with tenants on management conditions and signing of contract;
- Preparation of an action plan to bridge the time until the opening of collection centre;
- Agreement between Mamusha farmers' association and traders/tenants on supplies;
- Monitoring of collection centre development.

7.3 Plan B Options

In the event that the collection centre cannot be built, a so-called "plan B" with alternative options should be considered. Possible options would be:

- Improvement of an area for Mamusha farmers at Pristina wholesale market;
- Closer cooperation of Mamusha farmers with local traders/wholesalers at Pristina market allowing direct supplies;
- Decentralised small collection points in the field to supply larger buyers;
- Promotion of the development of Xerxe market;
- Establishment of a collection centre near the ETC warehouse Rahovec.

8 RECOMMENDATIONS FOR HPK

The consultant was also asked to make recommendations to the HPK project on further support measures for Mamusha farmers. Some ideas are presented of how the association and its cooperation with market partners could be strengthened.

8.1 Capacity Building

In the discussions with farmers it was obvious that there is little knowledge on how producer groups in other countries operate, especially in collective marketing. Therefore, it is recommended to organise a **study tour** to other places and groups to learn more about marketing. A good destination would be Turkey because the Mamusha farmers belonging to the Turkish minority speak Turkish. Furthermore, Turkey has a long season with production in winter time. As the production of greenhouse tomatoes and cucumber is also very common in Turkey, it would be ideal to share experiences. To make a good impact on the issue of marketing it is recommended to send a larger group to Turkey and to include also some traders as participants. This could facilitate cooperation between farmers and traders and a better understanding of trade-related issues.

As outcome of the study tour it could be discussed to organise **internships for farmers' sons** in Turkey (some weeks or even some months) allowing also the younger generation to learn more about modern production and marketing methods. It was observed that the fathers as head of the family dominate production and sales and look at their sons mainly as workers or cheap labour.

As reported farmers do not properly calculate their marketing costs and, in addition, are insufficiently aware of the marketing costs of their market partners. It is recommended to organise **trainings on marketing costs** and to invite farmers and traders to participate to get a better understanding of the different cost situations. Given that storing produce is also part of the marketing costs, training could help to understand the costs involved in storing produce and could facilitate decision-making on the utilisation of storage facilities.

8.2 Production and Quality Improvements

HPK has already started with the implementation of **integrated pest management IPM** within a core group of Mamusha farmers. To benefit from IPM also in marketing it is important to properly document the inputs as proof for low residue levels and reduced expenditures. A **farm management handbook** could be helpful **for documentation purposes**. A local adviser in the field could assist group members in documentation. Proving the improved product quality (documentation) would allow the **branding of IPM products**, e.g. with special labels or small leaflets added to the boxes. Experiences in Albania showed good results for IPM products in the market: the producer groups "Fergor" and "Hortigor" in the villages of Goricaj and Gorican, well-organised associations in the district of Lushnja and Berat, have implemented IPM and later labelled the carton boxes accordingly. This resulted in better sales and better prices.[8]

A further issue in improving production will be to **overcome the problem of surpluses/ peak production** during the summer season. Options such as production diversification, earliness of production, expansion of season and perhaps a second crop in autumn, possibly with the help of heating, different production methods such as new substrates, varieties etc. could be considered. The above mentioned study tours could also help to find the right way forward.

[8] Source: GTZ-Programme "Modernization of Agriculture and Food Sector in Albania towards EU approximation", Impact Study - Development of pilot Producer Groups 2000-2005

8.3 Organisational Development for Mamusha Farmers' Association

The Mamusha farmers' association is a large group comprising 120 members out of 175 farmers in the municipality. The association probably functions more as an umbrella of the 11 neighbourhood sub-groups. Therefore it is recommended for the future to rather focus support on a decentralised approach based on the 11 neighbourhood groups allowing to spread support to more than just the small group of key farmers who are currently involved. To strengthen the association trainings on group development and other activities on group issues will be easier to implement and to follow up on the level of sub-groups.

However, for HPK it will be important to carry out an **inventory (collection of production and marketing information) of the entire association** to identify the best way of cooperation. This year, HPK has supported the association in diversifying their market channels by establishing closer linkages with new buyers such as supermarkets and offering new market opportunities. Nevertheless, HPK and the association have experienced that only a limited number of members was interested in joining (or was invited to join) forces and in developing collective marketing activities. Therefore a discussion could be initiated on **consolidating the entire group**, working on trust-building measures and formalising perhaps a commercial core group under the umbrella of the association to supply larger buyers. For linking up farmers to supermarkets and other larger buyers it will be important to identify the right farmers capable of supplying these customers. It is expected that these farmers are spread over different sub-groups. Capacity development with regard to collective marketing and business planning is considered to be essential in this process.

8.4 Marketing

Creating linkages, identifying new buyers and linking farmers to traders/exporters is very important in HPK's activities. However, linking farmers to new buyers and markets will not automatically have an impact on the value chain. A difference is made when farmers can attract new buyers due to their improved performance. Improved performance includes

- Information on production quantities and availability;
- Production planning;
- Production and marketing cost calculation;
- Quality improvements and control;
- Market orientation and pro-active market approach.

Based on the above-mentioned experiences of this year it is recommended to consider the **involvement of local traders in the supplies of supermarkets** or other larger clients. As farmers face difficulties in pooling enough produce for the agreed supplies, a local trader could undertake the function as intermediary collecting and delivering the agreed quantities. Such cooperation as a **trust building measure** could also help to overcome the problem of limited trust between farmers and traders. A local trader reported that the willingness to cooperate with him is low although he is a member of the association and farmers would benefit from using his transport facilities to the market.

ANNEX 1: EXECUTIVE SUMMARY

Feasibility study of a collection centre in Mamusha – prepared by Horticultural Promotion in Kosovo (HPK)

Introduction

The Municipality of Mamusha in Kosovo is interested in implementing a collection centre project. Within the framework of its "Horticulture Promotion Kosovo-HPK" project, the Swiss NGO Intercooperation supports the preparation of this project through a feasibility study. The present overview is meant as a source of condensed information to inform potential donors.

A driving force in the development of the collection centre is the Mamusha Farmer Association created in 2008 and structured into 11 neighbourhood groups. They represent 120 out of 175 farmers in the municipality. Therefore, the target groups of the collection centre project, farmers from Mamusha, especially the association of Mamusha farmers, fully support the project to set up a new collection centre on the outskirts of the municipality.

Production and Sale of Horticultural Products from Mamusha

The production and selling of vegetable produce from Mamusha, especially greenhouse products, is functioning and volumes are constantly growing. Mamusha is well known as a region with early production from greenhouses and with this advantage is well positioned in the market in Kosovo. Based on the current area and dynamics of greenhouse establishment until 2009, the average production increase in new greenhouses and existing greenhouses is estimated to amount to 10% per year.

Greenhouse production area											
Year /ha	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Tomatoes	75	83	91	101	111	122	134	147	162	178	195
Cucumber	25	28	30	33	37	40	44	49	53	59	65
Melon	10	11	12	13	15	16	18	20	22	24	26
Pepper	5	6	6	7	7	8	9	10	11	12	13
Greenhouse production quantities											
Year / t	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Tomato	8,100	8,910	9,801	10,781	11,859	13,045	14,349	15,784	17,363	19,099	21,009
Cucumber	3,300	3,630	3,993	4,392	4,831	5,314	5,846	6,430	7,073	7,781	8,559
Melons	1,500	1,650	1,815	1,996	2,196	2,415	2,657	2,923	3,215	3,536	3,890
Pepper	250	275	302	332	366	402	442	487	535	589	648

Production in the open field (23,000 tons in 2009), that used to be the main source of income in the past, will be less important in the future as greenhouse production increases. However, with a wide variety of products (cabbage, melon, watermelon, pepper, onion, spinach, cauliflower, red cabbage, broccoli), open-field production allows farmers to generate income also outside the summer season.

The expected increase in greenhouse production causes some problems farmers will have to deal with in future - especially the lack of qualified labour in the municipality. A major element of this problem is that the farmer/owner takes direct responsibility for all sales operations so that, in his absence, crop management and harvesting are left to family members whose capacities are limited. The establishment of a collection centre in the village is seen as a way to reduce the time the farmer spends away from his crop.

The time-consuming individual sales activities are seen as the major problem of Mamusha farmers. They are the reason for further market-disturbing effects that are criticised by all market partners:

- High marketing costs to supply Pristina wholesale market.
- Price competition at Pristina market as farmers compete with wholesalers offering products from Mamusha.
- Lack of trust between farmers and traders.
- High influx of imports from neighbouring countries flooding the market in Kosovo and leading to a decrease in prices and strong competition at Pristina wholesale market.
- The farmers' section at Pristina wholesale market is a primitive unpaved parking lot accommodating more than one hundred farmers per day during the season. Dust, dirt and unbearable hygiene conditions affect the products traded in this place.

Therefore, the starting point for the planning of a new collection centre in Mamusha is the difficult situation at Pristina market. Due to the unbearable situation in Pristina, farmers moved more and more to other market places and are increasingly using places like Xerxe, Prizren or linkages to supermarkets.

Expectations for the Impact on the Distribution System

The collection centre project will address all Mamusha farmers, who presently sell at different market places in Kosovo. The project, however, will reduce competition among farmers in order to improve their market efficiency. Therefore, the demand for a collection centre in Mamusha is strong; especially the Municipality is highly committed to the project and confident in finding financial support for implementation.

Farmers (also from neighbouring villages) expect significant improvements from the project. They expect to

- reduce the time spent on sales activities;
- strengthen their market position;
- reduce competition;
- supply larger buyers such as supermarkets, increase of export;
- store produce to get better prices ;
- improve produce quality (esp. with cooling facilities).

To meet the expectations, it will be of utmost importance that farmers in Mamusha commit themselves to the collection centre to reduce their marketing costs by making use of economies of scale.

The market partners, such as wholesalers, traders, supermarkets and retailers also support the project to set up a collection centre. This improvement of the supply system will meet their expectations, i.e.:

- more efficiency in supply and purchase: one-stop-shopping = one person as contact person;
- consistency of (larger) supplies;
- better quality of products: improved classification and packaging including the reduction of waste;
- more price transparency for traders;
- an improved level of the technical efficiency in market logistics.

However, many of the market partners have low expectations due to past experiences with Mamusha farmers. Major concerns are mainly related to

- low group cohesion among the farmers in the municipality causing competition among farmers (and traders) and undermining the pricing of produce;
- the unclear commitment of the farmers to supply the collection centre;
- the dimension and costs of the collection centre.

Collection Centre Management

The municipality of Mamusha as owner of land and buildings would be the implementing agency of the project and later responsible for the collection of fees/rents and supervising the property. A concept for the management of the collection centre favoured by the Mamusha farmers is management in the hands of a trader or traders buying from the farmers and further selling the produce to the main markets and customers in Kosovo. Buyers also expect a professional management at the collection centre and therefore also prefer traders to run the place. Some traders have already shown their interest in managing the place. A public tender could identify the availability of capable companies to operate the collection centre on a lease basis.

Planned Capacity of the Collection Centre

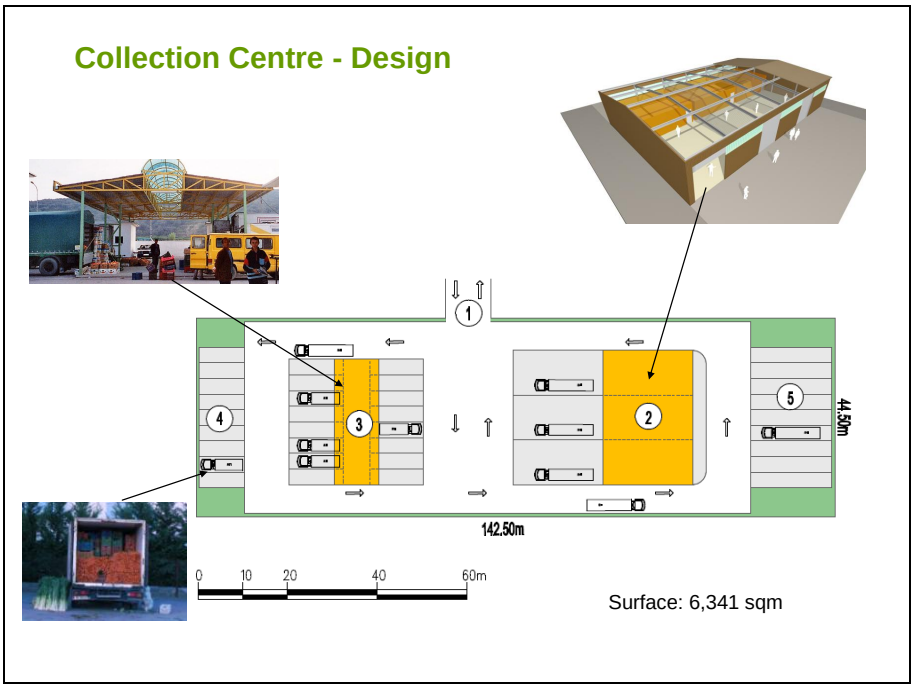
A collection centre in Mamusha is expected to improve the marketing system especially for the increasing greenhouse production. To calculate the volume to be traded from the collection centre, the total greenhouse production of 13,000 tons per year (2009) has to be taken into account. On average, 130 t produce are traded per day over a period/season of 100 days. During peak production, more than 300 tons per day are harvested and traded. Farmers expect to channel more than 50% (>7,000 tons) of their produce through the collection centre, if the management of the place is able to absorb these quantities.

Estimated Supplies at Collection Centre	Year 1	Year 2	Year 3	Year 5	Year 7	Year 10
Supplied tonnage per year	*2,630*	*3,288*	*6,575*	*7,890*	*9,205*	*9,205*
- Supplies base year 2009 (13,150 tons) - Constant production	20%	25%	50%	60%	70%	70%
- supplies in % of projection of production 2010 until 2019	18%	21%	38%	37%	36%	36%

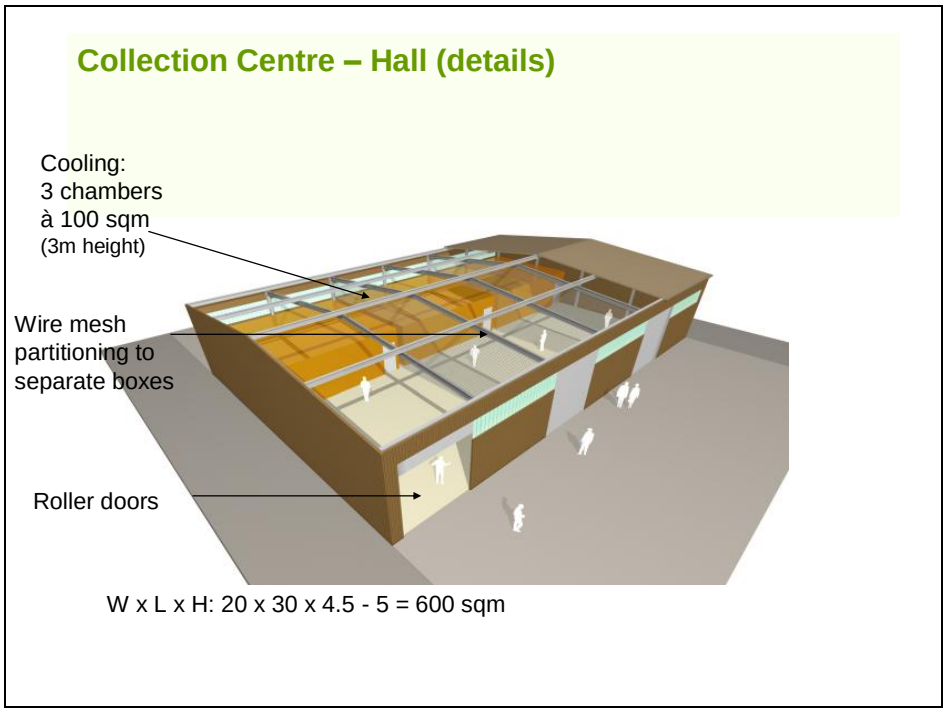
Design and Costs

From the farmers' perspective, the required functions of the collection centre are as follows:

- Pooling and loading facilities;
- Cooling for greenhouse production;
- Storage for open field production.



The below-shown design includes 3 cold stores, each 100sqm (10mx10m and 3m height). Three separate stores allow a different utilisation of the cooling facilities as well as the possibility to rent out the chambers to different tenants. As the cooling facilities are expensive, it should be considered to install the three chambers step-wise starting just with one or two chambers.



Costs of Collection Centre Mamusha	Area	Costs
Site Development	?	?
Area		
Proposed area	6,341 sqm	
Market hall	600 sqm	€ 180,000 - 200,000
Cold storage facilities		
Cold storage 1	100 sqm	€ 25,000 - 30,000
Cold storage 2	100 sqm	€ 25,000 - 30,000
Cold storage 3	100 sqm	€ 25,000 - 30,000
Parking	40-60 vehicles	€ 25,000
Roads	5,000 sqm x € 5/sqm	
Other facilities		
Fence	374m x 10€/m	€ 3,740
Toilets	2	€ 1,000
Gate houses	1	€ 500
Access to water, sewage, electricity	€ 30 per m/150m	€ 13,500
Total costs		**€ 250,000 – 330,000**

Location of the Collection Centre

The site proposed and owned by the Municipality is north of the centre of Mamusha on the road to Reti/Rahovec and Apterrusha. It is well accepted by the farmers although it is not located near the production area which is south of the village. The target group fully accepts the proposed site on condition that sufficient space is ensured.

According to the Municipality, the parcel has a gross area of up to 3 hectares, but the plot is more than 1 km long, only partly alongside the road. As the road is still just a track, the expansion of the road is planned to be finalised in 2010 but is not yet financed. In addition, it is expected that the site development could be difficult and costly.

Operating Costs and Revenues

The recurrent annual operating costs for the Municipality consist of staff salaries to let the place, expenditures for insuring and maintaining the buildings and the equipment and of expenditures for water, electricity and refuse collection although the tenants will bear all running costs. These costs are estimated at € 500 per month summing up to € 6,000 per year. Costs of the insurance of the building are estimated at € 3,000 per year.

The assumed revenues consist of rental income from the hall. A monthly rent of € 3 per square metre forms the basis of the calculation. Traders clearly stated that they would not accept a rent of € 5 per square meter even if cooling facilities were included. To minimize the risks, the financial calculation includes a grace period of 2 years free of rent, as demanded by the interested traders. Additional income could come from parking fees, charged at least during the peak season to allow a smoother traffic flow.

Financial Viability

Given that the financing of the collection centre project has not yet been decided upon, the conditions are not yet known. The major of Mamusha is interested in a grant. The calculation includes the above-described costs and revenues and a grace period of 2 years under the assumption of a grant. Without considering depreciation, the collection centre could become an interesting investment for the Municipality (after 2 years), even if the running costs were higher than estimated. However, if depreciation is included the calculation remains negative over a period of 10 years. This calculation shows that the collection centre project could not cope at all with funding based on a loan.

Risks

The management concept favoured is to hand over the collection centre to professional market partners with regular customers. Therefore, a high risk is not expected to come from the market side as products from Mamusha are in high demand. However, the collection centre will not solve totally the problems occurring during peak season. Oversupplies of the market especially with tomatoes combined with low prices require other solutions/changes other than a central collection centre: diversification, earlier production, expansion of the season and possibly a second crop in autumn perhaps with the help of heating, different production methods such as new substrates, varieties etc. In this context, the short season of Mamusha greenhouse production is also a risk for the collection centre as it will be difficult to run the place all year round.

Nevertheless, the main risk for the success of the collection centre is seen in the supplies coming from Mamusha farmers. As the place has no tradition as a meeting point and farmers are used to meet buyers at market places, the risks remains that farmers will not change their habits. Lack of trust among farmers and traders is seen as major problem in running the collection centre.

The financial viability of the investment depends on the provision of a grant, but would be still weak taking depreciation into account. A higher rent already in year 1 would, of course, improve the economic viability.