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EXPORT OPPORTUNITIES FOR KOSOVO HORTICULTURE CROPS IN THE REGION

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Abbreviations

AMPK	Agricultural Master Plan for Kosovo
B2B	Business to Business
CEFTA	Central European Free Trade Agreement
EU	European Union
F&V	Fruits and Vegetables
FTA	Free Trade Agreement
FYROM	Former Yugoslav Republic of Macedonia
HACCP	Hazard Analysis and Critical Control Point
HPK	Horticulture Promotion in Kosovo
INSTAT	Statistical Institute of the Republic of Albania
MoA	Ministry of Agriculture
MIS	Market Information System
UNMIK	United Nations Mission in Kosovo
VAT	Value Added Tax

Executive Summary

A study was commissioned by Horticulture Promotion in Kosovo (HPK) to explore export opportunities for Kosovo horticulture products in four neighbouring countries, Montenegro, Albania, FYR of Macedonia and Serbia. The field work was undertaken in July and August 2009. The main objectives were:

- to identify possible export market opportunities in some neighbouring countries
- to find out practical information for traders, such as documents, costs, prerequisites related to export procedures
- to identify tariff and non-tariff barriers for each country

In the past, Kosovo was a province within the larger Yugoslav Federation with a total market of 22 million. At the time fruit and vegetable production was more concentrated in some of the republics/provinces like FYROM and Kosovo that supplyed other parts of Yugoslavia.

The report aims to provide an analysis of the regional export potential for the fruit and vegetable sector of Kosovo. Insights are presented that were obtained through interviews with many different stakeholders - as well as information concerning the important wholesale markets visited.

The trade balance for fruits and vegetables is highly negative in Kosovo, especially with surrounding countries. Macedonia exports a hundred times more fruits and vegetables to Kosovo than the other way around. In the regional trade Kosovo is still facing many disadvantages linked to its transition to the market economy, the country's small size and only partial recovery from the recent conflict.

At this stage in the development of the horticulture sector in Kosovo, a number of crops seem to have developed a good competitive position in the internal market, and certain crops such as onions and strawberries are reaching self-sufficiency. In the search for export opportunities the main potential crops considered were: peppers, onions, tomatoes, cabbage and strawberries.

It was discovered that many Kosovo traders are not aware of all the documents needed to export fruits and vegetables to other countries. This creates problems in their trade activity. A list of documents needed to export to surrounding countries can be found in the annexes, and should be made available to traders. A listing of costs of exporting to surrounding countries as well as specific case studies is also available in the annexes.

Export opportunities are not plenty since all the countries in the region produce similar vegetables. Specific findings in terms of export markets are that crops like peppers, onions and cabbage have a good export potential in regional countries and further away. Pepper of specific varieties and high quality is presently very interesting for processing companies in all neighbouring countries - only this kind of demand could amount to 3,000 tonnes. Onions and cabbages are becoming the most interesting crops to look for specific export markets in the region after peppers. Furthermore, Kosovo could use existing routes of export that other neighbouring countries cannot fully supply, to penetrate to other important markets in the region.

Opportunities for fruit exports were also analysed. For strawberries it was discovered that there was no potential for export of this crop at least in the surrounding countries where investigations took place. It was determined that a critical mass still needs to be created for some crops such as apples before export could be seriously considered.

Important trends in the trade exchange of Kosovo with each country are discussed. Montenegro is the main export market for Kosovo. Albania is becoming more interesting for Kosovo exports of vegetables. FYROM is a highly competitive country in the region and supplying huge amounts of fruits and vegetables to Kosovo. Links and trust in trade between Kosovo and Serbia are being re-established. In the near future, Montenegro and increasingly Albania will continue to be the main importing countries for Kosovo products. An important new opportunity for Kosovo, which could aid (and reduce costs of) horticulture exports will be the construction of the new road linking with Albania. A future improvement in the political situation with Serbia would allow for more trade of horticulture products from Kosovo to Serbia.

There are countries which apply non-tariff barriers with Kosovo while others have no need to. Montenegro, for example, applies mainly non-tariff barriers which are basically unnecessary delays in export procedures in an attempt to allow only healthy horticulture products from Kosovo to be exported, while FYROM and Albania have liberalized trade with Kosovo. Serbia on the other hand has political issues with Kosovo, which results in trade from Kosovo to Serbia being quite limited. The CEFTA agreement promotes principles of fair, free and liberalized trade between its member countries. However some countries are not willing to apply these principles with Kosovo for political reasons.

Out of the horticulture strategies of the surrounding countries analyzed in detail in the report it was noticed that all the countries visited have given a high priority to fruit and vegetable production within their agriculture. FYROM and Serbia are giving a high priority also to fruit and vegetable processing.

Not enough information was found on costs of production for the countries visited as these data are not officially available. For this reason it is suggested that another study analyses in more detail the costs of production and comparative advantages that Kosovo has in relation to surrounding countries regarding some interesting fruit and vegetable crops.

Other important issues to tackle about fruit and vegetable production in Kosovo that would improve the chances of competing for export markets were considered such as improvement in the quality, presentation and marketing links between producers and traders. Producing earlier in the year is unlikely to aid exports (although it would help import substitution). The project could work closer with traders to facilitate different events through which new markets can be explored and linkages be established with traders of the region.

Methodology

Two local consultants carried out the assignment of exploring export opportunities for Kosovo fruits and vegetables in the region. General instructions about the methodology on how to conduct the study were found in the terms of reference prepared by HPK. However the consultants independently elaborated a number of logical steps required to achieve realistic results.

It was the intention of HPK and the consultants that the main beneficiaries from findings of this study to be traders and farmers, and the results of the study to be as practical as possible. Therefore part of the content of the study is presented in the perspective and interest of traders and producers. It should be conceived as a guide to assist them in producing and trading, keeping in mind existing and potential export opportunities.

The first part of the study was conducted in Kosovo and generally consisted of:

- discussion with HPK staff[1] on subjects of fruit and vegetable production and marketing in Kosovo
- consulting relevant HPK written reports, as well as reports of other organizations.
- field visits in the main local wholesale markets
- direct interviews with market players[2], institutions[3], stakeholders[4], different experts in agribusiness etc.
- research for other relevant information through different channels

At this point in the study, an initial impression was created in regard to the production potential and competitiveness of local fruit and vegetable production. The consultants were supplied with feedback and ideas as to what were the most important crops Kosovo could produce for export purposes. As a result, the investigation for export opportunities in the second part of the study was narrowed down to the following crops of interest: peppers, tomatoes, onions, cabbages, garlic and strawberries.

The second part of the study was conducted in four regional countries[5] (Montenegro, Albania, FYROM and Serbia) focusing on opportunities of export for the crops of interest mentioned above. This part of the study required careful planning and organization involving guide persons, who were agribusiness experts that assisted the work of the consultants in each of the countries. The approach in the second part of the study was to find information through:

- discussion with guide persons and other agribusiness experts in each country
- consulting relevant written reports from different organizations in each country
- field visits in the main wholesale markets in each country
- field visits in the main production regions of each country
- interviews with traders, institutions, experts in agribusiness in each country

[1] Valuable information was provided by HPK project officers of fruit and vegetable production and marketing as well as HPK's Deputy Team Leader.
[2] Traders in Prishtina, Prizren, Peja
[3] Ministry of Agriculture, Phytosanitary Inspectorate of Prishtina, Prizren and Peja
[4] Middle men, spedition agencies (a spedition agency is a kind of export facilitating agency), transport agents,
[5] Spending 5 days in each country

- research for other relevant[6] information through different channels

After the second part of the study, the consultants prepared this written report, analysing separately the situation in Kosovo and in each of the four other countries. In the following sections, useful information can be found in relation to trade exchange, documentation and costs for export, price comparisons, export potential per crop, country strategies, tariff and non-tariff barriers etc. All of the above is accompanied by the most recent statistical data found.

With all the abovementioned information in hand, the consultants analysed and identified possible HPK interventions. These interventions were proposed in the recommendations section of this report, keeping in mind HPK's facilitating role in aiding export from Kosovo.

[6] Such as wholesale market prices for each of the horticulture crops of interest, import-export data, statistical data etc.

Introduction

Horticultural Promotion in Kosovo – financed by the Swiss and Danish governments - is working towards the development of the horticulture sector. It aims to help make local production competitive with imports within the local market, and facilitate exports of fresh and processed products.

The purpose of the study is to provide an analysis of the regional export potential for the fruit and vegetable sector of Kosovo.

Kosovo within former Yugoslavia used to export fruits and vegetables and was very well known for its products of good quality and taste.

Currently Kosovo is importing most of its food stuff. Fresh fruits and vegetables are a big part of the imports mainly during winter, spring and early summer.

The domestic market for fruits and vegetables is very important as it absorbs most of the volume of production. The local market for fresh fruits and vegetables is small however with export opportunities the quantities produced are expected to grow.

Objectives

The summarized objectives of the consultants' mission were:

- To identify the possible export market opportunities in some neighbouring countries like FYROM, Albania, Montenegro and Serbia focusing on some of the crops approaching surplus in Kosovo.
- To identify the tariff and non-tariff barriers for the selected countries and describe the trade interactions.
- To identify the main logistical prerequisites for export of fruits and vegetables
- To determine who can facilitate the export activities.
- To determine the cost of export including per selected potential crops.

Kosovo fruit & vegetable sector

Kosovo is a landlocked country and is geographically located in the north of Turkey, Greece and FYROM, thus causing crops to ripen only later during the year. Its climate falls in the continental and semi Mediterranean zone. Thus Kosovo has good potential for agriculture and horticultural production in terms of range of fruit and vegetable crops that can be cultivated. Kosovo has small plot sizes of agricultural land and a small area of greenhouses. Furthermore, in comparison to Albania or Croatia, Kosovo cannot benefit from the Mediterranean climate, which is more favourable for early and late fruit & vegetable production.

Vegetable production[7] in Kosovo is organized in approximately 14,500 ha in open fields and about 154 ha greenhouses[8]. The main areas of production are Rahovec, Prizren and Viti. Fresh vegetable consumption in Kosovo is estimated at 146 kg/person/year[9], while for processed vegetable consumption is estimated at 1.5 kg/person/year. The main vegetables produced in Kosovo are presented in table below:

Table 1 - The main vegetables produced in Kosovo in 2004

Crop	Area (ha)	Yield (t/ha)	Production (t)
Tomatoes	1,980	15.5	30,690
Peppers	4,750	10.0	47,500
Cabbage	1,475	25.0	36,875
Onions	1,343	6.0	8,058
Garlic	182	3.2	582
Carrots	125	9.0	1,125
Potatoes	7,873	14.5	114,159
Total	**22,555**	**13.4**	**303,103**

Source: van Agthoven J and S. Kaciu, 2004. High Value Irrigated Crops. MAFRD/SOK.

As presented in the table potatoes, tomatoes, peppers, cabbage, onions are dominating vegetables.

The total local fruit production is estimated at 27,500 t/year (mainly apple)[10]. Fresh fruit consumption is estimated at 20 kg/person/year, while processed fruit consumption is estimated at 6 kg/person/year[11].

An issue for Kosovo production is seasonality. In August and September Kosovo has hyper production while in other periods of the year is dependent on import. Main regions of production that are export-oriented are: Rahoveci, Prizren and Peja.

[7] The total local production is around 222,000 t/year or 60% of Kosovo market demand for fresh vegetables
[8] Based on Greenhouse Inventory conducted by HPK in 2008 - this is the added area of greenhouses bigger than 2.5 ares.
[9] The total market demand amounts to 365,000 t/year of fresh vegetables; import is estimated at 143,000 t/year covering around 39 % of consumption
[10] Food Sector Review – MSP project - EAR
[11] The total market demand amounts to 50,000 t/year for fresh fruit and 15,000 t of processed fruits

Kosovo fruit and vegetable sector value chain is still limited mainly because of lack of market opportunities12. International trade is highly competitive, and presently product quality is as important as price. Kosovo is a net importer of fruits and vegetables and food products in general. Imported horticulture products are generally better graded, packed and labelled. Kosovo needs to improve the situation of a very negative trade balance with neighbouring countries. It is considered that only regular export in the region and controlled import during the season of production in Kosovo will help release the burden from the farmers and the local market. More export of fruits and vegetables is one of the ways for Kosovo to improve this trade balance.

Based on the analysis and discussions with local agriculture experts in Kosovo, the main local fruits & vegetables exported and with potential for export are: pepper, tomato, potato, onions, and cabbage while from fruits only strawberry currently seems to have some potential.

Most of the export from Kosovo is starting in August and continuing until May of the following year. Regional countries are either earlier in the market or producing more quantities at the same time as Kosovo. Usually export from Kosovo is organized by traders or farmer-traders[13]. Presently limited volumes of fresh fruits and vegetables are exported in regional markets: Monte Negro, Albania and less in Serbia, FYROM and Bosnia.

[12] Keeping in mind the small Kosovo market
[13] Mainly selling their own products or from their region

Documents needed to export

Until 2007, farmers could export themselves in some regional countries[14] by providing necessary documents required from the authorities. Since 2008 farmers cannot export unless they have a registered trade company, which should be selling to a trade company in the respective country.

The main documents necessary for export according to each country are presented in the table below:

Table 2 - List of documents needed to export by country[15]

Documents needed to export	Where to get documents	Country requiring documents
* Company documents (obligatory)	Ministry of Trade and Industry of Kosovo in Pristina	Montenegro (MN), Albania (AL), FYROM Serbia (SR)
* Certificate of origin of goods (also referred to as EUR 1)	Traders can get it through KCC or Customs	(MN), (AL), (FYROM), (SR)
* Transaction document (also referred to as invoice or receipt)	The invoice should be prepared by registered trading parties in both countries	(MN), (AL), (FYROM), (SR)
* Phyto-sanitary document (usually received after a visual check of the load from an inspector in one of the branch offices)	This document is released by the Phyto-sanitary inspectorate in Kosovo. For Serbia (this document is released by the Phyto-sanitary inspectorate of Serbia located within Kosovo (Ranillug – Gjilan)).	(MN), (AL), (FYROM) (Serbia doesn't recognize Kosovo documents)
* (option) Authorization of representation in case a Spedition company takes care of documentation and procedures	The trader and Spedition company prepare this document	(MN), (AL), (FYROM), (SR)
* Laboratory analysis	Specialized lab Ecotoxicology in Podgorica or State lab in Podgorica – maximum 48 hours required	(MN)-often , FYROM-rarely

[14] In Montenegro and Albania - based on information from the phytosanitary inspectors of Kosovo
[15] Look at Annex 3 for more details on documents and procedures needed for export

Tariff and Non-tariff barriers

Kosovo is a member of the CEFTA trade agreement and is completely open to trade with countries in the region and the EU. At the time of CEFTA's original agreement, the United Nations Mission in Kosovo (UNMIK) signed on behalf of Kosovo. According to the CEFTA agreements on UNMIK's terms, Kosovo was to be a player in the developments of the regional market. However, considering these terms and the situation in Kosovo, the newly created state would absorb surpluses of fruit and vegetables rather than export in the region.

On the other hand, the Ministry of Agriculture of Kosovo, created in 2002, is a new institution that is still learning about development of policies and strategies. Presently there are no tariff or non-tariff barriers from Kosovo side related to fruit and vegetable trade since Kosovo has to respect the already agreed terms of the CEFTA.

However in order to be more competitive and protect local products, Kosovo has to change its trade practices and improve the trade balance with regional countries. It is possible for the government of Kosovo to do this without infringing the CEFTA agreement, by establishing specific non-tariff requirements[16] as explained further in this report.

Kosovo Country Strategy

Based on the Agricultural Master Plan for Kosovo (AMPK) 2007 – 2013[17] and the Strategy for the horticulture sector, the fruit and vegetable sector is very important for Kosovo's economic development.

Horticulture is one of the sectors that has the highest potential to create jobs, substitute import and generate export. Still the sector needs development and strengthening in order to be competitive; starting with the region and later with other markets in the EU.

The main objectives of the MoA strategy are generally focusing on substitution of import for agriculture products and initiation of export wherever Kosovo has comparative advantages[18].

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[16] Similar to what other CEFTA countries of the region are doing

[17] Prepared by the Ministry of Agriculture of Kosovo

[18] Competitiveness is a comparative concept of the ability and performance of a country to sell and supply goods in a given market (Wikipedia). A comparative advantage is a "natural" advantage a country has over another in producing the same product. In horticulture this advantage is usually related to lower costs of production, climatic conditions, and traditional skills in producing the product. "Artificial" comparative advantages are created because of tariff or non-tariff barriers, subsidies within the country which applies these measures for its horticulture.

Montenegro

The Republic of Montenegro is situated to the west of Kosovo, in south-eastern Europe, with a surface area of 13,812 km^2. Based on 2004 data, 620,000 people live in Montenegro. Climate conditions in Montenegro are various and ranging from Mediterranean to continental.

Figure 1 – Map of Montenegro

The agricultural area in Montenegro represents 38% of the total surface area. Total area of agricultural land resources is 518,067 ha or about 0.84 ha per capita[19]. The trend of fruit and vegetable production in Montenegro is approximately the same with a small tendency to increase[20]. Main areas of vegetable production are Zeta valley and Tuzi region with smaller production areas in other parts of Montenegro, while fruit production is concentrated in southern part of the country. Vegetable production is estimated at 179,883 t. Annual consumption[21] of fresh vegetables in 2003 was 105 kg[22] per capita for Montenegro while consumption of fruits was 118 kg per capita.

Trade exchange Montenegro-Kosovo

Montenegro is the smallest of Kosovo's neighbouring countries, and one of the main trade partners for fruit and vegetables. Montenegro is a net importer of food stuff including fruits & vegetables. Main trade partners for Montenegro are Serbia[23], Kosovo, Croatia, Slovenia, B&H, FYROM and Albania. Both Kosovo and Montenegro were part of same country (Yugoslavia) until year 1999 and had good trade links for a long time. Montenegro is still related to markets of former Yugoslavia countries.

Since 1999, Kosovo traders started to recreate former contacts and within a few years Montenegro became Kosovo's main trading partner in export from Kosovo. Montenegro imports a value close to 136,000 Euros of vegetables from Kosovo in 2008. The trade is sometimes difficult due to bad infrastructure and certain non-tariff barriers from Montenegro's government. During the tourism season[24] the population of Montenegro temporarily increases up to 1.8 million, creating opportunities for traders in the region to export fresh vegetables to Montenegro.

The main custom point between Kosovo and Montenegro is Kulla – Rozhaje very high in mountains making transport difficult. Kosovo traders will occasionally use the border point of Bozhaj in Albania to go to Montenegro using the Albanian road. There is one more border point through Mitrovica but since one part of the road is within Serbia, traders are avoiding it.

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[19] Based on Montenegro Food Production and Rural Development Strategy - 2004
[20] Montenegro Food Production and Rural Development Strategy - 2004
[21] Look at Annex 1 for more fruit and vegetable consumption statistics for other Balkan countries
[22] Lower than Kosovo at 146 kg/capita
[23] Serbia is accounting for 66% of total Montenegro trade of agro-food products.
[24] Tourism season in Montenegro is starting in June and lasting until the end of August.

Traders and farmer-traders from Kosovo are exporting to Montenegro. When trade occurs the payments are made in cash. Very rarely payments are made through bank transfers only if quantities are higher.
Fruits and vegetables exported to Montenegro have to follow all EU regulations. Still there are no requirements regarding standards of presentation and products exported from Kosovo have similar standards of presentation as other local goods in the market.

Period of export starts from late July for tomatoes and peppers and continues until September. Later export continues with onions and potatoes until spring of the following year. The cost of transport to Montenegro is very high because of bad infrastructure and waiting period in the border. This causes a decrease of the competitiveness of Kosovo products in Montenegro market. Usually farmer-traders use trucks of 12 t, while wholesale traders use trucks of up to 20 - 25 t. Only few of them are using cooling trucks and usually import other goods from Montenegro to Kosovo in return. There is no evidence that traders from Montenegro purchase and import fruits and vegetables from Kosovo to Montenegro.

The two markets visited in Montenegro were Podgorica and Ulqin, which are described below:

- **Podgorica** wholesale market is the main market in Montenegro, from which all other markets are supplied. The market is relatively small compared to other regional countries' markets. Fruit and vegetable markets in other cities are supplied with fresh products through this market. The Podgorica wholesale market is also the main market for imported fresh fruits and vegetables.
- The **Ulqin**[25] market is situated in the touristic city of Ulqin and mainly selling goods from local producers. Products are usually purchased from the Podgorica market while Kosovo products aren't regularly present in this market.

An important player in the horticulture sector trade in Montenegro is the public shareholder company 'Plodovi - AD', which serves as an absorber of the quantities of fruits and vegetables when prices are under the minimum limit. The state is subsidizing the company but not farmers directly. 'Plodovi – AD' pay farmers the minimum price, even when price in the open market is lower, in order to help farmers avoid losses when surplus of production occurs. The company then looks for other markets and sometimes surpluses are sold to 'Delta Maxi' company in Serbia.

Issues related to export to Montenegro

Even though both countries are members of the Central European Free Trade Agreement there are some non-tariff barriers that Montenegro is implementing during periods when local production can supply the local market.

The main non-tariff barrier from Montenegro is the obligation[26] to make laboratory analyses in Podgorica for every truck[27] entering from Kosovo. In Rozaje and Berane are two custom terminals where traders[28] are parking their trucks and expecting the results

[25] 73% of the population of Ulqin municipality is of Albanian ethnicity
[26] Analyses made in Kosovo aren't accepted from the Montenegro phyto-sanitary control.
[27] While traders from any country exporting to Kosovo are only obliged to send goods for laboratory analysis at the first instance of export
[28] Cost of terminal, overnight and food for trader is increasing the cost of transport.

of analysis. There are two types of laboratory analyses[29] required for goods to enter Montenegro: a) pesticide residue and heavy metals and b) radioactivity test. The analysis process is time-consuming, sometimes taking more than 48 hours. Thus exports from Kosovo happening during summer months can have serious problems with spoiling while waiting at the customs terminal. Then selling all goods wholesale or retail sometimes may require a week for trader; thus increasing overall cost of export and decreasing the trader profit.

Regular export can be organized only through two trading companies, one in each country. However traders from Kosovo are not very interested to export in this way, and they prefer to bypass this obligation by collaborating with “ghost” companies in Montenegro that are charging them for paperwork in Montenegro. There are very rare cases when real trade is happening between a Kosovo and a Montenegro trader.

Montenegro phyto-sanitary administration is interested to organize good control of food especially during summer months because of the tourism season. Food safety and security are of high importance for this small country since any case of poisoning will affect tourism as main source of income for the country.

Trade links between Montenegro and Serbia are very strong so we can conclude that Kosovo traders are competing with Serbian products rather than with Montenegro products in this market.

Costs of export from Kosovo to Montenegro[30]

The main costs for traders in order to export to Montenegro are represented in the following table:

Table 3 – Costs of export Kosovo - Montenegro

Costs to export	**Amount**	**Source of information**
Costs on the Kosovo part	100 - 150 Euros	Kosovo institutions + other cost
Transport costs & other costs[31] (by truck)	500 Euros	Traders and farmer-traders (exporting to Montenegro)
VAT	Between 200 – 300 Euros per truck (17% of the declared purchased value – sometimes reference prices are indicated)	Phyto-sanitary inspector Traders

Per crop analysis of export potential

Pepper – in Montenegro is one of the main vegetables used for consumption. Montenegro pepper production is early, mainly Babura variety in greenhouses and open field. The total Montenegro pepper production is 17,047 t.

[29] Price for complete sanitary analysis is 152 Euros + 17% VAT. Pesticide residue analysis costs around 90 Euro while radioactivity 80 – 90 Euros.
[30] Look at Annex 6 for a case study based on discussion with a trader in relation to export to Montenegro
[31] Spedition company, phyto-sanitary, custom terminal, laboratory analysis, food and overnight cost as well as market cost in Montenegro

The quality of local pepper is very good and the demand is higher during summer. Consumers in Montenegro prefer Somborka and red pepper (Kurtovska Kapija) varieties for pickling. Local peppers used for fresh consumption enter the market at the end of June and can be present until beginning of September. During August, there are some gaps in supply because of tourism, which are filled by import from Kosovo and Serbia.

During most of the year, based on price information collected from the Montenegro Ministry of Agriculture[32], pepper has higher price in Montenegro than in Kosovo (See Annex 4). In Montenegro, because of previous experience from the ex – Yugoslavian common market, Kosovo peppers are recognized as good quality. In 2008 Kosovo exported 564 t of pepper in Montenegro valued at 47,500 Euros[33].

Kosovo peppers have good opportunities in this market starting from August when there is a lack of fresh peppers creating opportunities for traders to export to Montenegro. Prices[34] at this time are higher in Montenegro due to higher demand. Later during September, peppers for pickling (Somborka) produced in Kosovo are in demand in Montenegro. The quality of peppers for pickling produced in Kosovo is perceived as very good[35].

Tomato – is also one of the main vegetables consumed in Montenegro. The country produces 19,000 t with the first harvest at the end of June. A gap in supply appears in August and is filled from neighbouring countries. Prices of tomatoes are higher[36] than in Kosovo probably due to smaller parcels of land and higher demand during the tourism season. This is a good opportunity especially for Peja traders to organize fast ad hoc export. In 2008[37] around 310 t of tomatoes were exported from Kosovo to Montenegro with a value of 26,700 Euros.

Onions[38] – are present in the market from the end of September and until May of following year. Import is important for Montenegro even though the demand isn't very high.

The prices are stable and higher than in Kosovo, while prices in the Kosovo market fluctuate (see Annex 4). The demand is constant and quantities required are limited. Usually onions are imported jointly with potatoes as non-perishable vegetables from Kosovo and Serbia. In 2008 around 495 t of onions were exported from Kosovo to Montenegro valued at 38,000 Euros.

Cabbage – is an important vegetable that in some cases is imported sporadically from Kosovo and Serbia. Prices of cabbage are very low during the period of pickling making cabbage not such an attractive vegetable for traders.

Based on our price analysis, prices vary from 10 – 20 cents most of the time. Only early cabbage (which is not imported from Kosovo) has a higher price. Montenegro imported from Kosovo 333 t of cabbage in 2008 valued at 17,000 Euros[39].

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[32] Agricultural Marketing Information System Crne Gore
[33] HPK "Import – Export of fresh fruits and vegetables 2008"
[34] See Annex 4
[35] There are cases when traditional consumers from Rozhaje near the border with Montenegro, visit Peja or Rahovec market to purchase this type of pepper for pickling
[36] See Annex 4. Sometimes prices are even twice higher than in Kosovo during August
[37] HPK "Import – Export of fresh fruits and vegetables 2008"
[38] Refer to Annex 7 for a case study of hypothetic onion export to Montenegro
[39] HPK "Import – Export of fresh fruits and vegetables 2008"

Country Horticulture Strategy and future trends

Food Production and Rural Development Strategy of Montenegro prepared in 2006 by the Ministry of Agriculture for 2007-2013 described the main objectives to be achieved by Montenegro agriculture until 2013. Even though most of the strategy is written in general terms without going into priorities, the following important information was extracted as relevant to understand the future trends of this country.

The government of Montenegro continuously supports the agriculture sector through subsidies. In 2009 the budget for subsidies is close to 20 million Euros dedicated to different sectors of agriculture from production to mechanisation and marketing. According to the country strategy fruit and vegetable sectors are rated high as a priority for the period 2007-2013. The main priority of agriculture production in Montenegro is to substitute import and increase production yields. In some sectors Montenegro has advantages of earlier production over Kosovo, mainly in vegetables. One of the national priorities for Montenegro is modernization and development of agriculture with a strengthening of the market infrastructure that will help increase of agricultural production by about 15 to 30 % (potato, fruit and wine) while for vegetables this is expected to be higher.

Tariff and non-tariff barriers to export to Montenegro

Montenegro is implementing an import policy that is combination of border protection by applying combined custom tariff (ad valorem and specific tariffs - earlier levies)[40]. There are special levies on imports of certain agricultural and food products. The aim of this type of levy is to protect domestic production and they apply to fruits, vegetables and other products. Seasonal customs taxes of 20.0% are charged only for certain types of fruits and vegetables and are valid only for a regulated period of time[41]. At the same time during the visit in Ministry of Agriculture we were told officially that there are no custom charges on Kosovo products and trade is free except requirement for regular laboratory analysis.

The Minister of Agriculture is in the same position for twelve years. Therefore he has excellent knowledge of the situation in the agriculture of Montenegro and measures to protect local producers. The knowledge gained in these years is used to establish non-tariff barriers at the border, protecting local producers.

In principle[42] custom fees are zero for Kosovo horticulture products exported to Montenegro, but VAT (17%) is obligatory.

Quality control and food safety measures are very strict in Montenegro and phyto-sanitary inspection is following all EU regulations. Traders from Kosovo in particular, are having problems with satisfying the phyto-sanitary requirements in the Montenegro border. However these traders claim that inspectors ignore the phyto-sanitary certificates produced by the Kosovo authorities and demand their own inspections and laboratory analysis, which has to be done in Podgorica.

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[40] Agriculture and Rural Development Strategy of Montenegro - 2006
[41] Same as above
[42] With seasonal exceptions, and depending on crops

Recommendations for export potential to Montenegro

The advantage of trade with Montenegro consists of a similar tradition, knowledge of the consumption habits and markets and strong links in trade for more than 50 years. Due to new developments in the region, where agricultural production is increasing, Montenegro will continue to play a role of good trade partner for Kosovo. If we don't consider cases when trucks are stopped at the border till results of analysis are back from Podgorica, we can conclude that trade of horticulture goods is fair and beneficial for both countries.

The HPK project has to work regularly with Kosovo traders to create an understanding of regulations, standards, quality control, marketing of horticulture products to Montenegro. More market information and information on export procedure changes should be available for Kosovo traders through the project.

Opportunities for export from Kosovo to Montenegro exist for the following crops:

Peppers - varieties like Duga bela, Somborka and Kurtovska kapija. The second and third varieties are sold mainly in September for pickling.
Onions – can be exported in limited quantities at the end of year and first part of following year jointly with potatoes. There is a demand for onions from Kosovo since the quality is good. In relation to onions Kosovo competes with countries like Serbia, B&H and Croatia, which are present in the Montenegro market.
Cabbages – Cabbages in Kosovo have a low price and some of the surpluses can be exported to Montenegro mainly during pickling season.
Tomatoes – Exports of tomatoes from Kosovo to Montenegro happens mainly during the tourism season. The export is sporadic and the quantities that can be imported are limited.

Albania

Albania is one of Kosovo's immediate neighbours, and presently one of the main trade partners for many horticulture crops. Traditional trade links for fresh fruits and vegetables have not existed between the two countries for a long time, even though both countries share many things in common, including a population of absolute Albanian majority. Trade started to flourish after year 1999 when the Kosovo-Albanian border became liberalized. The tendency is that the fresh fruit and vegetable trade volume between these two countries will increase in the following years considering the fact that for different reasons traditional trade links between Kosovo and other former Yugoslav countries are getting weaker. Other reasons for the trade increase tendency are an improving infrastructure and trade facilitation between the two countries.

Figure 2. Map of Albania

The country has a wide range of climate conditions considering the spread of the country's territory along two Mediterranean seas, Adriatic and Ionian, and a wide variety of altitudes. This variety in climate conditions within its territory makes possible both early and late agriculture production and cultivating a wide variety of horticulture crops. In different parts of Albania there exist a range of climates from Mediterranean to continental with big differences in precipitation, temperatures etc. However, in the mid-season in the main producing regions of Albania vegetable production is limited because of high temperatures. Summer temperatures in main vegetable producing regions of Albania reach the peak in July and August.

Albania has a population almost double that of Kosovo - statistics of INSTAT (Institute of Statistics of Albania) in 2009 show a population of 3.7 million. About half of the population lives in the countryside and the main activities involve agriculture, where fruit and vegetable production are very important. In 2005, according to the Ministry of Agriculture, Albania produced 684,000 t of vegetables not including potatoes. While, for the same year, vegetable production in Kosovo was estimated at 221,850 t[43].
The main vegetable producing region in Albania is Fier for earlier production and Shkodra and Korça for later production.

According to different statistics, the population in Albania consumes more fruits and vegetables than the population of Kosovo. Albanians consumed 173 kg of vegetables per capita in 2003[44], while the same statistic for Kosovo was 146 kg[45].

[43] Based on the Horticulture Strategy of Kosovo 2009-13, MAFRD 2008
[44] According to FAO Stat website – it was the most recent statistic found
[45] Look at Annex 1 for more fruit and vegetable consumption statistics for other Balkan countries.

Trade exchange Albania-Kosovo

As described in other parts of this report Albania's population[46] and higher consumption of fruits and vegetables mean that in terms of quantities this market is approximately double that of Kosovo. The character of market demand for certain fruits and vegetables is very seasonal[47], while for other products the demand is stable[48] throughout the year.

Albania's other main trade partners in terms of import and export of fruits and vegetable products are: Greece, FYROM, Italy, and Turkey etc. In terms of regional trade, besides the increase in the reciprocal trade with Kosovo, there is an increasing trend of import from FYROM, and an increasing trend of export of certain vegetables to Montenegro and other former Yugoslav republics.

The most important customs points between Kosovo and Albania are Morinë & Qafë Prush, however the absolute majority of goods transport is realised through the checkpoint of Morina. Usually trade transactions between the two trade parties (one in each country) are done in cash at the time of purchase or there can be periods of waiting for payment. In some other cases, payments are realized through bank transfers, usually in more consolidated trade relations.
There are no specific presentation requirements[49] on the Albanian part as regards fresh production imported from Kosovo.

The main wholesale markets in Albania will be described below, mentioning their character in terms of presence of imported and local production of fruits and vegetables.

- In the **Tirana** wholesale market about 60% of the fruits and vegetables that are traded are imported. Quantities of fruits and vegetables sold in the Tirana market are 100 thousand tonnes per year. Only 20% of vegetables are imported. The market supposedly supplies a population of about 600 thousand people and could be one of the most important markets for Kosovo exports. During a visit to the Tirana market, it was noticed that Kosovo potatoes from Pestova Company were present in this market.

- In the **Fier** market, about 40% of the fruits and vegetables are imported, this is a market oriented mostly towards imports from Greece, Italy and FYROM. Quantities sold in the Fier market are about 100 thousand tonnes per year. During a visit to the Fier market, traders showed interest in importing potatoes, onions and peppers from Kosovo.

- In the **Lushnja** market, about 80% of the products are locally produced, and it is one of the main markets from which other local markets like Durrës and Tirana are supplied and exports to FYROM are realised. Quantities sold in the Lushnja market are 60 thousand tonnes per year.

- **Shkodra** and **Korça** markets are late local production markets which also supply other local markets during certain months of the year however a considerable quantity of imported products is sold. Quantities sold in the Shkodra and Korça

[46] Also keeping in mind an added population of tourists during summer months
[47] For example the case of strawberries elaborated further down in the report
[48] Tomato is highly consumed in Albania during the whole year.
[49] In terms of packaging or labelling, keeping in mind that these issues are still weak in Albania as well

markets are 40 thousand tonnes per year each. From a visit to the Shkodra market we learned that there are traders from Kosovo coming to this market during the year and trading potatoes, onions and sometimes peppers.

From the visits to these markets it seems that the most important markets in terms of interest for Kosovo exports are the bigger Tirana and Fier markets, keeping in mind that through the market of Tirana a wider area including Durrës is covered, while Fier being an important market for the south region also with a high percentage of imported products sold.

Issues related to export to Albania

There is evidence that trade between the two countries is easy, and generally there is a tendency to facilitate the procedures[50].

The trend of increased reciprocal trade with Kosovo is forecasted to continue further in the following years. This is stated keeping in mind the good political relations between the two countries, the recently improved road infrastructure connecting markets in both countries, and the permission[51] to utilise the Shëngjin port in the Adriatic Sea only for Kosovo needs.

The Kukës market is small but it is important because wholesale traders from Kukës are the ones to serve as an intermediary point in the trade between Kosovo and Albania. This situation is gradually supposed to change considering the better infrastructure linking Kosovo to major markets in Albania.

Among Albanian traders the perception of the traders from Kosovo is not so positive. They claim that Kosovo traders are not correct and serious in doing business.

Costs of export from Kosovo to Albania

The main costs which traders need to consider to export to Albania are represented in the following table:

Table 4 – Costs of export Kosovo - Albania

Costs to export to Albania	Amount	Source of information
Costs on the Kosovo part	100-200 Euros	Kosovo institutions
Transport costs (by truck)	300 Euros[52]	Traders (exporting to Albania)
Customs fee	10 Euros per truck	Phyto-sanitary inspector[53] Kukës
VAT	20% of the declared purchased value – sometimes reference prices are indicated[54]	Traders

[50] According to the Phyto-Sanitary Inspectorate of Kosovo, presently it is possible to transport goods with the purpose of export to Albania in 2 or 3 smaller vehicles with the same phyto-sanitary certificate.
[51] A recent decision by the Albanian government
[52] Possibly this figure reflects the costs prior to the construction of the new road built between Albania and Kosovo, up to now reaching Prizren
[53] Mr. Zylfi Noka
[54] In 2008 Albania applied a reference price for potato imported from Kosovo

Per crop analysis of export potential

In the Albanian market there is a good perception of horticulture crops produced in Kosovo. For example peppers produced in Kosovo are considered to be of high quality. Mr. Kristaq Nica at the Phyto-sanitary Inspection unit in the Ministry of Agriculture of Albania said that this also true for other products. In 2008, Albania imported vegetables from Kosovo, close to 65,000 Euros. Fruit imports from Kosovo to Albania in 2007 were insignificant.

Below, an analysis is made of the export potential to Albania for some important crops from Kosovo:

Peppers

In 2006 Albania produced about 6,000 tonnes of peppers including greenhouse and open field production[55]. Albania does not appear to be exporting any peppers to the region's countries. There is evidence that in Albania pepper imports from Kosovo have increased considerably considering years 2007 and 2008 and this increased amount is expected to be maintained during 2009. Data from the Import-Export document produced by HPK for year 2008 show pepper exports from Kosovo to Albania of only 103 t, which has probably been imported by *Sejega* processing company in Tirana[56]. *Sejega* is planning to continue with import of a similar or higher quantity of peppers in 2009. The main destination of peppers from Kosovo is generally processing companies[57] in Albania, which produce different pickled products. Somborka and Kurtovska kapija are preferred varieties for peppers from Kosovo exported to Albania. Apparently Albania is not (yet) producing these varieties of peppers, which makes the demand very specific.

By comparing wholesale prices[58] for peppers in the markets of Kosovo and Albania, noticeably in September average pepper prices are lower in Kosovo by at least 0.06 €/kg, which means that export can be much more feasible during this month. Also keeping in mind a considerable difference (in favour of Kosovo) in cost of production for peppers[59], there is an interest in exporting peppers from Kosovo to Albania during September. However Kosovo's comparative advantage stands in the specific production of varieties such as Somborka and Kurtovska kapija required by the Albanian processing market but presently not produced in Albania.

Tomato

In 2006 Albania produced about 44,700 tonnes of tomatoes including greenhouse and open field production. Albania is an importer of very early tomatoes with about 6,500 tonnes[60]; however this seasonal market is not reachable for Kosovo for reasons of climate. The majority of Albanian export of tomatoes goes mainly to Kosovo. According to data from the Ministry of Agriculture of Albania, in 2008 Albania exported 610 tonnes of early tomatoes to Kosovo – in months of May and June - and apparently this trend has continued in 2009. On the other hand, in 2008, Kosovo exported 60 tonnes of tomatoes to Albania, valued at 21,000 Euros. For some years now Kosovo is supplying Albania with tomatoes in the very hot season, especially in the months of August and beginning of September, when local production is limited to cooler regions of Albania,

[55] Based on data from Ministry of Agriculture in Albania
[56] From farmer association Perdrini
[57] *Sejega* Company in Tirana, *Sidney* in Berat and *Kampion* in Shkoder
[58] Refer to Annex 5 on wholesale price comparisons
[59] Based on data from the Agriculture faculty in Tirana
[60] Based on FAOSTAT 2005 data, imports of tomatoes to Albania are coming from Turkey, Greece, Syria, FYROM and Italy in descending order.

like Shkodra and Korça. However, this does not mean that Kosovo has a comparative advantage in production of tomatoes. The shortage of tomatoes in the Albanian market is also caused by the flooding of tourists mainly from Kosovo spending holidays in the Albanian Riviera.

By comparing wholesale prices[61] for tomatoes in the markets of Kosovo and Albania, in the months of August and September the price is lower in Kosovo between 0.05 and 0.10 €/kg than in Albania. Probably, in the next years, the exports of tomato quantities from Kosovo to Albania will predictably have a slightly increasing trend during months of August and September - also keeping in mind recent transport facilitation from the highway connecting Prizren production region to Tirana and Durres markets.

Cabbage

In 2006 Albania produced about 13,000 tonnes of cabbage out of which about half of the quantity was exported[62], Bulgaria being one of the important import countries. No exports of cabbage from Kosovo to Albania are recorded in 2008[63]. However, in 2008, there is a quantity of 740 tonnes of cabbage exported from Albania to Kosovo (mostly in March, April and May), and 400 tonnes from Albania to Montenegro. Kosovo is exporting about the same quantity of cabbages as Albania to Montenegro; however these exports may happen at different seasons. There is no data on costs of production for cabbages in Albania; however Kosovo does not seem to have a comparative advantage in the production of cabbage as compared to Albania. It should be stated that cabbage production in Albania has its peak earlier than in Kosovo, but some of the colder regions in Albania such as Korça and Shkodra produce later cabbage.

By comparing wholesale prices[64] for cabbages in the markets of Kosovo and Albania, it seems that prices are much lower in the Kosovo market during June to September (with an up to 0.30 €/kg difference in price). Probably there are exports of cabbage from FYROM to Albania during these months, as Macedonian cabbage exports in the region[65] amount to 17,000 tonnes. There may be room for export of cabbage from Kosovo to Albania during September and this can be explored by traders.

Onion

In 2006 Albania produced 11,800 tonnes of onions, mainly for internal market use. Kosovo produces about the same quantity per year by 2007; however onion production is developing well. Kosovo has a small comparative advantage in onion production, for climatic reasons but in a sense also technology wise[66]. In 2008 Kosovo exported an almost insignificant 221 t of onions to Albania, valued at 23,000 Euros, while FYROM is increasingly exporting onions to Albania with about 550 tonnes in 2007. According to traders in Albania, there could be interest in importing onions from Kosovo.

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[61] Refer to Annex 5 on wholesale price comparisons
[62] According to the MoA of Albania
[63] Based on HPK Import Export report
[64] Refer to Annex 5 on wholesale price comparisons
[65] According to the study Profile of the Macedonian Fresh Vegetable Value Chain from Agbiz USAID project in FYROM, about 17,000 tonnes of cabbage are exported in four countries: Albania, Greece, Bulgaria and Romania.
[66] Kosovo has introduced cultivation of onions from seed, while this technology is not yet introduced in Albania. This cultivation technology has been directly supported by HPK in Kosovo, and presently it accounts for 1.5 - 3 % of onion production.

By comparing wholesale prices for onions in the markets of Kosovo and Albania, Kosovo has a lower price of onions during the whole year with the period September to December being more interesting for a potential export to Albania. October prices show a 0.40 €/kg difference in price! Therefore the project should work to facilitate onion exports to Albania, as internal market demand in Kosovo is saturated by local production[67]. Considering the recent transport facilitation from producing regions in Kosovo to the main consuming regions of Albania, it will be easier for Kosovo onions to compete with Macedonian ones in the Albanian market.

Garlic

Garlic production in Albania is almost insignificant. Only about 45 tonnes are reported to be produced in the Korça region[68]. Imports of garlic amount to about 600 tonnes and come from as far as China during the year[69] to supply the absolute majority of the internal demand.

By comparing wholesale prices[70] for garlic in the markets of Kosovo and Albania, it seems imported Chinese garlic quantities are coming at a very low price in Albania and garlic is cheaper in Albania than in Kosovo during the whole year. Apparently there is little if any interest in exporting garlic to Albania. A few traders in Albania believed that good quality garlic produced in Kosovo could have a chance to be re-exported at a good price in the Italian market through the port of Durres.

Strawberries

Strawberry production in Albania is almost insignificant. The MoA in Albania is not even recording this production and strawberry prices in the market. Based on FAOSTAT data, there are minor imports of strawberry to Albania[71]. Based on Albanian traders' opinion the most appropriate time of the year to export strawberries to Albania would be February to end of March, which is practically impossible to be supplied by Kosovo strawberry production[72]. Furthermore, traders in Albania mentioned that this is a very perishable product and the demand is so small in May and June that even a small quantity would be difficult to sell.

Country Horticulture Strategy and future trends

The Sector Strategy for Agriculture and Food 2007-2013 prepared by the MoA in Albania states the main objectives to be achieved by Albanian agriculture until 2013. Even though most of the strategy is written in general terms, not going into priorities as per specific crops within horticulture the following important information was extracted as relevant to understand the future trends of this country.

Vegetables and fruits production are two priority sectors for the period 2007-2013 according to the Albanian agriculture strategy. It also states that one of the priorities in agriculture production of Albania will be to supply for the agro-processing industry, which

[67] Based on onion import data for 2007, only a very small portion of the onions consumed in Kosovo is imported.
[68] Based on data from MoA of Albania
[69] About 400 tonnes of garlic are imported to Albania from China, 200 tonnes from Greece, Italy and FYROM etc. based on FAOSTAT website.
[70] Refer to Annex 5 on wholesale price comparisons
[71] Greece has supplied Albania with about 15 tonnes of strawberry in 2005.
[72] Starting only in May

is already in an expansion trend. The idea of starting with production of strawberries mainly for export is mentioned as a future objective in the strategy.

According to the same document, the government in Albania will continue to support different sectors through subsidies. Presently the MoA of Albania supports its horticulture production with different subsidy schemes; and fruit and vegetable production are the most subsidized agriculture sectors. Based on a number of specifications for qualification to subsidies, fruit producers who build an orchard of more than 0.3 ha, benefit about 270 Euros per 0.1 ha from the government; fruit producers who install irrigation system etc. benefit a subsidy on 50% of the value of the project; vegetable producers who build a greenhouse benefit the cost of plastic film etc. Furthermore, the Policy Unit within the Ministry of Agriculture in Albania informed that the government is also supporting the establishment of cold storage rooms through grants and credits up to a maximum of 100,000 Euros to be paid in 7 years.

Tariff and non-tariff barriers to export to Albania

Both Albania and Kosovo are part of the CEFTA agreement, which has substituted the previous FTA between the two countries. The CEFTA agreement is a commitment of governments to facilitation and liberalization of trade. The Albanian and Kosovo governments have agreed to fully liberalize trade between the two countries with preferential treatment and no tariffs applied for fruits and vegetables being traded between the two countries.

There is no evidence of any tariff or non-tariff barriers applied by Albania on Kosovo horticulture products. It should be mentioned that in 2008 the artificial increase of reference prices from the Albanian side mainly on potatoes was an obstacle to free and open trade between the two countries, as it increased the VAT amount to be paid to import from Kosovo.

Recommendations for export potential to Albania

Presently there is no evidence that the trade of horticulture goods between Albania and Kosovo has any significant barrier (tariff or non-tariff). This situation allows for a fair trade between the countries based on comparative advantages of each in the production of horticulture crops. Other facilitation factors are the improving infrastructure connecting producing regions in Kosovo to main consumer markets in Albania as well as the political willingness to expand trade between the two countries.

Unfortunately, it was observed that Albanian traders have created a sort of negative stereotype for Kosovo traders in terms of seriousness in doing business etc. This is one of the reasons why until now only few long-term trade collaborations have occurred. HPK should work to reduce the effect of stereotypes created up to now and improve the relationships between traders in both countries, through facilitation of regular chances of contact between them. Furthermore the project should periodically follow-up developments in the Albanian market.

In terms of opportunities for export from Kosovo to Albania the following crops are most important:

Peppers – varieties like Somborka and Kurtovska kapija which can fulfil a specific demand coming from a number of processing companies in Albania.

Onions – considering the comparative advantage in production and in link with recently facilitated transport the possibility to compete with Macedonian onions for a bigger share of the Albanian market.

Cabbages – considering the lower prices of cabbages in Kosovo, export opportunities to Albania should be further explored, keeping in mind FYROM is also a competitor in the Albanian market.

Tomatoes – the only room for exports of tomatoes from Kosovo to Albania will continue to be the hot summer months - mostly August - in which local production is limited, however these exports will be more on an ad-hoc basis, and does not represent much possibility for expansion.

Former Yugoslav Republic of Macedonia

Former Yugoslav Republic of Macedonia (FYROM) is Kosovo's neighbouring country to the south. In the past, FYROM and Kosovo were both part of the larger Yugoslav Federation with a total market of 22 million people. At the time of Yugoslavia fruit and vegetable production was concentrated in FYROM's territory supplying also other parts of Yugoslavia. Unlike Kosovo, FYROM generally maintained its fruit and vegetable trading markets in other former Yugoslav republics (Serbia, Bosnia and then Croatia and Slovenia) created after the split of the federation. FYROM is Kosovo's most important trading partner in relation to fruits and vegetables; however the movement of horticulture crops is mostly one way (i.e. from FYROM to Kosovo).

Figure 3 Map of FYROM.

Geographically FYROM is a landlocked country with an area of 25,713 km² and population of 2 million. Consumption of vegetables per capita in FYROM is 156 kg[73] as compared to 146 kg for Kosovo. Based on the State Statistics Office data 20% of the population is employed directly in agriculture. FYROM has a climate which is a combination of continental and sub-Mediterranean climate with long, warm summers short not very cold winters. Furthermore the soil is very fertile and provides excellent conditions for production of a range of horticulture products. The advantage that the country has in trade competition is that the Macedonian warmer season starts at least one month earlier than in the neighbouring countries. Agriculture plays an important role in its economy and it is the country's second largest sector. The share of agriculture in the GDP is more than 10%[74].

Vegetable production amounted to around 750,000 tonnes in 2007, from total production area of nearly 60,000 ha as compared to Kosovo's 221,850 tonnes in 2005. Out of the vegetable planted areas in 2007 23% was planted with peppers (or 140,558 t), 9% with tomatoes (117,981 t), cabbage 5% (67,138 t) and 5.5% onions. The total greenhouse area is more than 2000 ha. Based on Agricultural Census 2007 State Statistical Bureau about 85 % of the greenhouse areas are located in the South-East region; Kosovo on the other hand has only 154 ha of greenhouses. The exports of fresh vegetables from FYROM indicate a strong trend of increase in quantity, especially during the last few years[75]. The main production region in FYROM is the South Eastern region (Strumica, Gevgelija) and the northern parts of the country (Skopje, Kumanova). The South Eastern region is known for its thermal water sites near the large vegetable production areas which are used for greenhouse heating.

[73] Look at Annex 1
[74] According to the statistics office
[75] According to the Macedonian Customs and State Statistical Office the value of exports of 6 main horticulture products from FYROM is about 35 Million Euros.

Trade exchange FYROM - Kosovo

The main customs points between Kosovo and FYROM are Bllaca and Jazhinca; Bllaca is linking to the big Macedonian wholesale fruit and vegetable market of Skopje. Generally the political relations between the countries are good and there are no artificial blockades.

FYROM's internal fruit and vegetable market does not differ much from Kosovo's in terms of size considering the population and consumption habits. However more than half of the fresh fruit and vegetable production is dedicated for export or further processing and exported (to a great extent in processed form). According to Agbiz USAID program in FYROM about 90-95% of processed products from fruits and vegetables are exported. FYROM seems to be the most competitive country in the region considering it is has the lowest production costs in the region for almost all fruit & vegetables.

According to official sources the main markets for fresh fruit and vegetables from FYROM are Serbia, Montenegro, Croatia, Slovenia, and Bosnia. A considerable proportion of the declared trade with Serbia is actually trade with Kosovo. In the share of actual trade with Serbia an important channel is the Delta supermarket chain, while in Slovenia the channel goes through the Mercator supermarket chain. Other markets of some relevance are Greece, Romania, Germany, Albania, and more recently Poland and Russia. There is a tendency that FYROM expands export markets with almost all the mentioned countries, and is continuously increasing the share of the exported fruit and vegetable quantities, while continuing to import only in smaller quantities.

Kosovo has for a long time been a reliable market for fruits and vegetables from FYROM[76]. Mufail Salihaj, phyto-sanitary inspector at Kosovo-FYROM border said export statistics show only 50 instances of export from Kosovo to FYROM, while more than 6142 instances of export from FYROM to Kosovo. This means the ratio of import to export for Kosovo is more than 100:1. Unfortunately for Kosovo the trend of this trade is an increasing one, with very little reciprocal trade of fruits and vegetables from Kosovo to FYROM. In 2007, 16.500 t of vegetables (out of the FYROM total export of vegetables of 182,725 t) and 22,950 t of fruits were imported to Kosovo from FYROM.

Transactions between traders and/or farmers are done usually in cash. Many traders from Kosovo frequently visit the markets of FYROM in order to purchase horticulture crops to be sold in the Kosovo market, as production is early and prices are competitive.

The main wholesale markets in FYROM are in **Skopje** and **Strumica**[77]. Prices of fruits and vegetables are mainly determined by the wholesalers in Strumica but also in the Skopje market. Both of the main markets are to a large extent export oriented.

The wholesale market of Skopje and **Tetova**[78] were visited. Skopje's wholesale market seems to be one of the big markets in the Balkans, considering FYROM is an important fruit and vegetable producing country. However most of the prices of this market are dictated by the other market of Strumica closer to the production region. Another

[76] A Macedonian expert in agribusiness claimed, during the visit, that if trade of fresh fruits and vegetables with Kosovo is blocked, then the Macedonian economy would be in trouble.

[77] The biggest in the main production South Eastern region

[78] Considering this town represents the biggest Albanian population

observation during the visit to the Skopje market was that a considerable number of the traders were of Albanian nationality.
Based on discussions with traders in Skopje and Tetova the only crops of interest to be imported from Kosovo to these markets are potatoes and onions. However, it seems that the most interesting market for Kosovo exports could be the Skopje market, keeping in mind the bigger size as compared to the Tetova one.

Costs of export from Kosovo to FYROM

The main costs which traders need to consider in order to export to FYROM are represented in the following table:

Table 5 – Costs of export Kosovo - FYROM

Costs to export to FYROM	Amount	Source of information
Costs on the Kosovo part	100-200 Euros	Kosovo institutions
Transport costs (by truck[79])	100 Euros	Traders (importing from FYROM)
VAT	18 % of the declared purchased value and range value	Guide for Inter-border Trade (prepared by SIDA in FYROM)

Per crop analysis of export potential

In the Macedonian market there is a good perception of Kosovo agriculture crops like peppers[80] and potatoes.
It is evident that exporting horticulture crops to FYROM is almost impossible with few exceptions, keeping in mind this country is one of the most competitive countries in the region for fruit and vegetable production. Kosovo may be competitive with FYROM in production of crops such as potatoes, onions and some specific varieties of peppers like Somborka and Kurtovska kapija[81]. These are the only crops that were noticed to have at least some potential for export from Kosovo to FYROM. While for crops like cabbages, tomatoes, garlic etc. there seems to be no possibility of export from Kosovo to FYROM; on the contrary it is the other way around. For example, according to Kosovo Customs data in 2007, 6,288 t of cabbages were imported to Kosovo from FYROM.

Peppers

In 2007 FYROM produced 140,558 t of peppers[82] from April to October and approximately 13% of the total pepper production was exported as fresh. The main pepper products are long green peppers and varieties of hot peppers. The percentage of exported peppers as fresh decreased from the previous years; however there is evidence that local pepper production[83] in FYROM is increasingly supplying the processing industry. In 2007 the processing industry produced 45,000 tonnes of

[79] There could be a cheaper option to transport goods from F. Kosovo to Skopje through the railway, which is now functional for goods transport.
[80] During a discussion with the management of Bonum vegetable processing company, which imports peppers from Kosovo the manager was satisfied with the quality of Kosovo peppers that they were importing for use in their processing.
[81] FYROM is producing some quantities of this variety internally and uses it for processing needs.
[82] In 2007 the area was 8,412 ha, Mainly in the South-East Region
[83] The average yields per hectare are around 16 tons, based on FYROM Statistical Office data

products, a considerable part of these products are produced from peppers and 90-95% of the processed products are exported in Kosovo and other countries of the region. The processing companies, such as Bonum in Kumanova, also import some quantities of peppers for use in their processing, which is then exported again with an added value. Bonum has a contract to import 500 t of Kurtovska kapija, 100 t of Gamba and 50 t of Somborka from Kosovo with the intermediation of KPEP USAID program in Kosovo for 2008.
In 2007, according to official Customs data, Kosovo imported about 2,500 tonnes of peppers from FYROM, while in 2008 Kosovo exported 10 t. There is increasing interest for more quantities of peppers to be imported from Kosovo by Bonum and other processing companies.

By comparing pepper prices[84] in the markets of Kosovo and FYROM, it seems prices are comparable with FYROM in the production season, so only specific demands for certain varieties for processing could be of interest for export from Kosovo to FYROM.

Onions
FYROM produces an average of 35,000 tonnes of onions per year[85] supplying more than 95% of its local market demand during the year[86]. In 2007 FYROM imported only 200 tonnes of onions. About 13,000 tonnes of onions are exported each year from FYROM to the Balkan region country, which makes this country one of the major suppliers in the region. 56 % of the onions imported[87] in Kosovo were from FYROM mostly earlier in the season.

Even though FYROM is highly competitive in onion production, year after year also Kosovo is getting better at producing higher yields and lowering costs of production. It could be of interest for Kosovo to explore exporting onions to Bulgaria as this is an attractive market already importing about 3,000 tonnes per year from FYROM.

By comparing prices in wholesale markets of Kosovo and FYROM, it seems there are slightly higher prices in Kosovo during most of the year; furthermore onion prices are not different in the production season of Kosovo.

Country Horticulture Strategy and future trends

According to the national agriculture and rural development strategy 2007-13, undoubtedly FYROM is going to continue to be one of the most important exporting countries of fruits and vegetables in the Balkans, trying to maintain present markets in former Yugoslav republics and in the Balkan region as well as expanding markets in Eastern Europe countries and the EU.

Some of the tendencies[88] in FYROM are the introduction of standards in fruit and vegetable production such as GlobalGAP and to a lesser extent organic production for niche markets in EU. The government of FYROM intends to further support the introduction of systems for certification, preparing incentive systems to stimulate

[84] Look at Annex 5
[85] Based on Statistics Unit of FYROM
[86] FYROM can produce onions throughout the year – Gevgelia region produces onions during April to June, while in the rest of the country onions are produced during July to November.
[87] Kosovo imported 2,486 tonnes of onions in 2007 according to customs data.
[88] Even though these tendencies are not yet significant

production oriented for EU export. With these standards in place Macedonian products have started the first steps towards penetration in EU markets with fresh fruits and vegetables. Therefore in the following years it is expected that there will be a shift towards producing higher quality products with a higher margin in the EU markets and start to reduce focus on producing for other regional countries.

According to FYROM's agriculture strategy the aim is to also expand existing processing units and start with new processing factories, which means that more demand will be generated in the future for industrial types of peppers. Presently there are 25 fruit and vegetable processing companies in FYROM, most of which have HACCP systems in place and some of them are already exporting processed products to EU. There could be an opportunity for Kosovo to supply with peppers to this particular sector.

The government of FYROM is planning to continue with already existing subsidies in vegetable production – such as industrial pepper and stimulating conversion of conventional agriculture to organic production. We learned from Bonum company management that the government is providing a 2 Denar (0.04 Euro) subsidy for each kilogram of vegetables delivered to company.

Tariff and non-tariff barriers to export to FYROM

FYROM is also part of the CEFTA agreement[89], and has maintained duty-free access with many of its traditional markets in the Ex-Yugoslav republics including Kosovo but these CEFTA countries are mostly importing from rather than exporting to FYROM.

Kosovo has not established any tariff-rate quotas for imports from FYROM. Considering the huge imbalance in trade between the two countries this situation is not very healthy for Kosovo. Recently, an initiative started between governments of Kosovo and FYROM to improve reciprocity in the trade of fresh fruits and vegetables. However such an initiative was not significant. The government of Kosovo should find ways to lessen this imbalance and allow import of qualitiative products only, through specific regulations or non-tariff barriers.

Recommendations for export potential to FYROM

During the exploration mission, no evidence was found that FYROM is in any way blocking free trade with Kosovo. Undoubtedly it is very difficult to compete with FYROM regarding fresh fruits and vegetables production, keeping in mind the earliness and the lower costs of production that this country has. Therefore competition with FYROM fruit and vegetables takes place mostly in Kosovo's internal market. For this reason the reciprocal duty-free CEFTA agreement is much more unfavourable for Kosovo than for FYROM.

Even with the CEFTA agreement in place, there are other ways to reduce the huge imbalance of trade for Kosovo. This is possible by putting in place regulations to allow only qualitative products to enter the country; however Kosovo's government is not doing this. While on the other hand, the Ministry of Agriculture of Montenegro is very effective in finding a way of protecting local production from Kosovo exports through different quality requirements for imports. Apparently the role of the farmer organizations in Montenegro in this whole process is very significant, which presently is not the case with Kosovo. There is a need for a stronger lobbying from associations and organizations of

[89] FYROM was one of the last countries to sign the original CEFTA treaty

local producers on the government of Kosovo to improve this situation. The role of HPK could be to strengthen the lobbying ability of farmers' organizations.

Opportunities for export of fresh fruits and vegetables from Kosovo to FYROM, besides potatoes are the following:
Peppers – the expansion of the fruit and vegetable processing industries in FYROM will create an export opportunity for Kosovo especially for industrial pepper varieties such as Somborka and Kurtovska kapija.
Onions – it will be more difficult to penetrate in the FYROM market with onions, as the internal production is supplying more than 95% of the local demand of FYROM, however the competitiveness of onion production in Kosovo is getting closer to FYROM. FYROM has established a number of export routes for its onions that could be used as routes for re-export from Kosovo surpluses.

Serbia

Serbia is also located in South Eastern Europe. It is landlocked, with the Danube River providing shipping access to inland Europe and the Black Sea[90]. Serbia has approximately 7.5 million inhabitants.

The Serbian climate varies from a temperate continental climate in the north to a climate closer to the Mediterranean in the south which is favourable for agricultural production. Serbia has ideal climatic conditions for growing many varieties of fruit. Main areas of vegetable production are situated in the south (Leskovac, Nish), central part (Aleksinac, Kraljevo Cacak) around Belgrade (Ub), Horgos and some parts of Vojvodina.

Most of the reports related to agriculture in Serbia acknowledge that the agro-food sector is very strong and accounts for some 20% of total Serbian exports. Fruits and vegetables are grown on approximately 565 thousand ha, which represents about 16% of the total arable land in Serbia. Vegetables are produced in around 10 % of arable land in Serbia. Main vegetables grown in Serbia are potatoes, peppers and peas and other vegetables like onions, tomatoes, cucumber etc. Total annual vegetable production is over 2 million t and part of it is processed or exported. Annual consumption of fresh vegetables in 2003 per capita was at 105 kg for Serbia[91] while Kosovo consumption is ahead with 146 kg/year/capita. Most fruit in Serbia is still grown on small family owned farms with low average yields. Consumption of fruits in Serbia is at 118 kg/year/capita.

Serbia traditionally exports horticulture products to the neighbouring countries of FYROM, Bosnia, Bulgaria, Romania and Montenegro and Croatia (especially during the summer season) but currently main exports are going to EU markets, and new markets in Ukraine and Russia.

Issues related to export to Serbia

Documents from Kosovo are not recognized by Serbia due to the political situation and since Serbia considers Kosovo a part of its territory. If a trader from Kosovo wants to export to Serbia he has to complete documents in Ranillug, Gjilan municipality where an office exists to provide Serbian phyto certificate and other documents that can be used for transport to Serbia. At the same time, in order to pass the border point in East, Dheu i Bardhe near Kamenica, traders have to show regular documents from phyto-sanitary inspection from Kosovo. The main destination of Kosovo exports is Belgrade wholesale market or JugProm processing company in Leskovac.

Costs of export from Kosovo to Serbia

The main costs which traders have in order to export to Serbia are represented in the following table:

Table 6 – Costs of export Kosovo - Serbia

Costs to export to Serbia	**Amount**	**Source of information**
Costs on the Kosovo part	100 – 200 Euro	Kosovo institutions
Transport costs (by truck) dependent on location	200 – 400 Euros	Traders (exporting to Serbia)

[90] EC Country report: Serbia 2006
[91] Look at Annex 1

Customs fee	none	
VAT	none	

The costs within Kosovo are mainly for phyto-sanitary certificate, custom fee and transport while transport cost in Serbia might vary based on the distance.

Trade exchange Serbia-Kosovo

Border points are considered as administration points for Serbia while for Kosovo they are regular border points. There are certain amount of goods registered at the Kosovo border and certain amount going through illegal channels.

Traders are using two border points for export to Serbia, one is located in the East of Kosovo Dheu i Bardhe – Bujanovc (using two types of documents from both countries). The second border point is North Mitrovica, where there is less control. In Kosovo side there is a phyto-sanitary inspector controlling the trucks, while in Serbian side there is no control. Documents required to export from Kosovo are similar to every trader in Serbia.

Most of the time payments are done in Euros or Dinars in cash or through bank transfer. After a certain period and mutual understanding, parties are willing to wait for payment. It is important to notice that local producers in Serbia don't trust the processor they collaborate with and say that usually payments are delayed, while payment relations between trader from Kosovo and the processor are excellent[92].

The main wholesale market in Serbia is in Belgrade and there are smaller wholesale markets in the production regions and bigger cities in the country. Consultants visited two wholesale markets, one in Belgrade and one in main pepper production region in Leskovac that will be described below:

- **Belgrade** wholesale market is the main market for more than 2 million people living in Belgrade and for more in Serbia. About 20 years ago main traders in the market were Albanians from Kosovo. Belgrade wholesale market is dominated by local producers mainly selling potatoes, tomatoes, pepper, cabbage, garlic, onion etc and fruits like apples, grape (imported), and watermelon. During pickling season there is a Kosovo trader supplying market with Somborka and Red pepper[93]. The quality is very good but there is lack of regular supply with required quantities. The wholesale market in Belgrade supplies more than 2 million consumers. However the supply quantities seem lower than in Skopje and even Prishtina wholesale market.
- The market in **Leskovac** is very well organized and is used to sell wholesale quantities to bigger traders buying from Nis, Belgrade and other bigger cities in Serbia. The main products present in the market are from this region known for pepper production (Red pepper and Babura). The majority of products are local, quality is similar to Kosovo and traders in market acknowledge, that peppers produced in Kosovo, are of high and specific quality. During the visit, quantities of pepper and other products were low and presentation of goods was similar to Kosovo products.

[92] From discussion with agro-processors and farmers in Leskovac market
[93] According to a trader in Belgrade wholesale market

Per crop analysis of export potential

Kosovo horticulture production is very well known in Serbia but due to the political situation trade has decreased in this sector especially from Kosovo side. Until 1990s Kosovo traders were dominating key markets in ex- Yugoslavia including Belgrade wholesale market.

Below, an analysis is made of the export potential to Serbia for some important crops from Kosovo:

Pepper – is a very important vegetable in Serbia. The main area of production is Leskovac in south of Serbia very close to Kosovo border making it possible for Kosovo traders to have regular contacts with producers and processors. There is another region in north of Serbia known for its industrial pepper. The period of production is similar to Kosovo still there is a demand for Kosovo pepper. The most preferred are red peppers for processing and Somborka variety for pickling at beginning of September. Pepper presented in the Belgrade and Leskovac market is similar to the Kosovo product (packed in banana boxes). In 2008 around 1,300 t of pepper were exported to Serbia from Kosovo and value was 217,000 Euros[94].

Price analysis[95] shows that pepper prices in the Kosovo market are lower than in Serbia during whole year (with August being the lowest). Still there is some concern that prices aren't collected properly in Serbia. It seems attractive to export peppers for pickling and processing industry to Serbia from the second half of August.

Tomato – is a very important crop for Serbia and production season is similar to Kosovo. Fresh tomatoes in earlier months are imported from Greece and Turkey and later from the beginning of June, Serbia is importing tomatoes from FYROM. In 2004 184.668 t of tomatoes were produced in Serbia. In 2004 Serbia exported 739 t of fresh tomatoes, while the processing industry processed 6,347 t of tomatoes and exported 25 % of that quantity. The quality of tomato produced in Serbia is very good, but the problem is that the production period is very short (around 2 – 3 months). In 2008 Kosovo exported only 2 t of tomatoes to Serbia valued at 180 Euros.

Prices of tomatoes in Serbia are generally higher than in Kosovo but during the season when Kosovo can supply Serbian market the price difference is small. Potential for export is low and it happens only sporadically if there is a drought in Serbia.

Onions – are used a lot in Serbia's cuisine and consumption is very high especially from the second part of September. The main type of onion used is dried onion. In some occasions onion is used as additive for some specific food processing ingredient used in the region. Season of production is similar to Kosovo and only early fresh onion is imported mainly from FYROM.

Onion prices[96] are similar between Kosovo and Serbian markets with highest price in May and lowest price starting from October till December.

Cabbage – production of this crop is very common in Serbia and it is used regularly mostly fresh. There are cases when cabbage is processed and sold to other countries. Production is mainly located in Western Serbia (Futog) and Vojvodina. Fresh cabbage production is around 304,085 t per year, satisfying local demand. The season of production is similar to Kosovo and there is little export to regional countries. Main

[94] HPK "Import – Export of fresh fruits and vegetables 2008"
[95] See Annex 4
[96] See Annex 4

cabbage exports from Serbia are happening to neighbouring countries like Romania B&H, Croatia, and Slovenia. Cabbage quantities exported from Kosovo to Serbia in 2008 were 26 t and the value was very low.

Price of cabbage in Serbia is generally low, except in spring when prices are higher since local market is dependent on import. Price is similar in autumn and winter varying between 10 and 20 cents/kg.

Country Horticulture Strategy and future trends

Based on a report from a USAID program[97] in Serbia, in the future it is expected that Serbia will become an importer of fresh vegetables from the countries with low cost of production and natural comparative advantages over Serbia.

The orientation of the country based on Country strategy is to move toward processing of fresh fruits and vegetables and non-perishable crops. There is a trend of increased export to Russia and EU countries as Serbia's main trade partners. That is a reason why Kosovo vegetables (especially pepper) are interesting for Serbian processing companies situated near the border with Kosovo. Since Serbia has preferred trade status with Russia, through Serbian processors, Kosovo product could indirectly reach Russian markets.

At the same time support from the government is heavy through grant schemes and subsidies helping the development of horticulture sector in Serbia and increasing their price competitiveness. Serbia is using export incentives for the sector. There are benefits for the processing industry and measures to strengthen the supply and production chain. Farmers are supported from the government with irrigation systems, cold storage etc. Main traders are owners of cold storages which are serving as collection centres. Farmers and traders are working on need basis and not based on long term planning.

In a discussion with a representative from the abovementioned USAID project we understood that fresh apple is dominating the local fruit market. Currently this project is working with more advanced farmers mainly in Vojvodina and trying to find markets for export. The total area of intensive apple production is 600 ha while some farmers are increasing their orchard surfaces from 30 ha to 70 ha.

Tariff and non-tariff barriers to export to Serbia

The present level of tariff protection in Serbia does not differ from that prescribed by the EU. Most agriculture commodities in Serbia continue to benefit from maximum rates of protection of 20 and 30%. Russia has 1% duty preference for Serbia[98].

Kosovo traders exporting to Serbia are not paying custom taxes since Kosovo is still considered a part of Serbia. Normally VAT in Serbia is 18%, while for agricultural products is 8%. The main non-tariff barrier in relation to Serbia is that this country is not recognizing Kosovo documents so traders are obliged to complete Serbian documents.

The Government of Serbia has reduced non-tariff barriers and lowered maximum import tariffs to 30 percent ad valorem (plus a seasonal import surcharge) in preparation for World Trade Organization (WTO) and EU accession. If and when Serbia joins the EU, its 30 percent duty protection (and additional seasonal tariffs) will be rapidly phased out[99].

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[97] "Vegetable Value Chain Assessment" – Agribiznis Project - USAID
[98] Same as above
[99] Same as above

Recommendations for export potential to Serbia

Trade between Kosovo and Serbia is continuously happening even though the political relations between the two countries are tense.

The infrastructure connecting Kosovo with Serbia is present, relationship from previous times exists, and there is knowledge of tradition and consumer preference of Kosovo products making Serbia an opportunity for Kosovo traders.

Some time is needed to regain trust between traders of the two countries in this sector. Cross visits, facilitated by the HPK project, need to be organized in production regions in Kosovo and processing companies in Serbia.

Kosovo should utilize indirect routes to penetrate to new markets – like Russia through intermediaries – using Serbia processing industry.

Export from Kosovo to Serbia is concentrated in vegetables and should continue mainly with:

Peppers – Somborka and Kurtovska kapija can fulfil a specific demand for Serbian processing companies exporting to EU and Russia and supply Serbia during pickling season that is still very important for Serbian consumers.

Conclusions

F & V sector in Kosovo is at a sensitive stage. Trade balance is highly negative for Kosovo. The size of export opportunities does not represent big quantities since all the countries in the region produce similar vegetables.

Production of fruit and vegetables is increasing while the regional market is shrinking especially after 2007 when Bulgaria and Romania entered EU. In the near future, Croatia will enter EU, while Serbia and FYROM are potential candidates for EU. This will make trade in the region more isolated for countries still out of EU.

Generally there are some disadvantages in production of horticulture crops in the region as compared to EU. This is partly due to smaller parcels of land and high subsidies in EU countries. It is difficult to obtain cost of production analyses in the region since in the majority of cases they aren't available officially.

The quality of fruits and vegetable products is satisfactory for the local Kosovo market but cannot meet international standards. The quality deteriorates very quickly, if products are not properly kept under cooled conditions; this mainly occurs during summer when most horticulture products are harvested.

Standards of grading, packing and labelling in the region are poor, ie similar to Kosovo and traceability is not present in almost the whole region. Farmers and traders in Kosovo lack collection centres around which farmers can organize production, trade and export. The current economic situation makes it difficult for traders and farmers-traders to invest more in collection capacity, cold storage, quality improvements, better packaging, etc. Another main problem traders are facing is consistency in supply and presentation of the product dedicated for export (packaging, sorting and grading) in the region.

A perception is created not only among farmers that traders in Kosovo are making higher profit margins than farmers. For this reason and because of the distrust farmers have towards traders, they prefer to sell directly in the market and get more involved in trade. Traders are generally opportunistic and focus more on one-time profit rather than on building long–term trade relationships. The local market is dominated by traders who import during most of the year. Importers market their products efficiently and have better product packaging and consistency in quantities. The movement of goods into Kosovo and out of Kosovo is mostly done by Kosovo traders. Transport facilities vary from trader to trader. Some of them have cooling trucks and others are using normal trucks. Usually traders are using 10 tonnes trucks as minimum weight to transport fruits and vegetables. Cooling is necessary especially during summer months.

The political situation in the region sometimes impedes fair trade between some other countries, and Kosovo is one of the most disadvantaged states in this respect. CEFTA sometimes creates inequities – open trade into Kosovo but limited trade out because Kosovo isn't recognized state in the region (by Serbia, B&H). Other countries in the region have played a more active role with tariff and non-tariff barriers, introducing them every time local production is in "danger" from imports. They subsidize agriculture through different grant and credit schemes, creating an advantage over Kosovo producers and traders.

Kosovo has no comparative advantage in earlier production in view of some of its neighbouring countries having Mediterranean climates as opposed to Kosovo's continental climate. Kosovo has some good export market opportunities which are mainly for vegetables. Most of the exported quantities of vegetables are sold in neighbouring countries for processing purposes (especially peppers). The main countries Kosovo has a potential to export to are Montenegro and Albania, while the potential to export to FYROM and Serbia is lower. Other vegetables of interest are onions, cabbage and tomato.

Little evidence is found for the export of fruits from Kosovo. When it happens, it is very sporadic. The potential to export strawberries from Kosovo was analyzed but it seems there is very little interest in the region.

Recommendations

The time has come for horticulture production to be oriented towards market demand not only locally, but also for export markets, keeping in mind comparative advantages discussed in this report. Raising the quality standards of fruits and vegetables is necessary for farmers and traders if, in the future, they want to export.

It is important for Kosovo to at least keep up with regional developments in production quality; it is clear that FYROM is already starting to make the first steps towards better quality. The time is for introduction of higher quality standards required by export markets, but also demanded by consumers in the internal market. HPK should work with main players in the horticulture sector of Kosovo to introduce quality and health standards. More information on quality and food safety standards should be disseminated and made available not only for actors, but also for consumers.

HPK should continue to support the establishment of collection centres – that should be equipped with the necessary facilities for grading, sorting, and packing fresh vegetables and fruits. The critical mass of produce should be achieved, through joint marketing from farmers' organization. Furthermore, there is need for more consistency of supply. Post harvest storage and collection centres will greatly ease the export of fruits and vegetables.

HPK should facilitate organization of meetings between traders in the region to discuss opportunities and improve relationship in regional trade. It is suggested that cross visits are organized in the region in a more regular basis. It is our opinion that a first meeting should be facilitated by HPK gathering traders from Albania and Kosovo in Prizren, prior to the production season of 2010. Traders from Albania at the same time should also visit main production regions and wholesale markets in Kosovo. This meeting should contribute to a better acquaintance and trust building between traders of the two countries. Furthermore regular B2B meetings should be organized with traders of the whole region, in collaboration with other projects in each of these countries.

In the future different production regions in Kosovo are likely to be more specialized in production of specific crops to create better opportunities in terms of quantity for export and local processing. HPK should assess further opportunities to work together with regional countries especially in exporting vegetables for processing.

The project should find and distribute information for farmers and traders in relation to market requirements of EU countries, starting with regional ones and going further away. The project could start addressing production and marketing issues in relation to EU standards that have to be fulfilled in the future. HPK could play a facilitation role in education of farmers and traders to be correct with product offered to market.

Market Information Systems are functioning well in all regional countries but there is a need to link them and improve the quality of information. HPK should find ways to make the regional market information more usable for traders, but also farmers.

Some countries in the region (such as Montenegro) manage to be protective of their local production through non-tariff barriers applied by the government on imports from other countries within the CEFTA agreement. In this respect in other countries the role of farmer organizations or unions is very important. HPK could facilitate the creation of a similar body/organization to apply pressure and lobby on the government regarding trade issues.

There is a need to understand the cost of production for different crops in the region since there is a lack of official data. It is suggested that another study analyses the cost of production for selected fruits and vegetables in the regional countries and compares production competitiveness with Kosovo.

HPK should facilitate networking of Kosovo traders with the region through establishment of a directory for main traders and key contacts for institutions involved in export process.

Explore markets of other countries such as Bulgaria, Romania, Italy and Russia for possibilities of vegetable export, possibly taking advantage of already established links of neighbouring countries.

Findings from this report and some of the annexes prepared for traders should be presented in a workshop organized by HPK and inviting main traders from Kosovo.

Annex 1 – F&V consumption in Balkan countries in 2003

Table 1 - Fruit consumption (kg/cap/yr) in 2003

Country	Fruit (kg)
Albania	90
Bosnia and Herzegovina	57
Bulgaria	45
Croatia	88
Hungary	71
Romania	64
Serbia / Montenegro	118
FYR of Macedonia	79
Kosovo (2001)	22

Source: FAO Stat website

Table 2 - Vegetable consumption (kg/cap/yr) in 2003

Country	Vegetables (kg)
Albania	173
Bosnia and Herzegovina	168
Bulgaria	144
Croatia	110
Hungary	117
Romania	179
Serbia / Montenegro	105
FYR of Macedonia	156
Kosovo[100]	146

Source: FAO Stat website

[100] Kosovo Agricultural and Rural Development Plan (ARDP) estimate

Annex 2 – List of people met June – October 2009

	Kosovo		
Nr.	**Name and Surname**	**Institution**	**Place**
1	Faton Nagavci	IC	Prishtine
2	Luan Hoti	IC	Prishtine
3	Ismat Babaj	IC	Prishtine
4	Musli Berisha	KPEP - USAID	Prishtine
5	Maxhun Shehu	IC	Prishtine
6	Sherif Kuqi	Agro - KONI company - Albania	Prishtine
7	Milazim Xani	KFVA – Director of border Phytosanitary Inspector	Prishtine
8	Ismet Fejzullahu	MAFRD – Director of phytosanitary inspectorate	Prishtine
9	Shaqir Kryeziu	MAFRD – Phytosanitary Inspector, region of Prishtina	Prishtine
10	Habil Zeqiri	MAFRD – horticulture sector chief	Prishtina
11	Besa Krasniqi	Phytosanitary Inspector	Prizren
12	Xhelal Kryeziu	Phytosanitary Inspector	Prizren
13	Imer Peci	Phytosanitary Inspector	Peja
14	Enver Gerbeshi	Trader – Prishtina wholesale market	Prishtina
15	Fadil Gerbeshi	Trader – Prishtina wholesale market	Prishtina
16	Xhevdet Latifi	Trader – Prishtina wholesale market	Prishtina
17	Hivzi Shehu	Trader – Prizren wholesale market	Prizren
18	Nexhat Fetahaj	Trader – Peja wholesale market	Peja
19	Shaip Kelmendi	Trader – Peja wholesale market	Peja
20	Selman Shala	Farmer/trader	Peja
21	Lovre Ristevski	AgBiz – USAID Macedonia	Prishtina
22	Reshat Ajvazi	Consultant	Prishtina
23	Mufail Salihu	Border Phytosanitary Inspector	Prishtina
24	Xhevdet Shala	Input Dealer - Yaprak	Mamusha
25	Agim Krusha	Trader wholesale	Prizren
26	Bajram Shala	Spedition company	Peja
	Montenegro		
1	Meto Kalac	Phytosanitary Inspector – Ministry of Agriculture	Rozaje

2	Enis Gjokaj	Ministry official	Tuz, Podgorica
3	Irfan Kalac	IKI – trade company	Rozaje - + 381 (0)69 474777
4	Zorka Prljevic	Phytosanitary official - Ministry of Agriculture	Podgorica - fitosanitarnaupravacg@t-com.me
5	Ana Misurovic	Director - Ecotoxicology laboratory	Podgorica
6	Gjon Dreshaj	Head of farmer association 'Malesia'	Tuz, Podgorica
7	Pal Dreshaj	Vegetable farmer – greenhouse production	Tuz, Podgorica
8	Vukota Stanisic	Head of Advisory services – Ministry of Agriculture	Podgorica
9	Slavko Boljevic	A.D. Plodovi company	Podgorica - +382 (0)69018887
10	Aleksandra Despotovic	Profesor in Faculty of Agriculture	Podgorica
11	Podgorica wholesale market	Farmers -traders	Podgorica
12	Ulqin market	traders	Ulqin
	Albania		
1	Agim Shehu	Local expert	Tirana
2	Driton Kolleshi	Local expert	Kavaja
3	Henrieta Themelko-Stojku	Professor in Faculty of Agribusiness - Kamez	Tirana
4	Kristaq Nico	Head of phytosanitary – Ministry of Agriculture	Tirana
5	Vjollca Bimo	Policy department – Ministry of Agriculture	Tirana
6	Nikollaq Rroshenji	Head of Policy Department – Ministry of Agriculture	Tirana
7	Mersin Lika	trader	Guse, Kavaje
8	Arben Mahmutaj	trader	Fier
9	Ruzhdi Koni	Trader/farmer/businessmen greenhouse production	Maminas, Tirana
10	Astrit Balliu	Professor in faculty of Agriculture - Kamez	Tirana
11	Zylfi Nako	Phytosanitary Inspector - Kukes	Kukes
12	Hamit Domi	trader	Kukes
13	Genc Mita	Sejega - processor	Tirana
14	Lushnja wholesale market	Farmers/traders	Lushnja
15	Halim Hereni	Sanitary Inspector	Kukes
16	Shkodra wholesale market	Farmers/traders	Shkodra
17	Agim Mucaj	trader	Tirana
	Macedonia		
1	Xhevat Zymberi	trader	Kosovo – 070 323153

2	Olivera Bicikliski	Organic farming – Ministry of agriculture	Skopje
3	Mentor Zekiri	Head of phytosanitary Inspection - inside	Skopje – 075 456 307
4	Jasmina Ginovska	Local expert	Skopje – 070 588 995
5	Stefan	EPI centar	Skopje – 070 245 948
6	Vlado Kokarev	Local expert – USAID project	Skopje – 075 266 671
7	Tetovo wholesale market	Farmers/traders	Tetovo
8	Skopje wholesale market	Farmers/traders	Skopje
9	Dragan	Advisor	Kumanovo – 075 434 900
10		BONUM	Kumanovo
11	Bunjamin Aliu	Spedition - InterVardar	Haracina – 076 435 228
	Serbia		
1	Milan Stojanovic	Vegetable processor - Jugprom	Leskovac
2	Katarina Markovic	USAID project – fruit sector	Belgrade
3	Belgrade wholesale market		Belgrade
4	Leskovac wholesale market		Leskovac

Annex 3 – Documents and procedures required for export - Kosovo

In order to export in the region (Montenegro, Albania) till 2007 farmers could do it directly by themselves providing necessary documents required from the regional countries. Since 2008 farmers can export only if they are registered trade company to the trade company in regional country.

Documents required for export of F & V are:
1. Business Certificate – for exporters to be registered
2. Certificate of origin – Kosovo Chamber of Commerce or Customs – (Euro 1 document)
3. VAT certificate for activities within Kosovo – document showing that all taxes are paid
4. Application form from Phyto sanitary Inspection – (cost is 1 Euro)
5, Receipt (Invoice)
6. Report of F & V analysis from appointed laboratory – if required from another country

Receipt should contain following information:
- Brutto weight
- Net weight
- Number of boxes
- Number of pallets
- Truck registration number

When a trader makes a decision to export vegetables he has to inform phytosanitary inspector and organize inspectors' visit. Most of the times the inspector is checking goods visually and only if the inspector has doubts he sends sample for analysis to Kosovo Institute for Agriculture in Peja. If the goods are appropriate then Inspector issues a phytosanitary certificate that is used by the trader to travel and export his goods in another country.

No analysis are required in Kosovo and only if required from the related firm in exporting country or customs. In that case analyses are usually performed in KIA (Kosovo Institute for Agriculture).

Trader organizes the transport (cold truck if available), loads the goods and provides all the documents to spediter[101] that will finalize all documentation work with customs in Kosovo. Custom officers seal the truck that will be unsealed only in custom terminal of respective countries.

Payment required in phytosanitary inspection is following: first tonne is 10 Euros and every other tonne is 1 Euro. Example: 25 t – first tonne is 10 Euro + 24 tonne = 34 Euros. All the payments are done through bank and the payment slip has four (4) copies from which three (3) are given back to the client. Client presents payment slip, 1 goes to the bank, 1 goes to client and 1 to Inspector.

1 green original goes to the country of destination with truck driver.
1 yellow copy – copy stays in customs
1 orange copy stays in Inspector dossier.

[101] Spedition agent or spediter is the person completing all required documents for export even the phytosanitary certificate – playing a role of administrator.

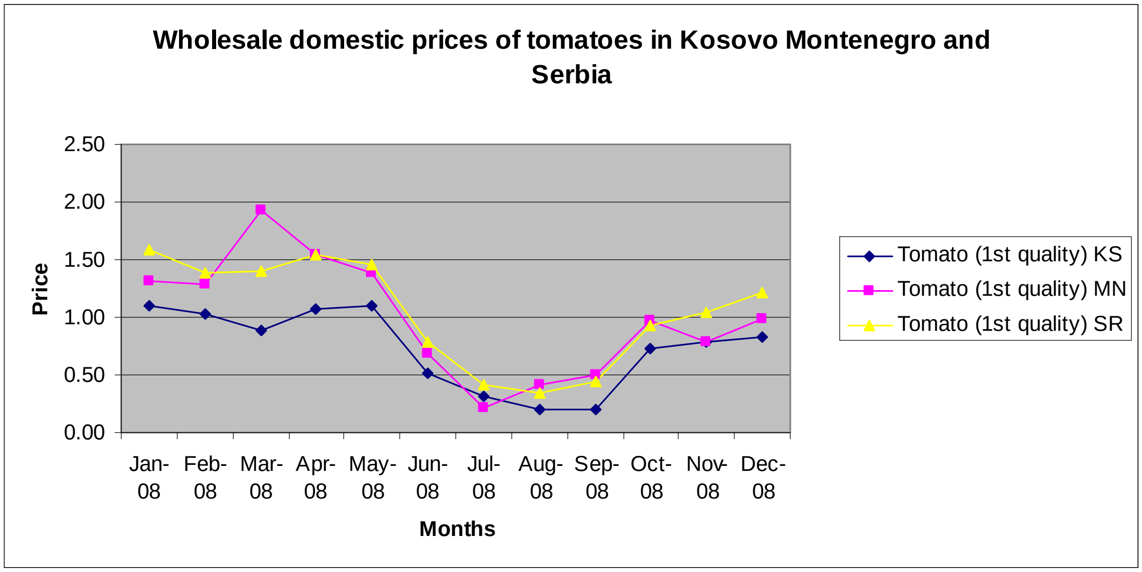
Traders are obliged to inform inspectors at least 24 hours ahead about the goods and quantities which is creating problems for them. Traders are purchasing directly from farmers so sometimes the weight information isn't correct at the border weight control.

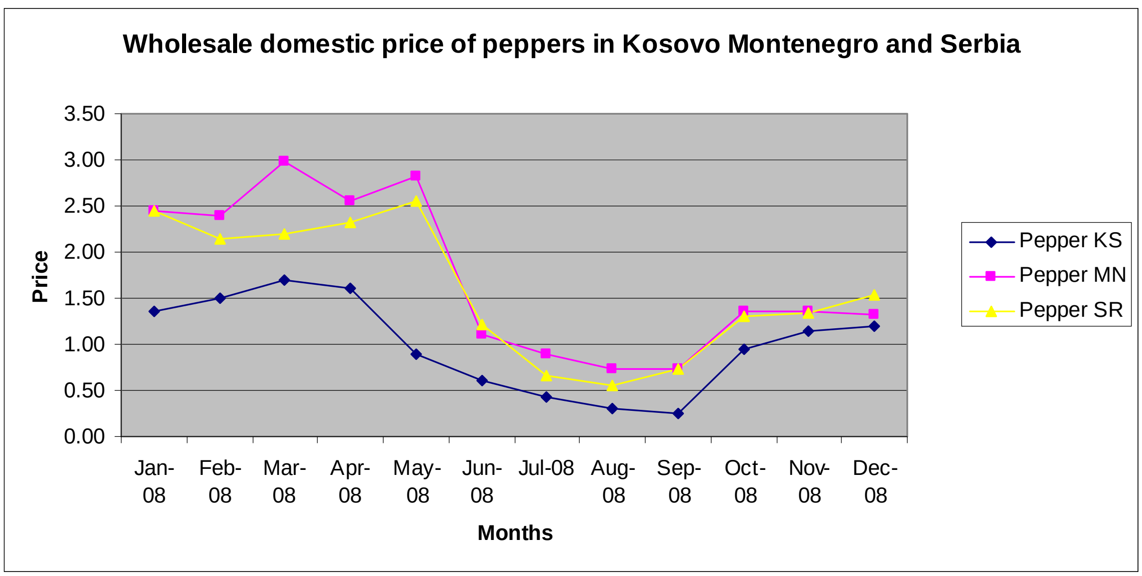
Usually request from trader is made in the morning and certificate is provided in the afternoon. If the request is made in afternoon certificate is ready in the morning.
Based on discussions with traders, it was understood that generally phytosanitary inspectors are very consistent, efficient and dedicated to their work.

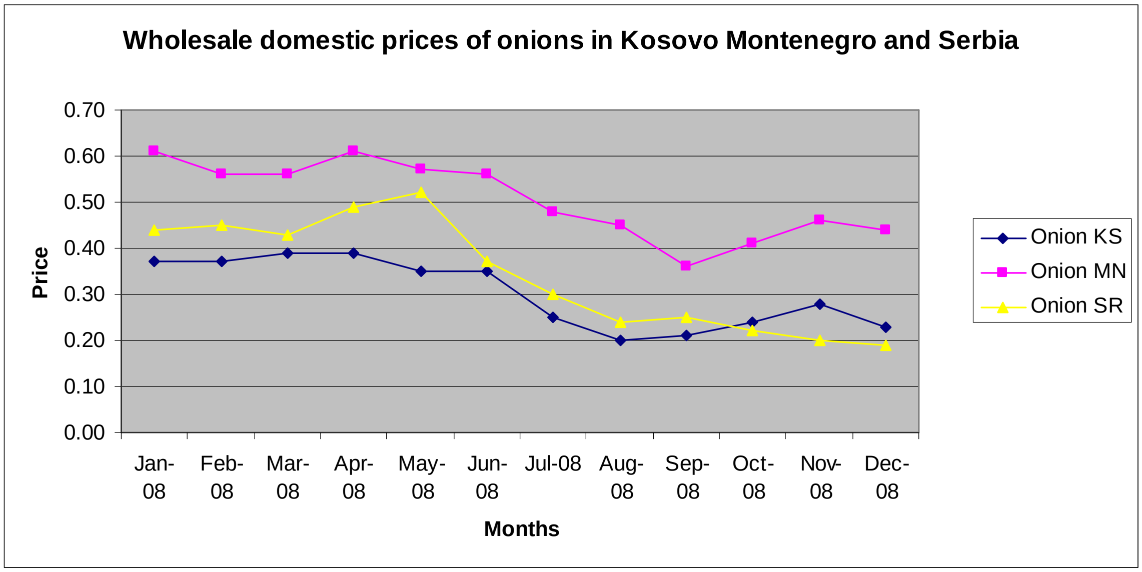
If the data typed in the phytosanitary certificate are different from real situation in the truck, traders will have to repair the same certificate stamped by inspector or change the certificate completely. There is no room for mistake especially in weight since goods can be returned from customs. For small changes inspector can do change in the same form otherwise if there is a change in weight complete phyto certificate should be changed.
Phytosanitary administration are following criteria set by EU administrative order 2000/29 EC.

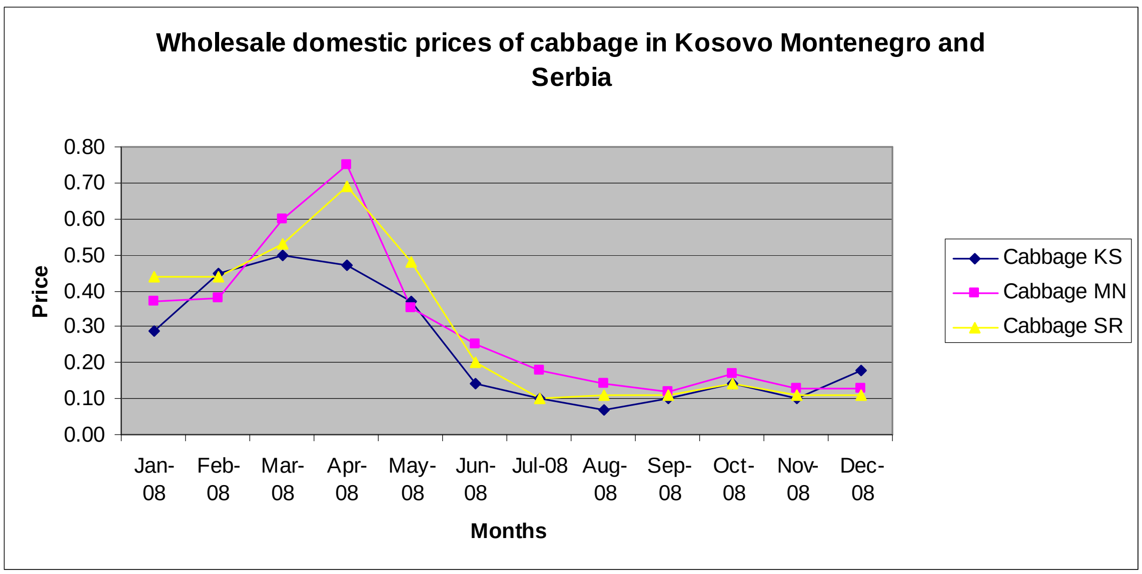
If analysis required for heavy metals and pesticide residue the trader will have to send samples in regional countries like Montenegro.

Annex 4 – Comparison of wholesale domestic prices for selected vegetables in Kosovo, Serbia and Montenegro

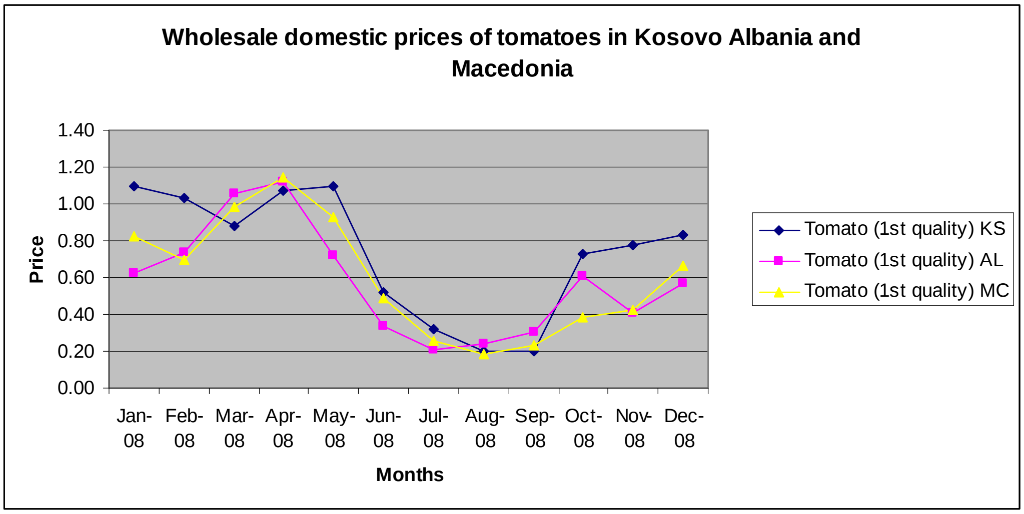


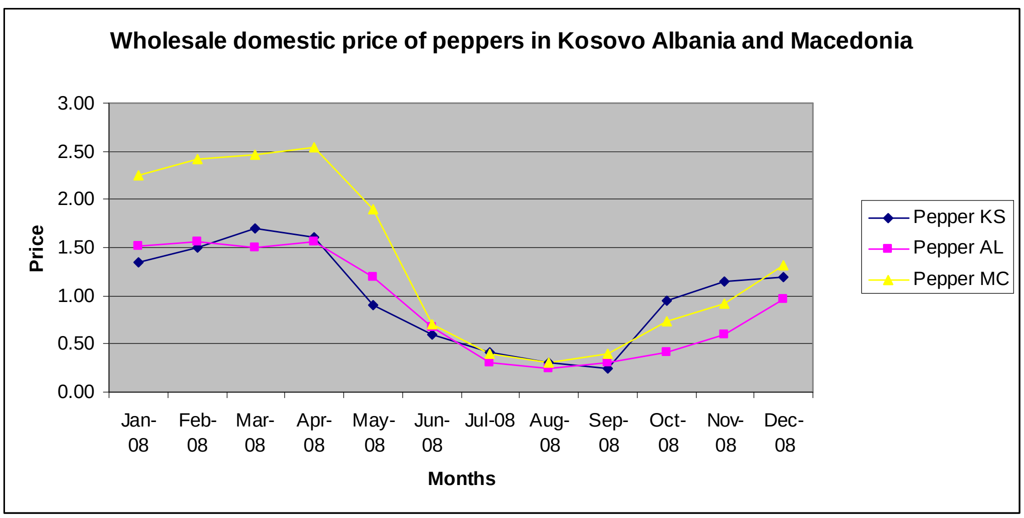



Wholesale domestic prices of onions in Kosovo Montenegro and Serbia
Price
0.70
0.60
0.50
0.40
0.30
0.20
0.10
0.00
Jan-08
Feb-08
Mar-08
Apr-08
May-08
Jun-08
Jul-08
Aug-08
Sep-08
Oct-08
Nov-08
Dec-08
Months
Onion KS
Onion MN
Onion SR

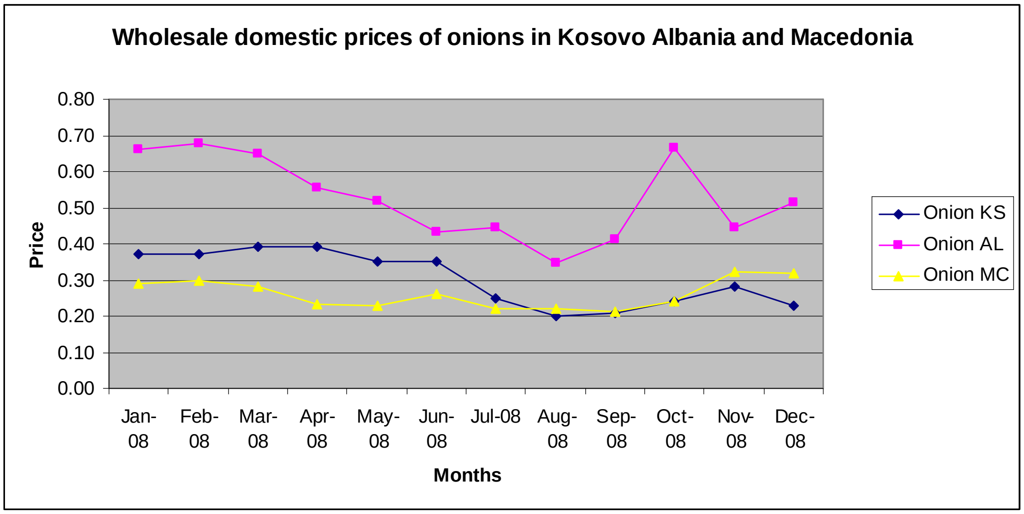

Wholesale domestic prices of cabbage in Kosovo Montenegro and Serbia
Price
0.80
0.70
0.60
0.50
0.40
0.30
0.20
0.10
0.00
Jan-08
Feb-08
Mar-08
Apr-08
May-08
Jun-08
Jul-08
Aug-08
Sep-08
Oct-08
Nov-08
Dec-08
Months
Cabbage KS
Cabbage MN
Cabbage SR

Annex 5 – Comparison of wholesale domestic prices for selected vegetables in Kosovo Albania and FYROM[102]

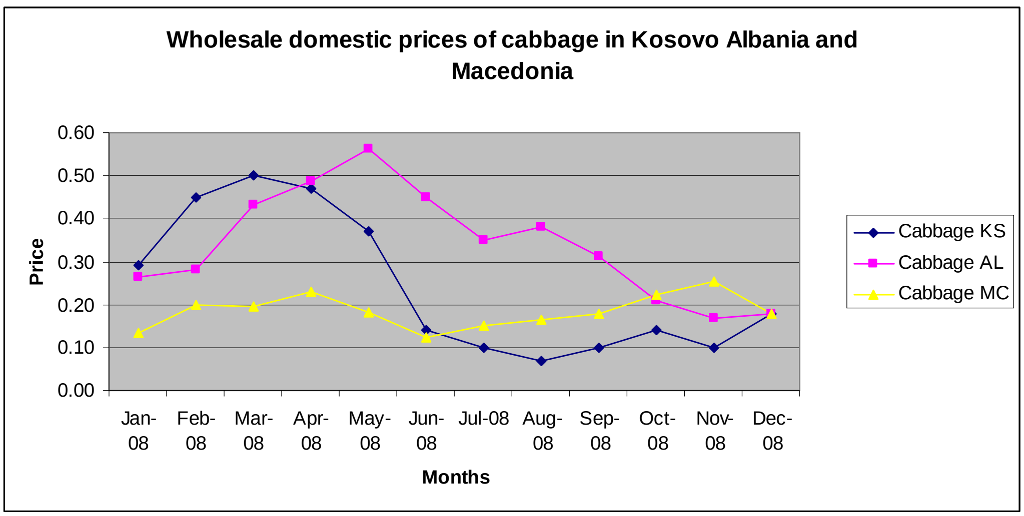




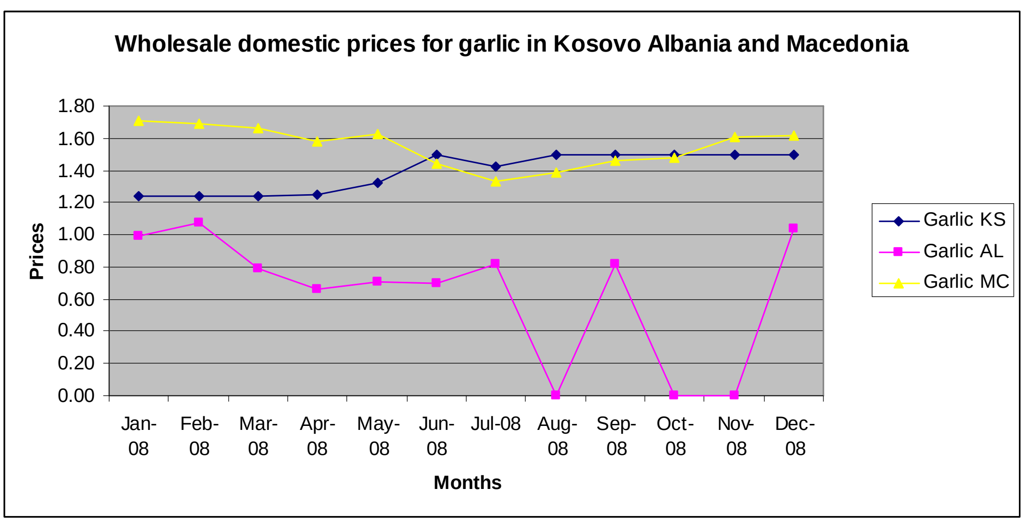
[102] Based on Price Monitoring data of HPK, the MoA of Albania price monitoring data, and the statistical office of FYROM data



Wholesale domestic prices of onions in Kosovo Albania and Macedonia
Price
0.80
0.70
0.60
0.50
0.40
0.30
0.20
0.10
0.00
Jan-08
Feb-08
Mar-08
Apr-08
May-08
Jun-08
Jul-08
Aug-08
Sep-08
Oct-08
Nov-08
Dec-08
Months
Onion KS
Onion AL
Onion MC



Wholesale domestic prices of cabbage in Kosovo Albania and Macedonia
Price
0.60
0.50
0.40
0.30
0.20
0.10
0.00
Jan-08
Feb-08
Mar-08
Apr-08
May-08
Jun-08
Jul-08
Aug-08
Sep-08
Oct-08
Nov-08
Dec-08
Months
Cabbage KS
Cabbage AL
Cabbage MC



Wholesale domestic prices for garlic in Kosovo Albania and Macedonia
Prices
1.80
1.60
1.40
1.20
1.00
0.80
0.60
0.40
0.20
0.00
Jan-08
Feb-08
Mar-08
Apr-08
May-08
Jun-08
Jul-08
Aug-08
Sep-08
Oct-08
Nov-08
Dec-08
Months
Garlic KS
Garlic AL
Garlic MC

Annex 6 – Case Study: Export to Montenegro (general costs)

Period of export starts from late July for tomatoes and pepper and continues till September. Later continues with onions and potatoes till spring of following year. The cost of export activity is very high decreasing the competitiveness of Kosovo products with the region. Usually farmer- traders use trucks of 12 t while traders use trucks of up to 20 t. Only few of them are using cooling trucks and most of the times they import other goods from Montenegro to Kosovo (Montenegro beer).
In discussion with one trader in Peja we have found that cost of export to Montenegro is as presented below:

Cost:

Kosovo:

- Customs – 40 Euros payment for terminal (10 – 30 minutes job – sealing the truck)
- Spedition agency - payment 30 Euros
- Company registration (if the trader/farmerdoesn't have his own registered company, and has to use another company's documents) 70 – 80 Euros
- Phytosanitary certificate 20 euros

Border MN:

- Kulla border – spedition agency 25 Euros
- Phytosanitary control – 25 Euros (to avoid laboratory analysis 100 Euro)
- Sanitary Inspector (15 Euro taxes) + transport 10 Euro each trader or if one trader 20 Euro.
- Terminal cost is 14 Euro/24 hours – with one trailer 21 Euro/24 hours
- Overnight – Rozaje – 15 Euro
- Diesel & Food (approximately 200 Euros)
- Company documents (if not available – 100 Euros per truck)
- VAT 180 – 220 Euros per truck
- Custom bribery – usually 100 - 200 Euros

Laboratory Analysis:

- Analyses are sent in the morning – (Ecotoxicology, Podgorica 70 – 80 Euros) + cost of transport to Podgorica (buss or taxi).
- Results within 24 – 48 hours

Market in Podgorica:

- Goods are sold within 24 – 48 hours – extra cost (approx. 50 Euros)

Total cost of the transport with all expenses might go up to 1000 Euros increasing the cost and decreasing the competitiveness of fruits & vegetables from Kosovo.

Annex 7 – Case Study: Onion Export to Montenegro

This case study was prepared in order to illustrate all the costs that a trader has to consider to export 15 tonnes load of goods (in this case onions) to one of the neighbouring countries (in this example Montenegro). The case study will consider prices[103] in the wholesale markets of Kosovo and Montenegro in the month of December. In this month Kosovo onion price is at 0.23 €/kg, while in Montenegro the price is 0.43 €/kg. Other costs considered in this case study were based on discussion with a trader from Kosovo exporting to Montenegro. The estimated margin of traders exporting onions to Montenegro in December is shown below:

Cost of purchasing onions in the Kosovo market: 15,000 kg X 0.23 €/kg = **3450 €**

Other costs for the Kosovo trader in order to export onions to Montenegro are presented in the table below:

Items	Cost/€
Phyto certificate (KS)	15
Spedition cost (KS)	30
Custom cost (KS)	40
Spedition (MN)	25
Phyto sanitary control (MN)	25
Sanitary control (MN)	15
Terminal cost (MN)	20
Food & Diesel (KS & MN)	200
VAT – 17 % (MN)	300
Laboratory analysis (MN)	80
Market cost (MN)	50
Other costs	50
Total	**850 €**

Revenue from selling onions in the MN market: 15,000 kg X 0.43 €/kg = **6450 €**

The **margin** for the trader: 6450 € - (3450 € + 850 €) **= 2150 €**[104]

[103] Look at Annex 4

[104] This represents the trader's profit without including eventual bribing expenses (200-400 €). The profit seems high; however in a real situation a 15 tonnes load of onions would be too big for the market of Montenegro, and it would be difficult for the trader to sell this entire load. Usually onions are exported jointly with potatoes in smaller quantities of each crop

Annex 8 – Potential market quantities for Kosovo crops per year[105]

Vegetables / Country	Pepper	Tomato	Onions	Cabbage
Montenegro	200 - 400 t	400 t	200 t	300 t
Albania	1000 - 1500 t	300 t	300 t	200 t
Macedonia	600 - 800 t	none	100 t	none
Serbia	500 t	none	none	none
Total demand	**3000 - 3500 t**	**700 t**	**600 t**	**500 t**

[105] Based on discussion with traders and processors

Annex 9 – Summary of Kosovo potential for export by season, quantity and country

Countries	Vegetables	Quantities	Season	Non-tariff barriers
Montenegro	Pepper Onions Tomato Cabbage	200 - 400 t 200 t 400 t 300 t	August – September October – April End July – September October - December	Laboratory analysis
Albania	Tomato Pepper Onions Cabbage	300 t 1000–1500 t 300 t 200 t	July – August End of August – September November – April October - December	None (sometimes reference prices)
Macedonia	Pepper Onions	600 – 800 t 100 t	End of August – September March - April	None (if it happens – laboratory analysis are required)
Serbia	Pepper	500 t	August - September	None (Serbian documents required – Kosovo documents aren't accepted)

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