Balkan market overview for fruit & vegetables

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Contents

Summary

SPHPK has been supporting the development of the horticulture industry in Kosovo since 2001. It carried out a Balkan Regional Market Study in 2002 in order to obtain a picture of the main markets of the region surrounding Kosovo and to assess the possibility of Kosovo accessing such markets. SPHPK has been producing annual analyses of imports and exports of temperate fruits and vegetables regarding Kosovo since 2004 based on data supplied by the UNMIK Customs Service.

The main goal of this present study was to obtain an up-dated assessment of the potential of exporting fruits and vegetables from Kosovo to neighbouring countries. Since Kosovo has a continental temperate climate, the scope of the study was focused on identifying the importance of imports of individual species of temperate fruits and vegetables to neighbouring countries. These latter comprised Albania, Macedonia, Bosnia, Croatia, Slovenia, Serbia & Montenegro, Greece and Turkey.

The required data was collected from trade websites and, in the case of Albania and Macedonia, supplemented by visits to markets, discussions with key informants and accessing reports where available.

Albania and Macedonia appear to offer the greatest potential for Kosovo exports of fruit and vegetables in the near future. **Albania** has a Mediterranean climate and production of field vegetables declines in its mid-season - July & August – offering possibilities for the export from Kosovo in that period of *tomatoes and peppers*. Niche markets identified include *top and soft fruit planting material, soft fruit, medicinal and aromatic plants, bedding plants and compost.* Kosovo could possibly compete on price with imports from Italy and Greece if it was able to supply consistent quality. **Macedonia** has both Continental and Mediterranean production zones that give it a comparative advantage in both early and main seasons and have been instrumental in making it a major exporter of both fruit and vegetables. Of particular interest is the well-developed agro-processing industry that could offer opportunities for the export of main season fruit and vegetables produced in Kosovo (including sour cherries, raspberries, pepper and tomatoes). The generally poor quality of strawberries in Macedonia presents possibilities of exporting strawberry runners.

Assessments of opportunities for export to the other countries studied are more difficult to make since visits have not yet been undertaken in order to talk to traders – nor has the seasonality of the trade been identified.

Bosnia Herzegovina offers potential for the export of a wide variety of fruit and vegetables at reasonable levels of quality with Kosovo competing on the basis of price. **Montenegro** offers potential for main season export of fruit and vegetables during the tourist season – a large proportion of the tourists being from Kosovo. The main potential export to **Serbia** appears to be raw material for its processing industry – for example raspberries. A resolution of Kosovo’s status would facilitate this trade.

Little potential has been identified of exporting to **Croatia**, **Slovenia**, **Greece** and **Turkey**. Additional niche opportunities may be developed in countries with large Kosovar communities.

There are at least two essential prerequisites for any substantial growth of exports from Kosovo. Firstly, the strengthening of links of Kosovar traders with both traders of the prospective importing countries as well as with producers – especially producer groups – within Kosovo. Secondly, a substantial improvement in the quality of production and packaging – and eventually the adoption of quality production standards such as Eurepgap.

Përmbledhje

PZPHK është duke përkrahur zhvillimin e industrisë së hortikulturës në Kosovë nga viti 2001. Në vitin 2002 e ka bërë një studim me qëllim të paraqitjes së një pasqyre të tregjeve kryesore në rajon në kufi me Kosovën, ku është vlerësuar mundësia e qasjes në këto tregje. PZPHK është duke prodhuar analiza vjetore të importit dhe eksportit të pemëve dhe perimeve të freskëta që nga viti 2004 nga shënimet e grumbulluara të shërbimit doganor të UNMIK-ut.

Qëllimi kryesor i këtij studimi është paraqitja e një vlerësimi të potencialit për eksport të pemëve dhe perimeve nga Kosova në vendet fqinje. Meqë Kosova ka një klimë kontinentale, sfera e këtij studimi është fokusuar në identifikimin e rëndësisë së importit të llojeve individuale të pemëve dhe perimeve në vendet fqinje. Pra kjo ka të bëjë me Shqiperinë, Maqedoninë , Bosnjën dhe Hercegovinën, Kroacinë, Slloveninë, Serbinë, Malin e Zi, Greqinë dhe Turqinë.

Shënimet e nevojshme për këtë studim janë të mbledhura nga ëeb faqet e ndryshme, ndërsa sa i përket Shqiperisë dhe Maqedonisë janë organizuar vizita shtesë në tregje të pemëve dhe perimeve, ku janë zhvilluar diskutime me aktorë të tregut si dhe janë përdorur edhe informata nga raportet ekzistuese lidhur me sektorin në tërësi.

Shqipëria dhe Maqedonia duket se ofrojnë mundësinë më të madhe për eksport të pemëve dhe perimeve në të ardhmen e afërt. **Shqipëria** ka një klimë mediterane, ku prodhimi i perimeve në fushë shënon rënie gjatë periudhës korrik – gusht kur është mesi i sezonës. Kjo periudhë ofron mundësi të eksportit nga Kosova të domates dhe specit. Tregjet e veçanta (niche markets) të identifikuara përfshijnë materialin fidanor për pemë të larta dhe të imëta, pemë të imëta, bimë aromatike dhe medicinale, lule sezonale dhe kompost. Kosova mund të jetë konkurente në çmim në krahasim me importin nga Italia dhe Greqia nëse është i mundur të bëhet furnizimi i qëndrueshëm. **Maqedonia** ka dy zona të prodhimit - atë kontinentale dhe mediterane të cilat i japin një përparësi krahasuese në të dy sezonat furnizuese, në sezonin e hershmen dhe sezonin kryesor. Në këtë mënyrë kjo ka qenë ndihmesa kryesore që Maqedonia të jetë një nga eksportuesit e mëdhenj të pemëve dhe perimeve. Me interes të veçantë që duhet të përmendet është industria përpunuese, e cila është mjaft e zhvilluar dhe që ofron një mundësi të eksportit për pemë dhe perime te prodhurara në Kosovë, duke perfshirë vishnjen, mjedrën, specin dhe domaten, kurse cilësia e dobët e dredhëzave paraqet një mundësi për eksportimin e fidaneve të dredhëzës.

Vlerësimi i mundësive për eksport në vendet tjera është më i vështirë të bëhet, sepse vizitat ende nuk janë organizuar me qëlllim të kontakteve a informatave nga tregtarët, ndërsa edhe sezoni për tregtim nuk është i identifikuar.

Bosnja dhe Hercegovina ofron potencial për eksport të llojeve të ndryshme të pemëve dhe perimeve në një shkallë të arsyeshme të nivelit të cilësisë me Kosovën, duke konkurruar në bazë të çmimit. **Mali i Zi** ofron mundësi të eksportit të pemëve dhe perimeve gjatë sezonit turistik, ku një pjesë e madhe e turistëve janë nga Kosova. Mundësi e madhe për eksport në **Serbi** duket se është lënda e parë për industrinë përpunuese, si p.sh. mjedrat. Zgjidhja e statusit të Kosovës do ta ndihmonte tregtimin.

Një mundësi e vogel për eksport është identifikuar në **Kroaci, Slloveni, Greqi** dhe në **Turqi**.

Po ashtu, si mundesi të zhvillimit te tregjeve të veçanta janë identifikuar vendet me komunitet të madh kosovar.

Së paku dy kushte janë të domosdoshme për zhvillimin substancial të eksportit nga Kosova. Kushti i parë është forcimi i lidhjeve të tregetarëve kosovarë me tregtarët nga vendet importuese, përkatësisht me grupet prodhuese në Kosovë. Kushti i dytë është përmirësimi cilësor i prodhimit dhe paketimit dhe zbatimi i standardeve të kualitetit, p.sh. Eurogap.

Introduction

Background

SPHPK has been supporting the development of the horticulture industry in Kosovo since 2001[1]. It carried out a Balkan Regional Market Study in 2002 in order to obtain a picture of the main markets of the regions surrounding Kosovo and to analyse the chance of Kosovo accessing such markets[2] (see Annex I).

The main goal of this study was to evaluate the potential of exporting fruits and vegetables from Kosovo to neighbouring countries. Since Kosovo has a continental temperate climate, the scope of the study was focused on identifying the importance of imports of individual species of temperate fruits and vegetables into neighbouring countries. The countries covered comprised Albania, Macedonia, Bosnia, Croatia, Slovenia, Serbia & Montenegro, Greece and Turkey.

Source of data

The analysis of import data (as recorded in the UN Comtrade database - http://un.comtrade.org) has been used as the basis for comments for most of the countries covered – supplemented in some cases by any appropriate sectoral studies that were available.

Further information, however, was obtained for Albania and Macedonia through visiting the main markets and interviewing some traders or other actors involved in the horticultural sector. In addition, other websites proved useful, i.e.:

- The Albanian Market Information System Albamis as well as ACIT (the Albanian Center for International Trade for Albania).
- The Ministry of Agriculture, Forestry and Water Economy (MAFWE) for Macedonia.

Due to confidentiality, some countries may not report some of its detailed trade. Therefore, data such as these always have to be considered with a certain caution. The purpose of this study is not to discover accurate import data but provide indicators of potential for export of Kosova products.

Only consolidated data for Serbia & Montenegro were available – the two countries being federated until May 2006.

The currencies used in this document for individual countries are those utilised in the original sources. Values are denoted in Euros for Macedonia and Albania but in US$ for the remaining countries.

Information available about planting material is very general and, for some countries, not available at all.

The data must be treated with caution - reliable market information systems are generally absent in the countries studied.

[1] SPHPK, Promoting Horticulture in Kosovo, Intercooperation, May 2006
[2] The market for Fruit & Vegetables in Kosovo and Ballkan Regional Market study 2002

The Balkan regional market

Albania *(population 3.60 m[3])*

From the point of view of geographical and cultural distance, Albania is one of the most likely targets for Kosovo exports. It is a strong net-importer of fruits and vegetables[4] (ie the surplus of imports over exports) – as is Kosovo. According to the Albanian Center of International Trade (ACIT), the Import-Export quota (sic) in 2006 was almost 14 for vegetable (meaning that it imported 14 times as many vegetables in terms of value than it exported) and 24 for fruit. It is generally accepted that the development of horticulture in Albania is between five to ten years ahead of Kosovo. Significant improvements include:

- The introduction of the most important quality standards (EUROGAP, HACCP);
- The existence of an accepted institution to certify organic products – AlbInspekt;
- The existence of a Market Information System (MIS) (www.albamis.com) since 2000 that provides monthly data on prices and trade volume;
- The likelihood (according to statements of different actors within the local market) of local production satisfying the domestic market within a few years.

The Mediterranean climate of Albania gives it a comparative advantage over Kosovo for early production.

Addition information about the Albanian horticultural sector was obtained through visiting the domestic market and discussing with actors involved within the sector. Of particular usefulness were:

- A roundtable discussion with Dr. Ilir Mehmeti (Project Manager of SASA), Sokol Stafa (AlbInspect), Enver Isufi (Bio Adra), Erald Lamja (Albamis) and Dritan Kulleshi (SASA).
- Ruzhdi Koni, director of AGROKONI, one of the major traders in Albania with 15 employees.
- Mersin Lika, director of KAVAJA - a trader of domestic products.

Two main sources of data were consulted. Import volume data were taken from Albamis while data of planting material and the origin of imports were taken from ACIT (www.acit-al.org). Discrepancies between the two sources were identified - perhaps related to different definitions of terms.

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[3] www.cia.gov/library/publications/the-world-factbook

[4] Such comparisons of imports and exports take into account the imports of non-temperate fruits and vegetables as well.

Import of vegetables

The amount of imported vegetables[5] totalled €14.1m in 2006. The most imported temperate vegetables by value from 2001 until 2006 are presented in Table 1:

Table 1 Import values of the most imported temperate vegetables in Albania, € '000,

	Potatoes	*Tomatoes*	*Pepper*	*Onions*	*Beans*	*Cucumber*	*Aubergines*
2006	4'882	3'368	1'315	1'152	1'133	623	304
2005	6'437	2'589	1'015	987	1'533	442	228
2004	9'457	2'584	1'586	1'432	1'700	424	285
2003	7'735	2'510	572	1'530	1'967	182	129
2002	1'836	3'351	433	1'019	738	544	263
2001	1'518	2'922	383	537	543	457	227

Source: Albamis, ACIT).

Potatoes are the most imported temperate vegetable, followed by tomatoes, pepper, onions and beans. To evaluate the chances of export, a closer look at the monthly figures is more revealing.

Import of potatoes is very seasonal, as Figure 1 shows:

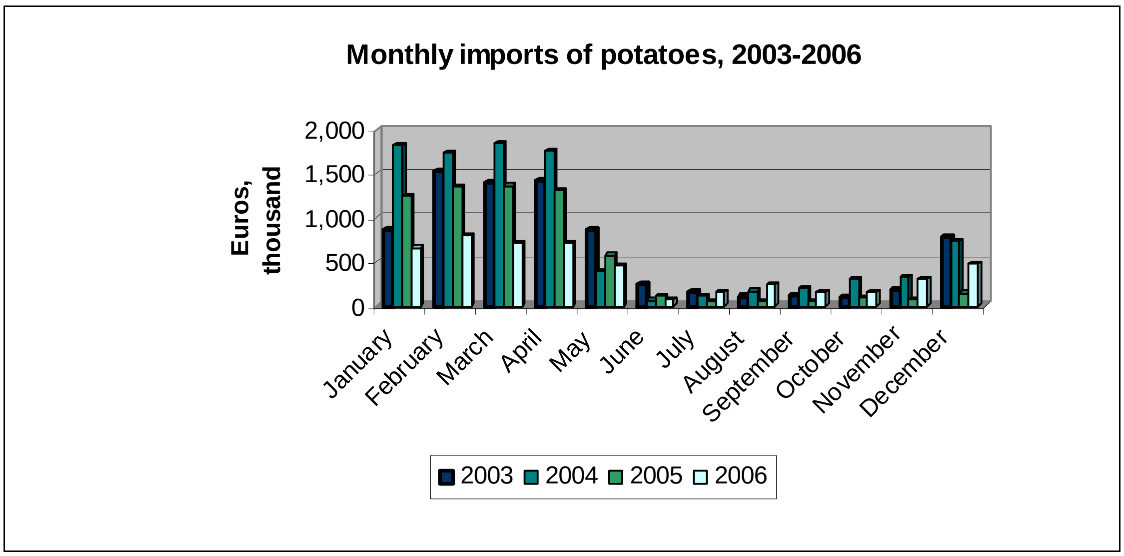

Figure 1 Source: Albamis, ACIT.

High imports of **potatoes** were experienced from January to April over the last four years. The trend, however, has been decreasing since 2004 from a high monthly figure of around €1.8m in 2004 down to around €0.6m in 2006 – a situation that presumably reflects a growing local production and, possibly, improved storage.

In 2006, over 90% of the total imports of fresh or chilled potatoes came from Italy (59.2%) and Greece (31.7%) - two EU-countries. The average price/kg of the imported potatoes from January to April is €0.23 (while wholesales prices in Kosovo would be around €0.15 in January and €0.30 in April).

The imports of **tomatoes** are similarly restricted to just a few months of the year as indicated in figure 2:

[5] Includes: potatoes, strawberries and melons.

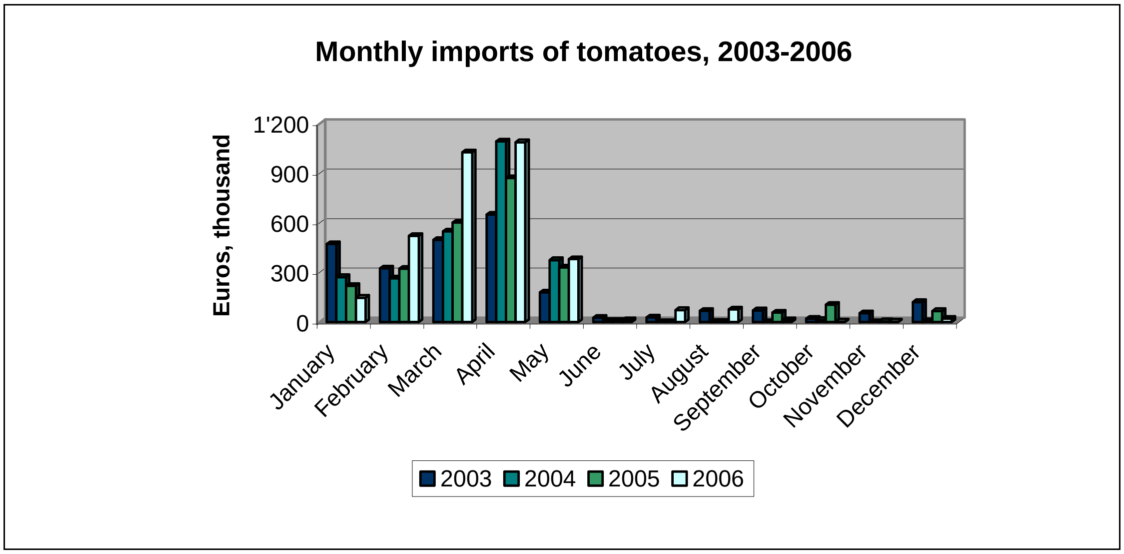

Figure 2 Source: Albamis, ACIT

Imports generally increased during the last 4 years with high values occurring between February and May and peaking in March and April (imports of up to €1.1 m per month). Most imports in 2006 came from Greece (37.4%), Turkey (34.8%) and Italy (18.1%). Average kg-price was €0.39 and quite stable while in Kosovo wholesale-prices remain quite high until mid-May (around €1).

Peppers are – by value – the third most imported vegetable in Albania. Figure 3 shows the monthly import values:

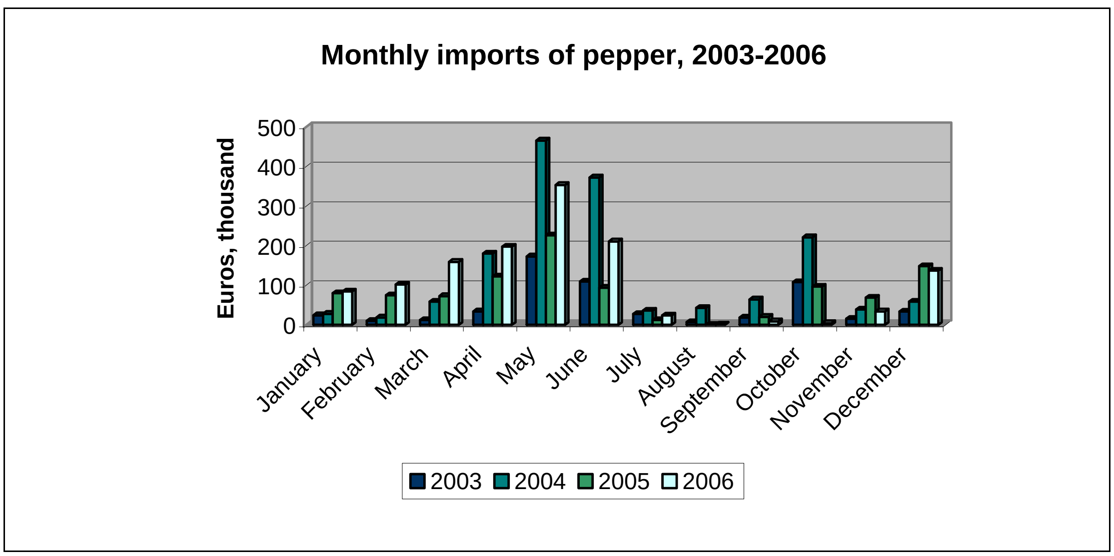

Figure 3 Source: Albamis, ACIT.

The highest imports are recorded from April to June with the average price in 2006 being €0.61 and stable. In comparison, Kosovo wholesale prices were higher in the beginning of the year, falling after mid May and from then on being competitive. Wholesale prices of peppers tend to hover between €1.0 – 1.50/kg in the off-season (November to April) and descend to their minimum of around €0.50 in the full Kosovo production season (July to September).

Import of fruit

The amount of imported fruit totalled €43.4m in 2006[6] - considerably higher than the total of vegetables at €14.5m (in comparison, the total import of fresh fruit into Kosovo in 2005 was €7.05m). Table 2 shows the import values of the most imported fresh fruits from 2001 to 2006:

Table 2: Import values of the most imported temperate fruits into Albania, '000,€

	Apples	*Grapes*	*Pears*	*Peaches*	*Nectarines*	*Dates*	*Watermelons*
2006	11'680	4'662	1'991	1'474	926	226	214
2005	12'892	3'723	1'226	2'041	140	512	67
2004	11'006	7'533	1'196	2'137	1'325	56	307
2003	9'622	3'729	906	514	463	13	222
2002	8'145	2'360	1'049	1'482	635	39	283
2001	10'296	2'167	858	2'527	1'422	18	284

Source: Albamis, ACIT

In comparison the most-imported non-temperate fruits were bananas (€7.7m in 2006), oranges (€6.8m), mandarins (€4.3m) lemon (€1.9m) kiwi (€0.4m) and olives (€0.2m).

Apples are the most valuable import followed by bananas, oranges, grapes and mandarins.

Figure 4 presents monthly imports of **apples** from 2003 until 2006:

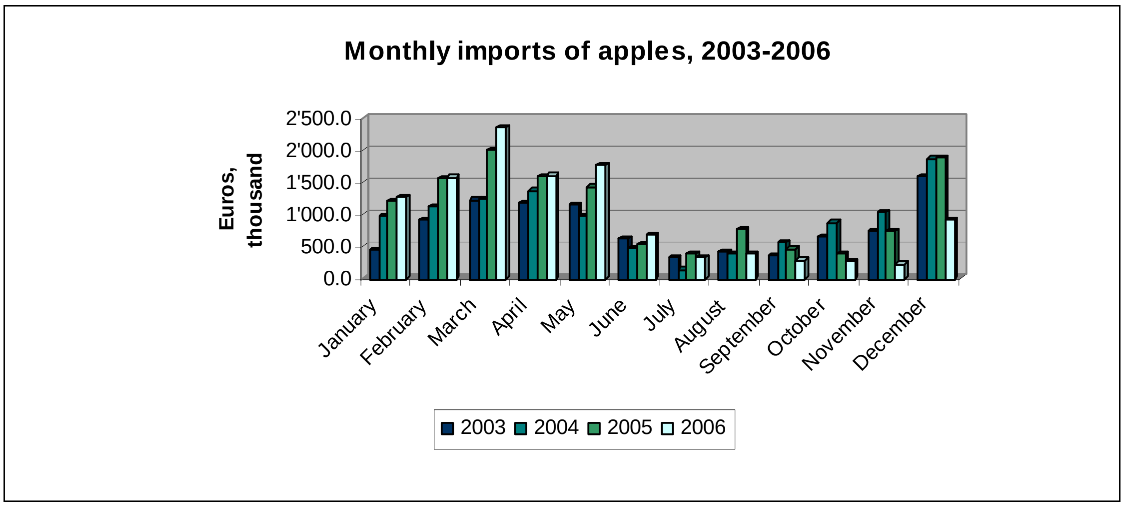

Figure 4 Source: Albamis, ACIT

Imports are high from December until May – but still significant during the rest of the year. Wholesale prices are very stable around €0.35 while Kosovo wholesale prices are similar from October to April but higher during the rest of the season. Nearly all imported apples come from Greece (47.2%), Italy (25.5%), Macedonia (18.3%) and Serbia or Montenegro (together 8.7%).

The import of **grapes** is highly concentrated in September and October while no trade occurs at all from January to July – as indicated in figure 5:

[6] Including processed, tropical and citrus fruit

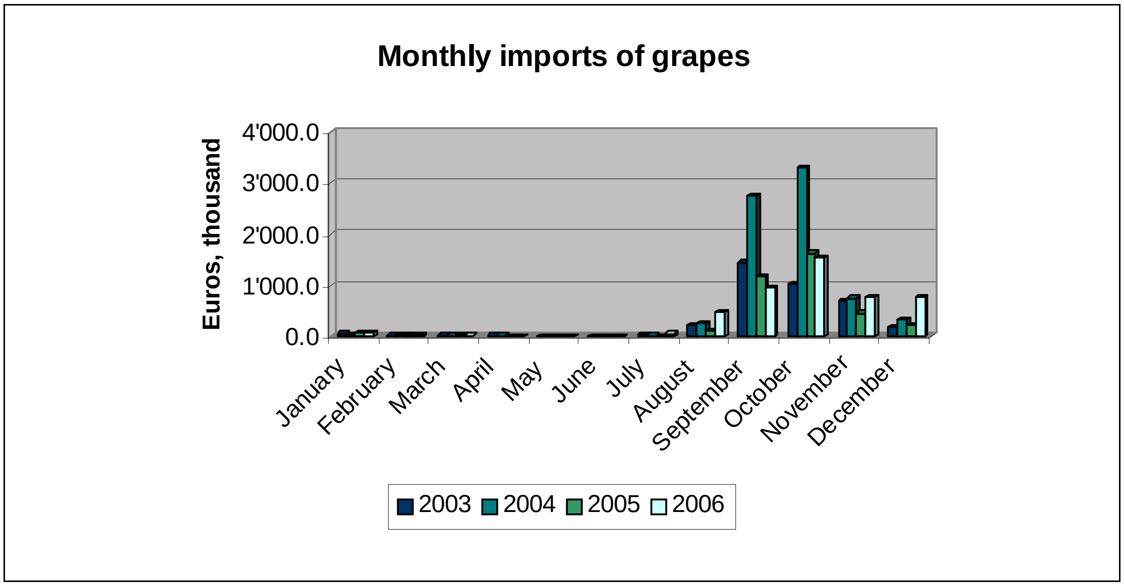

Figure 5 Source: Albamis, ACIT

The quantity of imports has remained largely unchanged over the last four years – with the exception of 2004 that witnessed a more than doubling. Price remains quite stable at slightly over €0.6 per kg from November to August and falls to €0.31 and €0.4 respectively in September and October. For comparison, Kosovo wholesale-prices do not fall under €0.5 in the high season.

The main countries of origin are Italy (52%), Macedonia (29.3%), and Greece (17.7%). Very few grapes are imported from Kosovo (0.06% or 2,700 €).

Import of planting material

The import data of planting material is less detailed and registered only in product groups. Table 3 provides an overview of the imported planting material:

Table 3: Imports of planting material, Albania, '000 €,

	Soft fruit and other plants	*Potato seeds*	*Trees, shrubs and bushes*	*Vegetable material for planting*
2006	915	692	439	16
2005	1'096	405	466	?
2004	724	712	409	15
2003	581	468	550	76
2002	616	645	550	1
2001	321	370	318	?

Source: ACIT

Italy is the main source of soft fruit plants and trees, with 51.7 % and 88.3%, followed by Greece (21.5% and 10.3%) and the Netherlands (20% for soft fruit plants). The group of soft fruit plants also includes other plants. The definition is not very clear and reduces the significance of the data. Discussions in Albania indicated that prices of imported trees and plants from Italy were considered rather high.

Conclusion

Local production has been developing quickly since 1997. Products which can be produced within the country are increasingly only imported during the off-season. Grapes, for example, will cover the needs of the domestic market by 2007 while apple trees will only need to be imported for another two to three years.

Dritan Kulleshi, the former manager of the Lushnje market, is convinced about the preference of Albanians for local products. This loyalty to domestic products can only be upheld, however, if the quality is competitive with imports.

The Albanian market, therefore, can be considered as increasingly competitive. In addition to the general increase in local production, demand is also rising for early and late season products. Kosovo's continental climate excludes it from competing in early and late season production with countries having a Mediterranean climate. More favourable conditions in Albania allow a more efficient and cost-effective production in greenhouses.

However, Kosovo products could still benefit for the Albanians' preference for local products since its products are considered almost 'local'. This could translate into Kosovo products (fresh fruit and vegetables as well as planting material) having a comparative advantage over those of countries such as Greece or Italy – assuming that they can compete in quality and price.

It will be difficult to export the major products (tomatoes, potatoes, pepper, watermelons) into Albania except in the height of Kosovo's season – when there is a short gap in Albanian production (from the third week of June until the end of August or beginning of September).

An additional approach may be to find niches where Albanian production is still weak. As seen at the Agribusiness fair in Tirana March 6th to 8th, there was a great interest for **top and soft fruit planting material** as well as for **fresh berries**. Through several discussions with traders, marketing specialists and other experts of the Albanian fruit and vegetable market, it was stated that there would also be a demand for **teas and herbs, bedding plants** and **compost**.

The market for **fresh berries** (strawberries, raspberries, blackberries and currents) is little developed but a potential was identified by some of those interviewed – particularly for strawberries. So far, local strawberries are of poor quality and imports are received from Greece, Macedonia and Italy for a total of nearly €10,000 per year. The major disadvantage, however, is the poor road from Kosovo to Tirana – critical for soft fruit. This situation will be considerably improved once the new road is built.

The most attractive market to enter was considered the **top and soft fruit planting material and trees.** As mentioned earlier, local production for apple trees is rising but still cannot cover the domestic demand. On the other hand, imported apple trees from Italy cost double the price of that of Pristina market. To enter this market, certain criteria have to be followed:

- Since producers from Kosovo are not present daily in the Albanian market, they need a strong local partner who knows intimately the daily workings of the domestic Albanian market and who can react quickly to new demands and circumstances. (Ruzhdi Koni, the director of AGROKONI was highly interested to evaluate this possibility.)
- Labelling and general promotion have to be improved to make the products more attractive for consumers. Imported trees from Greece and Italy have a distinctive label and distribution. Information about the products has to be available especially when producers are not locally present.
- A health certificate is required.

- Quality has to be competitive.

Some traders indicated that there is potential for **Tomatoes** during the months of July and August when the Mediterranean climate in Albania is too hot for production.

Albania has introduced the production and certification of organic production and, with *AlbInspect,* has an established an accepted institution for certification. Still, ongoing projects are in an introduction stage and most of the planting material used so far for organic production is NOT certified. In future, there are ambitions to collaborate with foreign companies to import seeds, seedlings, bushes and trees certified with an organic standard. Even though Kosovo is far away from certifying its own products, this could be an interesting future market.

The following practical example will illustrates another approach for entering an export market:

The SASA-project

FiBL (Research Institute of Organic Agriculture) is an organisation based in Switzerland, Austria and Germany. Besides practical relevant research, one of their most important issues is the transfer of knowledge. It has established several projects in Eastern Europe, India, Latin America and Africa – as well as SASA (Sustainable Agriculture Support) in Albania. The mandate of the project is to contribute to the development of Organic Agriculture (OA) in Albania by supporting capacity building among the service providers for OA such as BioAdria, Albinspekt.

The project facilitated collaboration between the largest Swiss retailer *Migros* and some organic producers in Albania. The latter produce Chinese cabbage to fill the gap of local Swiss producers during off-season. Other collaboration exists for high quality olive oil. Quality is the most important issue in both these cases.

This example also confirms that as an underdeveloped country, export to more developed markets are only promising when good quality can be guaranteed. This presents a particular problem for Kosovo that has not yet established a good reputation as an exporter – and even has a bad press in many countries.

Macedonia *(population 2, 05 million)*

Contrary to Albania, Macedonia is a strong net exporter (a surplus of exports over imports). According to the data of the Ministry of Agriculture, Forestry and Water Economy (MAFWE), the Import-Export quota in 2005 was only 0.09 for fresh and semi-processed vegetable and 0.85 for fruit, which means that they exported 10 times as much vegetables as they imported and 15% more fruit.

The domestic consumption amounts to around only 30% of domestic fruit and vegetable production – indicating a major contribution to the Macedonian economy – particularly for vegetables. It appears that Macedonian horticulture is least five years ahead of Kosovo in its development. Of particular note are the following:

- Macedonia has introduced EUROGAP and has a private company – *Insebo* – that provides certification. Since *Insebo* obtained its licence in Holland, its certification is valid for the whole of the EU-market.
- Macedonia has a strong F&V processing industry which exports around 80% of its total output.
- The total area under heated glass house production is over 260 ha while that under greenhouses production is many times greater (approximately 10, 000 ha)[7].

Macedonia's climate is continental in the northern parts (Skopje and Kumanovo) and more Mediterranean in the southern parts (Strumica, Gevgelija and Valandovo) thus giving it a greater range of production possibilities.

Despite its strong export-orientation, Macedonia is still a weak player in the EU market – and finds itself filling the gaps when other countries have a lack in their own production. This causes major fluctuations in volumes traded as well as unstable prices. A highly demanded product in one season can be faced with no demand at all in foreign export markets in the following season. This situation has a knock-on effect on the domestic market.

Data and additional information about the Macedonian market were obtained through a visit at the main wholesale market in Skopje and a roundtable discussion with Mr. Sasko Ristevski (Head of the processing association in Macedonia) and Mr. Dragan Angelovski (Project Specialist of Fagricom). Studies about the fruit and vegetable sub-sector as well as about the F&V processing industry were consulted.

The import data are taken from two competitiveness studies about the vegetable and fruit sub-sectors commissioned by the Ministry of Agriculture, Forestry and Water Economy (MAFWE) and provided by the State Statistical Office.

Import of vegetables

Table 4 shows the import data of the most important vegetables by value '000 €:

Table 4 Values of the most imported vegetables in Macedonia, '000 €,

	Processed and preserved vegetable	*Tomatoes*	*Potatoes*	*Onion, leak and garlic*	*Pepper*	*Cucumber and gherkins*
2005	8'507	575	550	263	151	111
2004	7'549	497	2'297	315	76	117

Source: Macedonian state statistical office

Processed and preserved vegetables dominated the imports in this sub-sector with values in excess of €13M. This category contained mainly processed pepper - ajvar

[7] First coordinating meeting of FAO regional working group on greenhouse crops in the SEEC, Budapest October 2004.

(82.9%), but also cucumber and gherkins (4.8%), tomatoes (3.3%) and mushrooms (3.2%).

The import of potatoes showed a decline between 2004 and 2005 of 76% valued at €1.75m - largely due to an increased domestic production amounting to 24% which, in turn, resulted mainly from a significantly higher average yield.

Import of fruits

Imports of the main fruits are listed in Table 5:

Table 5 Import values of some selected fruits in Macedonia, '000 €,

	Tropical and citrus fruit	*Processed fruit*	*Grapes*	*Figs*	*Pears*	*Apples*	*Watermelons*	*Strawberries*
2005	13'417	296	181	92	92	72	39	17
2004	14'404	125	118	122	92	42	29	6

Source: Macedonian state statistical office.

Except for tropical and citrus fruits, which are not produced in Macedonia, imports of fruit are very low due to the fact that Macedonia is a strong net-exporter. The group of processed fruit contains processed fruits such as jam, juices, dried fruits, frozen fruits (mainly sour cherries, but also berries) and dried fruits. Sour cherries are the most important product of the Macedonian fruit processing industry. For the existing import data, there is no detailed information available concerning the particular crops.

Import of planting material

No official data is available for planting material.

Conclusion

Even though horticultural sector in Macedonia is very strong and highly export-oriented, there are some characteristics that offer potential for Kosovo producers to export. One of them is the strong and export-oriented **F&V processing industry**:

Vertical - and especially horizontal - coordination is poor in Macedonia. Because of the weak collaboration between producers, traders have a strong market position. Individual growers normally produce on very small parcels of land due to the fragmented land distribution and, because they are not organised, there is a strong competition among them that drives down prices. On the other hand, processors prefer to deal with associations of farmers, not only to reduce the amount of partners to negotiate with, but also to guarantee large volumes and a constant supply.

There is a large underutilisation in the processing industry. The average utilization in 2005 amounted to approximately 27% and approximately 36% in 2006. According to the processors a major reason was the lack of raw materials. Processors are unable to conclude long-term delivery agreements with the farmers and approximately 80-85% of the raw materials needed by the industry are obtained on an ad-hoc basis just before or during the height of the processing season. So far, high tariffs and complicated procedures for imports of fresh produce for processing purposes left the industry relying almost exclusively on arrangements with private farmers and intermediaries within Macedonia. With the arrival of the Central European Free Trade Agreement (CEFTA), this impediment should be gradually overcome. 90% of the output of the processing industry relates to vegetables and 58% is canned.

There appears to be a potential for Kosovo in this market if traders and producers could organise themselves. For fruit processing, sour cherries could be an interesting niche market. Even though prices paid by the processors are rather low, such an arrangement could still guarantee a constant supply. Several processing companies are located near the border to Kosovo in Tetovo, Skopje and Kumanovo area.

The **berry** sub-sector (especially for high quality products) is further considered by the competitiveness study for fruits of the MAFWE as a significant competitive opportunity in Macedonia.

Growing of **strawberries** is mainly concentrated on very small plots in the North West part – Tetovo region close to the Kosovo border. The quality of planting material is poor. Macedonia has not yet developed its own variety list.

Domestic **raspberry** production can hardly meet the requirements of Macedonia's own market. Additionally, there is a promising potential for the processing industry (especially frozen raspberries) and jam production. Due to these and other positive features, raspberry is considered as one of the most profitable crops.

The planting material industry is not developed in Macedonia. Planting material for berries and top fruits is mainly imported from neighbouring countries – Serbia, Bulgaria, Greece, and Holland. In the near future this could be a potential for Kosovo producers to penetrate Macedonian market with new berries (strawberries, raspberries, blackberries) and apple varieties.

The offer for traditional consumed fruits and vegetables is mostly covered by domestic production. There is a large range of products, an appealing quality and competitive prices. Entering the Macedonian market for Kosovo producers will be very difficult. Pepper for processing produced in Kosovo could be for the time being the only vegetable product which has export potential to Macedonia.

Bosnia and Herzegovina *(population 4.55 million)*

Bosnia and Herzegovina (BiH) is a strong net-importer with an Import-Export quota in 2005 of 3.4 for vegetables and 8.4 for fruits. Due to the difficult economic situation within the country (an official unemployment rate of around 40%), price is the primary factor in food purchasing decision. The demand for organic foods is quite low.

Small retailers are slowly losing out to large wholesalers with developed retail operations. There are a few foreign retail chains installing big shopping centres, which are becoming an increasingly popular retail food sales point. But still, perishable foods are often bought at small grocery stores, specialized stores or green markets.

Import of vegetables

Table below shows the import data of the most important temperate vegetables by value:

Table 6. Import values of some selected vegetables in Bosnia, '000 US$,

	Tomatoes	*Pepper*	*Onions*	*Cucumber*	*Carrots*	*Potatoes*	*Garlic*
2005	7'511	4'871	2'561	1'287	861	539	502
2004	4'215	3'405	1'888	882	603	2'087	430
2003	2'693	1'633	689	359	449	907	480

Source: (United Nations Statistics Division: comtrade.un.org).

Tomatoes, pepper and onions are the most imported vegetables. The main countries of origin (for imported vegetables in general) are Turkey (22.5%), the Netherlands (15.2%) and Italy (8.1%). Generally, imports have been increasing significantly during the last two years.

Import of fruits

The import values of temperate fruits are presented in Table 7:

Table 7. Import values of some selected fruits in Bosnia, '000 US $,

	Apples	*Grapes*	*Watermelons*	*Peaches*	*Pears*	*Melons*	*Plumbs*
2005	8'974	5'290	3'178	2'685	1'326	739	524
2004	4'215	3'302	1'721	2'103	939	479	834
2003	2'693	2'574	390	1'458	924	436	34

Source: (United Nations Statistics Division: comtrade.un.org).

The most imported fruits, after tropical and citrus, are apples, grapes, watermelons and peaches. The main imports of tropical fruit and citrus in 2005 were bananas (US$21,254), oranges (US$5,356) and limes (US$4,619). The principle countries of origin of temperate fruit were Italy (19.1%), Serbia & Montenegro (5.9%) and Croatia (4.3%).

Import of planting material

The details of imported planting material are as follows:

Table 8. Import values of some selected planting material in Bosnia,'000 US $,

	Live plants	*Potato seeds*	*Trees, shrubs and bushes*	*Cuttings and slips*
2005	5'218	4'227	1'829	94
2004	3'845	4'781	1'430	21
2003	3'519	3'192	555	2

Source: (United Nations Statistics Division: comtrade.un.org).

Conclusion

Based on the consumption patterns in Bosnia & Herzegovina (B&H) with tomatoes, peppers, onions, grapes, watermelon and apples being the most imported products, the B&H market could be often an attractive market potential for Kosovo products in near future. Products from Kosovo might be able to compete with products imported from the EU-area since price is seen by consumers as the most important consideration. There is little market demand for high quality or organic foods.

Quality control among locally-produced and imported products is often poor in part because B&H government laboratories work with out-dated technology and are ill-equipped. Labelling requirements are often not met and low-quality products may be found on the market that undercut other products. In general, preferences tend toward large packages at lower prices.

Bosnia-Herzegovina appears to be a potential export market, but it has to be considered, that the domestic market is flooded with products imported from the neighbouring countries and EU countries, so prices are very competitive.

Croatia *(population 4.49 million)*

Croatia was given the official status of candidate for the European Union in June 2004 and is expected to join in 2009. By this time the horticultural market will be strongly oriented to the other EU-countries and quality standards will play a decisive role. It would be difficult to enter the Croatian market without EUROGAP certified products.

Until recently, this market was dominated by small shops but, increasingly, big national and international supermarket chains are becoming dominant. The domestic market is also affected by tourism - an important economic activity in Croatia involving10 million tourists per year (mainly from other EU states) compared to just 4 million inhabitants.

Considerable progress has been made in recent years in Croatia in creating a market economy and establishing macroeconomic stability. Croatia is now a member of the WTO and has begun negotiations for accession to the European Union.

Croatia, nevertheless, imports a significant proportion of its food requirements. The total of vegetable imports in 2006 was US$72.3m (quota of 14.2) while fruit imports totalled US$122m (quota 9.3).

Import of vegetables

Tomatoes and potatoes are the most imported temperate vegetables - as Table 9 shows:

Table 9 Values of some selected vegetables in Croatia, '000 US$,

	Tomatoes	*Potatoes*	*Onions*	*Pepper*	*Carrots*	*Cucumber*	*Garlic*
2006	11'022	9'442	4'498	3'587	3'446	2'966	2'202
2005	7'668	4'432	3'335	2'618	2'732	1'442	1'567
2004	6'779	12'170	5'154	2'504	2'827	1'325	1'483
2003	6'839	13'124	5'087	2'253	3'073	1'197	1'464
2002	4'456	660	2'085	1'710	1'216	1'408	1'090

Source: (United Nations Statistics Division: comtrade.un.org).

Major countries of origin of vegetable imports are Italy (15.1%), the Netherlands (12.2%), Spain (9.9%) and Turkey (6.4%). The import of tomatoes has been rising fast during the last few years.

Import of fruits

The most important temperate fruit imported are grapes, apples, peaches and pears. The data is provided in table 10:

Table 10 Values of some selected fruits in Croatia, '000 US$,

	Grapes	*Apples*	*Peaches*	*Pears*	*Watermelons*	*Apricots*	*Strawberries*
2006	11'387	9'417	7'556	5'620	2'354	1'589	1'317
2005	10'801	9'273	6'562	5'150	1'702	1'495	1'147
2004	9'441	9'550	6'482	3'914	2'396	1'299	829
2003	8'491	10'198	6'315	4'032	2'091	1'429	437
2002	5'559	9'540	4'716	2'862	1'455	827	525

Source: (United Nations Statistics Division: comtrade.un.org).

Major imports of tropical fruit and citrus include bananas (US$31,432 in 2006), oranges (US$14,657), lemon (US$7,195) & grapefruits (US$1,926).

Import of planting material

The imports of planting material are presented in the following table:

Table 11 Import values of some selected planting material in Croatia, '000 US $,

	Live plants	*Potato seeds*	*Trees, shrubs and bushes*	*Cuttings and slips*
2006	20'405	4'720	4'330	929
2005	18'374	4'457	6'570	1'623
2004	15'659	5'656	3'498	284
2003	13'679	4'118	2'292	124
2002	9'735	4'050	1'327	155

Source: (United Nations Statistics Division: comtrade.un.org).

Conclusion

According to the import data analysis is clearly that tomatoes, potatoes apples and grape are most consumed products in Croatia. These are products which has a great production potential in Kosovo.

New apple varieties promoted in Kosovo could have an export potential .Price of the apples could be a main competitive advantage of apples produced in Kosovo compared to the other competitors in Croatian market (e.g. Italy, Netherlands).

It is obvious that export potential exist but EUROGAP certification is main barrier for the Kosovo produce.

Slovenia *(population 2 million)*

Slovenia has been a member of the EU since 2004. Agriculture is a minor sector of its economy and the country is a strong net importer of horticultural goods. The Import-Export quota in 2005 was 5.9 for vegetables (total imports US$86.9m) and 3.2 for fruits (US$138.1m).

Import of vegetables

Tomatoes, lettuce/chicory and pepper are, by value, the most imported temperate vegetables. Table 12 lists the imports from 2002 to 2005:

Table 12 Import values of some selected vegetables in Slovenia, ‘000 US $,

	Tomatoes	*Lettuce and chicory*	*Pepper*	*Potatoes*	*Onions*	*Cucumber*	*Cauliflower and broccoli*
2005	15’004	14’310	10’671	5’768	3’684	2’810	2’803
2004	10’411	8’885	6’137	6’144	3’885	2’408	2’225
2003	8’753	8’905	4’500	3’206	4’007	1’952	2’087
2002	6’693	6’087	4’010	1’644	2’573	1’842	1’540

Source: (United Nations Statistics Division: comtrade.un.org).

Imports rose significantly from 2002 to 2005 with Italy strengthening its dominant position. Italian vegetables amounted 45.4% (or US$39.5m) of the whole vegetable imports in 2005, followed by the Netherlands (6.8%), Turkey (6.4%) and Spain (4.4%).

Import of fruits

A similar situation is recorded for fruit, the main imports being presented in table 13:

Table 13 Import values of some selected fruits in Slovenia, ‘000 US $,

	Grapes	*Peaches*	*Pears*	*Watermelons*	*Apples*	*Strawberries*	*Melons*
2005	11’802	9’536	3’952	3’104	2’688	2’423	1’841
2004	7’721	6’302	1’968	2’280	2’049	1’745	1’407
2003	6’897	5’618	1’793	3’203	1’232	373	1’609
2002	5’540	4’466	1’361	2’563	2’579	319	1’307

Source: (United Nations Statistics Division: comtrade.un.org).

Italy is by far the main supplier with 39.2% (US$54.1m) of market share followed by Spain (5.3%). Turkey, the Netherlands and Greece each have a market share of 3.9% (US$5.4m).

In the analysis are not included tropical fruits e.g. Bananas (US$32.8m in 2005), oranges (US$13.4m), lemons (US$11.5m), grapefruits (US$9.1m) and kiwi (US$2.6m). For the others, the main imported products are grapes and peaches. Interesting niche markets could appear for watermelons, strawberries and melons.

Import of planting material

An import of planting material is presented in Table 14:

Table 14 Import values of some selected planting material in Slovenia, ‘000 US $,

	Live plants	*Potato seeds*	*Cuttings and slips*	*Trees, shrubs and bushes*
2005	13’857	2’788	1’040	721
2004	14’829	4’858	1’659	887
2003	12’568	3’314	1’097	845
2002	10’159	3’294	780	343

Source: (United Nations Statistics Division: comtrade.un.org).

Conclusion

Slovenian market has same characteristics as Croatia. This is an EU market protected with quality standards (EUROGAP), which it makes for Kosovo products very difficult to be reached.

Based on the current situation wine grapes has a great potential for export. But can not be excluded also tomatoes and peppers as products with potential in the future.

New apple varieties are products which could have export potential for Slovenian market.

A very promising factor is that Slovenia and Kosovo has good economic relations. Currently Slovenia is one of the main investors' in Kosovo. We should remind that in 80th and 90th Slovenian companies were main buyers of Kosovo produce for their processing factories e.g. grape, peppers, blueberries Relation between two countries should be re-established in near future.

Serbia and Montenegro *(population 10.8 million[8])*

Serbia and Montenegro were federated up to May 2006 and are presented jointly.

The Import-Export quota in 2004 for vegetables was 1.0 (imports US$42m, exports US$41.5m) while the quota for fruit it was a net exporter with a quota of 0.52 (imports US$83.4m, exports US$160m). The trade balance for planting material is quite even

Import of vegetables

The most imported temperate vegetables were tomatoes, followed by onions, cucumbers, beans and pepper. Imports generally rose over the recent years. Table 15 shows imports of vegetables in Serbia and Montenegro for 2001, 2002 & 2004 – no data being available for 2003.

Table 15 Import values of some selected vegetables in Serbia and Montenegro, '000 US $,

	Tomatoes	*Onions*	*Cucumber*	*Beans*	*Pepper*	*Garlic*	*Potatoes*
2004	8'407	3'685	3'287	1'885	1'808	1'240	865
2003	?	?	?	?	?	?	?
2002	5'985	1'386	1'820	767	1'048	611	420
2001	4'290	2'095	1'313	375	1'249	293	1'184

Source: (United Nations Statistics Division: comtrade.un.org).

Import of fruits

For temperate fruit, only grapes and apples registered imports of over US$1m with watermelons just below this figure.

Figures for tropical and citrus fruit in 2004, by comparison, include bananas (US$33.1m), mandarins (US$9.5m), oranges (US$8.7m), kiwi (US$1.8m), grapefruits (US$1.1m) & pineapples (US$0.3m). Table 16 shows the import values of the main temperate fruit:

Table 16 Import values of some selected fruits in Serbia and Montenegro, '000 US $,

	Grapes	*Apples*	*Watermelons*	*Pears*	*Melons*	*Peaches*	*Dates*
2004	3'742	2'445	989	319	93	91	80
2003	?	?	?	?	?	?	?
2002	1'851	5'080	700	454	49	278	206
2001	2'714	795	877	88	51	81	149

Source: (United Nations Statistics Division: comtrade.un.org).

[8] www.cia.gov/library/publications/the-world-factbook. Serbia has 10.1 million while Montenegro 0.68 million inhabitants.

Import of planting material

The imports of planting material are listed in table 17:

Table 17 Import values of some selected planting material in Serbia and Montenegro, '000 US $,

	Potato seeds	*Live plants*	*Trees, shrubs and bushes*	*Cuttings and slips*
2004	5'446	3'661	438	107
2003	?	?	?	?
2002	1'815	1'729	74	326
2001	2'332	1'122	217	127

Source :(United Nations Statistics Division: comtrade.un.org).

Conclusion

More useful recommendations would require separate data for Serbia and Montenegro. It appears that Serbia is more focused on the production and export of fruits (top and soft fruits) and vegetables, and planting material of soft and top fruits. Serbia is one of the main exporters of raspberries and plums in Europe. Montenegro is strong wine and table grape producer. Wine grape production is dedicated mainly for their own wine production industry. Some of the table grapes are exported to the neighbouring countries including Kosovo.

Serbia has a strong processing industry. The potential of exporting raw materials from Kosovo for processing in Serbia should be explored once data is available. A main obstacle for trading to Serbia is the current unclear political situation.

For time being Montenegro remains as a potential destination for export of Kosovo produce. International trade between Kosovo and Montenegro has no restriction. Exporters have to pay VAT which amounts at 17% in value of exported products.

Greece *(population 10.7million)*

Greece has been an EU member since 1981 and its trade is oriented towards other EU member states. It is a modest net-importer of vegetables and a modest net-exporter of fruit. Vegetables have a quota of 1.5 (imports US$180m, exports US$122) with fruit 0.65 (imports US$372m, exports US$571m).

For fresh fruits, the main supplier are the USA (US$69.1m or 18.5% market share), Italy (US$61,5m or 16.5%) and Turkey (US$38.8m respectively 10.4%).

Import of vegetables

Table 18 shows the import values of temperate vegetables from 2002 to 2005:

Table 18 Import values of some selected vegetables in Greece, '000 US $,

	Potatoes	*Tomatoes*	*Pepper*	*Cauliflower and broccoli*	*Leek*	*Garlic*	*Onions*
2005	30'062	15'890	9'973	3'002	2'879	2'876	2'853
2004	42'713	20'015	11'376	4'775	1'569	2'702	7'980
2003	33'412	20'409	10'482	3'806	1'907	3'298	7'332
2002	27'520	11'146	8'978	1'846	2'989	2'264	4'407

Source :(United Nations Statistics Division: comtrade.un.org)

Potatoes, tomatoes and pepper are the most imported vegetables with the main suppliers being Turkey (US$21.5m) and EU countries - mainly the Netherlands (US$21.9m), Germany (US$17.9m) and Italy (US$11.5m).

Import of fruits

The imports of temperate fruits are shown in table 19:

Table 19 Import values of some selected fruits in Greece, '000 US $,

	Apples	*Pears*	*Grapes*	*Peaches*	*Blackberries and Raspberries*	*Melons*	*Dates*
2005	22'189	16'125	6'328	2'615	1'429	1'330	1'329
2004	31'092	20'072	6'368	2'284	1'271	1'664	1'305
2003	27'621	17'438	4'456	12'809	574	1'874	1'158
2002	23'281	16'212	1'901	873	146	1'008	687

Source :(United Nations Statistics Division: comtrade.un.org)

Apples and pears are the main imported temperate fruits. The most important tropical fruit and citrus imported in 2005 are bananas (US$83m), lemon (US$44.4m), oranges (US$6.9m), kiwi (US$5.1m), mandarins (US$3.2), grapefruit (US$2.3m) and pineapples (US$2.1m).

Import of planting material

Imports of planting material are presented below:

Table 20 Import values of some selected planting material in Greece, '000 US $,

	Live plants	*Potato seeds*	*Cuttings and slips*	*Trees, shrubs and bushes*
2005	25'356	12'710	2'506	1'002
2004	29'409	13'481	927	3'649
2003	20'069	9'904	485	1'592
2002	15'019	7'143	653	3'338

Source: (United Nations Statistics Division: comtrade.un.org).

63% of total imported planting material comes from the Netherlands.

Comment

The retail sector in Greece is still growing and concentrating, especially in metropolitan Athens. New international chains and mergers are entering the market and providing competition for existing companies and food processors.

Imports predominantly come from well developed countries with high quality standards.

The export of **tomatoes** has been decreasing slightly since 2002 while competition from imports is very high and future price levels remain uncertain.

Even though **apple** imports are quite high, there is no great demand for products from the Balkans. Imports of high quality apples are purchased mainly from Italy or other EU countries, while low quality locally-produced apples are sold mainly to Balkan countries and to Russia.

Domestic **pear** production is – according to farmer sources – still limited due to a variety of reasons - including adverse weather and disease. Expected output for 2006 was 20% lower compared to the previous, relatively good year (56'000 tons in 2005). There might be a gap in the nearby future to fill export. But over the next few years, the estimated potential Greek pear output will reach up to 70-80'000 tons according to expected new plantings and replacements.

Conclusion

For time being Greece doesn't show export potential for Kosovo produce. Maybe some niche produce could be exported (e.g. 6 tonnes of cherries exported in 2006), but this doesn't gives strong export potential signal for Kosovo produce in near future.

Turkey (population 71.1 million)

The retail sector is one of the leading sectors in the Turkish economy with the country being the fourth largest vegetable producer behind China, India and the USA with a production of 23.7 million tonnes and a market share of 2.4%. Growth of the retail sector was 40% from 2000 until 2005. Positive economic development significantly increased the purchasing power.

Due to its huge production, Turkey is a strong net-exporter for both fruit and vegetables. While vegetable exports were almost seven times higher than imports in 2005 – giving a quota of 0.15 (imports US$79 m, exports US$733 m), exports of fruit are more than 16 times those of imports – quota of 0.06 (imports US$154 m , exports US$2,500m)

The Turkish retail sector had robust economic growth in the past few years. Today, Turkey is one of the global players on the market of fresh fruit and vegetables. Various obstacles however, remain – including high prices for processed food, high food import taxes and unequal income distribution that continue to curtail further increases in modern retail sales.

The retail sector is still dominated by *Bakkals* (or small stores) and open-air bazaars - controlling approximately 58% of the whole market. The sales of large food retailers are, nevertheless, rising and new hyper and supermarkets are continuing to open up with great speed. It is calculated that modern stores are expected to control the majority of the market by 2010.

Businesses in the field of **processed fruits and vegetables** are generally producing pickles, tomato paste and canned fruits and vegetables. Approximately 25% of the total tomato production (approx. 10m tonnes) is being processed. The market of processed fruits and vegetables is also highly export-oriented. There is, however, a high import of dried fruit & vegetables – and that could be the subject of a further study.

Import of vegetables

Despite importing US$79 m of vegetables, no single temperate vegetable is represented in sufficient quantities to provoke much interest – as is shown in table 21:

Table 21 Import values of some selected vegetables in Turkey, '000 US $,

	Potatoes	*Onions*	*Tomatoes*	*Garlic*	*Carrots*	*Pepper*	*Cucumber*
2005	1'121	32	31	25	13	6	1
2004	87	18	16	171	?	9	18
2003	409	25	9	1'416	5	44	?
2002	230	24	29	882	?	5	?

Source: (United Nations Statistics Division: comtrade.un.org).

89.5% (US$70.5m) of all imported vegetable products were processed (90% dried, 6.3% preserved and 3.7% frozen). Due to an all-year-round production, which is considerably higher than the domestic demand, the very few imports only cover some single gaps within this huge market.

Import of fruits

The situation with fruit is similar as is shown in table 22:

Table 22 Import values of some selected fruits in Turkey, '000 US $,

	Dates	*Apples*	*Grapes*	*Pears*	*Peaches*	*Cherries*	*Watermelons*
2005	3'941	3'007	3'003	185	141	82	50
2004	2'405	1'544	2'071	128	14	62	5
2003	1'731	1'377	2'190	46	7	?	32
2002	3'271	1'250	1'228	49	2	59	2

Source: (United Nations Statistics Division: comtrade.un.org).

Imports of temperate fruit are small compared with the size of the Turkish market. Imports in 2005 for the most important tropical and citrus fruit were bananas (US$61,597), oranges (US$11,247), kiwi (US$3,277), grapefruit (US$2,946), lemon (US$545), mandarins (US$399) & pineapple (US$327).

Import of planting material

Table 23 shows – by value – imports of planting material:

Table 23 Import values of some selected planting material in Turkey, '000 US $,

	Live plants	*Potato seeds*	*Trees, shrubs and bushes*	*Cuttings and slips*
2005	23'861	6'572	5'181	606
2004	16'699	5'770	3'307	461
2003	9'873	4'812	3'335	360
2002	7'988	5'535	2'197	177
2001	7'139	?	1'036	214

Source: (United Nations Statistics Division: comtrade.un.org).

Conclusion

Turkey as one of the main global players is a very competitive and export-oriented market. Due to a steadily economic growth during the past six years, the horticultural sector in Turkey is well developed. It does not appear to offer much potential for exports from Kosovo.

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Resources

Albanian Agriculture Market Information System (Albamis)

www.albamis.com

Albanian Center for International Trade (ACiT)

www.acit-al.org

United Nations Commodity Trade (UN comtrade)

www.comtrade.un.org

ANNEX I

The Market for fruit & Vegetable in Kosovo and Balkan Regional Market study –

Christian Fischer K-Horns consulting, August 2002

EXECUTIVE SUMMARY

The background for this study: Intercooperation (IC), a Swiss non-government organisation (NGO), mandated a market study for its Swiss Project for Horticultural Promotion in Kosovo (SPHP-K) which should focus on the Balkan regional market for fruit & vegetables (f&v), and the imports of these commodities into Kosovo. The study was finally contracted to K.horns consulting, a market research and marketing advice company, based in Munich, Germany. The international consultant who – in co-operation with the local SPHP-K team – accomplished the study was Christian FISCHER, an agricultural economist with professional experience in agricultural development in Central and Eastern Europe.

The study goals were "to get a picture of the main markets of the regions surrounding Kosovo, to know how they function, how they interact with other markets abroad, and finally to be able to analyse the chance of the Kosovo fruits & vegetables producers to access these regional markets and to compete against import in their own province" (see attached Terms of Reference (ToR)). As surrounding countries were specified the now independent states of the former Yugoslavia – ie, Slovenia, Croatia, Bosnia-Herzegovina, Federal Republic (FR) of Yugoslavia (Serbia and Montenegro), Macedonia – and the other Balkan countries Albania, Greece and Turkey. For all mentioned countries data on production, consumption, international trade and domestic distribution should be collected and analysed. In addition, production and marketing costs for major f&v in these countries should be assessed. Another research goal was to analyse in detail imports of f&v into Kosovo, and the interactions between primary importers and secondary distributors in order to be able to better understand of how these imports affect local production.

The methodology used for the regional part of the study was the analysis of sector-level data, mainly of international trade flows (ie, exports and imports) but also of national production and consumption of horticultural commodities. For the first part of the study – ie, the Kosovo local one – an interview survey of f&v import companies located in Pristina and other major towns in Kosovo was organised. The obtained primary data was then analysed mainly by using descriptive statistics.

The results from the Kosovo local part: the analysis of the official or otherwise available data on Kosovo's horticultural sector shows that the country is currently heavily import dependent and characterised by subsistence farming, the estimated value of which may even have exceeded official production in 2001. The survey findings confirm that (1) the market for fruit & vegetables in Kosovo and in surrounding areas is a very locally oriented one — ie, focused mainly on Kosovo, Serbia and Macedonia. Albania as a neighbouring country with strong ethnic links to Kosovo, however, does not seem to play a major role at present. (2) Product quality is the most important issues, at least for f&v importers. Although Kosovo's produce is believed to be, in principle, of good quality, there is still much scope for improvement. (3) Market organisation is still very basic in Kosovo, probably given the lack of a functioning legal business framework. Without trust, transaction costs are usually higher. In Kosovo, at the moment, business relationships seem to be very short-term and *ad hoc*, indicating a strong need for improvement of conditions. Overall, it becomes thus clear that Kosovo's producers are threatened by imports, in particular from its neighbouring countries and by commodities which the country produces by itself, but at a later stage during the season. When the local production comes finally on the market, prices are already low due to the existing surpluses. Nevertheless, there are indications that Kosovo's horticultural commodities could generally compete if production and marketing were managed more effectively.

The results from the Balkan region part: (1) there are clearly demand potentials in the neighbouring Balkan region for pears (US$8.3m annually) and to a certain extent also for apples. With regard to vegetables, the biggest regional demand exists for potatoes ($22.4m), lettuce ($7.3m), garlic ($4.2m) and dried beans ($3.8m), and a limited demand for tomatoes, carrots and potentially onions. Frozen vegetables are in short supply in Greece ($7.3m), Slovenia ($3.9m), Croatia ($3.0m) and Albania ($0.4m). (2) Prices are not the one and only criteria for export success but the analysis shows that Macedonia is most price competitive for both fresh vegetables and fresh fruit, followed by Turkey. Balkan countries which generally are net importers of f&v – ie, countries into which export opportunities exist – are Slovenia, Croatia, Bosnia-Herzegovina and Albania. Greece is a net exporter of fruit but a net importer of vegetables while both Macedonia and Turkey export large surpluses onto the regional market.

A final assessment of Kosovo's real regional competitive advantage as a f&v producer, taking into account issues as broad as climate, geology, geography, water availability etc and human capital related factors such as the current political and economical situation, the state of production assets, field sizes, current trade policy etc suggest that, at present and also very likely in the medium-term future, Kosovo will be having a hard standing to either compete against horticultural imports from neighbouring countries or to export into these markets, although export potentials clearly exist as this study shows.

Recommendations:

(1) from a commodity point of view, SPHP-K should focus its activities on those f&v which have been identified in this study as being in short supply (see above). Some of these commodities can be produced during the entire year in glass houses or plastic tunnels (eg, lettuce, tomatoes and carrots). Others, such as dried beans, garlic, onions and pears, cannot, in general, be produced cost-effectively all-year around, but they can be stored and supplied to the market in a more continuous way than it is done at present.

(2) It should be assessed in a systematic way whether additional storage facilities are needed and/or how the existing ones could be managed more effectively. This needs not necessarily be undertaken by SPHP-K but at least the project should try to convince stake holders in the ministry or at international donor organisations that both, under-glass production and more effective stock keeping will significantly contribute to stabilise prices and to assure a more continuous market supply from which farmers will benefit through higher incomes and consumers by a better availability of f&v during the year.

(3) The building of specialised institutions is another important task which needs to be achieved in order to promote economic development. Apart from government or other 'public' institutions there is also urgent need for private sector institutions and one of it is for example a new wholesale market in Pristina. Kosovo's produce cannot be effectively marketed if there is no or only limited access to sales channels. The study results confirm that the Pristina wholesale market is most important for the internal distribution of f&v. Therefore, Kosovo's producers must have a better presence at this market. The study results also show that business transactions still mostly occur on an *ad hoc* basis and a better trading infrastructure (with appropriate communication facilities, warehouses, transport agencies, office space etc) would contribute to the building of more trustful and thus lasting business relationships. Therefore, SPHP-K should engage in the design of the planned new wholesale market and should also engage in activities to assure that Kosovo's producers will be accordingly represented on this market.

(4) Regional production and marketing co-operations should be promoted. For example, Metodija STOJANOVSKI, executive director of Export Consortium in Skopje, Macedonia, suggested that he could imagine to market Kosovar blueberries into the EU where he is already serving an attractive high-price market segment. For a start, fresh blueberries could be transported to Macedonia and freezing and marketing will take place there. In the medium run, freezing may then also occur in Kosovo. Mr STOJANOVSKI is also a professional business trainer and training sessions could be organised with him. It is therefore recommended that SPHP-K engages in the building of intra-regional marketing networks.

(5) Capacity building and the creation of effective extension services is a final activity which seems to be crucial for the development of the horticultural sector in Kosovo. Although the formation of a general extension service is more a government task, SPHP-K, as one of the main foreign protagonists in the horticultural sector, could contribute to this process in providing a network of specialised international consultants which complement existing advisory services. The organisation of periodic expert round tables or workshops, strategy seminars etc could contribute to know-how transfer and information dissemination to and capacity building of local extension services and thus to the promotion of horticultural development in Kosovo. SPHP-K should thus engage directly in building such a network of international advisors and in the (initial) organisation of the just-mentioned events.