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AgBiz Program

Processed Vegetables Market Information Newsletter

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AgBiz Processed Vegetables Value Chain Support Accomplishments

The Processed Vegetables (PV) value chain (VC) plays an important role in Macedonian agribusiness. The industry is very export oriented, has continuously improved its performance in terms of increases in production and value of exports over the last decade and is very labor demanding. The VC consists of around 55 companies, and most participants produce final products packed in glass jars, but also in tins or plastic. A few have drying and/or freezing facilities, while the remainder have combined processing lines. The vast majority of participants are micro or small enterprises. In 2008, the industry purchased 68,300 tons of vegetables (or 91% of total purchases) and 6,800 tons of fruits (or 9%) for processing purposes. Red peppers are the most important raw material for the industry, representing nearly 50% of total raw material purchases or 34,500 tons in 2008. Between 2003 and 2008 the industry had a continuous increase in output, mainly due to increased demand for Macedonian processed vegetable products by foreign buyers, and domestic market growth resulting from strong penetration of retail chains and changes in the lifestyle of the local population, i.e., Macedonians buying more pepper-based products versus home processing.

USAID's AgBiz Program has supported 46 different customers in the VC by providing various types of export competitiveness enhancement such as 1) study tours to "Tutto Food" in Italy to increase participants' knowledge of EU market requirements on packaging, quality, labelling and food-safety standards; to Bulgaria to enhance participants' understanding of ways to utilize EU funding; to Turkey to improve participants knowledge of advanced processing technologies; and to Sweden and the Czech republic to find new markets; 2) organizing IPARD training sessions to help PV customers and their consultants became acquainted with the criteria needed to successfully apply for IPARD funding; 3) helping PV customers to successfully exhibit their products and boost their international sales at trade fairs such as in the US at the Chicago Fancy Food Show and in Koln, Germany at Anuga in each of the last three years, and in Novi Sad, Serbia; and 4) to present their products to HoReCa customers in Croatia.

These activities compliment the five PV customers' export expansion Projects supported by AgBiz, help make customers more competitive. That in turn results in increasing their market share in regional and EU markets and enabling them to start exporting to large wholesale and retail chains such as Kaufland and the Merkator Group.

The Macedonian Association of Processors, an AgBiz Partner Organization

Saso Risteski, Processed Vegetables Value Chain MAP's Representative

Dear Colleagues and Partners,

MAP is a trade association established in March 2002 with the overall objectives of further developing the fruit and vegetable processing industry, contributing to overall economic growth and to increasing employment in the Republic of Macedonia. The Association has no political character, is a non-for-profit organization and was registered in accordance with the law on associations of citizens and foundations in the Republic of Macedonia. MAP is currently a self sustaining, private association with 28 members who are the major producers and exporters of processed vegetables and fruits.

The main activities of MAP are:

- Increasing the competitiveness of Macedonian processed fruit and vegetables companies;
- Strengthening the potential of MAP members to enter foreign markets;
- Informing members about market trends and technology and legal issues;
- Coordinating business delegations and joint presentations at trade fairs;
- Lobbying to protect the interests of the processing industry;
- Establishing business communications with foreign companies and institutions;
- Strengthening cooperation with farmers and farmer associations; and
- Cooperating with private and public institutions, the business community and donor projects active in Macedonia.

Being experienced and knowledgeable about the Processed Vegetables value chain in Macedonia, MAP become a partner organization with AgBiz. A number of joint activities have been successfully implemented since then, which made AgBiz comfortable to contract MAP in September 2009 to coordinate AgBiz activities in support of the Proceed Vegetable Value Chain. So Processed Vegetables VC members are in essence deciding for themselves what kind of support they need from AgBiz.

I hope that this fourth issue of the AgBiz's Market Information Newsletter will generate new ideas and help bring us closer to our achievements, which we believe will benefit your business!

Improving Linkages Between Processed Vegetable Companies and their Primary Producers

Pepper Producer

Industrial Peppers

Pepper Processing

After the successful conference on "Shortcomings and Perspectives in Pepper Production, Processing and Export in the Republic of Macedonia" organized by AgBiz in partnership with Macedonian Agricultural Advisory Support Program (MAASP) and Supporting Farmer's Associations in the Republic of Macedonia (SFARM) in January '09, AgBiz, MAP and the Federation of Farmers of the Republic of Macedonia (FFRM) a year later organized a round table in Skopje focused on improving linkages between processed vegetable companies and their primary producers - including related MAFWE policy measures.

Boris Aleksiev, President of MAP (left) ;Mr. Perica Ivanovski Deputy Minister of MAFWE (central) and Vasko Hadzievski, AgBiz Policy and Institutional Reform Manager

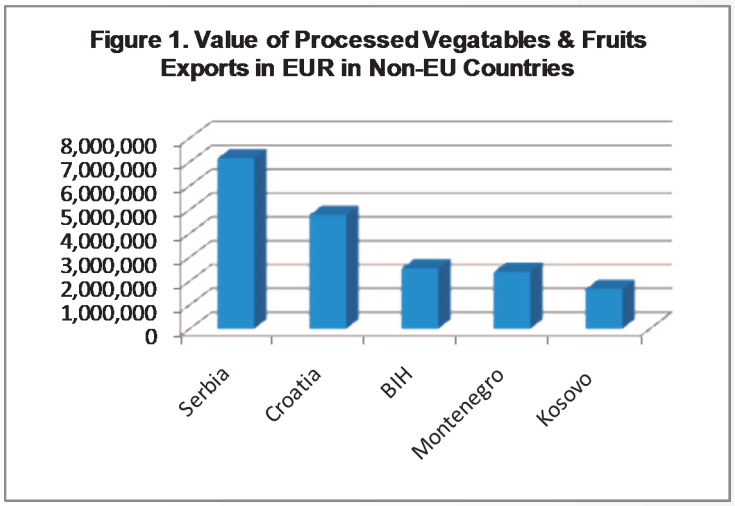
Since AgBiz plays an active role in developing the Proceed Vegetables Value Chain and believes that establishing a sound dialogue between VC stakeholders is a main precondition for reducing and/or eliminating existing problems related to raw material supplies and the competitiveness of the VC, this roundtable brought together all relevant participants at one time and in one place to discuss existing cooperation shortcomings, identify options for achieving enhanced cooperation such as contract farming, and the possibilities for additional support to this process such as MAFWE subsidies.

The constructive discussion that took place at the workshop made it clear that:

- Establishing effective cooperation and sustainable linkages between processors and producers with the active involvement and support from MAFWE could stimulate significantly more widespread use of contract production arrangements between producers and processors, and reduce the frequent shortages or oversupplies of certain vegetables products that have been experienced in the past;
- Production contract arrangements are standard practices in countries with a developed agribusiness sector, and will further enhance the competitiveness of Macedonian processed vegetables VC participants, both processors and the producers; and
- Participants understood the current policy of MAFWE, the processors expressed their interest in improving their cooperation with primary producers and the primary producers expressed their willingness to support contract farming. MAFWE agreed to take the lead in coordinating this process and organize a second meeting (held on 29 March) to discuss these findings in more detail and identify the next steps.

The event was attended by 35 participants, including representatives of vegetable processing companies, farmers' associations and unions, MAFWE, the Faculty of Agriculture and Food Science and USAID's AgBiz Program.

Market Information on Macedonian Processed Vegetable Exports



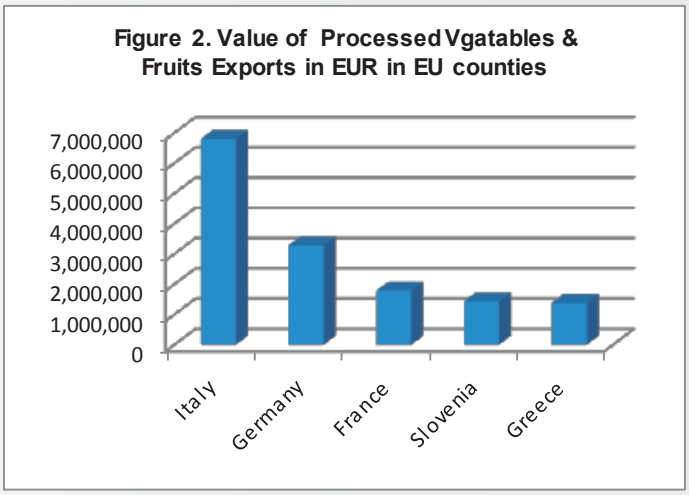
Source: Macedonian Association of Processors (MAP)

Figure 2 shows the top five EU importers of Macedonian PV&F. Italy, with 36.8% of the total value of non-former Yugolslav exports, is the largest importer of Macedonian PV&F commodities of all 19 countries in which Macedonian processed vegetables exporters are selling their products. German customers imported 17% of the total value, and France, Slovenia and Greece customers imported 9% each.

According data obtained from MAP, the total quantity of processed vegetables and fruits (ajvar, lutenica, roasted peppers, peppers in vinegar, mixed salads, etc.) from Macedonia in 2009 was 33,557,205 kg worth over €39 million.

The largest portion of total exports, €21 million or 54%, were to ex-Yugoslav markets (see Figure 1), and less (€18.5 million or 46%) to overseas countries such as Australia, the US, Switzerland, Canada, Albania, Norway, Russia and the Ukraine.

Serbia continues to be the largest importer of Macedonian processed vegetables & fruits, accounting for 33% of the total value of exports, followed by Croatia (22%), Bosnia & Herzegovina and Montenegro with 11% each and Kosovo with 7.8%.



Source: Macedonian Association of Processors (MAP)

Macedonian Processed Vegetables Exporters Exhibit at the World's Largest Food Trade Fair

Through its AgBiz Program, USAID supported eleven Macedonian vegetable processing exporters including Bonum Plus, Vipro, Tehnoalat Komerc, Konimex; Univerzal-promet; Dentina; Ksenos; Lars; Dim Komerc; Medium Export and Altra to exhibit their products at the International Trade Fair for Food and Beverages "ANUGA 2009" held from the 10th to the 14th of October 2009 in Koln, Germany.

"*This is the fourth time that we have participated in this important international trade fair. ANUGA is the main communication and purchasing platform for food companies in Europe, and therefore it is very important for Macedonian vegatable processors. The last Fair was visited by more then 160,000 people from 174 countries, and this year 6,522 suppliers from 97 countries exibited at ANUGA with the world's largest range of food products and beverages. ANUGA itself involves ten specialised trade fairs.*"; said Sasho Risteski, the AgBiz Processed Vegatables Value Chain MAP's Representative.

Macedonian processors were positioned in hall No.1 (fine food) and hall No.4 (frozen food). The average number of business contacts per company was 85, out of which 5 -10 % were regarded as serious, with the potential for concluding business deals. At the fair were identified 24 new customers. The majority of business contacts was with importers/ distributors from Germany, USA, Canada, Australia, Austria, France, Switzerland, Serbia, Montenegro, Sweden, Russia and Croatia.
As a direct result of Anuga trade fair participation, PV companies received new orders from customers in Romania, Bosnia and Herzegovina, Sweden, Germany, Hungary, Holland, Croatia, Slovenia worth more than US$2 million.
The total cost of the trade fair was US$112,044, and the AgBiz Cost Share was 8%.

Representatives of Processed Vegetables Companies in the Macedonian Booth at Anuga

Macedonian Processed Vegetables Exporters Visit the Czech Republic

Tasting Macedonian Products at the Czech Promotional Event

In partnership with MAP, USAID's AgBiz Program supported ten Macedonian processing companies to visit several retail stores in Prague and its surroundings including Tesco, Makro, Billa and Globus. The Czech Study Tour took place between January 26th and 29th. The largest Macedonian pepper-based processed products exporters had an opportunity to identify the most relevant product ranges, prices, type of packaging and labeling; to present their products at the event organized in cooperation with the Macedonian Embassy in Prague; and afterwards to meet their potential customers and discuses sales opportunities.

After the event, the 40 invitees and potential customers had an opportunity to taste the products and hear how the Macedonian representatives produce their products, how they are consumed and the raw materials and technology used in the production processes. Present at the event were representatives of food importers from the Czech Republic, the Czech-Macedonian Chamber of Commerce, and traders with Macedonian origins interested in starting importation of Macedonian processed products.

"*This was the first organized and professional appearance of Macedonian vegetable processing companies in the Czech market. We were very pleased that we had a chance to introduce home style ajvar and lutenica, and to hear such positive comments about our products. The Czech market for Macedonian processed vegetable products is a very interesting possibility for further exploration.*" said Mr. Slavco Jordanov, owner of KIM company.

The total cost of this activity was US$16,243 and the AgBiz cost share is 38%.

Relevant Events

- **Fruit & Vegetables of Ukraine Exhibition & Conference 1-3 December 2010**

http://www.biztradeshows.com/trade-events/fruit-vegetable-ukraine.html

- **World Tomato Congress and ISHS Symposium in Estoril Portugal in 20th/23rd June 2010**

http://www.wptc2010.com/exhibition.php

- **Taiwan Food Products & Equipment Fair, 26-29 November 2010**

http://www.biztradeshows.com/trade-events/taiwan-foodproducts-equipment.html

- **Anuga Trade Show, 8-12 October 2011**

Backward Linkages Highlights

In March 2010, AgBiz developed an "Assessment of AgBiz Value Chains Participants' Use of Backward Linkages" to identify the lessons learned, best practices and specific future activities that will support the establishment of sustainable linkages between AgBiz customers and their producers.

The Assessment interviewed representatives from 27 entities, including processors, traders, consolidators, exporters and variety of producers in value chains in which AgBiz is active. Both sides of contractual arrangements were interviewed to provide feedback on all perspectives of contract production.

The report itself is very comprehensive and detailed. To familiarize our readers with the results of the Assessment some of the key findings are presented here.

Macedonian producers include individual, small-scale, subsistence farmers (80%) and legal entities (20%). There are 192,378 individual farming households in the country, with a total of 476,613 residents involved in full or part time agricultural production.

Contract farming in Macedonia was well known in the previous centralized planning system, thus is not a novelty for Macedonian producers and some of their buyers. Many attempts to reintroduce contract farming were made in the last 10 years, which resulted in many defaults.

For all crops 68% of purchase agreements with producers are verbal, in 23% of the cases there is no contract and only 9% of the time are written contracts used. Of the few written contracts 88% are for raw materials purchased by processors and only 12% for products consumed as fresh. 75% of all written contracts are between processors and their growers. Wine grapes, peppers and gherkins are the crops most often covered by written contracts. The more advanced and entrepreneurially oriented buyers support producers with inputs on credit, and provide flexibility in dealing with their farmers.

75% of buyers are dissatisfied with the adherence of producers to quality provisions in production contracts. 87% of producers and 69% of the buyers agree that they are not adhering to the payment conditions agreed in production contract. So there is a substantial need for improvements in both production contract contents and compliance with agreed contracts.

Currently, the State does not play a significant role in the arrangement and implementation of contractual obligations, nor in settling the many contract farming-related disputes. However, in the last two years there has been increased interest on the part of MAFWE, mostly as related to State subsidies.

The Assessment includes a list of recommendations for AgBiz interventions to enhance contract farming, and how MAFWE can take an active role in enhancing contract production and regulating the obligations between contracting parties.

To download complete report please visit: www.agbiz.com.mk

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