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Ministry of Trade and Industry

AGRICULTURE AND FOOD PROCESSING INDUSTRY

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Contacts:

Ministry of Trade and Industry

Perandori Justinian Nr. 3-5

Qyteza Pejton

10000 Prishtinë, KOSOVO

Tel.: +381 (0) 38 200 36010

Fax.: + 381 (0) 38 212 807

Web: www.mti-ks.org

Investment Promotion Agency of Kosovo

Perandori Justinian Nr. 3-5

Qyteza Pejton

10000 Prishtinë, KOSOVO

Tel. & Fax.: +381 (0) 38 200 36041

Email: info@invest-ks.org

Web: www.invest-ks.org

Investment Promotion Agency of Kosovo - Office in Vienna Implemented by Economic Initiative for Kosova (ECIKS)

Nussdorfer Strasse 20/23

A - 1090 Vienna, AUSTRIA

Tel: +43 (0) 1 890 50 26

Fax: +43 (0) 1 890 50 26 26

Email: info@ipak-vienna.org, info@eciks.org

Web: www.ipak-vienna.org, www.eciks.org

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1. Kosovo – a general overview

Dear Investor,

In previous years, Kosovo has made remarkable progress in establishing the foundations of a modern market-led economy. The real economic growth in 2007 is estimated by the IMF to be over 3.5 percent, thereby outperforming the 3.1 percent growth of the previous year. The really good news is that the main engine behind this growth is the SME sector, which is gradually becoming the backbone of the Kosovar economy. The macroeconomic stability is maintained continuously with an inflation rate below 2 percent and a continued increase in exports.

The inflow of FDI is also rising. Estimations indicate that in 2007 alone, some 300 million Euros were invested in Kosovo. Among foreign investors operating profitably in Kosovo are Raiffeisen, Uniqa, Vienna Insurance Group, Xella, BNP Paribas, Telekom Slovenia, Holcim, Nova Ljubljanska Banka, Strabag etc.

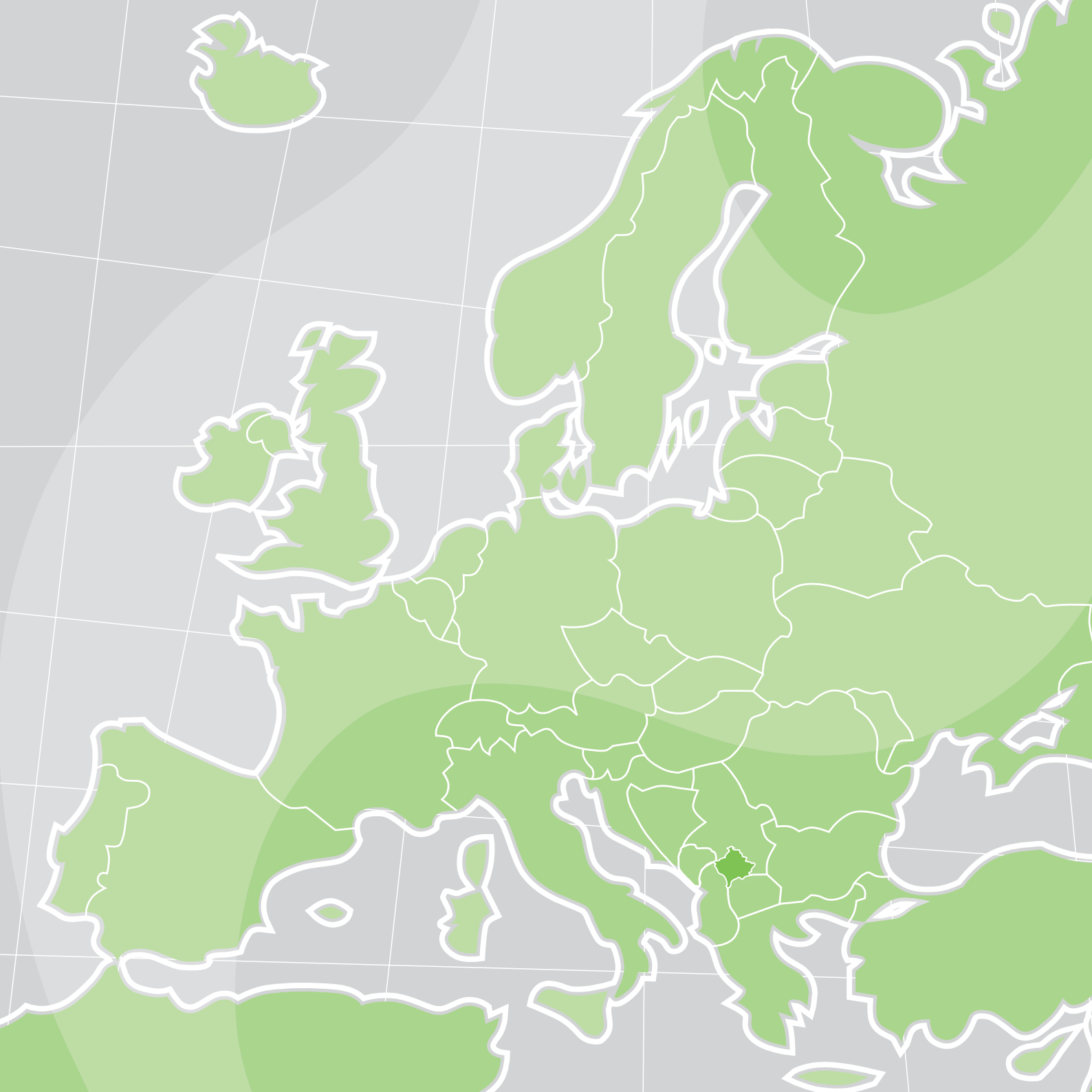
Great investment opportunities will also be available in the years to come. The Government of Kosovo is planning to proceed with the project for the construction of the new power plant Kosova C, an investment amounting to 3.5 billion Euro. In addition, the privatisation process will continue, offering great opportunities in the sectors of agriculture, tourism, energy, mining, and metal processing. Kosovo is planning to invest 1.3 billion Euro for the construction of new highways to Albania, Serbia, and Macedonia, and has announced the privatisation of the mobile telephone network operator Vala.

With the independence declaration of Kosovo and the subsequent international recognition, the last obstacle for economic development and thus the continuous inflow of foreign investments has been removed. Now, in Kosovo, it is all about the economy. And we are ready to tackle all the challenges Kosovo faces in this area.

The Investment Promotion Agency of Kosovo, including its office in Vienna, is increasing its promotional activities and investment facilitation processes and will be at your service. Welcome to the New Kosovo.

1.1 Kosovo at a glance

Geography	<ul style="list-style-type: none"> • Land area: 10,908 km² • Terrain: Low flood plains throughout central Kosovo, surrounded by mountains to the north, west and south. • Land Use: 53% agriculture, 39% forests • Largest City: Prishtina - est. pop. 500,000
Population	<ul style="list-style-type: none"> • Population Description: approximately 2.2 million people composed of about 90% Albanian, 5% Serbs, 2% Muslim Slavs (Bosniaks, Gorani), 2% Roma and 1% Turks • Distribution: 42% urban, 58% rural • Diaspora: app. 500,000 people living abroad. • Languages: Albanian, Serbian, English
Economic Description	<ul style="list-style-type: none"> • Currency: EURO, GDP 2007: € 2.378 billion, Per capita: € 1,150 • Inflation: since 2004 close to 0 percent, 2007 – 2% • Financial Sector: Two tier Banking System consisting of Central Bank of the Republic of Kosovo and 8 private Banks, 9 Insurance companies and 2 pension schemes • Enterprises: 87.960 SME in 2008, app. 47% of total SME engaged in trade industry. 500 Socially Owned Enterprises of which 300 already privatized • Budget: In 2008 totalling app. 1,090 € million. • Tariff duties: Customs duties: 10% on imports; Excise tax on fuel, tobacco alcohol and luxury goods. No duties and taxes on exports. • Taxes in place: VAT 15%, Corporate Profit Tax 20 %, Personal Income Tax progressive max. 20% (tax reform in process) • Free trade: Customs-free access to the EU market based on the EU Autonomous Trade Preference (ATP) Regime, Central European Free Trade Area – CEFTA • Location factors: Competitive and well educated workforce, enviable natural resources (mining, agriculture), low taxes and a transparent tax system, high purchase power through remittances (app. 400 million € annually), customs free access to the EU market and CEFTA members market
Legal Framework	<ul style="list-style-type: none"> • Applicable Law: Laws of the Republic of Kosovo; UNMIK Regulations, Instructions and Administrative Directions; The law in force on 22 March 1989 • Regulations available at: • http://www.assembly-kosova.org • http://www.unmikonline.org/regulations/unmikgazette/index.htm



2. About Kosovo

Located in the heart of the Balkans, Kosovo is a connecting bridge between the countries of South Eastern Europe. Through its unique geographical position and its liberal trade regime, it offers instant access to the interesting and growing market in the Balkans and Central Europe, comprising 100 million potential customers.

Kosovo's capital Prishtina is within one hour's distance of driving to any neighbouring country (Albania, Montenegro, Macedonia, and Serbia), thereby providing a connection for all countries in the region.

Road network: The road network consisting of 630 km of main roads has been rebuilt to a high extent during the past years, but some completely new roads have also been built. With the planned construction of the highway that will connect Kosovo with Albania on one side and with Serbia on the other, Kosovo is becoming an important gateway in the corridor that will connect the Adriatic Sea with Western Europe.

Railway: The railway network in Kosovo has a combined length of 330 km. It covers the entire territory, connecting both the south with north and east with west. On the south side as well as the north side the railway line provides access to the international railway network. The ongoing rehabilitation and modernisation of Kosovo railways is providing a solid base to satisfy the growing demand on logistical services.

Air communication: Besides the road and railway network, Kosovo has a modern international airport. With over one million passengers per year, Prishtina International Airport is ranked under the most frequented airports of the region, serving several international airway lines and offering flights to the most important European centres.

Regional Centre	Travelling Distance (km)
Skopje	86
Sofia	279
Thessaloniki (port city)	312
Tirana	330
Belgrade	355
Durres (port city)	355
Sarajevo	390
Bar (port city)	570
Zagreb	741
Budapest	747
Vienna	938

3. Investment Environment

Modern, EU-compatible legislation, including “National Treatment” for foreign Investors

Since 1999 Kosovo’s legal system has been re-built. While other countries in the region are having to undergo the difficult and complicated procedure of bringing in excess of 80,000 laws into line with European Union regulations, Kosovo has already started this procedure and is in the process of adopting totally EU compatible legislation.

In order to put in place certain legal guarantees that are necessary to encourage foreign investment, in April 2006 the Government of Kosovo has promulgated a Law on Foreign Investment. According to this regulation, foreign investors are to be governed by the principle of national treatment, meaning that foreign enterprises will be treated no less favourably than similar domestic enterprises.

Quick and simple business registration

The clause of non-discriminatory treatment applies also to the procedures needed to start up a business. Thereby no other country in SEE can outperform Kosovo in its ability to allow businesses to enter the market. Registering a business in Kosovo is both simple and inexpensive. Depending on the type of business, it takes between one and three days to register a business, with a maximum registration cost of 20 Euro. Registered businesses are required to sign up with the Ministry of Finance’s Tax Authority to obtain a VAT number. Obtaining a VAT number normally takes eight days. For import-export activities businesses need to register with the Customs Office to obtain a customs number. This procedure can be completed within one day upon the presentation of the VAT number to the Customs Service.





Young, educated, multilingual, dynamic population with high entrepreneurial spirit

With 70 percent of its population being under 35 years of age, Kosovo has the youngest population in Europe. Albanian and Serbian are both official languages in Kosovo, with English being only just short of an official language due to the high long-term international presence. Accordingly, the number of English-speaking Kosovars is far above the regional average. About 25 percent of Kosovars live in the European Union, mostly in German-speaking countries. Their connections to Kosovo, including business links, are permanent. Therefore Kosovo is by far the most multilingual society in the Balkans. The school and higher education systems have been reformed in recent years lending great emphasis on the quality of education, and thus creating the basic preconditions for the creation and development of a knowledge based society. With approximately 30,000 students at the two state universities, and at least 10,000 students studying at private universities and colleges, a sufficient stream of highly educated labour is guaranteed. Any foreigner who has visited Kosovo will confirm the exceptional dynamic and entrepreneurial spirit of the Kosovars.

Competitive, flexible and well skilled labour force

The average gross wage in Kosovo is a little more than 230 Euro. Furthermore, wages in Kosovo are unburdened by costly social contributions, unlike those in other countries of the region. The only mandatory contributions are for individual pension savings accounts, financed by the employer (5 percent) and the employee (5 percent) contributions on total gross wages paid. Having had to survive the destruction of the economy during the 1990s, many Kosovars have established smaller workshops and private businesses spreading across various sectors. In addition, together with the international community, the Kosovo Government has established vocational training programs, which benefit workers and employers, thereby developing a highly-skilled labour

force for potential investors. The Labour Law in Kosovo does not stipulate any specific requirements for foreigners wishing to enter into a contract of employment. As a consequence of the liberal labour market regulations, work permits can be freely obtained for foreign employees from the tax administration where the business is located.

Sound banking system

During recent years, Kosovo's financial sector has been re-built from scratch. The Central Bank of the Republic of Kosovo (CBK), established in November 1999, is an independent body which successfully regulates the banking and insurance sectors. There are eight licensed banks, two pension funds, 16 other financial intermediaries, 27 financial auxiliaries and nine insurance companies in Kosovo, including the Austrian Uniq and Vienna Insurance Group. Six out of eight banks in Kosovo are foreign-owned, including the Pro Credit Bank, established upon the initiative of several leading international financial institutions, Raiffeisen Bank of Austria, Nova Ljubljanska Banka, BNP Paribas, Banka Kombetare Tregtare and Komercijalna Banka. All banks and insurance companies are privately run.

Currency: EURO

Kosovo adopted the Euro as its official currency on 1 January 2002, thereby eliminating currency and exchange rate risks. In particular, the Euro has given Kosovo a considerable advantage over its competitors in the region by making it more attractive to foreign investment and by bringing financial and macroeconomic stability that many countries in the region still lack. In addition, it has allowed Kosovo to offer the lowest transaction costs in the region.



Modern Telecommunications

Kosovo offers modern telecommunication systems, similar to those in other developed EU countries. There are three fixed and two mobile telephony operators, offering the latest and most modern technologies, including VoIP, GPRS, etc. Three main internet service providers offer stable and broadband internet, including DSL, wireless, and cable, with lower prices than in any other European Country. According to the Cullen International Country Comparative report, with 15.3 percent of the population regularly using the internet, Kosovo has one of the highest usage rates in the region.

Liberal trade regime

Kosovo has a liberal trade regime and derives three major benefits from the trade liberalisation, namely improved export possibilities, a better investment environment and stable relations with its neighbours. Kosovo signed the Central European Free Trade Agreement (CEFTA) in December 2006. As part of CEFTA, Kosovar exporters enjoy a duty free access to the regional market comprising over 30 million consumers.

In addition, Kosovo benefits from non-reciprocal, customs-free access to the EU market based on the EU Autonomous Trade Preference (ATP) Regime (EU Council Resolution 2007/2000). Quantitative and qualitative restrictions remain in force only for a very limited number of goods.

Taxation

Kosovo's tax policies are streamlined and efficient. Unlike many other countries in the region, Kosovo has laid out a taxation system that is simple and that reduces the tax burden for individuals and businesses. Compliance is straightforward and taxes are few. Furthermore, the Government is introducing tax incentives to support domestic production.

Value Added Tax

The Value Added Tax (Regulation No. 2001/11) is applied to all importers and businesses with an annual turnover in excess of 50,000 Euro. A common VAT rate of 15 percent is levied on all goods and services, although certain agricultural and capital goods remain VAT exempt. Exporters receive a full VAT rebate.

From January 2009 the VAT rate applicable in Kosovo will be 16 percent.

Corporate Income Tax

Depending on annual income, domestic legal entities and permanent establishments of foreign legal entities are taxed as follows (Regulation No. 2004/51):

Annual income € 0 - € 5,000	24.5 € / quarter
Annual income € 5,001 - €50,000	3-16% of income
Annual income > € 50,000	20% of income

Corporate income tax is paid on the basis of quarterly net income predictions.

With the new tax reform Kosovo has introduced a flat corporate income tax of 10 percent. The new tax rate will be applicable from January 2009.



Personal income tax

Personal income tax (Regulation No. 2004/51) applies to natural persons receiving income from Kosovo sources and also to foreign incomes, received by Kosovo residents. The rate of personal income tax depends on annual income and ranges from between zero percent and 20 percent. Will the new tax reform the personal income tax rate will be decreased to between 0 and 10 percent.

Annual income € 0 - € 960	0%
Annual income € 960 - € 3,000	5% of the amount over € 960
Annual income € 3,001 - € 5,400	€ 102 + 10% of the amount over € 3,000
Annual income € 5,401	€ 342 + 20% of the amount over and above € 5,400

Customs

Kosovo is an independent customs entity with a liberal trade regime. The general tariff rate is currently at 10 percent for imports and zero percent for exports. Exemptions exist for a range of capital and intermediary goods and raw materials, but also for pharmaceutical goods, which are zero rated. With these policies, Kosovo is certainly the most advantageous tax environment in the wider region.

The Customs Code of Kosovo is based on the EU customs code and is fully WCO compliant. In addition, it provides for a number of business friendly trade-facilitating instruments such as:

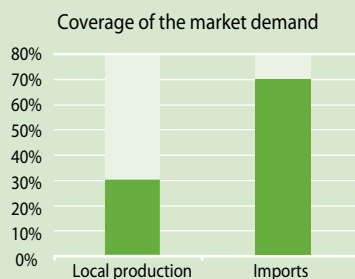
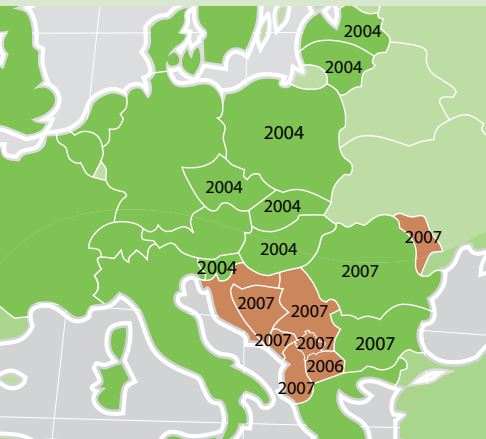
- Inward processing relief
- Processing under customs control
- Temporary admission
- Outward processing

4. Foreign companies in Kosovo

5. Opportunities – Agriculture and food processing industry

Benefits for potential investors



High yields - due to a beneficial climate, natural conditions and/or soil composition, the environment in Kosovo offers suitable conditions to potential investors wishing to achieve high yields in various sub-fields of agriculture and livestock farming

Low cost of production – taking into consideration that wage levels in Kosovo are below the regional average, and that the cost of agricultural inputs are competitive, one of the main advantages of agricultural supply and livestock-farming in Kosovo is its low level of cost. Not only is basic labour available at low rates, but there is also a large pool of highly skilled workers available at reasonable cost.

Free access to the CEFTA and EU market – Through its central position in the Balkans and its liberal trade regime, Kosovo offers potential investors a favourable place from which products can be exported, free of any customs duties to the CEFTA and EU-markets.

Import substitution - currently the demand for agricultural products in Kosovo is higher than local supply can satisfy. In addition to the opportunities for export therefore, there is huge potential to fulfil local market needs.

6. Sector Specific Content

Kosovo is well endowed with agricultural land. Out of the total surface of 1.1 million ha approximately 580,000 ha, or 53 percent, is agricultural land.

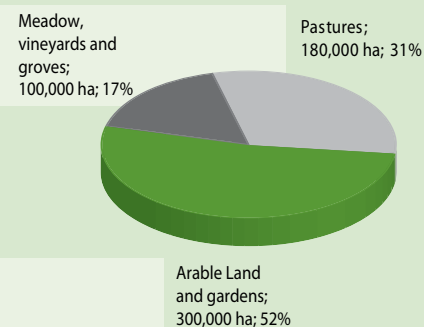
With some 60 percent of the population living in rural areas, and with the majority of these people working in the agricultural sector, Kosovo has a long tradition in this area. This sector currently contributes with 19 percent to the GDP of Kosovo and is the main source of income for the majority of the population. It provides roughly 42 percent of total employment (World Bank estimate) and accounts for 16 percent of the value of exports.

The arable land in Kosovo is considered to be of good quality. Combined with the temperate climate that prevails throughout the country, very good conditions for agricultural production exist (see Appendix for meteorological data). Due to its fragmentation, the arable land in Kosovo is particularly suitable for high value crops, such as fruits and vegetables. In addition, the “socially owned” land that amounts to some 10 percent of the total arable land surface, can be used for the cultivation of low value crops. The “socially owned” land can be acquired through the ongoing privatisation process with relatively low financial means.

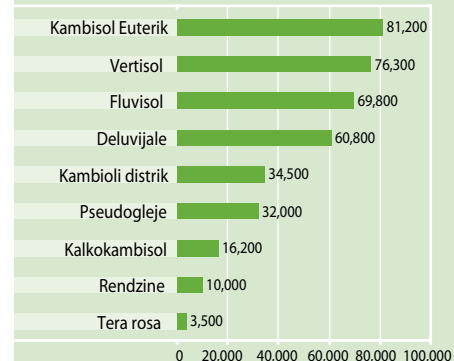
Agriculture in Kosovo currently includes approximately 1,800 cooperatives and commercial farms (both private and public) and 143,000 rural households, 70 percent of which are defined as farms with an area larger than 1 ha.

The average agricultural area per household is 3.2 ha. Farms with an area of 0.5 – 2.0 ha dominate the agricultural sector, while only 8 percent of arable land is divided in units amounting to more than 10 ha.

Structure of agricultural land



Types of land in ha





6.1 Industrial Policy

Kosovo is a massive importer of agricultural products. Annual agriculture imports amount to 384.6 Million euros, corresponding to 24.4 percent of total imports. (2007 figures)

Although currently some 70 percent of the needs of Kosovo's population for agricultural products is met by imports, the agricultural sector has the potential to be able not only to substitute imports and assure adequate food supply for the population, but also to export its products.

In order to improve the competitiveness of the sector against foreign products and consequently stimulate local production, the Government of Kosovo has recently introduced various incentives for local producers.

The zero percent tariff rate for most agricultural inputs and capital goods, together with VAT exemption for a wide range of agricultural inputs, have been designed to strengthen local production and enable it to compete with foreign producers.

The promotion of the product processing businesses, support for exports, the transfer of know-how and simple access to favourable financial means are some further steps that, together with sufficient investor interest, can turn around this segment of Kosovo's economy and lead to the creation of a large export business.

6.2 Vegetable sector

6.2.1 Primary production

Based on employment figures, productivity, and income and exports potentials, the vegetable sector is certainly one of the most important agricultural sectors in Kosovo.

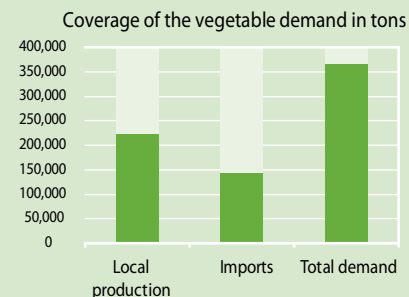
Land being cultivated for the growing of vegetables shows a trend of continuous increase, amounting on average between 26,000 and 28,000 ha per year.

During 2006, vegetables were grown on approximately 22,000 ha of land. The main vegetable production areas remained in the traditional agricultural gardens of Kosovo, in the regions of Dukagjin and Anamorava.

The vegetable sector in Kosovo is dominated by small private farms with an average area of less than 2 ha. Usually vegetables are produced for own consumption whilst the surplus is sold on to well organised local retail and wholesale markets. In order to ensure high transparency within the vegetable market, local institutions have built a central database that monitors vegetable prices on a daily basis across Kosovo.

Based on its production structure, the supply of vegetables originates mostly from fields (91 percent). Due to a higher yield and independence from the affects of weather, Kosovar farmers are increasingly using greenhouses for the cultivation of vegetables. To date, in comparison to 2004, an increase of 400 percent on greenhouse areas has been observed. Greenhouse areas used for vegetable crops currently cover a total area of 201 ha.

Taking into consideration the great importance of vegetables in its local cuisine, Kosovo has a relatively high annual consumption of vegetables at 146 kg per capita, with the total annual market demand being 365,000 tons. Local production currently satisfies approximately 60 percent of this demand, while the supply for the balance depends on imports (-143,000 tons per year).





Different vegetables:

Potatoes

Total local production: 210,247 tons/anno

Average yield: 30 tons/ha

Grown on: 6,604 ha

Main areas: Vushtrri, Lipjan, Suhareka, Klina.



Cabbage

Total local production: 64,632 tons/anno

Average yield: 41.3 tons/ha

Grown on: 1,563 ha

Main areas: Podujeva, Peja.



Cauliflower

Total local production: 3,020 tons/anno

Average yield: 31.53 tons/ha

Grown on: 95.7 ha

Main area: Podujeva.

Green onions

Total local production: 2,284 tons/anno

Average yield: 16.78 tons/ha

Grown on: 136 ha

Main area: Rahovec.



Dried Onions

Total local production: 29,682 tons/anno

Average yield: 14.51 tons/ha

Grown on: 2,044 ha

Main areas: Rahovec, Deçan.



Tomatoes

Total local production: 55,671 tons/anno

Average yield: 35.08 tons/ha

Grown on: 1,638 ha

Main areas: Peja, Deçan, Rahovec



Cucumbers

Total local production: 19,582 tons/anno

Average yield: 37.33 tons/ha

Grown on: 575 ha

Main Areas: Rahovec, Peja, Prizren.



Green peppers

Total local production: 109,547 tons/anno

Average yield: 24.61 tons/ha

Grown on: 4,449 ha

Main Areas: Rahovec, Suhareka.



6.2.2 Processing industry

Kosovo has a long tradition in vegetable processing. A variety of processed vegetable types are an integral part of every household's food chain. Preparation methods usually date from family ancestors, having been passed from generation to generation. Although exact figures of processed vegetable production in private households are not available, it is estimated that a significant amount of processed vegetables are being produced in house and for own consumption.

At the same time, the industrially processed vegetable consumption in Kosovo amounts to 1.5 kg per person per year, with the total market demand being 3,150 tons annually. The pre conflict capacities of vegetable processing in Kosovo amounted to 14,000 tons. Given the available traditional know-how, the Kosovar diversity of processed vegetable products covered therefore not only the local market, but was also an important export figure.

Currently, the former socially owned companies in this field are not active. The new private companies have started their activities in recent years and their production is showing a significant and continuous increase. The majority of local processors are still relatively small and able to cover just a minor part of the processed vegetable demand. According to estimations, local processors cover just some 30 percent of local market needs, with the balance being imported.

Taking into consideration the low prices of primary products, this field is very profitable and has the potential to expand into foreign markets. Recognising the potential, some foreign companies have already started cooperation with local partners and are using Kosovo's friendly tax and customs system in order to offer competitive products in their European markets.

6.3 Fruit Sector

6.3.1 Primary production

Pomology, as a field of agriculture, has a long tradition in Kosovo. The favourable geographical scope and climatic conditions that prevail in Kosovo have enabled the growth of various types of fruits since ancient times.

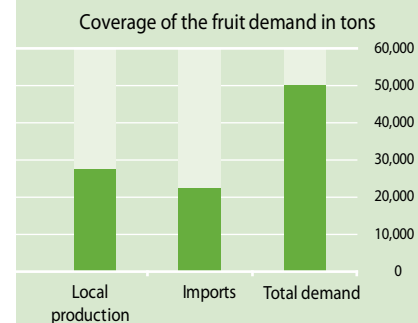
Modern fruit production in Kosovo achieved its peak during the 1980s when 12,000 ha were used for the growth of fruit. Compared to other fields of agriculture and based on the area used, pomology remains a less important field covering just some two percent of the total agricultural land.

In 2006 fruits were grown over an area of 2,414 ha, with the majority of fields privately held. In order to overcome the problems caused by the high fragmentation, private farmers have already joined or are in the process of joining more and more cooperatives, enabling a greater output of products and maintaining consistently high quality.

Taking into consideration that the average annual fruit consumption in Kosovo is 20 kg per person, Kosovo's total market demand for fruit is estimated at 50,000 tons. Total local production currently stands at 27,473 tons meaning that some 46 percent of demand is being covered by fruit imports.

Apart from household consumption, fruits are also an important input for the processing industry. There are plenty of private farmers that grow and use fruits solely for the production of spirits for which Kosovo is well known.

A wide variety of wild fruits grow in Kosovo which are especially suitable for beverages (tea) as well as medicinal purposes.





Different fruits:

Pears

Total local production: 14,977 tons/anno

Total amount of trees in production age: 493,000

Average yield: 30 kg/tree

Grown on: 141 ha

Main areas: Peja, Deçan, Lipjan.



Apples

Total local production: 61,300 tons/anno

Total amount of trees in production age: 1,374,599

Average yield: 45 kg/tree

Grown on: 608 ha

Main areas: Shtimje, Peja, Klina, Istog.



Sour Cherries

Total local production: 3,463 tons/anno

Total amount of trees in production age: 257,737

Average yield: 13 kg/tree

Grown on: 194 ha

Main areas: Gjilan, Gjakova, Istog.

Plums

Total local production: 25,017 tons/anno
Total amount of trees in production age: 950,957
Average yield: 26 kg/tree
Grown on: 470 ha
Main Areas: Gjilan, Klina.



Watermelons

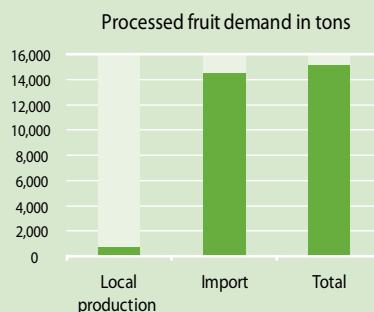
Total local production: 41,432 tons/anno
Average yield: 30.53 kg/tree
Grown on: 1,357 ha
Main Areas: Gjakova, Kamenice, Rahovec, Prizren.



Melons

Total local production: 11,947 tons/anno
Average yield: 23.25 tons/ha
Grown on: 514 ha
Main areas: Rahovec, Suhareka , Prizren.





6.3.2 Processing industry

The annual consumption of processed fruit in Kosovo is estimated at six kg per person, giving a total annual market demand of approximately 15,000 tons.

Similar to the vegetable processing industry, Kosovo had a fruit processing capacity of 30,000 tons before the conflict, and was therefore able to cover not only local market demand but also to expand to foreign markets.

The capacities of the fruit processing industry are currently not significant. Initial movement in this field has only been seen in very recent years. Some small processors have started to produce fruit products such as jam, fruit salads etc. In addition, small family owned businesses also use fruit waste to produce traditional hard liquor called “raki”.

Taking into consideration that some 96 percent of the local market demand for processed fruit products is met by imports, there is a huge opportunity for foreign companies in this field. Apart from serving a market for products used in household and gastronomy, undoubtedly a very important and profitable field for foreign companies is the market for beverages.

Almost 100 percent of the concentrates used for the local beverage industry is still being imported. With cost benefits and existing know-how, foreign companies could therefore immediately take advantage of this flourishing prospect.

6.4 Cereal - Wheat and Fodder crop sector

Cereals (wheat, maize, barley) are the main cultures that cover the major part (70 percent) of cultivable land in Kosovo, categorised as arable land and gardens.

Wheat is the most important local cereal culture. It is grown on an area of 75,273 ha with an average yield of 3.33 tons per ha. There are approximately 70,000 farms engaged in wheat production and subsistence farmers with an area < 1.5 ha, are responsible for 55 percent of domestic wheat production, semi-commercial farms produce 29 percent of the crop and commercial farmers 16 percent.

Due to the fact that wheat flour products are an integral part of each household meal, Kosovo has a relatively high annual wheat flour consumption of approximately 4,440,000 tons. These figures also explain the high local wheat production which is processed locally in its entirety, covering some 60 percent of total demand. Kosovo has very low production costs for wheat (0.12 Euro/kg) making the locally processed wheat very competitive versus imports.

The annual total production of maize is 328,174 tons. It is grown on 67,904 ha with an average yield of 4.86 tons per ha. Increasingly, more farmers are growing maize for silos (19,500 ha) in order to assure an adequate fodder supply for livestock. As far as fodder production is concerned, Kosovo has 22 feed mills with an annual capacity of 113,120 tons.

Barley, on the other hand, is required for the manufacturing of beer. The area of barley grown especially for beer production amounts to 86 percent of the total crop area, which is 4,489 ha. Annual barley production amounts to 11,000 tons and there are 36 farms growing barley under contract for the single brewery. The farms are commercial with an average area of 100 ha and an average yield of 2.46 tons per ha. The import of barley is not significant.

6.5 Vineyards

Grape-growing and wine production has a long tradition in Kosovo. While local small-scale wine – production was developed rampantly during the last two centuries, the wine industry in Kosovo became large-scale in the 1970s with the founding of the first larger SOEs. During its “glory days”, the wine industry benefited from 9,000 ha vineyard area, divided into private and public ownership, and spread mainly throughout the south and west of Kosovo. The four state-owned wine production facilities were not as much “wineries” as they were “wine factories”. Only the Rahovec facility that held app. 36 percent of the total vineyard area had the capacity of around 50 million litres annually.

Table 6: Wine Processing Capacity in the Public Sector

Enterprise	Processing capacities in million litres	Notes
NBI “Rahoveci” – Rahovec	50	The private sector has a processing capacity of about 20-30 thousand litres.
NBI Suhareka - Theranda	21	
NBI Ereniku - Gjakova	28	
Kosova Vine	13	
Total	112	

The viticulture still represents one of the most important sectors of the Kosovar agriculture, with a good potential to attract foreign investments. The continental climate and the height of 300-400 meters above the sea level are incredibly well-suited to vineyards and the development of wine grapes. There are more than 200 sunny days annually to help ripen the grapes, on par with some well known wine production regions. These advantages create very good conditions for the qualitative wine production in Kosovo.

The wine industry in Kosovo currently consists of some 5,000 ha of vines. In order to stimulate and support grape-growing and wine production, the Government of Kosovo has passed a Wine Law that governs wine production at a high standard and is perhaps one of the finest in the world for such a small growing region such as Kosovo.

The creation of the Wine Institute in Rahovec in 2007 that will lead the change towards quality and technology-based wine-making techniques is also an important step towards the revitalisation and modernisation of the wine industry in the future.

6.6 Decorative plants and Medicinal herbs

The cultivation of decorative plants is becoming increasingly attractive for Kosovar farmers, both in open areas as well as greenhouses.

According to a study by the Ministry of Agriculture, Forestry and Rural Development, the amount of decorative plants grown on open areas accounts 101,050 pieces. This number is made up mainly from roses (35 percent), Mazidella (32 percent) and seasonal flowers (29 percent), while fir-trees and decorative wood account for the remaining part of decorative plant production.

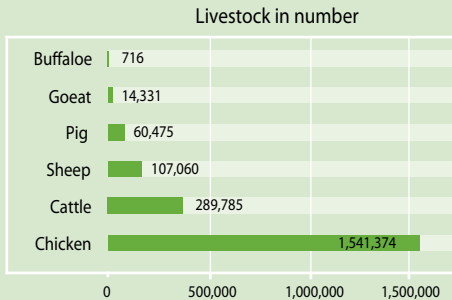
The production of decorative flowers in greenhouses has also experienced significant improvement in recent years. Decorative flower production in 2004 achieved an amount of 694,000, an increase of 245 percent compared to 282,000 pieces grown in 2002. Greenhouses used for the production of flowers accounted for an area of 3.05 ha in 2006.

Due to its soil and climatic conditions, Kosovo also provides a good environment for a lot of medicinal herbs. However, their use is still limited to the needs of the rural population to whom the knowledge of herbal remedies and their effects has been transferred from earlier generations. Some of the main medicinal herbs that can be found in Kosovo are: Arnica Montana, Artemisia Absinithium, Capsella bursa-pastoris, Cornus mas, Crataegus monogyna Jacq, Malva sylvestris L., Matricaria Chamomilla etc.



6.7 Meat sector

6.7.1 Primary production



At present, Kosovo is experiencing a livestock recovery process. Livestock farming has been making great strides in recent years – both in head numbers and in yields.

There are two main factors in favour of the livestock investments in Kosovo. Firstly, the country offers very good environmental and climate conditions for various types of livestock farming. Secondly, the market demand for livestock farming products is currently much higher than domestic production. The planned revitalisation of the food processing industry will therefore create even higher opportunities for livestock farming in the future.

The meat production sector in Kosovo is currently dominated by existential farms that hold less than four cattle in their herd. Local farms supply between 15 and 20 percent of Kosovo's meat market, with the remaining balance of some 80 percent being imported.

Total meat consumption is estimated at 102,500 tons per year, with 40,9 kg annual consumption per person (mainly beef, followed by chicken and pork). The current per capita consumption in Kosovo is therefore still low when compared to CEEC (Centre East Europe Countries) and EU countries. However, with economic growth it is expected that the demand will increase, as will the consumption of meat and meat products in Kosovo.

Owing to its geographical composition, Kosovo offers great prospects for sheep and beef farming. Under current conditions the commercial farming of sheep is very profitable (average 150 sheep per farm). The cost of producing 1 kg of lamb (live weight) is €1.54/kg whilst its selling price is € 2.50 per kg.

There are currently 29 slaughtering facilities operating in Kosovo.

6.7.2 Processing industry

Kosovo has 12 meat processing companies that together have a daily processing capacity of approximately 90 tons. Together, these facilities process 2,900 tons of locally produced meat, and this figure makes up 15 percent of total annual production.

As a result of the insufficient primary product supply by the Kosovo farms, local meat processors import 85 percent of the raw materials to meet their production needs, and almost 100 percent to meet packaging material needs.

Due to the current market situation, existing technical capacities in Kosovo are much higher than the actual capacity utilisation. Although these technical capacities will require modernization, they nonetheless represent an excellent opportunity for potential partners to invest in the meat processing industry in Kosovo.

The most significant obstacle facing Kosovo's meat producers is still the reopening of export markets. With Kosovo's geographical location and its close proximity to non-EU countries such as Albania, Montenegro, Bosnia, Croatia and Turkey, a short-term pragmatic approach could be to initially focus on meat exports to these destinations, with the possibility of expansion into EU markets as and when conditions allow.



6.8 Dairy sector

6.8.1 Primary sector

The conditions in Kosovo are favourable for animal husbandry and milk production.

The dairy sector currently represents one of the most important agricultural sectors. It is characterized by small farms the productivity of which still has great potential to increase. The main dairy products consumed in Kosovo are milk and fermented milk products, such as yogurt, and curdled milk (known as Kos) and cheese. The consumption of cheese consists primarily of so-called white cheese, and hard cheese such as Caciocavallo, Gouda, etc.

With a milk consumption of 170 litres pro person pro year, Kosovo's market demand for milk is estimated at 339,500 tons. Local annual milk production on the other hand is 257,500 tons, or 76 percent of the total domestic milk demand. The balance is imported mainly from neighbouring countries.

The total number of milk cows in Kosovo is estimated at around 140,000 heads. However, the majority belong to small family farms with less than five cows in their herd, and low productivity output.

Taking into consideration the beneficial yields in the dairy sector, many small farmers are increasing their herds and concentrating on milk production. In order to cope with this high percentage of small farm raw milk suppliers, processors are increasingly cooperating with milk collection centres that are being established throughout Kosovo.

6.8.2 Processing industry

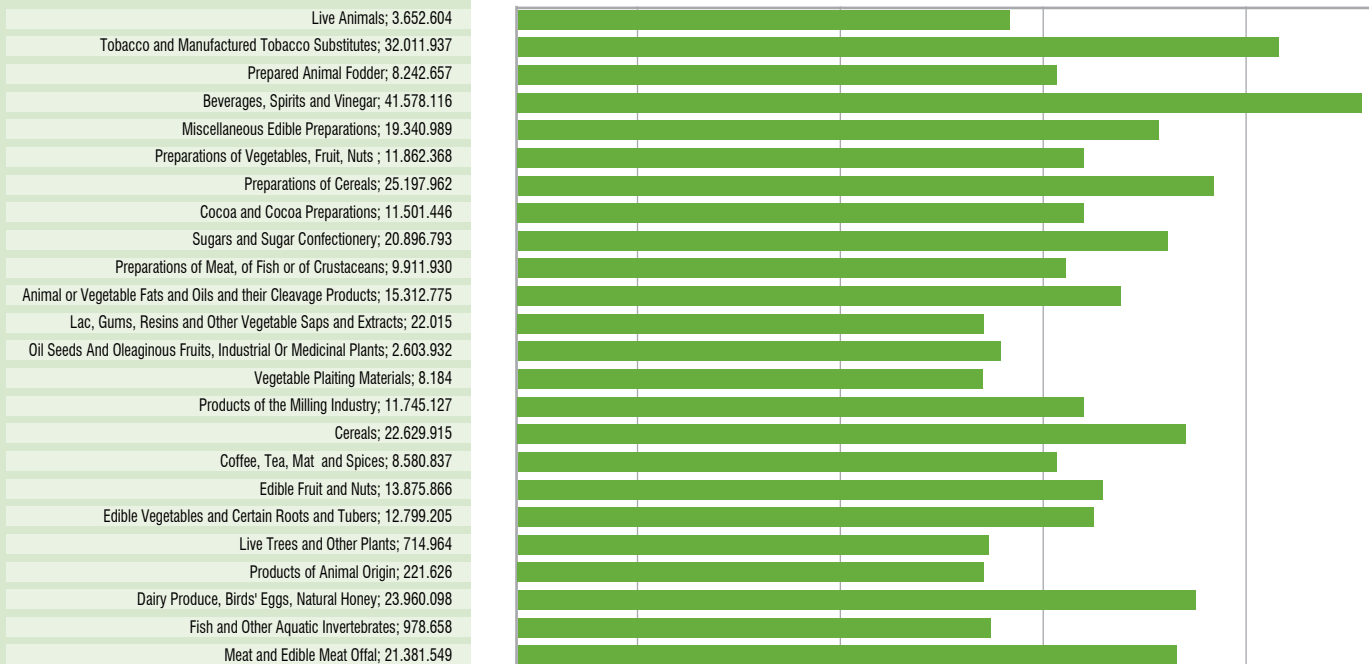
Kosovo has 26 processing units which mainly produce milk, followed by yogurt, curdled milk and white Caciocavallo. These units process 34,000 tons of locally produced milk annually or 13 percent of their total production. Over one quarter of total processed product consumption is still being covered by imports (mainly cheese and UHT Milk from Hungary, Bulgaria and Slovenia), although this figure is decreasing due to the increasing trend in local production.

A newly introduced licensing system is aimed at restructuring the processing sector and introducing certain procedures that will guarantee high quality produce. Every dairy processing industry in Kosovo is currently in the process of implementing an integrated quality management system in order to minimize the presence of hazardous materials (microbiological, chemical, or physical) in dairy products. Only recently have some international donor funded programs started working closely with some major dairies and MCCs (Milk Collection Centers) in introducing the GMP and HACCP standards. Preparation of these dairies and MCC's for possible accreditation for these standards is currently underway. The accreditation of those dairies that already meet the necessary criteria will be made by an institution (probably within EU), that is authorized to issue HACCP and GMP licenses.

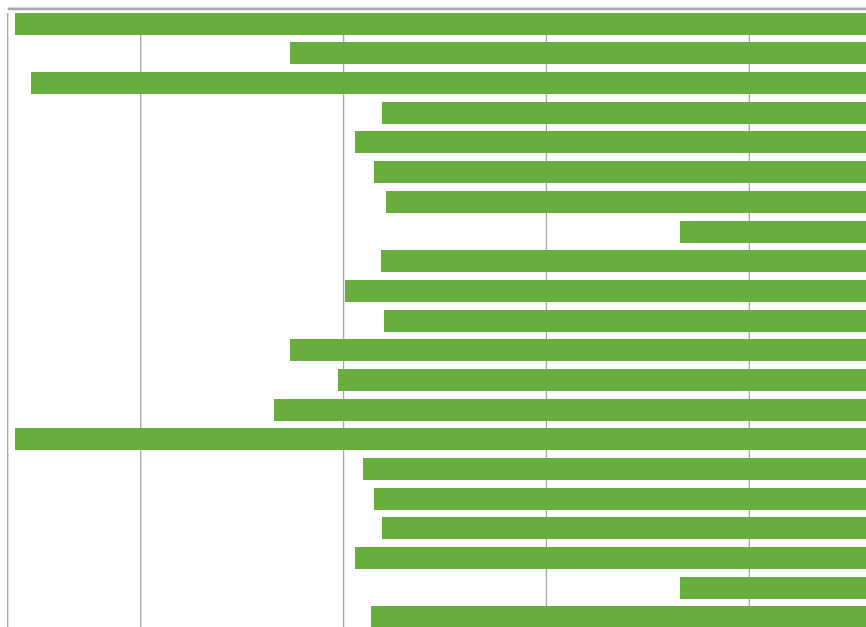
This license will be essential for dairies wishing to export their produce to EU countries in the future.

7. Trade Structure

Imports 2006 in Euro



Exports 2006 in Euro



Beverages, Spirits and Vinegar; 2364605,83
Miscellaneous Edible Preparations; 66891,33
Preparations of Vegetables, Fruit, Nuts ; 2210197,67
Preparations of Cereals; 31545,93
Cocoa and Cocoa Preparations; 220122,85
Sugars and Sugar Confectionery; 85592,98
Preparations of Meat, of Fish or of Crustaceans; 407,04
Lac, Gums, Resins and other Vegetable Saps and Extracts;
Animal or Vegetable Fats and Oils and Their Cleavage Products; 44304,77
Oil Seeds and Oleaginous Fruits, Industrial or Medicinal Plants; 263843,76
Products of the Milling Industry; 16777,54
Cereals; 670914,45
Coffee, Tea, Mat and Spices; 318091,13
Edible Fruit and Nuts; 711777,01
Edible Vegetables and Certain Roots and Tubers; 2394726,94
Live Trees and Other Plants; 15726,68
Dairy Produce, Birds' Eggs, Natural Honey; 82850,07
Meat and Edible Meat Offal; 35124,87
Live Animals; 216917,69
Tobacco and Manufactured Tobacco Substitutes;
Prepared Animal Fodder; 106808,4

8. Meteorological Data

2006	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	Average/year
T-max	2.4	5.1	12.2	17.1	20.6	24.9	27.2	28.3	23.2	19.7	10.4	5.4	16.4
T-min	-5	-3.5	0.7	6.8	8.6	12.3	14.5	14.4	10.7	6.2	-0.9	-1.9	5.2
T-average	-1	0.1	4.9	11.7	14	18.4	21.3	22.9	16.8	13.4	6.3	3.9	11
Humidity	80.3	78.7	72.3	73.7	70	69	62	67	70.3	77	80	83.7	73.7
Atmospheric pressure	951.6	949.4	945.8	945.6	949.2	951.4	951.3	947	951.7	949.4	951.9	954.9	949.9
Wind/ms	1.3	1.3	1.8	1.6	1.7	1.2	1.4	1.2	1	1	1.3	1.6	1.4
Rainfalls	69.7	62.2	86.7	60.7	35.8	82.4	68.3	71.2	37.1	48.6	37.7	29.5	58

2007	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	Average/year
T-max	3.6	1.8	11.1	16.1	21.6	24.7	27.3	28.4	20.8	16.7	10.4	4.8	15.6
T-min	-5.1	-3.9	0.2	4.6	9.5	12.3	14.5	15	11.3	5.5	1.2	2.3	5.6
T-average	-0.9	0.6	6.9	10.5	16.2	19	21.7	23.6	16.2	10.8	5.1	1.8	11.1
Humidity	80	78.7	69	68.3	68.7	65.7	63	63.7	74.3	74.3	79.7	83.7	72.7
Atmospheric pressure	947.4	947.5	948.1	947.5	947.3	950.8	950.2	945.5	950	948.9	945.6	946	947.9
Wind/ms	1.1	1.3	1.2	1.7	1.5	1.4	1.2	1.6	1	1.1	1	1.3	1.3
Rainfalls	32.1	60.4	53.4	57.2	88.1	61.6	41	66.3	33.7	51.5	61	132.8	60.4

9. Industry leaders across various sectors

Abi&Elif

Abi & Elif 19, also known by its brand name Progress, is a processor of fruit and vegetable products i.e. marmalade, jams and jellies, ketchup, peppers, cucumbers, green bean and other products.

Progress is a reputable brand and has been in operation since 2001. The company was founded by a team of experienced industry officials. The extraordinary growth of the company since its founding is a tribute to the hard work, dedication and professionalism of the management team and its staff.

“ABI & ELIF 19” accomplished country wide and region wide affirmation as a producer of healthy and quality products. Today “ABI & ELIF 19” is the most significant food processor of fruit and vegetables in Kosovo.

With its competent management structure and a team of 150 young employees, “ABI & ELIF 19” is capable of meeting the requirements both of current and future customers.

Thanks to the total quality approach and marketing orientation “ABI & ELIF 19” developed 55 different products that are successfully distributed both to local and export markets (Albania, Macedonia).

“ABI&ELIF 19” assortment includes:

- Processed fruit: jam, marmalades, stewed fruit.
- Processed vegetables: mild vegetable mix, vegetable spread, pasteurized pickles, sterilized French beans, sterilized green peas, pasteurized peppers, mixed salads, ketchup, chilli pepper etc.





Pestova

Pestova is a fresh potato producer and processor. The company was founded in 1991 and is primarily engaged in cultivating and producing potatoes. Taking market trends into consideration, the company later engaged in the production of crisps as well potato frozen products.

Its main office is in Prishtina while the business activities take place in the region of Pestova, Vushtrri. Assets of the Pestova Company include office premises in Prishtina, a 780 m² warehouse located in Pestova, a potato processing factory in Pestova (area of 1500 m²) and a refrigerator with a capacity of 60t.

The market for Pestova's products already reaches to neighboring countries and exports from Pestova are distributed to almost all Balkan countries (Albania, Macedonia, Monte Negro, Romania and Croatia). The company serves the local market with fresh potatoes under the trade name Pestova. The processed potato products are sold under the trade name VIPA and include different types of crisps sorts as well frozen processed potatoes products.

Pestova also represents a Dutch supplier of potato seeds that can be used for both the fresh or processed market and is also a very important supplier of seeds in the Kosovo market.

Devolli

The Devolli Company is located in Peja about 85 km west of Pristina. It began production of Vita UHT milk in November 2003.

Vita milk is the result of successful cooperation between Devolli and Tetra Pak multinational company. In addition to producing UHT milk containing three different amount of fat (3.2%, 1.6%, 0.5%), Devolli also packages coffee and eight different juices in a standard and premium grade.

With its high processing capacity for VITA, this company has been able to meet to a high extent the local market demand. Vita milk is produced from fresh cow milk, reflecting this quality focus to the market and assuring a high customer loyalty. Devolli is also an important business partner for local farmers. The milk intended for production is taken from a pool of 70 farmers whose supplies range from between 100 litres and 2,000 litres per farmer per day.



10. About IPAK

The Branch Office for German-speaking countries of the Investment Promotion Agency of Kosovo was established by the Economic Initiative for Kosovo (ECIKS) in Vienna, to promote foreign direct investments in Kosovo. This project has been developed with the financial support of the Austrian Development Agency.

The Branch Office of IPAK in Vienna serves as an official single-point-of-contact for investors, offering full support to companies through all stages of the investment process. In delivering its services to potential investors, the Vienna Branch Office works in close cooperation with a wide range of partner institutions in Kosovo and German-speaking countries.

The office of IPAK in Vienna offers professional and free-of-charge information, consultancy and other services on a confidential basis – a unique service from Kosovo for all investors!

Our services include:

- Information on Investment Opportunities
- Information on the Business Environment
- Information on the Legal Environment
- Assistance with Local Institutions
- Identification of Local Partners
- Exploring New Markets
- After-Investment Care

NOTE: Due to data privacy and data protection issues, pages 41-48 were removed from the online version of the brochure.

These pages contain specific project proposals of Kosovar companies for the purpose of identifying foreign investors interested in joint investments.

These project proposals are included in the printed version of the brochure which will be disseminated to foreign potential investors.

ECIKS

12. Important addresses:

Websites of Kosovo Institutions

Presidency of Republic of Kosovo:

<http://www.president-ks.gov.net/>

Assembly of the Republic of Kosovo:

<http://www.assembly-kosova.org/>

The Office of the Prime Minister of the Republic of Kosovo:

<http://www.ks-gov.net/pm>

Ministry of Trade and Industry of the Republic of Kosovo:

<http://www.mti-ks.org/>

Ministry of Finance and Economy of the Republic of Kosovo:

<http://www.mfe-ks.org/>

Ministry of Science, Education and Technology of the Republic of Kosovo:

<http://www.ks-gov.net/masht>

Ministry of Agriculture, Forestry and Rural Development of the Republic of Kosovo:

<http://mafrd-ks.org/>

Ministry of Energy and Mining of the Republic of Kosovo:

<http://www.ks-gov.net/mem>

Ministry of Justice of the Republic of Kosovo:

<http://www.md-ks.org/>

Ministry of Internal Affairs of the Republic of Kosovo:

<http://www.mpb-ks.org/>

Ministry of Foreign Affairs of the Republic of Kosovo:

<http://www.ks-gov.net/mpj>

Ministry of Labour and Social Welfare of the Republic of Kosovo:

<http://www.mpms-ks.org/>

Ministry of Transport and Telecommunication of the Republic of Kosovo:
<http://www.mtpt.org/>

Ministry of Environment and Spatial Planning of the Republic of Kosovo:
<http://www.ks-gov.net/mmph>

Ministry of Local Government Administration of the Republic of Kosovo:
<http://www.ks-gov.net/mapl>

Ministry of Public Services of the Republic of Kosovo:
<http://www.ks-gov.net/mshp>

Ministry of Health of the Republic of Kosovo:
<http://www.mshgov-ks.org/>

Ministry of Culture, Youth, Sports and Non-Residential Issues of the Republic of Kosovo:
<http://www.mkrs-ks.org/>

Ministry of Community and Return of the Republic of Kosovo:
<http://www.ks-gov.net/mkk>

Central Banking Authority of the Republic of Kosovo:
<http://www.cbak-kos.org/>

Kosovo Business Registration Agency:<http://www.arbk.org/>

Kosovo Trust Agency: <http://www.kta-kosovo.org/>

Kosovo Customs: <http://www.unmikcustoms.org/>

Statistical Office of Kosovo: <http://www.ks-gov.net/esk/>

Society of Certified Accountants and Auditors of Kosovo:
<http://www.scaak-ks.org/>

The Kosovo Pension Saving Trust: <http://www.kpst.org/>

Kosovo Energy Corporation: <http://www.kek-energy.com/>

Post and Telecommunications of Kosovo: <http://www.ptkonline.com/>

Websites of International Institutions in Kosovo

UNMIK – United Nations Mission in Kosovo

<http://www.unmikonline.org/>

European Commission in Kosovo

<http://www.delprn.ec.europa.eu>

International Civilian Office / EU Special Representative: <http://www.ico-kos.org>

EULEX Kosovo <http://www.eulex-kosovo.eu>

World Bank - Kosovo: <http://www.worldbank.org/kosovo>

European Agency for Reconstruction: <http://www.ear.eu.int/kosovo>

UNDP United Nations Development Programme - Kosovo:

<http://www.ks.undp.org/>

United States Agency for International Development – Prishtina Office:

<http://usaid.gov>

Business support Institutions

Investment Promotion Agency of Kosovo

Perandori Justinian Nr. 3-5
Qyteza Pejton
10000 Prishtinë, KOSOVO
Tel. & Fax.: +381 (0) 38 200 36041
Email: info@invest-ks.org
Web: www.invest-ks.org

Investment Promotion Agency of Kosovo - Office in Vienna

Nussdorfer Strasse 20/23
A - 1090 Vienna, Austria
Tel: +43 (0) 1 890 50 26
Fax: +43 (0) 1 890 50 26 26
Web: www.ipak-vienna.org
Email: info@ipak-vienna.org

Economic Initiative for Kosova (ECIKS)

Nussdorfer Strasse 20/23
A - 1090 Vienna, Austria
Tel: +43 (0) 1 890 50 26
Fax: +43 (0) 1 890 50 26 26
Web: www.eciks.org
E-Mail: info@eciks.org

Kosovo Chamber of Commerce

Nëna Terezë Street 20
KS - 10000 Prishtinë
Republic of Kosovo
Tel.: +381 (0) 38 524 741
Fax.: +381 (0) 38 23 397
Web: www.oek-kcc.org

SME Support Agency

Perandori Justinian Nr. 3-5
Qyteza Pejton
10000 Prishtinë, KOSOVO
Tel.+381 (0) 38 2003 6007
Fax.+381 (0) 38 212 807
Web: www.sme-ks.org

American Chamber of Commerce in Kosovo

Gustav Majer #6
10000 Prishtinë
Republic of Kosovo
Tel: +381 (0) 38 246 012
Fax: +381 (0) 38 248 012
Email: info@amchamksv.org
Web: www.amchamksv.org

Aleanca Kosovare e Bizneseve

Dardania SB-6 6/6 B4
10000 Prishtinë
Republic of Kosovo
Tel/Fax: +381 (0) 38 541 683
Email: alenacakosovarebizneseve@gmail.com
Web: www.akb-ks.org

Ministry of Trade and Industry of Kosovo
Investment Promotion Agency of Kosovo

Perandori Justinian Nr. 3-5
Qyteza Pejton
10000 Prishtinë, KOSOVO
Tel. & Fax.: +381 (0) 38 200 36041
Email: info@invest-ks.org
Web: www.invest-ks.org

Investment Promotion Agency of Kosovo - Office in Vienna
Implemented by Economic Initiative for Kosova (ECIKS)

Nussdorfer Strasse 20/23
A - 1090 Vienna, AUSTRIA
Tel: +43 (0) 1 890 50 26
Fax: +43 (0) 1 890 50 26 26
Email: info@ipak-vienna.org, info@eciks.org
Web: www.ipak-vienna.org, www.eciks.org