



## *Association of Fruits and Vegetables Processors in Kosovo*

# Baseline Assessment on Current Situation for the Fruit and Vegetable Sector in Kosovo



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## **Association of Fruits and Vegetable Processors - PePeKo**

The association of Fruit and Vegetable processors of Kosovo, PEPEKO is a not for profit entity, created in 2014 and legally registered as association in October 2015. The main objective of the association is protection of interests of local processors, in order to further develop the processing of fruits and vegetables industry to contribute in economic growth and employment throughout the value chain and territory of Kosovo.

The association is just starting with its activities, and shaping the form of an entity to support its members and contribute to wellbeing of the sector in general.

The association has organized a number of activities, such as:

- Coordination meetings with key stakeholders from the sector
- Joint application for supply chain organization
- Organized cross visits to regional and EU companies
- Organized participation in a number of trade fairs, for international representation of Fruit and Vegetable Processors

The association has currently six members, out of which four are establishing committee members, with membership interest being very high for the moment, and to be developed within two years of project implementation.

This initiative will ensure the Kosovo Association of Fruit and Vegetable Processors is fully operational and strengthened, in order to provide services to its members. The association has shown its potentials and the need for such entities in the sector. However, the past experience and inexistence of such form of representation has hindered the development of such group.

The local businesses have identified the need and importance for group membership. The association of fruit and vegetable processors is a very important player in Kosovo’s economy representing a bridge for more than 20,000 fruit and vegetable growers, and consumers in the local and international market. By implementing activities foreseen with this project, the Association will be strengthened and able to continue its contribution to developing the fruit and vegetable sector in Kosovo.

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## Executive Summary

The Association of Fruit and Vegetable Processors of Kosovo “PePeKo” conducted a baseline assessment on current situation for the fruit and vegetable sector in Kosovo in July-August 2018.

In order to achieve the purpose of this assignment, the research approaches that were applied are desk research and semi-structured interviews.

The desk research was mainly focused on the collection of secondary data from the Kosovo Agency of Statistics and the Ministry of Agriculture, Forestry and Rural Development. The semi-structured interviews were conducted with the members of the Pepeko Association. A total of 11 members were interviewed for this project, whereas one member refused to take part in the research project.

The findings of this study reveal that the total land used for agriculture in Kosovo is 416,831 ha, whereas more than half of it is meadows and pastures (53%) and the other half is arable land used for fruits and vegetables (4%) and for other agricultural products (43%). The fruit and vegetable sub-sector in Kosovo accounts for 4% of the entire agriculture sector in terms of land use for this sub-sector. This includes fruit trees, vegetables, gardens, vineyards and seedlings.

Although there has been a slight increase of 1.3% in terms of total area of utilized agricultural land in Kosovo, the increase was significant in terms of land used for fruit trees (16%), vegetables (15%) and gardens (69%). Consequently, areas planted with fruits and production of fruits in Kosovo between years 2011 and 2015 show a steady increase of the fruits sub-sector (growth in area from 6,733 ha in 2011 to 7,988 ha in 2015 and in production from 41,429 tons in 2011 to 69,711 tons in 2015). The trends are not positive with regard to the vegetables sub-sector. The total land used for vegetables in Kosovo dropped from 16,196 ha in 2011 to 14,656 ha in 2015 and production decreased from 345,565 tons in 2011 to 246,096 tons in 2015.

The members of the Pepeko Association believe that the development of the fruits and vegetables sector was hindered by problems such as the lack of raw material available in Kosovo, the high cost of imported raw materials, cash flow – the lack of liquidity in the wholesale and retail chain, disadvantage with domestic products versus imported products by retailers. Other problems mentioned were electricity reductions, lack of qualified workforce, difficulties in findings markets for exports, as

well as corruption in the grants and subsidies program of the Ministry of Agriculture, Forestry and Rural Development (MAFRD).

Majority of members of the Pepeko Association believe that there should be advocacy and lobbying activities and efforts, mainly in terms of fiscal policy reform that would protect the domestic producers against foreign producers, as well as in terms of more efficient subsidies program (e.g. subsidies in electricity and fuel oil).

The declared production and processing capacities declared by seven out of 11 companies that participated in the study is 5,164 tons of fruits and vegetables for the year 2017. The declared preservation capacities reach a total of 2,610 square meters preservation capacities from -15 degrees Celsius to -40 degrees Celsius.

Members of the Pepeko Association are mainly supplied with raw material locally – 82% of their supply comes from the local domestic market and only 18% comes from imports. In addition, domestic producers have collected a total of 10,267 tons of fruits and vegetables in 2017 for their operations.

The total value of investments declared by the domestic producers and processors is around 11 million euros until 2018, with most of these investments focused on machinery and business facilities. All of the interviewed companies believe they will increase their capacities in the near future, mainly due to demand increase, better access to the market, production increase and quality improvements, but not due to certification.

In 2017, Kosovo has imported a total of 44 million Euros worth of fruits and has exported only 10 million Euros worth of fruits. In the same year, Kosovo has imported 38 million Euros worth of vegetables and has exported only 10 million Euros worth of vegetables. And the total value of exports declared by the members of Pepeko Association for 2017 is 1.3 million Euros.

Compared to neighboring countries, Kosovo leads with imports relative to its Gross Domestic Production (GDP) and lags behind with exports. Kosovo imports about the same value of agricultural products from CEFTA countries and EU countries, and around half the value from other countries. On the other hand, Kosovo’s exports are much higher in CEFTA countries (29 million Euros) than in EU countries (12 million Euros).

Although Kosovo’s GDP has steadily increased over the years, from 4.8 billion Euros in 2011 to 6 billion Euros in 2016, agricultural production has unfortunately remained flat, at around 630 million Euros, making the contribution of agriculture to GDP drop over the years.

Members of the Pepeko Association have declared that they employ 1,284 employees, out of which 562 (44%) are full-time employees and 722 (56%) are seasonal employees. With the lack of qualified workforce being one of the main problems facing the sector, companies have expressed the need for qualified staff in specific fields or specializations.

Considering the vast amount of foreign aid in the agricultural sector in Kosovo, as well as the grants and subsidies programs of the central and local government for the sector, there needs to be a serious review of the agricultural sector development, since the data show that there was no significant result from this aid in the growth of agricultural production in Kosovo.

Taking into account the declared problems of the fruits and vegetables sector, Kosovo needs to undertake a fiscal policy reform that would protect the domestic producers against foreign producers. More specifically, one of the specific recommendations identified during the course of this research was the exemption of raw materials produced in Kosovo from VAT.

Having in mind the competitive disadvantage the local producers and processors are facing due to high price of electricity and fuel oil, the Kosovo government should urgently consider a special subsidies program for electricity and fuel oil used in agriculture, or licensing import of special low-cost diesel fuel used for agricultural equipment.

Considering that one of the problems mentioned by the sector was the lack of qualified workforce, the Kosovo government, in cooperation with foreign donors, should consider the creation of an “Agro Cell Scheme”, similar to the “Young Cell Scheme”, which would finance scholarships for specialization in the agricultural sector and would oblige beneficiaries of the scheme to work in the sector for a certain number of years.

In addition, the associations representing the agricultural sector in Kosovo, in cooperation with local think tanks and civil society organizations, should increase their advocacy and lobbying activities, as well as their cooperation with the relevant institutions, stakeholders, decision-makers and policy-makers, in order to improve and develop their sector.

## Introduction

With the aim of becoming an association representing its members in the fruits and vegetables processing industry in local and international markets, the Association of Fruit and Vegetable Processors of Kosovo “PePeKo” has conducted a baseline assessment on current situation for the fruit and vegetable sector in Kosovo.

The purpose of this assignment was to analyze the current situation for fruits and vegetable sector in Kosovo, more specifically:

- Sector development in the previous two years;
- Current situation of primary production and processing capacities in Kosovo;
- Current market situation and exports;
- Employment analyses and potential for job creation;
- Analysis of business environment for the sector.

This report was based on the collection of existing data and statistics published and compiled by relevant and credible organizations such as the Kosovo Agency of Statistics and the Ministry of Agriculture, Forestry and Rural Development, as well as on the primary research conducted with members of the Pepeko Association.

More specifically, two main research approaches were used:

- Desk research – collection of secondary data and information from various sources on the fruit and vegetable sector in Kosovo; and
- Semi structured interviews with the member of the Pepeko Association

The research was led by a Senior Research Consultant, whereas the interviews were conducted by three experienced researchers and an independent consultant during July and August 2018.

## Methodology

The methodology for this project was designed by the Pepeko Association and afterwards was fine-tuned and finalized by the project leader and Pepeko Association.

In order to fulfil the purpose and the specific objectives of this project, two main approaches were used for data collection: desk research and semi-structured interviews. The desk research was mainly focused on the collection of secondary data from the Kosovo Agency of Statistics and the Ministry of Agriculture, Forestry and Rural Development. The semi-structured interviews were conducted with the members of the Pepeko Association.

According to estimates of the Pepeko Association, the fruits and vegetables processing is represented to a large extent by the members of the association, considering that all the large and medium enterprises working in this sector are members of the association. Hence, the association decided to include all its members in the sample, since they are considered the best representation of the sector. Otherwise, according to unofficial data and estimates of the Pepeko Association, there may be up to 600 processors of fruits and vegetables in Kosovo, including here companies working in homes and with very low capacities.

The Pepeko Association currently numbers 12 members. A total of 11 members were interviewed for this project, whereas one member refused to take part in the research project. The semi-structured interviews were conducted face-to-face with owners or high-level managers, in offices of respondents. The instrument was designed to cover the objectives of this project and the average interview length was around 30 minutes. The questionnaire was composed of open-ended and closed-ended questions. The sampling methodology was purposive sampling, since the respondents were selected from the list of members of the Pepeko Association.

The Consultant’s task was to design the questionnaire, collect the secondary data, conduct the interviews, analyse the data and write the report.

## **Main Findings**

### **Overview of the Sector Development**

The fruit and vegetable sub-sector in Kosovo accounts for 4% of the entire agriculture sector in terms of land use for this sub-sector. This includes fruit trees, vegetables, gardens, vineyards and seedlings. The total land used for agriculture in Kosovo is 416,831 ha, whereas more than half of it is meadows and pastures (53%) and the other half is arable land used for fruits and vegetables (4%) and for other agricultural products (43%).

The results of the Agricultural Holdings Survey conducted by the Kosovo Agency of Statistics show that there has been a slight increase of 1.3% in terms of total area of utilized agricultural land in Kosovo. However, results of this survey have also shown that the increase was significant in terms of land used for fruit trees (16%), vegetables (15%) and gardens (69%).

**Table 1. Used Agricultural Land, 2016**

ha	2015	2016	Difference	Difference in %	Participation in %
Arable land (excluding vegetables)	178129	178902	773	0.4	43.0
Vegetables	7257	8321	1064	14.7	2.0
- from which the vegetables in the open field (first crop)	6859	7864	1005	14.7	1.9
- from which the vegetables in greenhouses (first crop)	398	457	59	14.8	0.1
Garden	587	994	407	69.3	0.2
Fruit tree	4727	5493	766	16.2	1.3
Vineyards	3068	3117	49	1.6	0.7
Seedlings	178	196	18	10.4	0.0
Meadows and pastures (including joint land)	216481	218808	2327	1.1	52.6
<b>Total area of utilized agricultural land</b>	<b>410427</b>	<b>415831</b>	<b>5404</b>	<b>1.3</b>	<b>100.0</b>

Source: KAS Results of the Agricultural Holdings Survey (AHS), 2016

The Kosovo Agency of Statistics data have also revealed that there is a difference in between the development of the fruits and vegetables sub-sectors in the past few years. Area with fruits and production of fruits in Kosovo between years 2011 and 2015 show a steady increase of the fruits sub-sector. The area planted with fruits has grown from 6,733 ha in 2011 to 7,988 ha in 2015, although there was a drop registered in 2014, when the area planted with fruits decreased from a maximum of 8,342 ha in 2013 to 6,921 ha.

The trends in production of fruits show are in line with the trends in area planted with fruits, where we can see the same increasing trend of fruit production from 41,429 tons in 2011 to 69,711 tons in 2015. Moreover, these results reveal that the efficiency of fruit production had increased over the years. While back in 2011

Kosovo used to produce an average of 6.15 tons of fruits per hectare, in 2015 this average has steadily increase to 8.72 tons per hectare.

However, the trends are not positive with regard to the vegetables sub-sector. The KAS data show that there is actually a drop in both areas planted with vegetables production of vegetables in Kosovo. The total land used for vegetables in Kosovo dropped from 16,196 ha in 2011 to 14,656 ha in 2015. Consequently, the production of vegetables also marked a decrease from 345,565 tons in 2011 to 246,096 tons in 2015. Moreover, the efficiency of vegetable production has also marked a drop over the years, whereas the average production in 2011 was 21.33 tons per hectare and in 2015 it dropped to 16.79 tons per hectare.

**Table 2. Area and Production of Fruits and Vegetables in Kosovo**

	2011	2012	2013	2014	2015
Area with fruits (ha)	6,733	7,082	8,342	6,921	7,998
Production of fruits (ton)	41,429	59,633	76,702	45,873	69,711
Area with vegetables (ha)	16,196	14,557	16,356	15,854	14,656
Production of vegetables (ton)	345,565	163,146	235,326	221,330	246,096

Source: ASK - Agricultural Household Survey ('09, '12-'13, '15); ASK –expert assessments within EAA '10 -'11; Agriculture Census ('14)

The economic accounts for agriculture at current prices by KAS show the same trends. The volume of vegetables and garden products marked a slight decrease from

140 million Euros in 2011 to 130 million Euros in 2015. On the other hand, the volume of fruits has more than doubled from 23 million Euros in 2011 to 55 million Euros in 2015.

**Table 3. Economic Accounts for Agriculture at current prices, in mil. €**

	2011	2012	2013	2014	2015
Vegetables, potatoes and garden products	139.8	116.1	174.0	105.9	130.0
Fruits	23.2	32.9	51.9	54.6	55.2

Source: KAS, Economic Accounts for Agriculture

Interviews with members of the Pepekko Association reveal that the development of the fruits and vegetables sector was supported and aided by many stakeholders. This includes support in supply with equipment, grants, subsidies, as well as consultancies and technical assistance. Equipment, grants, consultancies and technical assistance were provided mainly by international organizations, agencies and projects, such as the USAID, Swisscontact, GIZ, European Commission and the EBRD. Grants and subsidies are regularly provided by the Kosovo Government too, whereas companies have also used loans from commercial banks for growth and investments. With all the above-mentioned parties involved in helping the sector, there are a few members of the association who declared that they have received no support whatsoever.

Majority of producers and processors that are members of the Pepekko Association have declared that they have regularly taken part in many international, as well as local fairs in the past few years. Most of them have also been a part of business-to-business meetings organized by the USAID, GIZ, Ministry of Trade and Industry and Pepekko, both in Kosovo and abroad. Nevertheless, only a few companies have declared that they have been in organized sales missions or promotions in the last few years. Kosovo producers and processors have admitted that the result of their participation in these events was mainly positive – resulting in concrete exports contracts for some of them.

## **Main obstacles of the sector**

The development of the fruits and vegetables sector was faced with many problems in the past few years. According to the members of the Pepeko Association one of the main problems is the lack of raw materials available in Kosovo and the high cost of imported raw materials in Kosovo. Production is low and not stable in Kosovo and companies are often forced to import raw products from neighboring countries, in order to be able to produce their products. This causes issues since importing increases their costs for production, and also imported fruits and vegetables are often different from local fruits and vegetables.

Another prominent problem is the cash flow – the lack of liquidity in the wholesale and retail chain to pay the producers on time. Often big wholesale chains request producers to provide them with products and will pay the producers only after and if products are sold.

On top of this, domestic producers and processors have often mentioned the disadvantage they face with domestic products versus imported products by retailers. The retailers are often reported to position imported products better than domestic products, often affecting poor sales among domestic products. Producers mentioned that their products are given less and unfavorable display place in the shelves compared to that of imported products. Normally local products are given favorable positioning in countries in the region and beyond, and Kosovo producers believe that this needs to be enforced by law in Kosovo as well, since they believe this would help them increase their sales.

Another important problem mentioned in the study that has a serious impact in the business operation of fruits and vegetables processors is electricity reductions, which still take place to this day.

The lack of qualified workforce is another problem mentioned by the sector. Many companies have declared that it is almost impossible to recruit qualified workers, be it people with specific specializations or lower level skilled workers. Instead, companies turn to investing in educating their current staff who has potential and ambitions for development, by paying their university education or specialization in a specific field they need for their business.

Also, finding markets for exports is difficult for local producers and they believe this is due to the lack of engagement of our government to improve the image of Kosovo producers in general and in the agricultural sector in particular.

The corruption in the grants and subsidies program of the Ministry of Agriculture, Forestry and Rural Development (MAFRD) was also mentioned as an obstacle for the development of the sector.

With the current problems facing the fruits and vegetables sector in Kosovo, majority of members of the Pepeko Association believe that there was no attempt to lobby, advocate, or influence change in legislation or policy in their sector. At the same time, majority believes that there should be advocacy and lobbying activities and efforts, mainly in terms of fiscal policy reform that would protect the domestic producers against foreign producers, as well as in terms of more efficient subsidies program (e.g. subsidies in electricity and fuel oil).

The research reveals that producers consider the lack of attempts for advocating for their rights partially their fault, however some of them believe that with the help of

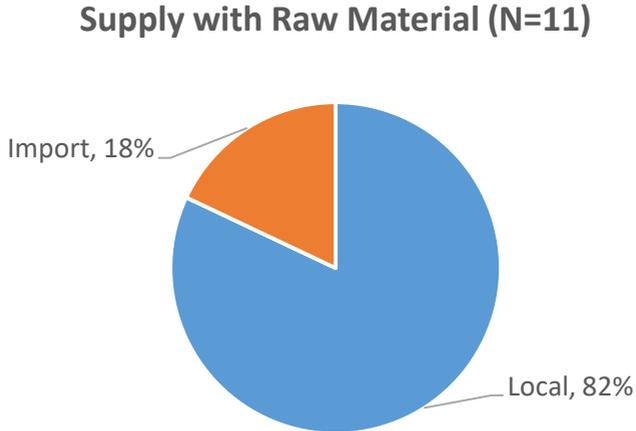
associations like PePeKo their voice could be heard and some of their problems could be improved, since according to them that has been a practice and the way to go in neighboring countries.

## **Production and Processing Capacities**

The declared production and processing capacities declared by seven out of 11 companies that participated in the study is 5,164 tons of fruits and vegetables for the year 2017. This is very low compared to the total of 315,807 tons of fruits and vegetables produced in Kosovo according to the KAS. However, all of the seven companies that provided the production capacities information revealed that there was a significant increase in their capacities from 2,607 tons in 2015 to 5,164 tons in 2017.

A number of companies also declared their preservation capacities – altogether they have a capacity of 2,610 square meters preservation capacities from -15 degrees Celsius to -40 degrees Celsius.

Members of the Pepeko Association are mainly supplied with raw material locally – 82% of their supply comes from the local domestic market and only 18% comes from imports.



**Figure 1. Share of Import vs Local Supply**

Some of the domestic producers have contracts with collection centres for their supply, some of them work directly with contracted farmers and there are also cases when they are supplied from farmers without contracts.

Domestic producers have collected a total of 10,267 tons of fruits and vegetables in 2017 for their operations. Around half of this quantity is fruits (4,975 tons) and the other half is vegetables (5,292 tons).

**Table 4. Fruits and Vegetables Collection, 2017**

<b>Ton (N=8)</b>	<b>2017</b>
Fruits	4,975
Vegetables	5,292
<b>Total</b>	<b>10,267</b>

All of the members of Pepekko Association have declared that they sell their products domestically in Kosovo, directly through supermarket chains and retail, through wholesale, as well as through distributors and sales agents. Most of these companies have also said that they export some of their products in different parts of Europe, mainly in the neighbouring countries, but also in Western European countries too. The total value of exports declared by the members of Pepekko Association for 2017 is 1.3 million Euros. Moreover, all products exported by the members of Pepekko Association are final processed products, rather than raw products.

### Value of Investments (N=9)

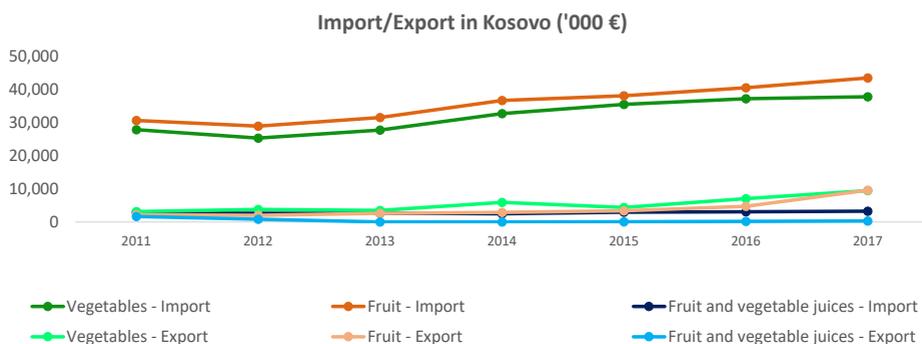


**Figure 2. Value of Investments**

The total value of investments declared by the domestic producers and processors is around 11 million Euros until 2018. The main share of these investments was focused on machinery and business facilities. Nevertheless, all of the interviewed companies have expressed their plans that they will increase their capacities in the next three years, and consequently they plan to increase the number of their suppliers as well. They also believe that their growth in the next three years will mainly take place due to demand increase, better access to the market, production increase and quality improvements, but not due to certification.

## Exports and Imports

Due to low domestic production, Kosovo is known for its extremely high trade imbalance. In 2017 Kosovo has imported a total of 3 billion Euros and has exported only 378 million Euros. A similar picture is reflected in the fruits and vegetables sector too. In 2017, Kosovo has imported a total of 44 million Euros worth of fruits and has exported only 10 million Euros worth of fruits. In the same year, Kosovo has imported 38 million Euros worth of vegetables and has exported only 10 million Euros worth of vegetables.



**Figure 3. Import/Export of Fruits and Vegetables in Kosovo**

Source: Kosovo Agency of Statistics

As mentioned earlier in this report, the total value of exports declared by the members of Pepeko Association for 2017 is 1.3 million Euros.

**Table 5. Export/Import of fruits and vegetables in the region**

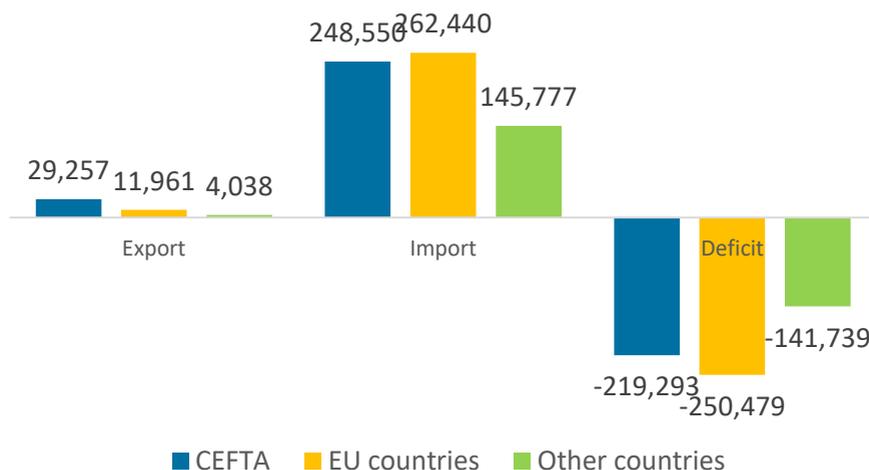
Value in '000 €	Kosovo		Albania		Montenegro		Macedonia		Serbia	
	Export	Import	Export	Import	Export	Import	Export	Import	Export	Import
EDIBLE VEGETABLES AND CERTAIN ROOTS AND TUBERS	4,793	23,134	40,145	12,867	4,884	18,282	72,775	13,934	97,303	54,892
EDIBLE FRUIT AND NUTS; PEEL OF CITRUS FRUIT OR MELONS	3,844	32,960	19,069	46,274	2,607	29,252	59,446	42,514	579,248	182,336
PREPARATIONS OF VEGETABLES, FRUIT, NUTS OR OTHER PARTS OF PLANTS	3,753	24,189	7,421	23,142	73	17,704	49,082	30,547	89,333	45,842

Source: Kosovo Agency of Statistics, World Trade Organization

When compared to neighboring countries, Kosovo leads with imports relative to its Gross Domestic Production (GDP) and lags behind with exports. For instance, Kosovo imports vegetables more than any other neighboring country, apart from Serbia, but Serbia’s GDP is almost six times higher than Kosovo’s GDP.

In terms of trade exchange with other countries, Kosovo imports about the same value of agricultural products from CEFTA countries and EU countries, and around half the value from other countries. On the other hand, Kosovo’s exports are much higher in CEFTA countries (29 million Euros) than in EU countries (12 million Euros).

### Kosovo trade exchange of agricultural products in 2016 ('000€)

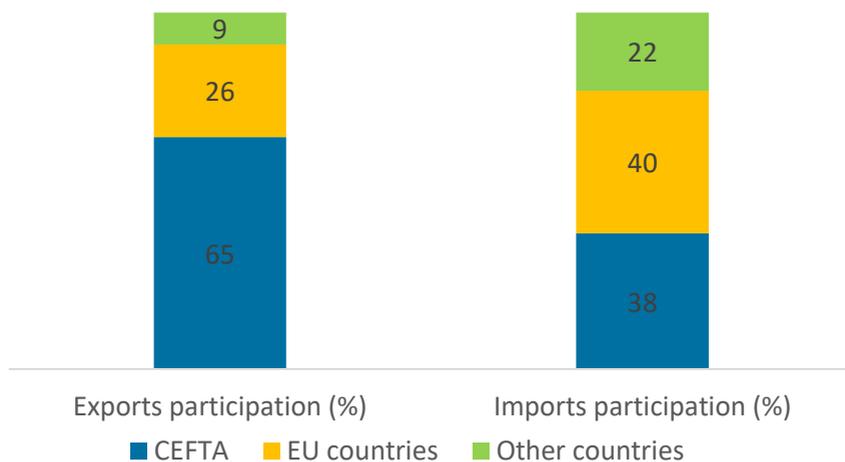


**Figure 4. Kosovo Trade Exchange of Agricultural Products in 2016**

Source: Kosovo Agency of Statistics

This is also shown in the countries’ participation in exports and imports of agricultural products in Kosovo, where 65% of Kosovo’s exports go to CEFTA countries, 26% in EU countries and 9% in other countries. In terms of imports, only 38% of imports come from CEFTA countries, 40% come from EU countries and 22% from other countries.

## Export/Import of agricultural products in 2016

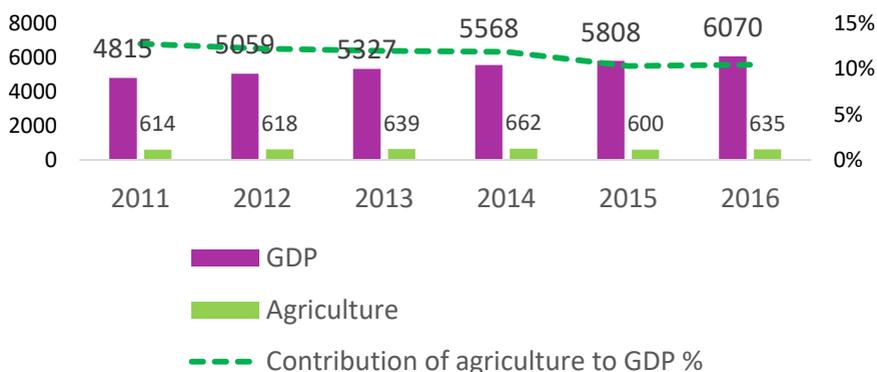


**Figure 5. Countries participating in Export/Import of Agricultural Products in Kosovo, 2016**

Source: Kosovo Agency of Statistics

Although Kosovo’s GDP has steadily increased over the years, from 4.8 billion Euros in 2011 to 6 billion Euros in 2016, agricultural production has unfortunately remained flat, at around 630 million Euros, making the contribution of agriculture to GDP drop over the years.

## Contribution of agriculture to gross domestic production in mil. €, 2011-2016



**Figure 6. Contribution of Agriculture to GDP, 2011-2016**

Source: Kosovo Agency of Statistics

One of the main reasons why Kosovo exports are low is the limited capacities for agricultural products. Kosovo is anyway small and is currently using less than half of its agricultural land for growing and cultivating agricultural products. Moreover, only 4% is used to cultivate fruits and vegetables. Although there is a reported demand from European markets, considering the size of these markets, Kosovo unfortunately does not constitute a serious partner due to its limited capacities.

The research has also revealed that the standards that local companies have to meet in order to be eligible to export to European countries are high and strict, and only a few of the companies are able to invest in order to meet those standards for exporting to European countries. Besides the generic HACCP and ISO Standards that are key requirements, the research reveals that many companies lack machinery and equipment for packaging, storage and transport, which is a drawback in order to meet the specifics of contracts required to export to European countries.

Nevertheless, some of the companies were able to succeed in meeting the specific exports criteria, they have signed contracts and are exporting to European countries for some years now. These companies are an inspiration for the rest, which aspire to export to European countries.

## Employment and Standards

Members of the Pepeko Association have declared that they employ 1,284 employees, out of which 562 (44%) are full-time employees and 722 (56%) are seasonal employees. Among both full-time and seasonal employees, around 60% of the workforce are women. Only 5 of these employees are reported to be repatriated employees; all of them are men, most of them are young aged 18-30 years old and two of them are minorities.

**Table 6. Number of Employees working in the interviewed business entities**

<b>Number of Employees (N=10)</b>	<b>Total</b>	<b>Women</b>	<b>Men</b>
Full-time Employees	562	336	226
Seasonal Employees	722	424	298
<b>Total</b>	<b>1,284</b>	<b>760</b>	<b>524</b>

The companies have revealed that all of them have at least some of their staff with university degree or higher. These are mainly people in high level management positions, as well as professionals such as engineers, technologists and agronomists. The rest of the staff is mainly with completed high school, as well as with completed primary education. Majority of the companies have invested in their staff – some of them through on-the-job trainings, trainings organized by international organizations, some of them in specific certifications (accounting and industry specific) and some have also invested in their staff’s post-university education (mainly master degrees).

As mentioned earlier in this report, lack of qualified workforce was identified as one of the main problems facing the sector. In this respect, companies have expressed the need for qualified staff in the following fields or specializations:

- Mechanics of industrial machinery,
- Electricians,
- Food technologists,
- Trained warehouse keepers,
- Agronomists,

- Safety at work experts,
- Marketing experts, and
- Sales Expert.

In addition, all companies have said that they have organized decision-making structures with decision-making hierarchy.

Three out of eleven interviewed companies have declared that they have a valid HACCP certificate. Only two companies have a valid ISO 9001 certificate and a valid ISO 22.000 certificate. Some of the companies have also declared that they are in the process of obtaining the above-mentioned certificates, as well as the IFS certificate, which no one has. In addition, a few companies also mentioned that they have the following certificates: Global Gap, AVUK and Hallall.

## Conclusions

The total land used for agriculture in Kosovo is 416,831 ha, whereas more than half of it is meadows and pastures (53%) and the other half is arable land used for fruits and vegetables (4%) and for other agricultural products (43%). The fruit and vegetable sub-sector in Kosovo accounts for 4% of the entire agriculture sector in terms of land use for this sub-sector. This includes fruit trees, vegetables, gardens, vineyards and seedlings.

Although there has been a slight increase of 1.3% in terms of total area of utilized agricultural land in Kosovo, the increase was significant in terms of land used for fruit trees (16%), vegetables (15%) and gardens (69%). Consequently, areas planted with fruits and production of fruits in Kosovo between years 2011 and 2015 show a steady increase of the fruits sub-sector (growth in area from 6,733 ha in 2011 to 7,988 ha in 2015 and in production from 41,429 tons in 2011 to 69,711 tons in 2015). The trends are not positive with regard to the vegetables sub-sector. The total land used for vegetables in Kosovo dropped from 16,196 ha in 2011 to 14,656 ha in 2015 and production decreased from 345,565 tons in 2011 to 246,096 tons in 2015.

The members of the Pepekko Association believe that the development of the fruits and vegetables sector was hindered by problems such as the lack of raw material available in Kosovo, the high cost of imported raw materials, cash flow – the lack of liquidity in the wholesale and retail chain, disadvantage with domestic products versus imported products by retailers. Other problems mentioned were electricity reductions, lack of qualified workforce, difficulties in findings markets for exports, as well as corruption in the grants and subsidies program of the Ministry of Agriculture, Forestry and Rural Development (MAFRD).

Majority of members of the Pepekko Association believe that there should be advocacy and lobbying activities and efforts, mainly in terms of fiscal policy reform that would protect the domestic producers against foreign producers, as well as in terms of more efficient subsidies program (e.g. subsidies in electricity and fuel oil).

The production and processing capacities declared by seven out of 11 companies that participated in the study is 5,164 tons of fruits and vegetables for the year 2017. The declared preservation capacities reach a total of 2,610 square meters preservation capacities from -15 degrees Celsius to -40 degrees Celsius.

Members of the Pepeko Association are mainly supplied with raw material locally – 82% of their supply comes from the local domestic market and only 18% comes from imports. In addition, domestic producers have collected a total of 10,267 tons of fruits and vegetables in 2017 for their operations.

The total value of investments declared by the domestic producers and processors is around 11 million euros until 2018, with most of these investments focused on machinery and business facilities. All of the interviewed companies believe they will increase their capacities in the near future, mainly due to demand increase, better access to the market, production increase and quality improvements, but not due to certification.

In 2017, Kosovo has imported a total of 44 million Euros worth of fruits and has exported only 10 million Euros worth of fruits. In the same year, Kosovo has imported 38 million Euros worth of vegetables and has exported only 10 million Euros worth of vegetables. And the total value of exports declared by the members of Pepeko Association for 2017 is 1.3 million Euros.

Compared to neighboring countries, Kosovo leads with imports relative to its Gross Domestic Production (GDP) and lags behind with exports. Kosovo imports about the same value of agricultural products from CEFTA countries and EU countries, and around half the value from other countries. On the other hand, Kosovo’s exports are much higher in CEFTA countries (29 million Euros) than in EU countries (12 million Euros).

Although Kosovo’s GDP has steadily increased over the years, from 4.8 billion Euros in 2011 to 6 billion Euros in 2016, agricultural production has unfortunately remained flat, at around 630 million Euros, making the contribution of agriculture to GDP drop over the years.

One of the main reasons why Kosovo exports are low is the limited capacities for agricultural products. Kosovo is anyway small and is currently using less than half of its agricultural land for growing and cultivating agricultural products. Moreover, only 4% is used to cultivate fruits and vegetables. Although there is a reported demand from European markets, considering the size of these markets, Kosovo unfortunately does not constitute a serious partner due to its limited capacities.

Members of the Pepeko Association have declared that they employ 1,284 employees, out of which 562 (44%) are full-time employees and 722 (56%) are

Seasonal employees. With the lack of qualified workforce being one of the main problems facing the sector, companies have expressed the need for qualified staff in specific fields or specializations.

## Recommendations

Considering the vast amount of foreign aid in the agricultural sector in Kosovo, as well as the grants and subsidies programs of the central and local government for the sector, there needs to be a serious review of the agricultural sector development, since the data show that there was no significant result from this aid in the growth of agricultural production in Kosovo.

Taking into account the declared problems of the fruits and vegetables sector, Kosovo needs to undertake a fiscal policy reform that would protect the domestic producers against foreign producers. More specifically, one of the specific recommendations identified during the course of this research was the exemption of raw materials produced in Kosovo from VAT.

Having in mind the competitive disadvantage the local producers and processors are facing due to high price of electricity and fuel oil, the Kosovo government should urgently consider a special subsidies program for electricity and fuel oil used in agriculture, or licensing import of special low-cost diesel fuel used for agricultural equipment.

Considering that one of the problems mentioned by the sector was the lack of qualified workforce, the Kosovo government, in cooperation with foreign donors, should consider the creation of an “Agro Cell Scheme”, similar to the “Young Cell Scheme”, which would finance scholarships for specialization in the agricultural sector and would oblige beneficiaries of the scheme to work in the sector for a certain number of years.

In addition, the associations representing the agricultural sector in Kosovo, in cooperation with local think tanks and civil society organizations, should increase their advocacy and lobbying activities, as well as their cooperation with the relevant institutions, stakeholders, decision-makers and policy-makers, in order to improve and develop their sector.

## **References**

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