

Agrocelina Collection Centre

Stuart Pettigrew and Luan Hoti

September 2010

Background

Collection Centres play a vital role in organizing horticultural markets, by aggregating production from small producers and facilitating access to larger markets. Collection Centres are being supported by HPK in response to structural changes in the horticulture sector, where the emergence of larger traders, supermarkets and processors is changing the market system.

This Case Study looks at the successful Agrocelina Collection Centre in Xerxe; the role of HPK and the results achieved in 2010.

Agrocelina

The Anadrini irrigation region is the largest area for production of vegetables in Kosovo, with up to 5,000 hectares of irrigation. More than 30,000 tonnes (MT) of peppers are produced in the area. Other vegetables grown in the district include cabbages, tomatoes, onions and cucumbers.

Agrocelina, based in Xerxe and owned by Fehim Rexhepi, operates across the Anadrini region. Agrocelina provides agronomy services, input supply and collection and marketing services.

In 2009, Agrocelina collected approximately 300 tonnes of peppers on behalf of Kelmendi GmbH, who exported these to Germany.

Market Demand - 2010

Early in 2010, Agrocelina secured contracts with two companies: Etlinger (up to 1000 MT of mixed vegetables) and Kelmendi (1000 MT of mainly peppers). Agrocelina collects the vegetables and coordinates export and transport. Traders pay producers directly, and Agrocelina receives a service fee per kilogram of collected vegetables. Agrocelina have now signed further agreements with Biopak (500 MT) and Ask Foods (300 MT) to provide vegetables for processing.

A satellite Collection Centre has also been developed in the nearby village of Dejnë to improve the efficiency of collecting produce from small scale farmers.

Identified Issues & Resolutions

Managing a Collection Centre

The concept of joint marketing and a single trading point was not well understood. HPK therefore organised a visit for key actors to Macedonia where such centres are successfully operating. Lessons learnt from this trip were implemented by Agrocelina.

Co-Investments

The total investment in establishing the Collection Centre was €33,000 mainly in cool storage and grading. HPK co-financed €15,000 through the Competitive Fund for Horticulture (CFH); or less than 50% of the total investment. HPK has also supported a number of other market actors associated with Agrocelina through CFH funds.

Quality Standards & Grading

It is widely acknowledged that producers and traders alike understand quality standards, but producers tended to pack all grades together. Additionally traders did not send the right price signals to encourage grading to be undertaken.



In collaboration with local actors, HPK produced a quality guide to act as the 'rule book' for producers and traders. The guide was developed as both a brochure and poster.

Packaging

Improved packaging for export peppers to northern Europe was required by Kelmendi. Through collaboration of Kelmendi and Eurograph in Xerxe, improved boxes have been used.



HPK has co-invested with Eurograph in a box gluing machine to improve packaging quality.

Trade Practices

Most of the vegetable marketing in Kosovo is still based on the informal 'cash' trade without any documentation. As the trade volume and the number of participating actors increase this poses different problems in proper accounting and VAT issues. HPK has found practical ways how to formalize the trade with another Collection Centre in Mamusha. The lessons learnt there will be integrated to Agrocelina's practices.

Results

Integration of Actors: The most striking element of this Collection Centre is the integration of actors across the value chain supported by HPK. Producers in the region have been supported by HPK through nurseries, advisors and production systems. Through the CFH, HPK has invested in packaging (Eurograph), processors (Etlinger, Biopak and Ask Foods) and a second collection centre with Kelmendi in the region of Peja. HPK is also supporting the satellite collection centres in Dejnë, a nearby village that has a high concentration of pepper production.

Volume: By early September 2010, Etlinger has received over 300 tonnes, Kelmendi has exported 200 tonnes of cabbage and 150 tonnes of peppers, Biopak is starting to collect peppers for Ajvar production, and Ask Foods have recently signed an agreement for 300 tonnes of peppers. The season will continue until late October.

Market Organisation: Collecting of peppers through a single centre also relieves pressure on other market channels for all growers. However, the majority of peppers are still traded via

traditional outlets, including the disorganised producer market in Xerxe.



Formal Economy: The improved marketing practice of Agrocelina will draw farmers into the formal economy; producers and traders start to recognize that cash payments and operation outside of the formal economy will not be viable and will need changes by next season. HPK will work with the actors to improve this.

Key Lessons & Challenges

The Agrocelina model shows the clear advantage of including the key actors in the market system within the same project activity, thereby leveraging results across all actors. Interventions are less likely to succeed unless they address all levels of the market system.

The Collection Centre scale and investments need to match the market and actors. A key to Agrocelina's success is the slow scaling up of their activities. Some collection of peppers in 2009 has been scaled up in 2010, with a plan to increase activities and investments in 2011.

An interesting comparison is the development of the collection centre 'Anadrini' by the donor, GTZ, in Xerxe in 2000. The design was similar to Agrocelina but failed shortly after opening. The key reason for this failure was the donor driving the model rather than the market. The centre was closed, and infrastructure sold. Agrocelina now occupies the exact same location that the previous centre stood in!

Collection Centres will drive increased production, as improved market access will give producers confidence to invest in their businesses.

Such industry initiatives should allow "crowding in" of similar businesses, not restricting competition by large investments that distort local, sustainable ventures. A risk from the Agrocelina success is the over-funding of similar or larger initiatives by donors or other projects.