

Mamusha Collection Centre

Stuart Pettigrew and Luan Hoti

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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 driving changes in the market system.

This Case Study looks at the successful Collection Centre in Mamusha in central Kosovo, the role of HPK and the results achieved in 2010.

Mamusha – 2009

Mamusha is the largest area for production of tomatoes in Kosovo, and has approximately 170 producers. Other vegetables are grown in the district, including cabbages and cucumbers. A 'joint marketing initiative' was undertaken in 2009 to supply tomatoes to the supermarket chain, Elkos Trade Centre (ETC).

Although efforts were made to coordinate a marketing strategy, no formal agreements could be reached. Instead, a single producer organised 6 farmers to market together, increasing to 21 farmers by the end of the season. Activities were based on a verbal agreement only.

Results were mixed, with 380 tonnes of tomatoes supplied but problems with quality, packaging and continuous supply highlighted by ETC. Farmers reported good results, and both parties indicated a willingness to expand the agreement in 2010.

Market Demand - 2010

In 2010, ETC expressed interest in dealing with a Collection Centre in Mamusha to access graded tomatoes from local producers. The market potential was in excess of 1000 tonnes, contingent on proper grading and sourced from a single collection point. ETC approached HPK to provide support in establishing the centre, and work with both partners to identify and address issues with implementation.



Nehat Tac, who operated this activity in 2009, indicated his interest in developing a Collection Centre, and coordinating this market initiative.

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. This directly led to the development of the Mamusha Collection Centre.

Co-Investments

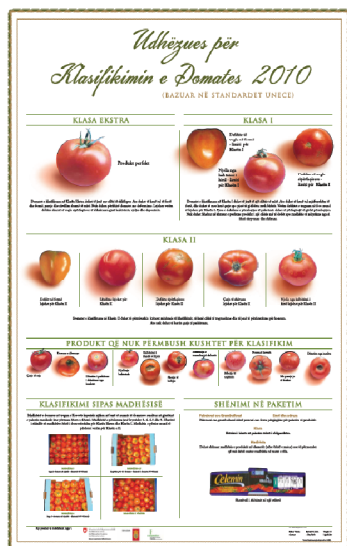
Nehat Tac is a small farmer, with limited financial resources. After investigating the needs of the Collection Centre and the business proposition, investment in infrastructure by HPK was €12,500 (total investment €26,000). In supporting such initiatives, HPK invests to a maximum of 50%.

Quality Standards & Grading

It is widely acknowledged that producers and traders alike understand quality standards, but producers tended to pack all grades together (often with low grade produce on the bottom layers!) and traders did not send the right price signals to encourage grading to be undertaken.

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

and relied heavily on pictures rather than words. HPK presented the guide and what it meant for producers at a field day held in Mamusha in July.



Packaging

Despite some change to carton packaging, the Kosovo market still accepts wooden packaging for tomatoes, due to customers' preference of purchasing a full box. The purchase of individual tomatoes, self-selected by the customer, is rare. However, this trend is changing with the emergence of supermarkets, and HPK has invested strategically in improved packaging with a view to changing demands and export markets.



VAT & Payments

ETC made it a requirement of the agreement that farmers would register for VAT and that correct invoicing would occur. HPK employed a consultant and software designer to provide a solution suitable to a small Collection Centre. In addition, payments were made through a joint account with a sub-account for each grower, developed through an agreement with ProCredit Bank.

ETC and the Collection Centre have both stated that the system has worked well.

Results

Volume: By early September, 2010, there were 120,000 boxes of tomatoes marketed through the Collection Centre, mainly to ETC but also some exports to Bosnia. This equals over 700 tonnes. The average price has been over €2 per box, resulting in a turnover in excess of €250,000.

Market Organisation: One grower supplier, Exhevit, made 25 round trips to Pristina wholesale market in 2009 to sell his tomatoes – this year he has made none! Delivering to the Collection Centre saved him time and money, improving his returns. After delivering 8,500 boxes in 2010, he plans to invest in increased production in 2011.

Collecting 20% of the tomatoes in Mamusha through a single centre also relieved pressure on other market channels for all growers.

Formal Economy: It is also interesting to note that as a direct result of this work, the 35 growers involved in the Collection Centre are now working within the 'formal' economy, with bank accounts and providing ETC with correct invoicing. This is a new situation for small farmers in Kosovo.

Key Lessons

For a Collection Centre to work, it needs to be based on a focal person who is trusted locally. This person must also be open to and accept the challenges of new ideas, and be motivated to succeed. The project cannot be driven by donors, but by market demand. Without ETC driving issues such as quality and VAT, the results would not have occurred.

The scale, complexity and investments need to match the market and capabilities of the actors. Instead of looking to Western Europe for an advanced business model, HPK hosted a field trip to Macedonia, a similar market, to look at developments there in recent years.

ETC figures indicate that Kosovo still supplies less than 20% of local demand for tomatoes, so this Collection Centre will be a tool for driving production improvements as well as market access. With improved market access, producers are confident 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 Mamusha success is the over-funding of similar or larger initiatives by donors or other projects.