

PART TWO

A Technical Assistance Case Study

5. Development assistance to livestock farmer groups in the mountainous areas of the Sandzak region, Serbia

5.1 Project objective and resources

The overall objective of the project (outlined in the project document signed in 2002 between the Minister for International Economic Relations for the Federal Republic of Yugoslavia and the Director General of the Food and Agriculture Organisation of the United Nations and following a project identification mission by FAO in November 2001) was to assist in facilitating the gradual economic recovery of the agricultural sector by revitalising and developing livestock production for farmers in the different agro-ecological situations in the mountainous regions. In particular the project was designed to strengthen farmers self-reliance, but also to maximise cooperative relationships whilst assisting in working towards the regions overall economic recovery.

Specifically it was expected that the project would:

- Establish cooperatives of livestock producers in the most isolated, backward and poorest areas of Sjenica, Tutin and Prijepole and encourage these producers to progress and develop into more viable commercial businesses
- Establish livestock breeders associations as well as producer and marketing groups over the whole of the Sandzak region, incorporating highland areas and valleys and establishing linkages with other organisations
- Provide a limited amount of farm equipment and quality cattle semen with the aim of improving the technical and managerial expertise of farmers

The inception report more concisely stated its aim as being to improve the overall household incomes within the poorer and more isolated communities of the Sandzak region with a main focus on cattle and sheep and to a lesser extent other livestock. The project was initially designed to last for two years and effectively started in July 2003. It had a total budget value of 1 million USD, funded by the Government of the Netherlands. A part-time international project manager and 8 months of international specialist time were available to the project as well as backstopping support from FAO in Belgrade and Rome. A full time national project manager, a farmer group coordinator, a livestock specialist and three regional coordinators as well as short-term specialist inputs were also made available.

5.2 A background to the Sandzak region

Around 100,000 people live in the Prijepolje, Sjenica and Tutin municipalities of the Sandzak region of Serbia. Approximately 60% live in rural areas. In total there are around 275 villages and around 50% of farmers in the region are Bosniak – Serbian (Muslim) and 50% orthodox Serbian (Christian). Percentages range and from 17.6% Bosniak — Serbian in the Prijepolje municipality to 93% in the Tutin municipality. Sandzak is a mountainous area with one of the highest levels of poverty, rural depopulation and aging in Serbia. The average overall age of the population in the region is above 40 years and with children and very old farmers making up a very large segment of this population. Average family size is 5 to 6 members and with an average daily income per head (in cash terms) of less than US\$1 per day. The project area is shown in the following map.

In the past, socially owned Kombinat enterprises within each municipality dominated livestock production. At their peak they each covered up to 4,000 hectares and managed up to 12,000 sheep and equally impressive numbers of cattle. However, they deteriorated significantly during the 1990s and today most of their land lies unproductive with outdated equipment. They await national settlement of ownership and disposal.

Today the majority of the population are subsistence farmers with smallholdings of less than 10 cows or 20 sheep grazing on their own land or on communally accessible grazing land and using traditional farming practices. Average farm size is about 10 hectares of owned meadow and pastureland (mostly of unimproved quality). Arable land is limited to some 1 ha and usually split into smaller parcels. The region was relatively fortunate to have maintained these private farms throughout a period of collectivisation but the decline of the Kombinats was also of concern to them since livestock remains the mainstay of farm income and acts as a safety net for many vulnerable families. Kombinat decline impacted negatively on animal quality standards territorially and cut off the supply of raw material that fuelled the commensurate-sized agro-industrial processing factories that supplied national and export markets for meat, milk, wool, hides and skins. Additional difficulties also arose in providing adequate feed and veterinary care across the region.

Livestock numbers declined in response to reduced marketing opportunities for animal product sales through the Kombinats. This was compounded by the loss of markets in neighbouring countries and preferential market access to Central European Free Trade Agreement (CEFTA) countries as well as competition on Eastern European markets from third country subsidised meat exports. These trends were further exacerbated by poor corn crops and animal feed shortages. Efforts to reduce costs, through selling breeding stock, lowering fertiliser and chemical use or reduced repairs and maintenance of tractors and equipment resulted in a downward spiral in livestock and machinery inventories. There was also an accompanying drop in annual productive output. Increasingly people (mainly youths) migrated from farms to larger towns in search of work.

However, livestock production often remains the only enterprise possible in the mountains and the sole activity and source of income for the farming families. Natural conditions in the mountainous areas favour extensive livestock farming. Cattle and sheep farming predominates. This allows access to dairy, meat and other products for household consumption. Excess products can be sold or barter traded with neighbours.

Cattle types and quality vary markedly across the Sandzak region. They range from the Simmentals through various crossbred dairy types of different size and colour to the indigenous Busha. A calf a year is normal. Milk yields are low (1,000-1,500 litres/cow), due to poor animal nutrition and the predominance of the native Busha cattle crossed with Simmental. Sheep are





Winter in the Sandjak Region

much more uniform in type and size than cattle. Lambing is in the 100% range with minimum losses experienced (3%). Offspring are normally sold from three months of age. The traditional Pirot and Pramenka sheep are well adapted to the local conditions and can be crossed with European breeds.

Generally animals are fed on forage and supplemented by concentrates during the winter. Off-farm inputs to both livestock and crop production are minimal. Artificial fertiliser and chemicals are little used on crop and pasture; crop seed is largely kept from the previous year's harvest; machinery and technology tends to be functional, old and basic (horse drawn is not uncommon); and the heavy seasonal requirements for labour (mainly manual) is provided by family members and friends.

However, although these are highly vulnerable communities, with access to markets there is a potential for increased livestock production and to raise overall household incomes. Although farmer family and extended family subsistence accounts for a large part of total consumption outside of this, on-farm preparation and sale of soft cheese (mostly collected every three months by an intermediary) and Kajmak generates important cash income from cows and sheep kept on remote mountain pasture. Sale of livestock is another major source of cash, especially those of lambs for the more sheep-dependant mountain farmer.

Distribution of edible farm product from the Sandzak region to outside destinations would appear to pose few logistical problems. Preserved items have lengthy shelf lives and Novi Pazar is the centre for a road distribution network that spans the whole of the former Yugoslavia and beyond. Farmers bring their own products, cheese, dried meat and sausages to their own stalls or sell direct to consumers at weekly produce markets across the region. New private investors are also emerging such as the Tutin and Nowy Varos (10 tonne per day) milk processing facilities, the Stilex wool factory in Prejepole as well as small-scale abattoirs/meat processing and preservation operations all of which were unable to obtain the quantities and qualities of raw materials required to enable them to operate at full capacity.

Sandzak farm production is also well known throughout the region. Sjenica soft cheese and lamb is reputed as being the best in the whole of former Yugoslavia. Beef and veal from animals raised on natural alpine grass and hay enjoy a similarly well-deserved reputation. Lamb was formerly sold in Italy, Greece and the Arabian peninsular. Traditional woven wool carpets from the cottage industry used to find a ready market amongst foreign tourists along the Adriatic coast but nowadays farmers reportedly have up to three-years of production in store.

5.3 Participatory project planning

During project inception, a video was prepared about the project and broadcast on local television. Radio interviews were carried out and posters prepared and sited at municipality buildings in villages across the region. Requests were made for all farmers to register for planning events to be held throughout the region. These planning meetings had the objectives of:

- providing information and answers to questions about the FAO project;
- collecting basic information about the project area;
- assessing the socio-economic issues within the communities;
- assessing the main livestock farming development issues;

- preparing basic outlines for future training workshops;
- making a provisional selection of farmer leaders for future cooperation.

Four local consultants were trained in participatory planning techniques and were given the task of obtaining information on socio-economic and farming issues including collecting information on:

- the village structure (ratio women/men/young to old);
- the main decision-making systems and structures;
- existing committees, debating forums or clubs;
- the role of women in decision making;
- main employment/levels of unemployment;
- extent and type of community cooperation;
- the names and types of local fairs/events and celebrations;
- the extent of social cohesion/trust and the main community meeting places;
- average income levels.

Key issues and the general aspirations, perspectives and visions for the future held within the community, such as;

- main production systems – what is produced and how is it produced?
- size of farm (ha), age of farmers and number of persons on farm;
- ownership;
- average income levels and average prices received or main products;
- training or advisory support already received and who from;
- what TV/radio programmes/magazines they read;
- where they go for information and advice and who they trust;
- main buyers and locations.

An participatory assessment of perceived strengths, weaknesses, opportunities and threats (SWOT) for their households and communities was also made and key issues identified in relation to production, processing and marketing. Ideas and suggestions for solutions were developed for the short and medium term and organisations contacted that would help to solve problems and implement solutions. Information was also to be obtained during the planning events of key farmer leaders in the community, namely possible training issues, the main dates and times for training and the best locations. A survey of village populations across the regions of Sjenica/Prijepolje and Tutin was carried out. The survey comprised of 26 participatory meetings and involved 473 farmers (an average of 18 farmers at each meeting). Only registered participants were allowed to attend the meetings.

Major problems emphasized by farmer participants were the lack of access to markets for products and poor infrastructure, including roads, telephones, water and electricity supplies. However strong concerns were expressed over very low average incomes (and no Government subsidies) meaning that simply travelling to meet people and exchange experience and information was more than most could afford.

It was usual to find more parents working on the farms than sons and daughters. For both the male and female population between 20 – 40 years of age establishing a family in a rural household was perceived as a social and economic problem with low levels of self-esteem, hard manual work, a traditional family role and with little opportunity for development. Social life is limited to family, relatives and close neighbours. There are almost no cultural or social events organised in the villages, in the form of committees, debating forums clubs or traditional events such as dancing, fairs or other forms of social life limiting social contact. For all of these reasons, cohesion, interaction and trust amongst the farming community was believed to have significantly reduced over a few

decades. Most farmers have had no access to professional or practical support or advice on how to improve their farming practices. They have limited access to more general sources of information and news. The most common sources of information for farmers are family members and the close neighbours.

The table below shows the perceived strengths, weaknesses, opportunities and threats (SWOT) for the households and communities.

Sandjak livestock producers' perceived strengths, weaknesses, opportunities and threats

| | |
|---|---|
| <p>Strengths</p> <ul style="list-style-type: none"> ■ A willingness to update knowledge and skills and a readiness to introduce innovations ■ A clear intention of staying on their own farm and continuing to farm ■ A large share of a young population (school age) ■ An existing farm labour force. (All the family members, usually, work on the farm, including the children) ■ A tradition and experience in livestock production and milk and meat processing ■ A completed production cycle on the farm, from forage and animal production to processing (cheese, cream, smoked ham) ■ Low input costs (own meadows and pastures) ■ A potential for increasing production levels and production quality ■ Good natural resources, including pastures, fresh water and a largely unpolluted environment | <p>Weaknesses</p> <ul style="list-style-type: none"> ■ A lack of information of markets, new technologies and other relevant information ■ A misunderstanding of the role of institutions, especially of banks and credit policy ■ Unreal expectations for the future (particularly regarding the role of the state) ■ A general mistrust of other farmers, state, institutions, traders and international institutions ■ Influence from ruling political parties ■ Poverty and a lack of capital ■ Obsolete and insufficient mechanization ■ A low level of realisation of the available production potential ■ Non-realised possibilities for discounts on input purchases ■ Differing qualities within products of the same type (such as Sjenica cheese) ■ Farmer operating individually on the market ■ Inappropriate housing of animals ■ Traditional farming systems with little change during the last 100 years ■ Difficult access to farms during the winter due to snow and ice (winters last for six months) |
| <p>Opportunities</p> <ul style="list-style-type: none"> ■ Effectively exploit the market opportunities of good natural resources and an unpolluted environment ■ The presence of international organizations ■ A favourable geographical and market location ■ Possibilities for tourism development ■ High numbers of relatives working abroad (a source of capital and knowledge) ■ Possibilities for farmers to organise themselves into effective groups ■ Possibilities for product export to Arabic and other countries (as in the past) ■ Increasing social status and feelings of self-worth as important motivational factors | <p>Threats</p> <ul style="list-style-type: none"> ■ An unstable political situation ■ Unfavourable market regulations for the farmers ■ No state assistance measures ■ Supporting infrastructure in worsening condition ■ Increasingly aged population in some villages ■ Sex imbalance and problems for the young farmers to find brides ■ Dangers from animal disease ■ Predators (particularly wolves) |

Following these meetings the project team specialists discussed findings and identified priorities for the project to focus on. Following a number of programming meetings a priority action plan was developed and that focused upon the issues described below

General Issues

- Providing farmers with improved technical training and exposure to new ideas
- Enabling farmers improved access to literature on agriculture, livestock breeding, mechanization, trade, marketing and available support funds/institutions (including in written and electronic form and the establishment of information points)
- Improving farmer access to advisory services and technical support
- Further stimulating farmer-owned producer groups/cooperatives
- Providing up to date and current market information (prices/buyers)
- Organising practical demonstrations of specialised farm equipment and agricultural practices
- Organising regular information and discussion meetings with banks, buyers, farmers and advisers
- Encouraging community social events and the establishment of young farmers clubs

Feed and forage production and mechanisation

- Assisting in the production of better grass (particularly lucerne and improved grassland species and better use of fertilisers and manure)
- Encouraging the growing of new feed crops (such as maize and cereals)
- Improving hay making systems and grass and maize silage production (including multiple and or timely cutting)
- Encouraging machinery rings to develop (for drilling, harvesting, silage production and snow clearing)

Animal husbandry

- Upgrading knowledge of modern forms of animal nutrition, breeding and husbandry (particularly hygiene and animal welfare)
- Making better use of artificial insemination (AI) and selected bulls (natural service)
- Improving the overall productive structure of herds and flocks (particularly through cross breeding)
- Focusing on animal health issues and concerns (particularly identification and treatment of foot rot, mastitis, liver fluke, mange and brucellosis)
- Advising against predators (particularly wolves)

Marketing and processing

- Helping to re-establish and strengthen local livestock markets and purchasing stations (particularly in order to better control and promote livestock sales)
- Supporting local agricultural and livestock exhibitions (through advice on management and promotion)
- Further explaining the functioning of markets and the use and role of credit
- Supporting the further standardization, labelling and packaging of products (including branding)
- Improving farmer/buyer linkages (particularly with local dairies, slaughterhouses and wool buyers)

On the basis of this information the consultants developed their programme which focused around four main themes:

- Farmer training and development
- Farmer group development
- In-field technical support (advice, information and linkages)
- Demonstrations and special projects

5.4 Farmer training and development

The international and national consultants prepared a series of practical and specific training workshops for farmers based around the key issues identified during the planning workshops and not developed as a broad educational programme. The training focused on specific areas



Learning to shear using mechanical methods

of forage and feed production, mechanisation, breeding programmes, animal disease, specific aspects of the meat, wool and dairy sectors, including marketing and producer group organisation. These workshops covered a period of nine days in each of the three regions (Sjenica, Prjeploje and Tutin). The nine days were divided into three-day workshops. This allowed participants to stay together overnight and further discuss and develop issues. The overall objective of the workshops was to provide a basic introduction to key areas of livestock production and marketing but also to look at possibilities for sustainable development and possible joint farmer activity.

In total 90 farmers attended these workshops Prijepolje (27 farmers) Sjenica (33 farmers) and Nowy Pazar

(30 farmers). A total of 105 persons had been pre-selected during the participatory analyses and specifically invited to attend. Invitations were based on their positive contributions during the participatory planning phase. Training was highly practical and participatory involving power point presentations, video films (including sheep shearing, wool buying and cattle auctions) question and answer and group discussion. It also involved evening group sessions. Trainers included project staff and international consultants as well as representatives from training institutes (such as the Faculty of Agriculture at the University of Belgrade), research institutes (such as the Institute for Forage and Feed Production, Krusevac) as well as buyers and suppliers (including PKB feeds - Belgrade, Proleter wool - Zrenjanin, Vlasnik abattoir – Sjenica and Stilex wool – Prijeploje).

Most of these researchers, specialists, buyers, suppliers and manufacturers had never visited the region before and their involvement before, during and after the training sessions enabled possibilities for ongoing contacts to be established between them and farmer participants. The final session of the training programme involved a general summary discussion and the development of an individual participant action plan. Discussions related to farmer group development/joint activity possibilities in each of their own villages.

No women attended the meetings and separate workshops only for women were held across the project region following a study of their specific interests. Training was specifically provided on milk hygiene, cheese production and woollen handicrafts. In total 80 women attended these events.

5.5 Farmer group development

A major objective of the project was to assist in the development of the region through mutual self-help and the strengthening of farmer cooperation. However while farmers could recognise their problems, especially those linked to small-scale production, most had difficulties in visualising how to organise and manage a farmer led cooperative. In the minds of many farmers in the region cooperatives were viewed as collectivised, almost monopolistic structures based around Government intervention schemes and providing a wide range of services including, production, supply of inputs, provision of credit and the marketing of production. Across CEE these collectivised structures have largely been abandoned or reformed over the past decade but in Serbia this process has just started.

However, in many ways farmers already cooperated. Informal relations within the community, particularly based around family relations, remained high. For example maintaining permanent access is important for rural communities if they are to keep in contact with markets, shops, veterinarians, doctors and hospitals. Local authorities do not clean local roads from villages to towns in winter and cooperation already existed by the common use of machinery for cleaning of local roads from snow.

The project approach was not to force a prescribed co-operative structure and then train farmers in its management, but rather to work with farmers, firstly by identifying opportunities and then providing supportive training, information, assessing possibilities for group development and organising an appropriate structure and action plan before registering the group. The project aim was not to simply register and equip groups, but rather to ensure, as far as possible, the sustainability of the groups that were formed and to ensure they had simple, clear, specific and manageable objectives. The project therefore followed a five-stage farmer group development programme:

Stage 1 Identification of group ideas by farmers

Stage 2 Establishment of provisional objectives

Stage 3 Preparation of a detailed group plan (excluding finance)

Stage 4 Finalisation of the plan including finance/byelaws and organisation

Stage 5 Registration and group support

The opportunity for developing their own initiatives was a new concept for farmers within the region. A common statement was: “We have always been led by somebody and it would be the best for us to have this situation again”. The training workshops provided the opportunity for farmers to discuss and present possibilities for group activities within their villages. A total of 24 ideas were presented following the training and discussions within the villages. These ideas included provision of veterinary services, machinery sharing, sheep and cattle breeding, wool marketing, milk collection, cheese production/marketing, animal feed production, lamb, meat and hide marketing and young farmers clubs.

For each of the proposed groups leading farmers were asked to prepare a short statement of the main project objective(s), a description of activities, an estimate of the likely number of farmers to be involved and the names of any buyers, suppliers or other organisation with whom they expected to be linked. All ideas were discussed with the farmer leaders and 12 groups were selected for further support through the project. Criteria used for selecting groups for support



Training farmers in identifying issues and developing group solutions

was whether there was:

- a clear farmer commitment to the group;
- a clear market or business opportunity;
- a leading farmer or small visionary working group able to communicate effectively with producers, buyers or suppliers. The enthusiasm of these dynamic farmers could provide an impetus and example for other farmers in the region;
- a clear (financial) benefit to producers from forming a group.

To overcome negative connotations the project team used the terminology of group or association rather than cooperative, albeit working within generally accepted western European cooperative principles. Primarily such groups in

Western Europe aim to either reduce the costs of farmer supplies (equipment/fertilisers/ livestock etc) or increase the prices received for production. It would be unrealistic to expect a single group to provide all the services required by livestock producers in a region and it would be more likely that the groups that are formed will be commodity specific or linked to a specific market or activity. In the Sandjak region this would require identifying clear objectives and benefits from the formation of specific groups as well as influencing or changing farmer attitudes towards group activity. Farmers may need to be committed to being a member of more than one group in their area with each providing a different service. They may be actively involved in the initial identification of group possibilities, in designing their structure and developing their plans.

The exact structure, management and finance of the groups would depend upon the decision of the producers. Groups can be managed in a number of ways and can operate informally. However only registered groups would enable producers to conduct formal transactions with suppliers and buyers. To establish credibility it would be important for groups to focus on the commercial aspects of farmer group formation. However registered groups do incur a cost (registration costs, administrative costs, taxation costs, etc.) and it was considered important that registration should take place only when the additional (financial) benefits were clear.

In Serbia, groups could be registered under company law, cooperative law or the law of associations. Groups would need to operate within the most suitable legislation. Nevertheless, some basic principles were presented and specifically to:

- establish simple, clear and manageable objectives;
- ensure groups are formed, directed and managed by their farmer users;
- enable voluntary membership;
- enable benefits to be received from the group in proportion to the use of the group services by individual farmers;
- ensure financial transparency and encourage commission based and itemised charges;

- encourage signed agreements and commitments;
- ensure that the groups are financially sustainable and that agreed charges/levies that were imposed on members were sufficient to cover operational costs and develop investment funds

The project team discussed these issues with participating farmers and also aimed to establish and encourage linkages between the groups and advisory support/commercial organisations, such as municipalities, livestock research and educational institutes, manufacturers, buyers, suppliers, national and international media. The team also strove to identify the costs of activities and prepare gross margins to evaluate effectiveness. A guide for advisers on the development of producer groups was prepared and provided the framework for the development of a simple business plan to include details of:

- the name of the group;
- the main objectives and a summary description of its activities;
- proposed group organisation and in particular:
 - how the group would be organised and jointly managed;
 - where it would be located and which region it would cover;
 - an estimate of the number of farmers likely to be involved;
- a detailed product description including:
 - any standards or specifications to be established;
 - the main features and benefits of the product to farmer members or buyers;
 - the product strengths and weaknesses of the group in comparison with existing products/services;
- a detailed market description including details of:
 - the target market (profile of the buyer/farmer user);
 - where customers/members would be located;
 - the potential size of the market and potential for growth;
 - how the product would be transported and distributed;
 - how the product would be advertised and promoted;
- an outline of equipment, facilities and raw materials needs and possible alternatives;
- an immediate action plan for implementation with persons identified with specific responsibilities.

Only once farmers were used to discussing ideas and group possibilities together and testing alternatives were detailed financial plans and rules discussed. Financial details included membership charges and charges for services as well as the development of an outline annual cash flow and methods of record keeping and reporting. Considerations for rules included discussions prior to registration between farmers on:

- the primary objective of the group and the extent of activities allowable outside the primary objective;
- eligible members of the group, including membership applications, the amount of product contribution required, fees payable, membership duration, discipline and expulsion/termination
- possibilities for contracts with third parties;
- finance (including fees, charges, loans, interest payments, surplus reinvestments, supervision and authority);
- the board of directors (including voting, elections, numbers, meetings, payments powers and responsibilities);
- planning, record keeping and reporting (including minutes of meetings and financial statements);

- member responsibilities (including the amount of product to be supplied to the group, specifications and standards, information and feedback, inspections, payments, product rejections and attendance at meetings);
- group responsibilities including (marketing, organisation, member information, handling, security and payments);
- product ownership and risk;
- charges and payments (including record keeping, levies, bank details, payment dates and distribution of surpluses);
- changes to rules and regulations.

Many of these areas are not well known or understood by most smallholders used to dealing with their own family accounts. However they are important to the successful development and sustainability of a group. It was necessary to organise training during winter 2004 – 2005 on financial record keeping and to discuss in detail with each group agreed rules for operation. Although standard rules were presented (including the support of a lawyer) all group rules are different and need to be formulated and understood by all group members. This is a process that takes time and requires considerable discussion between group members.

The 12 groups selected for support are currently operating at different stages of development and each have their own individual character, successes and problems. They include a wool marketing group, two milk collection groups, a veterinary group, a cheese production and marketing group, a young farmers club and six machinery rings. Each group is discussed in further detail below.

5.5.1 The Sjenica Wool Marketing Group

The Pramenka sheep breed dominates in the Sjenica region and the wool clip is a medium fibre description, showing good crimp and lustre while being of short staple length. Wool was previously sold predominately through the (now not operating) collective and scoured in eastern Serbia. Traditional woven wool carpets from the cottage industry used to find a ready market amongst foreign tourists along the Adriatic coast. Early on in the project and during the participatory planning workshops it was noted that the market for Sjenica wool appeared to have completely collapsed. Farmers noted that they had up to six years of production in store.

A group of farmers close to Sjenica expressed an interest in establishing a group with the primary objective of assisting members in the marketing of their wool and also to carry out secondary support activities such as, shearing, cleaning, sorting, wool grading, testing breeding programmes, provision of information, training and advice.

The project team had a number of meetings with buyers to discuss opportunities, including the Pirot wool processing factory, the Stilex wool company in Prjepolje, the Serbian sheep association in Vojvodina and local specialists from the state wool marketing company in order to assess the

issue and develop solutions. A visit to the project area was also organized for a representative from the H. Dawson wool company of Bradford, England. The general consensus was that the wool remained in good condition and was of marketable quality. The main problem seemed to be small quantities in the stores of a large number of farmers, a lack of contacts with buyers, a lack of organisation for collecting, sorting and packing the wool into marketable quantities and a lack of equipment for baling in a form preferable to buyers. A number of



A UK buyer interested in buying Sandjak wool

meetings were held with farmers throughout the region to discuss the possible development of a wool group and a number of farmers showed interest in cooperation.

The principles of operation were discussed whereby:

- All farmers supplying wool would automatically become members of the group although the group may enter into agreements with another farmer owned cooperative for the supply of wool
- Members would commit to:
 - making the group aware of the availability of their wool in-store (quantity and quality) and only sell wool through the group and not directly to any buyer or through any other agent;
 - ensuring wool was stored and made available in the correct condition requested by the group (either loose or packed according to specification) and following procedures outlined in the group rules of operation;
 - allowing access to their premises by any authorised representative of the group and in order to inspect wool quality and quantities;
 - allowing group authorised representatives the authority to collect the proceeds of sales on their behalf and for deducting any direct costs of the shipment and the agreed levy charge before final payment;
 - accepting the return of wool that was not sold or rejected by the end buyer (if found to be not in accordance with agreed group standards).
- In return the group would assist members by:
 - finding markets for wool and negotiating on their behalf with prospective buyers and keeping them informed regarding all buyer offers and contracts;
 - ensuring all wool was collected, sorted, packed and handled and insured (off farm) until delivery to the final buyer;
 - ensuring that record keeping systems are properly kept and available for all members to see at any time and particularly in relation to the members register, sales contracts, wool quantity and quality supplied by individual members, charges, final payments and records of director meetings;
 - paying the full sales price according to the amount and quality of wool delivered but minus any direct costs incurred for the shipment and the agreed levy charge;
 - advising on improving the quality and quantity of the wool supplied, through developing additional support services, such as the provision of information, training or advice.

Following agreement of these basic principles the project assisted the group by imported shearing, wool handling and baling equipment from New Zealand. A professional shearer was also contracted to conduct a number of shearing, comb, cutter sharpening and gear maintenance demonstrations. Eighteen local farmers were trained in use of the equipment and two shearers were selected to shear for wool group members.

Potential wool group members were also introduced to wool handling and baling equipment and taught how to use it. Sorting and compressing wool into dense packs is important for wool marketing. The equipment supplied on loan to the group is transportable and can be operated manually so that sorting and baling can be carried out on individual farms. Pressed bales are subsequently stamped with the identification of the owner, the village, wool type, year of production and bale weight.

H. Dawson wool company (Bradford) sent a representative for a second time to Sjenica to inspect the wool and discuss buying arrangements. The company agreed to buy the wool at € 80 cents per kilo delivered to Bradford as a trial shipment. This was a single offer price for fleece wool, bellies and pieces and all descriptions regardless of age. A proviso is that wool must be sorted by description and year of production and the bales marked accordingly. Fleece buying prices

advertised by a local wool processor ranged from 21 Euro cents to 48 Euro cents depending on type and quality.

Shipping, health regulations and other logistical issues now needed to be resolved. For export purposes and health certification, consignments had to be stored before delivery in licensed



Recording individual bales to specific growers

premises and this involved verifying that sheep, district and the country were free from specific diseases. Close cooperation had to be maintained with officials with regard to both certification and location of licensed premises.

The Sjenica Wool Marketing Cooperative was successfully registered at the beginning of October 2004 and immediately following registration the Dawson Wool (UK) issued a contract for 20 tonnes of wool (a single shipment) at €80 cents per kilo. Wool from 20 farmers was sorted and baled on individual cooperative member farms and transported by truck as requested by the buyer. However the cooperative was only able to press and fit on to a single truck 14.8 tonnes. The consignment was received in good order and payment was received

within two weeks of delivery to Bradford. Funds received were distributed in cash to suppliers. In total €11760 was paid for the consignment. The sum of €7760 was returned to farmers (€0.53 cent per kilo). Main costs were transport €2700 and administration/custom costs were €300. The sum of €1000 was retained into the joint cooperative fund.

Further contracts have now been issued by Dawson Wool (UK) for further deliveries to be made. Potentially, now that the cooperative has a clear product to sell and experience of export marketing, other buyers of packed wool can be approached. However, the cooperative is not without problems that still need to be resolved. In particular:

- farmers across the region manage relatively small flocks and even when including stored wool few are able to supply more than 100 kilos each year (a single pressed bale) meaning new members need to be continually introduced and raising possibilities of future conflict and increasingly complex management;
- registering as a cooperative enables farmers to undertake commercial trade but also requires directors to have official stamps showing all social security and other national contributions have been made. Only 50% of suppliers of wool to the group were able to do this and so not enabling membership;
- the cooperative has no official licence that enables it to export. For the first shipment the local wool scouring plant (Stilex Company, Prejipolje) provided an export licence for the consignment (at no cost) and handled the inward payment through their bank account. In return the cooperative allowed Stilex to use of the baling equipment to press the scoured export consignment from the company;
- the cooperative does not own the baling, pressing or shearing equipment but is loaned (at no cost) through the FAO project, transfer dependant on successful management;
- some farmers still did not see the cooperative as their organisation but simply a buyer of wool. Further efforts would need to be made to develop and communicate rules and to encourage more involvement and commitment to the group.