

### 5.5.2 Milk Collection Associations

The participatory project planning review carried out between September – October 2003 showed that milk across the Sandjak region was produced primarily from small herds of less than 5 cows. Much of this milk is consumed on farm or processed into cheese in order to preserve its shelf life. In some regions milk is not sold at all primarily because many farms are remote and not easily accessible. The costs of collection of this milk is therefore often unjustifiably high for most dairy processors.

Even so, buyers existed and were growing in number. Five small operations were producing dairy products (yoghurts, soft cheeses) in Sjenica town. In recent years, a number of 5-10 tonne per day milk processors had been established to supply local markets as well as more distant cities such as Cacak and Belgrade. A number of buyers attended at winter training workshops organised for farmers by the project and others were visited. In all cases all dairy processors in the region were still unable to collect all the milk they required (less than 50% in some cases) and were interested in working with dairy farmers associations in order to improve both the quantity and quality of milk delivered.

Three villages also showed interest in organising a milk supply group, Brodarevo and Velika Zupa in the Prjepolje region and Leskova in the Tutin region. Meetings were held with potential members and in each case the proposed aim was similar, to coordinate the collection and delivery of milk to the dairy processors and specifically to:

- collect, cool, store, and transport milk to a central collection point or direct to the dairy;
- negotiate on behalf of members on the prices paid for milk;
- ensure proper milk testing procedures are applied;
- assist members (through advice, training and information) on how to improve the quality and quantity of milk produced;
- raise the overall quality of milk supplied and develop premium payments for higher quality milk;
- provide processors and other buyers with a reliable and trustworthy milk supply.

More detailed discussions were held with potential group members to discuss issues related to membership, management, record keeping, responsibilities, risk, charges and payments and it soon became clear that only two groups Leskova and Velika Zupa had the necessary farmer commitment to develop further as possible examples for other farmer groups to follow.

Velika Zupa was already registered as a cooperative and had 27 committed farmer members spread throughout the Prijepolje region, including all types of livestock farmers. While interested in further supporting the collection and marketing of milk the group were also interested in encouraging joint purchasing and overall improvement of livestock (sheep and cattle).

The group were encouraged to have discussions with the Novi Varos (Zlatarka) dairy who agreed to purchase milk if sufficient quantities can be collected and to provide technical advice and training on dairy hygiene, handling, cooling and storage. The FAO project agreed to purchase and loan to the group a 500 litre *Lactofreeze* tank and so that collection, quality control procedures, delivery and recording systems could be piloted and demonstrated to other farmers in the area.

Leskova comprised of a group of 25 farmers potentially able to collect between 600-700 litres of milk each day. Initially however they preferred to operate informally and register as an association once operations began. Under Serbian law associations are not able to trade commercially so the group would need to be seen to be providing a non commercial service to members by not taking ownership of milk but simply charging a direct levy to cover actual costs.

Leskova farmers had never sold milk before and discussed milk sales with the local Delemedje dairy who unfortunately already had a surplus of cheese and had halted milk purchase (they

subsequently closed two months later). Finally an agreement was made between the farmers and the newly constructed Tutin (Zornic) dairy processing factory. The FAO project agreed to purchase and loan to the group a 1000 litre Lactofreeze tank and so that collection, quality control procedures, delivery and recording systems could be piloted and demonstrated to other farmers in the area. Both groups prepared a plan for collection, quality control and delivery of milk with delivery of the fresh product to a central point for pick-up by each dairy company. Suitable buildings were also identified at a central point acquired in both villages to house the equipment.

Both factories produce a range of dairy products including yoghurts, double creams, a variety of cheeses and pasteurized packaged milk. Both have also been included as part of the Serbian milk quality initiative currently being implemented by the Ministry of Agriculture. The aim of this initiative is to upgrade quality standards for dairy products production in line with EU standards and gradually phase out subsidies for lower quality milk. Both dairies therefore needed to develop closer relations with farmers in order to improve both quantity and quality of supply. The dairies helped with the commissioning of tanks and in training farmers in the operational procedures for hygienic milking, delivery, testing and record keeping.

These pilot groups should help to raise the overall quality of milk supplied, develop premium payments for higher quality milk and provide processors and other buyers with a reliable and trustworthy milk supply. It should also help to demonstrate to group milk collection and buyer linkages to other farmers and could potentially be replicated widely. Both dairies and the USAID supported Mercy Corps project working within the region have expressed interest in purchasing future Lactofreeze tanks for new groups.

However further work still needs to be carried out on the economic feasibility of milk collection. Detailed rules have to be finalised, recording systems have to be employed and farmers really need to demonstrate that they can manage an operation of this kind.

### *5.5.3 Mechanisation Groups*

Participatory studies and consultant research had shown that across the Sandzak region there was a particular need to improve the quality of artificial pasture, the yield and quality of forage conserved in order to provide a more nutritious winterfeed for livestock. As part of this programme the FAO project intended to demonstrate a number of techniques for improved forage conservation, cultivation, improved management of artificial pastures grasslands and forage based animal nutrition. At the same time following the winter farmer training programme, 11 villages had identified possibilities for sharing machinery. This provided an opportunity both to demonstrate new techniques but at the same time assist in the development of new machinery rings.

The project team selected six groups that were spread throughout the project region, Babine (Prjropolje), Hrta (Prjropolje), Trijebine (Sjenica), Stavalji (Sjenica), Lekova (Tutin) and Delimedje (Tutin). Different types of equipment were demonstrated in each village and farmers throughout the region were invited to attend these demonstrations. The equipment included rotary drum mower conditioners (SIP 165G), round bales wrappers (SAME Rollpac 1600 Multi), mini round balers (SAME Rollpac R600), universal tedder/spreaders (VICON Hay – Bob 300), Single axle tractors (“Rapid Euro 4” + cutter bar 220 cm), self loading forage wagons, (SIP Senator 17 m<sup>3</sup>), direct drill seeders (MOORE Unidrill 1.3), square bales wrappers (Wolagri), single row silage harvesters (VICON MH 90S) and a single axle tractor (“Rapid Euro 3” + cutter bar 190 cm). The technology supplied focused on making incremental and practical improvements to existing systems and was purchased or loaned on the advice of local and international specialists following detailed consultation with national and international manufacturers and dealers.

Once demonstrated, machinery was provided on loan to each of the six villages and for joint management. Equipment was loaned according to local characteristics such as farmer interests and

compatibility with existing practices. Farmers' impressions and interests for particular machines had previously been discussed and clarified during the winter training sessions on machinery and feeding and feed production, as well as following discussions with every separate group during the spring.

Immediately after the distribution, the national mechanization specialist visited all villages. Farmers in every group were obliged to ensure a safe, dry and covered place for all machine storage. During these visits, machinery was mounted and tested in the field. Missing parts and malfunctions were noted and fixed in cooperation with the farmers, local suppliers and workshops. Sixty farmers were practically trained to operate the machinery and special attention was given to maintenance and safety issues. All the trained operators were asked to record, during operation, the date of use, type of machine used, type of operation, time of transport and working time, amount of land covered per operation, prices charged and add operator and farmer signatures.

At the end of the season all records were collected by the project team and a detailed statistical analysis of results prepared. Each village could be compared and discrepancies noted. Results were discussed with each village in order to discuss how machinery could be used more effectively and how a sustainable group would operate. For demonstration purposes most of the machines proved ideal for Sandzak conditions and terrain and direct comparisons could be made with traditional machinery and practices. Particular interest was shown in mowers, hay-bobs and balers.



*Demonstration and joint purchase/management of machinery*

The farmers had also gained one year's experience of working machinery together. For 2005, farmers intended to register groups as non-commercial associations with the objectives of reducing overall mechanisation costs and increasing productivity through the joint sharing of machinery whilst carrying out secondary support activities (such as contract machinery use, information, training and advice). The project team assisted in developing outline rules with a particular focus upon ensuring:

- that the large majority of use was by members and sub-contract use by non members was limited;
- proper scheduling of machinery use, advance booking and record keeping;
- proper maintenance, storage, cleaning and servicing;
- proper inspections;
- fair and equitable and published charges that reflected full costs;
- efficient and full usage of machinery;
- full availability of information by all members;
- equipment insurance.

Each group also prepared a usage and management plan for 2005. Group registration will allow the group a number of additional possibilities for purchasing or leasing additional equipment or sharing the existing equipment of each group member. Current machinery remains under the ownership of the FAO project or on lease from manufacturers. Equipment will not be transferred

into group ownership until the groups can clearly show that the operational plan and rules are clear for the registered and approved group members or that the equipment is purchased.

The groups still have a number of issues still to resolve including the amount of their own finance to be raised or equipment to be leased to the group. Members are already concerned at the level of charges necessary to cover repair, service, storage, insurance, fuel, operator and general group costs. Items such as mini-bale net-wrap and film and spare parts will need to be replaced and equipment depreciation costs, enabling equipment to be eventually replaced, will have to be taken into account. New lease agreements for 2005 will have to be negotiated with suppliers and local suppliers will have to be identified in order to ensure ongoing parts and service. Possibilities can also be considered for identifying and introducing other types of equipment suitable for small-scale livestock farmers.

#### 5.5.4 The Ursule Cheese Production Group



*Encouraging the participation of women – cheesemaking and woollen handicrafts*

Sjenica cheese is a well known brand name in Serbia and also throughout the countries of the former Yugoslavia. It is predominantly produced and consumed by individual producers at home. Cheese making is popular as it enables unsold and surplus milk to be preserved. Commercial demand for Sjenica cheese is strong and sales are almost entirely made by traders visiting individual farms and collecting cheese (from 30 - 50 kg wooden or plastic barrels) before delivering to major towns and cities (predominately in Serbia but also in Kosovo and Bosnia). There is no standardised recipe for Sjenica cheese and increasingly cheese was being commercially produced outside of Sjenica (in particular in Vojvodina) and sold using the Sjenica brand name.

Following the winter training programme a group of farmers presented an idea of commercialising and standardising the production of cheese from Sjenica and better exploiting the brand name on behalf of local producers. Specifically the group aim would be to:

- collect milk from group members and process it into cheese using a standardised production recipe;
- pack and sell cheese to traders and retailers in 3 to 5 kilo packs
- develop a recognised logo;
- work with national and international cheese associations/institutes to improve the quality of cheese produced;
- assist members (through advice, training and information) on how to improve the quality and quantity of milk produced and supplied;
- lobby Government on the protection of the Sjenica brandname/trademark.

Ursule was already a registered cooperative with 30 farmer members formed through a previously unsuccessful attempt to encourage organic production and marketing from the region.

The FAO project commissioned a cheese production specialist from the University of Belgrade who assisted the group to prepare a business plan including costs of installing initial equipment and operational cash flow. A cheese manufacturer was also invited to present ideas regarding commercial cheese production. It soon became clear that standardisation of cheese production would be a considerable logistical, training and organisational exercise requiring standards to be in place for hygiene, quality assurance, planning and management. Each farmer was producing

cheese using their own traditional and differing recipes and widely differing standards of both hygiene and quality assurance. In order to address these issues the group intended to only buy milk from members but process cheese from a central and controlled production facility under the ownership of member farmers.

However the cost of equipment was significant at \$25000 USD and well beyond the resources of farmers. The group will need to change its current rules substantially and make decisions on the most appropriate equipment. Certainly the group is complicated to establish and manage and will require strong management, organisation, commitment and cooperation. However farmers have not given up hope and have submitted plans to donor programmes and banks for potential financing.

### 5.5.5 The Delimedje Veterinary Group



*The Delimedje veterinary group*

The geography of the Tutin area varies from high plateau to rugged mountain terrain. Remoteness of small farms is worsened by poor roads, long winters and heavy snows. The Delimedje Village is the biggest in the Tutin area. Within 15 kilometers of this village there are 27 smaller hamlets and where 24,250 people live and 2,400 cows and 6,000 sheep graze. Dairy, cattle and sheep production could be increased but at present farmers across the entire Tutin municipality are entirely dependant on Government veterinary services. These were perceived by farmers themselves as being insufficient and irregular.

Following the participatory review and the winter training workshops representatives of the village contacted the FAO project and expressed their interest in establishing a private cooperative veterinary practice. The proposal was that the service would be organised as a farmer member owned group with an initial projected membership of 90 farmers (already with preliminary agreements made) in Delimedje, employing a vet and a veterinary technician and maintaining a fully equipped centre in Delimedje as well as a mobile unit. It is intended that the services offered by the veterinary practice would include artificial insemination, health and disease diagnosis, drugs provision and administration, emergency calving, general veterinary advice (feeding, calving, housing, breed improvements etc.)

The monthly running costs of the veterinary practice were estimated by farmers as being around USD 2,400 per month. A detailed cash flow statement and an initial business plan were prepared. Total annual income and costs would be in the region of USD 30,000. Incomes could be obtained as medicine charged at actual price plus 10%, visit charges estimated at an average of 6 visits per day for 300 days i.e. 1800 visits @ USD 4 per visit and membership fees estimated at 100 members x USD 100 per member. Initial cost of stocking the practice was estimated at USD 16740 and to be covered partly out of the initial membership fee and as a part contribution from FAO and other donors.

The group members were soon finalizing plans for jointly renovating a building and finalising key issues prior to registration, notably:

- preparing terms of reference, advertising for and interviewing a potential vet;
- clarifying the legal position of a veterinary practice;
- contacting potential members to ensure initial membership fee payments;
- finalising group rules, operational procedures and record keeping systems.



The FAO project provided technical advice to the group on initial medical stocks, operational procedures and veterinarian recruitment through a local livestock veterinary specialist. However it soon became apparent that legal objections would be raised to the establishment of such a group, by both private and Government veterinarians, on the basis that farmer ownership would not constitute a professionally recognised practice. The group would not be authorised to operate legally by the local municipality. Discussions remain underway but opposition to such a group remains strong.

In the meantime the FAO project organised a series of artificial insemination (AI) training courses for five farmers throughout the project region with the intention of enabling AI services to be introduced into remoter and less accessible areas where few veterinarians ventured. Workshops were organised and delivered in liaison with National Velika Plana AI Institute, the director taking a lead role in the training. However under Serbian law technicians must also be registered as veterinary practice employees. In Tutin and in Prjepolje practices were found through which the trained farmer technicians were able to operate. No practice in Sjenica however would agree to such an arrangement. The FAO project provided one thousand straws of dairy semen as start-up stock to each farmer technician, along with canisters, liquid nitrogen and AI kits.

Within one month over 200 cows had been inseminated by the farmer technicians with a reported conception rate in excess of 80% and operating within some of the remotest and poorest areas of the Sandzak region. The success of the programme has encouraged the project and the Velika Plana Institute to train a further 5 technicians and to enable regular exchange of experiences between them. AI services are now being promoted through advertising on the local radio stations. Birth of the first calves to AI will generate considerable local interest, boost demand for next year and should eventually result in improving livestock throughout the region.

However concerns still exist regarding the future sustainability of the service. Objections have already been expressed by the municipality veterinarian officers over the operation of such a service. Nevertheless the support of a recognised national institute might enable the scheme to continue. The full cost of the service will also eventually have to be passed to farmers. However, once established the additional benefits of reduced costs and higher quality livestock will be appreciated. This may be a cost worth paying.

#### **5.5.6 The Ivanje Young Farmers Club**

The loss of young people from across the region was regularly raised during participatory planning events and training workshops. The lack of job opportunity but equally the lack of cultural or social events such as debating forums, clubs traditional events like dancing, fairs or other forms of social life enabled little possibility for wider social contacts. Few of the farmers attending planning and training meetings were less than 30 years of age.

However one group of active young farmers from Ivanje and Lucice villages did approach the project with a wide range of ideas for further developing the economic and social life of their village. The group had already registered as an association with 30 members but had a weak plan of activity. A number of meetings were held with the group members to discuss possibilities. Members were interested in becoming involved in all aspects of the FAO project. Consultants noted their particular interest in languages, computer technology (Internet searches, e-mail and chat forums in particular) and music.

In Western Europe young farmers clubs operate on a significant scale and provide a vibrant and innovative face to rural community development. Possibilities for developing such a pilot operation in the region were of great interest to the group and in particular connecting with young farmers associations throughout the world. Initial contact was made with the Federation of Young Farmers Clubs, UK, who sent material on the establishment of new clubs. An offer has now been given for a UK Federation representative to visit the region.

It is early days for the development of the group, however, they have made a start. A number of potential problems will arise with the raising of capital for events and the normal issues of developing and enforcing operational rules. Young farmer interests also change. However, experience with developing and managing such a group would help to develop future farmer directors of other types of enterprise.

## 5.6 In-field technical support, demonstrations and special projects

In addition to the above, the FAO project has also provided the opportunity for Serbian researchers and specialists, as well as buyers, suppliers and manufacturers to visit the project area, meet farmers, develop linkages, promote the region, present innovative approaches, import new technologies and provide in-field technical support. This would benefit not only farmers but also help to develop local trade representation and specialist expertise.

During training workshops all farmers' questions were noted and local specialists invited to prepare straightforward and specific practical guides with answers to questions raised 7 practical extension booklets were produced on forage and feed production, wool marketing, dairy production, dairy marketing, mechanisation, animal health and selection and breeding. These were printed and distributed to farmers throughout the region. A project information poster, brochure and PowerPoint presentation were also prepared and videos produced for distribution on national and regional television with sound summaries for radio. An information centre was established in Sjenica from which farmers were able to collect or view information including booklets, videos and monthly agricultural publications, such as Poljoprivredni list and Poljoprivre Dnik.

An important objective of the FAO project was to conduct local demonstrations and encourage programmes that would help to generate the interest of farmers across the region to discuss and try new techniques but also help to establish trust within the farming community between farmers and project consultants. Demonstrations focused on wool shearing, cleaning, sorting and packing, milking, collection and dairy products production, mechanisation, forage conservation, cultivation, forage based animal nutrition, improved management of artificial pastures and grasslands and a programme of flock and cattle (beef and dairy) improvement through selection, natural service and artificial insemination.

The programme of spring, summer and autumn forage and feed demonstrations was completed during 2004, with 12 forage and demonstrations/trials conducted at 27 different sites including, spring and summer fertilization, over sowing/direct drilling natural grasslands, introducing spring and summer fodder crops and new winter feeding recipes as well as encouraging silage and hay making. This also included a trial maize production/harvest and ensilage demonstration using newly introduced and experimental high altitude maize strains. Fodder, feed and production diaries were kept by selected farmers and results summarized and disseminated throughout the region.

Infusion of quality and new blood into cattle and sheep of both the mountain and valley holdings should have a positive impact on production. Wider use of AI should help. Five Pirot rams<sup>28</sup> were also purchased by the project and distributed through the project to selected sheep flocks. A dual-purpose animal with fine wool, good carcass characteristics and good milk production, it was once widely kept on state farms in Sjenica and elsewhere but with the demise of state-farms few purebred flocks remain. During 2005 progeny from the rams will be monitored and results disseminated. Regarding cattle, pedigree dual-purpose Simmentals arouse wide interest throughout the Sandzak and Tyrol Grauvieh regions. If introduced, it should eventually prove

<sup>28</sup> The Pirot is a breed established from 1953 and developed in Serbia. It combines the Sjenica strain of Pramenka with the merino.

an ideal animal for the high mountain pasture of the region. Holstein and Brown Swiss cattle are also demonstrably more productive in the conditions but still have yet to be widely accepted. Farmers' preferences for certain breeds are still being evaluated and contacts made with local breeders. Meetings are also being organised between national and international breeders and the project facilitates the import and distribution of semen through the AI Institute in Velika Plana.

Other programmes were also initiated including, the organisation of training workshops on, wool spinning, weaving, handicrafts production, flock protection from wolves (including import of Shar Plana guard dogs from Kosovo (Dragash), the collection of price and livestock information from local markets, weekly broadcast on local radio, the development of plans for upgrading livestock markets in association with the local municipality and the joint support of regional agricultural shows in Lesova, Delimedje and Sjenica.

### 5.7 Future activities

As demonstrated above, the project has already produced a number of important outputs during the first 18 months of operation notably;

- strengthened self-reliance of targeted farmers;
- increased awareness among farmers about market mechanisms new technologies and approaches;
- strengthened local service providers and extension service in livestock production and marketing;
- emergence of effective farmer and inter-professional associations;
- improved networks and programmes between farmer, specialists and policy makers involved in livestock production and rural development in remote areas.

The project will continue to work with current groups and projects until the end of 2005 in order to strengthen and network existing programmes. However the project already provides some useful information for the development of national advisory, training and extension services based around linking high quality research with remote farming communities, identifying and delivering relevant information and advice, involving farmer groups and linking them together. Potentially this can result in a truly responsive, participatory and sustainable advisory and training extension approach that takes into account farmer concerns and provides quality and relevant service delivery. During 2005 the project had closer links with the Ministry of Agriculture in order to support Government strategy in these areas.

The project will also become more actively involved in regional livestock development programmes including potential linkages with farmers and farmer groups, projects and advisers in Montenegro, Bulgaria, Kosovo, Croatia and Bosnia - Herzegovina.



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## **Promoting farmer entrepreneurship through producer organizations in Central and Eastern Europe**

On 1 May 2004, after a 14-year transitional period from central planning to market economics, eight Central and Eastern European (CEE) countries (the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia) became members of the European Union (EU). Bulgaria and Romania are preparing for accession and are expected to join in 2007. Croatia submitted its application for membership in 2002 and Macedonia in 2004.

Voluntary member-owned, financed and controlled producer groups and farmer cooperatives are believed to provide good enterprise models that could play a central role in enabling their members, and the wider rural community, to play an active part in their own development across the CEE countries. Yet, very few have a major share in supplying inputs, providing farm or rural services or marketing production and even fewer influence national policy or decision-making. It seems that their role still cannot be entirely divorced from wider historical, political and socio-economic considerations and the generally negative experiences of "cooperation" gained throughout the region.

Part 1 of this paper presents an overall analysis of the situation and development of producer groups and farmer cooperatives across the CEE countries, including the new EU members, the applicant countries and the Balkan states alike. Part 2 provides a case study of FAO's experiences and lessons learned with technical assistance programmes and projects in the subregion. The example presents a number of practical suggestions as to how development organizations, governments, donors and advisers might be best able to facilitate the formulation and implementation of policies and strategies that promote the further development of more autonomous and financially sustainable producers' organizations and cooperatives in CEE countries.

