



Supporting Contract Farming in Kosovo



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Agriculture in Kosovo

- Agriculture sector contribution to GDP is around 10%.
- Most farms are small, 52% of them own less than 1 hectare of land, 42% own between 1 and 5 hectares, while only 6% own more than 5 hectares.
- The fruits and vegetable sub-sector has the second largest share in agriculture production.
- Fruits and vegetable farmers mainly cultivate traditional varieties and target green market.
- Oversupply in peak season and drop in prices has a negative affect in farm income.
- Lack of systemic advisory services.

Agriculture in Kosovo

- Food processors challenged with inconsistent supply and inadequate quality of raw material (crops)
- Exporters demand food and agriculture products that meet quality criteria of buyers in the export markets.
- Lack of sustainable cooperation between farmers and industry.

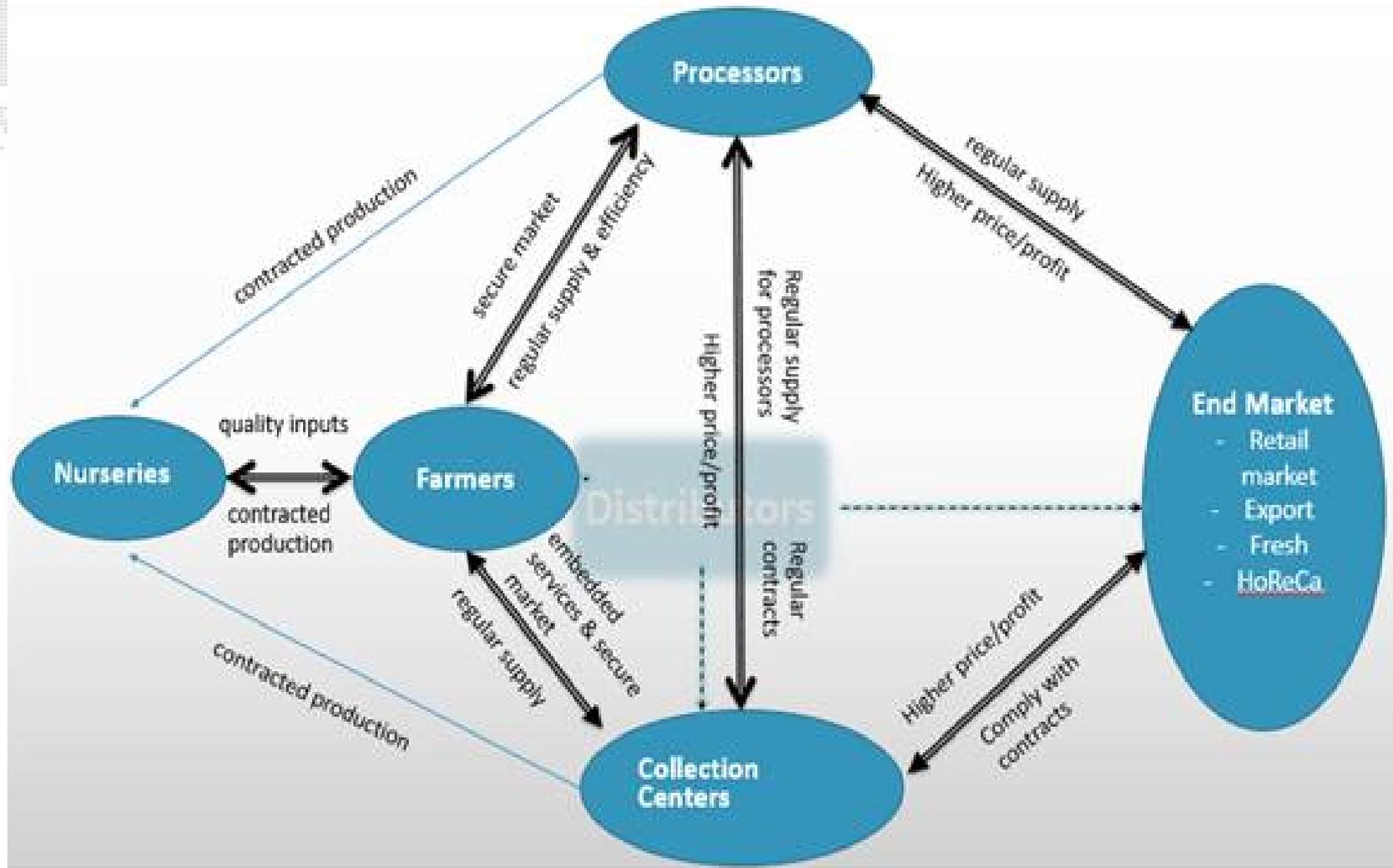
Contract Farming as a Solution

- Contract farming is used to ensure the quality and quantity of inputs or raw materials for processors, exporters, distributors, and supermarkets (Reardon, et al., 2009).
- Contract farming may help farmers to assure a market for their produce and overcome liquidity constraints, poor access to inputs, or lack of technical capacities (Barret, et al., 2012).
- Contract farming model is a win–win strategy for both contractors and farmers.

Contract Farming Model in Kosovo

1. Contractors (processors, collection centers, exporters) identify interested farmers for producing for their demand.
2. Access is provided to large and small farms, as per specific nature of sub-sectors and crops.
3. Contractors share risk with farmers by providing inputs (adequate seeds, seedlings, etc) to interested farmers.
4. Contractors provide organized trainings and regular on-farm advisory services, as well as other services depending on crops.
5. Contractors buy the contracted production and provide payments as per their agreements.

Contract Farming Business Model



Contract Farming Pilot Intervention

- To address value chain gaps, in **2015, PPSE piloted introduction of industrial varieties of vegetables** (peppers, tomatoes, etc) through a contract farming model.
- Pilot intervention **partnerships included value chain actors** such as Collection Centers, Processors and Input Dealers.
- **Collection center acted as a focal point** for the provision of contract farming services.
- PPSE **co-financed provision of inputs** (industrial seeds, irrigation systems, etc) and **advisory services** (on-farm advise, promotion days, etc) so they are provided at a discounted price.

Contract Farming Initial Expansion

- **In 2016 and 2017**, contract farming introduced also in the sector of medicinal aromatic plants (MAPs), an export-oriented sector, **introducing cultivation of MAPs** where **women inclusion** has large potential.
- **Expansion** in both sectors reach out to a large number of farmers cultivating **over 500 hectares under contracts**, including most excluded groups, women and minorities.
- PPSE co-financed inputs and embedded advisory services as core part of the business model.

Contract Farming Expansion

- **In 2018 and 2019**, contract farming outreached a larger number of farmers and value chain actors across the country.
- Collection centers continued to independently provide on-farm advice to their contracted farmers.
- PPSE supported **increase of capacities and productivity** through upgrade of technology for collection and processing of agriculture products as well as planting/harvesting machinery services for farmers.
- **Vegetable seedlings** produced in professional nurseries were promoted and integrated in contract farming as **a quality input**.
- Increased capacities led to a **large increase of contracted farming area**
- **In 2019 over 3,000 hectares** are cultivated under contract farming.

Quality and Productivity Improvements

- **Contracted production is demand driven.** Crops are cultivated as per requirements of contractors (domestic processors, collection centers or exporters)
- **Introduction of seedlings produced by nurseries contributes to the quality of produce** and is integrated into the contract farming model.
- **Advisory services are more feasible and accessible** for farmers, provided through collection centers as well as through input dealers and agronomists.
- **Technology improvements created higher capacities** for cultivation, collection and processing.

Main Challenges

- **Lack of adequate financial products** to support large contract farming expansion.
- **Lack of crop insurance products** to address losses as a result of eventual bad climate conditions.
- **Weak organization** of farmers in associations or cooperatives.
- **Weak public advisory system.**

Key Conclusions

- Through contract farming farmers have **improved access to more affordable advisory services and quality inputs.**
- **Contractors secure supply** as per their market demand, **both in terms of quantity and quality**, enabling them to expand into new markets.
- **Risk-sharing between farmers and contractors** contributes to increased cooperation trust.
- Contract farming is enabling **farmers to diversify and increase their production.**
- Contract farming has proven a **highly successful model** in generating employment and income opportunities for large and small farmers.

Key Conclusions

Story from the field

How can the concerns of the farmer, seedling producer and collection center be addressed in one stroke? Enter “contract farming”. In short, contract farming is when a farmer grows vegetables for a buyer in accordance with an agreement made beforehand — The Contract.

Read full story:

<https://medium.com/@ppseprogram/the-contract-based-future-of-farming-in-kosovo-505271703d16>

Watch video:

https://www.youtube.com/watch?v=PXIETYGo_IQ&feature=emb_title



Thank You!

For follow-up questions please contact:
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