

# AGROPUKA

## Success-story or a mission impossible?

by Franz Moos<sup>1</sup>

**The Producer Organisation Agropuka in Albania is widely recognised as a successful project but it is, after eight years, still not self-sustainable. The author holds that self-sustainable agriculture is not possible under difficult natural and economic conditions. Therefore, like in Switzerland and in EU countries, farmers in mountain areas in Albania need continuous external support.**

Agropuka Project (AP) started in Summer 2000 and shall be closed in 2009. Its main goal was and still is *to contribute to a sustainable use of potentials in agriculture in order to enhance chances for incomes of farming families* (and through this to reduce the pressure on emigration). The project's components remained the same over all the years: 1) To build-up and develop a producer organisation; 2) to process and sell local products; 3) to support small self-help projects of producer communities; and 4) to create know-how in market-oriented production with advisors and producers.

As external advisor mandated by SDC, I got the chance to accompany Agropuka since its very beginning together with my wife Rita, who joined to introduce processing and supported especially women groups. After completing our mandate in August 2008 I like to look back to ups and downs encountered throughout the eight years.

In 2002 Walter Schlaeppli<sup>2</sup> made an evaluation of the first steps of the project and he found it highly

<sup>1</sup> Franz Moos, dipl. Ing. Agr. ETH, now retired, worked as consultant with AGBA in the field of rural development in Switzerland, in the South and finally 12 years in Albania. e-mail: agba@swissonline.ch

<sup>2</sup> Walter Schlaeppli (LBL/Agridea) in "Rural Development News" 1/2002

### Agropuka in short

Agropuka is a Producer Association, founded in August 2001, owned by its members (now more than 300 male and female producers, advisors and other related people, paying an entry fee and a yearly contribution), with Statutes, General Assembly, President, Board, and an elected Executive Director. Women are fully integrated, also elected into leading positions. They are promoted through village processing groups.

Agropuka has four operational sectors: Management, headed by the Director with an Assistant / Accountant; Marketing & Processing with two staff plus part-time labour; Training and Advice with a part-time coordinator working with a team of ad-hoc male and female advisors and specialists; and Infrastructure, headed by the Director. Agropuka is owner of the Project since 2002, based on an agreement with SDC. Marketing paid last year about 50% of its costs, the remaining 50% and the other components were financed by SDC. The objective is that marketing finances itself and contributes to the general management costs and to the advisory service. The statutes foresee that the association can set up and own commercial enterprises (marketing, processing, services), but this was not implemented by now. Main products are honey (46%), dry fruits (24%), dry mushroom (7%), fruit preserves (5%), herbs and teas (7%), (in brackets: contribution to gross margin in 2007/08). Puka is one of Albania's poorest districts in the mountainous North.

relevant and corresponding to the actual needs, and already showing results. The project's strong focus on the market was new to all; in addition the producers stressed also the importance of supporting small infrastructures, mainly in irrigation. As strong points Walter mentioned: 1) the mix of marketing, training and small infrastructure support; 2) the leadership with local people and the broad participation of farmers, local advisors and administrators; 3) the



Typical landscape: fertile valley with small farms surrounded by green or bare hills.

implementation of small infrastructures with concrete results; and 4) the well tuned approach to the subsistence and exchange oriented economy of the farming families, which the project attempts to supplement with market-orientation and professional processing and marketing. Since resources and potentials are scarce and limited, he found that survival on the small farms is only possible with intensifying production, adding values by processing and additional informal activities.

Five years later, an evaluation mission in autumn 2007<sup>3</sup> found: *The model of Agropuka is unique. It has addressed real needs and is highly appreciated because it has produced concrete results: a functioning association, improvements of infrastructures and mechanisation, a relevant training & advisory service, women processing cum training centres. It has created an excellent base for the future. But it is still a small project, which started from a very low level of market integration. The statement "initially we were ashamed to sell as it was considered like selling the bread of our children" is a strong indicator for the baseline of the project. AP has achieved a change of mindset, a new self-confidence: "yes, we can do something", and brought hope. Families believe now in a future for them and for their children.*

<sup>3</sup> Urs Heierli and Valbona Ylli, internal report to SDC, November 2007

*However, it would be wrong to measure the output only in terms of turnover of marketed products. If we compare what has been spent by the project with the turnover of the processing unit and marketing, then the relationship is still a disaster. The overall results are much more to be seen as a process and a change indicator where the potential has been laid for future growth. If Agropuka would stop at this level, it would not have been a very efficient intervention.*

In fact, only about 16% of all expenditures went to the marketing sector, whereas 60% were spent for infrastructure programs and 24% for training and advice, both long-term investments.

Indeed, Agropuka has become a widely recognized organisation and all who have contributed can be proud of the results achieved. However, financial sustainability remains the strongest concern. AP is still depending on SDC funding and marketing did not develop sufficiently to be cost covering. Even the assessment of marketing potentials by a marketing specialist in June 2007 did not bring the break-through. Furthermore, the potentials for diversifying sources of incomes, such as paid services or other donors, could not be developed as intended. It was found difficult to find other donors for a project in a remote area and even more difficult to ask for increased contributions from poor users. The question remains, whether Agropuka is able

to make up for this until summer 2009 when SDC plans to cease its support. And if not? Is it, at the end, a “mission impossible”?

The evaluation mission 2007 further found:

*The future is very challenging: Agropuka needs to scale-up its operation significantly and change as a consequence its structure and way of operation drastically. The following four challenges are to be met for this dramatic change process:*

1. *Conversion from a project to a true producer organisation owning and managing professional and self-sustained enterprises,*
2. *To re-structure itself, introduce professional management, marketing and financial systems,*
3. *To switch from a subsidy organisation to an investment or leasing company,*
4. *AP may need to play a new role in replicating its approach to new areas.*

*and proposed two scenarios for consideration:*

1. *A last exit phase. But the team felt that this scenario would not valorise the investment made so far; it should be dropped.*
2. *A new Rural Development Program. This would mean to redesign Agropuka as one element in a larger multi-donor rural development program with the main components a) market development for specialty products, b) a service company and c) a mountain forum for the necessary policy dialogue, the three to be eventually complemented by other components, e.g. small hydro-power.*

The question is, however, whether the region and Agropuka do have the resources for matching such challenges, not only in terms of funds, but also in terms of production potentials and human resources. Is drastic growth really the right strategy?

Finally, SDC - finding the second scenario as too ambitious - decided for the first scenario and for supporting a last 12-month exit phase in order to consolidate the project results and Agropuka association (from June 08 to May 09) with help of national consultants and with following foreseen impact: *The consolidation of a sustainable and sound association through an organisational development process will contribute to further*

*enhance the income generation opportunities of the rural population focusing on the promotion of agriculture and livestock products. Expected outputs are:*

1. *An appropriate organisational and management structure of AP association, able to run towards a financially independent farmers' association.*
2. *A clear separation between management of production and sales from marketing through outsourcing of marketing activities in Tirana and Durres.*
3. *Quality of professional training services in a key unit of AP, sustainability ensured through an increased fee-paid approach.*
4. *Diversification of financial resources for highly demanded small infrastructures and mechanisation as key components of AP.*
5. *An effective and legalized independent women NGO, based on processing groups, aiming at increasing social and economical opportunities for women.*

*In addition, AP will promote its expertise and competence in other mountain districts through collaboration with other associations, projects in close collaboration with the Agriculture Departments of the respective districts and the local governments, and establish networks between organisations and agencies operating in mountain areas.*

**Women can play a key-role**, in production, processing, marketing, and in agro-tourism. Some gained already experience with selling products of their processing groups. But reality shows also that there are limits because of their full workload in the families and in other occupations. They must be able to rely on the support by their husbands and family members. Appropriate mechanisation helped already and will help further to reduce women's workload. Also young interested and capable women could develop new job opportunities and remain in Puka.

The group of men and women visiting Switzerland two years ago observed how farming families were working hard but in partnership, together in production, processing and marketing. They also learned what advisory services and trainings are offered to them. The new women NGO will find a great challenge and opportunity to support members in developing new activities. Through its contacts to women organisations in Tirana and other cities the NGO can also make Puka and its products better known and attract new consumers and visitors.

This sounds optimistic, but the question remains, whether all this can really be done within one year of consolidation. I do not believe, that Agropuka will reach financial sustainability by May 2009, though it is correct to force its utmost own efforts. How can small farms and an association of small producers in a poor mountain district in Albania survive and grow without continuous support by the Government and/or by donors, if their colleagues in Europe and Switzerland cannot? To become and to remain sustainable in rural mountain areas depends on sustained support by reliable partners.

The marketing results of the past six years (in Mio. leke) may serve as an illustration:

| Year (June to May)         | 2002/03 | 2003/04 | 2004/05 | 2005/06 | 2006/07 | 2007/08 |
|----------------------------|---------|---------|---------|---------|---------|---------|
| Purchase of products       | 1.2     | 2.1     | 1.9     | 3.1     | 3.0     | 3.6     |
| Sales of products          | 1.4     | 2.5     | 2.0     | 3.9     | 3.7     | 3.9     |
| Gross margin (incl. stock) | 0.3     | 0.6     | 0.7     | 1.0     | 0.8     | 1.0     |

*3.9 million leke are about 55'000 CHF – in terms of bread or labour it is equivalent to about 400'000 CHF!*

Sales of the year 2007/08 were, despite of strong efforts, once more far below expectations and show only a consolidation of the results of the previous two years. Thus, the past year can be characterized as remaining on track in a turbulent year with a marketing assessment in June, an evaluation in November and planning the last phase from January to April. And up to now, the cooperation with a Marketing Development Enterprise was not convincing. The crucial lesson is:

*Selling is not so much a science, but endless hard work at the sales front!*

### Is Agropuka now a success-story or a mission impossible?

As a project Agropuka is a success, with clear positive results, which will last over years: Thousands of fruit trees and vines, small infrastructures (mainly in irrigation), mechanisation groups (mainly small tractors with trailers, ploughs and other attachments, irrigation pumps, sprayers), women processing groups,

new ideas and know-how. But Agropuka itself is not self-sustainable, neither as a producer association nor as a marketing enterprise.



*Village processing centre, head of group presenting products, steam juicer as typical equipment.*

### What are, after all, reasons for this?

The concept was simple:

- Self-financing marketing which contributes to the costs of the association and its services.
- An association financed by contributions of members, by returns of marketing and by paid services.
- Investments supported by partners / investors.

Self-financed marketing was already targeted for 2005, and then for 2008. It began hopeful in 2005/06, but then it failed again. Why?

The evaluation of 2007 proposed technical and organisational measures:

- Scaling-up size and turnover;
- Reorganisation: making Marketing a real enterprise;
- Professional marketing: outsourcing to a marketing services enterprise.

But the real problems are lying deeper: Until to the 1950ies agriculture in remote areas like Puka served almost exclusively for subsistence. They were not producers in the strict sense but were still following rather the old practice of hunters and collectors, to take what comes with minimum investments and this kind of mentality can be observed still today. There was nothing sold except some young sheep and goats; products were exchanged, mainly within the wider family.

Additional incomes were sought in seasonal migration, followed often by permanent emigration. Thus, migration is part of their strategy for survival and there is no tradition at all in market-production and marketing. To offer products for sale was rather below men's dignity. This traditional way of life was interrupted by force when the strange cooperative system was introduced (and emigration stopped), which was obviously not successful, and after its collapse all fell back to old practices. Thus there exists no tradition, nor any positive experience, nor even any professional know-how in market orientation and marketing. This means all what is required nowadays is new, asking for a change of mentality – and this needs time.

Obviously, the expectations for this project were too high and the time-factor was underestimated by far. This gave rise to another problem: In the first years of the project too much money was available. This did not lead to abuse, but it made it difficult to relate salaries of staff to targets, such as returns of marketing. It was foreseen as a principle, but not consequently implemented. Likewise, the availability of sufficient funds prevented from gradual increase of membership fees or user contributions to services. Board and common members and also representatives of the local government had rather a perception of AP as a social project. This mentality was partly inherited by the previous political system, but strongly influenced by the practice and behaviour of humanitarian help during the first years of transition. Changing this will need time too. Very helpful were the clear conditions set forth by SDC for supporting infrastructure projects, for which strictly no labour but only necessary external inputs were financed. At the beginning it was a strong challenge for the management, but at the end it found wide acceptance.

Of course, there are also objective obstacles in marketing: From the above follows that there was no experience in keeping accounts, in cost calculations and business planning, and still these are not found very helpful, because things would change anyhow – another experience of the previous system. Again as a consequence, I mention the scarcity of qualified staff and executives for such an organisation. AP experienced this when looking for a qualified accountant and when the head of the marketing sector left because

of his election as mayor of the second town in the district in 2006. This problem is still not solved. A look to the marketing results shows, how vulnerable such a young organisation is. And in addition, there is little attraction for a career in an organisation depending on uncertain financing.

But the most serious – and now external – obstacle is for sure the new trade environment: In the now fully free market products from abroad are offered at prices to which local producers can hardly compete and consumers think that what comes from abroad will be better anyhow. Therefore, the challenge even for organised marketing is extremely strong and the volumes offered in the required qualities by local producers are still small and of uncertain availability.

Thus, there are deep changes and developments necessary that need much more time than originally thought. My personal conclusion is: It would be irresponsible to withdraw the support to Agropuka without making sure that further appropriate support is available. It is wrong to speak of an exit phase, it rather needs a new stage, with increasing self-responsibility, and perhaps, step by step, with alternative kinds and sources of support. But financial self-sustainability now is not possible.

From experience in Alpine regions we know, that agriculture and successful selling of mountain products is not possible without supporting producers in one or the other form. The costs of production and marketing are too high, also for specialty products. Why should farmers in Puka be able to do what their colleagues in the West cannot do?

After all we may ask: Is market-oriented agriculture in Puka really a promising option?

But are there alternatives? At present not, and still people are living in villages, less than in the early nineties, but enough, also young people, to keep the wide spread area populated. Some are even returning from emigration, and a new generation is growing up and will have to choose between emigration or finding a living at home. Farming with appropriate methods and effective marketing can be one option, not for all, but for some.

In Alpine regions additional activities are found in (agro-)tourism and in management of natural parks offering new sources of income and bringing consumers in contact to the producer. Do such alternatives have also real chances in Puka? There are attractive natural resources, but experience and appropriate infrastructure are missing. Ideas were discussed; even an association for eco-tourism exists. But it will need serious assessments and sound concepts and – again – financial support. AP could use its experience and play a role as facilitator and create profit for its members.

To make the mission possible is primarily a problem of assured financial resources:

Funds for offering services to producers, for compensating high production costs and maintenance of natural resources, infrastructures and environment, and for identifying, developing and implementing new activities! This means it needs, like in the EU and in Switzerland, a sustained support to producers in mountain areas and to their organisations. Since the Government does not have the means and the country is not (yet) member of the EU, other sources are required. Only then Agropuka and its members will get the chance to develop further. Otherwise, emigration will, because of missing perspectives, remain a preferred choice for most of the active people in Puka.

To prevent this and to make the mission possible – so far this is still the common goal - continued joint efforts by Agropuka and SDC and/or other sincere supporters/donors are needed. For the near future the following concrete steps are proposed, which are in fact not new, but can be undertaken by Agropuka, its staff and members:

- a) **To make production more efficient**, i.e. to increase quantity and quality and to reduce production costs and at same time to improve the income of the producers: >> By improving quality and effectiveness of training and advisory service; finding resources to continue supporting improvements in infrastructure and mechanisation.
- b) **To make processing (adding values) more efficient**, i.e. to increase quantity and quality and to reduce processing costs to allow for attractive purchase and sales prices: >> By improving operation



Advisor presenting results of an advisor training workshop.

- efficiency and making full use of existing processing capacities, e.g. by innovative diversification; cooperation with other processors.
- c) **To make selling and marketing more efficient**, i.e. to increase quantity and attraction for the consumer and at same time reduce marketing costs and improve the margin of sellers / retailers: >> By developing active marketing and selling, also by engaging directly interested producers and members at the sales front in order to build up direct contacts to retailers and consumers; choosing short ways and avoiding too many intermediaries, applying direct selling where possible, and developing the local market, also by participating in tourism development. AP's specific task would be the support in identifying promising markets and analysing value chains, in processing and packing, labelling and promotion, in assuring logistics and training, and to work on building up a network with experienced service providers and with producers and associations in neighbouring and other mountain districts.
- d) **To identify and develop new potentials and activities** in agro-tourism and natural park management.

To increase, to reduce and to improve ...; it sounds like asking for squaring a circle. For the people in Puka it would be in fact like this, if they were left alone. Only with help of genuine partners they can overcome the dilemma. I believe, in spite of all the difficulties, in their capability, their optimism and in their will and endeavour.