



Dairy Sector Report

June 2016

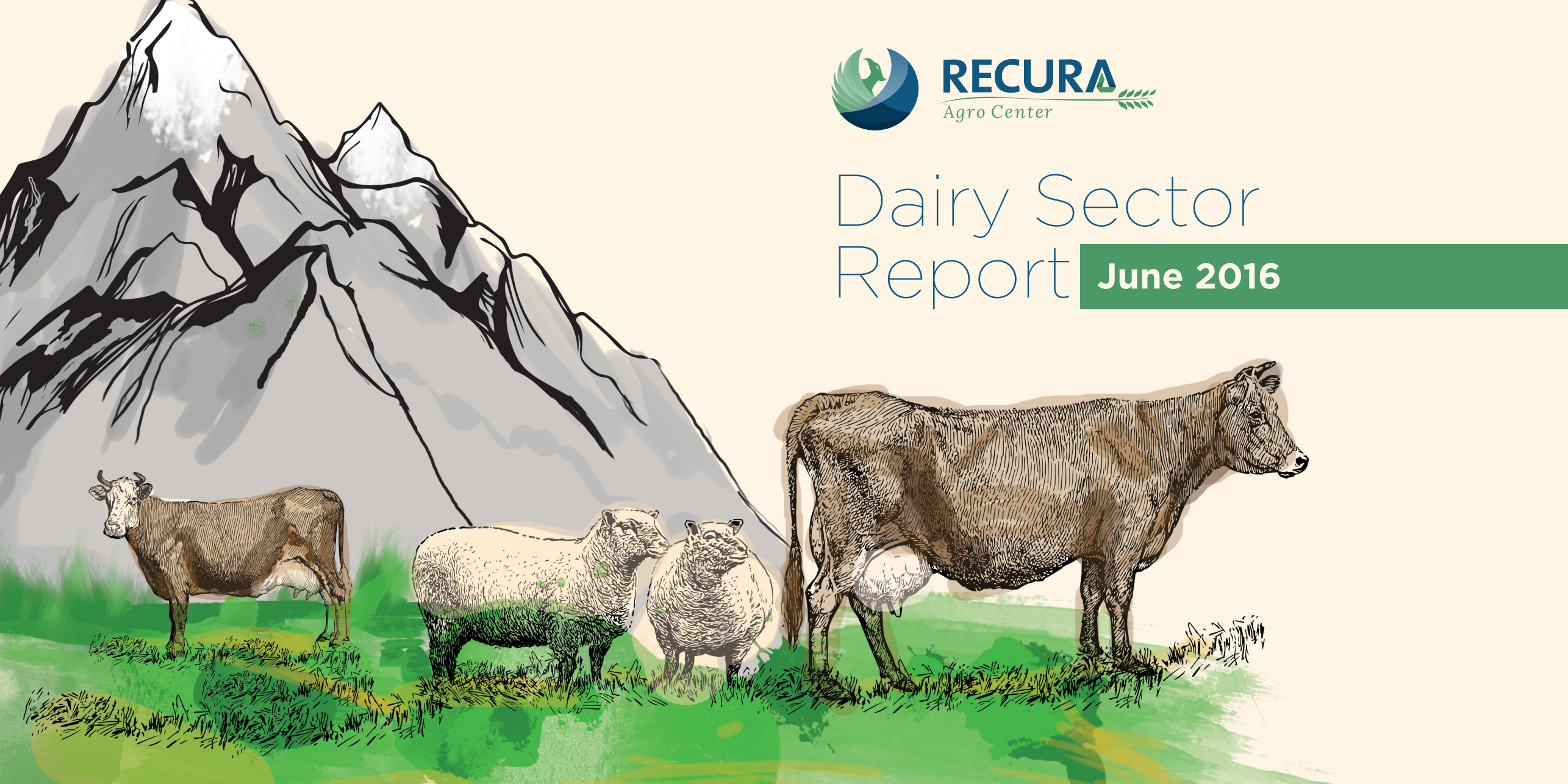


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List of Abbreviations

MAFRD	<i>Ministry of Agriculture, Forestry and Rural Development</i>
KAS	<i>Kosovo Agency of Statistics</i>
AUV	<i>Food and Veterinary Agency</i>
GDP	<i>Gross Domestic Product</i>
EU	<i>European Union</i>
VAT	<i>Value Added Tax</i>
MCC	<i>Milk Collection Center</i>

INTRODUCTION

The agricultural sector in Kosovo is accounted for approximately 12% of the country's GDP, hence its relevance has been acknowledged by the Kosovo government over the last years which led to increased budget allocations for agribusiness. According to KAS, Kosovo has a total area of 10,908 km², where around 60% of this population lives in rural areas. Around 53% of Kosovo's land is agricultural, 41% is forests, 1% of the surface is covered with water, and the remaining 5% is urban, traffic or other land. According to Agriculture Census data for 2014, the total land area used for agriculture was 512,000 ha. In 2014, used area of land for agricultural production was 413,635 ha, accounting for around 80% of the total land area, which has been used by 129,884 farms. Moreover, around 54%, or approximately 244,410 ha, of the used area of agricultural land are meadow and pasture, out of which 71% are grasses. The average area of meadow and pasture is 2.8 ha per farm. Furthermore, arable land accounts for around 35% of the total land area with 180,381 ha.

Regarding the surface of the agricultural land used in Kosovo, the average size of farms is similar to neighboring countries, however it is much smaller when compared to most of EU countries. The average size of farms in Kosovo is 3.2 ha of used area of agricultural land, which in comparison is 4 times smaller than the EU average.

Dairy sector is one of the most important agricultural economic sectors in Kosovo, employing around 20% of total employed in agriculture in Kosovo, with assets of the sector totaling around 500 million Euros. To date, there aren't enough official data available in order to reliably measure the economic performance of the dairy market in Kosovo. Based on analysis, the estimated total domestic milk production in 2015 was over 252 million liters of milk.



FARM STRUCTURE IN KOSOVO

The total number of farms in Kosovo in 2014, was 135,150 with cattle for both dairy and meat production. According to official data from the Ministry of Agriculture, in 2014 dairy cows represented 51% of all cattle, out of which 134,393 were dairy cows. The number of farms raising sheep was 2,466 with around 146,924 sheep, where around 80% were breeding sheep. The average number of sheep for breeding was 64 sheep per farm. Whereas, the number of farms raising goats was 2,221 with around 28,430 goats, while the average number of goats for breeding was 11 goats per farm.

Table 1. Farm Structure in Kosovo, 2014

Farm Structure	TOTAL	Prishtina	Mitrovica	Peja	Prizreni	Ferizaj	Gjilan	Gjakova
No. of Farms	135,150							
Farms with Cattle	66,589	15,147	8,467	9,212	12,912	6,636	5,306	8,909
Farms with Cows	63,874	14,592	8,159	8,889	12,252	6,359	5,005	8,618
Farms with Sheep	2,466	404	193	466	563	253	303	284
Farms with Goats	2,221	535	127	375	351	222	462	149

Based on the KAS, the farmers are categorized according to the number of livestock. The farmers with up to 9 cows consist 65% of total registered farmers in Kosovo.

Table 2. Trend of Sheep and Goats, 2008 - 2014

	2008	2009	2010	2011	2012	2013	2014
Sheep	124,129	158,122	163,490	163,490	175,293	153,144	146,924
Goats	18,775	18,010	24,169	24,681	26,463	23,119	28,430

In regards to table 2, the number of goats has increased continuously from 2008 till to 2014, with an exception in 2013 when the number dropped significantly for 13%. The same trend was accounted for sheep up to 2012, while in 2013/14 the number decreased for 15% and 4%, respectively.

MILK PRODUCTION

According to MAFRD data, the number of cattle in Kosovo has changed over the years. Although the number of dairy cows and the milk production per year decreased recently, the average yield for cow per year increased.

Table 3. Dairy Trend in Kosovo, 2007 - 2014

Category	2007	2008	2009	2010	2011	2012	2013	2014
Total cattle	321,624	341,196	343,823	356,496	361,688	329,213	321,113	261,689
Dairy cows	189,706	191,529	190,216	194,984	196,155	183,340	178,557	134,393
Calves	68,176	75,476	74,167	80,834	83,524	73,336	72,435	83,412
Milk production mil. (L)	364	369	367	377	380	356	357	270
Yearly milk yield per cow (L)	1,924	1,927	1,932	1,937	1,941	1,946	2,004	2,009

The number of dairy cows for the period of 2007 up to 2011 remained stable. The numbers slightly decreased for 3% in to 2012/13, while in 2014, dairy cow's numbers dropped for 25% compared to previous year. Milk production per year had a slight increment till 2011, when it reached the maximum of 380 million liters. The following year, milk production dropped for 6% while in 2014 compared to 2013, a 24% reduction of milk production was registered.

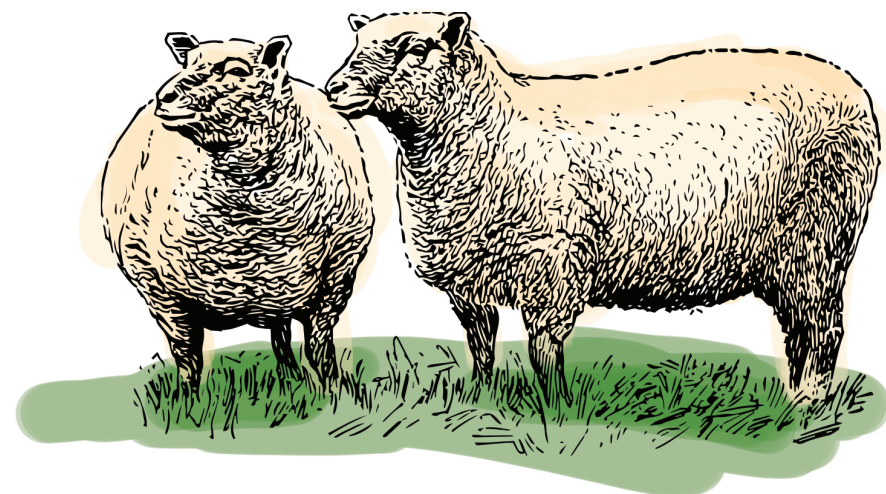
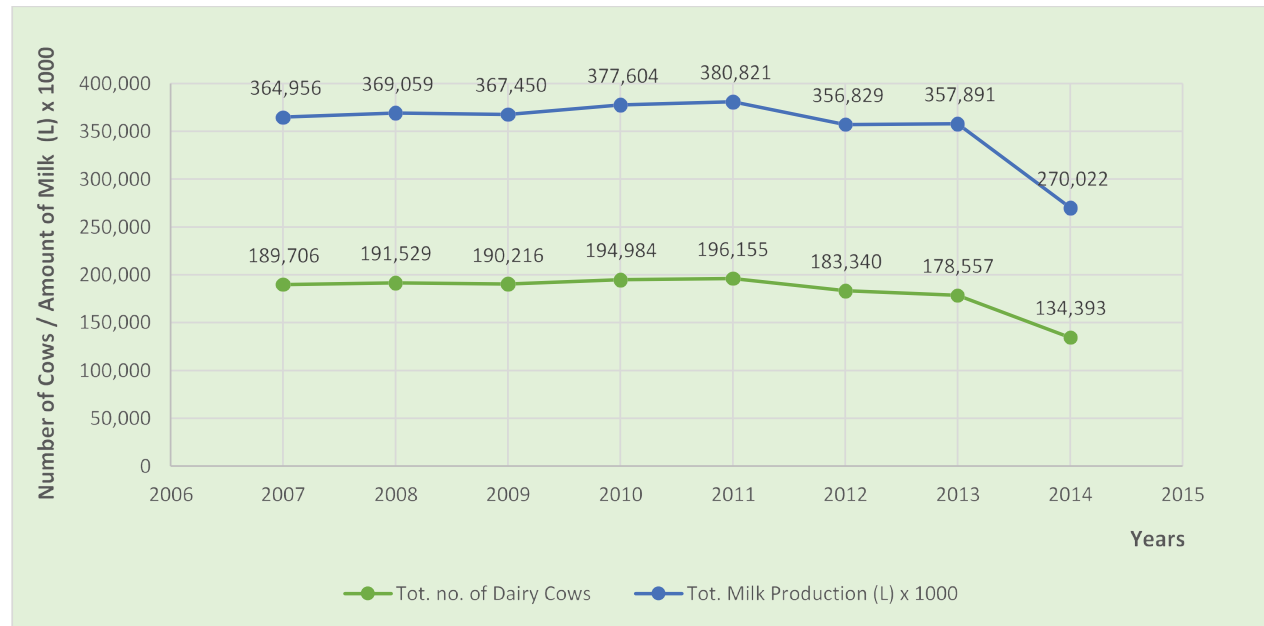
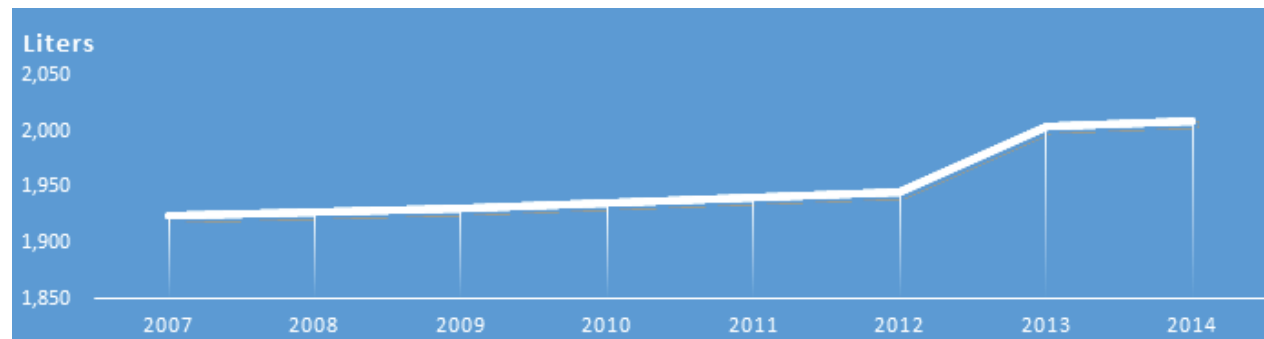


Figure 1. Dairy cows and yearly milk production trend in Kosovo, 2007 - 2014



Preliminary results of surveys indicate that the total amount of raw milk production in Kosovo, in 2014, was around 270 million of liters per year, out of which approximately 64 million liters have been processed. The farmers sell raw milk to MCC/Processors on daily bases, with the average price of 0.30 Euro/liter.

Figure 2. Yearly milk yield per cow, 2007 - 2014



The yearly milk yield per cow was until 2012 under 2000 liters, but has gradually increased starting from 2007 till 2014, when it reached 2,009 liters of milk per cow per year. Numbers increased due to the improvement of cows breeding and the better animal care.

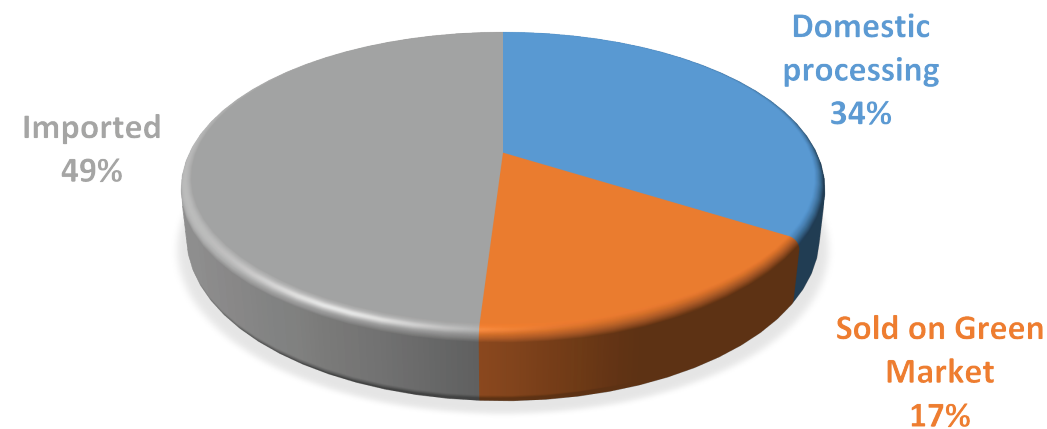
TOTAL KOSOVO DAIRY MARKET

Based on survey, the total Kosovo market for dairy products is estimated to be 191 million liters, with estimated 34% of the milk comes from local milk products, 17% is found on green market and 49% comes from imported dairy products. It is estimated that around 90 million liters of raw milk are used on farm for home consumption, but more likely is that total milk consumption on farm is to be around 105 million liters.

Based on a number of surveys with milk processors and farmers, in Kosovo are operating 53 milk collection centers that collect milk from around 2230 mainly small and medium size farms and around 500 big farmers sell milk directly to the processors.

According to AUV, in 2016 Kosovo has totally 41 milk processors distributed in all regions processing milk into the various dairy products but dominating sterilized milk, yoghurt and soft white cheese.

Figure 3. Total Kosovo dairy market



The main domestic dairy producers in Kosovo are Vita, Magic Ice, Abi and Bylmeti, whereas the main non domestic suppliers of dairy products are Alpsko, Sole, MU and Dukat. It is estimated that in Kosovo the milk consumption per capita is around 0.45 liter per day.

MARKET PRICE

The price of milk in Kosovo is calculated based on the levels of fat content. Farmers receive on average 0.30 euros per liter, by selling their raw milk to MCC/Processors. MAFRD supports farmers with subsidies by taking in consideration the milk quality (microbiological parameters). Subsidies for one liter of raw milk, range from 6 (Extra class), 4 (First Class) and 2 (Second Class) Euro cents per liter.

The farmers are also supported by MAFRD, with additional subsidies paid 70 euros per cow. The criteria to be awarded with the subsidy is a minimum of 5 cows per farm.

Since September 2015, Kosovan Government lowered the VAT for basic consumer products such as milk from 16% to 8%. It is worth to mention that according to the data analyzed, the price of imported milk is on average 12% higher than the price coming from local producers.

Table 4. Price of Domestic Milk in Value Chain in Kosovo, 2015

PRICE OF MILK	2015
Domestic Milk	0.84
Imported Milk	0.95
MCC to Processor	0.26 - 0.34

The information gathered on average milk price was produced, based on field research with the main stakeholders involved in the value chain, including the processors and collection centers as the main reference point, since they are involved in the process as an intermediary stakeholder between farmers and processors.



RECOMMENDATION

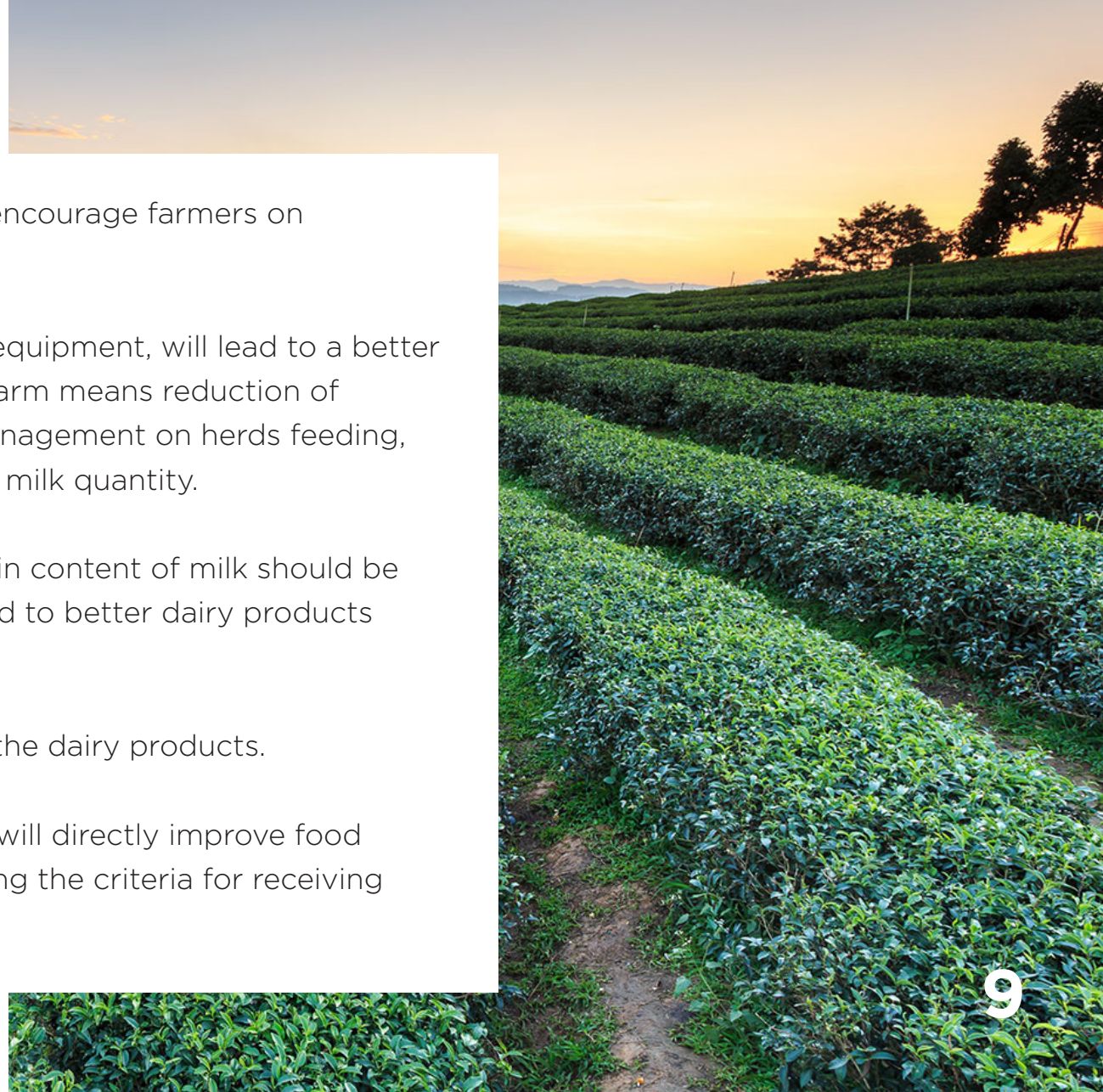
Based on the analysis of the dairy sector, MAFRD should actively encourage farmers on improving cattle breed in order to increase the milk yield.

Increasing the number of herds per farm and investments in farm equipment, will lead to a better milk quality and a better farm economy. Higher milk quantity per farm means reduction of transport cost both for farmer and milk processor. Appropriate management on herds feeding, improves animal health, increases income, and also impacts higher milk quantity.

In order to stimulate the farmers to increase milk quality, the protein content of milk should be taken into consideration for calculation of milk price, which will lead to better dairy products yield, as well.

Investments on new technologies by milk processors will improve the dairy products.

The reduction of selling the dairy products on the “Green market” will directly improve food safety and enforce formal economy and its direct impact on fulfilling the criteria for receiving subsidies by farmers.



MAP OF KOSOVO'S DAIRY PROCESSORS

LEGEND

-  Kosovo Border
-  Prishtinë/F.Kosovë/Lipjan
-  Mitrovica/Skenderaj/Leposavic
-  Pejë/Istog/Klinë
-  Prizren/Dragash/Malisheve
-  Ferizaj
-  Gjakova/Rahovec
-  Gjilan/Kamenicë



Prizren

- Abi
- Ajka
- Rudina + PGQ
- Sharri
- Sharri - KUK
- Afion
- Qaushi
- Erha
- Berr

Dragash

- Bjeshket e Sharrit
- Natyra e Sharrit
- Eko Sharri

Malishevë

- Mati-COM
- Fresh Food

Gjakova

- Golaj
- Doni - 3
- Gexha

Rahovec

Jeti

Pejë

- Jeta 2000
- Mili
- Rugove

Istog

- Jeta e Re + PGQ
- Vita

Kline

- Ital-KOS

Prishtinë

- Aplina

F.Kosovë

- Euro-Lona
- Koral-Dairy
- Bylmeti

Lipjan

- Magic Ice
- Teos-E
- Korabi-HS
- Diti

Gjilan

- Bio Product
- Kabi

Kamenicë

- Malesia

Ferizaj

- Rona
- Natyra G
- Bioqumështi

Mitrovicë

- Aldi

Skenderaj

- Drena - R & Rukolli

Leposavic

- Dimitrijevic COM

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