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**Projekat za konkurentnu privredu**  
**Competitive Economy Project**

## Supporting small-scale fruit and vegetable growers in Serbia – a model that works!

**Integration of small fruit and vegetable farms into mainstream value chains is a new chance for Serbian agriculture.**

In the middle of Southeast Europe, Serbia has a combination of sunny climate and soil perfect for growing high-quality fruit and vegetables. Its agriculture is still mostly made of small farms, who lack integration with the mainstream markets, both domestically and internationally, due to delayed adoption of new cultivars and varieties, growing techniques, technology, food safety and quality standards. To overcome the neighboring competition, Europe and even China, these issues have to be addressed with innovative business models.

To build a model for integrating small, traditional growers into modern, commercial supply chains, USAID Competitive Economy Project launched several pilots since 2017. One such pilot, with RZ Agro, produced an excellent example of a sustainable and resilient business model for Serbia's small farms and agricultural sector going forward.



*Durđe Spasojević, General Manager of RZ Agro, and the Project team visiting one of the farms with gherkins production*

### **RZ Agro: a partnership story**

Since 2003, RZ Agro has been importing and distributing vegetable seeds for global producers. To promote new technology and modern growing practices among small farmers, RZ Agro established an advisory team of field specialists to provide trainings, technical support, necessary inputs, access to finance and market. By doing this, RZ Agro provides a critical market service – producers' organization and product consolidation.

*"The goal is to keep the families, with no additional labor, busy for about 6-7 months per year on a ½ hectare farm. To achieve this, they need to be supported to grow two to three subsequent/parallel highly profitable crops per year. They need to be provided with full service – credit, inputs, extension etc., and most importantly, a secured and transparent purchasing agreement. Each crop targets a net-profit of about 2,500 - 3,500 EUR per farm, totaling about 7,000 - 9,000 EUR per year," says Mr. Durđe Spasojević, owner of RZ Agro, "And this is on only one third of a hectare," he adds emphatically.*

### **A new collaboration model**

RZ Agro, together with the Project, produced a model of collaboration with small producers to grow gherkins, strawberries and red peppers for large EU and domestic buyers. To answer their needs, with support from the Project, RZ Agro aimed to increase export capacities and integrate more farmers into a producer cooperative. Farmers are supported with an all-inclusive financial package, including inputs, training, crop insurance and introduction of international food standards (such as Global GAP) to improve quality. This type of approach led to RZ Agro doubling the number of growers in its network from 150 in July 2018 to 300 by June 2019. **As such, over this period, the total export value of gherkins alone increased approximately 30% year-over-year**, all of the crop going to Carl Kühne from Germany – a world leader in processing and packaging gherkins.

*"Knowledge is often underappreciated in Serbia. It is time to change this attitude: it is not important who you know, but what you know," says Mr. Spasojevic.*



RZ Agro's Research Center in Guča: strawberry mother plants ready for multiplication to plug plants

## New varieties, new business

RZ Agro contracted 40 (out of 300) farmers to produce a new variety of red pepper, alongside gherkins. This significantly increased smallholder farms' total profit. In 2020, RZ Agro contracted additional 20 farmers to introduce a new strawberry variety, with high yielding plug-plants produced in RZ Agro's own research center and nursery established in Guča, Serbia. Previously, most of the strawberry seedlings were commonly imported from Italy. The strawberries grown from RZ Agro's growing network will be delivered to Frikos, one of the biggest Serbian exporters of organic and conventional frozen berry fruits. The projected yield in 2020 is expected to exceed 100 tons of first-class strawberries.

## Behavior change and global know-how

Through this model, traditional producers from farm-fragmented Serbian regions can generate a sustainable livelihood. If adopted by the rest of the industry, the model can lead to a major change in the way exporters view small producers and the traditional growers view agricultural production. This shift should allow them to take a step forward to becoming modern, sustainable farms, reducing rural immigration and spurring more investments and local development.

The upgrade effort did not stop there. With the Project's support, RZ Agro started cooperation with Emco Cal, based in Chico, California. Emco Cal creates competitive strawberry, blackberry, raspberry, blueberry, and citrus varieties. This is a part of a broader effort by the Project to transfer best American know-how to Serbia, while building linkages between leading Serbian firms and American partners.

About his plans, Mr. Spasojevic says: "Nowadays, the lack of workers is becoming a key problem for large agricultural companies in the EU and Serbia. This became even more evident in the EU during the COVID-19 crisis, as significant numbers of seasonal workers returned to their countries in fear of losing jobs. We need to build a viable business model that keeps these people on their farms. It is an opportunity for Serbian exporters, as the country has many smallholder farmers that need to be organized, and we are continuing with efforts in that direction."



Research center as the basis for production



## A win-win relationship

Five other Project-supported partner companies are currently replicating the Project's "hub and spoke" business model. Also, this successful model is actively being transferred to 13 firms and cooperatives throughout Serbia, while being discussed and shared among industry stakeholders at the events such as Agro Belgrade, an international trade fair supported by the Project. More firms are now realizing that to be sustainable in the long-term, small-scale producers and growers should be a necessary part of their export-oriented value chains. Similarly, small farmers are also seeing the direct benefits of shifting to high value crop production. All told, a win-win relationship that helps all value chain actors is beginning to take hold in Serbia's agriculture sector, as more and more large companies and small farmers witness the mutual benefits of collaboration. It may take a little more time, but good ideas catch on fast.