

HERBS & SPICES

SUB-SECTOR ANALYSIS

**Socio-economic impact of the COVID-19 crisis in the
agriculture**

Prof. d-r Fidanka Trajkova



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Team of consultants:

Lazo Dimitrov, National Consultant for the fruits sub-sector

Sasho Risteski, National Consultant for the vegetables sub-sector

Fidanka Trajkova, National Consultant for the herbs and spices sub-sector

UNDP Team, Social Inclusion Unit:

Suzana Ahmeti Janjic, Head of Inclusive Prosperity Unit, UNDP MK

Gordana Stefkovska - Veljanovska, Private Sector Specialist, UNDP MK

Valentina Nushkova, Technical Advisor / Quality Assurance Specialist, UNDP MK

Telephone survey conducted by: BRIMA DOO Skopje

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Executive summary

This report is focused on analysis of the sub-sector herbs and spices. The main objective of the study was to provide in-depth overview of the situation and selected value chains in the sub-sector H&S with special emphasis on key stakeholders identification, identification of constraints, possibilities and power distribution in the selected value chains, effects of COVID-19 crisis, possible innovations, IT solutions and digitalization, environmental, climate change and gender issues. The gathered data and information shall serve for recommendations for future sustainable development of the sub-sector H&S. The assignment is performed under the guidance and supervision of the Social Inclusion unit with participation of three national and one international consultants.

Data, information, discussion and recommendations presented in this report are based on team meetings, desk research information, available national documents and statistics, conducted telephone survey for 41 agricultural producers and 15 agricultural companies and 34 documented interviews with different H&S stakeholders.

The sub-sector H&S includes variety of crops which are different by many means: botanical classification, production practices and utilization. There is no unit within the MAFWE responsible for the sub-sector H&S. In the current National Strategy for Agriculture and Rural Development 2014-2020, cultivated H&S are vaguely mentioned, without their clear position. The only official data about H&S area of cultivation is from organic production. It is highly recommended MAFWE and other responsible institutions to publish relevant production data, to establish multidisciplinary working group and to ensure clear position of H&S in future policy documents.

The cultivation area of H&S in organic production varies in years with increasing trend. Yet, the area and number of H&S producers is very small, although production of 35 H&S crops is subsidised by the state. Nevertheless, there is need for clarification of the H&S crop list for subsidies to avoid their malpractice. Additionally, H&S production and processing are financed under IPARD Measure 7 – Farm diversification and business development with very low utilization of this fund. Increased fund utilization can be achieved with better dissemination of IPARD fund benefits and assistance to the stakeholders with application process.

The main actors in sub-sector H&S are individual farmers and companies as primary producers; processing, trade, retail and HORECA companies. The value chains of herbal teas, lavender essential oils, herbs for fresh consumption and paprika spice were in-depth analysed and evaluated for area and production, key stakeholders, value and markets.

COVID-19 crisis has severe impact on sale prices and volumes, labour availability and transport in H&S primary production, while processing and trade were severely impacted on procurement of raw materials and other inputs, transport of the products and engagement of workforce. No company reported positive impact of COVID-19 crisis on their business. Possible solutions for impact of COVID-19 and similar crisis are state aid to most vulnerable stakeholders (short-term solution) and support for rapid business adaptation approaches in line with COVID-19 and similar crisis (long-term solution).

Digital solutions and IT tools are desirable in H&S sub-sectors, as good sources of information and promotion on social media. The best IT solution for H&S producers is introduction of mobile application

for climate and natural disasters alert system connected to early warning system for emergence of diseases and pests and their suitable treatment. Also, creation of digital content as videos of H&S production and processing processes might highly contribute to reinforcement and promotion of H&S products and companies. These materials can be used on social media for promotion of herbs biodiversity and organic production and can contribute to higher consumption of H&S products.

Entering H&S production and business is an innovation by itself. Most of producers who entered production of medicinal and aromatic herbs are progressive and bold producers who wanted to start something new and challenging. There are several positive examples of innovation business in H&S sub-sector which can serve as positive cases for development of innovative businesses (micro-salads production, innovative packaging and selling). Furthermore, production of H&S gives different opportunities for development of small business, particularly involving women as business developers and carriers: production of local herbal tea packages, production of homemade oil and spirit infusions with local herbs, production of artisan soaps, production of lavender bags, etc.

H&S sub-sector shall be seen as one of the most environmentally- and climate change- friendly from all agricultural sub-sectors because most of production is done under organic certification that is environmentally friendly by all means. Cultivation of wild autochthonous herbs and old varieties for paprika spice is in line with current recommendations to combat climate changes. All these facts speak about the need for H&S sub-sector to be further developed and supported as an advantageous one in terms of environment and climate protection.

The data collection and interviews for this survey were conducted after the first wave of the COVID-19 crisis, in July and August 2020. Obviously, COVID-19 crisis will continue in the next period, which speaks of its long-term and debilitating effects on the economy, including agriculture. This analysis should contribute to overcoming not only the effects of the COVID-19 crisis, but also to strengthen and improve H&S sub-sector through initiation and support of small businesses that can be operated at home and provide supplementary finance to the family budget, especially to the most vulnerable families living in rural areas and having limited access to jobs and a source of income.