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KOSOVO

CASE STUDY

Tailored Loans Boost Dairy Production

Better loans help Kosovo dairy farmers buy better cows



Photo: Raiffeisen/A. Kasirali & Chremionics/Z. Cagirovi

Diana Berisha, policy development manager at Raiffeisen Bank Kosovo, is enthusiastic about lending to dairy farmers and agribusinesses.

“All parties involved benefit — [dairy] processors will be able to secure enough milk locally instead of importing, and dairy farmers will be able to increase their production capacity because they will be able to obtain funds at competitive rates,” says Diana Berisha, Raiffeisen Bank Kosovo.

Telling Our Story
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Challenge

Kosovo’s dairy and cheese processing business is ready to grow, but local dairy farmers are unable to keep up with the country’s growing demand for milk. One way to increase milk production is to increase the number of cows. The most common local breeds produce only 10 liters per day of milk, so dairy farmers wanted to import other breeds such as black-and-white Holstein cows, which produce 30 liters of milk per day. Buying these cows is not easy: interest rates are high (17-24 percent) and often repayment is required before the cows start producing milk.

Initiative

It was clear that farmers needed both better cows and better credit. USAID worked with dairy producers, banks, small loan institutions, and dairy processors to design credit options that could make herd expansion possible. Together with the Kosovo Association of Milk Producers, USAID looked at ways to change local banks’ lending policies. After four months of daily contacts, educational meetings for financial institutions on the cash cycle of dairy farming, and cost calculations that demonstrated the need for new loan products, USAID and its partners made some headway. Raiffeisen Bank Kosovo expressed interest in designing loan programs specifically for dairy farmers.

Results

Raiffeisen Bank established a lending program for dairy producers and dairy cow importers. With better terms, including lower interest rates and longer loans with appropriate grace periods, the program addressed the needs of dairy farmers. It did not take long for farmers to start taking out loans. Five farms quickly imported 169 milking cows with the new loan program, together saving \$12,000 through better interest rates. In addition, three cow importers received loans of \$45,000 to finance imports, saving \$2,000 through better interest rates. “I bought 12 Holsteins – that adds 420 liters of milk per day, which in one month means \$4,500 of revenue,” says Adem Jetishi, who owns 48 cows. USAID continues to work for more options for dairy farmers, collaborating with lenders to design loans under \$8,500 for small farmers and assisting farmers with loan applications.