



Republic of Serbia
City of Nis
MAYOR

No: 2648/2014-01
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PROJECT PROPOSAL

Project Title: *Center for Medical Herbs in Nis*

Prepared By: Incubator Center Nis

Sector: Healthy Food and Healthy Life, Natural Remedies

Project Duration: 24 months

Introduction

The territory to be covered under this project consists of three administrative districts: Nisava, Pirot and Toplica, which has a total of 14 municipalities and the City of Niš with 766 settlements. The total area is 7,716 m², which makes 8.73% of the territory of the Republic of Serbia. Region is located in southeastern Serbia, between 42⁰51' and 43⁰48' North latitude and 20⁰57' and 23⁰03' East longitude.

Nisava, Pirot and Toplica administrative districts are mainly characterized by mountainous and flat terrain, which, to the East of the region together with Stara Planina Mountain makes natural and administrative boundaries with neighboring Bulgaria. The region includes part of the Juzna Morava River valley covering also Aleksinac and Razanj valley, the valley of the Moravica River, the valleys of the rivers of Toplica and Nisava together with Zaplanje and Barbes valley, the valley of Luznica with Tegosiva and it also covers partly the northern part of Leskovac valley and Svrlijig valley which belongs to the basin of the Timok River.

Agricultural land represents more than half of the total region territory and covers an area of 400,000 hectares, i.e. occupies 57% of the total territory. The region has favorable micro climate that perfectly fits the intensive and extensive cultivation of medicinal plants. Land resources are still one of the cleanest in Europe due to rare usage of pesticides now and before.

The most attractive forest products are mushrooms, medicinal herbs and forest fruits. The most interesting sorts of mushroom for purchase are porcini and chanterelle which grow in the forests in this area. Medical herbs in this area are numerous. The most significant are: chamomile, thyme, sage, tea of Rtanj hill, yarrow, hawthorn, juniper, wild roses and others.

The region is a common habitat for two tertiary relic and Balkan endemics: Serbian Ramonda (Ramonda Serbica) and Natalia's Ramonda (Ramonda Nathaliae).

Short Description of the Current Situation and the Needs for This Project

The largest amount of wild medical herbs and wild fruits from southern and eastern Serbia is distributed illegally or marketed without proper certification.

The collection, use and trade of medicinal herbs from natural habitats is governed by numerous regulations out of which the most significant ones being the Law on Environmental Protection, Environmental Protection Act, Regulation on Proclamation and Protection of Strictly Protected and Protected Wild Species of Plants, Animals and Fungi, the Regulation which regulates the control of the use and trade of wild flora and fauna, the Regulation on the cross-border movement and trade with protected species.

In order to coordinate using the medicinal plants protected species from the wild with the capabilities and capacities of natural resources and also to control it, public call is announced once a year for obtaining the license for the collection, use and trade according to the specified amounts. Permission to collect plants for commercial purposes is issued by the Ministry of Agriculture and Environment Protection based on the opinion provided by Institute for Nature Conservation.

However, due to the easy recognition of plants, high demand and high prices in the market, as well as destructive techniques for collecting and habitat destruction, some herbs such as gentian, sage, wolf's-foot club moss and spring pheasant's eye have become extremely rare and endangered.

The growing of medical herbs on the plantation is increasingly being promoted as a way to protect and use sustainably medical herbs, for which there is a real economic importance due to the growing demand for raw materials.

Advantages of producing medicinal herbs in relation to their collection are: generating bigger quantities of standard quality raw materials, selecting acceptable conditions for the production, protecting endangered herbs resources from over-exploitation and the possibility of growing species that do not exist in the flora of our country - which will result in a reduction of imports.

Most sorts of medicinal herbs can be easily produced because the production technology is known and they are easily grown on small land slots and they require relatively small investments at the beginning of production. When applying the technology of plantation cultivation one should take care of the choice of species, varieties, soil, proper and timely tillage, sowing at the optimum time, proper harvesting, drying and storage, as well as market demand.

The risk in the production and sale of medicinal herbs can be kept to a minimum by the production for particular customer agreed in advance.

In Serbia, the medicinal herbs are grown on about 3.500ha mainly in Vojvodina. The most common sorts are Chamomile (*Chamomilla Matricaria*), lemon balm (*Melissa Officinalis*), valerian (*Valeriana Officinalis*), caraway (*Carum carvi*).

The organic production of medicinal herbs started based on the needs of the market. Organic growing of medical herbs has its potential especially in rural mountainous areas which include native habitat of the majority of medicinal plants. There are pre-conditions for the cultivation of medicinal plants in the areas of underdeveloped municipalities in southern Serbia; the demand for medicinal plants is increasing in our country and abroad and there are institutes and professional services that can provide the raw materials, organize and monitor production. This sector of the economy is also a great opportunity for employment, especially in southern Serbia, where there is the greatest number of collectors. Also there is great potential on the fields in Vojvodina. The manufacturers of medicinal herbs which are registered in the Register of Agricultural Holdings are entitled to the subsidies in the amount of 6.000RSD per hectare of arable land and they also have the possibility to buy at the special price 120 liters of diesel - fuel per hectare.

Project Description

The project is aimed at increasing competitiveness in the area of collection, production, processing and trade in medicinal herbs and wild fruits. Also, the project is aimed at creating the conditions for increased direct investments in the production of medicinal herbs.

The project contributes to the development of public-private partnerships, to the increase of the areas planted with medicinal herbs, to the development of the capacities for drying and processing of medicinal herbs, to the production of extracts for medicinal purposes and the needs of the cosmetics industry and to the education of the collectors and producers of medicinal herbs.

At the beginning of the project the interested collectors of wild medicinal herbs and the interested agricultural holdings for growing the medicinal herbs in their fields will be gathered. Animating the rural population for the collection and sale of medicinal plants reduces the economic and social problem of part of the population. On the other hand, the migration from rural to urban areas will be reduced.

Forming a cooperative together with Business Incubator Center and Agricultural Extension Service will be proposed to the medicinal herb collectors. All interested parties will have to commit themselves to the current legislation and regulations imposed by HACCP standard, given that standardization in the field of operations is required.

In addition, all interested parties will have to undergo trainings in order to develop awareness about the importance of preserving herbs resources, rational and proper exploitation of wild plant species, as well as proper production, processing and trade in medicinal herbs and herbal products. In cooperation with the Agricultural Extension Service the laboratory for testing the quality of herbs will be equipped.

The next stage will be to connect the cooperative with private enterprises engaged in such or similar business activities for cooperation and joint placement on the market. All plants that are collected will have to be processed - dried or extracted, stored, packaged and distributed in accordance with the requirements of partners and customers from abroad.

For the purpose of the cooperative becoming recognizable, the "Reform House" will be opened in the center of the town. All the cooperative members will be able to sell their products here, as well as all other manufacturers of organic products and products based on medicinal herbs.

The "Reform House" will organize a variety of themed international fairs and that will become a brand in this part of Serbia.

Project Objectives

General Objective: increasing competitiveness in the area of collection, production, processing and trade in medicinal herbs and wild fruits

Specific Objectives:

1. Increased number of certified collectors of medicinal herbs and forest fruits
2. Increased number of arable areas under the medicinal herbs
3. Increased production of the products based on medicinal herbs
4. "Reform House" opened in Nis

Target Group

Direct Target Group:

- Rural area population
- Registered agricultural holdings
- Unemployed
- SMEs dealing with processing and trading of medicinal herbs and forest fruits
- Local self-government

Indirect Target Group:

Citizens of South and East of Serbia

Activities

1. Forming a Cooperative

At the beginning of the project the interested collectors of wild medicinal herbs and the interested agricultural holdings for growing the medicinal herbs in their fields will be gathered. Also, the processors of medicinal herbs and producers of the products made of medicinal herbs will be animated to join the cooperative. Nis City Agricultural Extension service will be the member of the cooperative thus forming a public-private partnership in this area.

2. Collecting Medicinal Herbs from Nature

Invitation will be sent to all interested - current and potential collectors of medicinal herbs. They will be educated and then certified so that they could collect medicinal herbs from nature.

3. Increasing Areas Planted with Medicinal Herbs

The invitation will be sent to all interested farms that want to plant medicinal herbs on their arable land. They will be provided necessary seed and they will be educated on how to grow herbs. Also, each of these farms will have to obtain a certificate for the

cultivation of medicinal herbs issued by the relevant ministries. The purchase of herbs will be guaranteed.

4. Laboratory Equipping

In cooperation with the Agricultural Extension Service the laboratory for testing the quality of herbs will be equipped. All the herbs that come from collectors or producers will be tested, as well as all the products that are made of herbs, which will be put for sale. The laboratory will issue certificates for each product that is intended to be sold.

5. Certification

In addition to the collectors and producers of medicinal products being certified, the cooperative will obtain HACCP standards, given that standardization in this field of operations is required, especially in the case of exports of these products to the international market.

6. Storing and Drying

Immediately after harvest medicinal herbs must enter into the process of drying or extraction, so the system for drying and processing will be developed in advance. Those members of the cooperative who have the capacity to dry herbs will be responsible for proper drying and packaging of herbs and those contractors who produce medicinal plants will be responsible for making essential oils and their further use or distribution. They will be responsible for the quality of the obtained essential oils and products based on them.

7. Reform House Opening

For the purpose of the cooperative becoming recognizable, the Reform House will be opened in the center of the city. All the cooperative members will be able to sell their products here, as well as all other manufacturers of organic products and products based on medicinal herbs.

Reform House (*Reformhaus*) is a German retailer that specializes in groceries and personal care products for example the products that are vegetarian, often (but not necessarily) organic, and free of synthetic preservatives. In Serbian-speaking countries this particular form of retail shop is usually called a health food store.

These shops are responsible for central purchasing, quality assurance and marketing.

You can find in the Reform House:

- Organic products (organic fresh fruits and vegetables, organic grains, beans and rice, organic herbs and spices, organic dried fruits and nuts, organic beverages, organic flour and pasta, organic oils, vinegars and sauces, organic treats, organic cosmetics, organic bread and biscuits)
- Basic foods (sugar, salt, oil, sauces, flour, cereals, rice, dairy products, dried fruits, vegetables and mushrooms)
- Macrobiotics
- Tea and healthy beverages
- Bread, pasta and muesli
- Healing supplements (drops, syrups, elixirs, clay, medicinal mushrooms, ointments and compresses, essential oils)

- Diabetes programme
- Honey, jam and other sweet treats
- Spices and piquant supplements
- Cosmetics and toiletries (tooth and mouth care, shampoo and hair care, body care, massage-therapeutic oils, clay, etc., face care, soaps and shower gels)
- Books, tools, and eco-assets

The "Reform House" will organize a variety of themed international fairs and that will become a brand in this part of Serbia.

8. Exporting through Strategic Partnership

The next stage will be to connect the cooperative with private enterprises engaged in such or similar business activities for cooperation and joint placement on the market. All plants that are collected will have to be processed - dried or extracted, stored, packaged and distributed in accordance with the requirements of partners and customers from abroad.

Expected Project Results

- Cooperative for medicinal herbs and forest fruits formed
- Over 1.000 collectors of medicinal herbs certified
- Over 10.000 ha planted with medicinal herbs
- Reform House opened in Nis
- Increased the competitiveness of Serbia in this sector

Gender Equality

All project activities are based on the principle of equality and non-discrimination. Gender equality is present in all aspects of project implementation.

Approximate specification of resources required for the establishment and work of the Institute

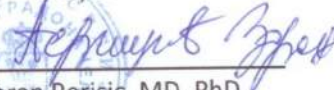
Object purpose	The amount of Funds (€)
At the open Competition select 400 families that will receive 5000€ for the construction of the dryer. They will be committed to give back these funds Institute through goods (dried) herbs.	2.000.000
Equipping the production facility	950.000
Equipping the central laboratory	1.050.000
Equipping the office of employees	50.000
Marketing, travel, fairs	200.00
The cost of producing and maintaining infrastructure	

(projected for two years)	150.000
Salaries of employees (designed for 20 employees in accordance with Law on scientific research activities for two years)	250.000
working assets	300.000

Needed Funds: 4.950.000 €

Note:

The project will be implemented through the strategic partnership between the City of Nis and potential investors. New strategic partnership can be realized for each of the planned activities.

Mayor

Zoran Perisic, MD, PhD

