

Recognition of Natural Product Losses in Kosovo's Agricultural and Food Sector: An Indicative Estimation

National Council for Economy and Investments

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EXECUTIVE SUMMARY

The recognition of natural product losses for tax purposes remains an important issue for businesses operating in Kosovo's agricultural, food processing, and trade sectors. Across these sectors, a certain degree of loss during transportation, storage, handling, and production is unavoidable due to the physical characteristics of products, particularly those with high perishability. In the absence of clearly defined standard loss rates, businesses may face situations in which taxes are effectively applied to quantities of goods that no longer exist, increasing operational costs and creating uncertainty in tax treatment.

This report builds on the Secretariat's previous analytical work undertaken in 2024 on the regulation of natural losses, damage, spoilage, and destruction of products for tax purposes, which reviewed the legal framework, regional practices, and proposed initial policy recommendations.¹ Building on that work, the present report provides an indicative quantitative estimation of potential product losses in Kosovo's agricultural and food sectors using 2024 data on imports and domestic production, benchmarked against reference loss rates applied in Croatia. The use of Croatia as the primary benchmark also reflects feedback raised by sector representatives through NCEI discussions, where the Croatian framework was frequently identified as one of the most relevant and practical reference models for Kosovo.

The findings indicate that the potential value of natural product losses across the categories analyzed may reach approximately €20.6 million, while the estimated tax burden on unrecognized losses may amount to around €3.1 million; the actual burden may be higher in practice, particularly when losses occur at additional stages of the supply chain that are not fully captured in the available data. The largest estimated losses are concentrated in processed food products (€8.2 million), vegetables (€7.0 million), and fruits (€4.8 million), reflecting the combination of large market size and higher product perishability. In contrast, cereals (€0.3 million) and meat and fish (€0.25 million) generate comparatively smaller estimated effects due to lower loss rates and more limited market exposure.

¹ <https://forumiks.org/storage/app/uploads/public/69d/6b8/6e3/69d6b86e389c2678046075.pdf>

The analysis reinforces the concerns repeatedly raised by businesses through sectoral forums organized under the National Council for Economy and Investments over recent years. In particular, firms in agriculture, food processing, and trade have consistently highlighted the administrative burden and tax uncertainty associated with documenting unavoidable losses, especially in cases where losses occur gradually and cannot easily be measured through standard inventory procedures.

Taken together, the findings of this report further support the recommendations previously raised by the Secretariat in 2024. A practical way forward would be for the Ministry of Finance, Labour and Transfers to prioritize the issuance of the by-law on standard loss rates.

Overall, this report should be understood as a continuation of the Secretariat's multi-year analytical support to the National Council for Economy and Investments on this issue. By complementing the earlier legal and comparative analysis with sector-specific quantitative evidence, it aims to support evidence-based policy discussion and provide a clearer basis for future regulatory action.

1. INTRODUCTION

The recognition of natural product losses for tax purposes remains an important issue for businesses operating in Kosovo's agricultural, food processing, and trade sectors. Across these sectors, a certain degree of loss during transportation, storage, handling, and production is unavoidable due to the physical characteristics of products, particularly those with high perishability. In the absence of clearly defined standard loss rates, businesses may face situations in which taxes are effectively applied to quantities of goods that no longer exist, increasing operational costs and creating uncertainty in tax treatment.

Against this background, the purpose of this report is to provide an indicative quantitative assessment of potential product losses in Kosovo's agricultural and food sectors. Using available data on imports and domestic production for 2024, the analysis estimates the possible scale and value of losses across key product groups, including fruits, vegetables, cereals, processed food products, and meat and fish. The assessment is benchmarked primarily against the loss-rate framework applied in Croatia, which has been identified through stakeholder consultations as one of the most relevant and practical reference models for Kosovo.

The report aims primarily to support evidence-based policy discussion on the potential introduction of standardized loss rates for selected product categories. Rather than focusing solely on fiscal implications, the analysis seeks to highlight situations in which businesses may incur tax liabilities on quantities of goods that are no longer physically available due to unavoidable losses arising during normal operational processes.

The report is structured as follows. Section 2 presents the policy context and summarizes the Secretariat's engagement and stakeholder feedback on the issue. Section 3 outlines the methodology and data used in the analysis. Section 4 provides the quantitative assessment of product losses across the main agricultural and food product categories. Finally, Section 5 summarizes the key findings and outlines the way forward for possible policy action.

2. POLICY CONTEXT AND SECRETARIAT ENGAGEMENT

2.1. Current regulatory and business context

The recognition of product losses for tax purposes in Kosovo remains only partially regulated and continues to present challenges for businesses operating in sectors where product losses are unavoidable. In industries such as agriculture, food processing, and trade, products may lose weight or deteriorate during transportation, storage, or handling due to their natural characteristics. However, the current regulatory framework does not provide clearly defined standard rates for such losses.

Existing tax legislation generally requires businesses to provide documentation to justify the loss, damage, or destruction of goods in order for these to be recognized as deductible expenses. In practice, businesses have reported that the procedures for documenting these losses can be complex and time-consuming, particularly for products where losses occur gradually or cannot easily be measured in units.

Furthermore, the absence of standardized loss rates creates uncertainty for businesses and may lead to situations where companies incur additional tax liabilities for products that have been lost during normal operational processes. In many cases, this increases operational costs and creates administrative burdens for both businesses and public institutions.

The issue has also been discussed within the framework of the National Council for Economy and Investments (NCEI). In one of the meetings held in 2024, the Secretariat presented the need to regulate the recognition of product losses for tax purposes. During this discussion, members supported the proposal for the Ministry of Finance, Labour and Transfers to issue a by-law defining standard loss rates for certain products and to simplify procedures for documenting product losses.

Despite these discussions, the issue remains largely unresolved, highlighting the need for further analysis and evidence to support policy decisions.

2.2. Secretariat efforts and stakeholder feedback

The issue of recognition of natural product losses for tax purposes has been consistently raised through the public-private dialogue mechanisms facilitated by the Secretariat of the National Council for Economy and Investments. The matter was first formally raised in February 2024 by the American Chamber of Commerce in Kosovo during an NCEI meeting, where concerns were expressed regarding the absence of standardized loss rates and the resulting tax burden on unavoidable losses in sectors such as agriculture, food processing, and trade.

The issue was raised again in March 2024 during sectoral forums organized by the Secretariat, where private sector representatives further emphasized the administrative challenges associated with documenting product losses, particularly for products that deteriorate gradually during transportation, storage, and handling.

As part of the Secretariat's follow-up efforts, an analytical document with policy recommendations on the regulation of natural losses, spoilage, and destruction of products for tax purposes was prepared and discussed during another NCEI meeting in May 2024. This work reviewed the legal framework, international and regional practices, and outlined initial recommendations for addressing the issue through standardized loss rates and simplified procedures.

The discussion was further advanced in June 2024, when another sectoral forum was organized to explore possible benchmarking approaches. During this discussion, sector representatives noted that the Croatian framework appeared to be the most suitable reference model for Kosovo, given similarities in product structures, regional market conditions, and the practical applicability of standard loss rates across agricultural and food products.

Most recently, in November 2025, the Secretariat organized an additional sectoral forum where preliminary data and product-level evidence related to agricultural losses were presented. The discussions in this forum provided further validation for the product groups analyzed in this report and helped inform the decision to focus the quantitative assessment on categories with the highest expected business impact.

3. METHODOLOGY AND DATA

3.1. Data sources

The analysis uses data from two main sources. For the import component, detailed data from Kosovo Customs are used, including both the quantity and value of imported agricultural products.² For the domestic production component, the analysis relies on data from the Kosovo Agency of Statistics (KAS), including the Economic Accounts for Agriculture and, where necessary, the Agricultural Household Survey.³

In cases where the Kosovo Agency of Statistics (KAS) data do not provide product values, mainly for products covered by the Agricultural Household Survey, the analysis uses average unit prices derived from import data as a proxy to estimate the corresponding value of domestic production.

All data used in the analysis refer to the year 2024.

3.2. Methodological approach

The analysis estimates the potential quantity and value of product losses in Kosovo's agricultural and food sectors by applying reference loss rates to both imported and domestically produced products. The loss rates are primarily based on the framework applied in Croatia, selected as the main benchmark due to its relevance and suitability for Kosovo, as highlighted by stakeholders during sectoral consultations.

First, average unit prices are calculated by dividing the total import value by the corresponding import quantity for each product category. These prices are then used, where necessary, as a proxy to estimate the value of domestic production.

The selected loss rates are subsequently applied to the quantities of imported products in order to estimate the potential volume of losses related to imports. The same approach is applied to domestic production quantities to estimate potential losses occurring during production, storage, and distribution within the domestic market.

² <https://dogana.rks-gov.net/OpenData/Index?id=4>

³ <https://askdata.rks-gov.net/pxweb/en/ASKdata/>

The estimated quantities of losses are then converted into monetary values by multiplying them with the corresponding unit prices. This allows the analysis to provide an indicative estimate of the economic value of product losses across different product categories.

In addition to estimating the value of losses, the analysis considers their potential implications for taxation. In cases where losses are not formally recognized, the missing quantities of products may be treated as if they were sold, resulting in additional tax liabilities. The analysis focuses specifically on implications related to VAT and customs duties, while other potential tax effects are not included due to data limitations.

4. ANALYSIS OF AGRICULTURAL PRODUCT LOSSES

This section presents an indicative analysis of potential product losses in Kosovo's agricultural and food sectors based on the methodology described above. Using available data on imports and domestic production, the analysis applies reference loss rates from selected regional countries in order to estimate the possible value of product losses and their implications for the VAT base.

The assessment is organized by major product groups, including fruits, vegetables, cereals, processed food products, and meat and fish. For each category, the analysis examines the structure of supply, distinguishing between imports and domestic production, and applies the corresponding reference loss rates to estimate the potential volume and value of product losses.

It is important to interpret these results with caution. The estimates presented in this section are based on benchmark loss rates observed in other countries and on available aggregate data on imports and production. As such, they should be understood as indicative estimates that aim to illustrate the possible magnitude of product losses and their potential fiscal implications rather than precise measurements. The results therefore serve primarily as an analytical reference to support discussions on the potential introduction of standardized loss rates for certain product categories in Kosovo.

Table 1. Summary of impact of losses in thousands (000) using Croatia loss rates

Product category	Import	Production	Taxes	Total losses	Tax on Unrecognized Losses
Fruits	51,685.4	75,833.1	25,458.9	4,826.3	977.7
Vegetables	37,732.5	115,830.0	28,497.4	7,045.1	1,303.5
Cereals	27,023.9	108,400.0	19,663.8	338.6	0.6
Food products	251,874.3	479,121.2	82,472.2	8,188.5	828.9
Meat & Fish	771.4	6,621.1	1,328.4	250.4	45.0
Total	369,087.50	785,805.40	157,420.70	20,648.90	3,155.70

Data source: Kosovo Customs (2024); Kosovo Agency of Statistics (2024); Secretariat calculations based on Croatia loss rates.

The results presented in Table 1 indicate that the potential value of product losses varies significantly across different agricultural product categories. The largest estimated losses are observed in processed food products (8,188 thousand), followed by vegetables (6,950 thousand) and fruits (4,826 thousand), reflecting both the scale of these markets and the relatively higher loss rates associated with certain products. In contrast, cereals (339 thousand) and meat and fish (250 thousand) show considerably lower estimated losses, mainly due to lower loss rates and, in some cases, smaller market volumes.

In terms of tax implications, the estimated tax on unrecognized losses follows a similar pattern. Vegetables account for the highest value, at approximately 1,287 thousand, followed by fruits (978 thousand) and processed food products (829 thousand). In comparison, cereals (1 thousand) and meat and fish (45 thousand) generate significantly lower amounts. Although the overall estimated tax impact (3,139 thousand) remains moderate relative to the total value of imports (369,088 thousand) and production (783,696 thousand), the results highlight the presence of a mismatch between the taxable base and actual quantities of goods, particularly in product groups characterized by higher perishability and larger market size.

4.1. Fruits

In the Croatian system, specific allowed loss rates are defined for different categories of fruits to account for natural losses that occur during storage, handling, and distribution. These losses may arise due to factors such as spoilage, damage during transportation, evaporation, or deterioration in quality. When such losses are recognized within the allowed limits, businesses are not required to account for VAT on the value of the lost goods, which may reduce the effective tax base.

Applying the Croatian loss-rate framework to Kosovo's fruit market indicates that the impact varies depending on the level of imports, domestic production, and the applicable loss rate for each product category. As shown in Table 2, fruits account for imports of approximately 51,685 thousand and domestic production of 75,833 thousand, resulting in total estimated losses of around 4,826 thousand.

For fruits that are not produced domestically, such as most tropical fruits, the impact arises exclusively from imports. Bananas represent the largest import category, with imports exceeding 15,216 thousand, and due to a loss rate of 5 percent, they contribute significantly to total estimated losses and associated tax effects. Similarly, oranges and lemons also generate notable effects due to their relatively high import values.

For products that are both imported and produced domestically, the impact is broader, as the loss allowance applies to both imported and domestically supplied goods. Apples provide a clear example, with imports of approximately 6,361 thousand and domestic production exceeding 19,295 thousand, resulting in one of the largest contributions to total estimated losses.

A similar pattern can be observed for grapes, pears, plums, and watermelons, where domestic production plays an important role in overall supply. In these cases, the application of loss rates affects both imports and domestic production, increasing their overall contribution to estimated losses.

The Croatian framework also differentiates loss rates depending on the nature of the product. Fruits that are more perishable or susceptible to damage during handling generally have higher allowed loss rates, while products with longer shelf life are subject to lower rates.

In terms of taxation, fruits generate total taxes of approximately 25,458 thousand, while the estimated tax on unrecognized losses amounts to around 977 thousand.

Overall, the fruit category illustrates how both market size and product characteristics influence the magnitude of losses and associated tax effects. Products with high market value, particularly bananas, apples, grapes, and watermelons, account for the largest share of estimated losses, while the overall impact depends on both the applied loss rates and the structure of supply between imports and domestic production.

Table 2. Fruits' losses in thousands of EUR (000)

Product name	Croatia rates	B&H rates	Serbia rates	Import	Production	Taxes	Total losses	Tax on Unrecognized Losses
Oranges	3.0	3	3	3146.0		658.9	94.4	19.8
Lemons	3.0	3	3	3907.8		853.7	117.2	25.6
Mandarins / clementines	3.0	3	3	1.9		0.0	0.1	0.0
Pineapples	3.0	3	3	488.3		145.5	14.6	4.4
Bananas	5.0	3	3	15215.8		4534.3	760.8	226.7
Walnuts (in shell)	2.0	2	1.7	139.2		39.1	2.8	0.8
Walnuts (shelled)	2.0	2	1.7	1051.9		265.0	21.0	5.3
Almonds (in shell)	2.0	2	1.7	33.8		9.9	0.7	0.2
Almonds (shelled)	2.0	2	1.7	577.1		129.6	11.5	2.6
Hazelnuts (in shell)	2.0	2	1.7	2.4		0.4	0.0	0.0
Hazelnuts (shelled)	2.0	2	1.7	125.3		23.8	2.5	0.5
Chestnuts	2.0	2	1.7	652.5		145.4	13.1	2.9
Peanuts	2.0	2	1.7	2573.2		529.6	51.5	10.6
Pistachios	2.0	2	1.7	455.3		124.3	9.1	2.5
Strawberries	5.0	4	4	1601.1	1848.1	549.7	172.5	27.5
Fresh figs	5.0	4	4	230.7		43.0	11.5	2.2
Fresh grapes	5.0	2	1.8	2358.7	9900.0	2212.6	612.9	110.6
Apples	3.0	3	3	6361.1	32900.0	7156.4	1177.8	214.7
Pears	3.0	3	3	2400.5	11900.0	2601.3	429.0	78.0
Plums	3.0	3	3	203.0	8867.9	1633.8	272.1	49.0
Melons	5.0	2	1.8	480.9	2310.8	507.5	139.6	25.4
Watermelons	5.0	3	3	4801.5	6532.2	2069.5	566.7	103.5
Apricots	5.5	4.5	4	463.3	85.3	95.7	30.2	5.3
Peaches / nectarines	5.5	4.5	4	2840.8	700.0	637.9	194.7	35.1
Sweet cherries	5.5	4.5	4	364.3	788.9	202.7	63.4	11.1
Dried plums	1.5	1.5	1	114.1		26.5	1.7	0.4
Avocados	5.0	3	3	953.8		220.8	47.7	11.0
Mangoes	5.0	3	3	140.9		42.0	7.0	2.1
Total				51685	75833	25458	4826	977

Data source: Kosovo Customs (2024); Kosovo Agency of Statistics (2024); Secretariat calculations based on Croatia loss rates.

4.2. Vegetables

The Croatian framework also establishes specific allowed loss rates for vegetable products, reflecting the fact that many vegetables are highly perishable and susceptible to physical damage during transportation, storage, and handling. In practice, these losses may occur due to spoilage, dehydration, mechanical damage, or quality deterioration before the products reach the final consumer. When losses remain within the allowed limits, businesses are not required to account for VAT on the value of the lost goods, which may reduce the effective VAT base.

Applying these loss rates to Kosovo's vegetable market indicates that the impact is closely linked to the size of the market, including both imports and domestic production. As shown in Table 3, vegetables account for imports of approximately 37,732 thousand and domestic production of 115,830 thousand, resulting in total estimated losses of around 7,045 thousand, one of the highest among all product groups.

Among the analyzed products, sweet peppers and tomatoes generate the largest contribution to total losses. These products are characterized by both high import volumes and significant domestic production, which increases the overall taxable base subject to loss allowances. The relatively high loss rates applied under the Croatian framework further amplify their impact.

Several other vegetables, such as potatoes and onions, also contribute significantly due to the combination of imports and strong domestic production. In these cases, even slightly lower loss rates result in notable estimated losses because of the large market size.

For other vegetables, such as fresh beans and peas, the effect is driven primarily by imports, as domestic production is more limited or not fully captured in the available data. In these cases, the impact is mainly reflected through VAT collected at the border.

In terms of taxation, vegetables generate total taxes of approximately 28,497 thousand, while the estimated tax on unrecognized losses amounts to around 1,303 thousand, the highest among all product groups.

Overall, vegetables represent one of the most sensitive product groups to loss allowances. Their high perishability and large market volumes mean that even moderate loss rates can result in significant estimated losses and associated tax effects. As with fruits, the magnitude of the impact depends not only on the loss rate but also on the structure of supply, particularly the balance between domestic production and imports.

Table 3. Vegetables' losses in thousands of EUR (000)

Product name	Croatia rates	B&H rates	Serbia rates	Import	Production	Taxes	Total losses	Tax on Unrecognized Losses
Cabbage	5.0	4	4	1447.1	8401.7	1773.9	492.4	88.7
Lettuce	5.0	4	4	126.0		22.7	6.3	1.1
Sweet peppers	5.0	3	3.2	10721.8	46362.7	10478.5	2854.2	523.9
Tomatoes	5.0	3	3.2	11011.0	15600.0	5221.6	1330.6	261.1
Courgettes / zucchini	5.0	3	3.2	398.2		72.2	19.9	3.6
Fresh beans	3.0	3	3.2	4737.2		1349.6	142.1	40.5
Fresh peas	3.0	3	3.2	118.5	190.4	61.4	9.3	1.8
Potatoes	4.0	1.5	1.5	4448.2	31084.0	6324.7	1421.3	253.0
Carrots	4.0	1.5	1.5	36.1	977.7	183.7	40.6	7.3
Onions	4.0	1.5	1.5	4053.5	11103.7	2514.9	606.3	100.6
Leeks	4.0	1.5	1.5	166.5		30.1	6.7	1.2
Celery	4.0	3	3.5	101.2		18.3	4.0	0.7
Fresh mushrooms	4.5	4.5	4	367.2	2109.8	445.8	111.4	20.0
Total				37732	115830	28497	7045	1303

Data source: Kosovo Customs (2024); Kosovo Agency of Statistics (2024); Secretariat calculations based on Croatia loss rates.

4.3. Cereals

In the Croatian system, cereal products are assigned very low allowed loss rates, reflecting the fact that these products are significantly less perishable compared with fruits and vegetables. Grains can typically be stored for longer periods and are less susceptible to rapid spoilage or physical damage. As a result, the Croatian framework assigns a loss rate of only 0.25 percent for cereals such as wheat, barley, oats, and maize.

Applying this loss-rate benchmark to Kosovo's cereal market suggests that the overall impact remains highly limited, despite the large economic importance of these products. As shown in Table 4, cereals account for imports of approximately 27,024 thousand and domestic production of 108,400 thousand, while total estimated losses amount to only 339 thousand, reflecting the very low loss rates applied.

Among individual products, wheat represents the most significant component in terms of market size. Both imports and domestic production contribute substantially to the total value of cereals, resulting in a large taxable base. Nevertheless, because the allowed loss rate is only 0.25 percent and cereals are generally subject to reduced VAT rates, the resulting impact on losses and associated taxes remains very modest compared with more perishable agricultural products.

A similar pattern can be observed for maize (corn), where domestic production plays a dominant role. Despite the relatively large combined value of imports and production, the low loss rate limits the overall magnitude of estimated losses. For barley and oats, both the import volumes and domestic production levels are considerably smaller, resulting in a minimal contribution to total losses.

In terms of taxation, cereals generate total taxes of approximately 19,664 thousand, while the estimated tax on unrecognized losses amounts to only around 1 thousand, the lowest among all product groups.

Overall, the cereal category illustrates how the structure of loss allowances differs across product groups. While cereals contribute significantly to the overall value of agricultural production, their low perishability, stable storage conditions, and reduced VAT treatment justify a much smaller fiscal effect. As a result, even though cereals represent a large market in value terms, their contribution to total estimated losses and associated tax effects remains negligible compared with fruits, vegetables, and processed food products.

Table 4. Cereals' losses in thousands of EUR (000)

Product name	Croatia rates	B&H rates	Serbia rates	Import	Production	Taxes	Total losses	Tax on Unrecognized Losses
Wheat	0.3	0.25	0.2	17497.1	63100.0	11378.3	201.5	0.1
Barley	0.3	0.25	0.2	136.5	1300.0	235.8	3.6	0.0
Oats	0.3	0.25	0.2	32.7	1300.0	236.6	3.3	0.3
Maize (corn)	0.3	0.25	0.2	9357.6	42700.0	7813.1	130.1	0.3
Total				27024	108400	19664	339	1

Data source: Kosovo Customs (2024); Kosovo Agency of Statistics (2024); Secretariat calculations based on Croatia loss rates.

4.4. Food products

Processed food products represent a diverse category that includes flour-based products, dairy products, sweeteners, and other processed food items. Under the Croatian framework, allowed loss rates for these products generally range between 0.1 percent and 2 percent, reflecting the fact that most processed foods are less susceptible to physical deterioration than fresh agricultural products. Losses in this category typically arise during storage, packaging, transportation, and retail handling, but the controlled production and packaging processes generally limit the magnitude of such losses.

Applying these loss rates to Kosovo's market indicates that the impact varies considerably depending on the value of imports and the extent of domestic production. As shown in Table 5, processed food products represent the largest category, with imports of approximately 251,874 thousand and domestic production of 479,121 thousand, resulting in estimated total losses of 8,188 thousand.

Within this category, dairy products, particularly milk, cheese, butter, and yogurt, play a key role due to their significant domestic production. The large production base, combined with relatively moderate loss rates, leads to a notable contribution to total estimated losses and associated taxes. At the aggregate level, taxes related to processed food products reach approximately 82,472 thousand, while the estimated tax on unrecognized losses amounts to around 829 thousand. Although this is lower than the corresponding effect in vegetables and fruits, it remains economically significant due to the exceptionally large market size of this category.

For other processed food products, the effect is driven primarily by imports. Products such as bread, biscuits, rice, and chocolate products record high import values, which generate substantial VAT at the border. Although the allowed loss rates for these products are relatively modest, the large import volumes mean that even small percentages translate into measurable losses and associated tax effects.

Certain food items, such as coffee, tea, and spices, are subject to very low loss rates of around 0.1 percent, reflecting their long shelf life and low susceptibility to spoilage. As a result, despite relatively high import values in some cases, their contribution to total estimated losses remains limited.

Overall, the processed food category demonstrates that the magnitude of losses and related tax effects is largely influenced by market size and the structure of supply. Products with large domestic production volumes, particularly dairy products, tend to generate the most significant impact, while products with low loss rates, reduced VAT rates, or limited domestic production contribute relatively less to the overall fiscal effect.

Table 5. Food products' losses in thousands of EUR (000)

Product name	Croatia rates	B&H rates	Serbia rates	Import	Production	Taxes	Total losses	Tax on Unrecognized Losses
Wheat flour	1.5	0.5	0.5	6723.3		274.7	100.8	4.1
Maize flour	1.5	0.5	0.5	23.2		2.3	0.3	0.0
Rice	1.5	0.5	0.5	6465.2		573.1	97.0	8.6
Bread	0.5	0.5	0.5	48880.8		9360.4	244.4	46.8
Biscuits	0.5	0.5	0.5	19939.7		3652.5	99.7	18.3
Milk	0.5	0.5		23065.6	131900.0	13680.2	774.8	68.4
Cheese	2.0	1		26040.9	154541.7	14479.2	3611.7	289.6
Butter	1.0	1	0.8	3243.7	86316.7	7084.5	895.6	70.8
Yogurt	1.0	1		3.0	60023.0	10804.7	600.3	108.0
Ice cream	1.5	1.5	1	13429.4		2766.1	201.4	41.5
Eggs	1.5	1.5	1	234.8	37400.0	2996.6	564.5	44.9
Honey	0.3	0.3	0.2	1378.2	8939.8	1924.4	31.0	5.8
Sugar	1.0	1	1	34872.9		3743.9	348.7	37.4
Salt	1.0	1	1	3416.6		414.5	34.2	4.1
Chocolate products	1.5	1.5	1	20163.6		3704.6	302.5	55.6
Coffee roasted	0.1	0.1	0.8	19524.2		3526.6	19.5	3.5
Tea	0.1	0.1	0.8	7227.8		2148.2	7.2	2.1
Spices	0.1	0.1	0.8	266.6		65.0	0.3	0.1
Sunflower oil	1.5	1.5	1	16975.0		1270.8	254.6	19.1
Total				251874	479121	82472	8189	829

Data source: Kosovo Customs (2024); Kosovo Agency of Statistics (2024); Secretariat calculations based on Croatia loss rates.

4.5. Meat and Fish

The Croatian framework also specifies allowed loss rates for meat and fish products, reflecting the particular characteristics of these goods in terms of storage, handling, and processing. Losses in this category may occur due to trimming during processing, moisture loss during storage, temperature fluctuations during transportation, or spoilage resulting from the highly perishable nature of fresh meat and fish. Compared with cereals or many processed foods, these products are more sensitive to deterioration, which explains the relatively higher loss rates applied to certain items.

Applying these benchmarks to Kosovo's market suggests that the potential fiscal impact varies depending on the size of domestic production and the level of imports.

Among the analyzed products, fresh beef represents the largest contributor within this category. Although imports are relatively limited, domestic production exceeds €6.4 million, generating a substantial VAT base. With a Croatian loss rate of 3.5 percent, the estimated tax reduction associated with fresh beef is the highest within the meat and fish category.

Poultry meat also shows a notable impact due to the combination of imports and domestic production. While imports amount to approximately €355 thousand, domestic production reaches around €87 thousand, contributing to a measurable VAT base. The application of a 2 percent loss rate results in a moderate reduction in potential VAT revenues.

For fresh pork, the impact is relatively small because both imports and domestic production levels are limited. Although domestic production exists, the relatively small market size results in a comparatively minor fiscal effect when the 1.5 percent loss rate is applied.

The impact is even smaller for frozen fish and shellfish, where imports represent the main source of supply and overall market values remain low. Consequently, the estimated reduction in VAT revenues associated with the allowed loss rates in these cases is minimal.

Overall, the meat and fish category illustrates how the fiscal effect of loss allowances is shaped primarily by the scale of domestic production and market demand. Products with higher domestic production volumes, such as beef, generate the largest potential reductions in VAT revenues, while products that rely mainly on imports or have relatively small market volumes contribute only marginally to the overall fiscal impact.

Table 6. Meat and fish losses in thousands of EUR (000)

Product name	Croatia rates	B&H rates	Serbia rates	Import	Production	Taxes	Total losses	Tax on Unrecognized Losses
Fresh beef	3.5	1.5	1.8	378.1	6487.9	1235.9	240.3	43.3
Fresh pork	1.5	1.5	1.8	25.5	45.6	12.8	1.1	0.2
Poultry meat	2.0	1.5	1.8	354.8	87.6	76.7	8.8	1.5
Frozen fish	1.0	1	1	13.0		3.1	0.1	0.0
Shellfish	1.8	3.5	2.3	0.0		0.0	0.0	0.0
Total				771	6621	1328	250	45

Data source: Kosovo Customs (2024); Kosovo Agency of Statistics (2024); Secretariat calculations based on Croatia loss rates.

5. CONCLUDING REMARKS AND WAY FORWARD

This report examined the potential scale of natural product losses in Kosovo's agricultural and food sectors by combining available data on imports and domestic production with benchmark loss rates applied primarily in Croatia, which has also been identified by sector representatives as one of the most suitable reference frameworks for Kosovo. The analysis provides an indicative overview of how such losses may arise across different product categories and how they may affect the taxable base when losses are not formally recognized.

The findings confirm that the magnitude of potential losses varies significantly across product groups. Products with higher perishability, particularly fruits, vegetables, dairy, and selected processed food products, generate the largest estimated losses due to both the nature of the products and the conditions under which they are transported, stored, and handled. In contrast, cereals and certain shelf-stable food products exhibit considerably lower estimated losses, reflecting their longer shelf life and lower susceptibility to deterioration.

The structure of supply also remains an important determinant of the scale of losses. For products that are primarily imported, the effect is concentrated at the border and within distribution chains. For products with significant domestic production, losses may arise throughout the production, storage, processing, and distribution stages within the domestic market, creating broader implications for businesses operating across the supply chain.

Importantly, the purpose of this analysis is not primarily to estimate the fiscal implications for public revenues, but rather to highlight situations in which businesses may be required to pay taxes on quantities of products that no longer exist due to unavoidable natural losses during transportation, storage, handling, or processing. In this context, the recognition of standardized loss rates would help ensure that taxation is applied to the actual quantities of goods available in the market and would reduce unnecessary administrative burdens for businesses.

The findings of this report should also be understood as a continuation of the Secretariat's previous analytical work conducted in 2024, which reviewed the legal framework, international practices, and proposed recommendations for addressing this issue. The present quantitative analysis further reinforces those recommendations by identifying the product groups where the potential business impact appears most significant.

As a practical way forward, the evidence suggests that the issuance of a by-law on standard loss rates by the Ministry of Finance, Labour and Transfers should remain a priority, initially focusing on the most affected product categories, particularly fruits, vegetables, dairy, and selected food products. In parallel, simplified procedures for recognition and documentation of losses could help improve tax certainty, reduce compliance costs, and align Kosovo's framework more closely with regional good practices.

The estimates presented in this report should nevertheless be interpreted with caution, as they rely on benchmark loss rates and aggregated data. As such, they should be seen as indicative estimates intended to support evidence-based discussion and provide analytical grounding for future regulatory action.