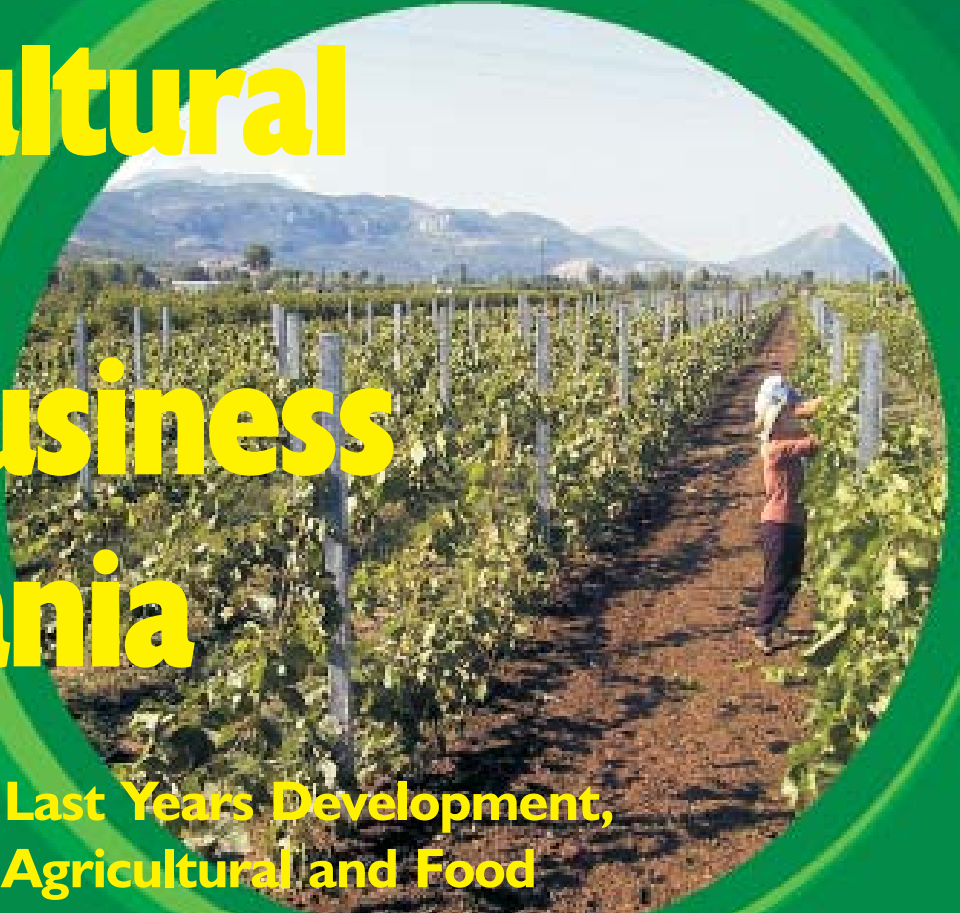


Agricultural and Agribusiness in Albania

**A Guide of the Last Years Development,
Promoting the Agricultural and Food
Production, Rural Resources Management**





ALBANIA, a place to do business

Economic performance

In the early transition period, Albania's growth was stimulated in part by domestic demand fueled by remittances from abroad, manufacturing has been sustained by process subcontracting for re-export abroad, but industry is generally lagging behind agriculture and services.

Recovery in mining has been achieved by granting concessions to foreign companies for non-ferrous metal ores and oil export products, for which demand on world markets is likely to remain strong.

Tight monetary policy was resumed and average annual inflation in 1998-2002 was 5,8%. The country's second poverty reduction and growth facility with the International Monetary Fund targets 2,4% annual inflation in 2003-2004.

Country profile



The population of Albania is 3,145,408 residents in 1-st January 2003, of which 42% are urban, while the remaining 58% are rural. Albania still has a largely agrarian economy. The population is largely ethnically homogenous. Over 500,000 Albanians have emigrated during the 1990s, mostly to Greece and Italy. The demographic developments and the urbanization process are directly reflected in the decrease of household size.

Location and position

Albania lies in the Western part of the Balkan Peninsula and covers an area of 28,748 square kilometers. Albania's immediate western neighbor, Italy, lies some 80 km across the Adriatic Sea. The capital is Tirana. Other important cities are Durrës, Shkodra, Vlorë, Korçë, and Gjirokastra.

Climate and weather conditions

Mediterranean on the coastal plain, harsher in mountain areas. The hottest months are July and August. With a climate ranging from Mediterranean to Alpine, precipitation is abundant (1.400 mm annually). The average temperature is 17-31°C, and the coldest month is January, averaging 2-12°C.

General natural resources

Albania has considerable mineral resources, including chrome, nickel, copper, bauxite, phosphorite, oil and coal. Water resources are abundant. There are three official plants that produce drinking water in the country (two in Tirana and one in Durrës).

Demography

Today the four-member household is the most widely observed pattern. The European model of a family of two parents and two children is also becoming the Albanian model. The distribution of the population in the country's 36 regions is quite uneven. There are regions with as few as 21 persons per km², while there are others with 200 to 400 persons per km².

Governance

Albania is a Parliamentary Republic based on a system of free periodic elections. The new Constitution of the Republic of Albania, approved by referendum on November 22, 1998 and promulgated on November 28 of that year, is the supreme governing law of the country and embodies the principles of democracy and the rule of law. The Assembly is a one-chamber Parliament consisting of 140 members who are elected every 4 years, with 100 deputies directly elected in single-member zones and 40 seats awarded based proportionally on national party results, with a 2.5% threshold. The head of state is the President, who is elected by the Assembly for a 5-year term. Executive power rests with the Council of Ministers (the Cabinet). The Prime Minister is its chairman; he is appointed by the President and approved by Parliament, and he then proposes the other Ministers to the President for formal appointment. The Assembly gives final approval of the composition of the Council of Ministers.

Source: INSTAT



Agriculture



Agriculture can be seen to have played the most important role in the growth of the Albanian economy. Albania has carried out major reforms in the agricultural sector at large, achieving remarkable increases both in output and in total factor productivity. The present analysis of agricultural sector advantages in Albania provides an overview of the existing situation. This analysis has been done within the following major topics concerning: the sources comprising the base, the policy context, agricultural production, agricultural business, services in agriculture and international cooperation.

Agricultural Production

Albania is divided into three geographic zones according to agricultural production:

- Coastal zone, extending in the western side of the country and representing 44% of the arable land
- Hilly zone, in the central part of country, representing 37% of arable land and with the possibilities of intensive livestock production.
- Upland zone, which represents 19% of arable land, with potentials for the forestry industry.

Cultivated land has been increased twice as a consequence of reducing meadows and pastures. (About 60% of profitable land has come from meadows and pastures, 15% from forests, 15% from fallow land and 10% from bog-land). Currently, Albania continues to be an agricultural country, and 24,7% of its Gross Domestic Product (GDP) comes from agriculture, 46,1% from services, 9,1% from the construction industry and the rest from other industry. Agricultural exports make up 8,1% of total export volume. In rural areas 58% of the population is found, and the largest part of the activity of the population deals with agriculture, or 60% of the country's employment. In the last ten-year period, the structure of the economy has changed in favor of agriculture and the services sector. The composition of GDP by percentage, according to the main sectors of economy, has been as follows for the years indicated:

Sector	1992	2001	2002	2003
Agriculture	54,2	34,2	33,3	24,7
Construction	7,6	10,3	10,8	9,1
Transport	3,0	10,1	10,6	10,0
Services	18,3	32,2	32,5	46,1
Industry	16,9	13,2	12,8	10,2

Source : National Bank of Albania





The growth of agricultural production after the year 1993 has ranked Albania at the top of Central and East European countries according to the rate of increase, and none of these other countries has exceeded a 10% rate compared to 1991.

Highly effective products such as dairy products, vegetables and forage products have increased, while there has been a reduction in those of less efficacy, influencing the growth of agricultural production. Considerable investments have been made in greenhouses, where occupied land is about 600 ha, in vineyards and in the planting of fruit trees.

Natural Resources

The first strength of Albanian agriculture is the favorable climate. The arable land is currently 560 000 ha, or 24% of the total land. The favorable climatic conditions give the opportunity for a large diversity of crop cultivation from continental crops to Mediterranean ones. In the southern part of Albania you can find favorable agro-ecological conditions for field crop cultivation such as vegetables, vineyards, citrus and olive trees. In the central part of the country, fruit production and livestock are major activities. In the northern part, the so-called forestry part, made up of forests and pastures, there are favorable conditions for raising livestock, spice and herbs, medicinal crops, and timber production.



The Policy Context



The land reform at the beginning of the 1990's changed the structure of agricultural farms completely. Thus, 460.000 agricultural landholdings were established. The privatization of land also influenced the crop structure. The government's policy in agriculture is liberal. This policy is in accordance with international trade agreements such as WTO, CEFTA, regional ones and others.

One of the current challenges of Albania and one of the most important inter institutional reforms of Albanian government is the participation of our country in WTO, as well as the regional integration via Free Trade Agreements(FTA) such as: Albania- FYROM, Albania-Croatia, Albania- Bulgaria, Albania -Romania, Albania- Republic of Serbia and Montenegro, Albania-Bosnia Herzegovina, and Albania-Kosovo, Albania-Moldova, Albania- Macedonia. This regional integration will be considered as a starting point of Albanian integration in EU. In the framework of fiscal and trade policy there have been specific ones projected for different products, branches and rural areas. This policy context includes the legal framework as an important part of this policy. This package is composed of:

- Law No. 7501 "On the Land," dated 19.07.1991, amended and supplemented by Law No. 7855 dated 29.07.1994.
- Law No. 7699 dated 21.04.1993 " On the Restitution of Agricultural Land to its Former Owners," amended and supplemented by Law No. 7981 dated 27.07.1995.
- Law No. 7836 dated 22.06.1994 "On the Price of Agricultural Land for Purposes of Compensation," amended and supplemented by Law No. 7982 dated 27.07.1995.
- Law No. 7698 dated 15.04.1993 "On the Restitution of Properties to Former Owners and Compensation," amended by Law No. 7879 dated 01.12.1994.
- Law No. 7983 dated 27.07.1995 "On Transactions in Agricultural Land, Pastures and Meadows."
- Law No. 8047 dated 14.12.1995 "On the Administration of Refused Agricultural Lands."
- Law No. 8053 dated 21.12.1995 "On Possession of Agricultural Land without Compensation."
- Law No. 8024 dated 11.02.1995, amending Decree No. 1254 dated 19.10.1995 "On the Compensation to Former Owners of Occupied Land Sites."
- Law No. 8110 dated 28.03.1996 "On the Donation of the Agricultural Land Tax."
- Law No. 7980 dated 27.07.1995 "On Transactions in Sites", amended by Law No. 8260 dated 26.11.1997.
- Law No. 8312 dated 26.03.1998 "On Undivided Agricultural Land."
- Law No. 8318 dated 01.04.1998 "On Agricultural Land, Forests, Pastures and Meadows that are Publicly Owned," amended and supplemented by Law No. 8406 dated 17.09.1998.
- Law No. 8337 dated 30.04.1998 " On the Possession of Agricultural Land, Forests, Pastures and Meadows."
- Law No. 8398 dated 03.09.1998 "On Compensation to Former Owners of Agricultural and Non-agricultural Land and Occupied Sites in the Lapraka and Bathore Area of the Tirana District."
- Law No. 8561 dated 22.12.1999 "On Expropriation and Temporary Use of Private Property for a Public Interest."
- Law No. 8752 dated 26.03. 2001 "On the Establishment and Functioning of Structures for Land Administration and Protection."

Agribusiness



The census of year 1998 registered a large number of enterprises working in agriculture, over 1000, as a consequence of the many reforms that have taken place in this sector, such as privatization. The Government managed small enterprise privatization in a short time, which was a great support for agribusiness.

The number of active companies in agro-industry is over 2000. In the agricultural sector, 90% of the investments come from the private sector with its own capital. In the last six years, more than 18 associations have been established, which include businesses both for input and output.

The associations established the Albanian Agribusiness Council, which is a specialized institution aiming at protecting the interests of agribusiness sector and at promoting this sector in Albania. According to the Agriculture and Food Ministry Source the Foreign Investment flow for 2002 is about 29 million USD.

The foreign assistance given by donors has been especially focused in improving the quantity and quality of agricultural products and in training new owners with the intention of a better management of their companies.

These improvements have had the result that domestic production fulfills almost 70% of the population's food needs. Some of the most important companies that operate in agro-industry and have definitively changed our domestic market and exports as well, are:

EHW

an Italian-Albanian company for the meat processing and sausages production in Tirana;

EURO-FISH

an Italian company for fishery production in Lezha;

ITAL-CACE

an Italian company processing intestines for sausage production in Tirana;

JOY-Florina

a Greek company for fruit beverages;

LOU-LIF

an Italian company for byproduct of flour and bread;

FLORYHEN

an Italian-Albanian company for eggs;

HIT

a Croatian company for fruit beverage production;

MIKA

a Greek and Albanian company for tobacco processing;

CAVEX

a Greek company for tobacco processing in Elbasan

ALBAEUREKA

an Italian company for water and fruit beverage production.





Agricultural Services

Currently, the private services in agriculture have been improved as far in production quality as in storing and its diversity. During recent years, financial services for the farmers and agribusiness have been developed and improved, including the micro credits through farmers' associations and credit unions.

Agribusiness and farmers' associations, credit at the village levels, and water associations are increasing, managing and administering themselves at a better level, as well as coordinating services to their members better. The Rural Microfinance Project implemented by FZSH and now by FFR is one of the oldest projects and one with the largest extension in Albanian rural areas. The Community functions as a solid group that guarantees individual credits. This project has been adapted to the changing general environment and has been based on the traditional Albanian countryside, for which it has collaborated through two parties: the Village Credit Council (VCC) and Credit Officer. Foreign investments in agriculture have had a positive tendency in the period of the last four years.

The Opportunities



What are the opportunities in agriculture and what do we have to change to increase them?

In the policy framework, during the last five years and with the support of many donors, many laws and regulations for the agricultural sector have been planned. The fiscal laws for such areas as customs and taxation have been improved, in addition to laws for the fight against crime, corruption and smuggling, by which agricultural sector and trade has profited indirectly. The harmonization of Albanian Custom Law with the internationally accepted system was accomplished in 1998. It's very important to stress that low tariffs at four levels (5%, 10%, 20% and 30%) have been established for agricultural raw materials. It should also be mentioned that many other new laws have been enacted or submitted in the constant process of improvement, such as laws on banking, the Civil Code, the Foreign Investment Law, the Competition Law, and many laws and regulations having to do with the proper administration of land (including its registration). The Albanian Guaranty Agency has been established as a public entity, guaranteeing the financing of domestic private businesses.

Albania has the possibilities to reduce or eliminate completely imports of most agricultural products and to be an exporter of many traditional agricultural products such as fresh vegetables, potatoes, milk and its by-products, honey, olive oil, medicinal and oleaginous crops, sheep and goats, other meats *and others*.

Agricultural Integration

The relationship of Albania with foreign creditors was improved after the year 1995, when our Government, supported by the World Bank, signed an agreement for debt reduction.

Since that agreement, it has become possible for Albania to be supported by the international financial institutions and to attract foreign investors. In 1999 Albania concluded all the bilateral agreements necessary for WTO integration. It should be noted that both its agricultural agreement and custom tariffs are the most liberal ones in the Southeast European countries. The direct effects of this agreement were shown in these two last years. Integration is an important opportunity because it attracts investors to invest in the food industry and in tourism.

Foreign investments will bring new technologies and create possibilities for finding foreign markets without export taxes. The support of the World Bank is concentrated in poverty reduction through increasing investments in agriculture, infrastructure improvement, corruption reduction, and environmental protection. The International Development Association (IDA) is working in three projects to support the agricultural sector:

- a) The second stage of integration project (24 million USD)
- b) Micro-credit project (12 million USD)
- c) Project for community businesses (9 million USD)



Self-development



Agritourism and promotion for constant

In the natural ecosystem are included environments that act as a promotion for agricultural development in the agro tourism area. We could name such places as Prespa, Lura, Biza, Dajti, Thethi, Razma and others, places of great natural beauty; rolling pastures, with high potential for livestock, full with flowers and medicinal plants, native crops of interest for study, landscapes and environments with esthetic values.

This ecosystem comprises a valuable set of features for growth in livestock and forestry, for household production, for scientific tourism or even hiking. The special ecosystems as such as caves or the rushes that are common in our lagoons (Karaburuni, the rushes of Kune and so forth) offer elements for sport, scientific and cultural tourism that deserve to be promoted..



By itself, the agricultural cultivated ecosystem promotes self-development in two respects, both in agricultural and livestock production and in manufacture. These will be a support for agro tourism, as a part of a pluralism of activities. The social environment and cultural inheritance also offer a diversity of elements for developing tourism, as a part of a comprehensive policy of agro tourism.

These elements could be used to promote the organization of public tourist activities. A typical example is the natural park of Prespa, where we can mention the Cave of Treni, the Castle of Shueci, the Ruins of the Fortress in Qafe e Zvezda, the Church of Maligrad, Gollombeci, Bezmishti and others. In this area the qualitative production and elaboration (bio-products) of numerous foods can be promoted: cereals, honey, meat, dairy, fish products, fruits, soft drinks and alcoholic beverages, not to speak of household manufacturing products. As a consequence, domestic production, elaborated with technology, can comprise a major factor in agricultural self-development in the area of agro tourism. This accomplishes several purposes. It raises the qualitative value of the products and encourages the development of a variety of individualized products, bio-products, and protection of the environment or its cleanliness. The studies made in this area show that currently, Albania has every opportunity to develop agro tourism to a significant degree through the existence of natural parks on a national scale with a variety of climates, flora and fauna.



To give a general definition, “agro tourism” means encouraging vacations in a rural environment. Agro tourism is related to the presence of a strong agricultural structure, which serves to attract agro tourist consumers. Many strong elements of the agro tourism structure are reflected in some beautiful natural parks of our country. The main elements of agro tourism are the natural ecosystem, the agricultural ecosystem, the social environment and the cultural inheritance.

The development of fruit trees



The extension of new intensive arboriculture has to be oriented in the first stage toward the flatlands of the country, which have the highest potential for production. This area is composed of 300 000 ha, with the appropriate agricultural infrastructure. According to regional studies, a sample of 40 000 ha will be given priority, with the aim of transforming it by the year 2015 through intensive fruit trees and vineyard development. In the valley zone, which is composed of 220 000 ha (typical for industrial vineyards), the priority is to be placed on planting 10 000 ha of new vineyards in the period 2015- 2020.

The presence of variations in climate creates favorable conditions, and makes possible the cultivation of all fruit trees, vineyards and olive groves. Indeed, Albania has a long tradition in such cultivation. Because of natural conditions and resources, a geographic extension of fruit production has been inherited from antiquity. In the numeric development of fruit culture and its total production, vineyards and olives have a development rate of 2 times higher than the other cultures and blocks.

The yield of olives in the last ten years has become stabilized at 13 kg per tree compared with 3 kg per tree in 1990, apart from 2002. Numerically, olive trees are increasing at 50 000 trees per year and the production is increasing on the average by 5000- 10 000 tons per year. In the year 2002 716 000 new fruit, olive and citrus were planted, 976 ha of vineyards and 168 000 pergola trees. The production trend of vineyards for the period 1990-2002 shows the following:

- The vineyard yield rose by a factor of four and more (4,4 times)
- The growth is attributable to the revival of the domestic market and to the reactivation of the wine industry.
- The number of pergola trees has been doubled, making a significant contribution to overall production.

The use of new technologies and varieties in vineyards has improved production, and the trend is toward high yield levels (over 18 tons per ha).



Rehabilitation Financial Support for Viticulture

“Rehabilitation of Viticulture” is an important project of FFF (For the Future Foundation). Its main purpose is to use the rehabilitation of viticulture to increase the income of farmers. The project operates through two programs:

1. A micro finance program (MFP), which offers financial services (micro credits) for a wide range of loans. The main target groups are small farmers interested in cultivation or the rehabilitation of viticulture, traders and those who process grapes.
2. The Organization, Training and Technical Assistance Program (OTTAP), which offers assistance and training for:
 - a. The creation of viticulture associations, institutional support, and the strengthening of community capacity;
 - b. The most up to date techniques and technology of vinery cultivation;
 - c. Environmental protection;
 - d. Input supply and marketing;
 - e. Increasing the participation of women at the community level.

The project operates in 34 villages (9 areas and 2 regions). Its partners include 16 viticulture associations in which 315 farmers are participants.

Financial Support for Viticulture There have been 45,6 ha of vinery rehabilitated, out of which 13,5 ha are new ones. The 315 farmers in the viticulture associations have been trained on the agro-technical aspects of vinery cultivation and environmental protection. More than 210 loans have been made amounting to a total of 54 million lek, and there are 187 active clients. The average size of a loan is 256 042 lek. In addition, there has been a visible improvement in the status of village women. The capacity of local staff has increased satisfactorily. The project has a good reputation not only in the areas where it operates, but elsewhere as well.

During the period 2000-2001, the interest rate applied for the project’s loans was 19% per annum. The same level of interest rate is in 2002-2004. This interest is calculated to cover capital cost (9% + inflation, which is paid back to the donor) as well as components to adjust for predicted losses and to cover the cost of operations. For the Future Foundation has a modest position in the micro-financing market. Its Micro Finance Program is supported by donations, a trading credit from NOVIB and a grant from the PHARE Program. Currently, it operates in the rural areas of the Tirana, Durrës, Kavaje and Kruje districts.





Olives



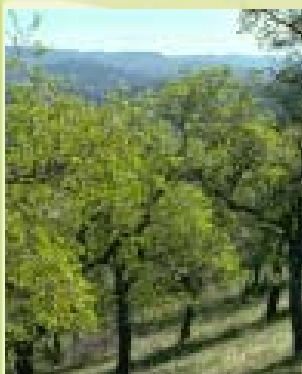
As noted above, the yield of olives in the last ten years has been stabilized at 13 kg per tree compared with 3 kg per tree in 1990, the numerical increase in trees was 50 000 per year and production increased on the average by 5000-10 000 tons per year. This is summarized in the following table:

	1992	1994	1996	1998	2000	2001	2002
Total trees (000)	3129	2931	3405	3468	3611	3667	3809
In produc. (000 trees)	2313	2646	3084	3212	3256	3246	3290
Yield field (kg per tree)	8,7	11,3	9,0	14,6	11,1	12,2	8,3
Production (000 tons)	20,2	30,0	27,7	46,8	36,2	39,6	37,3

The oil export has a positive trend in the food industry exports. In the year 2003 the extension of this industry export in the aggregated way is 1,6 times more compared with its export value in 2002

The most important districts as to production of olives are: Vlora, with a production of 6027 tons from 541 000 olive trees; Fier, with a production of 4528 tons from 402 000 trees; Tirana, with a production of 2232 tons from 312 000 trees; Elbasan, with a production 1758 tons from 403 000 trees; Berat, with a production of 1460 tons from 575 000 trees. The agro industry that is based on olive processing is one of the important components in the entire industry. The export of olive oil in 2001 was 177 tons.

Source: MoAF Statistics 2002



Agricultural Extension Policy 2001-2010



In 2001, in addition to financial support in the development of advisory services, the government made financial means available for research in farms financed since 1995 by other projects. In the period 2000-2001, evaluations of public extension activities were made, in accordance with the requirements of the projects for the development of a longterm policy.

The baseline study "How Should Albanian Agriculture Be in 2010 and the Participation Methodology" has been a very important element in the development of this policy. The mission of this policy is the support of agricultural development, promoting different ways in the exercising of new technologies and extending existing ones to various categories of interested farmers.

To focus on these main objectives of Albanian agricultural policy for the long term is indispensable for the prospects of agriculture and the process of its adoption in the integration framework of Albania in the European Union as well as affording the extension effects of globalization.

Objectives:

1. To support private (paid) extension for big farmers.
2. To establish information centers all over the country
3. To provide special extension services for medium-sized farmers according to a contract, which will start free of charge
4. To provide services for rural development on a contract basis for farmers in the highlands through the Agency for Highland Development.
5. To support research for farms, by contract, with the development of new technologies and the solution to farmers' problems.
6. To train agricultural experts at research institutions and agricultural universities.
7. To train farmers through agricultural high schools.



"Bio" Potentials

Another potential of our agriculture is in bioorganic or BIO products. A working group has prepared a draft law on "Organic Agriculture," which will complete the legal framework concerning bioorganic agriculture. This law aims at motivating bioorganic associations and organic farms, which currently are the pioneers of Albanian bio-products, to an even greater degree. Albania has a significant potential for BIO agriculture.

This kind of production reduces the area exposed to intensive agriculture and extends traditional agriculture using less fertilizer and fewer pesticides. It also offers more conversion possibilities and fewer losses with agriculture of an organic type. Furthermore, it enlarges the chances for exports in the region and to the high-end markets of developed European countries.

Another reason to think in a positive way about exports of this kind, especially in livestock products, is that Albania is the largest producer of these products in the region, that is, compared to Macedonia, Kosovo, Montenegro, Serbia, or Bosnia and Herzegovina. Per capita, all of those countries produce less milk, meat, and eggs than our country.

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