

## Sustainable development of agriculture sector and rural areas in Albania, challenges in the EU accession perspective

REMZI KEÇO<sup>1\*</sup>, FATBARDH SALLAKU<sup>1</sup>, BARI MUSABELLIU<sup>1</sup>, SULEJMAN SULCE<sup>1</sup>, IRFAN TARRELI<sup>2</sup>

<sup>1</sup>Agricultural University of Tirana, Albania

<sup>2</sup>Ministry of Agriculture and Rural Development, Albania

\*Corresponding author; E-mail: rkeco@ubt.edu.al

### Abstract

Albanian agriculture and agri-food sector has been growing over the latest 10 years, at similar pace as the rest of the economy, contributing with more than 1/5 of the GDP. The sector has become more efficient in the last decade, as shown by the increasing GVA (in current EUR values) compared to the number of farms and on-farm employment. The number of agriculture holdings (farms) has decreased by 6% since 2005 (from 375,000 to 352,000). Adherence to environmental, food safety and animal welfare standard in the agricultural sector is still low. A large share of agricultural holdings fails to comply with standards due to limited financial resources to upgrade facilities and technologies and lack of awareness and knowledge on standards. There is a weak enforcement of legislation, which creates disincentive for investments for compliance with standards. The total financial support to the agricultural sector is increasing from around 20 million EUR in 2018 which marks a significant increase compared to EUR 7.3 million in 2012, and the respective fund of EUR 3.2 million in 2007. The national support schemes have contributed to an increase in the number of areas under plantation and production growth in several subsectors. Also, improved irrigation has contributed to increased productivity and resource management..

**Keywords:** agricultural production; farm; rural development.

### 1. Introduction

Albanian agriculture and agri-food sector has been growing over the latest 10 years, at similar pace as the rest of the economy, contributing with more than 1/5 of the GDP. Agriculture Gross Value Added (GVA) has increased by 2/3 since 2005, reaching about 2.15 billion EUR in 2016. This can on its own conditions be considered a remarkable achievement, when compared to 1.22 billion EUR in 2005. The sector has become more efficient in the last decade, as shown by the increasing GVA (in current EUR values) compared to the number of farms and on-farm employment. The number of agriculture holdings (farms) has decreased by 6% since 2005 (from 375,000 to 352,000). Livestock production accounts for the largest part (about 1/2) of the agrifood production in terms of output value and added value. While the employment in the agriculture sector has decreased over the last 10 years, GVA has increased significantly. Farms have become more productive and profitable, and labour productivity measured as GVA/full time employee has doubled since 2005. The increase of productivity is associated with increased levels of investments, partially stimulated by governmental and donor support. During the collectivization after WWII, all agricultural land was nationalized in Albania. When the communist regime fell in 1990, the land reform process was launched in 1991. In only 18 months, 700,000 ha of arable land that used to be controlled by 420 collective and state farms were distributed to nearly 500,000 family farms, separated into nearly 2 million parcels. Thus, land reform in Albania resulted in a complete break-up of the existing farm structure and restructuring of the agricultural sector..

### 2. Material and Methods

The main objective of the study is to assess Albanian agriculture development trend in the last decade focusing in the main indicators of the sector.

It is considered in this framework information gathered and calculated from INSAT as well as MoARD. The realization of this paper is mainly based on the method of analysis and synthesis through the use of a wealth of information provided by official data as well as literature review. To become to results face to face interviews with experts are used.

### 3. Results and Discussion

The average agricultural size of the farms is very small 1.20 ha (2012). About 46% of the farms have size below 1 ha and 86% of the farms are below 2 ha. The average agricultural size of the farms is very small 1.20 ha (2012). About 46% of the farms have size below 1 ha and 86% of the farms are below 2 ha. Land ownership and use is fragmented in Albania with an average 4.1 parcels per farm and average plot size of 0.26 ha. The agricultural land markets (sale and rental) are underdeveloped due the perception of land as a social safety net; unresolved and conflicting claims to land; time consuming and costly land transaction process; mistakes in relation to land registration during land reform and weak access to credit. The National Strategy for Land Consolidation has been prepared in 2013. The age structure of the farm holders has worsened. The number of young farm holders under 25 years old decreased and is only 1%, while 33% of the farmers are above 65 years old (2012). Data from various surveys shows that in Albania there is a reduction of the skills of the agricultural labour force due to ageing, migration, and lack of opportunities for education and training of new entrants. Only 3% of the farm holders have university education and 37% have upper secondary or tertiary education, while the remaining 63% have lower secondary, primary or no education. About one-third of the farm holders, have agricultural education background. These are likely to be the older farmers, who have accomplished agricultural vocational high schools in the past. The farming is labour intensive with low levels of technological advancement. A high share of farms has obsolete mechanization, inadequate agricultural buildings and storage facilities. The low capital intensity of production is resulting in low productivity, relatively high production costs, losses and low profitability. Adherence to environmental, food safety and animal welfare standard in the agricultural sector is still low. A large share of agricultural holdings fails to comply with standards due to limited financial resources to upgrade facilities and technologies and lack of awareness and knowledge on standards. There is a weak enforcement of legislation, which creates disincentive for investments for compliance with standards.

During 2016 noticed growing trend of agricultural production. Compared to 2015, the production of vegetables in 2016 is increased by 9.6 %. Slight increase recognized in production of cereals with 0.4 % in 2016 compared to 2015. Decrease of production noticed in dry bean and potatoes with 10.7 % in 2016 compared to 2015. Also, the slight decreased have in production of potatoes with 2.86 % compared with the previous year. Special attention has been paid to the cultivation of medicinal aromatic and culinary plants, production of which in 2016 amounts to 10 644 tons. Production of fruit trees has increased from year to year. Production of fruit trees in 2016 compared to 2015 increased with 6.5 %, olive with 3.1 %, citrus with 33.3 % and production of grapes is the same level as the previous year.

Livestock remains one of the most important sectors of Albanian agriculture economy, contributing with 45.0 % to the overall value of agriculture and livestock products. In 2016 compared with the year 2015 a decrease is noticed in the number of cattle with 2.39 %, equidae with 21.9 % and poultry with 2.72 %, while the number of sheep, pigs and goats has increased with 2.81 %, 5.61 % and 0.94 % respectively. In the recent years a particular attention has taken the apiculture where an expansion of the activity of farmers is noted in some areas of the country. The largest concentration of beehives is found the south-east area of Albania. Korça and Durrës have the highest percentage of beehives in Albania, with 15.0 % and 12.5 % respectively. Lezha has recorded the lowest percentage of beehives with only 3.8 % of the total. Milk production has grown steadily by 1.0 % to 2.0 % annually. The structure of milk production is: cow milk 86.0 %, sheep milk 7.0 % and goat milk 7.0 % (referred to the year 2016).

In the forest fund by ownership, 97.3 % of the area was occupied by public forests and 2.7 % by private ones. Concerning the timber volume, 94.0 % consists of public forests and 6.0 % of private forests. In recent years there is no change in the forest area. As a result of exploitation and fires, the volume of timber has decreased in 2015 and 2016 compared to 2014, respectively by 27.3 % and 27.4 %. Currently, only about 59% of the agricultural area (or 409,000 ha) is cultivated, with the remaining 41% being left fallow due to either low soil

productivity, terrain constraints (steep slope) or out-migration. Still, there is a risk that soil degradation in these areas will increase, mostly as a result of erosion due to overgrazing. Despite not being cultivated, these areas are potentially suitable for agriculture use. In terms of irrigated area, a total of 209,353 ha or 31% of agriculture land was irrigated by 2015. This figure is lower compared to the irrigated area by 1990. The investments in agriculture are very low due to limited internal resources of farmers and difficult access to credit. The banking system is the main financial intermediary in Albania. The share of credits to the agricultural sector is very low – less than 5% of the total loan portfolio in Albania.

The supply of bank credit to agriculture is constrained by structural problems of the sector, including small size of farms, ageing of farm population, lack of assets to be offered as collateral, underdeveloped land market, lack of information regarding the applicants financial standing, etc. Food processing is a relatively small economic sector in Albania. In 2011 GVA in food industry amounted to EUR 64.4 million and total number of employed was 14,000. There are about 2000 companies in the food processing industry, 95% of which are micro companies. The most important food-processing industries in Albania are bread and flour production, soft drinks production, milk and meat processing industries. The development of food processing sector in Albania is constrained by a number of factors, some of which relate to scarcity of raw materials, insufficient homogeneity of quantities and quality, underdeveloped vertical integration between the producers of raw materials and the processing industry, lack of resources to improve food quality by introducing quality and food safety assurance systems, The establishment of food safety and food quality systems has started, but so far only in larger food processing companies. Investments to comply with standards for environmental protection and treatment of waste are extremely limited.

Similar to primary agriculture, the growth of the food processing sector is constrained by the limited internal resources of the entrepreneurs and difficult access to credit. Agricultural development is also important in terms of enhancing the standard of living and poverty alleviation. In addition to direct effects, by increasing income and food availability for agriculture households, it also indirectly affects standard of living through lower prices in both urban and rural areas. Agriculture remains one of the largest sectors in Albania also in terms of employment. Agriculture accounts for about half of total employment. It is the main source of employment and income in rural areas despite the limitations, the sector faces. About 40% of Albania's labour force is engaged in agricultural activities, or 45%, of those who work, are engaged in the agriculture sector. The total financial support to the agricultural sector is increasing from around 20 million EUR in 2018 which marks a significant increase compared to EUR 7.3 million in 2012, and the respective fund of EUR 3.2 million in 2007. The national support schemes have contributed to an increase in the number of areas under plantation and production growth in several subsectors. Also, improved irrigation has contributed to increased productivity and resource management.

#### 4. Conclusions

The investment support is expected to be enhanced further in the frame of the EU-IPARD II support programme for agricultural and rural development in the course of EU rapprochement support. The EU has committed substantial financial resources to finance the development of agriculture and rural areas in Albania. In 2018 the budget available is relatively high around EUR 72 million granted by EU Commission and EUR 24 million (25%) by Albanian Government which at the end makes only 50 – 75% of the total investment since the beneficiaries should contribute with 25 – 50% of the total investment. Like that the total amount of expected investments to be implemented during the next 3 years is between EUR 120 and 150 million.

As shown above the financial support for the development of agriculture and rural areas is growing steadily and the main bottleneck remains good governance of the financial means and the absorption level of the EU funds, national once and of other sources of support from other donors. For the successful implementation of grants under the IPARD measures and increasing the absorption rate of funds it is considered “crucial that the business support services are fully prepared to offer advice to potential applicants”.

#### 5. References

1. <http://azhbr.gov.al/lajme/udhezuesi-per-skemat-mbeshtetese>, 2018.

2. <http://www.bujqesia.gov.al/en/programi-ipard-ii-2014-2020/>.
3. INSTAT.: **Main Agricultural Indicators**. 2016
4. Zhllima E, Gjenci G, Imami D: **Agriculture and agricultural policy in Albania**, November 2014.
5. Holtland G, Tarelli I: **The Albanian Agricultural Knowledge and Information System in transition** May 2000.
6. Hockman H, Wandel J, Shaikin W: **Integrated structures in the agro-food sector**; 2002.
7. Gjonca A, Bobak M: **Albanian paradox, another example of protective effect of Mediterranean lifestyle?** The Lancet, 1997.