ALBANIA

Country Report

December 2006

"This study, financed by the European Commission, was undertaken by Arcotrass GmbH (Germany), in association with Vakakis International SA (Greece), EuroCare GmbH (Germany) and AKI (Hungary). The conclusions and opinions presented in this report are those of the Consultants and do not necessarily reflect the opinion of the European Commission".

Table of Contents

1 INTRODUCTION 1
1.1 OVERVIEW OF THE COUNTRY 1
1.2 DATA AVAILABILITY AND SOURCES 3
2 ECONOMIC COUNTRY BACKGROUND 4
2.1 MACRO- AND SOCIO-ECONOMIC SITUATION 4
2.2 AGRICULTURE IN THE ECONOMY 5
3 LAND USE, FARM STRUCTURE AND INCOME 7
3.1 LAND USE AND QUALITY 7
3.2 LAND OWNERSHIP AND PRIVATISATION 8
3.3 FARM STRUCTURE 9
3.4 FARM INCOME AND EMPLOYMENT 11
4 AGRICULTURAL PRODUCTION AND CONSUMPTION 13
4.1 TOTAL AGRICULTURAL PRODUCTION 13
4.2 CROP PRODUCTION 13
4.3 LIVESTOCK PRODUCTION 17
4.4 FOOD CONSUMPTION 20
4.5 AGRICULTURAL PRICES 23
5 AGRI-FOOD INDUSTRY 26
5.1 OVERVIEW 26
5.2 MAIN FOOD INDUSTRIES 27
6 SUPPORT SERVICES 32
6.1 FINANCIAL SUPPORT SERVICES 32
6.2 AGRICULTURAL EDUCATION, EXTENSION AND INFORMATION SYSTEMS 32
6.3 INPUT INDUSTRY 33
7 AGRICULTURAL AND FOOD POLICY 34
7.1 INSTITUTIONAL FRAMEWORK AND POLICY CONCEPTS 34
7.2 BUDGETARY RESOURCES 35
7.3 AGRICULTURAL AND FOOD POLICIES 35
7.4 FOOD SAFETY 37
8. AGRICULTURAL TRADE AND TRADE POLICY 39
8.1 TRADE POLICY 39
8.2 AGRICULTURAL TRADE 40
8.3 AGRICULTURAL TRADE BY COUNTRY 42
9 RURAL DEVELOPMENT AND RURAL POLICY 45
9.1 CHARACTERISTICS OF RURAL AREAS 45
9.2 RURAL DEVELOPMENT POLICY 48
9.3 REGIONAL POLICY 49
9.4 AGRO-ENVIRONMENTAL POLICY 50
BIBLIOGRAPHY 52
ANNEX 1: DONOR ASSISTANCE 54
ANNEX 2: RESULTS FROM A FOOD CONSUMPTION SURVEY TIRANA (september 2004) 56
ANNEX 3: TRADE DATA FROM COMEXT DATABASE FOR ALBANIA 59

List of Tables:

Table 1: Main macroeconomic indicators in comparison with EU (2005)..5
Table 2: Key agricultural indicators in comparison with EU..6
Table 3: Land use in comparison with EU in 1000 ha (2005) 7
Table 4: Status of Land and Property Registration (2005) 8
Table 5: The structure of agricultural economic units (2002).. 10
Table 6: Farm groups according to labour source (2002) 10
Table 7: Farm Structure 10
Table 8: Share of agricultural labour Albania and comparison with EU (2004) 11
Table 9: Gross Agricultural Output for main agricultural commodities (Mio. Euro) 13
Table 10: Crop area (1000 ha), production (1000 t) and yield trends in crop production for Albania, 2000-2005.. 14
Table 11: Livestock numbers and production 2001 – 2005 and comparison with EU 2005............. 17
Table 12: Average share of household expenditures on food and non-alcoholic beverages in comparison with the EU (2000 – 2005)... 21
Table 13: Per capita consumption of basic agricultural products (2005)...................................... 21
Table 14: Level of self-sufficiency in Basic Agricultural Products (2005)...................................... 22
Table 15: Retail Prices for Agricultural and Food products (2000 – 2005)................................... 23
Table 16: Share of different branches in total Food Industry GVA & employment (2005) 27
Table 17: Some indicators of the milk processing industry development 28
Table 18: Some indicators of the alcohol industry development 30
Table 19: Agricultural Budget Albania 2005 35
Table 20: Agricultural Trade (global) in Million Euros.. 40
Table 21: Share of Agro-food trade in total trade 2000 - 2005... 40
Table 22: Comparative advantages... 42
Table 23: Agro-food export & import by export destination/import origin (Mio Euro).................... 44
Table 24: Population By Districts (2004) And Classification Of Rural Areas According To OECD Criteria 46

List of Figures:

Figure 1: Production Index of Main Crops.. 13
Figure 2: Development of cattle herd size compared to milk and beef/veal production (as index 2001=100) 19
Figure 3: Retail Price Index for Selected Crop Products... 24
Figure 4: Retail Price Index for Selected Livestock Products 25

Abbreviations

ACE	Action for Cooperation in the field of Economics
ALB	Albania
BiH	Bosnia and Herzegovina
CAP	Common Agricultural Policy of the EU
CARDS	Community Assistance for Reconstruction, Development and Stabilisation
EAA	Economic Accounts for Agriculture
EAR	European Agency for Reconstruction
EC	European Commission
EU	European Union
Eurostat	Statistical Office of the European Union
FADN	Farm Accountancy Data Network
FAO	Food and Agriculture Organisation of the United Nations
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
GDP	Gross Domestic Product
GNI	Gross National Income
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit
GVA	Goss Value Added
ha	Hectare
IFAD	International Fund for Agricultural Development
INSTAT	National Institute for Statistics
IMF	International Monetary Fund
IPA	Instrument for Pre-Accession Assistance
kcal	kilocalories
l	Litre
LFA	Less Favoured Area
Mio	million
MoAF	Ministry of Agriculture and Forestry
Mt	Metric Tons
NSSED	Albanian National Strategy for Socio-Economic Development
OECD	Organisation for Economic Cooperation and Development
POEs	Publicly owned Enterprises
SAA	Stabilisation and Association Agreement
SAP	Stabilisation and Association Process
SAPARD	Special Accession Programme for Agriculture & Rural Development
SOEs	State Owned Enterprises
t	tons
TA	Technical Assistance
UNECE	United Nations Economic Commission for Europe
USAID	US Agency for International Development
WB	The World Bank
WTO	World Trade Organisation

1 INTRODUCTION

1.1 OVERVIEW OF THE COUNTRY

Albania is situated in South Eastern Europe in the West of the Balkan Peninsula. It covers an area of 28,748 square kilometres, with a maximum length from north to south of about 340 kilometres and a maximum width of about 154 km.

It is bordered to the northwest by Montenegro, to the northeast by the Kosovo region, to the east by the former Yugoslav Republic of Macedonia, and to the southeast and south by

Greece. To the west and southwest, the Adriatic and Ionian seas border Albania. Albania's immediate western neighbour, Italy, lies some 80 km across the Adriatic.

Albania resides between two climatic areas: the Mediterranean zone and the Continental zone of Central Europe. Average annual temperature is around 13-14 degrees Celsius. Average annual rainfall is about 1.485 mm, with a stable distribution.

The population of Albania in 2004 is approximately 3.12 Million persons. The urban population accounts for 45% of the total, while the remaining 55% live in rural areas. Over the period of 1991-2000 approximately 25% of the population emigrated abroad (approx. 900,000 persons), with 600,000 emigrating to Greece and 200,000 to Italy[1]. This migration began following the death of Enver Hoxha in 1985. Enver Hoxha was Albania's most prominent post-world war II leader, who was to rule Albania for the next forty years. He introduced a unique command system during this time which was to dramatically reshape Albanian economic and social policy. The external and internal policies adopted during this period left Albania largely isolated from the rest of Europe. Albania is still recovering from this isolation and in consequence, the country's path to full transition is likely to be distinctly different from those of its other Western Balkan neighbours, the rest of whom formed part of the Former Republic of Yugoslavia. Soon after Hoxha's death, closer ties with the West were re-established. Democratic reforms were gradually introduced, including multi-party elections in 1991 and a new constitution was adopted, establishing a new democratic system of government, based upon the rule of law and guaranteeing the protection of fundamental human rights. In 1992 the Democratic Party took control of the country through democratic elections. A series of programs of economic and democratic reform followed. In this period of economic liberalism, a proliferation of pyramid schemes emerged, unregulated by government, which ultimately led to the loss of masses of private savings of ordinary Albanian citizens. Nation-wide instability ensued between late 1996 to early 1997. General elections in June 1997 brought a new socialist-led government to power. There have been a series of government changes since that time, as weak coalitions struggled to maintain a majority to allow effective leadership and further reform. Although Albania has made strides in the last decade towards democratic reform and maintaining the rule of law, much remains to be addressed.

Along with the other countries of the Western Balkans, Albania participates in the Stabilisation and Association Process (SAP). It benefits from national and regional financial assistance under the Community Assistance for Reconstruction, Development and Stabilisation (CARDS) programme and a far-reaching contractual relationship with the EU, including trade preferences, through the Stabilisation and Association Agreement (SAA). Regional dialogue and cooperation are also important elements of this process. During the period 2001 – 2006 the CARDS programme provided Albania with approximately €278 million in financial and technical assistance. Furthermore in April 2004, the European Council adopted a decision to provide macro-financial assistance to Albania of €25 million, including €16 million of grants and €9 million of loans, to help support its external financing requirements (Note: the CARDS programme will be replaced by the new Instrument for Pre-Accession Assistance (IPA), as of 2007).

[1] Estimate by the Migration Policy Institute.

The EU Commission, in November 2005, registered Albania's progress in a number of areas but called for improved results in fighting organized crime and corruption, enhanced media freedom, further electoral reform, treatment of minorities and human rights and swifter property registration. Importantly, the Commission's November 2005 Enlargement Strategy Paper found that Albania's reform progress was sufficient for conclusion of the SAA negotiations. Subsequent to the Enlargement Strategy Paper, the SAA was signed on 12 June 2006 in Luxembourg. The SAA will enter into force following its ratification. In the meantime, an Interim Agreement will allow Albania to benefit from the SAA's trade-related conditions. Ratification of the SAA with Albania is expected to take about two years. Until then, the existing 1992 Trade, Commercial and Economic Cooperation Agreement with Albania will exist alongside an Interim Agreement permitting Albania to benefit from SAA trade conditions. A framework, including a Joint Committee and Working Parties focusing on specific sectors is currently being used to monitor agreement obligations and associated reforms.

In December 2005 the European Council adopted a revised European Partnership for Albania. The European Partnership identifies short and medium term priorities which Albania should address, serves as a checklist against which to measure progress, and provides guidance for EC assistance. These priorities reflect Albania's stage of development and are tailored to its specific needs. Albania is expected to respond to the European Partnership by producing a national action plan with a timetable and details of how it intends to address the European Partnership's priorities. Progress in implementing these priorities is monitored regularly by the European Commission, notably through the annual Progress Reports and through the other structures set up under the SAP, in particular the Consultative Task Force (CTF).

1.2 DATA AVAILABILITY AND SOURCES

The data sources utilised to elaborate this report encompass most of the recently published materials and expert reports available on the sector, including the following: donor funded project reports, reports by EU and regional specialists, national statistics, cross-sectoral economic reports on Albania, publications from the Ministry of Agriculture and Food, Ministry of finance data and reports, and World Bank country reports.

Unfortunately, no assessment of the agricultural or rural sector as a whole has been published recently. Almost all donor funded initiatives in Albania have faced the issue of lack of data and in retrospect after years of assistance, it seems unfortunate that systems and capacity for collecting and analyzing data were not a first priority long ago for MAF, the Government of Albania, and major donors active in agriculture. In synthesizing the available information it was therefore inevitable that certain discrepancies in data would be identified and hence great care needed to be taken to understand why differences existed and confirm trends from various sources. The international and local team which has researched information and elaborated the report have done their best to avoid using data which could not be verified or to draw conclusions which may not be fully supported by reliable sources.

2 ECONOMIC COUNTRY BACKGROUND

2.1 MACRO- AND SOCIO-ECONOMIC SITUATION

Despite its recent dynamism and remarkable economic progress, Albania is still very much an economy in transition. In 2000, GDP was EUR 4.02 billion, reaching in 2004 EUR 6.08 billion, which represents an annual average real GDP growth of 6%. With a population of approximately 3.1 million, GDP per capita in 2005 amounted to EUR 2,149 which – at current exchange rates – is less than 10% of the EU-25 average. The estimate of real GDP growth has been revised downward for 2006, to 5%, due to repercussions of the energy crisis. Indicators for external accounts point to a marked deterioration in 2005 and the first months of 2006, with the trade deficit widening over the first quarter of 2006 by nearly 30% on an annual basis. The current account deficit (including official transfers) in 2005 was estimated at 6.9% of GDP, compared to 4.3% of GDP in 2004. The trade deficit is financed through remittances and other current account transfers, estimated at around 14% of GDP in 2005. Approximately 15% of the trade deficit is covered by foreign direct investment, estimated at 3.2% of GDP in 2005. From 2000 to 2005 the registered unemployment rate decreased from 16.8% to 14.2% representing an annual average decrease of 3.1%. (Table 1). One possible explanation for the low, by Western Balkan standards, unemployment rate, may be that the high level of remittances from family members abroad, may cause other family members not to seek official employment. In addition, the annual inflation rate decreased from 4.2% in 2000 to 2% in 2005, slightly lower than the EU-25 inflation rate of 2.2% for 2005 (see Table1 below).

In 2002, it was estimated that about 25 percent of the population, approximately 780,000 individuals, lived in poverty (World Bank 2003 Albania Poverty Assessment). Approximately 25% of the population are estimated to be living below the country specific poverty level. However, Albania's cumulative growth since the fall of the communist regime in 1990 has been impressive by any standards and is among the highest of all transition economies. A few factors have played an important part in this impressive performance. First, a series of successful stabilization programmes, resulting in fiscal consolidation and stable inflation expectation, provided a good foundation for strong growth. Second, significant structural transformation with a reallocation of resources away from low productivity sectors, such as agriculture, to high productivity service and construction sectors, resulted in high rates of total factor productivity growth. Finally, migrants' remittances have played a crucial role, being the largest external source of financing and amounting to 14% of GDP. This inflow of purchasing power has stimulated a domestic boom in non-tradable activities, primarily construction and services. Consequently, the share of agriculture in the Albanian economy has declined to 25% of GDP, industry and construction account for 20% and services have increased to 55%. However, a downside to this development is the continued weak export performance (from 2000 to 2005 exports of goods and services as % of GDP increased only from 7% to 7.8%) which has resulted in a persistent external deficit (see Table 1 below).

Overall, in the last ten years Albania has experienced an incredible and highly visible infrastructural and economic improvement. Construction is at a current boom as villas, apartment complexes, offices, restaurants, and hotels multiply at a frantic rate (many of which are poorly regulated or controlled). The standard of living has been steadily increasing. Even more promising is the increase in development of manufacturing and consumer-based businesses[2].

Table 1: Main macroeconomic indicators in comparison with EU (2005)

	2000	2001	2002	2003	2004	2005	EU-25 (2005)
Population, total (1000)	3,060	3,074	3,093	3,111	3,127	3,135	459,488
Surface area (sq km)	28,748						3,975,043
Population density (No per sq km)	106	107	107	108	109	109	115.6
UAA ('000 ha)	no data	no data	no data	427	no data	no data	162,394*
GDP (current Mio. Euro)	4,019	4,594	4,768	5,193	6,076	6,727.5	2,697,935
GDP per capita (current Euro)	1,314	1,495	1,542	1,669	1,943	2,149	22,600
Exports of goods and services (% of GDP)	7.0	7.4	7.4	7.3	7.4	7,8	9.3*
Real GDP development (%)	7.7	6.5	4.7	5.7	5.9	5,5	1.6
Imports of goods and services (% of GDP)	29.5	32.6	33.5	30.4	28.2	30,8	9.9*
Inflation, GDP deflator (annual %)	4.2	3.5	2.1	3.3	2.2	+2	2.2
Registered unemployment rate (%)	16.8	16.4	15.8	15.0	14.4	14,2	9.0
Euro-Exchange rate (1 Euro = x Lek)	132.6	128.5	132.4	137.5	127.7	124,2	

Source: *INSTAT, Bank of Albania* **2004 data*

EU 25 data*: Eurostat database: There are significant discrepancies between the various sources;. Data for 2005 are provisional.*

2.2 AGRICULTURE IN THE ECONOMY

The share of agricultural land in total land is only 24 % (compared to 40.8% in EU25). Nevertheless the agriculture sector continues to play an important role in the economy, providing for about 25 % of the total GDP in 2005 (see Table 2), a share, which is not only high compared to the EU-25 (1.6%) but also to all other countries in the region.

Agriculture is also an important employer. In 2005 the share of agricultural labour in total labour amounted to 58% with 542,000 people being active in agriculture. This high share in employment indicates that agriculture is the main source of employment and livelihood in rural areas and currently absorbs a disproportionately high share of the active population.

Albania's overall trade balance is negative. In the agro-food sector Albania exported, in 2005, goods of a net value of some € 43 Mio while imports amounted to some € 370 Mio. The agro-food sector accounted for some 8% of total Albanian exports, a share comparable to the EU-25 (6%) but also to countries in the region like Croatia or Bosnia (all less than 10%). The

[2] Evidenced by the rapid development of private Albanian companies like Olim (oil products), Deka (detergents), Glina (bottled water), Birra Tirana (brewery), and Alumil (Aluminium alloys) all of which have seen growth in domestic and international markets in the last five years.

share of the agro-food sector in total Albanian imports amounted to some 17 % in 2005, a high share compared to the EU-25 (6%).

Table 2: Key agricultural indicators in comparison with EU

	Albania				EU-25
	1995	2000	2004	2005	2005
Share of Agricultural land in total land use	24.0	24.0	24.0	24.0	40.8
Share of Arable Land and Permanent Crops in total land use	14.5	14.5	13.3	13,3	na
Share of Agricultural GDP in total GDP	35.0	28.0	24.8	24,0	1.6
Share of Agricultural Labour in total Labour	68.4	57.5	58.0	58.0	5.0
Share of Agricultural Export in total Export		10.9	8.2	8.2	6.0
Share of Agricultural Import in total Import		21.7	19.5	17.6	6.0

***Source**: Ministry of Agriculture and Food, INSTAT, ACIT; EU 25 data: Dg Agri "Agriculture in the European Union"*

Despite the sector's large share in the overall active population, its contribution to economic growth and poverty alleviation is however constrained by the largely subsistence nature of farming, the small farm size and the absence of a properly functioning land market.

This land structure is one reason for low levels of productivity. The low levels of mechanisation; the suboptimal extension services, the limited access to credit facilities and the poor infrastructure, particularly in mountainous areas further decrease the productivity in the agricultural sector.

The low productivity, combined with poor internal transportation infrastructure, lack of quality controls for both inputs and outputs, under-developed marketing channels (due to lack of marketing know-how and poor market information) and an under-developed food processing industry, leads to Albanian agriculture being highly uncompetitive.

3 LAND USE, FARM STRUCTURE AND INCOME

3.1 LAND USE AND QUALITY

On a national scale, the structure of land use in Albania has remained almost the same for the last decade. In 2002 the land use structure was reported to be: 24% of total land area for agriculture, 36% for forests, 15% for pastures and 24% for other uses. The amount of land used for agriculture has remained approximately constant over the period from 1990 to 2005 (700,000 ha), and at present approximately 60% of this area (approx. 400,000) is currently cultivated, with the remaining 50% being left idle due to its location at 300m above sea level and its rocky conditions which make it unsuitable, both for irrigation and pasture. Other reasons for leaving the land uncultivated include: i) lack of capital (funds and other resources including available labour force); ii) poor quality of soil; and iii) long distances from the farm to the fields. With respect to the agricultural land per capita, Albania is ranked behind most countries in the region, with only 2,200 m2/inhabitant.

Upon examination of the crops being grown under cultivation, important changes in land use over the last 5-6 years can be observed, primarily resulting from changing farm production structures. The total wheat area has been halved over the period 2000 – 2002 primarily due to the fact that wheat production was historically undertaken in all districts, in rich and poor soils, flat and sloped lands, according to the centralised planning of the socialist system. Consequently, approximately half of the wheat area was typically non-productive. With the advent of private ownership and private decision-making, a significant part of the previously cultivated area has been left idle. Total area under vegetable production has remained steady and slightly increased over the period of 1997-2002 (30,000 to 33,600 ha) as it is recognised as an important export crop. In addition, increasing cultivation of protected areas has contributed significantly towards increased vegetable production. A significant increase in forage production also occurred over the period of 1997-2002 (134,000 to 171,00 ha) which is linked to the increase in livestock. Farmers tend to cultivate those cultures that utilise the family labour force, are easy to transport and trade and which can be stored and processed on the farm.

According to recent information only 31 % of the arable land is now being irrigated compared to 60 %, before 1990. This lower level of current irrigation has been caused by neglect and damage of irrigation and draining systems, change of farm structures and especially organizational and management difficulties in areas where rehabilitation of drainage and irrigation systems was completed.

Table 3: Land use in comparison with EU in 1000 ha (2005)

	Albania	EU-25
Land total	2875	397,504
Agricultural land	700	162,393
Arable land & permanent crops	400	109,156
Agricultural land/capita (ha)	0.22	0.36
Permanent pasture (2003)	422	na
Arable land & permanent crops/capita (ha)	0.13	0.24

***Source**: Ministry of Agriculture and Food; EU 25 data: Year 2003, http://epp.eurostat.cec.eu.int/portal/page. Year 2004 Dg Agri Agriculture in the European Union*

3.2 LAND OWNERSHIP AND PRIVATISATION

Land privatization occurred early in the transition process. Former collective farms were broken up into thousands of smallholdings (approximately 480,000 farms were created). Through the application of the 1991 Law on Land, approximately 383,000 families received about 500,000 hectares from the former cooperatives. In 1992, state-farm workers' families obtained the state-farm land. The privatisation process has left land ownership highly fragmented. (see Farm Structure, section 3.3).

Only 77 % of farmers have become owners according to the requirements of the Law on Land, whereas 23 % of the land was returned to the families that owned the land before 1946. (EU-Land Use Policy Project Albania, Final Report, December 2003) This is a problem in terms of the land tenure security. The insecurity is based on the fact that a considerable number of farmers do not possess land ownership titles (the so-called *Tapi*), whereas even farmers that possess this title and whose land was distributed according to the law are insecure concerning their legal ownership because of the pressure made by former owners. This situation has a negative effect on investments in agriculture and causes malfunctioning of the land market.

In total, land reform programmes creating private property rights, state property inventories, and illegal actions have subdivided Albania into 4.5 million land parcels and separately owned immovable property units. Of these land parcels, 3.3 million are Rural Properties of which approximately 2 million have been registered as of 2004 (61%), see Table 4 below:

Table 4: Status of Land and Property Registration (2005)

Category	Number of properties	Number of zones	Partnership concerned
PROPERTIES ENTERED INTO IPRS BY DECEMBER 2004			
Rural (2001)	2,013,000	2,263	USAID/EU/PMU
Apartments (2001)	168,000		USAID/EU/PMU
Rural economic priority (2004)	70,900	62	USAID
Urban (2004)	84,400	16	USAID
Apartment updates (2004)	12,000		USAID
Zones in progress in 2005			

Source: *'Status of Land Reform and Real Property Markets in Albania', World Bank, 2006*

The process of land registration has accelerated in recent years, facilitated by the establishment of the Immovable Property Registration System (IPRS) in 1993 and a network of registration offices at municipality and district level. By 2004, 277 cadastral zones had completed first registration, representing 82% of the total cadastral zones.

The process of registration of title has led to a large number of disputes. The law 7501 "On land" was not fully respected in many areas of uplands and mountains including the North, where families returned back to old boundaries. Most of the conflicts are observed in lowlands and southern coast, where demographic changes during the communist period have created problems in the implementation of the land law. In the northern and central uplands, conflicts concerned mainly assets which were previously held on quasi-feudal terms. In the south and the littoral plain, an important part of the ownerships had been decided before the Second World War and much land had been reclaimed in the communist period, having had no owner before collectivisation. The IMF's requirement, introduced in February 1998, to facilitate the functioning of a land market by universal land registration has largely been satisfied, but it has had adverse social consequences because discrimination against "outsiders", even those settled for two generations, is creating a class of landless peasants.

At present, a number of factors restrict the proper functioning of an effective land market in Albania including the following[3]: (i) significant external and internal land fragmentation and the necessity for land consolidation, (ii) the tendency of younger generations not to be engaged in any agricultural activity, (iii) the strong connection of farmers with land, (iv) the prevailing mentality not to sell land inherited by ancestors, (v) the disappointment of farmer household families over the former co-operative systems, (vi) existence of large families on existing farms, (vii) registered ownership rights are unclear (in some cases more than one person is the registered owner), (viii) illegal land subdivisions and illegal construction have taken place on agricultural land, (ix) widespread perception of inefficiency and corruption in the registration process.

All the above-mentioned factors underline the need, but at the same time constrain, buying and selling of land. In consequence, according to available statistics, at present there are about 182,683 ha of land unused, which constitutes a potential resource for improving agricultural land ownership by providing more land to active farmer household families and as an input to intensification of the production system.

In spite of these problems that persist, actions have been taken to try to improve the functioning of the market. A new Land Law was passed in 1998, which simplified procedures for the sale of agricultural land. Furthermore in November 2004, the tax on land transfers was reduced from 2.5% to 0.5% with the aim of stimulating the land market. The number of land transactions either through buying of leasing is increasing, albeit from a very low level. In 2003, 3,500 land transactions were realised, while in 2004, 4,000 transactions were forecasted[4].

3.3 FARM STRUCTURE

The structure of agricultural holdings largely reflects the results of the privatisation process. However since privatisation, further land fragmentation has occurred, as land allocated to each rural family has been fragmented into many different parcels. According to the recent census in 2003, 71.4% of the utilised agricultural area was owned by 354,626 holdings and the farm size on average was less than 2 ha. Most of these holdings are subsistence farms with no market orientation. Subsistence or semi-subsistence farms tend to be concentrated in mountainous areas, where land is least fertile and where about 60% of the rural population lives. In contrast, market-oriented farms tend to be found in more fertile coastal areas. Land fragmentation severely hinders rational utilisation of land. Any significant changes in farm structure depends on improvements in the functioning of the land market (as described

3 Based on findings from the EU-Land Use Policy Project Albania, Final Report, December 2003

4 Ministry of Finance, Albania, June 2005

above) and development of alternative sources of income in rural areas, allowing persons to withdraw from agriculture and freeing up agricultural land for sale or leasing. Alternative sources of rural income are at present limited (see section 3.4).

Subsequent to land privatisation in 1991, family farms constitute the only production organisation method in Albania. The predominance of family farms in agriculture is demonstrated in Table 5 below. It should be noted that 'worked area' is thought to represent 'cultivated area', and that the area utilised by state entities does not currently contribute towards production. Consequently, most sources agree that the total 'cultivated' or 'worked area' to support production at the moment is approximately 400,000 ha from family farms.

Table 5: The structure of agricultural economic units (2002)

No	Economic Units	Number	Total Area	Worked Area
1	Family farms	466,659	451,917	397,900
2	Peasants joint-ventures	57	66	56
3	Other state entities	93	1.437,514	412,036
	Total	466,809	1,889,498	809,992

Source*: Ministry of Agriculture and Food; 2003 Annual Report.*

It is also evident that a large number of small farms are being farmed with labor originating from the family, with some 90.5% utilising only family labor.

Table 6: Farm groups according to labour source (2002)

No	Farm Groups	Number	%
1	Only with family labor	422,719	90.5
2	Mainly with family labor	38,934	8.3
3	Mainly with labor provided out of the family	5,006	1.2
	Total	466,659	100

Source*: Ministry of Agriculture and Food; 2003 Annual Report.*

Since the last census in 2003 the number of farms larger than 2 ha has not increased. According to most recent studies the opposite is likely to be the case, due to further fragmentation, primarily caused by inheritance and no clear incentives provided through government policy to prevent further fragmentation or encouragement of an effective land market.

Table 7: Farm Structure

	Year of census 2003		Utilised agricultural area (ha)	Utilised agricultural area (%)
	Number of holdings	Percentage share of holdings		
Total	394,849	100	427,288	100.0
Up to 2 ha of UAA	354,626	89.8	305,092	71.4
Above 2 ha to 5 ha	40,016	10.1	120,000	28.1
Above 5 ha to 10 ha	162	0.04	1,296	0.3
Above 10 ha to 100 ha	45	0.01	900	0.2
Above 100 ha UAA				

***Source**: Ministry of Agriculture and Food, 2004*

3.4 FARM INCOME AND EMPLOYMENT

As a result of the privatisation process of agricultural land and due to the lack of alternative employment opportunities in rural areas, the agriculture sector accounts for 58% of the total labour force. This share significantly overstates the real employment in agriculture, as all members of rural households with agricultural land are counted if they do not have any alternative employment and if they do not register as being unemployed. Compared to the EU-25, the percentage of the agricultural labour force in Albania is more than ten times higher.

Table 8: Share of agricultural labour Albania and comparison with EU (2004)

Country	National Statistics	
	Agricultural labour force (in 1000)	Agricultural labour force / total labour force (in %)
Albania	542	58
EU-25	9,653	5

***Source**: INSTAT; **EU 25 data** – 2004 data from Dg Agri, "Agriculture in European Union" tab 2012*

According to the 2001 Population Census, 60% of the agricultural labour force is male and 40% is female. For both men and women the agricultural sector is the most important, in terms of providing employment (approximately half of all persons depend on agriculture for their employment) although employed women (54%) are slightly more dependent on the agricultural sector than men (50%). The large majority of rural residents (83%) are employed in agriculture; 80% of males and 89% of females.

However, the agricultural labour force is relatively young. According to available data, 35% are under 30 years of age and 70% are less than 45 years of age. The age structure of the male and female labour force is fairly similar although the female labour force shows a slightly more even distribution among the age categories than the males; 40% of the male agricultural labour force falls into the age group 30 to 44 years compared to only 29% of females. It should be noted that emigration of the rural population, particularly the young, to both urban areas within Albania and outside Albania (most notably to Greece and Italy) has a dual effect. Firstly, this emigration depletes the number of young persons working in rural areas, secondly as a result of their work abroad, income earned elsewhere is injected into the rural economy.

The level of education among the agricultural labour force is low. 80% of the agricultural labour force has received only lower elementary education. For women in the agricultural labour force, the level of education is slightly lower compared with men (3% with no diploma and 84% with only lower elementary education). Only 0.5% of the total agricultural labour force has received tertiary education (university qualification).

Results of the 2001 Census also indicated a significant migration of the population from rural to urban areas, with 44% of the population and 60% of the economic enterprises concentrated in 9 districts of Albania.

4 AGRICULTURAL PRODUCTION AND CONSUMPTION

4.1 TOTAL AGRICULTURAL PRODUCTION

Total Gross Agricultural Output (GAO) increased by 28% from 2000 to 2004. In 2004 total GAO amounted to 1.2 Billion Euro, of which crop production accounted for 54% and livestock production for 46%.

Table 9: Gross Agricultural Output for main agricultural commodities (Mio. Euro)

	1996	%	2000	%	2004	%
Total GAO	**896**		**947**		**1.210**	
Crop Production (total)	466	52	530	56	653	54
Livestock Products (total)	430	48	417	44	557	46

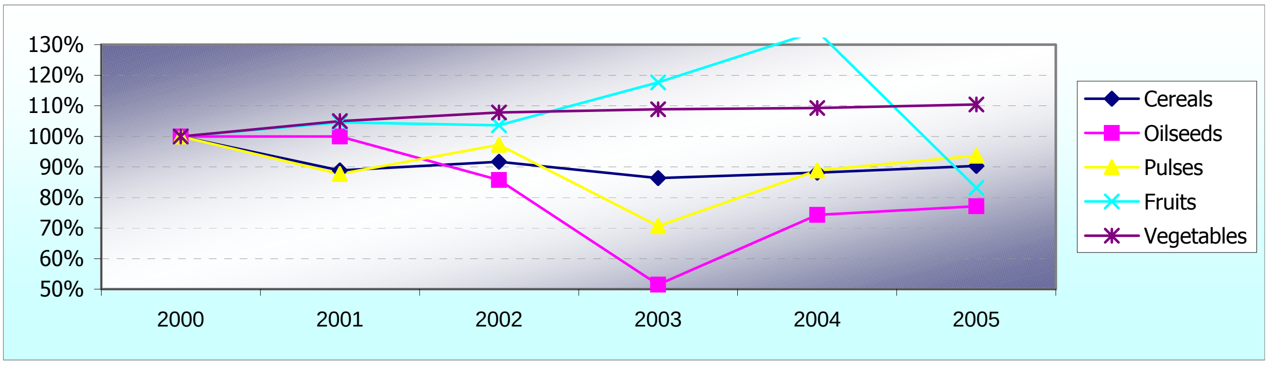
Source: *Ministry of Agriculture and Food, more detailed data are not available currently*

The presentation of the major agricultural commodities by the FAO, which is based on international commodity prices[5], ranks cow milk as the most important commodity in 2005 (with a production of Int. $ 247 mio), followed by indigenous cattle meat (Int. $ 78 mio), wheat (Int. $ 41 mio), tomatoes (Int. $ 40 mio) and other fresh vegetables (Int. $ 39 mio).

4.2 CROP PRODUCTION

Farms in Albania are generally characterised by semi-subsistence, mixed production systems. In the majority of farms the most dominant mixed production system is currently Cereals–Forage–Livestock–Vegetables-Orchards. Such production structures tend to be oriented to meet the subsistence needs of rural farm household families.

Figure 1: Production Index of Main Crops



Source: *Data base from Ministry of Agriculture and Food, own calculations*

Given the lack of reliable data on this type of production, actual trends indicated by available sources may be distorted. However, in general terms there appears to have been an overall reduction in planted area of cereals, pulses and industrial crops during this period and a gradual increased in areas of forage crops (in support of expanded livestock production). As figure 1

5 FAO applies "international prices", expressed in so-called " international dollars" (could also be called "international Euro", as it is reflecting a relative category value), which are derived applying a Geary-Khamis equation system to the agricultural sector. This method assigns a single "price" to each commodity. For example, one t of maize has the same price regardless of the country where it was produced. FAO has estimated production for 2005.

indicates the production of most commodities within the crop sector decreased over the last five years. The only exception is the vegetable sub-sector, which has seen a steady increase.

Table 10: Crop area (1000 ha), production (1000 t) and yield trends in crop production for Albania, 2000-2005

	2000	2001	2002	2003	2004	2005	% change 2005 – 2000	EU-25 (2005)
Crop area (1000 ha)								
Cereals	178.2	165.8	157.7	153.3	143.9	147.7	-17.1	52,014
Oilseeds	2.3	2.2	1.9	1.8	3.1	1.5	-34.8	11,349
Pulses	22.5	18.5	17.4	17.4	17.2	16.1	-28.4	1,868
Roots & tubers	12.8	12.5	12.3	10.9	10.7	10.1	-21.1	2,037
Fruit (‘000 trees)	9,575	9,815	10,291	10,959	11,398	11,934	+24.6	5,838
Wine grapes	5.8	6.3	6.8	7.2	7.6	8.0	+37.9	
Vegetables	32.8	33.5	33.6	32.4	32.0	32.5	-0.9	2,460
Production (1000 t)								
Cereals	565.8	502.5	518.9	488.5	498.8	511.2	-9.7	260,561
Oilseeds	3.5	3.5	3.0	1.8	2.6	2.7	-22.9	10,021
Pulses	25.2	22.1	24.5	17.8	22.4	23.6	-6.3	4,486
Roots & tubers	203.0	202.2	193.1	168.2	160.0	169.3	-16.6	59,599
Fruits	183.0	191.3	189.6	215.2	246.0	152.0	-16.9	63,001
Vegetables	620.0	651.0	668.5	675.0	677.4	684.9	+10.5	66,037
Yield trends (t/ha)								
Cereals	3.2	3.1	3.3	3.3	3.5	3.5	+9.4	5.8
Oilseeds	1.5	1.5	1.5	0.9	0.8	1.8	+20	8.8

Source: *Ministry of Agriculture and Food*

In the period from 2001 - 2005 the most important single commodities according to FAO were wheat, tomatoes, grapes, watermelons and other fresh vegetables (potatoes are not included in vegetables). FAO data has been utilised, as detailed data on crop production were not available from national sources.

4.2.1. Cereals

As MAF data indicates, the trend in Cereals over the last five years has been towards reduced area under cultivation (-17.1%), most probably compensated by a slight increase in yields (9.4%), which has had the effect to reduce production (-9.7%) but not at the same rate in which cultivated area has been reduced. Although it should be noted that despite recent improvements, yields remain significantly below EU-25 levels (3.5 t/ha in comparison to 5.8 t/ha in 2005). In any case, these slight changes in cereals production have not significantly affected the massive trade deficit in cereals, resulting from a doubling of the value of cereals imported since 1999.

In 2004 wheat and maize accounted for 56% and 33% respectively of the area under cereals. In 2004 the area under wheat was 82,000 ha and the area under maize was 46,800 ha. Wheat production amounted to 260,000 t in 2005 and was, according to the FAO ranking (see above) the most valuable single crop commodity. Maize production in 2005 was 220,000 t, which equalled a value of about 60% of the wheat production. Other cereals are negligible.

Wheat has been cultivated for centuries in Albania and during the last decade it has been planted in almost 25 - 30 % of the cultivated land. In comparison with 1990, the wheat-cultivated area has been reduced by about 50 % although it is still the top-ranked cultivated crop. From 2000 to 2004 the area has been steadily reducing, from 112,000 ha to 82,000 ha. In volume terms, the decline is equally dramatic. Today's 260,000 tons represent less than 50% of the total production in 1990.

Wheat is cultivated in all regions of Albania but especially in the Korca region, where the yields are good (about 4.5 toll/ha). A lower yield is achieved in the coastal areas (about 3.5 ton/ ha) and an even lower one on the hills (about 2.5 ton/ha). The varieties of wheat in Albania are the fall ones, with average low body, adapted to local conditions and with a very good adaptability.

This decline is primarily a result of the land reallocation process and land fragmentation, as well as the low profitability of wheat production. Much of the land previously cultivated for wheat either remains uncultivated or has been replaced by other, more mixed crop production systems. Available gross margin data suggests, on average, that wheat delivers a return of no more than 200 Euros/ha with a yield of 4 tons/ha.

Maize was the 6th most important single commodity in the Albanian crop sector in 2005 (FAO). The areas cultivated with maize have been stabilized and have been approximately 50,000 ha in the last five years. The average yield of 4 ton/ha is not comparable with surrounding countries or the EU-25, but it is still an achievement in comparison with the 1990s.

The total maize production has remained stable (around 200.000 tons) although the livestock development demands big quantities of maize. The lack of advanced technologies and irrigation systems as well as the low regional price for maize are some of the reasons why production has not increased.

4.2.2. Fruit and Vegetables (inc. Grapes)

As evidenced both in Figure 1 and in Table 10, the fruit sector and vegetable sector certainly are not following similar trends. In the vegetable sector stability is demonstrated over the period of 2000-2005 with both a stable total area under cultivation and a steadily increasing total production. In contrast, despite the fact that the total area under cultivation in the fruit sector has steadily increased, total production has not had the same stability as with vegetables. The recent sudden drop in total production in 2005 in the fruit sector could be an indication of investment in the sector planting areas that will not yield product for two to three years later, as in the case of vineyards.

Some 32,400 hectares are cultivated with vegetables (including watermelon, 10,500 hectares with potatoes and 8,000 ha with grapes, while the number of fruit trees reached almost 12 mio in 2005.

Vegetables were grown on about 8 % of the total area, out of which 1.100 ha were greenhouses and out of which, 524 ha were glass-covered or heated greenhouses. The production for 2005 is reaching 685.000 tons out of which some 45.000 tons were produced in greenhouses.

This highest production level ever reached in 2005 clearly indicates the rapid development of this sector. Vegetables are the only sub-sector, which has continuously increased production over the last years (please see also figure 1 above). On the other hand, fresh vegetables are still imported and Albania's vegetable production is neither self-sufficient nor competitive compared to the EU-25

The most important commodities are tomato, watermelon, potatoes and other fresh vegetables (including cucumber, paprika and onions). According to the FAO ranking (see above) tomatoes and "other fresh vegetables" accounted for approximately the same value of production (each approx. Int. $ 40 mio) followed by watermelons (approx. Int. $ 30 mio) and potatoes (Int. $ 23 mio).

The tomato culture is the first-ranked and covers about 30 % of the vegetables cultivated area. It is followed by paprika with 15 % and then garlic, onion and eggplants with about 5 % each.

Vegetables continue to be one of the priority branches of the plant production. The vegetable cultivated areas are more or less stable, while the production has increased continuously over the last years mainly as a result of yield increases. Yields have improved due to introduction of new technologies and improved cultivation techniques. Due to stable consumption patterns, year-long demand, the efficiency and favorability of climatic conditions, vegetables will remain an important sub-sector for Albania in the future.

Some of the most important problems hampering further development in the sub-sector are the poor quality of seeds (domestic & imported), limited quality control systems, lack of an effective marketing system and poor quality of the transport infrastructure.

With regard to ***fruit production*** the most important commodity by far is grapes.

Grapes were the 4th most important single commodity in the Albanian crop sector in 2005 (FAO). They were grown on 8,000 ha in 2005 - some 2.500 ha more than in 2000. Production has been relatively stable over the last years with some 80,000 to 90,000 tons being produced per year. The yield (about 8 tons/ha) is satisfactory and indicates the priority given to vineyards by the farmers. Some districts and farms achieve high yields as 18 tons/ha and this even more stimulates the competitive technology used locally and future perspectives for grape production.

During the 1990s the vineyards suffered from the same development as the whole fruit sector: only 7.000 ha vineyards remained of more than 19.000 ha existing in 1989 and only 4.3 million pergola vines remained of the more than 6.1 million existing before the nineties. Thus the increase in recent years reflects the gradual recovery of the sector more than anything else.

4.2.3 Industrial crops

As with the production of wheat, industrial crop production (i.e., sunflower, soy, sugar beet, cotton, or tobacco) has also been in decline. However, the decline in industrial crops has been more dramatic, reducing to about one-tenth of the approximately 80,000 hectares that had been cultivated over 15 years ago. This decline is linked to the reduction of state support and the farm restructuring process during this period, leading to the break-up of larger-scale production units and the gradual adjustment in cropping patterns in smaller-scale units. Market demand is now largely being met by imports. Even tobacco, which had been an important crop for local and export markets, is currently being planted in insignificant quantities.

Sugar-beet is only cultivated mainly in the Korca area Today, they are mainly used as a livestock feed. In 2004 only some 1.250 ha were cultivated with a yield of 33 tons/ha giving a stable production of about 40.000 tons. The yields and the sugar content are still relatively low which jeopardizes the profitability of growing sugar-beet and its use in the sugar industry.

4.3 LIVESTOCK PRODUCTION

The importance of livestock production in Albania's overall agricultural production is increasing again. The share of the livestock sector in total agriculture GAO has slightly but steadily increased since 2000 from 44 % to 46 % in 2005.

Highest increases were found in poultry meat (+80%) followed by pig meat (+35%), sheep/goat meat (+31.3%) and beef and veal (+11.9%). Milk production has also increased from 984,000 tons to 1,064 million tons, representing an increase of (+8.1%).

According to the Ministry of Agriculture and Food, livestock structure is made of about 650,000 cattle, some 2.8 million small ruminants (65% of which are sheep), 150,000 pigs, 180,000 horses, donkeys, mules, and 6.4 million poultry.

Table 11: Livestock numbers and production 2001 – 2005 and comparison with EU 2005

		2001	2002	2003	2004	2005	% change (05/01)	EU-25-(2005)
Cattle	1000 heads	708	690	684	654	655	-7.5	86,411
Goats	1000 heads	1,027	929	1,015	944	941	-8.4	11,996
Sheep	1000 heads	1,906	1,844	1,945	1,820	1,771	-7.1	89,305
Pigs	1000 heads	106	114	132	143	147	+38.7	151,143
Chickens	1000 heads	5,422	5,826	6,104	6,275	6,432	+18.6	5,311,391
Beef & veal	1000 t	59	64	65	66	68	+15.3	8,084
Milk	1000 t	831	1,010	1,060	1,064	1.076	+29.5	141,324
Pig meat	1000 t	10	11	12	13	15	+50	21,194
Poultry meat	1000 t	5	6	8	9	9,4	+88	10,990
Sheep/goat meat	1000 t	32	38	38	42	41	+28.1	1,058
Wool	1000 t	3	3	3	3	3,3	+10	

Source: *Ministry of Agriculture and Food*

EU 25 data - *Agriculture in the European Union - Statistical and economic information 2005: - for cattle and pigs tab 4.15.0.1 data for 2005 preceding; for sheep and goats - tab 4.17.0.1, data for 2004, preceding year; for chickens tab 4.18.0.1, data for 2004, for milk production in: Gross internal production 2004, tab 4.20.1.1 for meat; tab 4.14.1.1;*

Livestock structure is also very fragmented and mostly subsistence oriented. Thus, more than 98 % of the farms have 1 or 2 milking cows, while the number of farms adopting intensive production techniques is very small. Similarly sheep and goat holdings tend to be relatively small, with the majority (79%) being in the range 11 – 50 head.

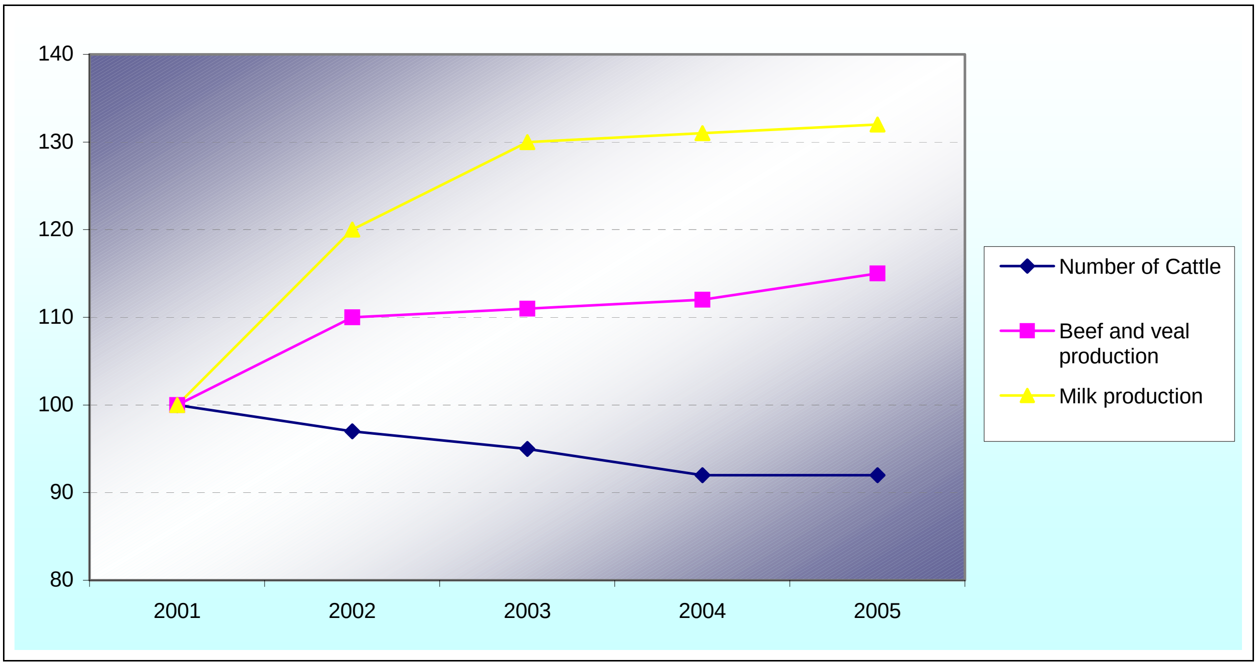
The predominance of small livestock holdings is a result of the dissolution of state and cooperative farms in the early 1990's and the distribution of land, livestock etc. to employees / members. This disaggregating of the relatively large state-owned herds into numerous small privately owned units has had important effects on the livestock sub-sector, including: loss of the former high levels of control of all categories of disease and of livestock movement; loss of management control of the mountain pastures (for example, control of shrubs and maintenance of water sources for livestock); and, loss of a ready market linked to processing facilities for livestock products. The period of adjustment continues, and some larger private livestock holdings – dairy production, cattle fattening, poultry production – are being established. Presumably current trends for migration out of the rural areas will continue and the very small subsistence herds and flocks will reduce in number and make way for larger more commercially oriented units. The majority of cattle are kept in the lowlands, and the majority of small ruminants in the highlands where they graze on the extensive mountain pastures during the summer months – these pastures are, according to some sources, only 30% utilised at present.

4.3.1 Cattle (Beef & Dairy)

Cattle-rearing is by far the most important sub-sector of Albanian agriculture. Whereas the production of cow milk is by far the biggest single commodity in agriculture the production of beef/veal is the second biggest.

The total number of cattle has declined slightly over the last five years. However, over the same period the production of beef, veal and milk has increased (see figure 2).

Figure 2: Development of cattle herd size compared to milk and beef/veal production (as index 2001=100)



Source: *Database from Ministry of Agriculture and Food*

Beef/veal: The cattle meat production increased in recent years and reached some 68,000 tons in 2005. According to FAO the beef/veal production amounted to approx. Int. $ 78 mio in 2005 – the second biggest single commodity in Albanian agriculture.

The increase of the meat demand has also increased the farmers' interest for meat production. There has been a shift in the breeding material used for meat production in the cattle sub-sector. More than 30% of the breeds used are suitable for milk and meat production as compared to 24% in 2001, when the production amounted to a mere 59,000 tons.

Dairy: Cow milk production is the number one commodity of Albania's agriculture. Raw cow milk production increased in recent years and reached some 1.07 Mio tons in 2005 (this is twice as much as the production in 1990). According to FAO, the milk production amounted to almost Int. $ 250 mio in 2005.

The increase in production is mostly due to an increase in the percentage of highly productive animals (Jersey and Black and White) as the overall herd size has remained about the same. The annual average yield of cow milk is some 2100 l/cow. This is still little compared to the EU-25 (above 5000 l/cow) but comparable to other countries in the region.

The improvements in productivity are confirmed in the latest joint IMF / Government of Albania progress report on implementation of the Poverty Reduction Strategy Paper (PRSP) which cites improvements in livestock breeding and development of milk collection centres (with quality standards) and market demand from processors as the underlying cause. This has led to improvements in local marketing systems for milk for small-scale producers. In addition, the demand for certain domestically produced livestock products has increased (primarily for dairy products).

4.3.2 Sheep and goats

Sheep and goats are important for both milk and meat production in Albania. The four commodities sheep meat, sheep milk, goat meat and goat milk account together to some Int. $ 80 mio in 2005.

Small ruminant breeding is a very profitable activity for the mountainous and hilly areas of Albania. The breeding systems are still traditional and extensive, making use of the summer and winter meadows and low forests.

The number of small ruminants has been continuously decreasing in the last years. While in 2001 there were approximately 2,930,000 animals in 2005 there were only some 2,800,000 sheep and goats. Of the overall flock some 1,770,000 were sheep and some 940,000 goats.

This declining trend follows the demographic movement of the population from the mountainous and hilly rural regions to the coastal or urban areas of Albania.

Another trend is the decrease in numbers of relatively small flocks of families (max. 50 animals) and the increase in big flocks with 50-100 heads or even more than 200 heads.

4.3.3 Other Livestock (Pigs, Poultry)

Poultry: Chicken production has seen a steady increase in numbers over the last five years. In 2005 some 6,400,000 animals were recorded – almost 20% more than in 2001.

Eggs are, in terms of value of the production, still more important than poultry meat (Int. $ 27 mio in 2005 for eggs compared to Int. $ 9 mio in 2005 for chicken meat). The latter, though has the highest growth rates of all livestock commodities in terms of physical production (almost 90% from 2001 to 2005).

Pigs: Given the religious base of the country the demand for pigmeat is very low. Production levels are low but have seen a steady increase in the period 2001 – 2005.

4.4 FOOD CONSUMPTION

Albania has a structural deficit in all major agricultural commodities, in particular, cereals, oilseeds and sugar. Average annual per capita food consumption is estimated to be well below the European average and an estimated 25 % of the rural population lives in poverty. In some of the most isolated northern parts of the country the population is dependent on Government food aid assistance throughout the winter months to meet their essential food needs.

The level of self-sufficiency, however, varies across the population. While the rural areas are largely self-sufficient, the urban population is far more dependent upon imported food supplies. Since income is still relatively low, the proportion of income spent on food is generally quite high. As shown below in Table 15, households spent less on food and non-alcoholic beverages in 2002 than in 2000, indicating a positive economic trend towards EU levels. As the EU-25 level of household expenditure spent on food and non-alcoholic beverages is close to 13%, significant economic development will need to occur in order for Albanian households to enjoy the economic security of EU households.

Wheat and wheat flour are the main food commodities imported, and in recent years, imports have ranged between about 200,000 tonnes to 400,000 tonnes per year, of which food aid has normally contributed only a small percentage.

Table 12: Average share of household expenditures on food and non-alcoholic beverages in comparison with the EU (2000 – 2005)

	2000	2001	2002	2003	2004
Albania	75.0 %	n.a.	57.1 %	n.a.	n.a.
EU-25	12.9%	12.9%	12.9%	12.9%	12.7%

***Source**: INSTAT ; **EU 25 data** – Eurostat Yearbook 2005*

The consumption of basic agricultural products in Albania is a reflection of the predominance of subsistence agriculture throughout the country. The per-capita consumption of products which have low cost and/or require limited or no processing is typically higher than the EU-25 levels. In contrast, due to higher costs and a lower development of the agro-processing sector, meat and dairy products typically have much lower per-capita consumption than within the EU-25. One important reason for low meat consumption is the high cost of meat products in comparison to others. It should also be noted that while meat consumption is typically lower in the WB countries than the EU-25, the difference in Albania is very large. Another extreme difference between Albania and other WB countries in comparison to the EU-25 is a very high consumption of cereals. Comparison with other Mediterranean countries (Greece, Italy, Malta, Croatia) indicates that similar high cereals consumption patterns are also present. It is well understood that people with higher disposable incomes typically consume food products of higher cost, hence the pronounced difference between Albanians and the EU-25 at this time. These consumption patterns indicate that the greater population is receiving its protein from staple foods of low cost while populations within the EU-25 consume protein through higher cost products which require more processing and a higher level of food quality control.

Table 13: Per capita consumption of basic agricultural products (2005)

Basic Agricultural Products	Per Capita Consumption	Albania	EU-25
Total cereals	kg/capita/year	301	91.9
- Wheat	kg/capita/year	210	68.7
Potatoes	kg/capita/year	58	76.9
Sugar	kg/capita/year	22	31.8
Fruits	kg/capita/year	55	no data
Vegetables	kg/capita/year	200	no data
Meat (total)	kg/capita/year	35	no data
- Pig meat	kg/capita/year	6	43.4
- Poultry meat	kg/capita/year	8	23.0
- Beef meat	kg/capita/year	14	17.9
- Sheep meat	kg/capita/year	7	2.9
Milk	Litre/capita/year	209	no data
Butter	kg/ capita/year	1	4.13

Basic Agricultural Products	Per Capita Consumption	Albania	EU-25
Cheese	kg/ capita/year	4	17.6
Eggs	kg/ capita/year	16	13.4

***Source**: Ministry of Agriculture and Food; **EU 25 data** - Agricultural Situation in EU 2005, from tables on supply balances for year 2003/2004; 2004/2005 and DG-Agri "Prospects for agricultural markets 2004-2011", Tables A.9-A.17, July 2004.*

Albania is self-sufficient in few agricultural products, in general, hence the trade imbalance with the EU and other neighbouring countries in the region. The products in which self-sufficiency or near self-sufficiency exists include potatoes, vegetables, beef meat, sheep & goat meat, milk, and eggs. The reasons for self-sufficiency in these products are most probably attributed to traditional family farming in these areas, natural conditions which are conducive to production for these crops and in the case of vegetable production it could be an indication of recent interest and investment in the sector. Agricultural products in which the production is much below the level of self-sufficiency include cereals, sugar, fruits, and poultry meat. These sectors are more specialised than the production typically organised through traditional family farming systems, and in some cases require extensive processing.

Table 14: Level of self-sufficiency in Basic Agricultural Products (2005)

Self-sufficiency levels (2005)		
	Albania (%)	**EU 25 (%)**
Total Cereals	54	116.6
- Wheat	40	109.5
- Maize	65	
Potatoes	90	99.7
Sugar (raw equivalent)	no data	115.7
Pulses	no data	no data
Vegetable oils	no data	no data
Vegetables	95	no data
Fruits	52	no data
Wine		no data
Meat (total)	70	102.0
- Beef meat	85	98.9
- Sheep & goat meat	100	79.0
- Pig meat	60	107.0
- Poultry meat	25	104.9
Animal fats		no data
Milk (excluding butter)	95	no data
Eggs	120	102.5

***Source**: Ministry of Agriculture and Food; **EU 25 data** - Agricultural Situation in EU 2005, from tables on supply balances for year 2003/2004; 2004/2005 and DG-Agri "Prospects for agricultural markets 2004-2011", Tables A.9-A.17, July 2004.*

For a more detailed understanding of what the average citizen in Tirana is consuming and from where he prefers to purchase his food products, the results of a Food Consumption and Expenditure Survey of 600 households in Tirana, Albania conducted by the EU project 'TA to the

PMU, MAF' in September 2004 is presented in Annex 2. Survey results indicated that local shops are the prevailing choice for all products and consumers who purchase imported food products do so primarily due to lower prices.

4.5 AGRICULTURAL PRICES

With the exception of fruits and vegetables no regular surveys on agricultural producer prices are carried out in Albania. The Ministry currently operates a basic agriculture market information system (ALBAMIS), which was established under the GTZ Program: "Support for Albanian Agriculture and Food Sector towards Regional Integration and EU approximation". This system monitors farm gate, import and export prices on a monthly and yearly basis. The information is available via Internet (http://www.albamis.com). However the coverage of commodities is limited to fruits and vegetables only. Wholesale prices are not published within this system. The Ministry plans to upgrade this system in 2006, subject to available funds and technical support. The table below shows the retail prices for agricultural and food products:

Table 15: Retail Prices for Agricultural and Food products (2000 – 2005)

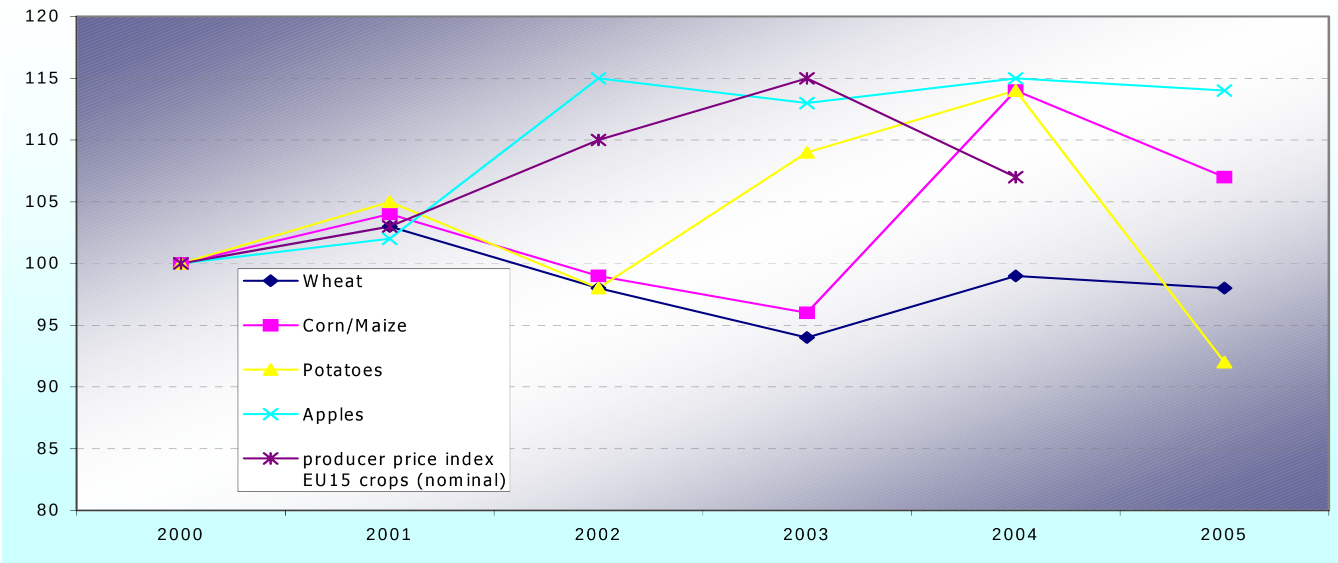
		2000	2001	2002	2003	2004	2005
Crop products							
- Wheat	EUR / t	251.9	260.7	244.0	226.9	250.6	249,6
- Rye and Meslin	EUR / t	no data	no data	no data	no data	no data	no data
- Corn/Maize	EUR / t	256.4	268.5	251.5	237.1	289.7	265,7
- Barley	EUR / t	no data	no data	no data	no data	no data	no data
- Oats	EUR / t	no data	no data	no data	no data	no data	no data
- Rape and turnip rape seed	EUR / t	no data	no data	no data	no data	no data	no data
Sunflower	EUR / t	no data	no data	no data	no data	no data	no data
- Tobacco raw	EUR / t	3,929.9	3,653.7	4,201.7	4,284.4	3,884.1	3.574,9
- Sugar beet	EUR / t	no data	no data	no data	no data	no data	no data
- Potatoes	EUR / t	381.6	409.3	369.3	409.5	430.7	338,2
- Apples	EUR / t	754.1	769.6	861.0	840.7	877.1	869,6
- Pears	EUR / t	973.6	983.7	1,029.5	1,018.2	1,072.8	1.070,9
- Peaches	EUR / t	874.8	1,074.7	919.9	1,333.8	830.1	813,2
- Citrus fruit	EUR / t	678.0	811.7	755.3	793.5	939.7	805,2
- Table grapes	EUR / t	1,506.8	1,481.7	1,355.0	1,570.2	1,542.7	1.497,6
- Wine grapes	EUR / t						-
- Tomatoes	EUR / t	843.1	765.0	871.6	751.3	736.1	813,2
Livestock products							-
Calves for slaughter (live weight)	EUR / t	no data	no data	no data	no data	no data	no data
Adult cattle for slaughter (live weight)	EUR / t	2,532.0	2,541.1	2,774.5	2,840.5	2,817.9	2.722,0
Pigs for slaughter (live weight)	EUR / t	2,319.7	2,347.2	2,433.4	2,480.4	2,433.8	2.454,0
Poultry for slaughter (live weight)	EUR / t	1,317.9	1,388.6	1,471.4	1,534.1	1,539.9	1.550,0
Lambs for slaughter (live weight)	EUR / t	2,170.9	2,191.2	2,423.6	2,496.6	2,477.9	2.488,0
Goats for slaughter (live weight)	EUR / t	2,015.5	1,994.8	2,233.0	2,368.5	2,341.2	4.694,0

		2000	2001	2002	2003	2004	2005
Raw cows milk (actual fat content)	EUR / 000 litre	395.2	405.4	397.3	384.0	422.9	434,8
Sheep and goat milk	EUR / 000 litre	526.4	558.8	538.5	562.9	556.0	595,8
Eggs for consumption	EUR / 000 pieces	89.7	88.7	89.1	80.7	86.1	88,6
Processed products wholesale prices							
Butter	EUR / t	3,908.0	3,947.9	3,882.2	3,704.7	4,009.4	4.098,2
Cheese	EUR / t	2,466.1	2,393.0	2,375.4	2,342.5	2,584.2	2.697,3
Skimmed milk powder	EUR / t	no data	no data	no data	no data	no data	no data
Sugar	EUR / t	442.7	514.4	504.5	474.9	501.2	507,2

Source: *Ministry of Agriculture and Food* ***Note:*** *average retail price*

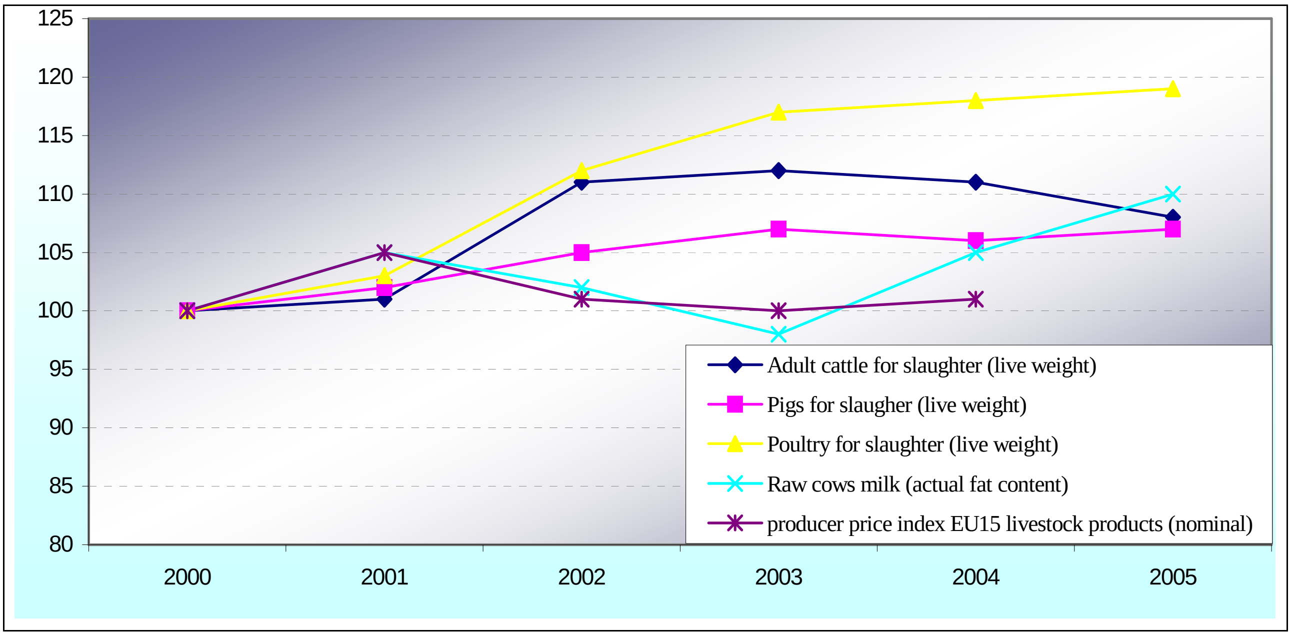
Figure 3 and 4 show the development of retail prices for selected crop and livestock products. Prices for wheat oscillate with a low in 2003. Maize and potatoes also don't show a clear tendency. Prices for apples show a steady increase over the last five years. Figure 3 also contains the producer price index for EU 15 (figure on EU 25 is not available currently). Since Albania does not collect producer prices but only retail prices, the comparability of these data is very limited. For livestock products an increasing price tendency can be assumed (figure 4).

Figure 3: Retail Price Index for Selected Crop Products



Source: *Ministry of Agriculture and Food; EU15: Agriculture in the European Union, Statistical and Economical information. (data on 2005 not published yet, data on EU 25 only published for 2004).*

Figure 4: Retail Price Index for Selected Livestock Products



Source: *Ministry of Agriculture and Food; EU15: Agriculture in the European Union, Statistical and Economical information. (data on 2005 not published yet, data on EU 25 only published for 2004).*

5 AGRI-FOOD INDUSTRY

5.1 OVERVIEW

The production of processed foods is relatively new in Albania. Until the mid fifties, the agro-processing industry was mainly characterised by flourmills, bakeries and milk processing lines. Agro-processing plants were mainly developed after the seventies. In the early nineties, the food-processing industry was composed of some 200 large enterprises, and more than 600 small manufacturers and approximately the same number of bakeries. Their number and diversity never responded to the agricultural development demands as well as to food demands.

After 1991, as a result of the transformation from a centralised to a free market economy, the privatisation of the food industry started. At present, the industry has been virtually completely privatised.

The agro-industry represents one of the important directions of the Albanian economic development. As can be seen from recent statistics, the changes in the food supply mainly result from achievements in the agro-processing industry and especially in some of its leading branches.

The composition and size of the sector can be appreciated from Table 16 below. In 2005 it was estimated that 2,060 enterprises operated in the agro-industry sector in Albania. This represents approximately a 12% increase over the number of enterprises estimated in 2000. The growth per sub-sectors in production over the period of 2000-2005 was as follows: the largest growth by far was in oilseeds (a ten-fold increase), followed by fruit & vegetable, fish, and water & soft drinks, which all grew three-fold, followed by meat, and beverages which grew at rates more than two-fold. The 'grain mill' and 'bread and sweets' sub-sectors accounted for 85% of the total food production volume in 2005.

During this period the number of employees in the food industry has increased modestly. In 2005, 9,865 workers were employed by the industry, representing an increase of 9% over the year 2000. The majority of the workers are employed in bread production (34 %), milk processing (11 %) and beverages (10 %), and these areas also enjoyed above average growth rates within the sector. The majority of enterprises in the sector may be considered as small or medium.

The total investment in the sector in 2005 was estimated to be 2.9 billion lek, which represents a more than three-fold increase over the total investment for the year 2000. The fastest growing sub-sectors over the period 2000-2005 included the dairy sector, with a ten-fold increase, and grain milling, in excess of a ten-fold increase. The majority of investments in the sector have been with private capital.

Table 16: Share of different branches in total Food Industry GVA & employment (2005)

Agro-industry	Year 2000				Year 2005				Total growth 2000 - 2005 in %			
	Nr. of Enter-prices	Nr. Of Employees	Produ-ction in ton	Invest-ment million Euro	Nr. Of Enter-prices	Nr. of Employees	Production in ton	Invest-ment million Euro	Nr. of Enter-prices	Nr. of Employees	Production	Invest-ment
Meat	68	366	4.054	0.95	66	737	9.485	3.43	97	201	234	338
Fish	3	428	616	-	3	556	2.256	0.92	100	130	366	
Fruit & veg	16	121	743	0.03	22	123	2.727	0.12	138	102	367	375
Oilseeds	67	215	2.229	0.16	114	410	22.136	0.27	170	191	993	155
Dairy	330	970	17.471	0.39	387	1.126	33.200	5.02	117	116	190	1.200
Grain mill	406	989	269.000	0.59	259	672	305.000	9.05	64	68	113	1.442
Bread +sweets	707	2.875	198.000	0.50	945	3.476	234.151	1.63	134	121	118	303
water and soft drings (000 hl)	55	625	387	2.97	38	644	1.189	0.50	69	103	307	16
Beverages (000 hl)	135	1.127	122	0.35	148	1.017	334	0.98	110	90	274	260
Tobacco	7	881	3.360	0.03	4	226	1.880	-	57	26	56	-
Other foods	47	451	3.366	0.444	74	878	9.552	1.52	157	195	284	326
Total food	**1.841**	**9.048**	**499.348**	**6.42**	**2.060**	**9.865**	**621.910**	**23.44**	**112**	**109**	**125**	**342**

***Source**: Ministry of Agriculture and Food*

5.2 MAIN FOOD INDUSTRIES

Milling and Bread Industries: The milling and bread industries are an important component of the agri-food industry in Albania. The milling industry has experienced significant consolidation and upgrade in technology to improve efficiency. These changes have resulted in a reduction in the number of enterprises and an increase in productivity of the remaining operations. Most enterprises now operating in the milling sub-sector employ less than 5 workers. The milling industry has seen more growth in investment over the period of 2000 – 2005 than any other sub-sector (in excess of a ten-fold increase).

Milk Processing Industry: The milk industry has, over the last 5 years, developed significantly and is now perhaps the most important sub-sector economically. In 2005 it had the second highest investment amount among all sub-sectors, the second largest number of enterprises among sub-sectors and the second largest number of employees among all sub-sectors. Indicators demonstrating the development of the milk industry over the period 1998-2002 are shown in the table below.

Table 17: Some indicators of the milk processing industry development

Nr.	Indicators	Units	Years	
			1998	2002
1	Number of enterprises	Number	331	370
2	Investments	Euro	212,000	1,270,000
	Own means	Euro	182,000	1,250,000
	Foreign Credit	Euro	12,000	0
	Bank Credit	Euro	18,000	24,000
3	Investments in Technology	Euro	115,000	608,000
4	Number of Workers	Number	787	1.092
5	Products:			
	Yoghurt	M Tons	4.713	6.345
	Cheese	M Tons	5.798	10.336
6	Estimated Production (value)	Euro	12,000,000	31,900,00

Source: *Ministry of Agriculture and Food*

The rapid development of the milk processing sector can in large part be attributed to rapid developments in livestock due to agricultural privatisation. The significant increase in investments over the last five years, are directly linked to this development. It should be noted that a significant portion of investments are associated with technology.

Trends in the industry indicate that milk processing and dairy production are developing as a separate and profitable business. This sub-sector is developing quickly as evidenced by the total privatisation of all enterprises, the establishment of new ones, the incorporation of technological improvements, the increase in processing capacities and better supply of products to the market.

Cheese is one of the most important products of the milk processing industry. Production in 2002 had reached 10,300 tons, up from 5,800 tons in 1998. The varieties currently produced include; White Cheese, Feta-kind, Teleme, Vize, and Kasher. In general, cheese is produced with the long-held tradition of mixing cow, sheep and goat milk. However, it should be emphasised that recently production of more specialised cheeses (of sheep and goat milk) has increased. Also, the production of cheese similar to 'Feta' and 'Teleme' cheeses, has started utilising Bulgarian technology. Finally, production in small quantities, of 'Mozzarella' type cheese has started and some efforts are being made to produce the Dutch 'Gouda' type hard cheese.

Today's domestic market for cheeses includes various different types including 'Feta-kind', 'Teleme', 'Vize' and 'Kasher', produced from sheep's milk and processed by relatively high quality processing units with a good tradition and good technical conditions. Such cheese is in high demand by domestic consumers but available at relatively high prices.

According to recent statistics provided by MAF, despite increases in milk production and better developed milk processing, the processing industry is not yet fully integrated with milk producers, with only a minority of production being processed by this industry. The milk processing industry is therefore obliged to deal with hundreds of small producers. This results in inefficient milk collecting activities and variable-quality products. This situation is also complicated by the non-cooperation and the lack of partnership between the milk processors and milk producers. The level of vertical integration is almost non-existent and results in significant difficulties for pasteurised milk, cheese and yoghurt processing.

As the need for integration is considered to be indispensable, more investment is gradually being made in daily milk collecting points which can also serve as retail sellers for feed and veterinary products. Expansion of this network will require high levels and a broader range of financial support for the milk production and processing sector.

Meat processing industry: The meat industry enjoys a significant position within all sub-sectors of agri-food industries having both a large amount of investment (ranked 3rd in 2005) and a relatively large number of employees (737 in 2005). Investments in the sub-sector have been increasing not only in terms of the number of enterprises but also in terms of technological improvements. The number of employees has also more than doubled since 2000. One significant issue for the sub-sector is the dependence on imported raw materials which at the moment accounts for 95% of all the processed raw materials.

Fish processing industry: In 2005 there were 3 registered fish enterprises with a total of 556 employees and a total investment of 867,000 Euro (7th largest among sub-sectors). The fish processing industry is concentrated near the main ports of the country. Conservation is the main activity of the fish processing industry, based on the specific tradition for this activity in the country. Fish processing enterprises, collect, process, and export mainly fresh fish to the EU. Albania has been one of the first countries of Central and Eastern Europe to benefit from improved access to EU markets for fish, through certified processing plants. This status enables the fish processing industry to export to neighbouring countries such as Greece and Italy. The domestic market is supplied with fresh and partly imported fish. However, the absence of specialised and well-supplied centres makes fish trade in the local markets very difficult.

Fruits and vegetables processing industry: The industry in 2005 consisted of 22 enterprises, with relatively low capacities producing mainly juices, various pickles, jams, marmalades and fruit cans. As this is one of the lowest investment industries, it has been continuously facing technology related problems, raw material shortages and marketing problems.

The raw material supply problem is important for the fruit/vegetables processing enterprises. Often, these enterprises deal with raw material shortages which can harm their production. The paradox is that while fruit and vegetable production has increased, it still can not meet the processing capacity. In 2002, the industry imported for processing about 10% of processed fruits and about 40% of processed vegetables. It is clear that the fruit & vegetable processing industry and the producing farms are not well integrated.

In terms of markets, it is clear that the Albanian consumer still considers imported fruits and vegetables to be of a much higher value than those supplied through the domestic market.

This is an important difference between fruits and vegetables and other agri-food products. The counterfeiting of labels from illegal producers has contributed towards this image.

Wine and Other Alcoholic Drinks*:* In 2002 the wine and alcoholic drinks industry consisted of 80 enterprises spread throughout the country, of which 28 were wine producers.

Table 18: Some indicators of the alcohol industry development

Nr.	Indicators	Units	Years	
			1998	2002
1	Wine processing enterprises	Number	18	28
2	Alcoholic drinks processing	Number	80	51
	Investments	Euro	143,300	1,146,000
	Own means	Euro	143,300	1,131,000
	Bank Credit	Euro	0	15,100
3	Technological investments	Euro	128,200	792,000
4	Number of Workers	Number	403	445
5	Products:			
	Wine	Hl	10.503	6.624
	Brandy	Hl	8.776	13.289
	Liquors	Hl	7.619	29.790
6	Estimated Production	Euro value	3,544,000	8,844,000
7	Wine export	Hl		105
8	Alcoholic drinks export	Hl		295

Source: *Ministry of Agriculture and Food*

Over the period of 1998-2002, while the number of alcoholic drink enterprises decreased, the number of wine production enterprises increased. This is partly explained by the growing market demand but also by the Albanian tradition of grape production. Irrespective of the industry problems, there is a trend towards increasing the production capacities of enterprises.

Over the last few years, the majority of wine production enterprises utilise imported grapes, but it should be said that the quality does not always satisfy the requirements for quality wines. Moreover, several enterprises import large quantities of bulk wine and only carry out the bottling and marketing activities. Because of this phenomena, often wines are found in the domestic market which are bottled in Albania but originate from Macedonia, Greece, Italy or Bulgaria and are named after varieties as Shesh, Riesling, Merlot etc. This practice harms the image of local wines, produced from domestic varieties, which are well known to local consumers. This has typically resulted in a low consumption of domestic wines although this trend has started to be reversed recently with both technological improvements in the wine industry and increased production.

Comprehensive vineyard development will be necessary in order to exploit the very good climatic conditions for hill's vineyards and stimulate interest in local varieties as well as to maintain interest in quality tested varieties. This development will need to include investments in vineyards, and processing capacity with aim of increasing export.

The beer industry, like the wine industry, is one of the oldest industries in Albania and has traditionally enjoyed a very good reputation and fulfilled most of consumer demand. In 2002 the industry consisted of 70 enterprises, throughout the country, with the largest and most important ones being in Tirana and Korca. Significant investments in technology have been made and facilitated a steady increase in production, a 67% increase over the period 1998-2002, as well as increased quality. At present this industry supplies about 50% of domestic demand for beer.

6 SUPPORT SERVICES

6.1 FINANCIAL SUPPORT SERVICES

As it is the case in all countries of the region farmers have very limited access to credit. There are no dedicated forms of agricultural credit available today in rural areas of Albania. The banking sector has limited knowledge and experience of lending to the agriculture sector. Given the problems over land ownership and title, land is not normally able to be used as collateral in lending. Consequently, only an estimated 1.5% of existing bank portfolios are spent on lending for agriculture. There are major efforts (supported by the World Bank) under way, trying to improve the situation in the rural areas, primarily through establishment of micro-finance institutions, but these developments are at an early stage. The establishing of a modern and functioning rural financial system is also severely hindered by the general weakness of rural infrastructure, restricting access and increasing the costs of servicing clients.

6.2 AGRICULTURAL EDUCATION, EXTENSION AND INFORMATION SYSTEMS

Extension: Since 1995 the Government has been working on the development of an agricultural extension service within the Ministry of Agriculture and Food (MAF). In the last few years, the Albanian National Extension Service (ANES) was integrated within the Ministry of Agriculture and Food (MAF), as a Department within the Directorate of Science and Extension. The Extension Service currently has a total staff of 260 people, which is clearly inadequate given the number of farms and size of territory to be covered nationally.

For the period 1995-1998, a medium term extension policy was developed and implemented, driven by services provided from a central agency (primarily due to a lack of resources). In 1998, the Council of Ministers approved a modification of the policy by which it was made possible to set-up a number of regional advisory centres in areas with high agricultural potential. Although MAF contributes a proportion of the operational costs (for a limited period) to these centres, commercial farmers have to pay for the provided services. Public extension services are provided in a 'very limited' form to all districts, providing a cost-free service for small-scale non-commercial farmers.

The extension service currently is focusing on consolidating an agricultural information system. Recently, the work has been concentrated on strengthening the activities of 12 Information Centres established at the Agricultural Directories in districts with high production potentials. Additionally, several projects are being supported, focused on on- or near-farm research and farm level training courses.

The existing extension service has limited capacity to operate more cost-efficient methods to reach more farmers (such as electronic media, vocational schools, wide-scale farmer information distributions). More investment in finance and human capital is required to develop the existing services and promoter more diversity and quality in private extension services, where these exist.

***Research*:** Currently there are several Agriculture Research Institutions working in Albania under the Ministry of Agriculture and Food including:

- Fisheries Research Institute
- Vegetable & Potato Research Institute
- Veterinary Research Institute
- Zootechnical Research Institute
- Fisheries Research Institute
- Agriculture Research Institute
- Sugar Beet Station
- Tobacco Institute
- Soil Research Institute
- Forest and Pasture Research Institute
- Food Research Institute
- Plan Protection Institute
- Fruit Trees Research Institute
- Maize and Rice Institute
- Forage Research Institute

According to the information available the Tirana University currently does not seem to have an operational Agricultural Faculty. According to government planning, future research activities of the above-mentioned institutions will focus on the sustainable development of the agricultural sector, managing and safeguarding the land resources, maintaining the soil fertility and the environment aspects. The government defines the objectives for the research institutes as threefold, namely that they will: (i) Contribute to an integrated, sustainable development of agriculture, with emphasis on organic agriculture and more generally rural development; (ii) Improve the productivity levels for intensive agriculture and (iii) Contribute to the protection of the country from diseases (mostly in the veterinary but also in the phytosanitary sector). This is intended to result in more on-farm and near farm research initiatives.

6.3 INPUT INDUSTRY

The majority of agricultural inputs are currently imported. Due to the structure and nature of farming in Albania, there is a negligible seeds industry and low demand for high quality seeds and/or agrochemicals. Indicators suggest that agro-chemical usage has generally reduced over the last decade. The amount of fertiliser per ha of cultivated land (including arable and permanent crops) is estimated to be around 100 kg a.i.

There is an extremely low level of mechanisation in many areas of the country and a high level of use of traditional labour intensive production techniques and use of animals for basic cultivation and harvesting activities including oxen, horses and donkeys.

7 AGRICULTURAL AND FOOD POLICY

7.1 INSTITUTIONAL FRAMEWORK AND POLICY CONCEPTS

The Ministry of Agriculture & Food has four General Directorates which are responsible or the main functions of the Ministry. These directorates are in charge of nine sub-directorates and sectors. There is also a Directorate of Internal Audit. The Ministry has 120 employees at executive level. The Ministry is in charge of twelve Local Directorates of Agriculture and Food at the district level; seventeen drainage boards, organized according to districts and water basin; the national entity of seeds and saplings; the national agency of tobacco; the directorate of agro-food information and a network of scientific research institutions. The entire system comprises of about 2000 employees.

The Ministry of Agriculture & Food has gone through several important structural changes in recent years, notably in 2005 when the Ministry assumed its current name reflecting the greater attention given to protection of consumers and food safety. Also the forestry and fishing sectors were transferred to the Ministry of Environment, Forestry, Fishery and Water Administration.

The MAF mission statement, as defined in the Annual Agricultural Report 2003 is the 'Development and implementation of agricultural and food policies aiming to increase agricultural production, the improvement of market infrastructure, consumer's protection and sustainable management of natural resources'.

The Phare programme of the EC supported an institutional review of the capacity of MAF staff to support policy analysis and European Integration in 2004, within the framework of the Project *'TA to the EU Phare PMU in Agriculture'*. The findings indicated that MAF lacks significant data and capacity to undertake sound policy analysis and thereby assess the possible impact of agricultural policies and other policies on the sector. Basic information systems like FADN (Farm Accountancy Data Network) and EAA (Economic Accounts for Agriculture), as applied in the EU Member States, due not exist, even in a rudimentary form. There is currently no farm register and only limited data available on general performance of the sector.

A policy analysis unit was established previously within MAF and received some basic training through GTZ. The staff of this unit was subsequently absorbed within a newly established Agro-processing and marketing Department in 2002. Analytical work undertaken by this and other MAF Departments is primarily data manipulation (i.e. creation of simple tables, based on existing data) rather than involving any actual analysis (i.e. calculation of financial and economic impact / estimates etc).

A new Sector for European Integration was established within MAF at the end of 2002. The staff employed have good general language skills, sector knowledge and a reasonable overview of EU related issues. However, the functions of legal approximation and trade negotiation for the SAA are formally allocated to other staff within the Ministry, leading to serious problems with coordination and general management of the European Integration process internally.

7.2 BUDGETARY RESOURCES

The total share of agriculture in the Albanian economy in 2005 was estimated to be 25% of GDP. Only a small part of the agricultural budget (compared to other countries in the region) is dedicated to support payments to agriculture and food industry whereas a significant share of the budget is invested in improving the infrastructure. Expenditures for consumer protection and food safety are increasing. The Agricultural Budget for 2005 was composed as follows:

Table 19: Agricultural Budget Albania 2005

Budget Position	Amount (Mio Euro)
TOTAL:	**50.78**
Administration	2.56
Agr. Services, Food safety, Consumer protection	7.72
Infrastructure, Water, Flood Protection	24.30
Support payments to agriculture, food industry and Breeding	9.49
Surveys, Statistics	1.91
Natural Resource Management	4.08
Integrated Rural Development	0.57
Advisory Service	0.16

Source: *Based on data from MoAF.*

It should be noted that within the budget amounts indicated above are included Donor contributions which account for approximately 52% of the total agricultural budget. Consequently, the total budget amount indicated is substantially higher than the actual Agricultural Budget provided by the Albanian government. It should be noted that the largest portion of World Bank assistance was provided to support infrastructure projects (including irrigation rehabilitation).

7.3 AGRICULTURAL AND FOOD POLICIES

Limited information is known about the current framework of Albanian policies and policy measures currently in place in the agricultural sector, as interviews throughout the study and document research did not yield sufficient information to paint a clear picture. This lack of information and or focus on policy is also apparent within the key staff in MAF as there focus and attention is not oriented towards policy but rather more operational issues affecting the day to day management of the sector. Significant milestones which are known in regard to steps towards EU assession are summarised below.

Article 95 of the SAA signed in June 2006 states that the "Cooperation shall notably aim at modernising and restructuring the Albanian agriculture and agro-industrial sector, and at supporting the gradual approximation of Albanian legislation and practices to the Community rules and standards".

This is necessary, as trade liberalisation due to Albania's responsibilities as a WTO member, a number of FTAs and the implementation of the SAA is having a significant impact on the primary production sector, increasing domestic competition. The impact of trade liberalisation on domestic producers and the development of a suitable policy response that can enhance competitiveness of Albanian producers remain the priority for policy support within the sector.

To mitigate the effects of the trade liberalisation the Albanian Government and in particular the Ministry of Agriculture and Food have began development of a series of measures to improve sector competitiveness and ensure sustainable growth of agricultural and livestock production. In line with the SAA, MAF is aiming to link competitiveness of the sector to rural development and EU integration. The Albania National Rural Development Strategy (NRDS), which has been approved by parliament in 2006, takes this into account.

One objective of the NRDS, which is directly linked to agricultural and food policies is supporting the restructuring of the processing industry and supporting value added initiatives. The other objectives such as the protection and enhancement of the environment through the sustainable management of natural resources are affecting agricultural policies indirectly and are analysed in chapter 9.2 "Rural Development Policy".

Since 2002, the development of the agriculture and food sectors is based on the so-called "National Strategy of the Social Economic Development" (NSSED). The MAF Agriculture and Food Sector Strategy was updated and published in the NSSED and updated in the Annual Report of 2003. Increasing the production and its competitiveness and improving the incomes are main principles of Albanian agricultural policy. This includes the development of targeted measures that will comply with EU Common Market Organisations (CMO) for economically significant, traded agricultural commodities to improve their quality, marketing and distribution and measures that improve the general agri-business environment, complementary market infrastructure and networks within the country.

As such, in recent years one focus of the agricultural and food policies has been the design of a strategy for the cultivation and production of fruit trees in order to increase competitiveness. This resulted in a modest increase of fruit tree plantations, vineyards and related food processing industries.

As highlighted above in the section on the agricultural budget, a significant share of the budget is invested in improving the infrastructure. It appears, however, that distribution channels still need to be improved and adequate produce storage facilities ensured.

In the field of quality policies the gradual introduction of EU-quality standards and norms are important on-going policy efforts as well as more generally legislative improvements, allowing for improved cooperation and the growth of organic production and sustainable agriculture.

Taxation: The small, subsistence nature of agriculture in Albania means that most of the sector falls outside the formal tax net in terms of personal income tax, corporate tax, and VAT. The only tax which is specifically applied to the agricultural sector is the agricultural land tax, which is a local tax collected by municipalities. The tax rate is between 10-50 Euros per hectare, depending on the quality of the land. Municipalities currently face collection difficulties. In 2004 there was a shortfall of 206 million Lek (1.76 Million Euros) compared with expected revenue from this tax.[6] The petrol excise tax in the agricultural sector was cancelled in April 2004. This decreased the price of petrol by 45% and encouraged increased mechanisation of the sector.[7]

7.4 FOOD SAFETY

7.4.1 Institutional Framework

Responsibilities for food safety, hygiene and consumer protection are distributed over several institutions including the Ministry of Agriculture and Food (Food Control and Veterinary Directorates), the Ministry of Public Health (Directorate for Primary Health Service) and the Ministry of Economy. MAF has increased the budget of the Food Control Directorate in 2005 allowing the purchase and installation of improved IT facilities and communication tools, including internet connections to facilitate the Departments work on legislation and enhance communication with the laboratory network and the Food Inspectorate.

A proposal to establish a National Food Authority has been prepared and presented by MAF. As a part of the establishment of the National Food Authority, the inspectorates under the responsibility of other Ministries will have to be merged with the existing resources under the Food Control and Veterinary Directorate of the MAF. Currently a project financed by the EC CARDS 2005 programme is being tendered in order to support the establishment a National Food Authority, as an efficient structure able to provide independent scientific, technical, legal and policy advise as well as deliver adequate information to Government, consumers and food producers.

A number of Food Control laboratories exist and have been (partly) equipped by international donors including the World Bank, EU-Phare and Italian Cooperation. The Food Research Institute (FRI) acts as reference laboratory for the country and 4 main regional laboratories perform the analyses in line with the 1987 State standards. These are the labs of Durres, Shkoder, Vlore and Girokaster. Their task is to control the quality and safety of imported goods, of domestically produced and traded products and of the raw materials used in the domestic food industry. Analyses carried out deal with physical and chemical indexes, falsification of food products, toxic metals in food and micro-biological indexes.

Currently MAF plans to develop a rationalisation plan for the various laboratories responsible for food testing. The plan is defining the distribution of equipment and a description / allocation of the types of analysis work to be performed by each laboratory. This is anticipated to include proposals for reduction in the number of laboratories used for Food Control.

At present, more than 100 inspectors are employed in order to control the quality and labelling of domestic and imported food as well as adulterated food. Inspectors have been attached to each Customs point.

---

[6] Ministry of Finance, Republic of Albania, June 2005

[7] *Ibid*

7.4.2 Regulatory Framework

At present, the Albanian Food Control System is designed to meet the requirements of Law 7941 (May 1995) and its subsequent complementing regulations. This law applies to raw materials, food products, auxiliary materials and additives and includes general articles for the processing, packaging, storage, transportation, distribution, safety and quality certificate conditions, marketing, inspection and control. It also includes an article on fines. This law is being reviewed and it is planned to prepare a new primary law to bring the Albanian Food framework law in line with the EU approach, systems and practices. This adjustment in the legislation requires detailed discussion with all stakeholders (planned for the second half of 2004). Additionally, 48 Orders and Regulations have been issued in the period 1998 – 2004, including approval orders for the new standards of 7 food-processing companies.

A significant number of regulatory issues still remain to be addressed. In acknowledging the needs for action in the field of food safety in Albania the "Council Decision of 30 January 2006 on the principles, priorities and conditions contained in the European Partnership with Albania and repealing Decision 2004/519/EC " (OJ L 35 of 07.02.2006) stated that strengthening the food safety system and related control systems is one of the short-term priorities in the Accession Partnership with Albania.

As part of the process competences between the institutional players (see above) and the staffing in the veterinary service shall be clarified. The laboratories of the Veterinary Research Institute will be upgraded and the phytosanitary and veterinary conditions shall be improved.

The latter focuses on improvement of internal market and trade conditions in the veterinary and phytosanitary areas, notably for those products that have a strong trade and export potential. This will include measures to improve the institutional capacity of Veterinary services in the fields of animal health and veterinary public health and to strengthen the capacity of the competent authorities to carry out EU compliant border control, the surveillance, notification, prevention, control and eradication of infectious or contagious animal diseases, meat and animal product hygiene regulation, health certification, animal protection and welfare, control of residues, animal feedstuffs, veterinary medicines, drugs & biological products. It will also include support to strengthen phytosanitary service that monitor and controls the risk posed to production and trade from quarantine organisms and improper use of pesticides in line with EU standards and general procedures and protection of new plant varieties.

A major consequence of Albania's membership of WTO has been the obligation to fully comply with Sanitary and Phytosanitary standards (SPS) and Technical Barriers to Trade regulations (TBT). The main Council Regulation outlining the requirements in the area of food safety is EC 178/2002, General Principles and Requirements of Food Law. This Regulation defines the general principles for risk analysis, precautionary measures, tracebility and industry responsibilities.

8. AGRICULTURAL TRADE AND TRADE POLICY

8.1 TRADE POLICY

Albania has established a liberal and open trading system. Tariff duties on imports have been progressively reduced. The highest rate of customs duty is now 15%. In September 2000 the country became a member of WTO, following negotiations in which tariffs were substantially reduced. Since then it has further liberalised, entering into several bilateral trade agreements with countries in the region. Free Trade Agreements (FTA's) have been signed in the last six years with the former Yugoslav Republic of Macedonia, Croatia, Bulgaria, Romania, Bosnia-Herzegovina, UNMIK/Kosovo, Serbia-Montenegro and Moldova. The FTA with Turkey is in the process of negotiation (and is anticipated to be signed shortly). Regional Free Trade Agreements are expected to be grouped together in a single multi-lateral agreement by 2007.

Albania's trade liberalisation, in terms of movement of goods, is significant, with no quantitative restrictions on imports and exports. Albania has accepted ambitious tariff cutting commitments during WTO accession negotiations and is now proceeding to further trade liberalisation following the entry into force of several bilateral Free Trade Agreements (FTAs) with regional partners. Trade liberalisation had been one of the main pillars of economic stabilisation and reform along with price liberalisation, exchange liberalisation, fiscal control, monetary restraint and rapid privatisation of agricultural land and small enterprises.

The Albanian trade regime includes a simple tariff structure comprised of only three ad valorem (bound) tariff levels (5%, 10%, 15%). There are no specific (i.e. Euro or LEK per unit) tariffs, no tariff rate quotas, no combined duties and no tariff peaks. In addition there are no export subsidies and AMS is zero, hence no agricultural subsidies are allowed in excess of the *de minimis* level (5% of production value for each product).

In regard to bilateral trade relations, the EU has granted preferential trade regimes for Albania since 1992 under the Trade, Commercial and Economic Cooperation Agreement. It provides for 'harmonious development and diversification of trade between the EU and Albania' (EC, DG-Enlargement). This agreement was replaced by the Stabilisation and Association Agreement (SAA), signed on 12 June 2006. Since 2000 the EU has granted generous trade conditions for Albanian products within the framework of SAP. However Albania has not been able to fully exploit these concessions due to limited export capacity. Albanian exports are constrained not by tariff barriers but by a lack of competitiveness and sanitary, phytosanitary and veterinary health requirements, which cannot be currently met for most agriculture and food products.

The trade component of the SAA is currently asymmetric, meaning that trade concessions on the part of the EU are currently greater than those of Albania. Albania will liberalise about 80% of its commercial exchanges with the EU while the EU will afford Albania 98% trade liberalisation.

With a small number of exceptions[8], exports of primary agricultural products from Albania to EU have now become duty free. The EU requires Albania to progressive liberalise the remainder of its markets over a maximum period of ten years.

8.2 AGRICULTURAL TRADE

Albania is a net importer of agricultural products (Table 20). The Country's foreign trade balance is negative both in general and for agricultural products. In 2005 the agricultural trade deficit amounted to 325 million Euros, of which 185 million Euros was with the EU. Since 2000 the trade deficit has increased by more than 40%, largely due to an increase in the value of imports of agricultural products. Whilst agricultural exports have increased significantly as a share of the total value of exports (by approximately one quarter) during the same period, the impact of this increase is negligible, due to the low absolute figures. In 2005 the value of agricultural exports was 43 million Euro, of which 31 million was for exports to the EU–25.

Table 20: Agricultural Trade (global) in Million Euros

	2000	2001	2002	2003	2004	2005
EXPORT						
World	30.39	31.00	23.65	32.90	39.90	43.44
Thereof EU-25	23.89	24.50	17.47	26.48	24.17	30.63
IMPORT						
World	253.05	287.23	315.16	325.36	359.10	369.39
Thereof EU-25	205.49	225.97	237.28	228.00	223.61	215.45
BALANCE						
Total:	-222.66	-256.23	-291.51	-292.46	-319.2	-325.95
Thereof EU 25	-181.6	-201.47	-219.81	-201.52	-199.44	-184.82

Source: *Albanian Centre for International Trade (ACIT)*

Table 21 presents the share of agro-food trade in total trade during the period 2000 – 2005. It shows that agro-food accounts for about 20% of the total trade balance. While exports of agro-food have increased in absolute terms during the past five years, the increase has not been as rapid as in other sectors. Similarly while agro-food imports have increased during the period 2000 – 2005, they have fallen slightly as a share of total imports.

Table 21: Share of Agro-food trade in total trade 2000 - 2005

Albania	2000	2001	2002	2003	2004	2005
Agro-food export/ total export	10,9	9.1	6.8	8.3	8.2	8.2
Agro-food import/ total import	21.7	19.3	20.1	19.8	19.5	17.6
Agro-food balance/ total balance	25.5	22.3	23.8	23.9	23.5	20.8

Source*: Albanian Centre for International Trade*

[8] Exceptions in the autonomous trade measures and in the SAA (IA) are: beef, sugar, and wine. Beef is completely excluded, whereby sugar and wine are granted under individual tariff quotas.

Agricultural and food exports are very limited. Prepared meats and fish (13 million Euros) and seeds and fodder (11 million Euros) were, in 2004, the most important export sub-sectors. Other categories of agricultural and food products exported include: non-alcoholic beverages, spirits and vinegar; tobacco, and vegetables. But none of these single commodities exceeded in 2004 an export value of 3 million Euros (except non-alcoholic beverages, which amounted to some 3.2 million). The increase in exports of agricultural and food products since 1999 (amounting to 12.5 million Euros) can be largely attributed to an increase of 9 million Euros in the export value of prepared meats and fish.

The most important imports of agricultural products in value terms are cereals (57 million Euros); fruits and nuts (39 million Euros); tobacco (36 million Euros), and; edible meat (35 million Euros). The value of cereals imported has more than doubled since 1999. Other categories of agricultural and food imports that have increased significantly during the period 1999 – 2004 include live animals (albeit from a low level); vegetables; fruit and nuts; chocolate and tobacco, while imports of milling products and pastries and milk preparation have declined.

Analysis of trade data from the COMEXT database (see data in Annex) reveals similar trends to those already noted above. Over the period of 1999-2004 the monetary value of agricultural product exports fell slightly from 18.6 m Euro to 17.1 m Euro, while as a percentage of the total national export, agricultural trade fell from 6.7% in 2000, to 4.3% in 2004. Consequently, agricultural products have become slightly less important in the context of total exports over this period of time. The most important agricultural products for export in terms of total monetary value included respectively: (i) oil seeds & oleaginous fruits, (ii) edible vegetables, roots & tubers, (iii) tobacco and tobacco products, (iv) edible fruits and nuts.

The trend in agricultural product imports over the period 1999-2004 shows an increase in the monetary value imported from 168 m Euro in 1999 to 179 m Euro in 2004. Conversely, agricultural products share fell in regard to the percentage of total imports, from 23% in 2000 to 14% in 2004. Consequently, although agricultural imports increased significantly in value over the period, imports of other products increased at a greater rate. The most important agricultural products for import in terms of total monetary value included respectively; (i) tobacco and tobacco products, (ii) beverages, spirits and vinegar, (iii) edible fruits and nuts, (iv) preps. of cereals, flour, starch etc. (v) animal or vegetable fats and oils, (vi) sugars and sugar confectionary. Complete COMEXT data for agricultural products over the period 1999 – 2004 are presented as an Annex to this report.

8.2.1 Comparative advantages of agricultural products

In 2003 an attempt was made to formulate the indexes of comparative advantages for several agricultural products[9]. These indexes are based on research performed by Dr. Ballasa and reported in *Ballassa (1965) Index of Revealed Comparative Advantage (RCA)*. The index is calculated as a ratio of the export-import difference for each product towards the export-import total sum of all domestic goods and services. Negative values indicate a lack of

9 Findings from a study named 'The Situation and Competitiveness Level of the Agro-food Sector in Albania', 2003, Prof. ass. Adrian CIVICI.

comparative advantage, whilst positive values indicate their presence. The results of this analysis are presented below:

Table 22: Comparative advantages

Products	1999	2000	2001	2002
Wine	-0.02	-0.02	-0.04	-0.05
Beer	-0.64	-0.82	-0.86	-7.15
Water	-0.11	-0.12	-0.11	-0.12
Olive oil	0.05	-0.05	-0.04	-0.07
Flour	-2.58	-1.63	-1.17	-1.09
Cheese	-0.10	-0.10	-0.13	-
Tomatoes	-0.17	-0.09	-0.16	-0.17
Eggs	-0.11	-0.02	0.01	0.02
Grapes	-0.11	-0.12	-0.15	-0.15

Source: *Balassa, B. (1965), 'Trade Liberalization and Revealed Comparative Advantage', The Manchester School, 33, 99-123*

According to the table, indexes of comparative advantages for most products and for almost the entire period taken into consideration are negative. Nevertheless, a more cautious examination may identify a number of positive trends as well, despite the fact that they are still weak. Eggs and flour demonstrate such trends. Eggs clearly reveal the increasing tendency of comparative advantage, which is a result of growing enterprises involved in the production of this product. This increase in the domestic production has made possible the fulfilment of domestic needs as well as the successful penetration of several companies in neighbouring markets. Although, the index of comparative advantage for flour remains negative, a trend towards a more competitive advantage over the period can clearly be seen.

Oil did display a positive comparative advantage in 1999, but after that year it has lost several points in the international market inter alias as a result of regular imports from Italy and Greece. The indicator shows a negative trend as a result of poor quality as well, but the indicator difference in the case of olive oil compared to that of other products, the large number of producers and the fact that the Albanian government has selected it as a competitive product having good exportation prospects in the medium term justify the special attention we have paid to this product concerning comparative advantage. Olive oil is included in the list of products that benefit from export-stimulating policies such as stated by Free Trade Agreements.

Wine is another distinctive product concerning comparative advantages. Unfortunately, the indicator for this product reveals a negative trend too, though being close to zero for the two recent years. Wine is chosen as a product with good exportation prospects in the medium and long run, in the strategy of export promotion, especially in the case of famous trademarks.

8.3 AGRICULTURAL TRADE BY COUNTRY

Table 23 shows that the EU is the most important trading partner for Albania in agri-food products. In 2005 the EU 25 accounted for 70% (30 million Euros) of the value of agro-food exports and 62% (219 million Euros) of agro-food imports[10]. However, in value terms imports from the EU largely exceed exports with a ratio of 7 to 1. With the enlargement of the EU to 25 member countries, the importance of trade with the EU has further increased.

As stated above, the trade component of the SAA is currently asymmetric, meaning that trade concessions on the part of the EU are currently greater than those of Albania. The exceptions in the autonomous trade measures and in the SAA (IA) are: beef, sugar and wine. Beef is completely excluded, whereby sugar and wine are granted under individual tariff quotas. Fruit and vegetables are completely duty free, including exemption from the entry-price system.

Kosovo is the second most important export destination for Albanian agro-food exports, accounting for 7.0 million Euros in 2005. For imports the NIS and non-EU member states in the region in 2005 accounted for 36 and 34 million Euros respectively. The most important trade partners in 2005 for imports of agro-food in the region (outside the EU) are Bulgaria (18 million Euros); the former Yugoslav Republic of Macedonia (8 million Euros), and; SCG (8.4 million Euros).

[10] According to the data of DG Trade, the share of the EU-25 in total imports is only some 50%

Table 23: Agro-food export & import by export destination/import origin (Mio Euro)

Country: Albania	1999	2000	2001	2002	2003	2004	2005
EXPORT							
Total	**27.43**	**30.39**	**31.00**	**23.65**	**32.90**	**39.90**	**43.44**
EU25 (see note below)	23.09	23.89	24.51	17.47	26.48	24.17	30.63
NIS	0.00	0.16	-	0.00	-	-	0.11
BIH	0.00	0.00	0.01	0.01	0.01	0.00	0.04
Bulgaria	0.00	0.05	0.06	0.01	0.02	0.06	0.10
Croatia	0.05	0.04	0.03	0.04	0.09	0.21	0.10
The former Yugoslav Republic of Macedonia	1.42	0.61	0.32	0.55	0.47	0.72	0.64
Romania	0.01	-	-	-	0.01	-	0.01
SCG	1.23	2.78	3.31	3.24	0.27	0.32	0.53
Kosovo	-	-	-	-	2.64	7.46	7.04
Moldova	0.00	-	-	-	-	-	-
Other	1.62	2.85	2.78	2.32	2.91	6.95	4.24
Exchange rate used	**146.9**	**132.6**	**128.5**	**132.4**	**137.5**	**127.7**	**124.2**
IMPORT							
Total	**299.51**	**253.05**	**287.23**	**315.16**	**325.36**	**359.30**	**369.39**
EU25 (see note below)	239.2	205.2	225.9	237.3	238.0	223.6	215.4
NIS	0.91	1.69	3.28	21.17	31.55	23.74	36.39
BIH	0.01	0.03	0.03	0.15	0.04	0.05	0.23
Bulgaria	13.57	12.71	10.90	8.70	5.80	10.94	18.30
Croatia	5.15	6.15	6.13	4.51	3.95	5.31	1.50
The former Yugoslav Republic of Macedonia	6.75	4.15	5.27	5.04	6.05	8.80	8.19
Romania	2.62	0.48	2.43	0.33	0.38	1.34	2.67
SCG	0.40	1.49	2.31	6.44	2.25	7.47	8.41
Kosovo	-	-	-	-	0.43	1.19	2.13
Moldova	0.45	0.01	0.21	0.30	0.36	2.23	0.70
Other	30.43	20.85	30.70	31.24	36.55	74.63	75.42
Exchange rate used	**146.9**	**132.6**	**128.5**	**132.4**	**137.5**	**127.7**	**124.2**

Note: **Data referring to EU-25 before 2004 relates to EU-15 plus 10 new Member States.**
Source: *Ministry of Agriculture and Food, Albanian Centre for International Trade*

9 RURAL DEVELOPMENT AND RURAL POLICY

9.1 CHARACTERISTICS OF RURAL AREAS

Agriculture is the main source of employment in rural areas. With the exception of the district of Tirana (where one quarter of the labour force is engaged in agriculture), employment in agriculture accounts for approximately half or more of the available jobs. In several districts agriculture accounts for more than 70% of employment. This situation illustrates the very high dependency on agriculture for income and economic growth and the limited non-farm income earning opportunities in these regions. Unemployment rates are high. Among predominantly rural areas unemployment varies from 11% to 32%.

In Table 24 an attempt is made to group Albanian Districts according to OECD criteria for classification of rural areas. According to this classification all twelve districts in Albania are either 'predominantly rural' or 'significantly rural'. There are nine districts that are predominantly rural and three districts that are significantly rural. The population living in 'predominantly rural areas' is approximately 1.3 million or 42% of the total population. The remaining 415,000 people living in rural areas (13% of the total population) live in 'significantly rural areas'. In predominantly rural areas, more than 50% of the population live in rural communities. Among those districts the share of the population living in rural communities varies from 59% in Berat and Gjirokaster to 81% in Diber. Districts classified as significantly rural are Tirane, Durres and Vlore. In these districts the population living in rural areas is 31%, 43% and 46% respectively. Population density varies considerably from 28 inhabitants per km² in Korce to 392 inhabitants per km² in Tirana. The average population density is 109 inhabitants per km².

Albania has experienced between 1990 and 2004 a severe demographic transformation, from rural to urban, and from the North Eastern mountains to the districts of the Coast and Tirana. Tirana is by far the principal destination of internal migrants, but there is also strong evidence of a local rural-urban migration within the North Eastern region.

Since 1990 approximately one fifth of the total population has emigrated abroad, and within Albania large scale population migrations have occurred from rural to urban areas. Between 1989 and 2001, the total population fell by 4 % and the rural population by 15 % (FAO 2004). Migration, whether rural to urban or international to Italy or Greece, is the most common livelihood coping strategy in the country, and serves as an important escape valve for unemployment and other economic difficulties brought on by structural declining industries and the general reform and transition to a market economy.

Table 24: Population By Districts (2004) And Classification Of Rural Areas According To OECD Criteria

Classification		Population							Employment					Unemployment
OECD Classes: PR = Predomin. Rural SR = Signific. Rural	Qark Prefectures	Population total	% of national population	rural population	population lives in rural area %	area km2	inhabitans / km2	Arabel land	Total	Public	Nonagric.	Agricult.	% labour force working in agriculture	as %
	Albania	3,119,544	100	1,730,415	55	28,750	109	*699*	931,217	176,065	213,000	542,152	58	14.4
PR	Berat	184,579	6	109,743	59	1,800	103	53	61,707	9,287	5,008	47,412	77	15.6
PR	Dibër	171,417	5	139,224	81	2,500	69	41	47,976	8,425	3,000	36,552	76	16.7
SR	Durrës	279,263	9	121,375	43	770	363	41	61,351	12,607	18,694	30,051	49	12.4
PR	Elbasan	358,488	11	231,697	65	3,290	109	73	114,760	14,811	12,787	87,162	76	12.9
PR	Fier	383,420	12	260,998	68	1,890	203	122	126,045	18,131	10,586	97,327	77	10.8
PR	Gjirokastër	109,047	3	64,048	59	2,880	38	45	30,861	7,846	4,825	18,190	59	11.8
PR	Kukës	104,171	3	78,716	76	3,710	28	25	25,057	6,745	1,600	16,712	67	32.2
PR	Korçë	265,877	9	163,779	62	2,370	112	91	77,011	11,495	11,302	54,213	70	11.4
PR	Lezhë	161,523	5	110,811	69	1,620	100	35	45,777	8,218	5,217	32,343	71	22.8
PR	Shkodër	252,912	8	156,237	62	3,560	71	50	64,270	12,464	7,419	44,387	69	27.4
SR	Tiranë	646,711	21	199,809	31	1,650	392	56	234,662	54,726	122,653	57,283	24	8.9
SR	Vlorë	202,137	6	93,980	46	2,710	75	63	41,740	11,310	9,911	20,519	49	17.0

Source: *Own compilation on the basis of data from INSTAT and MoAF*

9.1.1 Characteristics of the Rural Population and Labour Markets

According to the results of the last population census (2001), the rural population is fairly young. Concerning the rural population over the age of 14 years, 47% are within the age group 15 – 34 years old, 32% are in the age group 35 – 54 years old and 21% are in the age group 55 years and above.

Unemployment rates are high, with 49% of the rural population 15 years old and above being unemployed (although only 10% are registered unemployed). Unemployment in rural areas is particularly a problem for the young, with 85% of those registered unemployed being between 15 – 34 years old. The employed rural population are relatively young, 93% are below the age of 55 years old.[11]

The overall literacy rate in Albania is very high (e.g. 99% of the 15 – 24 age group). However, the situation in rural areas appears to be worse than in urban centres and inevitably this situation reduces the added value of the labor force working in agriculture. The enrolment in basic schools is the same in urban and rural areas but primary schools in rural areas are generally of inferior quality when compared to urban centres. In secondary and higher education discrepancies become more obvious. The net secondary enrolment rate is 70.8 % in Tirana, but only 24.9 % in rural areas. Similarly, the net higher education enrolment is 22.7 % in Tirana but only 2.6 % in rural areas[12]. These findings suggest that this is a particular problem for households in rural areas and thus for the people working in agriculture.

The level of education among the rural population is low. Among the rural resident population employed, most persons have attained lower secondary education (62%), while only 2% have tertiary education. In regard to disparities between rural and urban populations, a recent World Bank report states the following: There are no differences in basic education enrollment between urban and rural areas, but there are large disparities at higher levels of schooling. These findings suggest that this is a particular problem for households in rural areas, where incomes are generally low and basic and secondary schools are generally of inferior quality. Thus, policies to raise enrollments should be targeted mainly to rural areas.

The nature of employment in rural areas (which is predominantly agricultural) varies: 61% of jobs are permanent, 8% are temporary, 26% are occasional and 4% seasonal. Most permanent jobs are held by persons with lower secondary education[13]. Wages paid for jobs in the agricultural sector are very low compared to wages paid to unskilled urban workers. This situation encourages rural – urban migration and emigration from rural areas.

11 INSTAT, Population Census results (percentages calculated by the author)

12 Data from World bank

13 *Ibid*

9.1.2 Environmental Situation

The current framework of agri-environmental policies in Albania is either not in place or currently under development. In any case, sufficient information was not obtained to describe the current framework and most persons interviewed indicated very little knowledge of such policies. Significant milestones in the development of the environmental sector are highlighted below.

Albania has six national parks, twenty-five IUCN-categorized Protected Areas of environmental significance (together totalling over 76,000 ha), and a particularly rich spectrum of biodiversity, including approximately 3,200 flora species and 756 fauna species.

After the Second World War, during four decades of the Hoxha regime, the exploitation of natural resources and raw materials was done without consideration of environmental impacts. In the agricultural sector, there has been very little integration of environmental issues in policies. Fortunately, despite the absence of environmental protection measures at the policy level, the use of fertilizers has continued to be low and as a result, soil contamination due to chemicals related to agriculture has remained low.

The problems related to soils and its degradation are severe in hilly areas and erosion is quite a common phenomenon. Steep slopes and an average altitude almost twice as high as the European average; leads to a high level of erosion and a considerable loss of land value. The impact of erosion that comes from physical, chemical and biological deterioration is great and has consequences for the future. There is evidence of a large amount of surface area being deforested during a relatively short period of time (the last 50 years) with little or no replanting or reforestation planning. The irrigation systems that exist are poorly maintained and have had some impact upon land salination in some areas. Furthermore investments for agriculture land maintenance have been considerably reduced during the last years due to the generally poor returns experienced in the sector and there is some evidence that fires in open pastures, peat lands, forests and other common areas have been occurring more frequently.

9.2 RURAL DEVELOPMENT POLICY

During the on-going stabilisation and association process, integrated rural development has been established as an important sector policy objective in Albania.

A Sector (Department) for Rural Development was established within the Agricultural Project's Office (APO) of the MAF in August 2002. In 2004 it became a Directorate of MAF, which includes two sectors, namely (i) Rural Development Programming and Policy and (ii) Institutional Coordination of Rural Investments.

Also in 2004 an Inter-ministerial Committee for Rural Development was established, with its first meeting being convened in April. The Committee, chaired by the Deputy Prime Minister comprises the Ministers of: Agriculture and Food; Finance; Local Government and Decentralisation; Economy; Transport and Telecommunications; Health; Education;

Culture, Youth and Sport; Territory Adjustment and Tourism; Environment, and; European Integration. It has been agreed that MAF will provide the Technical Secretariat to the Committee.

The first output of the new institutional capacity and the inter-ministerial work was the Albania National Rural Development Strategy (NRDS), which has been approved by parliament in 2006. The objectives of the NRDS are:

- To increase the competitiveness of the agricultural and agro-food sector through supporting the restructuring of the processing industry and supporting value added initiatives;
- To protect and enhance the environment through the sustainable management of natural resources;
- To improve the quality of life in rural areas and promote diversification of economic activities;
- To develop the capacities of institutions (central and local) to effectively plan, manage and coordinate rural development measures;

Only a relatively small part of domestic production is currently processed by Albanian agro-industries. To change this situation, the government has initiated a strategy and is planning several policy measures, including: modernisation and improvement of existing agro-processing technologies through promoting private investments; establishment of pilot centres for collection, storage and sale of products in certain rural areas; development of a market information service; and adoption and introduction of standards on quality, labelling and packaging of agro-food products.

Fisheries has a special importance for several rural areas in Albania. A policy priority task is to remove the embargo for the export of molluscs. A general improvement of the conditions for fish production, processing and marketing in order to utilise the potential of the sub-sector for income generation and economic growth.

Forests and pastures occupy about 50 % of the country and are an important source of employment and income for the rural population. The main objectives in this respect are the transfer of state forests to commune administration, protection of the forests from illegal cutting and the rational exploitation of the forests for timber and fire wood as well as of the pastures and the rational exploitation of by-products.

Irrigation and drainage are important for Albanian agriculture. The improvement of the irrigation and drainage system management by Drainage Boards is also an important policy goal.

9.3 REGIONAL POLICY

Integrated regional development is a key priority for the Albanian National Strategy for Socio-Economic Development. Policies, related to regional development, set out in the NSSED include:

- Rehabilitation of physical infrastructure such as roads and energy supply;

- Improvement in access to basic services such as education and health (reconstruction of schools in urban and peri-urban zones of mountain areas, training of health care workers and teachers etc.)
- Investments in agricultural, especially irrigation and support to agro-industry and marketing;
- Promotion of cultural works and restoration of cultural monuments;
- Environmental protection (prevention of forest and pasture degradation and erosion);
- Strengthening urban planning and administration.

Albania's regional policy is closely related to the process of decentralisation as set out in 'The National Strategy for Decentralisation and Local Autonomy' (1999). In 2004 the World Bank carried out an assessment of the decentralisation process and concluded that whilst progress had been made, considerable work was needed to complete the decentralisation in order to realise benefits such as improved service delivery, governance and accountability. The process is constrained by a lack of capacity and low levels of revenue autonomy at local government level, particularly in the case of rural development.

Some steps have been taken in recent years to ameliorate regional disparities. The Government took steps to reform the system of unconditional transfers and the information database on local governments that is used for determining fiscal equalisation was improved. 'In 2004 there were special fiscal equalisation measures taken for 156 mountain communes and 37 municipalities' and in 2005 this was to be extended.[14] 'For 80 of the poorest communes there is extra compensation'[15].

Regional Councils have the mandate to coordinate and harmonise policies among municipalities in line with regional policies of the central government. Regional development strategies are being developed at municipality level but regional authorities do not have yet sufficient responsibility or financial means to implement the policies. Institutional strengthening at local level through technical assistance needs to be continued and intensified. Special attention is required towards the formulation of policies to support development in mountain areas. In 2003 the National Forum for the Development of Mountain Areas was established and support was given to establish local forums in a number of pilot districts. The forum has been able to highlight the development opportunities in mountain areas and some public investment on infrastructure and priority services in these areas has been realised.

9.4 AGRO-ENVIRONMENTAL POLICY

The priorities for the environmental sector set out in the NSSED are:

- Prevention of the environmental degradation process;
- Creation of conditions for rehabilitation of polluted areas within basic safety standards;

---

14 Ministry of Finance, Government of Albania, 2004 NSSED Progress Report.

15 *Ibid*

- Increase sustainability of the use of natural resources in the medium term.

Related policies and actions include:

- Institutional strengthening of the Ministry of Environment, the Environment Inspectorate, the monitoring network and Institute of Environment;
- Training staff involved in environmental conservation;
- Including local communities, civil societies, and business in consultative and decision-making structures;
- Implementation of the law and development of supporting internal orders, guidelines and procedures;
- Strengthening the institutional framework for monitoring and reporting on environmental indicators;
- Increasing public awareness on the importance of environmental protection and their inclusion in the decision-making process.

For the reduction of existing pollution urgent interventions identified are: (i) intervention in hot spot areas; (ii) elimination of toxic materials; (iii) reduction of industrial pollution; and (iv) reduction of dust in the air in some urban areas.

For promoting sustainable use of resources: priority measures set out in the NSSED include: (i) determining and ensuring the rights of ownership and utilisation, including the transfer of ownership rights at regional level concerning forests, pastures etc.; (ii) re-classifying and expanding protected areas and establishing structures for their protection; (iii) investing and intervening for the rehabilitation of degraded areas, and; (iv) strengthening of natural resource management at local level.[16]

Some of the above policies have been implemented on a project specific basis.

[16] Ministry of Finance, Republic of Albania, NSSED 2004 Progress Report, in IMF Country Report No. 06/23, Albania: PRSP Annual Progress Report, 2006.

BIBLIOGRAPHY

Beka, Ismail, GTZ Albania: The role of agriculture and Rural Development in Albania, September 2004

Beka, Ismail, GTZ Office Tirana - FAO Workshop "Re - engineering of Agricultural Policies in the Selected CIS and South - Eastern Countries in the Context of the Accession To the WTO": Albania WTO membership and impacts on agricultural and trade policies, Prague. December 2001

Beka, Ismail, GTZ Office Tirana: Preparing Albanian Agriculture for European Integration. Julio Escolano, Geoffrey Oestreicher and Pierre Lazar (all EUR); Marta Ruiz-Arranz (RES); Mario Mansilla (PDR) and Engin Dalgic (FAD): International Monetary Fund Albania - Selected Issues and Statistical Appendix, March 2005

Beka, Ismail, Martin Wille, Paper presented at the IAMO Forum 2004: The role of agriculture in Albania, Halle (Saale), Germany, November 2004

Calogero Carletto, Benjamin Davis, Marco Stampini, Stefano Trento and Alberto Zezza (for FAO): Internal Mobility and International Migration in Albani, 2004

Civici, Adrian Prof. Ass., 'The Situation and Competitiveness Level of the Agro-food Sector in Albania', 2003.

EBRD: Albania Country Profile, 1999

Escolano, Julio; Oestreicher, Geoffrey and Lazar, Pierre; Ruiz-Arranz, Marta; Mansilla, Mario; Dalgic, Engin (2005): Albania - Selected Issues and Statistical Appendix, International Monetary Fund, March 2005

Report of the European Commission on Albania, 2004.

EU-Phare Project 'Land Use Policy', Final Report, Dec. 2003

EU-Phare Project 'TA to the PMU in Agriculture', Ag. Policy Expert Report, Apr. 2004

German Agency for Technical Cooperation GmbH (GTZ): Market information system for Fresh Fruits and Vegetables in Albania, 2003

German Agency for Technical Cooperation GmbH (GTZ): National Monitoring of Sustainable Poverty Reduction Strategies / PRSPs; Volume 2: Country Study Albania, August 2004

GTZ-Project "Regional Economic Development Project in North Albania": Situation in Agriculture in North Albania, September 2004

Hiese, Gerhard, LUSO CONSULT: Analyses of export potentials of the Albanian industry, Hamburg, April 2000

Ibro, Prof. Vjollca, Dr. Shallari, Seit, Mr. Çela, Roland – Albania Statement Leipzig: The Formulation and Implementation of Agricultural and Rural Development Policies in Albania, 2004

IMF, Albania: Poverty Reduction Strategy Paper – Annual Progress Report, 2006

INSTAT Results of Population Census (website)

International Center for Soil Fertility and Agricultural Development (IFDC): Phase Two and Final Report - Assistance to Albanian Agricultural Trade Associations (AAATA), Institutional Strengthening, Capacity Building, and Agribusiness Development, April 2004

Mathijs, Prof. Erik, Sarris, Prof., Alexander, University of Athens, Beka, Ismail, GTZ Tirana, Divila, Dr. Emil, Research Institute of Agricultural Economics - Prague, Bielik, Prof. Peter, Slovak Agricultural University: Final Report "The Role of Agriculture and Rural Development in Albania, EU Phare ACE Programme contract number p97-8158-r, July 2001

Ministry of Agriculture and Food (MoAF) in Albania: CARDS Regional Support to Agriculture and Agro-processing in the Western Balkans Proposals for the Regional Multi-Annual Programme for 2005-2006 and the Multi-Annual Regional Strategy for 2007-2012, May 2005

Ministry of Agriculture and Food Republic of Albania (MoAF) supported by the German Agency for Technical Cooperation (GTZ): Annual report 2003, Tirana 2003

Ministry of Agriculture and Food Republic of Albania (MoAF), 'Annual Report', 2003.

Ministry of Agriculture and Food Republic of Albania, Proposed Revision of SAA Technical Annexes on Agri-food Trade Concessions: Draft SAA Agri-food Trade Negotiations Policy, Position Paper, June 2004

Ministry of Agriculture and Food, Republic of Albania: European Partnership Action Plan 2004-2008, Tirana, May 2004

Ministry of Finance, Republic of Albania: Progress Report on Implementation of the National Strategy for Socio-Economic Development during 2004, Objectives and long-term visit, Priority Action Plan 2005 – 2008, June 2005

Petrick, Martin, Catrin Schreiber, Peter Weingarten; Institute of Agricultural Development in Central and Eastern Europe: Competitiveness of milk and wine production and processing in Albania – Discussion paper 2004

The Western Balkan in transition by Directorate General for Economics and Financial Affairs: N° 23, December 2004

Wahby, Dr. Daniel Anula Guda, Erald Lamja, Sigrid Giencke: - Establishment of a Regional Market Information System, June 2001 to December 2002

World Bank, Country Assistance Strategy for Albania for the period FY06 – FY09, January 2006

World Bank Country Economic Memorandum: Albania Sustaining Growth beyond the Transition, December 2004

Young, Christine, EU Cards Project No 2004/ 084-899: United Nations Development Programme Support for Trade Regulation and Trade Promotion, Trade Information Centre

ANNEX 1: DONOR ASSISTANCE

Several international donors are active in Albania. Main support in agriculture sector is provided by the World Bank, EU, IFAD, FAO, USAID, Germany (GTZ), Italy and further bi- and multilateral donors.

Since 1991 a total of 54 Million Euro was spent by the EC for the implementation of Phare projects related to agriculture. The projects addressed a broad range of issues, including:

1. Supply of critical inputs and mechanization.
2. Support to the creation of a land market by surveying and mapping assistance (Land Cadastre project) and development of a land use policy and establishment of a national GIS framework
3. A rural poverty alleviation scheme (rural infrastructure upgrading)
4. Support to the establishment of an extension service
5. Creation of a policy formulation group.
6. Assistance to the Fisheries Directorate.
7. Assistance to the Veterinary Directorate and contribution to the rehabilitation of *4* regional labs and the Veterinary Research and Animal Husbandry Institutes.
8. A cattle identification project to comply with EU regulations for animal health.
9. A Food control project to improve the Albanian legislation in conformity with EU legislation in the area of food hygiene and safety.
10. TA to PMU and MoAF is supporting the PMU in the implementation of existing EC-Phare projects and assisting the MoAF to revise its development strategies in the light of new developments, particularly in the field of EU integration.

Since 2001 EU Technical Assistance is provided under the CARDS programme.

CARDS Programme Allocation for Albania for 2000-2006 (million €)

	2000	2001	2002	2003	2004	2005	2006	TOTAL
Albania	33.4	37.5	44.9	46.5	63.5	44.2	45.5	315.5

Within the CARDS program there is no specific part for agriculture. Agriculture is located under the Trade chapter and receiving much less attention (and funding) than in previous years. Currently the below projects are under preparation or implementation:

1. Molluscs production and monitoring. The purpose is to improve the current system of water and molluscs monitoring according to EC Regulations and to create the conditions for the exporting of mussels in international markets.

2. Monitoring the health of small ruminants. The, project aims at the establishment of an improved animal health tracking and monitoring system. Assistance for approximation to EU legislation.
3. Border Inspection Points. The border inspection system for animal and plant material will be improved and become transparent in order to comply with WTO and EU requirements.

As the above list of projects proofs, focus is put on food safety, health and phytosanitary standards etc. These are seen as immediate government tasks in the process of further harmonisation and approaching with EU.

Under the 2005 programme a project targeted at supporting the establishing of a "National Food Authority" is under way. That was the only project proposal from MoAF which was accepted by the EU delegation. Other requests like the Institutional support and capacity building of MoAF for EU Integration and Policy, the collection and dissemination of agricultural statistics, support to agricultural market development, services and extension were not approved for CARDS support.

There have been sequencing problems with previous donor support. For example, much of the equipment purchased to upgrade laboratories was not complemented by staff capacity building programmes. Consequently many existing laboratory staff were inadequately trained in the use and maintenance of the equipment. Therefore certain equipment has been poorly utilised, become outdated or damaged. As a consequence of this tyoe of experience, the MoAF is currently seeking additional donor assistance, including the World Bank (Loan), to support for future investments, linked to EU integration. The World Bank has a long track record from supporting the adjustment process in Albania. Now a new project with focus on rural development and preparation of agriculture for further alignment with the EU is under preparation. The Tirana office of the World Bank emphasised their strong commitment to stakeholder involvement in the programming and project planning.

Furthermore the good experience from close cooperation with the Phare and CARDS programme was highlighted.

The German technical cooperation (GTZ) also has an ongoing program for supporting agricultural development. A big advantage of the GTZ approach is close linkage of project activities on different levels. The Agricultural Market Information System established with GTZ support provides data to farmers, traders and policy decision makers.

There are many projects funded form different donors supporting agriculture and rural development. The government often does not take sufficient ownership and does not see the projects as part of their reform program.

ANNEX 2: RESULTS FROM A FOOD CONSUMPTION SURVEY TIRANA (SEPTEMBER 2004)

This section presents some excerpts from the findings of a Food Consumption and Expenditure Survey of 600 households in Tirana, Albania, conducted by the project 'Technical Assistance to the PMU, Ministry of Agriculture and Food' in September 2004. The survey results give an indication of food consumption patterns and preferences for the population of Tirana:

General market/retail outlet choices: Local shops are the prevailing choice for purchasing of all agriculture and food products; open green markets are second most important followed by small-scale super markets (which appear to play a minor role in food retailing in Tirana).

Milk Products: Milk products are purchased daily, weekly and monthly. As expected, milk is mostly daily and butter is usually bought monthly. Regarding the market in which they are typically purchased, local shop is the prevailing choice in all the products. The farmers' market (farmers bringing milk at home and open market places) are still common for milk. Regarding quantity and cost of their consumption, there is a wide range. In short, the majority of the population (about 70%) pays per month for milk no more than 1.000 lek, 3.000 lek for cheese, and 1.000 lek for butter.

Meat products: Again, the usual place for buying meat products is the local shop. The main meat consumed is beef which is bought mostly weekly to monthly and its cost per month is up to 3.000 lek for 30% of the houses, 3.000-5.000 lek for 25%, 5.000-7.000 lek for 26%. More money for beef is spent only by 19% of them. Pork is consumed, according to their answers, only by 54% of the sample. This was expected since not only consumption patterns but also religion are the reasons. The families consuming pork do not pay more than 2.000 lek monthly for it. Poultry and sheep/goat meat is less frequently consumed. The fact that the families also have connections with relatives in villages, providing them some quantities, might be one of the reasons for not reporting that they buy big quantities of them.

Fish consumption: A majority (70%) of the Tirana population avoided to answer if they consume fresh fish. Probably they do not consume fish and they avoid saying so. They buy fish from local shops (61,4%) and from open market (10,5%). Super markets play a smaller role (5%). Frozen fish is purchased only by 50% of the sample and it is bought from local shops mainly weekly or monthly. Regarding processing meat such as salami, the total cost does not exceed 2.000 lek per month for 65% of the sample, and the most usual place to buy it is the local shop for 76,3% of them.

Bread: Albanians consume a substantial amount of bread and they buy mostly fresh bread daily (88,4%) in quantities varying, with 41% of them consuming up to 20 kg per month and the rest 59% from 20 to 30 kg. They pay respectively up to 1500 lek and more than 1500 lek per month. Local shops are the main providers for 83,4% of the sample. Supermarkets take the other pat of the pie.

Pasta: They buy weekly (43%) and monthly (55%), it costs up to 1500 lek per month for 48% of them, and more than 1500 for 52%. Usual place to buy it is the local shop for 66% and the supermarket for 26%.

Rice: is purchased weekly by 34% and monthly be the rest. Local shop prevails for 68% of them and supermarket follows with 26% while the open market still gets 6% of the customers. Cost of rice does not exceed 6.000 lek per month while 50% of the sample does not pay more than 500 lek.

Flour: is purchased weekly (30%) and monthly by 66%. Local shop is the main (72%) place to buy it and the money paid for it is up to 3.000 lek monthly.

Potatoes: are purchased weekly (71%) and monthly (28%) and in contrast with the previous food products farm market is the main place for buying potatoes with 78%. Local shops follow with 21%. Quantities purchased vary and most of the houses consume up to 16 kg per month while 90% of them spend up to 800 lek monthly.

Vegetables: Albanians consume substantial quantities of vegetables. They buy them daily (64%) and weekly (23%). Majority of them (97%) consume up to 60 kg per month and 42% pay monthly for vegetables up to 2.000 lek. Usual place to buy vegetables is the farm market (85%), as it is for potatoes.

Fruits: Fruits are consumed by the Tirana people in quantities varying and up to 60 kg per month by 92% while 60% of them spend up to 3500 lek per month for fruits. Usual place for buying is the Farm Market (85%) and they are daily purchased by 62%.

Oils: *Olive oil* is consumed by 90% of them in quantities no more than 4 kg per month while 64% of them do not spend for olive oil more than 1.000 lek monthly. Usual place for buying it is the local shop (71,4%) and 93% of them buy it monthly.

Seed oil is also consumed in similar way. They buy it monthly (99%), from local shops (93%), in quantities up to 6 kg (97%), and 56% of them spend up to 500 lek per month.

Drinks:

Non Alcoholic drinks: Albanians are not accustomed to buying substantial quantities for the home. They buy them weekly (33%) and monthly (53%) spending up to 500 lek (33%), 500-1.000 lek (25%), 1.000-2.000 lek (21%) and more than 2.000 lek (20%) per month. Usual place is the local shop (68,4%) and the purchase is weekly (33%) and monthly (53%).

Beer: Mostly consumed in bars, not at home. Cost for beer does not exceed the amount of 1.000 lek per month for 92% of them, usual place for buying it is the local shop (70%) and they buy it weekly (40%) and monthly (44%).

Wine: Cost does not exceed the amount of 1.000 lek per month for 54% and they buy it monthly (70%) from local shops (50%) and from super markets (27%). Farm market selling wine is still in the market (7%).

Rakija the local drink of Albanians is mostly consumed outside of home. Families consume up to 1 kg monthly (82%) and they buy it from local market (74%) mainly monthly (74%).

Preferences of the population for imported food (Dairy and Meat Products)

The survey objectives in this area were to identify the preferences of the population for imported food (specifically dairy and meat products).

Imported Dairy products. A large percentage (61%) of the respondents claim they never buy imported dairy products. Only 1,6% buy always imported, 3,1% buy mainly imported and a larger percentage (20%) buy imported occasionally while another 14% buy equally local and imported dairy products. The respondents buying imported products were also asked the reasons for this and choice, the main reason reported was that the products are cheaper.

Imported Meat products: Similarly, some of the findings about imported meat products again, after excluding those who are not consuming imported meat products, respondents were asked the reasons for their choice. The main reason reported for buying such products is their cheaper price.

ANNEX 3: TRADE DATA FROM COMEXT DATABASE FOR ALBANIA

Table A3.1: COMEXT data: Albanian Agricultural Exports to EU 25 by sub-sectors in '000 € (1999 – 2004)

EXPORT	1999	2000	2001	2002	2003	2004
TOTAL	232,266	279,170	336,311	336,241	360,098	396,643
Total Agricultural Products	18,567	18,739	20,208	22,195	17,983	17,137
01 - Live Animals	1,070	606	532	468	699	475
02 - Meat and edible meat offal	174	129	630	695	509	302
04 - Dairy produce	81			12		
05 - Products of animal origin						
06 - Live trees and other plants	14	12	28	55	116	399
07 - Edible vegetables, roots & tubers	1,123	1,227	1,534	1,939	1,450	2,071
08 - Edible fruits & nuts	1,024	1,114	1,659	1,970	1,269	824
09 - Coffee, tea, mate & spices	794	504	573	610	505	499
10 – Cereals				2		1
11 - Products of the milling industry						
12 - Oil seeds & oleaginous fruits	5,623	5,951	4,706	4,730	4,897	5,246
13 - Lacs, gums, resins & other veg. saps				0		
14 - Vegetable products n.e.s.	11	13	19	9	10	8
15 - Animal or vegetable fats & oils	189	736	14	3		73
16 - Preparations of meat					3	
17 - Sugars & sugar confectionery						
18 - Cocoa & cocoa preparations		1		2		
19 - Preps. of cereals, flour, starch, etc.	35			1		0
20 - Preps. of vegetables, fruits, nuts & plants	55	3	15	79	137	21
21 - Miscellaneous edible preparations		14	338	187	136	8
22 – Beverages, spirits & vinegar	101	23	73	90	142	73
23 - Residues and waste from food industry		0	15	4	1,767	11
24 - Tobacco & tobacco products	3,703	2,615	3,619	4,358	2,000	1,557
Other WTO products outside chapters 1-24	4,568	5,791	6,452	6,983	4,341	5,569

Source: *Eurostat (from http://fd.comext.eurostat.cec.eu.int/xtweb)*

Table A3.2: COMEXT data: Albanian Agricultural Imports from EU 25 by sub-sectors in '000 € (1999 – 2004)

IMPORT	1999	2000	2001	2002	2003	2004
TOTAL	728,326	836,079	1,114,378	1,122,616	1,116,023	1,229,270
Total Agricultural Products	168,071	164,755	198,083	193,253	191,048	179,461
01 - Live Animals	895	817	1,070	5,937	3,548	3,588
02 - Meat and edible meat offal	14,786	13,248	11,998	12,044	8,217	8,100
04 - Dairy produce	5,068	3,378	3,729	5,905	5,999	7,599
05 - Products of animal origin	47	36	116	45	106	327
06 - Live trees and other plants	209	347	540	955	771	1,329
07 - Edible vegetables, roots & tubers	3,413	3,305	6,003	6,803	7,133	6,982
08 - Edible fruits & nuts	17,284	14,508	22,028	17,802	17,792	21,136
09 - Coffee, tea, mate & spices	2,343	2,684	4,938	2,106	2,403	2,938
10 – Cereals	4,489	7,107	7,404	2,218	6,152	5,517
11 - Products of the milling industry	23,142	16,193	15,854	11,877	7,917	5,850
12 - Oil seeds & oleaginous fruits	857	1,267	1,294	1,645	2,076	2,368
13 - Lacs, gums, resins & other veg. saps	34	50	138	119	116	208
14 - Vegetable products n.e.s.	2	3	19	1		5
15 - Animal or vegetable fats & oils	13,978	12,730	11,685	13,392	14,435	14,351
16 - Preparations of meat	5,103	1,129	1,256	1,388	1,997	1,558
17 - Sugars & sugar confectionery	12,969	14,657	18,889	18,854	21,273	12,557
18 - Cocoa & cocoa preparations	2,416	1,798	2,995	2,604	2,476	2,688
19 - Preps. of cereals, flour, starch, etc.	13,306	10,778	12,919	15,386	15,403	14,584
20 - Preps. of vegetables, fruits, nuts & plants	2,701	4,059	5,922	7,437	7,139	6,958
21 - Miscellaneous edible preparations	6,680	6,351	7,266	9,468	9,763	10,507
22 – Beverages, spirits & vinegar	22,423	25,609	29,268	26,863	25,628	22,160
23 - Residues and waste from food industry	1,933	1,683	2,132	2,711	3,098	2,320
24 - Tobacco & tobacco products	11,873	21,455	27,083	24,968	24,532	22,834
Other WTO products outside chapters 1-24	2,120	1,564	3,539	2,722	3,074	2,996

Source: *Eurostat (from http://fd.comext.eurostat.cec.eu.int/xtweb)*

Table A3.3: COMTRADE data: Albanian Agricultural Exports (global and to EU 25) by sub-sectors in "000 € (2001 – 2004)

EXPORT	World 2001	2002	2003	2004	EU25 2001	2002	2003	2004
TOTAL	340,424	331,337	395,222	478,796	310,478	306,618	370,657	433,545
Total Agricultural products	24,852	24,743	24,667	30,443	17,632	16,944	16,574	16,305
01 - Live Animals	174	4	31	612	134		31	612
02 - Meat and edible meat offal	77	374	1,018	0	42	331	1,014	
04 - Dairy produce	297	35	552	439		3	26	10
05 - Products of animal origin				2				1
06 - Live trees and other plants	29	93	181	343	28	93	179	342
07 - Edible vegetables, roots & tubers	1,112	1,493	1,135	1,938	1,057	1,464	1,024	1,840
08 - Edible fruits & nuts	79	98	406	294	49	85	234	50
09 - Coffee, tea, mate & spices	260	468	362	660	63	51	82	127
10 – Cereals	17	20	19	4	8			1
11 - Products of the milling industry	4		482	301				
12 - Oil seeds & oleaginous fruits	11,072	11,491	10,571	11,083	8,010	8,786	7,237	6,928
13 - Lacs, gums, resins & other veg. saps	137	184	56	400	127	147	19	240
14 - Vegetable products n.e.s.		1		1		1		1
15 - Animal or vegetable fats & oils	4	13	391	270	2	2	268	46
16 - Preparations of meat	18		30	38				7
17 - Sugars & sugar confectionery	425	12	32	20	29			
18 - Cocoa & cocoa preparations	11	5		41		1		4
19 - Preps. of cereals, flour, starch, etc.	209	8	27	86	23			
20 - Preps. of vegetables, fruits, nuts & plants	981	643	372	1,205	68	282	114	807
21 - Miscellaneous edible preparations	447	84	45	71	343	66	37	7
22 – Beverages, spirits & vinegar	679	647	641	4,859	38	99	225	227
23 - Residues and waste from food industry	546	382	115	277			18	7
24 - Tobacco & tobacco products	6,446	5,894	4,352	2,564	6,391	4,837	4,131	2,175
Other WTO products outside chapters 1-24	1,827	2,793	3,850	4,936	1,219	696	1,935	2,872

Source: *UN Commodity Trade Statistics Database*

Table A3.4: COMTRADE data: Albanian Agricultural Imports (global and from EU 25) by sub-sectors in "000 € (2001 – 2004)

IMPORT	World 2001	2002	2003	2004	EU25 2001	2002	2003	2004
TOTAL	1,485,335	1,590,182	1,647,326	1,823,020	1,150,017	1,176,693	1,174,882	1,240,706
Total Agricultural products	288,882	309,006	322,904	349,596	209,071	213,159	209,101	205,694
01 - Live Animals	1,928	3,124	3,537	3,968	1,673	2,941	3,091	2,897
02 - Meat and edible meat offal	18,864	27,303	34,961	34,205	11,190	13,900	13,579	10,911
04 - Dairy produce	6,509	8,103	8,213	9,148	5,123	5,626	6,219	7,107
05 - Products of animal origin	111	105	206	123	49	37	95	112
06 - Live trees and other plants	839	1,327	1,209	1,311	826	1,293	1,173	1,307
07 - Edible vegetables, roots & tubers	10,753	12,899	12,758	15,952	8,675	9,596	9,807	11,146
08 - Edible fruits & nuts	35,557	29,373	32,162	38,599	27,051	22,070	21,315	27,737
09 - Coffee, tea, mate & spices	6,613	5,591	5,695	5,823	3,075	3,320	3,904	3,147
10 – Cereals	35,505	39,042	41,095	56,321	10,810	8,206	11,566	8,472
11 - Products of the milling industry	23,576	23,750	11,791	12,743	17,746	14,043	7,985	6,584
12 - Oil seeds & oleaginous fruits	635	532	1,055	1,816	540	430	897	1,625
13 - Lacs, gums, resins & other veg. saps	23	129	33	110	23	129	32	89
14 - Vegetable products n.e.s.	7	1	1	75	7	1	1	75
15 - Animal or vegetable fats & oils	22,229	23,123	26,018	26,484	14,598	13,712	14,390	15,223
16 - Preparations of meat	1,888	2,286	2,425	3,113	1,678	2,005	2,314	3,026
17 - Sugars & sugar confectionery	17,080	19,397	16,216	14,930	11,400	15,077	13,130	11,468
18 - Cocoa & cocoa preparations	5,147	5,259	4,274	4,548	3,633	4,144	3,034	3,099
19 - Preps. of cereals, flour, starch, etc.	20,210	18,488	26,452	27,560	13,359	13,966	14,371	13,075
20 - Preps. of vegetables, fruits, nuts & plants	11,069	14,088	14,341	12,877	10,727	13,407	12,555	11,081
21 - Miscellaneous edible preparations	6,373	7,998	10,181	10,979	5,367	6,747	7,841	8,743
22 – Beverages, spirits & vinegar	25,332	25,657	24,189	24,951	24,465	23,723	21,479	23,533
23 - Residues and waste from food industry	2,846	3,411	3,784	3,090	2,462	2,567	3,091	2,429
24 - Tobacco & tobacco products	32,105	34,267	36,675	36,270	31,222	32,940	33,430	29,793
Other WTO products outside chapters 1-24	3,682	3,753	5,632	4,598	3,371	3,278	3,801	3,014

Source: *UN Commodity Trade Statistics Database*