

AGRICULTURE-A DIFFICULT, BUT POSSIBLE PATH TOWARDS EXPORTS

Prof. Myslym OSMANI
**GENERAL DIRECTORY OF
AGRICULTURAL POLICIES**
MAFCP

Assisted by:
Klaudio FEKA
Junior researcher

ACIT

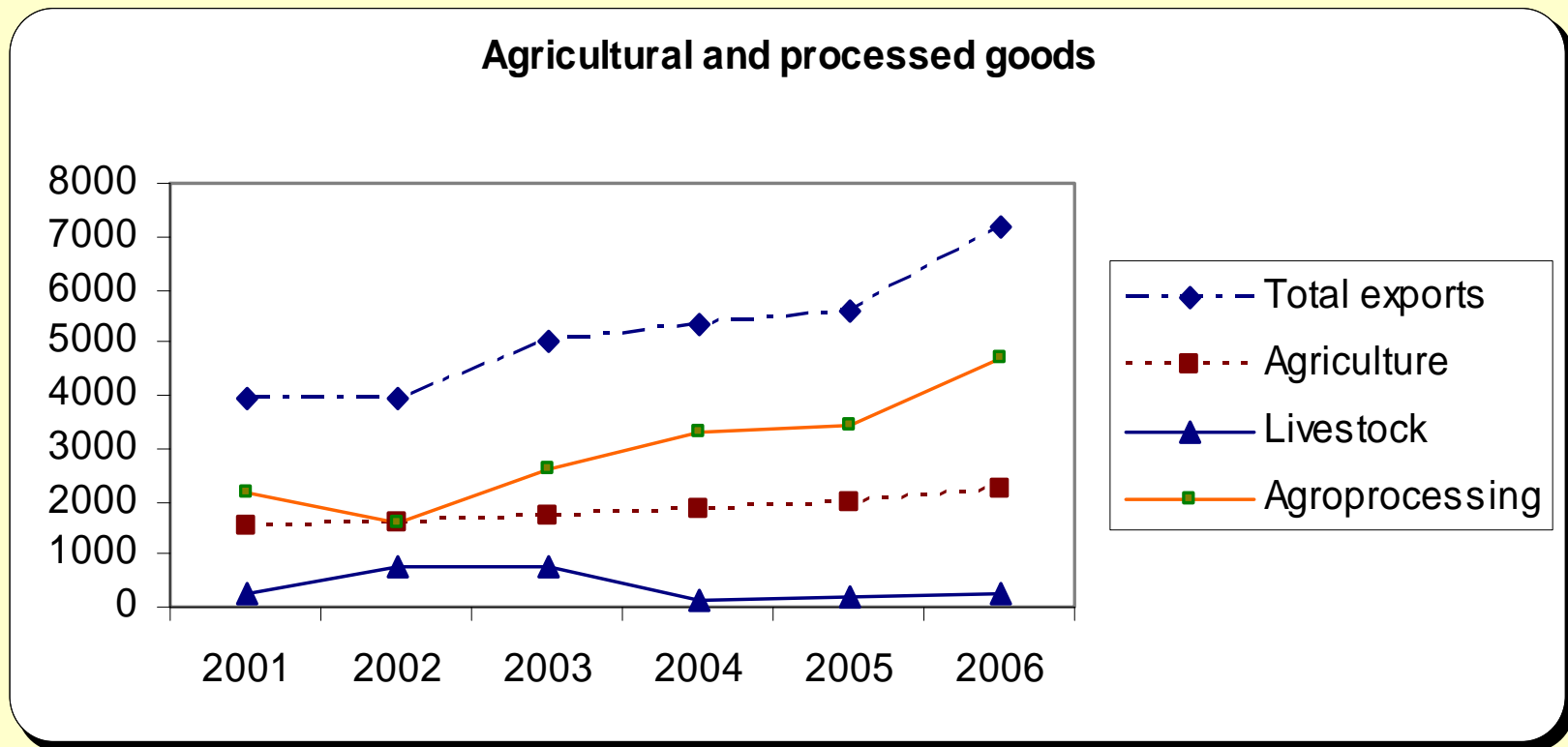
FACTS AND DYNAMICS

Basic facts about foreign trade with agro-industrial goods:

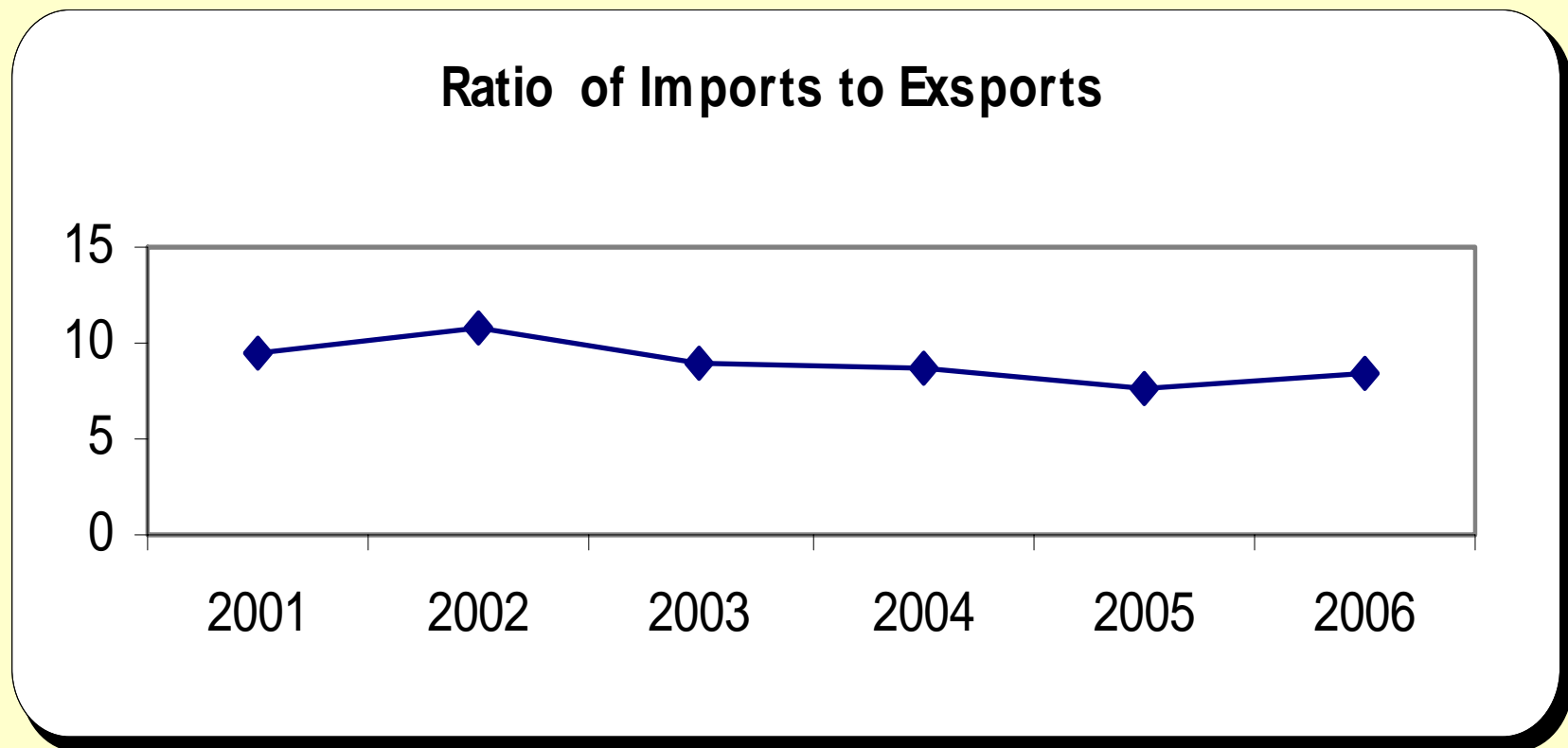
- **Usually limited amounts of exports**
- **Unclear trends, sometimes reduction of exports**
- **Exports many times less than imports**

FACTS AND DYNAMICS

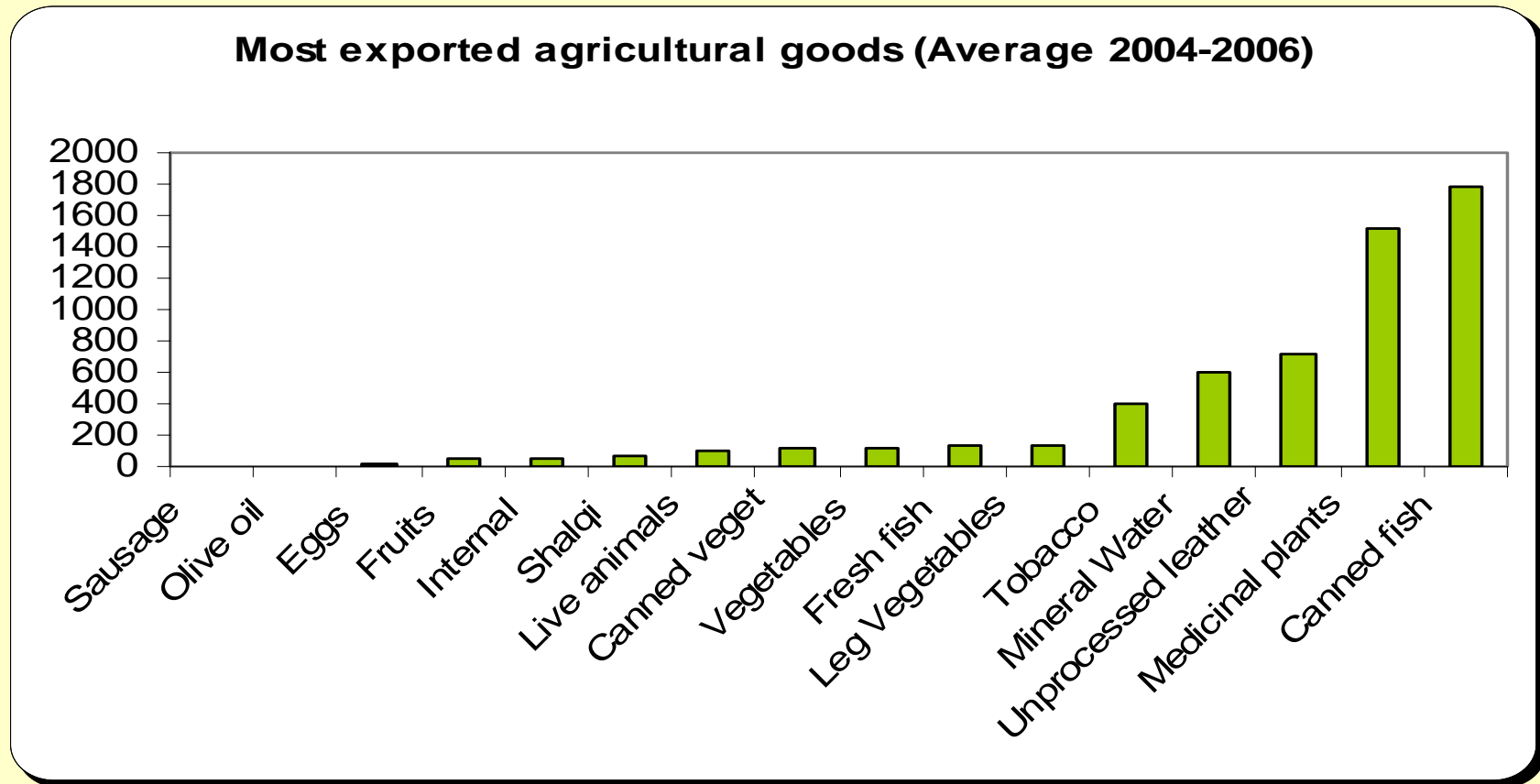
Dynamics of major components of agricultural and processed goods:



FACTS AND DYNAMICS



FACTS AND DYNAMICS



TRYING TO EXPLAIN THE *WHY-S*

There must be at least one reason why these are the most exported products:

- **Products with higher food safety (eg. medicinal herbs, etc.)**
- **Products with lower or inexistent domestic demand (medicinal herbs, raw tobacco), etc.)**
- **Products with relatively low production cost and selling price (medicinal herbs, raw leather, tobacco, etc.)**

TRYING TO EXPLAIN THE *WHY-S*

- **Specific products for which there is foreign demand**
- **Goods exported to markets with lower quality requirements (Kosovo, Turkey, FYR Macedonia, etc.)**
- **Products exported near borders, hence with lower transportation costs**
- **Products with more developed marketing chain (medicinal herbs, raw leather, tobacco)**

TRYING TO EXPLAIN THE *WHY-S*

- **Products with relatively higher economies of scale (medicinal herbs, melon, tobacco, etc.)**
- **Products where requirements for higher production technology are less necessary**
- **Products for which efficient food safety control is less required**
- **Products where GAP and GMP play lesser role**

TRYING TO EXPLAIN THE *WHY-S*

- **Exported products are those which face less non-price competition in foreign markets (tobacco, medicinal herbs, tea, eggs, etc.)**
- **Products that are sold in niche markets (frogs, eggs, etc.)**

EFFORTS TO MITIGATE *WHY-S*

If we try to reshape the above *Why-s* in a positive sense, we would have a number of *policy objectives and priorities* where to focus in order to promote exports.

These would serve as *strategic engagements* of the society, its respective institutions and agencies, in order to improve the stimuli and conditions for expanded agri-food exports.

MAFCP, but not only it, is actually playing a crucial role in this respect

EFFORTS TO MITIGATE *WHY-S*

Major strategic engagements to the promotion of exports of agri-food products are:

- 1. Improve Good Agricultural Practices**
- 2. Develop marketing channels**
- 3. Improve and implement control legislation**
- 4. Improve production technology at firm level**
- 5. Improve economies of scale**
- 6. Make use of FTA-s**
- 7. Improve market information and trade promotion**

EFFORTS TO MITIGATE *WHY-S*

Strategic engagement 1: Improve Good Agricultural Practices

- **Actually the intensive farm systems (vegetables, fruits) use lots of chemicals, more pesticides.**
- **The unproductive systems of these two products and other products are close to GAP but suffer from low economies of scale and other problems**
- **In some areas of the county are being implemented pilot projects or activities to introduce GAP. There are also some sporadic efforts to certification of selected farm products (EUREPGAP).**
- **There are, but long-term prospects, to largely include there practices, which works not positively to export expansion in a shorter term.**

EFFORTS TO MITIGATE *WHY-S*

Strategic engagement 2 : Develop marketing channels

- **Actually market channels for fruits and vegetables are weak, especially there is lack of important collectors.**
- **The have been built and are being supported wholesale markets in strategic points of the territory (BB, FAO, IFAD,SIDA).**
- **There are not significant initiatives for vegetables and fruit processing, while capacities are relatively good for processing of milk nd meat.**
- **Prospects for fast development is not before medium-term with direct effect on exports.**

EFFORTS TO MITIGATE *WHY-S*

Strategic engagement 3 :

Improve and enforce implementation of food safety legislation

- **Actually there exists a food safety legislation, but not fully in line with that of EU**
- **In the framework of SAA there are measures aiming at improving the basic legislation, which is expected to have good impact on the quality of inputs and products, as well as respective standards**
- **It is expected that legislation implementation and standards will be improved significantly, but it is expected to be effective only in the long term. This poses some difficulties to prospects for agricultural exports**

EFFORTS TO MITIGATE *WHY-S*

Strategic engagement 4 : Improve production technologies

- **This is a key priority to productivity and quality improvement, as well as for cost reduction.**
- **Techniques for land cultivation, fertilisation, irrigation and services to plants and animals have been improved, but are still far away from required levels.**
- **Obstacles are long-term (Lack of credits, limited farmer knowledge, structural obstacles, off-farm employment) though there are some active programmes (ASP, MADP, 2KR, etc.)**
- **Positive effects of this factor are expected to be but not before medium-term.**

EFFORTS TO MITIGATE *WHY-S*

Strategic engagement 5 : Increase economies of scale

- **Agriculture production is taking place at a low scale, because of small farms and high and mosaic production.**
- **At market level, the economies of scale are limited, because of lack of important wholesalers.**
- **There have been and there still are programmes to promote among farmer group cooperation (ASP, FAO, Spanish Cooperation) and wholesale markets, which are expected to increase economies of scale**
- **But significant effects are expected to become visible and efficient not before long-term, because of structural obstacles.**

EFFORTS TO MITIGATE *WHY-S*

Strategic engagement 6 : Make use of FTA-s

- **Albania has been able to conclude a number of trade agreements, with EU and surrounding countries, like FTA-s**
- **These have contributed to further liberalize trade and have created some premises for export expansion.**
- **It has been estimated that their effect so far has been unimportant, because of other negative effects, as explained above or will be explained after.**
- **Potential benefits in terms of exports are expected to improve in the distant future.**

EFFORTS TO MITIGATE *WHY-S*

Strategic engagement 7 : Improve market information and trade promotion

- So far efforts might be considered good
- Worth mentioning are organization and participation in local, national and international fairs and exhibitions (Green Week Berlin, Fiera del Levante, etc.)
- Participation of Albanian products has been improving, through increased presence of Albanian goods, improved information and better sales. Thanks to foreign assistance (GTZ, MADP, etc., the amount, variety, and quality of information for international trade has been promoted through internet (Some good databases have already been put into operation)
- However, all this is considered insufficient, and it is expected to have only a complementary effect

LOOKING AHEAD

1-Support to **GAP through measures aiming at improving three systems:**

- **Integrated Farm Management (IFM)**
- **Integrated Pest Management (IPM)**
- **Integrated Plant (or animal) Nutrition (IPN)**

This will be done through:

- **Legislation improvement**
- **Introduction of new extension methods, such as FFS and PTD**
- **Restructuring of support and technical services to farmers**

LOOKING AHEAD

2-Support horizontal and vertical partnerships with the aim of increasing economies of scale, through:

- **Improving the respective legislation**
- **Support to set up model partnerships**
- **Integrated management of farm wholesale markets (eg. Agency of Wholesale markets)**
- **Efficient management of relevant domestic and foreign experience**

LOOKING AHEAD

3-Improve agriculture and livestock production technologies through :

- **Support of production and market of basic farm inputs**
- **Support of quality improvement and standards of farm inputs**
- **Improve systems of integrated management at farm level**
- **Support FFS dhe PTD**

For this a special role would play:

- **Ongoing improvement of respective legislation**
- **Improve monitoring capacities of the quality control institution**
- **Direct support to farmers (eg. Ongoing fruitculture scheme, etc.)**
- **Completion of irrigation infrastructure rehabilitation**

LOOKING AHEAD

4-Improve product standards through:

- **Adoption of norms, regulations and prescription of EU respective acts.**
- **The on-going improvement of the respective legislation (Law on Food with the accompanying acts, etc.)**
- **Support to and restructuring of wholesale markets**
- **Improving of post-harvest operations at farm level**
- **Improving the production technologies**

LOOKING AHEAD

5-Direct support and promotion of **pro-export activities and initiatives, such as:**

- **Providing market information**
- **Explore potential export markets**
- **Promotional activities**
- **Support market research**
- **Preparation of goods for sale**

CONCLUSIONS

Exports of agriculture or agriculture-based goods are actually significantly limited.

Research and analysis point out that the major limiting factor is **low capacity to compete in the market based on, or because of:**

- **Low quality and food safety of Albanian products**
- **Low economies of scale**
- **Relatively high production costs**

CONCLUSIONS

Radical improvement in the management of these factors are impossible in short term, therefore **agricultural exports have a difficult path ahead**. But there is still place for a **dynamic optimism**, because:

- **There are increasing efforts to improve management of these factors**
- **While time is passing, the complementarity of these factors at farm or market level is improving visibly, what is expected to contribute positiveley with an added effect.**
- **Pro-export suport is increasing and restructuring also in the form of direct support (eg. The Grant Scheme for Cost Sharing-Albinvest)**
- **International support to Albania has taken new dimensions and features (EU: Interim Agreement, SAA, IPARD, etc.)**
- **The evident perspective of Albania to become a candidate EU country expands greatly the potentials for better production and trade EU support to Albania.**

THANK YOU FOR THE ATTENTION!