

AGRICULTURE AND THE EFFECTIVENESS OF SUPPORT POLICIES IN ALBANIA ON FOCUS: FRUIT PRODUCTION

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Abstract

This study refers to some very important issues regarding the support policies applied generally on agriculture and mainly on fruit production as a developing strategic sector. It aims to analyze the impact of applied support schemes, for a sustainable agriculture sector and evaluate the development of fructiculture. The application of direct support schemes, aiming to intervene on the improvement of agriculture technology, drainage and irrigation, increased numbers of orchards inventory and storage capacities in order to increase production and quality, it looks to be the main trend of development. The study contributes on the increased knowledge over the impact of actual support schemes in the region and gives recommendations on different options over the effects of agriculture support schemes. The research paper will be conducted based on a detailed review of the available literature, in order to determine clearly the situation of the applied support policies and its effects on the development of agriculture and fruit production.

Keywords: Agriculture policies, rural development, policy instruments, Albania

Introduction

Successive reforms of agricultural policy in Albania have progressively and significantly changed the way support is delivered to farmers. Until 2007 agricultural policy support in Albania was characterized primarily by indirect support, focusing mainly on the rehabilitation of infrastructure, establishment of a friendly business environment, support services to farmers and institutional strengthening. Indirect support comprises the relative lack of credit and grants directed by the government to farmers. The direct payment schemes were firstly introduced by the Ministry of Agriculture lately on 2007, consisting mainly in the introduction of new technologies, support of BIO products, greenhouses, fruit production, production of extra virgin oil, citrus fruit, followed by the introduction of interest rate subsidies, loans for agriculture mechanics, etc. Nowadays, a larger financial support is considered a strategic priority for the development of agriculture and agro-business sector, in order to enable and accelerate farm and business modernization to increase productivity and competitiveness. The EU agricultural policy has been considerably improved in the last years, providing a better value for money by supporting and targeting more accurately what taxpayers, consumers and producers have demanded, including more market orientation and increased competitiveness, direct support to producers in order to deliver positive externalities of agriculture and more incentives to improve standards and promote sustainability of rural areas. In this context, Albania as a candidate country that aspires to be a member of the EU, need to familiarize with the agriculture policies applied by this important organism. Therefore, investments and technical assistance are two important pillars in order to develop agriculture sector in Albania.

This paper begins with a brief look of the evolving role of the agriculture in the economy of Albania, followed by the importance of fruit production sector as a developing strategic sector. It also analyses the rural development indicators such as rural population, employment in agriculture, age structure and education, land area, agriculture irrigated land, etc. The last part of the research paper handles different issues such as the transparency of direct support from the respective government institutions and the information of the farmers regarding the application process.

The purpose of the study is to evaluate the impact of support schemes on fruit production and farm structure and to investigate the potential effects of the implementation of direct and indirect support policies in the future. The paper assists farmers with the necessary information regarding the application process for subsidies and the required documentation. The application of direct support schemes stimulates the sustainable growth of agriculture production and affects the income growth of the farms, as a basic step for the development of the sector.

Agriculture Sector Performance & Rural Development Indicators

Agriculture is one of the most important sectors of the Albanian national economy. Actually its contribution it is estimated at 22% of the GDP. Referring to the main development indicators of the World Bank on the Albanian agriculture, it is observed that the % of GDP during the period 2007 – 2009 has been decreased, as shown in Figure 1.

Figure 1: Agriculture value added (% of GDP)

Indicator	2007	2008	2009	2010	2011	2012	2013
Agriculture value added (% of GDP)	17.1	19	19	21	21	22	22

Source: Ministry of Agriculture, Food and Consumer Protection

The decreased contribution of the sector has come because of the slow growth of agriculture and the rapid growth of the other sectors of the Albanian economy. During the period 2011 – 2013, there is an increase in the contribution of the agriculture sector on the Albanian economy, as a result of the effects of the introduction of direct support schemes and the intervene of the Albanian Government in order transform agriculture into a strategic sector of the economy.

During the last five years the real mean growth of agriculture production is estimated to be about 4%. Migration from rural areas, land ownership problems, limited size of farms, product marketing, irrigation and drainage, low and old technology levels and weak organization of farmers are the main problems that the sector is facing for years.

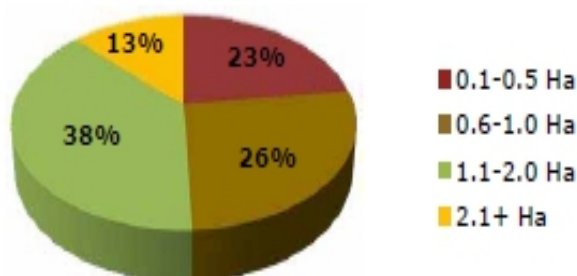
Rural families continue to dominate the national economy and about 50% of the population lives in the rural areas. The rural population is mainly dominated by young people. Official data from INSTAT, suggest that about 15% of the rural population is younger than 15 years old, 73% is between 15 and 64 years old and about 12% is older than 65 years.

Agriculture remains the main working alternative of people that live in rural areas. In the last ten years the contribution of the agriculture sector on the employment has been decreased from 47.6% in 2008 to 44.1% in 2013. Different data show that the working force on agriculture is decreased over the last years, because of migration of young people in urban areas and limited possibilities for young people to follow high school or university.

Regarding the education, there is a huge difference on the level of education between the urban and rural population, of adult people. In traditional rural areas only 1/3 of the population has completed the education of high school or university, while in urban areas this coefficient is very high, counting about 68%.

The farm Structure in Albania is characterized from a high number of agriculture farms but small in size. Even though the number of farms has been decreased from 418 000 in 2000, to 350 916 in 2013, still it is considered to be very high. The figure below shows the average size of household farms.

Figure 2: Agricultural Households



Based on figure 2, the average size of household farms in 2012 was estimated at 1.2 ha, varying from 0.7 ha in mountainous areas to 1.6 in the lowland areas. The agriculture sector in Albania suffers from small size of farms and the fragmentation of farm land, which is considered to be an important barrier of agriculture production and marketing.

The total agricultural land represent 24% of the total (696 000 ha) area of the country, as shown in figure 3. Around 43% of the total agriculture land is in lowland areas, while 23% of the agriculture land is in the mountainous areas and are mainly dedicated to the production of orchards.

Figure 3: Land Structure in (1000 ha)

Description	2000	2005	2010	2011	2012
Agriculture land	699	699	696	696	696
In %	24%	24%	24%	24%	24%
Forestry, pasture	2176	2176	2179	2179	2179
In %	76%	76%	76%	76%	76%
Total Land	2875	2875	2875	2875	2875

Source: Ministry of Agriculture, Food and Consumer Protection

Irrigation and drainage is another important indicator of the agriculture and rural development. The Albanian infrastructure is designed for ensuring irrigation of 360 000 ha, the drainage of 280 000 ha and protection from flood of 130 000 ha. Actually the total area that has been designed to be covered by the drainage system is about 220 000 ha, but there is the need for maintenance every three year. Rehabilitated dams for irrigation are 80, out of a total of 626 dams. Figure 4, shows the total agriculture irrigated land in %. As we see, since 2009 until 2013 the total agriculture land irrigated has been almost the same.

Figure 4: Agriculture Irrigated Land

Indicator	2009	2010	2013
Agriculture Irrigated Land (% of total agriculture land)	16.8	17	17

Source: World development indicators 2013. The World Bank

Even though, the Albanian Government has been focused on improving the irrigation and drainage system by financing different projects, still the situation of the irrigation system and its management does not ensure to the farmers the quantity and duration of water needed.

The Performance of Fruit Sector as a Developing Strategic Sector

In plant production, fruits and vegetables cover 60% of the total production, while the remaining 40% of production is covered from cereals, industrial crops and potatoes. The production of permanent crops, mainly fruits, olives and grapes have undergone through a big

expansion, followed by a consolidated trend that has led to an increase of the cultivated area, production and yields. As shown in figure 5, in 2012 the number of fruit trees was around 11,607,000 with a total production of 210,000 ton and yield of 23.4 kg/tree. The demand for fruits has been increased during the last 10 years. The consumption of fruits has been increased from 75kg/person to 115kg/person. The domestic market of fruits it is expected to grow, while the total value of the whole chain it is expected to undergo to a huge increase in value and volume. The total cultivated area with fruits it is estimated to be 14 500 ha. In terms of contribution on the value of production, apples are the most important with a share of 32%, followed by cherries 20% and plums 12%. The production of fruits is well distributed in most of the country, based on weather conditions and local tradition. Figure 5 represents specific findings on the increased number of fruit trees, yield and production from 2005 – 2012, in Albania.

Figure 5: Number, yield and production of fruit trees

Description	2005	2009	2010	2011	2012
Fruit trees					
Total (000 trees)	7,120	9,882	10,190	11,225	11,607
In production (000 trees)	5,370	7,319	7,439	8,313	8,992
Yield (kg/tree)	17.2	20.5	22.6	22.6	23.4
Production (000 ton)	90	150.4	167.8	188.1	210

Source: Ministry of Agriculture, Food and Consumer Protection

It is to be mentioned that the increase on production of fruits and number of orchard trees, has come as a matter of the ongoing support policies applied by the government in order to transform this sector into a strategic one. Korca region is considered to be the most productive region in terms of production by orchard, estimating 52 236 trees. This region it is mainly known for apple production. Even though the yield of fruit trees has grown permanently, still remains in low levels compared to other EU members. The inappropriate application of the production techniques and inputs are a limiting factor for the sector development.

Actual Policy Instruments Applied

Agriculture and Food Sector Strategy 2007 – 2013 is the main official document of the Albanian Government for the development of agriculture and agro-processing sector. Based on this document the agricultural policy of the government has stated the following strategic priorities:

- To increase the financial support to farms and agricultural businesses with special emphasis on fruit trees, vineyards, vegetables, industrial processing of fruits, vegetables, grapes etc.
- Improve management, irrigation and drainage of land
- Improve the marketing of agricultural products
- Improve agriculture technology level, information and knowledge of farmers
- Increase the quality and safety of agricultural and agro-processing products

The legal framework for Agriculture support and Rural Development is based on the Law for Agriculture and Rural Development No 9817/22.10.2007. It defines the program of the objectives and the support measures for agriculture and rural development. According to the law provisions, every year is prepared a National Action Plan that defines the measures for the implementation of agriculture development policies. According to this law the beneficiaries of the support schemes are;

1. Individual farmers or farmer groups, or any other legal entities involved on the agriculture activity.
2. Legal entities or individuals involved in the agro-processing industry

3. Individuals or legal entities that offer different agriculture services or any other rural activities.

Until 2007, agricultural policy was characterized as an indirect support, focusing mainly on the rehabilitation of infrastructure, establishment of friendly business environment, support to farmer's services and institutional strengthening. The direct payment schemes were firstly introduced by the Ministry of Agriculture, Food and Consumer Protection in 2007. According to this decision, farmers who planted fruit trees, grapes and olives more than 3dynam were eligible to receive 50,000 ALL per dynam for grapes and 35,000 ALL per dynam for fruit trees. During these years a lot of eligible applicants that fulfilled the defined were financially supported, counting 4 milliard ALL, until 2011. Different financial instruments are used for years in order to expand the cultivated area of fruit trees and increase production. Production of orchard has been developed sustainably as a result of the improved technology and support policies of the Albanian Government. A loan scheme with subsidy interest for a period of 7 years was introduced for the first time on the national schemes, for the finance of different projects on agriculture and agro-industry. From this new scheme benefited 10 private entities. Since 2007, the level of support towards the number of schemes applied and the number of farmers that benefited has been increased rapidly. Figure 6, identifies the financial support of agriculture and the number of farmers that applied on the support schemes from 2007 to 2012.

Figure 6: Financial support of agriculture, number of applications

Support schemes	2007	2008	2009	2010	2011	2012
No of schemes	3	13	17	11	17	20
No of applicants	3178	8614	12051	10090	14783	11340
No of beneficiaries	2109	7603	10854	8045	4078	7729
New plants in total (ha)	1169	1772	2536	2523	1929	2763
Planting of olive trees (ha)	337	706	1590	1848	1981	1616
Planting of nuts (ha)	0	0	0	0	465	662
Planting of vineyards (ha)	276	247	201	119	52	66
Planting of fruit trees (ha)	556	819	744	555	206	174

Source: Ministry of Agriculture, Food and Consumer Protection

Referring to figure 6, in 2007 the number of schemes applied by the Albanian Government was 3, supporting mainly the plantation of new fruit trees, olive trees and vineyards, while in 2012 the number of these schemes has been increased to 20, expanding the range of support. The number of farmers applying for support schemes in 2007 was 3178, followed by 2109 beneficiaries, while in 2012 applied 11340 and benefited 7729. If we analyze the data shown in figure 6, we can see that the number of new plantations has been increased, but if we compare the number of farmers that benefited from direct support schemes of agriculture and the amount of support, it can be said that the number of new plantations should have been higher. Almost 70% of the budget for agriculture support during the last 5 years is being used for the plantation of new fruit trees, vineyards, olive trees and the improvement of the irrigation and drainage system.

The actual support schemes of agriculture applied by the government for the development of the sector are as follow:

1. For the planting of olive trees, is supported 250,000 ALL/ha, for the intensive form of planting and 180,000 ALL/ha for traditional plantings
2. For planting of nuts, is supported 250,000 ALL/ha, with grafted seedlings and 180,000 ALL/ha planting without grafting.
3. For extensive plantings of hazelnuts and pomegranate is supported 180,000 ALL/ha
4. For the planting of apple trees, pears, plums, cherries, peaches and quinces is supported 200,000 ALL/ha
5. For the planting of vineyards is supported 250,000 ALL/ha

6. For the drip irrigation method of fruit trees, olives is supported 250,000 ALL/ha. The minimal planted area should be higher than 5 dynym.
7. The support through subsidies of 70% of the interest rate, for 5 years, for agriculture loans up to 25,000,000 ALL that will be used for the storage and processing of agriculture products, livestock, fungus and medicinal plants and agriculture technology.

Impact of Policy Instruments on Sector Performance

Different financial instruments are used for years in order to expand the cultivated area of fruit trees and increase production. The Albanian government allocated about 6.8 million Euros in 2013, for direct support and national investment schemes in agriculture and agro-processing industry. Agricultural production in 2012 increased slightly, mostly due to the improved production in fruit trees and olives. The figure below shows the number of farmers that benefited from the support schemes and the amount in Euros.

Figure 7: Number of beneficiaries and the financing of each scheme during 2013

No	Support scheme	No of beneficiaries	Finance in Euro
1	Planting of olive trees	3,358	2,311,217
2	Planting of nuts	1,092	850,685
3	Planting of fruit trees	433	240,702
4	Planting of subtropical trees	162	156,549
5	Planting of grapes	171	116,717

Source: Ministry of Agriculture, Food and Consumer Protection

The growth of the sector is linked to the government direct support schemes that have encouraged the planting of new trees. The positive impact of the plantings on 2006, 2007, 2008 and 2009 are reflected on the production of 2012 and 2013, because of the fruit trees entering in production in these years. More specifically, the growth of production for 2012 and 2013 has arrived from:

- Constant improvement of crop techniques
- Government financial support
- The entrance of new plants in production, such as 620,000 fruit trees, 150,000 olive trees, 40,000 citrus trees and 296 ha grapes.

Support policies for agriculture and rural development have contributed positively on the economic and social development of the agriculture and rural communities. The application of direct support schemes have resulted effective on the increased area of the arable land, and the increased average size of the agricultural farms. Also support policies have contributed positively on the increased economic efficiency which is expressed through an increase in the productivity and the quality of products. The utilized agriculture area has been increased with 24 000 ha, 6% higher than 2007, because of the support for the plantation of 15,000 ha with new fruit trees. Following the positive trend of the agriculture sector, it is estimated that in the following year's production inputs, such as land, water, genetic resources, fruit trees and agricultural environment will be managed carefully and effectively, due to the increased support measures of the Albanian Government.

Conclusion

Failure to treat agriculture as a priority sector in the last 20 years, has implied the consequence that government support for agriculture to be below the required levels. Based on that, it is necessary more adequate support for economic growth and poverty reduction.

Since the introduction of direct support schemes in 2007 we can say confidently that the introduction of direct payments have accelerated new trends of development of the Albanian agriculture.

Direct support measures have affected positively farm structure, irrigation and drainage systems and increased the contribution of agriculture in the Albanian economy.

The nature of support followed by the Albanian Government in the last 5 years (payment per hectare) has stimulated the restructuring of the agriculture towards an increase of the fruit and vegetable production.

The diversity of rural areas requires approaches that are targeted to specific local conditions. Hence rural development objectives need precise definitions and clearly stated priorities at local levels.

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