Albanian agriculture development and challenges with focus on small and family farms

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Key trends in the agriculture sector
Contribution to the economy - GVA

GVA contribution

- Mill. EUR
- %

- 2005: 0.00
- 2010: 500.00
- 2013: 1,000.00
- 2014: 1,500.00
- 2015: 2,000.00
- 2016: 2,500.00

- 2005: 19.5%
- 2010: 20%
- 2013: 20.5%
- 2014: 21%
- 2015: 21.5%
- 2016: 22.5%
Contribution to the economy – employment

- Public sector
- Non agri. private
- Agri. private
Key challenges
Farm structure

- According to the Census of Agricultural Holdings 2012, 98% of the agricultural holdings in Albania are family holdings/farms.

- No unified definition for small holdings. The suggested classification is up to 2 Ha.

<table>
<thead>
<tr>
<th>Area (ha)</th>
<th>No. of farms</th>
<th>Percentage</th>
<th>Expert categorization</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.1 – 1.0</td>
<td>159,85</td>
<td></td>
<td>Very small - Substance / semi-subsistence</td>
</tr>
<tr>
<td></td>
<td>142,08</td>
<td>45.55</td>
<td></td>
</tr>
<tr>
<td>1.1 – 2.0</td>
<td>4</td>
<td>40.49</td>
<td>Small - Limited potential to be economically viable</td>
</tr>
<tr>
<td></td>
<td>48,976</td>
<td></td>
<td>Moderately large and very large - Significant potential to be economically viable</td>
</tr>
<tr>
<td>2.1 +</td>
<td>350,91</td>
<td>13.96</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>6</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>
Farm size and fragmentation

- Land reform resulted in small and highly fragmented farms;
- land reform generated property rights insecurity due to overlap of claims. There has been a high level of bureaucracy too;
- the agricultural land market has not been functioning leading to many informal and thus insecure land transactions.
Farm size and fragmentation (2)

- Small farm size & high fragmentation combined with limited mechanization, limited access to services and finance all combined result in low income and low productivity;
- cooperation is necessary to overcome this gap, however cooperation is not very common in the agriculture sector – lack of trust and negative experience from the past, are among the factors;
- there have been many efforts in the past to establish cooperatives – most of such attempts have not been successful (top down approach, driven by donor financial support).
Access to market and standards

- Gaps in food safety standards legal and institutional framework, and in implementation of standards throughout the food value chain going downstream, which affect farmers (as well as consumers);
- Most farmers do lack information or awareness related to standards. Lack of awareness about standards results in standards non-compliance, which implies lower market access (especially in the case of exports) and constraints in access of funds (eg IPARD);

Lack of standards is typically associated with or caused by lack of value chain organization, including lack of cooperation or contract farming.
Access to inputs and services

• Farmers face major constraints in producing high-quality, consistent supplies. This is caused by financial constraints as well as low input quality and lack of technical capacity etc.

• Farmers report that seeds are often of low quality.

• Limited access to TA – public extension services have limited resources, while inputs suppliers remain the main source of TA (often not perceived as reliable!).
Access to finance

- Limited availability of collateral related to land ownership & small farm size;
- Informality.
- High interest rate.
- Low education level of farmers towards crediting and financial management.
Access to finance (2)

• Lack of information among farmers for different options of financing.
• Limited economist assistance/aid provided by government (e.g. for poor households or for unemployed).
• Few support measures target small farms (e.g. SARED vs. IPARD).
Lack of (or poor) data & analysis

• No regular farm surveys since 2012
• No FADN
• No market information system (MIS) since 2013
• Lack of analytical capacities at Ministry level (in the context of the policy design).
Recommendations
Recommendations (1) – evidence / AIS

• Improve statistical and information system to be able to monitor small farms performance and contribution.
  – Introduce specific indicators/statistics related to small farms/holdings.
  – Introduce indicators related to strategy (ISARD) implementation and to SDGs when applicable.
Recommendations (2) – Access to Finance

• Support farmers to have (updated/proper) land/property titles (necessary to access both loans & grants in some cases).
• Support development of the agricultural land market and to address the problem of excessive land fragmentation and small farm sizes through a national land consolidation programme (implementation of the LC strategy).
• Reduce the financial illiteracy of small/family farms, particularly women which might increase their chances to apply for creditor grant financing (eg. through trainings).
Recommendations (3) - Market and standards

• Prepare new manuals/guides or update existing ones related to good practices for each sector.
• Promote development of local territorial products, in all aspects, including creation of brands, protocols etc.
• Promote agro-tourism and slow-food, organic production, especially in hilly and mountainous areas.
• Small semi-subsistence farmers, engaged with many activities, should be advised on the best approaches of land use.
Recommendations (4) – Improve VC organization

• Promote contract farming as a strategy to improve market access and access to inputs.
• Promote collective action (e.g. empower existing production groups and support new emerging ones) as alternative strategy to improve market access and access to inputs.

*Establishing “raw success models” is the most effective strategy to promote contract farming (CF) and cooperation.*

• Build up capacities of farmers, policy makers and extension services to adjust decision-making to climate changes.
Thank you