

IMPACT OF AGREEMENT TRADE IN DEVELOPMENT ALBANIA'S

AGRICULTURAL.

M.Sc.Florinda Dema
Prof. Dr.Stilian Apostoli
Doc Dr. Edmond Kadiu
Doc. Dr. Mariana Nikolli

Agricultural University of Tirana, Albania

Email : florindadema84@yahoo.com & fdema@tiranabank.al

Abstract

The signing of the stabilization and Association Agreement marks the beginning of a new stage perspective of cooperation with the EU and, of course the deepening of the integration process of Albania. Therefore Albania's memberships in the WTO,FTA signed with the countries of the region and the EU,are the most important challenges for the Albanian economy in general and Albanian agriculture in particular. In terms of the implementation of free trade with EU, the possibility of the development of agro-industrial industries continues to be high for Albania, because many product can be exported customs duty zero. Food industry ,as an important branch of the Albanian Economy, has achieved the highest level of the recent years of about 55.5 million ALL(Albanian),with an average annual increase of about 5.3%.Significant increases observed in the sub-branch of milk processing, meat processing, fish processing,ect.The level of investment is another sign of the important development of the food industry. The study is based on an strategic research. The objective of this paper consists in the Analysis of the agro-industry dynamism in foreign trade and agri-food sectors that challenge the economic crisis . For this should be analyzed, Albanian imports and exports with EU countries the problems and needs of the agricultural sector and the sector's integration processes. The most predominant problems are: migrate on from rural areas, very limited size of holdings, poor marketing of products, underdeveloped irrigation and drainage systems, low technological level, weak organisation of farmers and low level of development of the processing industry. Analysis the possibility of the development of agro-industrial after signing the stabilization and Association Agreement with the EU.

Keywords: *the stabilization and Association Agreement, agro food production, the integration process, agricultural trade, import,export,economy crises .*

1. Introduction

Study of the integration of the Albanian agro-industry sector in the international arena, implies Analysis of the sector, import – export of agro products, problems that this sector faces, needs, integration processes of the sector etc. The purpose consists in recognizing the dynamics of agro-industrial production in foreign trade, investment efficiency in the sector, highlight of the potential sectors that challenged the economic crisis

2. Paper and methods

The prepared material has widespread support and as follows:

- a) Agrifood products, sectors which challenge the economic crisis.
- b) Potential of agro-industry in Albania, the products that marked an increase in the trade balance.
- c) Problems and needs of the agro-industry sector and the integration processes of the sector.

3. Results and discussions

Signing of free trade agreements in the region brought about significant change in trade relations with our Balkans neighbors by strengthening circulation of products and technology, this would mean for the country new commercial space and new export destinations, opportunities of promoting foreign investment, the introduction of modern technology, increase of production, supply goods cheaper for consumers Albanian etc. Though the degree of opening of the economy in Albania indicated an increase over the years, even if the contribution of trade volume in Gross domestic product (GDP) turns down about (45.3%) and very low in comparison with other countries in the region (90-94%) for the year 2010.

As above we are to analyze the agro-industry dynamism in foreign trade and agri-food sectors that challenge the economic crisis

3.1 Agro-industry challenges the crisis

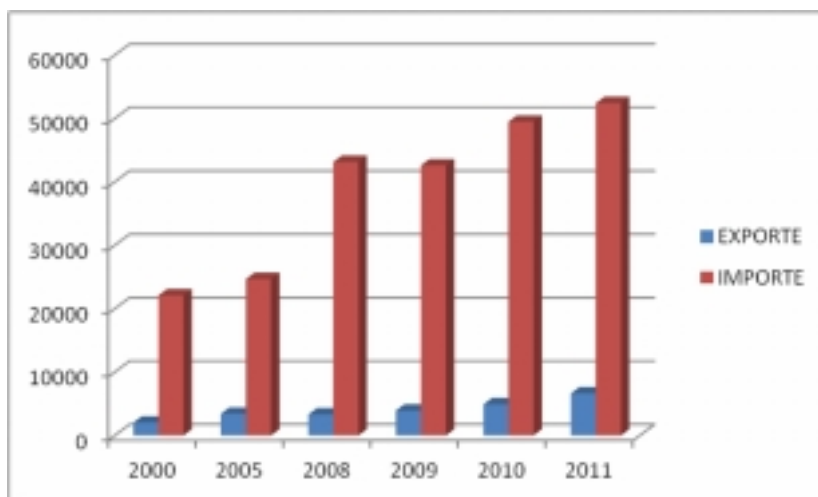
Agricultural and agro-food industry were the only ones which increased in times of crisis. Processors have increased the quality and standards of agricultural products to enhance the presence in foreign

markets. Good improvements have had exports of sea products, eggs, fruits and medicinal plants and vegetables. For the first time in many years, the food industry increased its operations by issuing more products in the market. Agro industry exported total about 6.6 billion in 2011, with an increase of 35% compared to a year ago. Activity in this sector was more dynamic than in 2009-2010, when the effects of the international financial crisis began to reflect in the Albanian market turning the industrialists into pessimism.

Tabela Nr 1. Agro-product exports-imports value (million ALL).

YEAR	2000	2005	2008	2009	2010	2011
EXPORT	2045	3436	3324	3942	4914	6645
IMPORT	22107	24690	43172	42602	49495	52433

Grafik 3.1 Agro-product exports-imports in Albania.



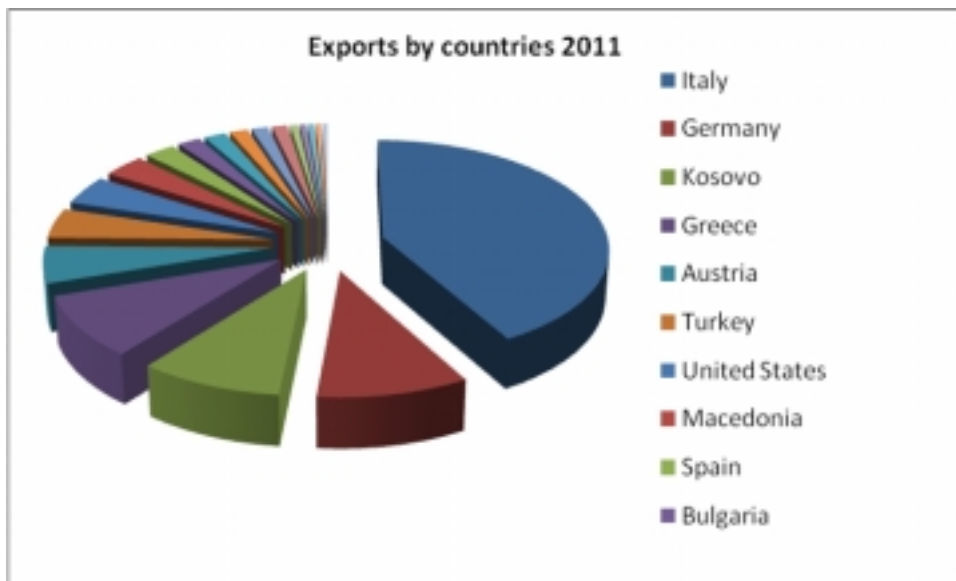
Public finance crisis, which severely affected the two main trading partners of our country, Greece and Italy seem to have been much "softer" in our market. The concern began three years ago from the food industry. Regarding the decline in demand and consumption these have been waned during this year and the coming months are optimistic forecasts for a good part of the industry. In this situation, more entrepreneurs have turned their eyes from investment in agro-industry, at a time when many other sectors, such as construction, trade, etc., are gripped by crisis. The cheap labor, good taste and quality of our products as well as the investment in improving standards in line with those of the European Union, are the main causes that are leading to the continuous improvement of this sector and its defense by the crisis. In the fruit and vegetable exports in 2011-2012 a positive factor has been the floods during last year in some major producing countries in the world, which increased more the demand for these items.

According to data from the Ministry of Agriculture and Food of processing industries Albanian exports towards foreign markets accounted for 54.9% of total agricultural exports for 2011, marking an increase

of 35% more than a year ago. Exports of agro-industrial products have increased in value 12% in the first six months of this year compared to the same period of 2011. In terms of implementation of free trade with the EU and the Agreement "CEFTA" for countries of Eastern Europe, the possibility of development of agro-industries remains high for Albania, because many products can be exported with 0 customs duties. Meanwhile the export in value of processing sea products grew by 10.2%, thus accounting for a major share in exports of Albanian agro industry. In 2011 Albania has exported mainly to Italy, Greece, whereas the rest in other countries of the EU, where Germany dominates. A positive trend has been towards Kosovo exports, thanks to the improved infrastructure (new road Durres-Kukes) and Albanian population. U.S. still occupy a small share in Albanian exports, where mainly are exported medicinal plants and organic products.

On the other hand the geography of export's distribution and agricultural import according the states results to be for 2011 as follows:

Grafik Nr 3.2 Agroindustry exports value by countries,2011



Albania's main economic partner became the European Union that represents 88% of the total volume of foreign trade. The main trading partner in the European Union became Italy for the following reasons: geographical proximity, traditional economic and cultural ties, Italy is a very developed industrial country and capable to assist the Albanian economy, 42.7% of exports and 16.9% of imports of agricultural products are carried out to Italy. 10.1% of exports and 14.8% of imports are carried out to Greece. In 2011, foreign trade of agricultural products was characterized by positive developments. Trade volume of agricultural products had an increase of 32% in comparison with 2010.

3.2.The most potential sectors for our exports

In the range of agricultural and agro-industrial products, Albania is getting quite competitive on certain items. Eggs, fish and seafood, medicinal plants, essential oils and organic products, and less fruit and vegetables, milk and milk by-products, are some of the products that are constantly increasing in food trade balance of the country.

3.2.1 Increase of eggs exports

The eggs industry has become today one of the most potential sectors for export. Data from two leading companies in the country confirm that 50% of the production is for export, mainly to Italy, Greece, Croatia and Kosovo. According to the officially published data of the Ministry of Agriculture exports of egg production in the first quarter of 2012 compared with first quarter of 2011 have had changes to 275%. Since 2006, when Albanian firms won the right to export to foreign markets, they have increased sales in foreign markets. Aiba and Floryhen are the sole two companies in Albania that have the right to export eggs to EU markets, because they have met the criteria and parameters set by Europe. Albanian egg is used by industries for the production of various foods. Industrialists say that it is very simple to export and that they have many more earnings in exports because prices are higher and the distribution is much easier, as well as the "collection" of payments.

According to producers, the internal impetus promoting export is surplus value in Albania. According to the Ministry of Agriculture, in our poultry there are produced annually over 900 million eggs. In fact, in recent years the production of eggs is twice higher than 10 years ago. In 2000, egg production was about 530 million eggs a year, and now has reached to 950 million eggs. This increase is a result of industrial facilities, established in recent years in our country. For egg production in our country today is used a modern technology. Although egg production in the country has advanced well, this industry has many problems because the country lacks the egg processing industry, which is still in its infancy. Currently there are 22 firms in the country involved in the production of this product (eggs), who have traded some of their products abroad, such as in Kosovo and Croatia. The number of eggs companies increased significantly in recent years, as according to market producers egg production is profitable and there are opportunities for export. Increased number of companies producing eggs and the increase of production in the country has led to lowering of import and eggs.

3.2.2 Medicinal plants, exports increase

Herbs and teas are expected to benefit most in the Western European market. Export of medicinal herbs has had a weak potential. In recent years exports resulted in a positive trend, helped by the difficulties of trade between Europe and countries such as Morocco and Egypt. These ones were among the main suppliers of agricultural products up before the issue of internal problems. Export of medicinal herbs for 2011 resulted in up to 8780 tons (2.2 billion lek), 22.7% more than exports carried in 2010; a growing trend has emerged the first months of this year.

3.2.3 Good year for fish processing

Exports of processed fish increased by nearly 10.2% last year, reaching 2.74 thousand tons thanks to the following of a number of supportive policies, increased of product quality according to EU standards, increase of fish processing factories or their activity expansion. This market does not seem to be affected by the effects of the crisis which then in turn have had a decrease of demand for a range of other products in Western Europe. The weight of this product reached 9.5% of the agro-processing value of a year earlier. In the country there are 4 big factories operating in fish processing which import raw materials mainly from Croatia and send in it much more in the Italian, Spanish, Macedonian market. Meanwhile the export value of this product grew by 10.2%, thus accounting for a major share in exports of Albanian agro industry.

3.2.4 Bottled water industry records rapid growth

In the last 10 years the bottled water industry has recorded rapid growth, today production is 2.5 times greater than in 2000. In 2011, production of this product increased 18% compared to the previous year. Exports of bottled water grew nearly 54% compared to 2010 and were made primarily with Kosovo.

3.2.5 Milk

Last year there have been processed about 94 thousand hectoliters milk. Since 2000, processing of milk has tripled. Although there was a decrease of 8% compared to the previous year, according to industrialists this is due to the huge growth that he experienced in 2010. Albania counts today more than 20 aquaculture farms to an annual output more than 2.4 thousand tons per year. Over the last 10 years production and exports have tripled or quadrupled.

3.2.6 Flour Industry

Flour industry occupies the largest share in the agro industry sector and has continued to have positive growth. According to the Ministry of Agriculture, flour production in 2011 was about 7.5% higher than the previous year. Most of the businesses in the agro-industry is in the form of bakeries (1,102 businesses), followed by dairy production businesses (342), flour (171), oil production (108), wine (86), meat (65).

4. Problems and needs of the agro-industry sector and the integration processes of this sector

Our potentials are great, but inhibitory factors are numerous and related to:

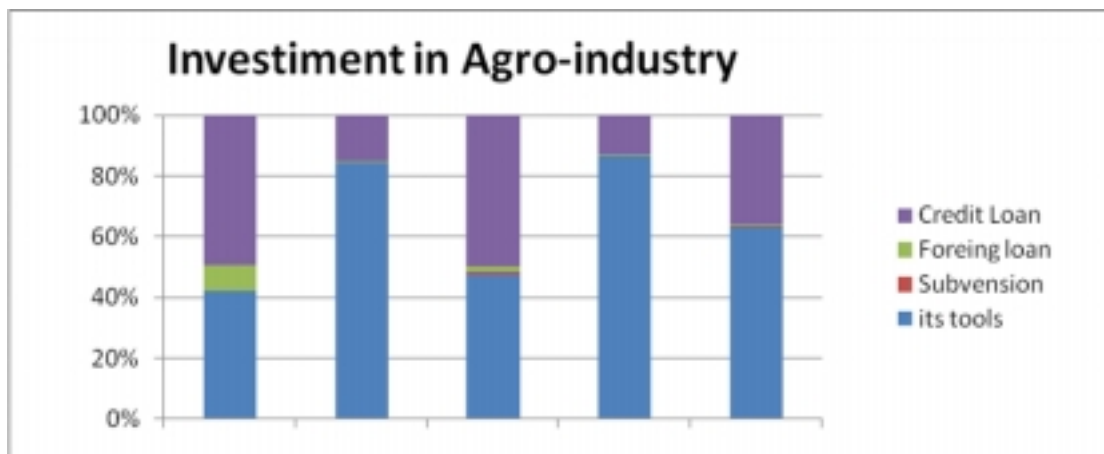
- ✓ Relatively undeveloped infrastructure in rural areas that hampers the emergence of products on the market.
- ✓ Fragmentation of agricultural land that impedes the effective organization of production and the concentration of supply of agricultural products, reduce productivity and reduces the cost per unit of product.
- ✓ Total abstinence of agricultural land in width and depth for a variety of well known reasons.

- ✓ Low level of agricultural loans for investment in this sector, low budgetary support for agriculture compared to other branches or the necessity to further increase of direct subventions. Standardization and certification of products as a very important element of trade with the region, the EU and beyond, and that are competitive to those markets.
- ✓ Approximation of legislation to the standard requirements of European legislation

Integration processes of this sector

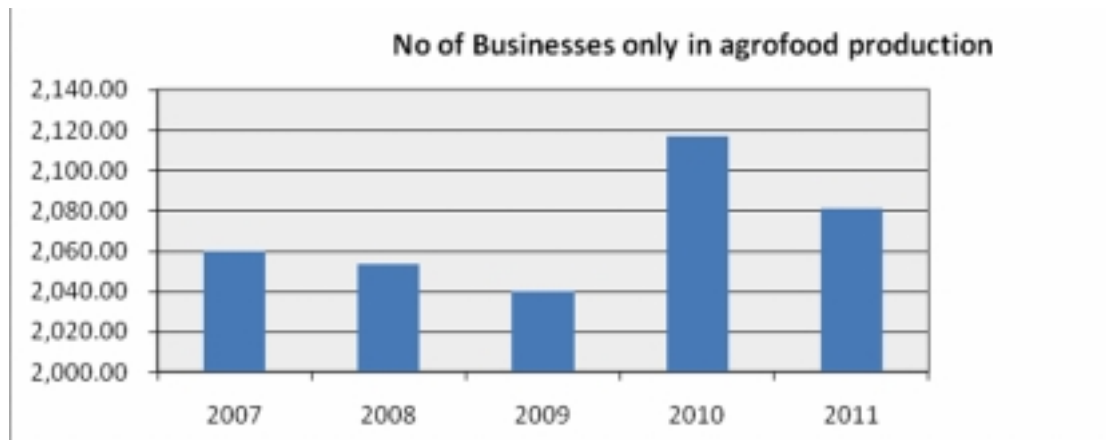
- ✓ The banks are reorienting their loans giving priority to agriculture and agro-industry funding. Is a fact that they generally tend to credit sectors that have good growth in the market and the department of agriculture has increased in recent years, despite the economic crisis.
- ✓ Even in 2011 the government launched a series of supporting policies to help returnees from emigration to integrate into agricultural activities and agribusiness. All beneficiaries had to pay property taxes on the land and enroll in the social security schemes in order to benefit from them.
- ✓ Improved infrastructure between the two countries has encouraged entrepreneurs to increase their presence in the country populated by Albanians. Kosovo occupies about 75% of total exports of water.
- ✓ Modernization of processing and agro industry factories that meet the standards is a phenomenon that has prevailed in recent years enterprises.
- ✓ Modernization of fish processing plants and water farms has caused Albanian products to be competitive in the international market while improving the economy and trade balance.
- ✓ Investments in agro industry experienced last year an increase of 53%, reaching over 800 million All. Most of the investments in agribusiness are done by businesses, while the subvention from the state budget has been almost zero.

. Graphic 4.1 Investments in agro-industry



- ✓ There are about 2273 subjects in agro-processing, with nearly 28 manufacturing activities, manufacturing activities, service activities etc. About 30% of them are companies with more than five employees

Graphic 4.2 No of businesses in the agro-industry



5. Conclusion

From the above analysis reached the following main conclusions;

- ✓ Competition that comes from Western products is the most important challenge for the Albanian economy in general and Albanian agriculture in particular. They make favorable increase of exports, but a higher increase for imports.
- ✓ With regard to the low level of agricultural production, the main drawback is the small production structures.
- ✓ A small number of farms have the capacity to produce according to European quality requirements. Farmers seek higher prices for their products from those that industry can pay.
- ✓ Plenty processing industry companies, including those that produce for export, buy agricultural inputs imported. This constitutes a limiting factor for Albanian exports.
- ✓ More attention towards subvention policies or mitigated loans for new agribusinesses. While the EU and most of our neighbors recommended a subsidy scheme. It is recommended that: The state should not abandon his duties on grounds of liberalization (privatization of state enterprises), new elements of fiscal policy, monetary and credit policy should be applied to support agro-processing industries and agriculture.
- ✓ Incomes from agriculture remain very low, especially compared with the EU countries. Increasing the quality of agro-food products is the basic factor for increasing competitiveness. Quality increase will come from technological improvement, but also new methods and

techniques of integrated management of production systems and the reduction of chemicals that will promote growth of organic products.

- ✓ Removal of VAT on imports of agricultural machinery and equipment, on raw materials used in agriculture and agro-industry, on the livestock and productive breeds are among the main steps that will mark technological improvement, the increasing of domestic production, the normal supply of internal needs and the more rapid growth, the volume of agricultural exports in quantity and value as well as the appropriate improvements to the trade deficit, etc.
- ✓ To increase exports to the EU is necessary:
- ✓ Consolidation of land market, increasing the farmer information through brochures or expansionary services, as until now the farmer produces on his own intuition, to explore possibilities of export guarantee.
- ✓ To increase exports of agricultural products is necessary:
- ✓ Domestic productivity growth, increase of state subventions for farmers, guarantees for trade of agricultural products, standards and quality of our products, the monitoring of the sanitary, phytosanitary and veterinary situation are a prerequisite for Albanian exports. The need for independent laboratories, certified and recognized by European institutions emerges as a commitment to be taken by the responsible institutions.
- ✓ Recommendation: Through international fairs is made possible the recognition of our products in EU countries and the region. With the help of the Ministry of Tourism this purpose become possible (through the stands).

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