

The Financial Impact of Aids and Subsidies by the Albanian State Agencies in Small and Medium Farms



Economics and Agribusiness

Keywords: Albanian agriculture, farms, stakeholders, industry, etc.

Pjerin Shoshi

Aleksandër Moisiu University, Durrës, Faculty of Business

Etleva Dashi

Agricultural University of Tirana, Faculty of Economics and Agribusiness

Natasha Hodo

Agricultural University of Tirana, Faculty of Economics and Agribusiness

Abstract

The Albanian agriculture faces the challenges of competitiveness in a global and regional market. Many factors, cause the non-competitiveness of the agriculture sector in our country compared to other countries of the region, and the EU. For this reason, it is important to study the impact given to farms and the Albanian agriculture, aids and subsidies by the Albanian state agencies. The most important challenges for the Albanian farmers may be classified into a few points, which we tried to explain through this bibliographic work. The Albanian agriculture is mainly characterized by farms with small surface and with a low level of mechanization. A significant problem of the agricultural sector in our country is the inadequate level of cooperation between farmers and the different stakeholders of the industry.

1. Introduction

Nowadays, the Albanian agriculture is still suffering the consequences of a legacy, in many aspects not very productive. Until the 1990s, the Albanian agriculture was characterized by massive collectivization. Most of the production came from agricultural cooperatives, which, unlike their counterparts in the Western Europe, were cooperatives that were created without the free will of the farmers. Another factor, equally important, was the lack of share of financial returns, to farmers participating in these cooperatives.

After 1992, with the change of the political system in the country, the Albanian agriculture sustained a radical change in the structure of its operation. Because, the new agrarian reform returned the land to the farmers. But this reform brought a tremendous division of the farmland. Another aspect, in that period, was also a clear lack of investment in the agricultural production. Also, the sector suffered from a severe lack of manpower. As, a large part of the population living in the rural areas moved into major cities, or in the neighboring countries, through immigration.

Nowadays, the Albanian agriculture is mainly characterized by the following main problems:

- A very significant division of farms arable area (average 5-20 hectares).
- The level of mechanization in land cultivation, but also processing is very low.
- Almost, a total lack of cooperation for creating and then maintaining irrigation channels.
- Total lack of cooperation between farmers and other stakeholders in the industry for production, but also for the marketing of products.
- Lack of effective national policies to support the agricultural sector.

All these factors, cause the non-competitiveness of the agriculture sector in our country compared with that in other countries of the region, and the EU. For this reason, it is important to study the impact given on farms and the Albanian agriculture, aids and subsidies by the Albanian state agencies.

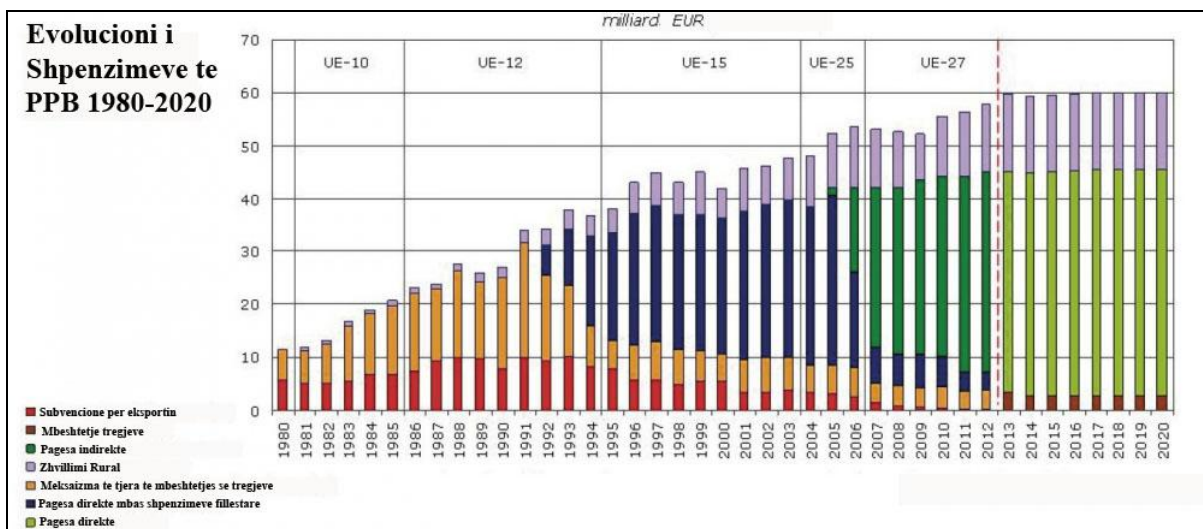
Albania has declared its intention to become an EU member as soon as possible. This includes the prospect of membership, setting out strategic plans for the development of the Albanian agriculture and the rural areas. To become capable of meeting the challenges and the requirements of the common market of the EU and adapting Albanian policies for the development of agriculture and rural areas with the "Common Agricultural Policy" (CAP).

2. CAP and its Financial Support for Farmers in the EU Countries

The Common Agricultural Policy of the EU was originally established on a number of measures, the controlling of prices and the subsidy, which were basically designed for the modernization and the development of the agriculture of the member states. The PAC is one of the oldest and most important common policies of the EU. As in terms of budgeting, 35% of the European budget, and 45% if we include the rural development.

Also, this policy is important for the number of inhabitants, as well as the amount of surface where it is applied. More than 60% of the inhabitants of 28 EU countries, live in the rural areas and it includes about 90% of the territory.

Graphic 1



Source: <http://www.agri-web.eu>

Nowadays, the CAP is based on two main pillars:

- The first pillar - The support of prices and markets.
- The second pillar - The rural development.

The first pillar of the CAP consists in organizing joint markets of the industry. Nowadays, it mostly includes direct financial aid to farmers and subsidies on export and stocking. This assistance is focused mostly on direct aid to farmers and it supports the insurances of prices. This assistance provides producers with a minimum secure income from their production. These measures aim to guide agricultural production, stabilize the markets, increasing the agricultural production and provide food safety to cover the European space.

3. Agricultural policy in Albania and its objectives

The vision for the development of agriculture and the rural areas in Albania can be summarized as follows:

a) Efficient, innovative and sustainable agri-food sector, able to face competitiveness pressure and meeting the EU market requirements through the use of sustainable resources.

b) Sustainable rural economic activities which provides employment opportunities, social inclusion and quality of life for rural residents.

This vision may be achieved through the implementation of several objectives:

- Supporting a sustainable and qualitative production of food through the growth of a competitive and innovative agri-food sector able to face competitiveness pressure in domestic and EU markets, meeting the EU standards and the market requirements.
- Achieving a balanced territorial development of the rural areas by supporting the diversification of economic activities, creation of jobs and social inclusion, and improvement of living conditions in the rural areas.

Table 1: Indicators of strategy, Benchmark 2000 – 2011 and targets for the 2020

<i>Indicator</i>	<i>Year 2000</i>	<i>Year 2007</i>	<i>Year 2011</i>	<i>Changes from 2007 to 2011 (from 2000 to 2011 in brackets)</i>	<i>Changes from 2007 to 2011 (from 2000 to 2011 in brackets)</i>	<i>2020 (Target)</i>
Farmland	699.000 ha	697.000 ha	696.000 ha	- 1,000 ha (-3,000 ha)	0%	696.000 ha
Exploited Farmland	367,475 ha	421,342 ha	445,210 ha	23,868 ha (77,735 ha)	6% (21%)	515,000 ha
The average farm size	1,04 ha	1,14 ha	1,26 ha	0,12 ha (0,22 ha)	10,5% (21,2%)	5 ha
The value of agricultural production, in million Lek	118,043	138,260	177,438	30,178 (51,322)	28% (41%)	
The value of agro-processing, in million Lek	27,990	47,970	56,524	8,554 (28,534)	18% (102%)	
Export of agricultural products and agro-processing, in million Lek	3,827	7,473	12,098	4,625 (8,271)	62% (216%)	40,000
Import of agricultural products and agro-processing, in million Lek	34.856	62,849	84,794	21,945 (49,938)	35% (143%)	200,000
Income outside agriculture for number of farmers	n.d.	124.190	148,111	23,921	19.3%	210,000

Source: SKNBZHR

Inter-sectoral National Strategy for Agriculture and Rural Development (SKNBZHR) was developed in accordance with the EU strategic planning approach for the CAP, while it maintains focus on the specific needs for the development of agriculture and rural areas in Albania. Agricultural development policies contribute to a large extent on economic and social development of farming communities living in the rural areas. A major objective is to increase the area of used farmland, thus increasing the average size of farms and doing so increasing the productivity of the agricultural sector. From 2007 to 2011, the used area for farm landing

increased by 24,000 ha (6%), partly thanks to the support for plantations and 15,000 ha from the new fruit trees, citrus, olive and nut, and vineyards. Currently, only 64% of the total farmland is utilized. It is necessary to increase the utilization of the farmland area in the coming years. The average farm size has increased from 1.14 ha / farm in 2007, to 1.26 ha / farm in 2011. This is a positive sign, but we are still far from the required level that a family needs to achieve in order to have an average income from agriculture, and far from the EU average. The value of agricultural production in our country has increased from 140,000 million Lek in 2007, to 180,000 million Lek in 2011.

The support for the modernization of more than 50 ha greenhouse production has contributed to this development. However, the economic performance of the agricultural sector is still weak, due to:

- the small size and fragmentation of farms,
- low levels of technology and low productivity total of factors, compared with the EU average.

More concrete efforts are needed to raise further the competitiveness of the sector. However, has been important for the development of the agricultural sector, the fact that new knowledge's of production methods, new technologies used, varieties and better new breeds to a certain extent, they have been available to farmers. Still, improved efforts are needed in order that the sector achieves its regional competitors. Water management also contributes to increase the productivity and the better management of resources. Support is provided for investments in, drip irrigation over more than 850 ha of production, and investments in water supply through new wells on 170 farms. Such contributions are important, but the need for further investment is essential.

3. Conclusions

Relatively positive development of the sector is reflected in the increase of exports. From 2007 to 2011, exports grew by 62%. The growth of imports in the same period was 35%. Although Albania still faces a large trade deficit in this sector, the relationship between exports and imports improved, from 1 to 8 in 2007, in 1 to 7 in 2011. The vision for the development of agriculture and rural areas in Albania, can be summarized as an, efficient sector, innovative and sustainable agri-food, able to face with competitiveness pressure and meeting the EU market requirements through the use of sustainable resources.

References

1. Abdel Hakim T. 2007. *Economie du développement rural*. Montpellier (France) : CIHEAM-IAMM. 148
2. Baudassé T. Montalieu T., 2007. *L'hypothèse du capital social une application à la finance et au développement*. Revue Tiers Monde. Armand Colin : 2007/2 - n° 190. p. 417-434.
3. Berriet-Sollic M., Le Roy A., Trouvè A. 2009. Territorialiser la politique agricole pour plus de cohésion. *Economie rurale*. Numéro 313-314. p. 128-146.
4. Brousseau E., 1989. *L'approche néoinstitutionnelle des coûts de transaction*. Revue française d'économie. Volume 4 N°4, 1989. p. 123-166.
5. Delorme H., Berriet-Sollic M., Perraud D. 2004. *Les politiques agricoles et rurales des régions dans L'Union européenne : une première comparaison*. 13 p.
6. Garrabé M., 2011. *Evaluation économique séminaire 3 : Evaluation économique des politiques publiques*. UM1-IAMM. 61 p.
7. Le Pluard B., Remongin X., Masson B. 2004. *La nouvelle politique agricole commune (PAC) les modalités d'application nationale 2005-2006-2007*. Ministère de l'Alimentation, de l'Agriculture et de la Pêche. p.8
8. Ménard C., 2010. *Oliver E. Williamson : Des organisations aux institutions*. Revue d'économie politique. Dalloz: 2010/3 - Vol. 120. p. 421-439.

9. Ministria e Bujqësisë, Ushqimit dhe Mbrojtjes së Konsumatorit. 2012. *Strategjia Ndër-Sektoriale për Zhvillimin Rural dhe Bujqësor në Shqipëri*.
10. OCDE, 1994. *Créer des indicateurs ruraux pour étayer la politique rurale* : OCDE
11. OCDE, 2007, “Linking regions and central governments: contracts for regional development”, OCDE publications, Paris.
12. Williamson O. E., 2002. *The Theory of the Firm as Governance Structure: From Choice to Contract*. Journal of Economic Perspectives. Volume 16, Number 3. Summer 2002. p. 171-195.

Web-bibliography

<http://www.bujqesia.gov.al/>

<http://www.azhbr.gov.al>

<http://europa.eu>

<http://agriculture.gouv.fr>