



Formerly Making Labour Market work for Young People

Annex 11: First Subsector Analysis – Agro-processing

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Executive Summary

RisiAlbania is a project addressing the employment issue of young people in Albania at a time when unemployment among ages 15 – 29 tops 21.5%. The project will support three subsectors – agro-processing, tourism and ICT – so that they expand and invest into job creation. These sub-sectors were selected during the inception phase for their high employment potential. The following analysis aims to design the intervention strategy for the first sub-sector: agro-processing. Similar analysis on tourism and ICT will be conducted during the initial stage of the implementation phase. The purpose of the agro-processing sub-sector analysis is to take a look at the symptoms of underperformance at processor level and uncover the underlying systemic constraints to growth. In other words, to find out *what keeps Albanian agro-processors from growing and investing in job creation?* The study initially lays out a comprehensive overview of the current situation with the sub-sector, followed by an analysis of the challenges and a strategy for facilitating solutions through the project's interventions.

Current situation: Agro-processing has expanded significantly during the last 10 years with a turnover almost doubled between 2000 and 2010 and employment increase by close to 20%. The sector has kept on growing even during the current crisis with an average of 3% increase in turnover and a 3.3% increase in employment each year. It is amongst the government's top priorities and offers ample room for donor cooperation, especially with complementary upcoming projects such as GIZ's future agriculture project, IPARD's matching grant facility and USAID's guarantee fund for agriculture. However, the sector suffers from poor and outdated technology, lack of EU and national standards, lack of qualified specialists, poor marketing and a fragmented supply chain. These shortcomings have stunted the demand for new labour. The agro-processing value-chain is largely characterized by fragmentation at both ends of the chain with numerous small farmers on the one end and small shops on the other but also by different channels and practices regarding supply and sales depending on sub-sectors. The sector is complex with all the actors present: suppliers (domestic or importers), collectors or consolidators, processors, wholesalers or few independent distributors and retailers (domestic and foreign). It is a highly diverse sector which allows for multiple entry points and highlights the need for targeted intervention strategies. The processing market system is quite unsophisticated. Most business-related functions are developed in-house, in an ad-hoc manner, by processors themselves. There is a lack of several key private supporting functions which are either missing in the market or not being used because they are insufficiently or inappropriately developed.

Constraints: At present, agro-processors are unable to grow and compete in the opening markets due to several constraints. Firstly, marketing constraints relate mostly to an overall lack of awareness of the value of integrated marketing strategies. Most service providers in this market do not have any agro-processing clients while at the same time, just as in financial services, there is a lack of products and services tailored to agro-processors in the market. Secondly the technology related constraints, closely linked to information and investment, result generally in a lack of appropriate facilities and of specific skills within Albanian agro-processors in need for upgrades in storage, renovation technology, processing capability, packaging, logistics, delivery speed and improvement in practices. In this regard, technology constraints are a matter of investments but also result from a lack of information on the availability of new technology and expertise in the market. Thirdly, the industry has been slow to advocate for better sectorial policy, regulations and adequate enforcement and thus is failing to create a business environment around agro-processors that is conducive to growth. The reason is three-fold: on the private sector side, stakeholders don't cooperate with one another, even within single sub-sectors. On the associations' side, the organization and coordination functions of the industry, largely funded in the past by donor projects, now remain inactive due to lack of capacities and finances. On the public sector side, the government has also been unresponsive to any advocacy initiative and rarely saw businesses as its constituents. All of these shortcomings have stunted the demand for new labour too.

Methodology: The agro-processing sub-sector analysis is built on secondary data from public and private institutions as well as semi-structured interviews with different stakeholders in the agro-processing sector. A key document consulted is the draft National Inter-sectorial Strategy for Agriculture and Rural Development 2014-2020 of the Ministry of Agriculture, Rural Development and Waters (MoARDW). The analysis also takes widely from detailed initial research conducted by the project team in three key sub-sectors of agro-processing: dairy, fruits and vegetables, medicinal and aromatic plants.

1. Sub-sector performance and position

1.1 Relevance

Agro-processing as an industry feeds on Albania's most important sector, agriculture, while carrying the growth potential of manufacturing. Its interdisciplinary nature offers multiple entry points for enhancing growth and any improvements of the business performance in the sector are very likely to affect both production and retail. The sector has been selected for the important weight it carries in the Albanian economy: the turnover in 2010 was around €400 Million. This amounts to 24.4% of the total agriculture turnover or 5% of the total Albanian GDP (INSTAT 2012¹). Additionally, agro-processing trends are promising as is the potential for growth and job creation.

1.2 Trends and growth potential

Agro-processing has expanded significantly these last 10 years. The sector turnover has almost doubled between 2000 and 2010, while employment has increased by close to 20%, supported by a growing domestic demand for processed products. Even during the current crisis, the sector has seen growth for the period 2008-2013 sector's turnover has grown by 3% and employment by 3.3% a year. However, processors still serve a very small market and the opportunities to expand are significant. Domestic demand will be strong for years to come as income rises and consumption shifts toward safer and faster patterns. Export markets could also be developed in areas where Albania has a competitive advantage: overall low labour costs and cheap raw material in specific subsectors supported by a suitable climate such as fruits and vegetables, olive oil, herbs and spices, wine, dairy, etc.

1.3 Employment

Agro-processing employs around 11,300 people in formal jobs and many more informally, esp. during high seasons in agriculture and as part of informal businesses. 65% of these jobs are filled with young people under 30, while 70% of them are young women. Most youth working in agro-processing are unskilled manual workers, employed along the processing line – grading, handling or packing products. Their income is low but quite often jobs in this industry are considered by the youth as one of the only stable, formal and off-farm employment options in rural or semi-rural locations. Managerial and technical positions – such as food technologists or quality control – are few but in high demand – according to recent skills gap analysis.

During a survey conducted by RisiAlbania in the inception phase, only 1.27% of interviewed agro-processing companies have a woman as top-level manager. 3.8% of women were employed in marketing and sales departments while 33% were in charge of operation management and 10 % were in charge of food technology/quality control². According to INSTAT, from the 27.4% of companies that are owned or managed by women, only 6.5 % are in the agriculture sector³.

The sector has a very large multiplier effect – more than 100,000 are indirectly employed through supply chains – especially in rural areas, where jobs are most needed. Employment is expected to increase along with demand. Most of these jobs will be filled by unskilled young people but as the industry becomes more sophisticated, new technologies in the chain, will also require qualified specialists.

Agro-processing companies are located in different regions of Albania, in proximity to their supply sources: processors of fruits and vegetables mainly in Berat, Lushnje and Shkodra; dairy processing in Lushnje and Tirana;

¹ www.instat.al

² RisiAlbania survey July 2013 on 23 ad-hoc selected agro-processing companies

³ INSTAT data 2012

olive oil processing along the coast; etc. Key sub-sectors include: fruits and vegetables (240 employees), meat (1,000 employees), dairy (1,124), olive oil (500), flour (230), fish (1,000), herbs and spices (250)⁴⁵.

There is room to intervene and the conditions are in place now to enhance the role of qualified young men and women. The supply is certainly available, with the Agricultural University of Tirana graduating 90-100 students each year with proper and updated agro-processing education. An executive decision of the Council of Ministers is currently being drafted which requires the employment of qualified young people in the agro-processing companies. This shows for an increased awareness on the value of skilled labour and the opportunities to match the supply of graduates to Albanian agro-processors. Sales are expected to grow with the expansion of the sector and a considerable spin-off job creation in agricultural production is also expected. Informality is a key challenge, though as consolidation and formalization continue, registration of employees is also likely to increase.

1.4 Cross-cutting issues

Women employment data in Albania show gender issues that have to be taken into account during interventions. Total women employment in Albania reaches about 307,167⁶. Only 16, 27% of female employees have a contract (7.39% young women) and 86% female employees benefit social security (28% young women). Young females comprise the majority of youth as unpaid family worker (about 49% for females versus 40% for males). Women have a similar unemployment rate to man but this hides poorer employment conditions (mostly unpaid family jobs) and sector disparities. They have much lower labour force participation rate (46.5%) and higher inactivity rates due to household responsibilities (18.6%). They are also concentrated in typical female jobs, which are also low-paying jobs. Out of 50.73 % women employed in the agriculture sector, only 11.7% of them work in paid jobs⁷. In line with ratios of young women graduated from the Agricultural University of Tirana – a higher percentage graduate from management subjects than from food technology ones – 63% of young women employed in the sector work in some type of agro-business management and only 36% in food technology fields⁸.

Agro-processing offers great opportunities for women (as 70% of the employees are, in fact, women) and an unmatched rural outreach, as processors tend to stay close to their supply base. However, the above conditions of women and especially young women have to be taken into consideration if we want to take advantage of the sector's potential.

⁴ Employment figures in this section are provided by INSTAT and only include formal employment in registered companies.

⁵ Data on key agriculture trend and potential from MoARDW (2012) and from the *Agribusiness Sector Survey* (2011 by Development Solutions Associates

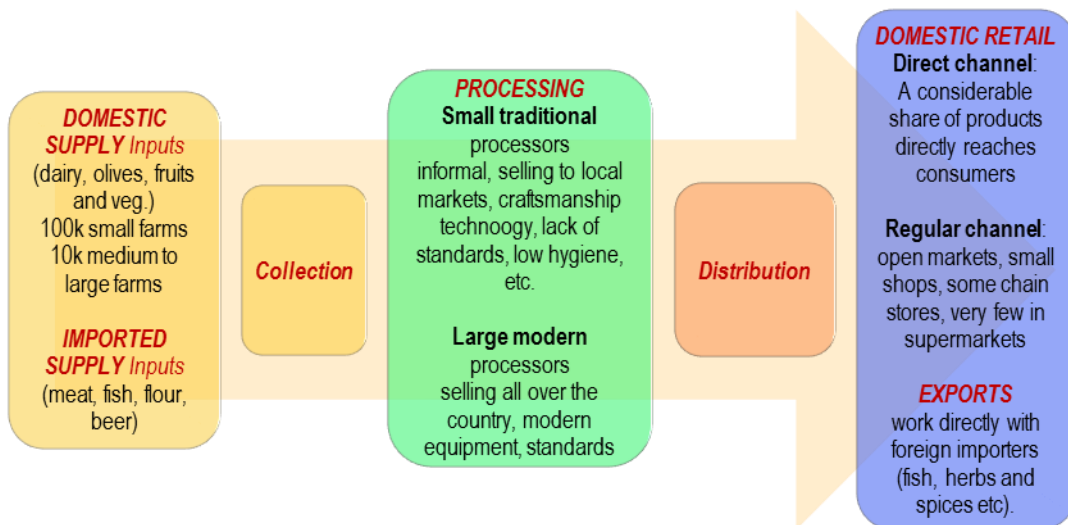
⁶ INSTAT 2010

⁷ LMB 2013 (RisiAlbania)

⁸ Agriculture University data 2010-2011.

2. Organization, structure and dynamics

The agro-processing value chain is laid out across all the below-mentioned segments. It is a very complex value-chain characterized by fragmentation at both end of the chain – numerous small farmers on the one end and small shops on the other and the lack of supporting functions (few service providers are available to processors), but also by diverse channels – with different practices regarding supply or sales depending on sub-sectors. This makes the sector complex but also highly diverse which allows for multiple entry points and highlights the need for targeted intervention strategies. A simplified graphic representation of key components is presented below (for more detail on specific value-chain maps, see *Result Chain for outcome 1, Annex 3*)



Supply: Depending on the sector, supply is either domestic or imported. Sectors like meat, fish, flour, beer, etc. work with imported raw material. Sectors like fruits and vegetables, dairy, olive oil, wine, etc. source domestically and have a large supplier base. These last ones face heavy fragmentation of supply sourcing from around 100,000 commercial small farms⁹ and less than 10,000 medium farms. Small farms are extremely small in size, have mixed production activities and low intensity of production. Typically a small Albanian farm will have 2 cows and 1, 26 Ha of land divided into 4-5 parcels. These will use little inputs and professional assistance. Larger farms will have more than 2 Ha which they will use for vegetables in open fields or greenhouses or will have more than 10 cows in the case of dairy. These have more technical knowledge and use more professional input, which results in better quality of products. Despite the fact that a large share of women in rural areas work in agriculture, they officially manage and own only 6% of farms¹⁰. The majority of farms are small and under subsistence farming, with limited production and marketing potential.

Collection: Most Albanian processors cover collection themselves. This means they often have to deal with a very large supply base like in the case of dairy processors collecting milk from a large number of individual farmers. In few sub-sectors, farmers bring their products directly to processors like in the case of olive oil. The function of collectors or consolidators who operate as intermediaries is present only in some specific sub-sectors like that of herbs and spices where gathering is involved. Small distances to their base of supply help processors make up for the heavy fragmentation of Albanian farms but collection is still affected by the large base of supply and lack of infrastructure. Overall, collectors in Albania tend to be very quantity and price oriented rather than focus on quality.

⁹ On a total of 350.000, most of which practice subsistence farming.

¹⁰ Ministry of Agriculture, Rural Development and Waters, 2010

They usually aim to have as much flow as possible and rarely invest in infrastructure of collection like transport or storage.

Processing: Usually processors are located in proximity to their supply base. 90% of the companies in the sector are small-scale, artisanal, rural and informal. This amounts to approx. 2,200 processing units, with relatively low capacities and producing for local markets. These processors have low investment levels, use traditional craftsmanship technologies, which often results in a lack of storage and generally employ family labour. A typical example is small milk processing units. Large processors, no more than 5-6 per sub-sector, have invested in modern equipment and adopted safety and quality standards. They have better access to finance and investment and more organized internal management structures. These processors sell all over the country and register a considerable share of their employees. Typical examples are beer companies, water and few large dairy or fruits and vegetables processors. Their main constraints are imports, informal competition and skills especially on the management side.

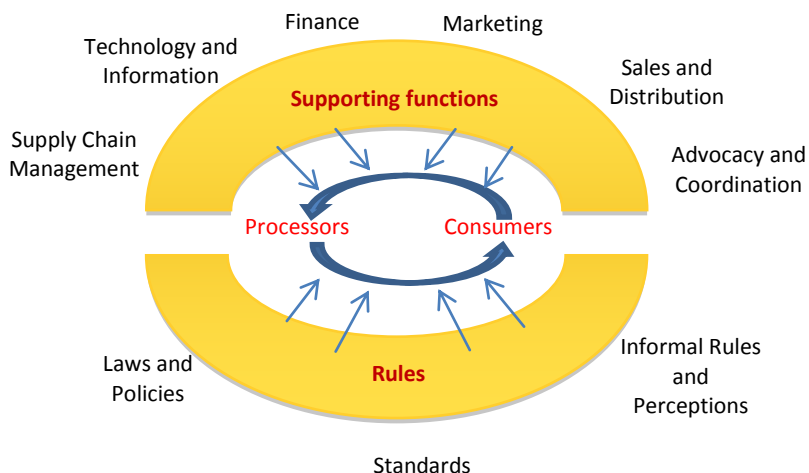
Distribution: There are three large distribution networks in Albania that cover the entire country but these serve mostly international products. There are a number of wholesalers and very few independent distributors for domestic products, but these are geographically limited to a town or relatively small area. Therefore there is no nation-wide network of distribution for domestic products in Albania and processors tend to distribute their products themselves.

Retail: Albanian processors who sell domestically mostly sell in small shops. Few also sell in open markets like in the case of dairy or processed fruits and vegetables. Several chain stores have opened in the last years in Albania and are rapidly expanding. However, very few domestic brands are able to reach supermarkets. One of the largest chain stores (Big Market) adopts decentralized buying, which means many more domestic brands are able to reach it. Other supermarkets, more concerned with cash flow, adopt different methods of paying and centralized buying, which is why most national processors are unable to sell in these stores. In many cases, this favours international processors who can afford delayed payments. Nonetheless, opportunities to distribute in Albanian supermarkets are increasing as large processors emerge and domestic products become safer. There are also a few sub-sectors which serve foreign markets. In Albania, 75% of the fish is exported and 99% of the medicinal and aromatic plants also. These processors deal directly with foreign importers.

2.1 Supporting functions and Rules

The processing market system is quite unsophisticated. Most supporting functions are developed in-house, in an ad-hoc manner by processors themselves, even though in some cases, service providers do exist (e.g. marketing consultants). The main exceptions to that rule are standards and finance – though the latter is still insufficiently developed. From present data we see that women rarely access business service providers, despite the fact that service providers apply non-discriminatory policies towards women. The reasons are: lack of land ownership, information or training and the size of women-owned companies (95% of women-owned companies classify as small¹¹). This means they rarely fulfil eligibility criteria for financial support and thus rarely access service providers. Key supporting functions and rules around agro-processing are presented below

¹¹ METE 2010



Supply Chain Management: Raw materials, directly related to the state and management of supply, greatly impact processed products. The size and development state of Albanian farms present a challenge for most agro-processors that source domestically. This makes supply chain management a key function for agro-processing directly affecting the quality, quantity and diversity of raw materials. Currently there is very little proactive supply chain management from Albanian processors. Many of them don't have a direct relationship to producers and use collectors or traders as intermediaries. Even among sub-sectors that are more engaged with their suppliers or at least have stable and exclusive relationships with their suppliers, such as dairy, processors provide very little input or advice to enhance production. Individual exceptions (2-3 dairies) do not use external services but rely on ad-hoc solution such as hiring individual experts, agronomists or vets. Another exception pertains to herbs and spices where a few processors offer free of charge advice on cultivation and harvesting, offer seeds, fertilizers, etc. in order to secure supply of raw material that cannot be reliably secured through collection. In general though, very few processors understand the value of supply chain management in securing the quality, quantity and diversity of the raw material needed. There are no services available in the market, which specialize on supply chain management. Individual experts such as agronomists or agricultural development practitioners can be contacted to offer advice on improved agricultural practices, but few understand and are able to advice on the structuring and management of the supply base.

Technology and Information: As far as technology is concerned, there is a considerable difference in Albania between small and medium processors who have modest or old-fashioned technology and large processing companies equipped with very modern processing lines. A large number of agri-businesses in this sector need upgrades in storage, technology, processing capability, packaging, logistics, etc. This situation is related to investment opportunities but also to availability of information. Results from fieldwork showed that processors in Albania rely on their experience and direct connections to suppliers and retailers to get information. Individual contacts with agronomists, engineers, veterinarians or technologists are used for technical advice. Equipment or input providers advise on technologies related to the products they sell, but most equipment is sourced from abroad as there are few Albanian equipment providers and sales representatives. Processors that export or source abroad rely heavily on what information is provided by foreign business partners (which, in some cases, is transmitted with an interest bias). Occasionally, processors from the same subsector will meet in a sporadic, unorganized way. Many today are also directly looking for information on the Internet.

At producer level, the Ministry of Agriculture, Rural Development and Waters runs a network of extension services that also provides advice on inputs, technology and practices. Together with five Technology Transfer Centres, these are integrated into the Network for Innovation, Research and Agricultural Advice (www.agro.al). Such information networks or platforms are missing at processor level. The overall information gap on new technologies

and/or good practices is widened by the lack of networking as multiple associations fail to include and engage actors from the same sub-sector. Information on agricultural innovation is also characterised by almost exclusive male membership. Rural women have limited access to new technology information, to official training and to extension services.

Marketing: Small processors in Albania use very basic or no marketing for their products. Medium processors that brand their products will usually accompany it with few promotional materials like brochures or leaflets. Large processors may have internal marketing departments and use marketing and media advertising but few integrate marketing strategies with their sales, communication and advertisement. Even larger processors lack understanding of the marketing function; their marketing staff has little knowledge of marketing strategies and little decision-making power. Marketing trainers exist but are not used by processors. There is a need to develop the marketing capacity of processors, either by training their staff or through advisory services. The services market for marketing is quite developed with an abundance of both training providers and agencies offering products in design, branding, advertising, direct marketing, communication, event management, public relations, market research, etc. Several of them have extensive experience and the necessary capacities to serve Albanian agro-processors. However, very few processors use these companies simply as production houses for internally designed campaigns. There is an overall lack of awareness of the value of integrated marketing strategies even with the biggest firms in the industry and therefore most service providers in this market do not have any agro-processing clients.

Advocacy and coordination: The Albanian domestic market of agro-processed products is characterized by small size and typically, in many sub-sectors, a lack of product diversification. This is a result of a general lack of trust and strong competition between processors that often produce the same range of products. Currently, there is little interaction among different companies within the same sub-sector, which inhibits both dissemination of information and exchanges of experience and best practices. This greatly impacts the ability of subsectors to organize and advocate their interests.

There are several sub-sector specific associations like those in sectors like dairy, meat, MAP, flour, wine, fishery, etc. Many of these offer assistance and business advisory services but struggle to secure membership of processors or their active involvement. Several umbrella-like associations are also present in the form of unions of industrialists or unions of exporters. The most all-encompassing is the Albanian Agro-business Council (*KASH*), which has 23 nationwide member associations with elected bodies in 12 prefectures and 36 districts of the country. They have been more successful in involving their members and lobbying for their interests.

Sales and Distribution: Most agro-processors in Albania are covering distribution themselves. This is a common practice also for relatively large companies processing fruits and vegetables or medium to large dairies. They distribute to a large degree with their own cars and staff, only partially working with wholesalers or traders. Proximity to markets is part of the reason why most processors distribute themselves but also, processors do not trust independent distributors to market and sell their products. There is a general lack of nationwide distributors for domestic products. Finally, some products require specific equipment and logistics that independent distributors do not have – especially cold chains.

Most processors lack clear sales targets for different areas or segments, which results from a poor understanding of marketing (see above). This affects sales strategies as they are rarely integrated with training and many processing units are run as family businesses, with little sales skills. There are some service providers in the market that specialize in sales and in structuring distribution networks. These are usually training consultancies focused on capacity building of low-to-medium level sales staff, mostly on negotiation skills and customer care. Rarely do they provide integrated sales and marketing strategies for a company. However, processors are still unaware of the value of sales strategies and do not use these services – instead they often try to develop these internally, without much success. Large processors that have a better-organized internal structure are gradually investing in better sales capacities, however they still need to develop sales executive skills with a grasp of markets and strategies.

Finance: As a sector highly dependent on technology, innovation and quality standards, access to finance is crucial for agro-processing. In general, levels of financing in the industry have been closely interlinked with structural and systemic issues. The lack of collateral and the informal state of businesses affairs means many agro-processors especially small and medium ones do not qualify for loans. Banks have perceived agro-processing as a high-risk/low-return sector and have generally kept at a distance. Out of 16 banks in the country, only two (*BKT* and *Pro Credit*) started offering loans tailored to agro-processing companies. There are a few microfinance institutions, which provide smaller loans with generally simplified application procedures but at much higher interest rates. These are usually not preferred by agro-processors.

Other financial opportunities for agro-processors are offered by the government through subsidy schemes and by donors. Specifically, the Ministry of Agriculture, Rural Development and Waters has developed a national subsidy scheme financing 70% of the interests of agriculture-related loans. On the side of donors, the European Commission offers grants for agricultural investments through its IPARD scheme (Instrument for Pre-Accession and Regional Development). USAID also developed a guarantee fund for the two above-mentioned banks (*BKT* and *Pro Credit*) on their Agriculture portfolios.

A range of systemic barriers limits women's access to finance. Women generally lack collateral and, due to their economic dependence on men, tend to have limited savings. Information on agricultural grant/credit schemes is targeted primarily at men and networks are characterised by almost exclusive male membership. Women in particular (but also male smallholders) find it difficult to fulfil several key eligibility criteria e.g. those related to plot size, minimum number of cattle, grant size, and the official status and number of years of running a business.

Laws and Policies: Albanian laws related to agro-processing are in place and do not seem to cause major problems to processors. Under the overall imperative of EU integration, the legal framework is headed towards alignment with EU regulatory requirements with complete alignment and enforcement planned for in 2020. The liberalisation of the economy is based on commitments deriving from the framework of the WTO membership, the Stabilisation Association Process (SAP) with the EU and free trade agreements with Turkey, CEFTA and EFTA countries.

However, law enforcement and policy development remain key challenges. Policies, in keeping with EU integration pre-requisites, are being developed for the agricultural sector, but strategies have no particular focus on processing – though some key policies, such as grants and loan interest subsidies, do primarily benefit processors. Enforcement of laws remains a key issue in the sector with a considerable share of processors being informal. The issue is compounded by overlapping responsibilities between ministries and other institutions regarding licensing, registration, permits, safety controls, etc. The National Food Authority (NFA), for instance, competes with the veterinary and phytosanitary services of the Ministry of Agriculture, Rural Development and Waters to ensure food safety, animal health and plant protection. The lack of a comprehensive and reliable control system bars Albanian processors from exporting to the EU. Processors are complaining about this state of affairs, but so far have not been able to organize themselves to influence enforcement and policy making.

Standards: With regards to standards, important steps have been taken both on the side of public institutions and processors. The Albanian government, in line with the overall trend to line up legislation with the *acquis communautaire*, requires that agro-processors implement HACCP standards - though certification per se is not compulsory. Several co-financing schemes such as the Business Advisory Services by EBRD have also facilitated standardization, helping processors to finance certification and mediating access to local consultants. As a result, the business services market around standardization is well developed, with 20-30 local consultancies assisting companies in preparations for standardization and four main international companies providing certification. Many large companies (esp. those that aim for exports) now have ISO 9001, ISO 22,005, ISO 22,000, etc. Medicinal herbs and spices also use organic standards for EU and US markets.

Informal rules and Perceptions: Albanian processed food is seen with some suspicion by Albanian customers. Although they have a clear preference for 'made in Albania' products and recipes, that retain gustative and

traditional qualities. They are also concerned about the quality and safety of local products compared to EU imports. Hence, while they tend to buy locally produced raw material, they tend to go for imported processed food, especially for canned fruits and vegetables, UHT milk, wines, etc. Some categories of products are protected from these trends as imports are not technically feasible (cf. fresh milk) but others (e.g. UHT milk) have difficulties competing, even when they actually have similar production, quality and safety standards as their foreign competitors. Safety and quality concerns on domestic products, which shape to a great extent the behaviour of customers in this sector, also result from a lack of effective marketing: perceptions could be changed through adequate communication strategies either by individual brands or the sector, but this has not been done yet.

2.2 Donor influence

Donor-funded programs in Albania have generally aimed to facilitate access to finance and services by subsidizing or guaranteeing part or entirely the value of the investment. In this regard they have played the role of mediators between agro-processors and banks or private service providers such as various consultants or agencies. Specifically the BAS (business advisory services) program by EBRD has enabled micro, small and medium-sized enterprises (including processors) to access a diverse range of consulting services by facilitating projects with local consultants on a cost-sharing basis. Other projects (GIZ's Economic Development and Employment Opportunities program, SNV's Pro Mali project, USAID's Albanian Agriculture Competitiveness Program, etc.) have been helping directly agro-business enterprises rather than developing services and market functions to support their growth. As a side effect, these types of programs have negatively impacted the way Albanian agro-processors perceive service providers. Most processors either consider they do not need services or associate consultants with donor-funded projects. Enterprises show little willingness to contact them outside grant application initiatives or to fully pay for services that have so far been partly or fully covered by donors. But, at the same time, donor initiatives have promoted the use of business services by Albanian enterprises and have given a big push to the establishment and consolidation of many service providers. Interest rate subsidies and guarantee funds have helped to create a market for banks while programs like BAS are helping to create one for business advisory services.

2.3 Changes and trends

As their purchasing power is increasing, Albanian consumers will buy more processed products and request new, differentiated products. Customers remain price-driven but they are also increasingly demanding regarding the safety and quality of processed products. On the other hand, pressure and requirements on safety, standards and quality are also coming from the public sector as Albania is trying to comply with stricter EU rules. This has already led to important changes for large processors that have now adopted modern technology and comply with strict production standards (see standard section above). To keep their edge, these larger processors will have to convince Albanian customers that they produce with similar standards as their foreign competitors. As competition becomes increasingly difficult for small informal processors, established companies are expected to continue to mature and are ready to invest in new jobs and better marketing practices.

In parallel, a process of consolidation has been taking place in processing – as larger companies gain market share and smaller companies disappear. Larger processors benefit from economies of scale, better access to know-how, finance and markets (especially given the lack of distribution services), in an environment where none of these is easily accessible for smaller players. A parallel consolidation process is taking place at the retail level with the development of supermarket chains – that will both reinforce larger processors (that can afford stricter payment terms) versus their smaller local competitors and weaken them compared to imported products. On the contrary, farmers remain small and fragmented thus cannot produce efficiently (but also have lower bargaining power).

2.4 Conclusion

Given market characteristics and trends detailed above, there are several issues that stand in the way of the sector's further expansion and investment in job creation, but not all of them can be tackled by our project. Concerning supply chain management, the sector is still a long way from developing the necessary understanding and awareness before investing into areas that need improvement. Several constraints also relate to issues we cannot tackle like land reform. Others areas, like standards, are already being taken on by market services successfully in the last years. But we did identify some constraints on which our project can focus and that could have great impacts, namely marketing, access to finance and the environment around processors.

For Albanian processors, the challenge is to respond to the current and future demand, by improving their technology and their products, as well as their marketing strategies and practices. To boost their sales and create jobs, access to investment and technology is as essential as are improvements in marketing and sales. Efficient marketing strategies would help also in tackling consumers' perceptions about the work performance in terms of quality and safety standards. Increased government involvement in the sector also creates the space for interventions that help to build an environment more conducive to growth directing policies and enforcement to the benefit of agro-processors.

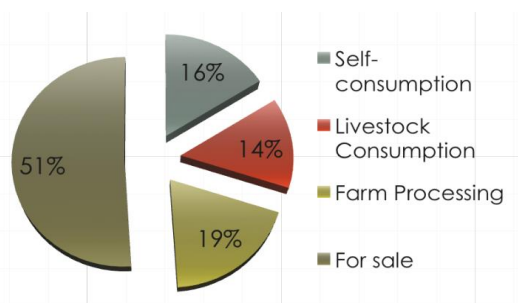
Thus we frame our intervention strategy focusing on three main pillars as developed below.

Annex 1: Dairy Sector Report

Overview

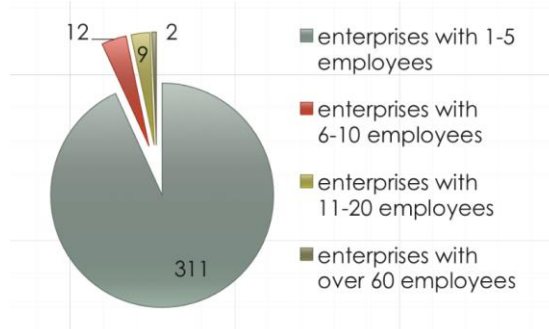
Livestock rearing and particularly milk production and processing in Albania benefit from favourable natural resources and a long tradition. The milk processing industry has developed since the early 1990s and is now counting more than 400 processors, with several fully equipped dairies. According to official statistics, domestic production of milk reached 1.1 Mt in 2012 marking an increase of 9% since 2007.

About half of the milk produced reaches the market (561,000 t) while the other half is used for self-consumption, livestock consumption or processed within the farm. Of all the milk produced, 12% (132,000 t) reaches processors while 39% (429,000 t) directly reaches consumers. Milk production has been increasing steadily and cow milk accounts for 87% of milk production followed by sheep with 7% and goat with 6%. Cow yields were around 2,696 l/cow during 2011 (experts say productive cows races can yield up to 10,000 liters/year). Albania currently imports 7-10% of milk products consumed. Main products with their estimated quantities¹² include: 60,000 t of processed (pasteurized or UHT) milk, 14,000 t yoghurt; 13,000 t cheese; 630 t butter. These reach the consumer either directly from small processors or via the distribution channel of processors and shops.



Employment

About 104,000 people are working in producing milk that reaches the market. 23,6% of them are youth (24,544), 49% are women (50,960) and 12,3% are young women (12,792). Processing employs about 1300 people working in around 425 units, 25 of which are modern processing plants. Out of all employees in processing, 65% are young and 45% young females. The sector is tilted towards women who work mostly in farms and largely in processing. Men work in fodder production in the field and processing. The dominant part of enterprises have 1-5 employees so there is great room for consolidation of the processing industry into fewer bigger units, just as on the farms' side.

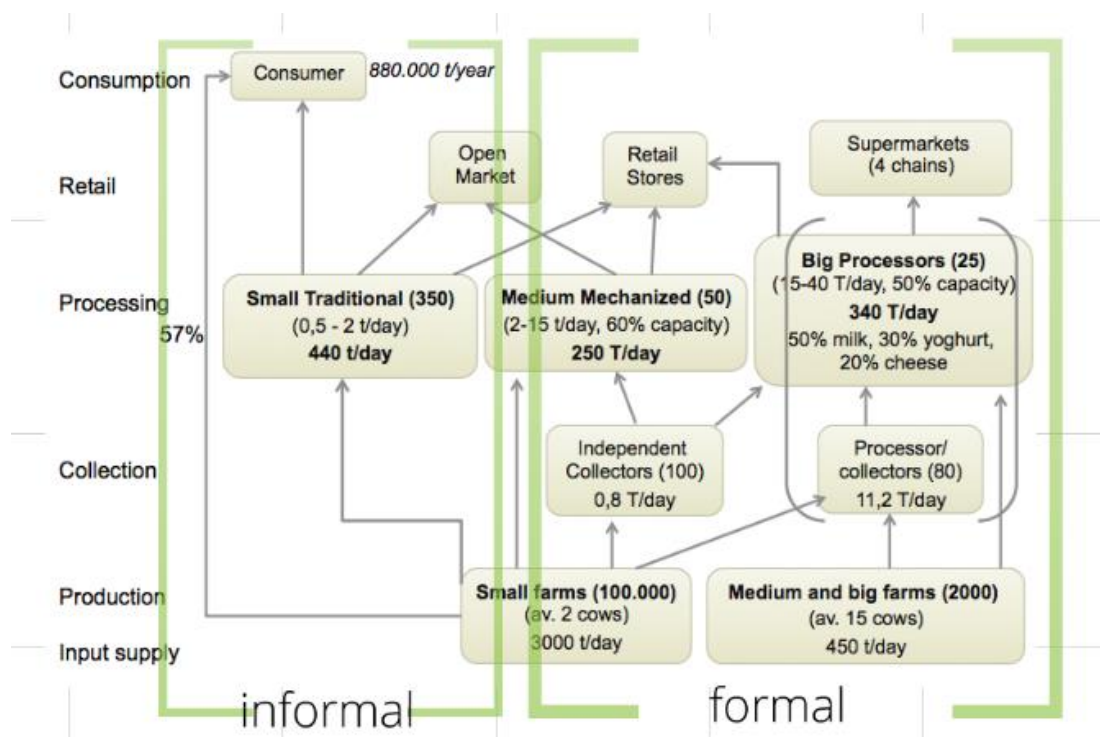


Value Chain

Below is a schematic representation of the dairy value chain in Albania, outlining market channels, main stakeholders as well as output quantities¹³. As seen, there are two main channels: the left one is highly informal and markets mainly solid products such as cheese, curd and butter from the small traditional processors or directly from farms to the consumer. To the left is the more organized channel marketing processed milk as well as several solid by-products. Medium and big processors in this channel face unfair competition from unregistered or irregular processors and sub-standard products as they struggle to maintain competitive prices. The collection and distribution channel is typically managed by processors themselves, because independent collectors or distributors struggle to remain competitive.

¹² Estimated by RisiAlbania project staff based on official statistics and interviews

¹³ Representation is based on research carried out by RisiAlbania project staff



Stakeholders in Production

In 2011, Albania had around 300,000 livestock farms. A high share of production still serves subsistence purposes as only 1/3 of these go beyond self-consumption. Farms' size remains very small: only 0,7% of these farms have 6-10 cows and 0,4% have more than 10 cows. Almost 85% of farms in Albania perform several activities and very few are specialized. There are three types of dairy farms in Albania:

Small farms: Average structure: 2 cows, 1,26 ha, 4-5 parcels. Average yield: 2,500 liters/year per each cow, selling milk at around 40 ALL/liter. These are very small farms that carry out mixed production activities and generally have a low intensity of production. Constraints relate to small size, high cost of growing fodder (due to costly inputs, lack of irrigation and lack of knowledge and skills), land fragmentation, unproductive races, lack of specialization and usually not organized in associations or unions.

Medium Farms: Average farm structure: 15-50 cows, 10-30 ha. Average yield: 5,000 liters/year per each cow, selling milk at 42-44 ALL/liter. There are only 1,200 farms in Albania with more than 10 cows. These have invested in race improvement and focus on both milk production and cattle sales. They are maintained by family labour, usually 3-4 persons. Constraints include low profits from milk sales (hence also selling veal and bred cows), high cost of animal food, lack of unions and lack of finances for further investment.

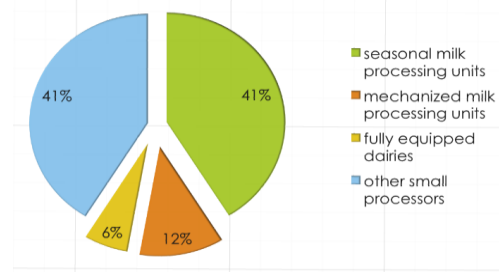
Large farms: Average farm structure: over 50 cows, 30-130 ha. Average yield: 6,000-7,000 liters/year per each cow, selling milk at about 50 ALL/liter. There are several large farms in Albania and 4 big intensive ones with more than 200 cows. These farms have used artificial insemination or imported breeds to achieve a higher yield and aim for a potential 8,000–10,000 liters/year. They supply only to big processors (sometimes by contract) with usually better prices and make their profit from milk production (70%) and cattle sales. Maintenance of such farms may require up to 13 full-time employees and up to 30-40 during intensive summer months. High cost of food is a key constraint.

Stakeholders in processing

On the processing side, an overwhelming majority of processing units in Albania use traditional craftsmanship technologies. These are also known as *baxho*-producing traditional handcrafted products from cow, sheep and

goat milk (yoghurt, butter, curd, liquid yoghurt, and different kinds of cheese). A number of modern plants are operating successfully but these are struggling with competition from informal baxhos. There are three types of processors in Albania:

Small/traditional processors: About 350 of them processing 500-2,000 liters milk/day. They are maintained as a family business, located all over the country and produce mostly cheese, butter and curd using traditional craftsmanship technologies. These mostly sell to local markets and suffer from overall lack of standards and food safety systems exercising little control on the quality of raw milk. Constraints include: lack of storage rooms, technologies or investment; poor management and inability to meet safety standards.



Medium mechanized processors: About 50 of them, processing 2,000-15,000 liters of milk per day and reportedly working at around 60% capacity, with 3-4 persons. These mainly produce cheese, butter, curd and yoghurt and are very flexible in quantities produced. They are located in the surrounding areas of main cities, selling to local area markets and big cities. They are equipped with partly mechanized lines, storage rooms and exercise a degree of control on the quality of raw milk. Constraints include competition from irregular products (such as starch cheese), lack of quality control equipment and poor facilities.

Large modern processors: About 25 dairies equipped with complete milk lines, processing 15,000-40,000 milk liters/day, reportedly working at 50% capacity and producing mostly milk and yoghurt. Six of them produce UHT. They are located in or close to main cities sell all over the country and are able to exercise thorough control of the quality of raw milk (incl. antibiotics and vaccines). The key constraint is competition from irregular processors, which makes them less competitive on solid product prices as well as the taxation system which favours small processors.

Trends

In the last years milk production has been increasing steadily. So have annual yields as farms invest in race improvement. Production from small farms has decreased and a slow consolidating trend has been taking place. This is shown by a decrease in number of farms as both farm size and production from medium and big farms has increased. Thus, commercial milk production seems to be shifting towards bigger farms. As it is unlikely that many more intensive big farms will emerge due to land fragmentation, we can foresee the milk processing industry to be sourced increasingly by medium farms with around 50 cows.

Number of processors is also unlikely to increase, rather many may close as more food safety restrictions are likely to be enforced and big processors become more competitive in products like cheese, butter and curd. We can foresee big processors growing in the supermarket chains as well, which now only carry a small amount of domestic dairy products. With regards to consumption, milk and its by-products are consumed in large quantities in Albania and there is an increasing preference for domestically processed products. Consumers are also increasingly safety conscious, as is the government, which will most likely tighten up regulation of the sector and enforce standards. UHT milk production is likely to continue to grow.

Constraints

The key problem pointed out by all stakeholders, which negatively affects processes along the whole value chain, is low quality of raw milk. This is a result of high microbial content due to lack of hygiene and the inability of many processors to verify animals being treated with antibiotics or vaccines. High costs of feeding animals, unproductive livestock races, lack of information and lack of financial products for growth of farms are reported as main restrictions at farm level.

Annex 2: Fruits and Vegetables (F&V) Report

Introduction

Until 1990, the fruit and vegetable (F&V) processing sector in Albania was well established and focused on the cultivation of raw material. The sector could cover the domestic needs as well as export canned Mediterranean fruit and vegetables, sauces and dried fruit. After the privatization of the F&V sector, there were attempts to start the processing business, however many difficulties lied ahead due to the nearly broken-value chain. In the beginning of 2000, the restored industry saw a slightly positive progress both in terms of production level and employment opportunities. However, at the time of this assessment, the industry’s performance is not at its highest level, since it was impacted by the 2008 financial crisis.

The calculated annual turnover €10 Million comes from a dozen companies, with a total processed production of 15,000 t by a rough division of 70% vegetables and 30% fruit. The main processed products are sauces, compotes, canned fruit, jams, marmalades, mixed salads, dressings and marinated vegetables. Vegetables and fruits are sourced mostly (about 80% of them) by the local suppliers. Around 90% of the processed products serve to supply the local market with some small but continuing exports in the neighbouring countries, mostly in Greece and Kosovo (Statistical Yearbook 2011, pg. 131).

Employment

The number of people employed in the direct processing units is round 240, while around 1,000 people are engaged full-time in the supplying chain of the raw material for the whole processing sector. Due to the specific job skills and expertise required, normally obtained through long practice in this sector, there is a low percentage of young employees (around 20%) and out of these only 10% are women.

Value Chain/ Supply Stakeholders

The three supply “layers” of the F&V processing industry are:

- a. The input suppliers of seeds, pesticides and fertilizers
- b. The suppliers of the raw material, producers
- c. The wholesales/collectors of the raw material

a. **The supply** for the raw material production (positioned to the far end of the value chain) is made of few big importers supplying not only seeds, fertilizers, pesticides but also related advisory services. Their annual turnover is round 15-20.000 t each. There are also a lot of informal seeds and seedlings’ providers mainly serving to the small farms. 70% of the farmers are reported to buy seeds, fertilizers and pesticides, where the latter make 40% of total sales. Lately, the biggest importers have started seedling in protected areas and nurseries, with the selling prices of seedling nearly doubled. During the last three years a sales decline of 10-15 % has been noticed mostly because of the financial crises.

The market is relatively stable, the main reason being the general trend of employment relocation towards agro-production of the returned emigrants and of the former construction workforce. Secondly, the increase of greenhouse surfaces and other protected areas certainly influence the demand for these inputs. The most used distribution channels remain the direct distributors and sales people of the main importers (which in most cases are knowledgeable agronomists graduated before 1990) and small shops catering to the scattered farms.

The key constraints in this segment continue to be high prices of inputs, lack of efficient know-how usage by farmers and lack of domestic input alternatives (e.g. locally cultivated seeds like onion, leaks etc.) that have a very obvious paucity in use mostly in the far rural areas.

b. In the raw material production area the distinction can be made in the contribution given by the small farms, the open field farms and the farms with greenhouses. The 26,000 small farms (or 85% of total farms) producing fruit and vegetable¹⁴ have the following characteristics: own less than 1 ha, are family-run with low technological know-how, have no or little irrigation systems (mainly wells 20-30 m deep), little fertilization and pesticides, supply mostly their own family needs or sell quite insignificant quantities directly to customers or local merchants.

There is a developing trend for growing all kinds of fruit to fulfil the local demand and in special cases for the processing operators. The big open field producers that own 1- 2 ha make up 10 % of all the farmers producing F&V and they are market-oriented using better quality seeds, fertilizers and pesticides. They use more semi-automated mechanics and agronomic services, hire other people and keep planting the crops ensuring higher production output. Their irrigation system is sufficient. They reach the market making use of the wholesales, the collectors and the processing operators, who tend to use exclusive informal verbal contracts.

Around 5,000 *farms with greenhouses* producing F&V which make only 5% of the total farms have higher yields, good technical know-how, an intensive production life, labour skilled employees, better inputs in terms of seeds, fertilizers and pesticides and generally updated supportive irrigation systems. They have direct distribution channels to processors, wholesales and/or export destinations. The open field producers, greenhouses and the small farms are believed to produce round 100,000 t F&V in a year while the processing sector's turnover is 15,000 t. There are around 30 kinds of vegetables produced but tomatoes, peppers and cucumbers have by far the highest production level. Small farms are more specialized in supplying special seasonal fruits, but in insufficient quantities.

c. The collection and packaging operators form a very uneven delivery map of products from the open field farms/ greenhouses to the processors, with a prevailing rough pattern of small farmers delivering their products directly to processors (using their transport and packaging means). Bigger farmers/greenhouses make use of collectors, transporters or other forms of middlemen mostly based on informal contracts. This does not exclude cases when the market prices change the above patterns leaning towards the vendor paying more.

As per interviewers, there are around 25 integrated collectors, owning warehouses from 800-1,800 t with a round estimate of 10-17 employees, sourced by five to six hundreds of small farms, varying in the characteristics of their capacities: seasonal/yearly use (refrigerated, cooled or not) and their capacities to add value by some cleaning and/or packaging of fruits and vegetables. They sell about 10-20 % of their products to processing units, around 40-60 % to small shops and the rest to direct customers¹⁵. Around 100 collectors on the move with transport trucks of 1-2 t distribute 80% to retail shops while the rest to the regional green markets.

With the exception of the very small, normally informal collector/traders that buy and sell by their vehicle without storing spaces, transport vehicles are not owned by the collectors. There seems to be a specialisation of collectors per specific crops (most common geographically divided as well), but this does not exclude the quite energetic searching of the production market and shifting accordingly by the agents working for the collectors or quite often for the processing units and for the wholesalers. One big collector in the Divjaka area with a warehouse of 1,800 t storing capacity uses six agents collecting from 700-800 small family farms (open field farms) yearly mostly apple, potatoes, onion, and leak, watermelon, carrot, tomato, etc. His profit margin varies in the range of 8-9 %. His market is 33% domestic, and out of it 60 % goes to wholesalers in Tirana. The export of apples, potatoes, onions and watermelons, though making the majority of his yearly turnover, is unplanned and mostly resulting from empirical direct connections via internet.

¹⁴ "Analysis of Fruits and Vegetables Sector" December 2010-IPA

¹⁵ Based on unofficial estimations and opinions of the interviewed

Value chain/Production Stakeholders:

The **processing operators** fall under three different typologies. There are round 100 small *informal artisanal workplaces* usually focused and specialized in less than 3-4 fruit processes most commonly “glikos”, jams and/or particular little quantities of traditional, local vegetable specialities. They cater the local market with more than 90% of their end products and the rest is sold to customers in the nearest biggest towns, Tirana included, quite often using their family owned transport. The technology in use is on average made only by the outdated essentials for the specific product, using predominantly plastic and quite a little percentage of glass packaging. Small firms employ less than 4 full-time employees, have an annual turnover of 0.01M € and produce round 150t. These normally unregistered businesses are in need of capital investment and human resources specialisation. The future next step for this segment would be the bio- standardisation of products and increased regional cooperation in order not to extinct because of the competition.

Around eight *middle-sized processors* with a turnover of 0.5M€ and a production of approximately 750t annually process vegetables (round 70%) and fruits (round 30%). They employ less than nine people full-time and during the seasonal work peak employ a considerable number of part-time low-skilled employees. These firms are more market oriented, have set up somewhat better organized work-flows, are enhanced with already-established informal contracts with locals for the major part of raw material supply, though in more than one case, they use imported raw material. The run based on a family-owned business model. As a result, the decision-making and managerial structure are heavily centralized. The semi-automated technology and the lack of in-house cooling storage are straining the managerial and production staff during the harvest seasons. The total round estimation of processed food by these firms is 6.000 t. The market is limited to mainly low-end products that are locally sold. Sometimes these processors cater to contracted state run entities like kindergartens, jails etc.

The firms find it difficult to reach the high sales turnover of 2008, a time when a small percentage of their product was exported. The most common distribution method is via the firm’s own sales person/agents that deliver to the local market in their home town (around 30-40%). The rest is delivered to open markets in Tirana using their own stand/sales persons (round 80%) and (round 20%) to middle- sized shops (less than 120m²) in the city quarters.

There are two *big processing operators* which produce a total of 7,500t. One factory is located in the outskirts of Tirana and the other in Berat. Each factory has a yearly turnover of 2-3M€ and a processing capacity of almost 3,000-4,500t fruit and vegetables with a wide range of products like sauces, compotes, canned fruit, jams, marmalades, mixed salads, dressings and marinated vegetables. These companies have a structured automated work flow with a skilled workforce of 100 people employed full-time and 50 employed only during the harvest time. They get 80% of supplies on the local market but there is an increasing trend for some products, of using imported raw material substituting the local fresh product.

The significant case of “Sidnej” in Berat speaks of their business practice of sourcing local tomato as their raw material (according to interviews, estimated around 3,000 t a year) but because of its high price, lack of year-round standardized quality, interruption of formal contracts, and lack of logistics, they now prefer to use imported tomato extract as raw material (estimated around 2,500t annually). The firm had made some attempts to establish contracts with local farmers but they resulted unsuccessful. In view of the market scale advantage of Italian brands (for tomato sauce, the compote, marinades, etc.) as opposed to the more expensive fresh product, the company has started to consider using imported raw material. The cost per unit is increased by 30-35% due to the glass packaging which continues to be imported by 2-3 suppliers from Bulgaria, Croatia and Greece. In these big processing companies there is a clear organizational structure and tasks are divided between managers. Yet, the most important marketing, quality control and logistics operations are controlled by the highest level executives. The distribution scheme tends to avoid middlemen/wholesales aiming to reach retailers directly.

Value Chain/ Distribution Stakeholders

There are approximately 30 major wholesalers, 15 located in Tirana and 10-15 in secondary towns. From the interviews and visits resulted that *small processors* have a direct line of selling to the small shops and customers. *The middle sized companies* use direct distribution via their salespeople to deliver 40 % of their products to wholesales while 60 % is sent to retailers. 80 % of what goes to retailers is sold in markets (bigger shops in the city quarters, less than 120 m²) but delivering to supermarkets is difficult (according to interviews). Though 7,000 clients are reached through wholesales (for one middle sized brand), during the interviews, participants stated that in the last 3-5 years they noticed a declining trend (10-20%) in the use of wholesalers/middleman. According to a supermarket chain sales director, the price difference through the wholesales is 3-4% higher. He also pointed out that sales in their wholesale segment had fallen with 5-10%. Taking into account that the processed articles (according to a sales person of a middle-sized company) in the last year have increased by 10 %, the trend seems justified and most probably will continue.

Constraints

SUPPLY SIDE:

- Lack of supply for the big processors (greenhouses+ middle processors consolidation or going out of business)
- Lack of storing/cooling capacities to ensure all year-round supply (IPARD)
- Lack of adequate standards in production and enforcement of existing laws
- Lack of skills to prepare quality products for the processing sector
- Lack of appropriate managerial skills in the whole chain
- Lack of «attractiveness» for this sector among young people

DEMAND:

- Lack of marketing strategy regarding Product, Price, Place (or distribution channels), Promotion, Processes, People, Presentation, -no long term recovery/aggressive approach. Alternatives: Marketing cooperatives mid-tier food value chains, Skim pricing, etc.;
- Too many small processors, unregistered, lowering prices. Processing cooperatives- the chain of interests, doing away with win-lose terms, grower/collector has processing unit: homemade jam, liquor, sauce)
- Lack of demand simulation, diversification, branding issues, forecasts for new products, clients' surveys, etc., introduction of "value-added" products to Albanians, specialty foods
- Fragmented market(too difficult to smooth out seasonal demand fluctuations)
- Same range of products by all processors (small and big produce the same)
- Easy entry point of foreign brands from neighbouring countries
- Outdated technology (at the point of survival)
- Lack of effective governance in terms of applying/enforcing the set standards, monitoring performances (raw production output) in the chain, lack of coordination

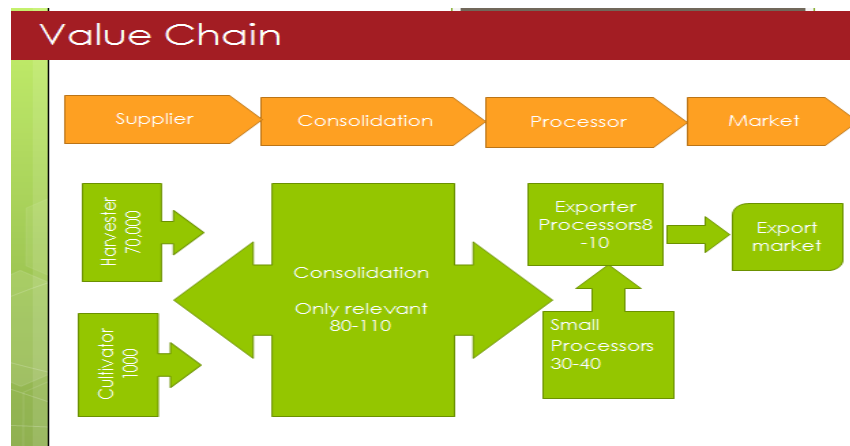
Annex 3: Medical and Aromatic Plants (MAP) Report

Introduction

The medical and aromatic plants sector is focused (99.8%) on the export market. The turnover is around 21M Euro (INSTAT, including oil from seeds and feed for animals). The total volume of production for 2012 was 11,000 T, while the export growth rate for 2011-2012 was 16%. The final use of MAP products is food, cosmetic and pharmacy industry. The activity of the sector involves and affects the rural areas and it is sometimes the main source of income for the poor village families. The number of employed people is approximately 80,000. Among them 48,000 (60%) are young people and 33,600 are women. There are 7,000 employees working in the processing sector and 6,300 of them are women. The main MAP exported products are: sage (with an estimated flow 2.500t-3,000t per year), satureja (approximately 600 -700t per year), wild apple (600t-800t per year) and lavender (around 200t). The three top markets where MAP product is exported according to the Albanian Centre for International Trade (ACIT) data are Germany (39%), Turkey (15%) and USA (14%). Germany and Turkey are not the final market; after processing the products through modern technology they re-export them to USA. The price of Albanian MAP is very competitive in the international market.

Value Chain

The value chain of MAP is composed of suppliers, collectors, processors and exporters. The suppliers of raw material are divided in harvesters and cultivators:



Harvester: the bulk of MAP products are gathered in the wild. Farmers gather the plants in the areas adjacent their properties and then let the herbs dry out on plastic sheets in the floor of their houses or outside under the sunlight. The dried plants are then wrapped in bundles and sold to the collectors. They can harvest 60% of MAP national capacity because of depopulation in some areas. The number of harvester is around 70,000.

Constrains:

1. Poor harvest procedures, wrong harvesting period
2. Poor post-harvest procedures; drying, storage, lack of hygiene, salmonella contamination, etc.

Key issues:

1. Low volumes for some high value added MAPs, average for other MAPs
2. Almost all regions have their consolidators who operate in specific areas that usually purchase from gatherers (no contracts)

3. Complete payment at the moment of the purchase is practiced more often, although players who procure bigger quantities usually apply delayed payments
4. In some cases harvesters also practice initial processing
5. Main operational cost is packaging (sometimes provided by consolidators)
6. Lack of law empowerment (confusion between roles of local government units and other state owned agencies)
7. Need for systemized training and awareness rising
8. Sustainable exploitation of natural resources is an issue that needs to be addressed

Cultivators: These are farmers that cultivate herbs on their property or unproductive rented land. Processors collect 30% of the products from cultivators. In many cases the processors directly supply the cultivators with seeds and sometimes small processors have their own cultivation fields. There is a government program that supports the new cultivators of medical herbs; they use imported seed or seedling ways for cultivation. Moreover, cultivators don't use fertilizers or pesticides; their main costs are related to planting materials purchase.

Constrains:

1. Storage and drying facilities
2. Lack of expertise/technical assistance for new cultivators
3. Focus in some varieties (especially sage)

Key issues & opportunities:

1. High volumes of production
2. Wide spread practice in few regions like Korça, Dibra or Elbasan and especially Shkodra (areas that have infrastructure, semirural areas-not remote ones)
3. More focused on spot market prices probably because the presence of many consolidators, processors and exporters
4. Complete payment at the moment of the purchase is practiced more often, although players who procure bigger quantities usually apply delayed payments
5. In some cases cultivators also practice initial processing, especially drying
6. Main operational costs are planting material and labour
7. Need for systemized training, extension services and cultivation diversification
8. Opportunity for job creation
9. Opportunities for diversification

Consolidators: People living in communes playing the role of intermediaries or group of farmers that collect, cultivate and sell together. They use their own vehicle to gather the herbs. Capacity of production is around 10-70 t.

Constrains:

1. Improper storage and drying capacities
2. Lack of working capital
3. Use of inappropriate packaging material (sometimes)

Key issues & opportunities

1. Increase storage capacities
2. Low access to finance (some grant financing)
3. Process upgrading (including some first processing)
4. Channel upgrading for big consolidators and/or processors
5. Upgrade their role when BIO and traceability systems are requested

The processors and exporters dominate the sub-sector value chain. There are 8-10 large processors, which produce more than 500 t of herbs per year and about 30-40 small and medium processors which produce around 100-400 t/year. Mainly their processes include cleaning, sieving, cutting packaging, production of essential oils etc.

Constrains:

1. Lack of technology (low capacity, old technology, lack of deep cleaning processes)
2. Need for investments in storage and equipment
3. Lack of working capital
4. Focus in some markets only
5. Lack of standards (in some cases)
6. Lack of certification (in some cases)
7. Lack of traceability systems
8. No reimbursement of 6% tax applied to each transaction with consolidators
9. No collaboration between exporters (two associations at sector level)

Key issues & opportunities

1. Quality and management standards are not completely new to local processors (ISO, BIO, and NOP)
2. Debt and grant financing
3. Different patterns of governance
4. Increase collaboration between exporters
5. Technology improvement
6. Process upgrading
7. Product upgrading

Sub-sector trends

- Emigrants (especially those coming from Greece) tend to come during spring and summer and collect MAPs
- Increased surface of land cultivated
- Introduction of subsidy schemes for cultivation
- Value added is higher at export and cultivation level. Consolidators in remote areas are the only who play an important role among actors in this value chain level
- Emerging cooperative of farmers are playing a significant role especially in areas where cultivation is becoming an important trend
- Competition between exporters is very high
- Exporters are trying to diversify their markets although they all depending on few clients
- There are different patterns of governance in the chain

Sector Opportunities

- Improve chain governance (horizontal and vertical linkages)
- Diversify cultivation
- Support farmers' cooperative creation
- Support first processing
- Training of gatherers and cultivators (harvesting and post harvesting techniques and farm management)
- Support access to technologies at export level