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Formerly Making Labour Market work for Young People

'Gender-Sensitive Research on Agro-processing (AP) Sub-Sectors seasonality and Potential for Crediting'

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Acknowledgement

We are thankful to the trust that team of RisiAlbania had in us in giving this opportunity to do the analysis and research. The guideline and exchange with the staff has been of utmost importance in developing the product in line with the requirements of the assignment. The information and analysis have been elaborated with the great contribution and support of Piro Rapushi, who facilitated contacts with agribusinesses and the expertise in the sector.

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Executive Summary

RisiAlbania has commissioned the Gender-Sensitive Research on Agro-processing (AP) Sub-Sectors seasonality and Potential for Crediting' with the objective to conduct and assessment on the potential for bridging the interest of the two important actors the banks and agro-processing business at the mutual benefits in order to allow for cash flow that would support the increasing potentials of the sector.

Conducted in a participatory way and qualitatively in the nature, the analysis is based on the data collected by interviews and exchange with key operators in 12 subsectors in the agro-processing interviewing about 100 operators in all subsectors and financial institutions. The 12 sectors cover the most of the territory of Albania so visits on the sites were conducted in around 6 Qarks. On the other hand, the banks and other financial institutions were interviewed, mainly in Tirana, since the banking policies are central and do not vary on the regional basis. A relationship was established with banks since the interviews were conducted in two rounds and the concluding workshop with the stakeholders not only has validated the preliminary findings but has raised direct questions from banks asking for concrete support and partnership with RISI as a follow up to this first exercise.

The analysis have concluded that the relationship between the two parties have to be revisited and rebuild keeping trust and open and transparent communication as leading principles. This communication should reflect the needs and potentials for development of the clients to which the seasonality remains a key issue of concern.

A tailored made product should respect seasonality of all the value chain.

Expanding partnership with these actors, including also state as regulatory frame-setter, is crucial, contributing also towards smoothing of informality, a hindering factor for accurate planning and analysis.

Scope and possible limitations of the research; methodology

The scope of 'Gender-Sensitive Research on Agro-processing (AP) Sub-Sectors seasonality and Potential for Crediting' is predefined in the Terms of References developed by RISI Albania, to be found as an annex to this document. Agro Processing is one out of three sectors of intervention deemed with high potential to generate economic growth and employment opportunities for the youth and this will be supported by RISI Albania, a SDC funded project, implemented by the consortium constituted of HELVETAS Swiss Intercooperation and Partners Albania for a period from 2013-2017. Previous analysis and evidence have shown that one of the most important constrains that prevent the development of the sector is the limited crediting of the related agro-processing subsectors by the banks and other financial institutions operating in Albania. From their side, the banks perceive the sector of high risk and of low return of investment, which has encouraged them and other financing institutions to introduce also high rate of interest to the (rather limited) AP products in the market they have developed. From the entrepreneurs operating in the sector perspective (including farmers, traders, processors, etc.) despite of the high need for financing capital the access to the banks is not easy, often also because they do not find the products ready when there is the peak of interest, which responds to the seasonality of the products they care for.

This research aims at making a gender sensitive analysis on the seasonality of agro-processing sectors in order to bridge the interests of the banks and agro processing sub-sectors. It has the objective to provide banks will the needed information and know-how required for developing products that respond to the demand of market, in this case of AP sectors, by realistically assessing where the risks are for crediting of the sectors, how to customize loan products responding to the seasonality of the sectors in terms of time and payment, longer repayment period, and others. The assumption is that, based on the analysis and recommendations to improve products' provision, the banks will increase financing for agro-processors, which will stimulate in turn their growth and employment potential.

The focus of the analysis is put at 12 subsectors as following:

1. Olive oil production,
2. Production of melon,
3. Production of apple,
4. Production of tangerines,
5. Production of corn for livestock,
6. Production of one year vegetables,
7. Cold storage,
8. Fruits and vegetables processing,
9. Dairy and milk processing,
10. Herbs and medical plants,
11. Grapes and wine production,
12. Fish farming

Based on the most recent data agriculture contributes 17.8% of the GDP of the production in Albania or, agriculture, providing more than a fifth of GVA (gross value added in 2013. There is not an exact figure of all the businesses register that operate in this sector, however based on the most recent data it is estimated that the agriculture continues to have a large role in the economy, suggesting that there is significant scope for productivity gains from sectorial shifts in employment1. The growers and traders dealing with this sector are mainly located at the central part of Albania while processing of them apart from being most of the time situated very close by to where the productions sites are for efficiency purposes is also expanding rather evenly in the country.

The twelve subsectors under observation and analysis in this research are those who contribute most to the economy of the country coming from the agriculture point of view. These agro processing businesses are developed where the most fertile land is in Albania since being established with the efficiency logic they are most of the time situated close to production. This approach has defined the central part of the country as the place where agro processing business has developed, but it has clearly expanded out of this territory. Reaching out all operational businesses in such a large extend has not been possible in the timeframe requested by the terms of reference of this mandate. Moreover, with the high level of informality a number of operators are still not reported as regular businesses. EU progress report for Albania 2014, acknowledges that the informal economy remained a significant source of jobs, accounting for around 40 % of employment in the non-agriculture sector. We are conscious that certain number of the operators has not been interviewed and their views are not consulted in the elaboration of this

[1] EU Commission Progress report for Albania, October 2014

analysis which could pose limitations to the research. However, what we have reached out is those who most prominently are positioned themselves in the market, in terms of their economic profile and employment generated and who are potential clients for the banks, since the objective was to develop analysis and recommendations coherent to the banks' interests.

It is generally accepted that the reliability of the data remains on the key issues of concerns in the country. Often because methodologies for data collection, even from the state and public institutions are inconsistent and under ongoing revision, as well as the source of data collection and analyses is sometimes questioned. This provides for another shortage which we have addressed by collected our own data interviewing around 100 persons all over the country. A list of stakeholders' interviews is found attached to this analysis as Annex 1. It is to be acknowledged that even though there has been a long term relationship of trust and cooperation of both experts engaged in this research with the agro processing businesses, there is generally reluctance from businesses to be totally open to disclose data, particularly when it comes to financial data. We have made cross reference calculations and used triangulation methodology to ensure verification of the information with different means in order to reach towards a low margin of mistake.

During the data collection the interviews were realized on site with businesses that are actively operating and effectively producing their goods. There is awareness that this is only part of the full picture but at the same time it provides a good representative sample of the overall sector in Albania as explained above. Key actors in the value chain were interviewed and consulted in the process: Growers, Collectors/Consolidators (cold storage), Agro-Processors.

From the side of financial service 12 providers of the second level banks were consulted as well as microfinance institutions, mainly those lending for small business enterprises and agriculture.

Compliant with the requirements of a gender research approach, the team ensured a gender based approach to the research and a balanced team of experts knowledgeable in banking and agro processing sectors. Data collection was based on primary and secondary sources. Previous research and publications produced by different projects and donors, public and private, to part of which the team of experts has contributed, were from the main sources of secondary date.

The team was engaged into primary data collection applying a participatory approach to expand on particular aspects that were not rendered available by the existing research and with the aim to deepen understanding and reach clarity for the issues at stake by approaching all the actors involved from the producers, input suppliers, growers/associations, agro-processors, consolidators, wholesale buyers, retails, customers and financial and non-financial institutions. For this purpose most usual methods of qualitative research have been applied like individual interviews, observation, group interviews.

Preliminary analysis and related conclusions were discussed with a panel of key stakeholders from the banks who were interviewed. This workshop took place in 12 September 2014 in Tirana with 14 technical staff dealing with development of credit lines in the banks, more specifically on the sectors of agro-processing where the results and recommendations were presented to the actors. The initial conclusions were endorsed by participants and their suggestions are reflected in the final document as presented in this paper.

Main findings and the analysis

The research has been focusing on the following key elements for designing seasonality of respective subsectors: Seasonality, Market, Income, Investment/Expenses, Loan approval, duration, grace period and repayments. Each of the sectors has been examined in depth with all the actors included in the value chain. Despite similarities the sectors under consideration differentiate a lot; therefore the analysis has made efforts the capture on all the specifics features and actors that contribute to the full profile of the specific sector. The elements analysed for designing credit line product based on seasonality are as follows:

- Production/Trade,
- Market,
- Inflow (Incomes),
- Outflow (Expenses/Investment),
- Loan approval,
- Credit Terms/Duration,
- Grace period and Repayments

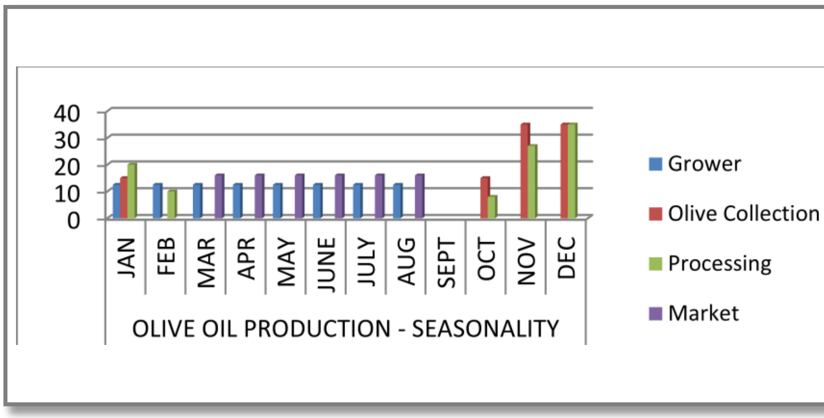
Each of the 12 subsectors has been analysed individually and the pattern of seasonality is thought through, disaggregated alongside value chain. The analysis, based on the data from the secondary researched enriched with the findings from the interviews and or other previous work of the team, have emphasized the relationship of the sector' needs with potentials they can generate, if additional financing is ensured. In some of the cases, the government has put priority and clear policies in place to encourage the production in the sector and this provides for a good opportunity that downsizes risks, since the government is expected to take a share. However, this is not always the case and the risks of interventions have to be research into more details on the occasion of another research, should the bank(s) decides to develop a particular product that responds needs and brings potential for this agro-processing sector.

The analysis have put considerations not only in the revenue that sectors generate, the coverage in terms of territory they take in the country and the financial potential to allow banks for an initial assessment, but it takes also a stand in shading light into the employment opportunities the particular sectors entail. In one hand with this perspective the aim was to remain compliant with the objective of the RISI Albania project towards employability and employment generation opportunities and from the other one, to draw attention to the bank for the economic potentials of the enterprise emphasizing also social responsibility. The second important part of the analysis develops the elements of the credit lines specific to the product including the type of crediting in terms of time (short or longer term crediting) and the elements of credit line that the bank is suggested to take into consideration to respond to the seasonality, cash inflow and outflow, repayment conditions etc.

1. OLIVE OIL PRODUCTION

Introduction

Olive oil production is rather old tradition in Albania but in the new market economy it has gain an increased attention as a good potential for generating incomes and ensuring employment. There are around 60,000 ha or nr 8,300,000 – 8,500,000 of olive trees in Albania covering a territory of 600 km2 dispersed in 9 Qarks and providing means of incomes for around 115,000 families. Olives serves as a primary source of the olive oil production industry which has shown an increase in the recent years. There are about 240 businesses that operate in this sector in Albania, out of which 50% are registered as such. In average terms there are 3-4 people working for one collector for around 90 days a year engaged during particular seasons. Processing of the olives requires a basic technology with relatively high cost as initial investment from 120,000 Euro up to 200,000 Euro and with regular maintenance cost. Olive oil producers report that the main source of investment come from their family money and a small number of them has access credits in the bank. Bank of Albania indicate that this sector is covered not even 1% by the crediting but a government policy in place has encouraged the sector by offering grants for capital investments and fixed assets, whereas second level banks still report financing at small degree. The attraction remains with bigger businesses that have a yearly financial turnover of 4,000 – 7,000 Euros for producers and 40,000 to 60,000 Euros for processors.



Seasonality of the Value Chain - The value chain for olive oil production and sale is composed of: **growers; collectors; processers; market.**

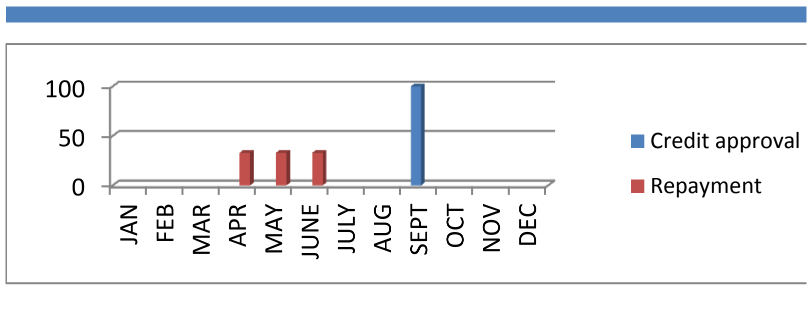
Crop services are provided by *growers* ensuring that the plans are taken care with due mechanism and fertiliser during the period from January to August. **Olives are harvested** also by *collectors* from October (third week) to January (second week) with peak of services offered in November and December. **Processing** of olive follows the same timeframe as harvesting with small scale processing in October (third week) and the peak November and December. Processing of olive falls considerably in January when compared to November and December. During the best production years, processing continue even in early February. Olive oil as a product is ready to go to **the market** from March to August. This is the regular cycle of the product in the market. By the end of August, the olive oil is entirely sold and the new cycle of olive collection and processing starts in October.

Line of credit features

Olive oil production is a sector that requires **short and long term financing**. **Short term** financing (average one year) is covers purchasing of *raw material (olive)*, *administrative expenses*, etc. while the **long term** (average two years) financing is for *purchasing of equipment, machinery and real estate such as land, building* etc.

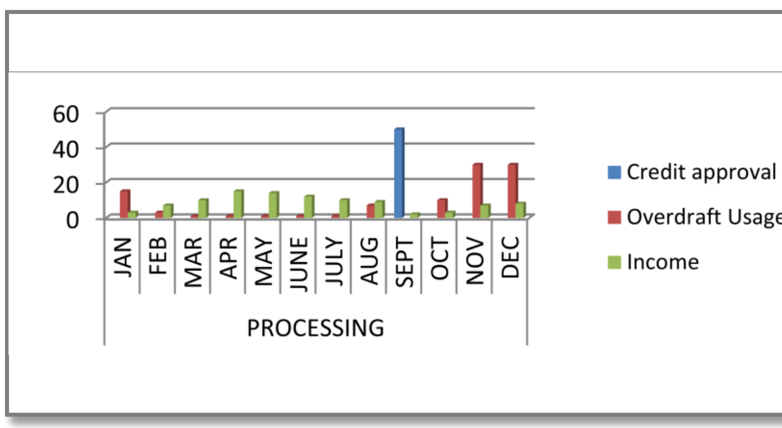
Short term financing can be covered by *revolving loan and overdraft* in the frame of the **credit lines** developed by financial institutions, whereas fixed assets (property, plant and equipment) could be covered by long term financing.

The credit line is approved in September, a month before the new cycle of olive oil production starts. The negotiation between financial institutions and the customer (olive oil producer) should be concluded prior to September when the need for funding is at its highest.



The duration of the **credit term** varies from nine to ten months for the short term financing until five to seven years for the equipment/machinery and ten to twenty year for the property & plant for the long term financing. Best **repayment** period is from April to June when the sector reaches its peak income. Payments can be done in three, two instalments or bullet payment. **Grace period** can be applied from September to February for the long term financing or equipment and machinery while for property and plant a monthly payment can be applied.

There are two types of **incomes generated** (inflow) from the olive processing: the first one is generated by *pressing of the oils* brought from farmers in the plant and the other one is created from the *selling of the olive oil.* Olive pressing income occurs from October to January and in the best production years, even during February. The income from olive oil selling is generated from March to August time when the oil is in the market.



Outflow **(expenses/investment)** of olive pressing includes purchasing of raw material (olive) and appliance maintenance. The purchasing of the olives is done from October to January whereas the machine/equipment maintenance is conducted two times a year: prior to starting of the pressing season and after the process is completed. Bottles or other packaging could be secured at any time during the year, when there is cash available. It would be better if this supply is bought prior to season however. Administrative expenses occur all around the year.

2. PRODUCTION OF MELON

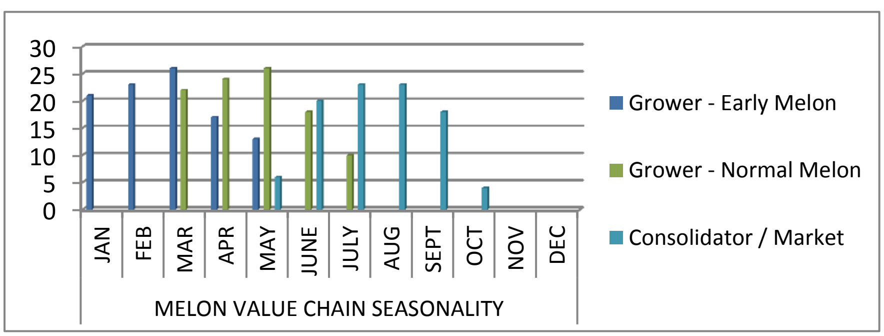
Introduction

Production of the melon has recognised a considerable increase since 2007 year until 2013. The cultivated land with melon takes up 8 to 10% of the territory (from 6,500 – to 7,100 ha). The foreign market has shown particular interest for this product. The exports have increased by 75%. The amount that has been exported has recognised an increase from 12,000 ton in 2007 to 21,000 ton in 2013. Albanian melon is grown generally in two part of the country – in the Central South, more specifically in the area Divjake, Lushnje, Berat, Fier, Durres and in the North West part in Shkodra and Lezha. Climate conditions allow for a long period supply of melons from May to October. It's of a peculiar nature the early access of the Albanian products in the European markets, particularly in Czech Rep, Lithuania, around 3,300 ton from May 25th until end of June, which turns into an advantage for producers but which requires at the same time high preparedness. There is a stable trend in the two consecutive years in terms of exporting of melon though the quantity to be exported and the absorption capacity is even higher. Local producers claim that additional financial means would allow them for expanding on the production since the structure is well set, the capacities of the work force currently respond to the needs, thought there is awareness for further training in this direction. Currently there are only few banks that have credited this product which provides for great opportunities, moreover that the market is there and demanding high quantity of products.

Seasonality of the Value Chain - The value chain of melon production and sale is composed of: **growers; consolidators; market.**

G*rowers* ensuring that the lands are taken care with due mechanism, irrigation system and fertiliser during the period from January to July. There are two types of growers, first that grow early melon from January to May areas such as: and secondly normal melon from March to July areas such as: Shkoder, Lezhe and Korce.

Melons are harvested by growers in May (forth week) until July 15 for the early melon and July (second week) for the normal melon until September. **Consolidators** buy the melons from growers during the same time that the products are harvested. Some consolidators are growers too.



Melon as a product is ready to go to **the market** from May to October. This is the regular cycle of the product in the market. By early October, the melon is entirely sold and the new cycle starts in January with early melon.

Line of credit features

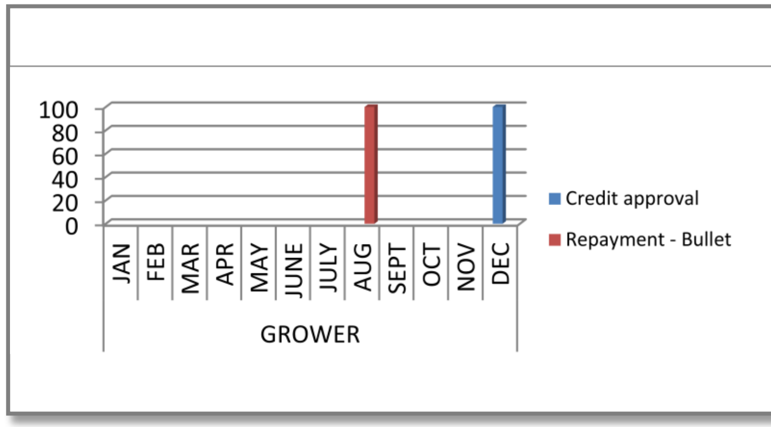
Production of melon is a sector that requires **short term financing** only. **Short term** financing (average ten months) is covering purchasing of seedlings, plastic, irrigation, fertilizer, renting, plowing etc.

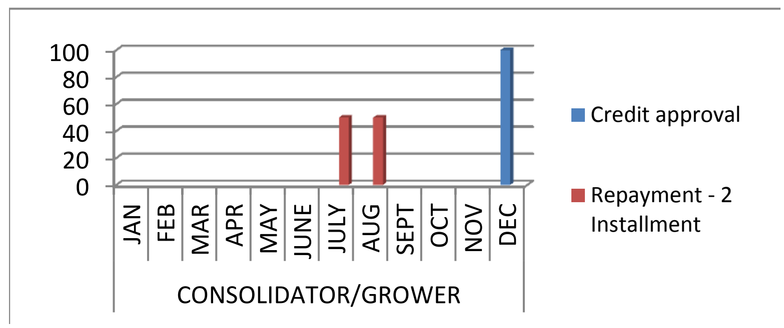
Short term financing can be covered by *revolving loan and overdraft* in the frame of the **credit lines** developed by financial institutions.

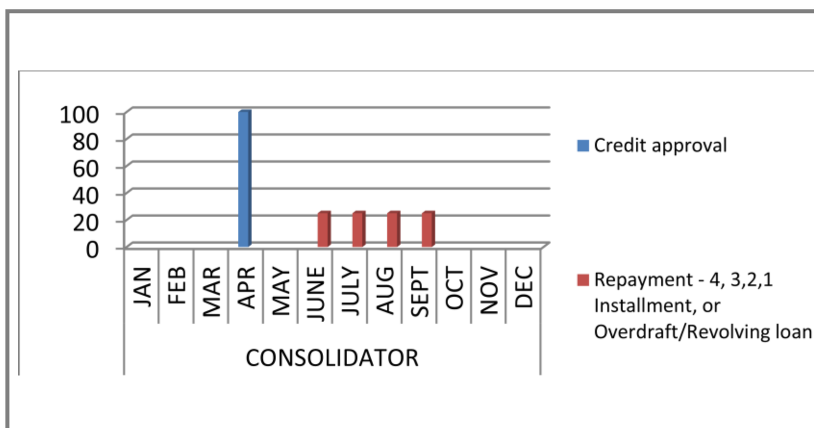
The credit line is approved in December, a month before the new cycle of melon production starts. The negotiation between financial institutions and the customer (melon producer) should be concluded prior to December when the need for funding is at its highest. The same type of credit line applies to consolidators who are growers too. If the business is only consolidator then the credit line is approved in April.

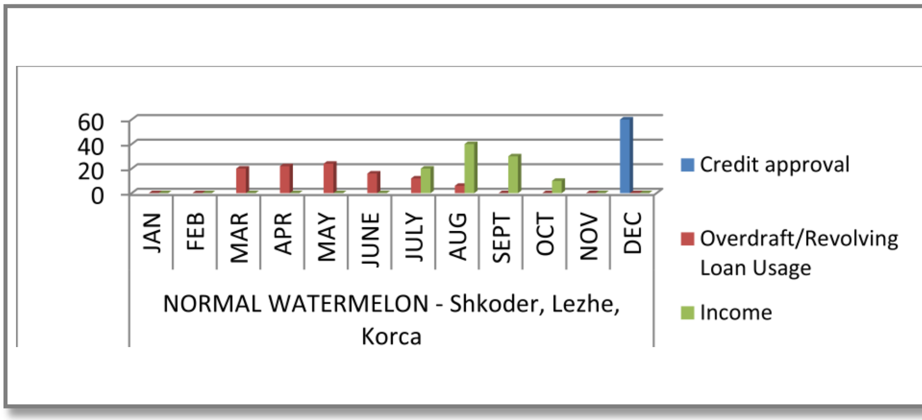
The duration of the **credit term** varies from eight to nine months for growers and grower/consolidator while for consolidators only last three to six months.

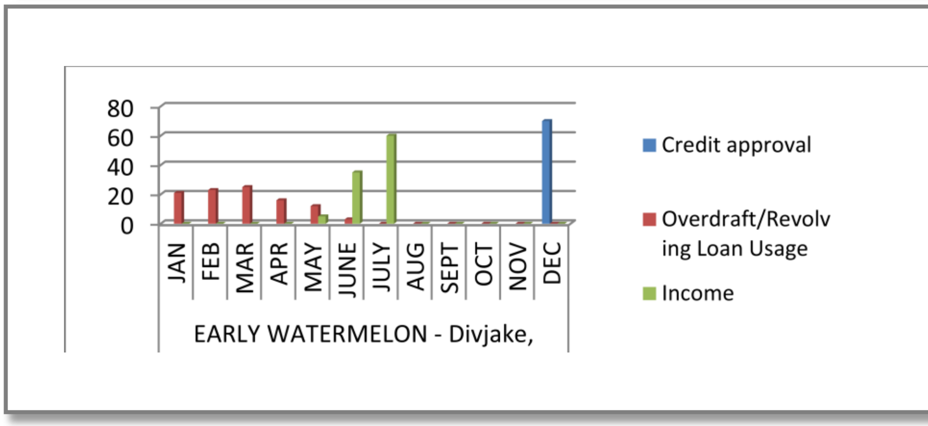
Best **repayment** period are July and August for growers and grower/consolidator while for consolidators only is from June to September when the sector reaches its peak income. Payment for growers can be done in one instalment, payment for grower/consolidator can be done in two instalments or bullet payment while consolidators only in four three, two instalments or bullet payment.











There are two types of **incomes generated** (inflow) from the melon production: the first one is generated by normal melon in areas such as Shkoder, Lezhe and Korce during period from July to October and the second by early melon in areas such as Divjake, Lushnje, Fier, Berat, Sarande and Durres during period from May to July.

The income from early and normal melon selling is generated when the product is in the market.

Outflow (**expenses/investment)** of melon includes purchasing of seedlings, plastic, irrigation system, fertilizer, renting, land preparation, plowing etc.

Expenses are done from January to May for early melon and from March to August for normal melon. Packaging could be secured at any time during the year, when there is cash available. It would be better if boxes and other wrapping material are bought during the season.

Administrative expenses occur all around the year.

3. PRODUCTION OF APPLE

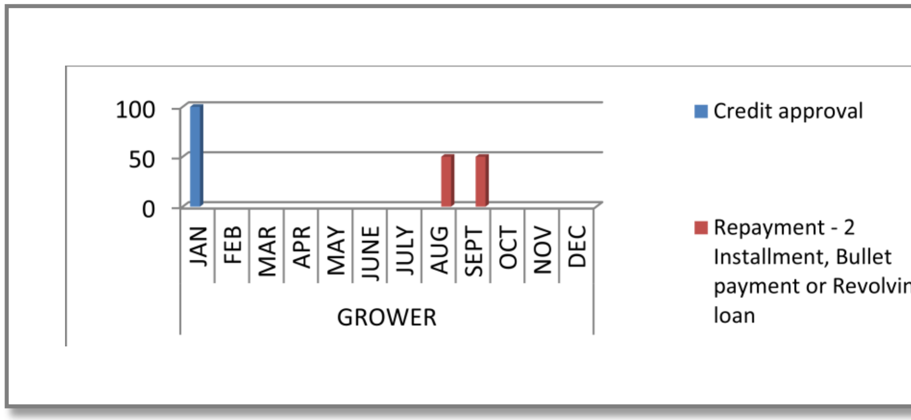
Introduction

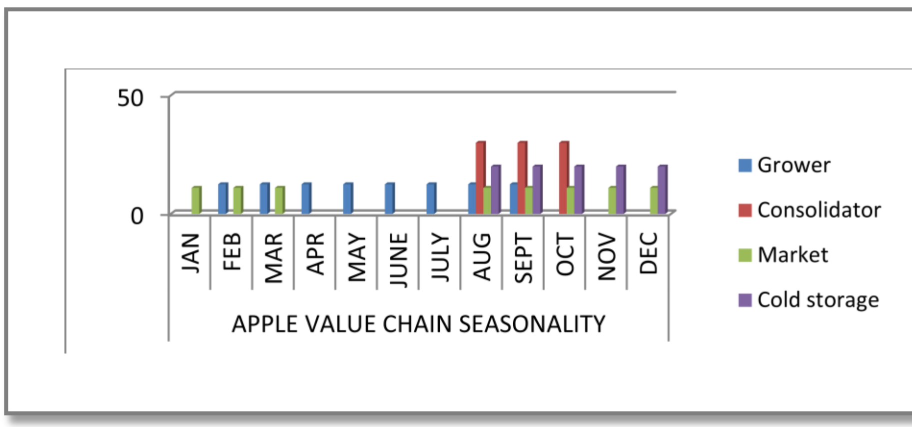
Apples are an important component of the Albanian diet and the most important tree fruit crop in terms of volume and value. The value of domestic production is $27 million[i]. Published national level statistics for fruit production do not differentiate between apples and other tree fruit. Apple production is concentrated in Korça (roughly 67% of total national production) and the rest is Lushnja, Elbasani and Dibra. There are around 5,500 ha of apple plantation countrywide. There are around 11,000 businesses operating in the sector which engage generally 22,000 workers during particular seasons. There has been a marked rise in local production over the past three-to-four years. Apple production requires a basic technology with relatively high cost as initial investment from 11,000 to 15,000 Euro and with regular maintenance cost. Apple producers report that the main source of investment come from their family money and a small number of them has access credits in the bank.

Seasonality of the Value Chain

The value chain of apple production and sale is composed of: **growers; consolidators; cold storage; market.**

Crop services are provided by *growers* ensuring that the production is taken care with due pruning, mechanism, irrigation system, fertiliser etc during the period from February to September.





Apples are harvested by *growers* from August (third week) to November (second week). This period of harvesting covers all the regions of the country. Korca, Dibra, Kolonja, Erseke and Pogardec region harvest mainly in September, October and November meanwhile Lushnja region harvest in August and September. The consolidators purchase the apples from the growers during the same period.

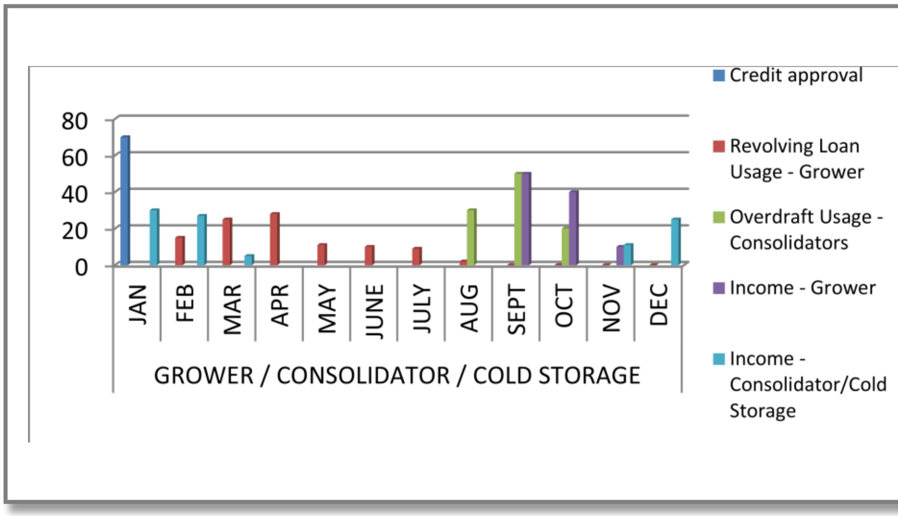
Cold storage businesses purchase and keep the apple in the store from August to December. Apple as a product is ready to go to **the market** from August to March. This is the regular cycle of the product in the market. By the end of February or March, the apple is entirely sold and the new cycle of production starts

Line of credit features

Apple production is a fruit that requires **short and long term financing**. **Short term** financing (average six to nine months) is covering crop services such as: pruning, mechanism, fertilizer, plant protection, etc. while the **long term** financing is for start-up planting, equipment, irrigation system, etc.

Short term financing can be covered by *revolving loan and overdraft* in the frame of the **credit lines** developed by financial institutions, whereas fixed assets (equipment, irrigation system etc.) could be covered by long term financing.

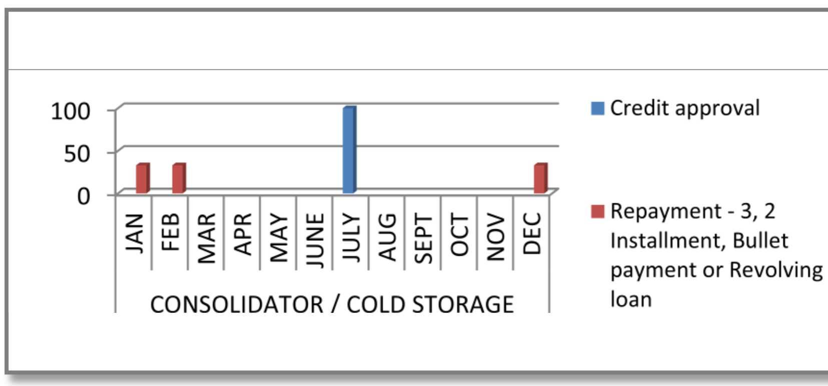
The credit line for growers is approved in January, while for the consolidator/cold storage in July. The negotiation between financial institutions and the grower customer (apple producer) should be concluded prior to January while for consolidators/cold storage prior to July when the need for funding is at its highest.



The duration of the **credit term** varies from eight to nine months of growers and from six to seven months of consolidators/cold storage for the short term financing, while five to seven years for the equipment/machinery/irrigation system etc, for the long term financing. Best **repayment** period for growers is August and September while for consolidators/cold storage from December to February when the product reaches its peak income. Payments can be done in three, two instalments or bullet payment.

Grace period can be applied from March to July for the long term financing or equipment, machinery, irrigation system etc.

There are two types of **incomes generated** (inflow) from the apple production: the first one is generated by *growers* and the second one is created from consolidators/cold storage. Grower's income occurs from September to November while consolidators/cold storage occurs from November to early March. Consolidators/cold storage buys the apple when producers harvest, store it and sell it when the price is high. The apple can be stored up to six months.



Outflow **(expenses/investment)** of apple includes crop services such as: shearing, (the above mentioned services are counted with an amount of 3,000-3,500 euro/ha) maintenance of irrigation system, machinery etc. The crop services are done from February to August but the peak services are from February to April then drop significantly.

Packaging could be secured at any time during the year, when there is cash available. It would be better if packaging is bought prior to season however. Administrative expenses occur all around the year.

NOTE: If the business is a start-up or expansion the repayment of the CREDIT (long term – investment) should be one payment a year (principal + interest) for the first three years until the production become effective. The payment for the first three years should be minimal because the business is not yet generating from the investment. The production of APPLE will start at the year three and will grow from year to year. The payment during the first three years should be in September or October during the peak selling season for growers while December, January and February for consolidator/cold storage. At the year 3, a deep analysis should be completed to define the future of payments, financial position and market demand. At the year forth a grace period should be applied and repayment (principal + interest) should be applied during the months of September or October during the peak selling season for growers while December, January and February for consolidator/cold storage.

4. PRODUCTION OF TANGERINES

Introduction

Tangerines are an important tree fruit crop of Albania in terms of volume and value nowadays. The value of domestic production is 14,000 ton (14,000,000 kg x 50 lek/kg). Tangerine production is concentrated in Saranda region (roughly 85% of total national production) and the rest is Fier and Elbasani District. There are around 700 ha in Albania planted with tangerines. There are 700 farmers business operating in the sector which engage 1,500-2,000 seasonal workers the working labour force during particular seasons normally during summer. There has been a marked rise in local production over the past three-to-four years. Tangerines production requires a basic technology with relatively high cost as initial investment from 17,000 - 20,000 Euros (from the planting to the starting of the production season) and with regular maintenance cost. Tangerine producers report that the main source of investment come from their family money and a small number of them has access credits in the bank.

Seasonality of the Value Chain

The value chain of tangerines production and sale is composed of: **growers; collectors/consolidators; market.**

Crop services are provided by *growers* ensuring that the production is taken care with due mechanism, irrigation system, fertiliser etc during the period from February to September.

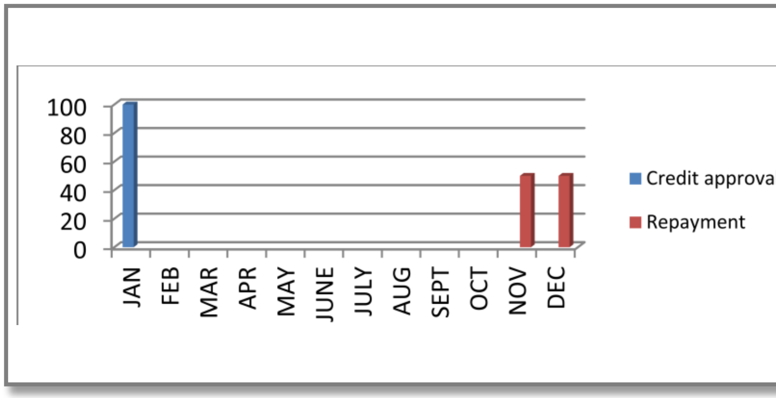
Tangerines are harvested by *growers* from October (third week) to December (forth week). The consolidators purchase the tangerines from the growers during the same period.

Tangerines as a product are ready to go to **the market** from October to January. This is the regular cycle of the product in the market. By the end of January tangerines are entirely sold and the new cycle of production starts.

Line of credit features

Tangerines production is a fruit that requires **short and long term financing**. **Short term** financing (average a year) is covering crop services such as: pruning, fertilizer, plant protection (insecticides and pesticides) etc and, while the **long term** financing is for start-up planting, equipment, irrigation system, etc.

Short term financing can be covered by *revolving loan and overdraft* in the frame of the **credit lines** developed by financial institutions, whereas fixed assets (equipment, irrigation system etc) could be covered by long term financing.



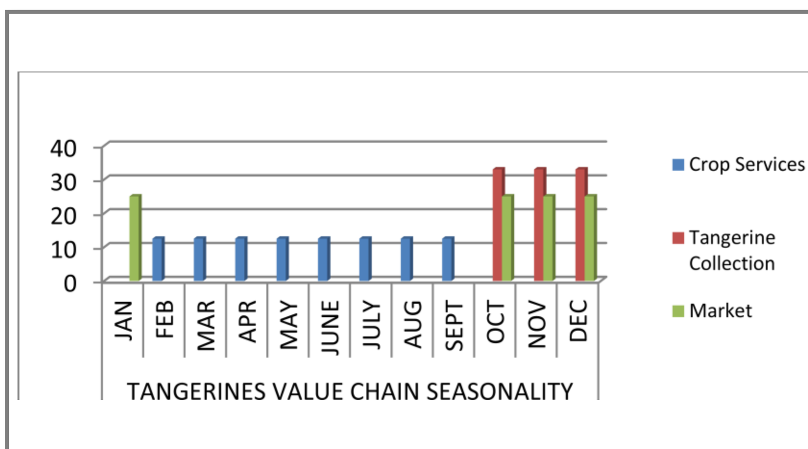
The credit line for growers is approved in January. The negotiation between financial institutions and the grower customer (tangerine producer) should be concluded prior to January when the need for funding is at its highest.

The duration of the **credit term** varies from eleven to twelve months for the short term financing, while four to seven years for the equipment/machinery/irrigation system etc., for the long term financing.

Best **repayment** period for growers is November and December when the product reaches its peak income. Payments can be done in two instalments or bullet payment.

Grace period can be applied from February to September for the long term financing or equipment, machinery, irrigation system etc.

The grower's **income generated** (inflow) from the tangerines production occurs from October (forth week) to January (second). November and December are the peak months of high income.



Outflow **(expenses/investment)** of tangerines includes crop services such as: 3000 – 4000 Euro/season, maintenance of irrigation system, machinery etc. The crop services are done from February to September but the peak services are months of February and March then it drop in the coming months.

Packaging could be secured at any time during the year, when there is cash available but it could be best if bought prior to the starting of the season however. Administrative expenses occur all around the year.

NOTE: If the business is a start-up or expansion the repayment of the loan (long term – investment) should be one payment a year (principal + interest) for the first four years until the production become effective. The payment for the first four years should be minimal because the business is not yet generating from the investment. The production of TANGERINES will start at the year four and will grow from year to year. The payment during the first four years should be in November or December during the peak selling season. At the year 4, a deep analysis should be completed to define the future of payments, financial position and market demand. At the year fifth a grace period should be applied and repayment (principal + interest) should be applied during the months of (October - January).

5. PRODUCTION OF CORN FOR LIVESTOCK

Introduction

Corn for livestock is an important crop in the Albanian in terms of volume and value. According to FAOSTAT (http://faostat3.fao.org/faostat-gateway/go/to/browse/area/3/E) the three top crops in Albania (2011) produced around 5.3 Million tons a year. Livestock (corn) production is concentrated in Fier, Elbasan, Korce, Berat, Vlore dhe Shkoder region (roughly 73% of total national production) There is around 160,000 ha in Albania. There are 180,000 businesses operating in the sector which engage 180,000 workers during particular seasons. Since 2006 there has been noted an increased in the production of crop in a consistent way. Livestock production requires a basic technology with relatively reasonable cost as initial investment from 2,000 Euro to 2,500 Euro and with regular maintenance cost. Livestock producers report that the main source of investment come from their family money and a small number of them has access credits in the bank. There is interest however to consider additional funding of this sector since it produces good quantities of product requested by the market.

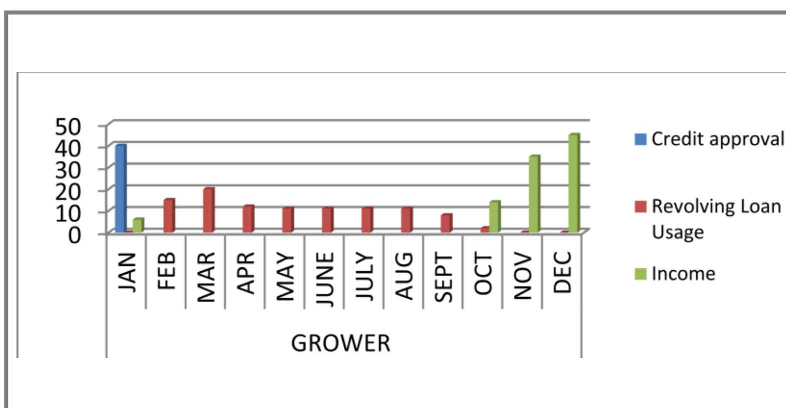
Seasonality of the Value Chain

The value chain of corn production and sale is composed of: **growers; market.**

Crop services are provided by *growers* ensuring that the production is taken care with due mechanism, irrigation system, fertiliser etc during the period from March to September.

Corn is harvested by ***growers*** in September (second week) and October (third week).

Corn for livestock as a product is ready to go to **the market** from October to January. This is the regular cycle of the product in the market. By the (forth week) of January corn is entirely sold and the new cycle of production starts.

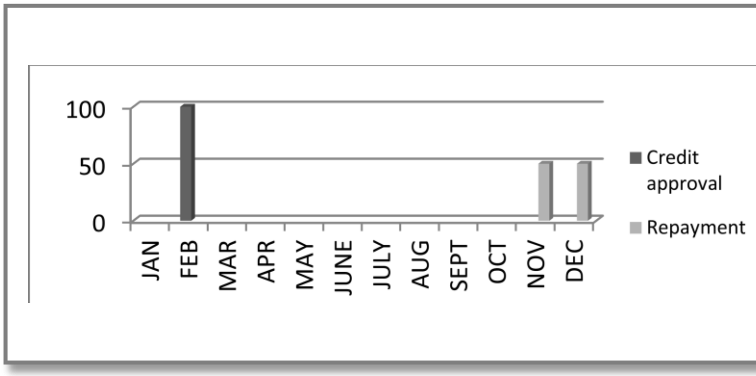


Line of credit features

Corn production requires **short and long term financing**.

Short term financing (average eleven months) is covering crop services such as land preparation planting, fertilizer , crop services and harvesting etc meanwhile the **long term** financing is for start-up planting, dry equipment, irrigation system, etc.

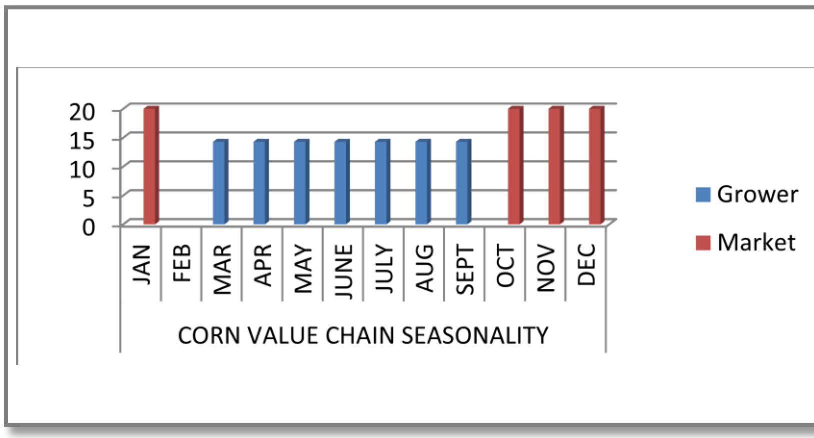
Short term financing can be covered by *revolving loan* in the frame of the **credit lines** developed by financial institutions, whereas fixed assets (equipment, irrigation system etc) could be covered by long term financing.



The credit line for growers is approved in February. The negotiation between financial institutions and the grower (corn producer) should be concluded prior to February when the need for funding is at its highest.

The duration of the **credit term** is eleven month for the short term financing, while up to two years for the dry equipment/machinery/irrigation system etc, for the long term financing.

Best **repayment** period for growers is November and December when the product reaches its peak income. Payments can be done in two instalments or bullet payment.



Grace period can be applied from March to September for the long term financing or dry equipment, machinery, irrigation system etc.

The grower's **income generated** (inflow) from the corn production occurs from October (second week) to January (forth week). December is the peak month of high income.

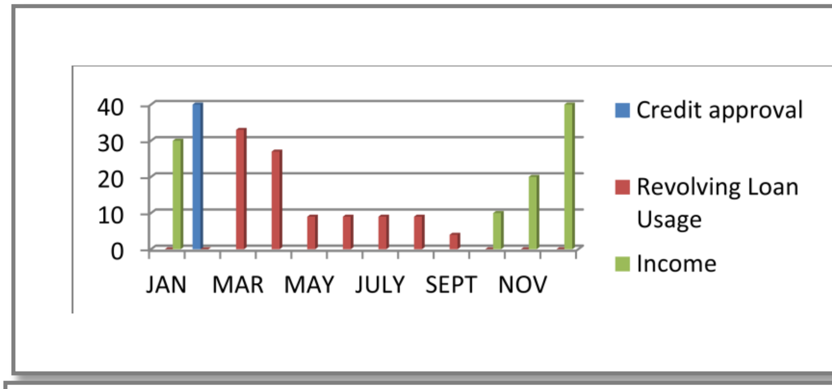
Outflow **(expenses/investment)** of corn includes crop services such as: land preparation planting, fertilizer, harvesting, maintenance of irrigation system, dry equipment etc. The crop services are done from March to September but the peak services are months of March and April then it drop in the coming months.

6. PRODUCTION OF ONE YEAR VEGETABLES

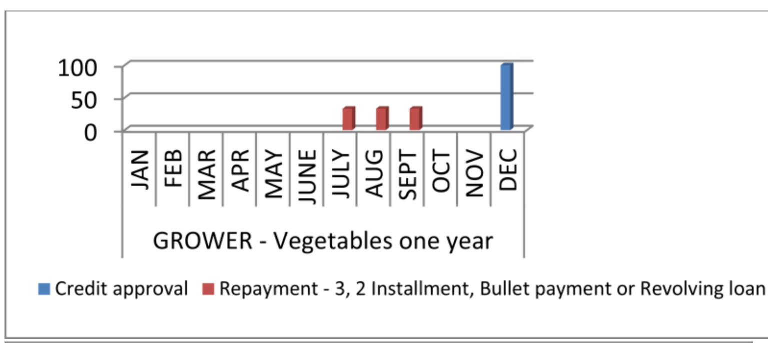
Introduction

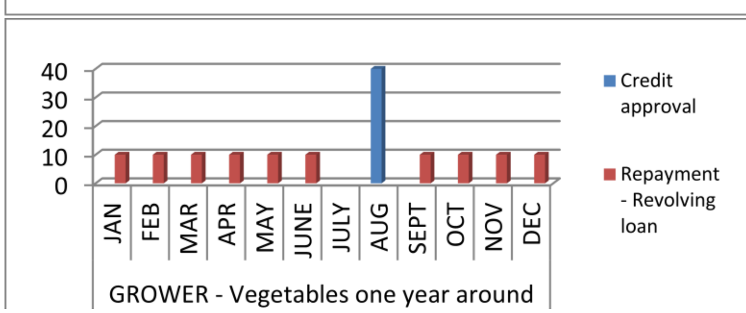
One year vegetables are important for the agricultural economy since they rather fast and generate incomes in a short term. However, to gain on this quick circle it is important that the farmers are ready and prepared to catch up time. The value of domestic production is 22.5 milion $. Vegetables production is concentrated in Fier, Tirane, Shkoder, Durres, Korce, Elbasan dhe Berat region (roughly 80% of total national production) There is around 33,000 ha in Albania taken with cultivation of one year vegetables. There are 100,000 businesses operating in the sector which engage around 130,000 workers during particular seasons. There has been a marked rise in local production over the past two-to-three years. One year vegetables production requires a basic technology with relatively reasonable cost as initial investment from 2,000 to 4,000 Euro and with regular maintenance cost. Vegetables producers report that the main source of investment come from their family money and a small number of them has access credits from microfinance institutions.

Seasonality of the Value Chain - The value chain of one year vegetables production and sale is composed of: **growers; market.** There are two types of vegetables: first vegetables that grow once a year and secondly vegetables that grow all year around.



Examples of these are tomatoes, peppers, eggplants, potatoes, onions etc that are grown once a year in open fields meanwhile carrots, cabbage and cauliflower etc are grown all year around.

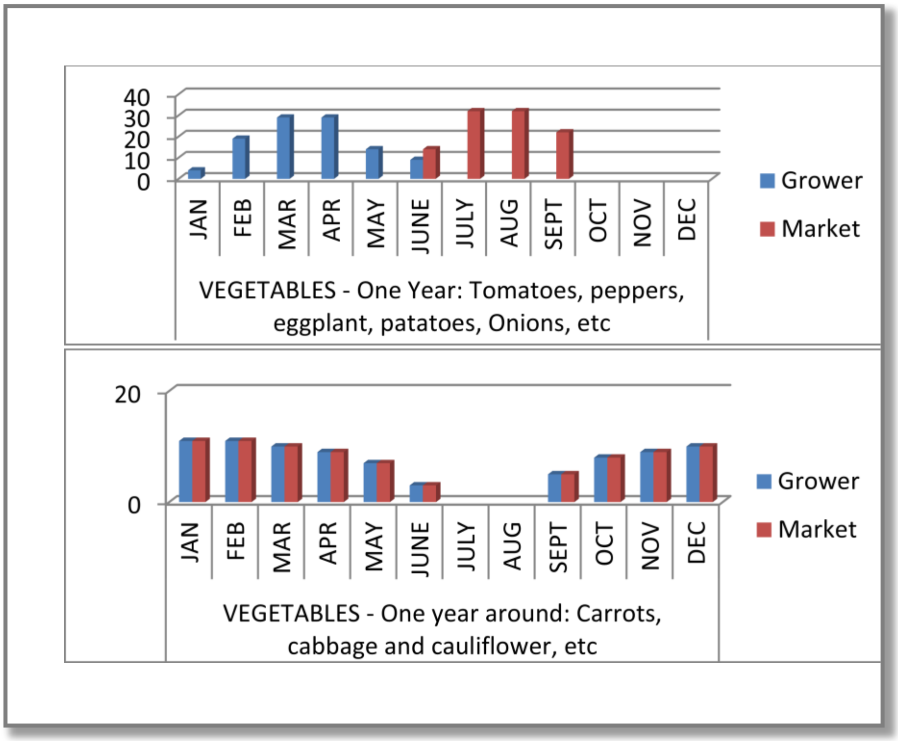




Both types *of growers* ensure that the production is taken care with due mechanism/tractor, plough, drill, spray pomp, water pomp, fertiliser, plant protection etc. ***Vegetable growers one year*** produce during the period from May to September meanwhile

vegetable growers one year around produce during the period from September to June (harvest period).

Vegetables one year are harvested by *growers* from late May to September but intensively harvested during June and July meanwhile vegetables one year around are harvested every month from September to June depending on the products.



One year vegetable products are ready to go to **the market** from June to September meanwhile one year around vegetables from September to June. This is the regular cycle of the products in the market.

Line of credit features

Vegetable production requires **short and long term financing**.

Short term financing (average nine to eleven months) is covering plough, seedlings, fertiliser etc meanwhile the **long term** financing is for tractor, spray pomp, water pomp, etc.

Short term financing can be covered by *revolving loan or overdraft* in the frame of the **credit lines** developed by financial institutions, whereas fixed assets (tractor, spray pomp, water pomp, etc) could be covered by long term financing.

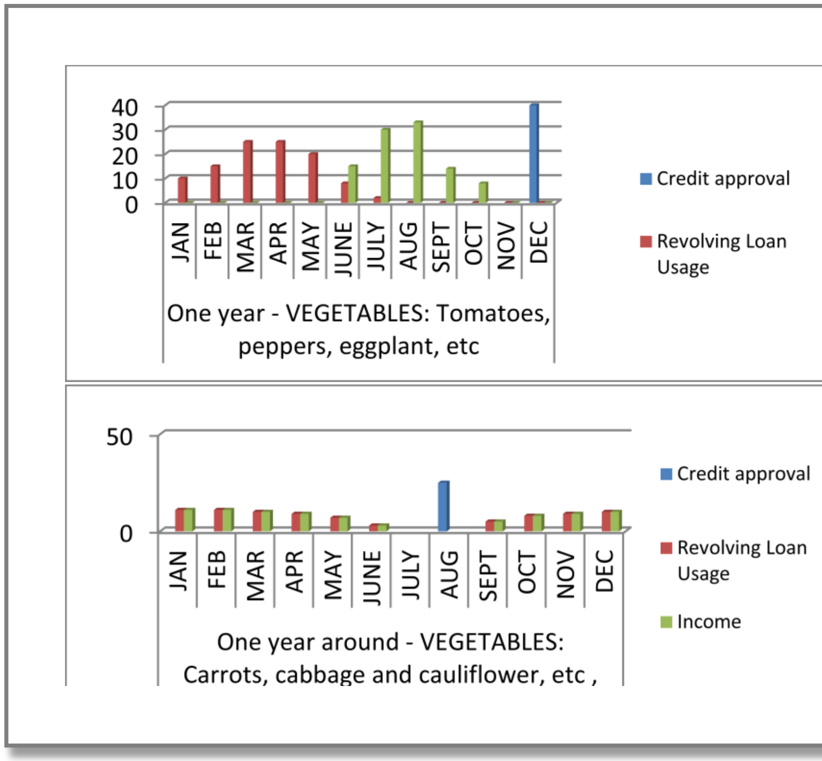
The credit line for growers producing once a year is approved in December meanwhile for growers producing all year around is approved in August. The negotiation between financial institutions and the growers (vegetable producer) should be concluded prior to December (for vegetables once a year) and prior to August (for vegetables all year around) when the need for funding is at its highest.

The duration of the **credit term** varies from nine to eleven months for the short term financing, while five to seven years for the tractor, plough, drill, spray pomp, water pomp, etc, for the long term financing.

Best **repayment** period for one year growers is from July to September meanwhile for all year around growers is every month from October to June when the product reaches its peak income. Payments for growers once a year can be done in three, two instalments or bullet payment meanwhile payments for growers all year around can be done monthly starting from October to June.

Grace period can be applied from October to May only for growers that produce once a year for the long term financing or (tractor, spray pomp, water pomp, etc).

The one year vegetables grower's **income generated** occurs from early June to early October. July and August are the peak months of high income.



The all year around vegetables grower's **income generated** (inflow) occurs from September to June. December to March is the peak months of high income.

Outflow **(expenses/investment)** of vegetables includes: plough, seedlings, fertiliser, etc. Ploughing, planting and other crop services for one year vegetables are done from January to June but the peak services are months of March and April then it drop in the coming months.

The services for the other crops for the all year around are done from September to June but the peak services are from December to March.

7. COLD STORAGE OF FRESH FRUIT AND VEGETABLES

Introduction

Cold storage facilities has shown increase in the recent years in Albania but in the new market economy it has gain an increased attention storing fresh fruit and vegetables. Cold storages are mainly in Tirana, Fier, Korca District and other. There are about 90-100 cold storage units in Albania; Tirane 20-22, Lushnje/Fier 25-30 and Korca 20-25 though precise figures are missing.

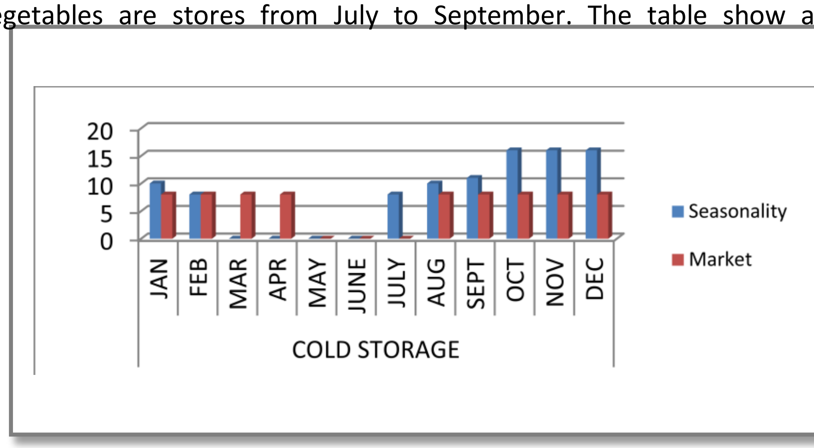
Cold storage facilities can store about 25,000 ton fruit and vegetables in a course of a year.

There are only 90-100 cold storage businesses registered that operates in storing fresh fruit and vegetables in which according about 200 workers are engaged during particular seasons. Cold storages require an updated technology with relatively high cost as initial investment from 40,000 Euro to 200,000 Euros and with regular maintenance cost. Cold storage businesses report that the main source of investment come from their family money and a small number of them has access credits in the bank.

Seasonality of the Value Chain

The value chain of cold storage and sale is composed of: **Consolidator/Cold storage; market.**

Consolidator/Cold storage businesses purchase the fresh fruit and vegetables from growers and store it based on the product and duration from July to February. Fresh fruit are purchased and stored from October to February meanwhile vegetables are stores from July to September. The table show a combined storage of fresh fruit and vegetables. Korca region store mainly apples, onions and potatoes meanwhile Lushnje, Fier region store vegetables and onions, potatoes purchased from Korca. The peak season of cold storage is from October to December for the following products such as: apple, onion, and potato.



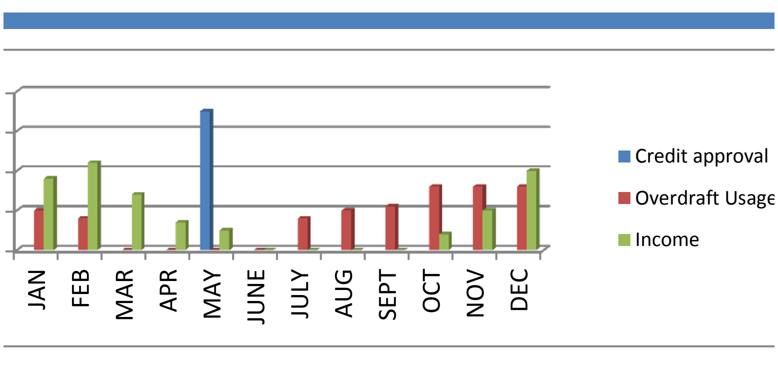
Cold storage products are ready to go to **the market** from August to April. This is the regular cycle of the cold storage business in the market.

Line of credit features

Cold storage business requires **short and long term financing**. **Short term** financing (average one year) is covering purchasing of *fresh fruit and vegetables*, other *expenses*, etc. while the **long term** financing is for *purchasing of equipment, machinery and real estate such as land, building* etc.

Short term financing can be covered by *revolving loan and overdraft* in the frame of the **credit lines** developed by financial institutions, whereas fixed assets (property, plant and equipment) could be covered by long term financing.

The credit line is approved in May, a month before the new cycle of purchasing starts. The negotiation between financial institutions and the customer (consolidator/cold storage) should be concluded prior to May when the need for funding is at its highest.



The duration of the **credit term** is twelve month for the short term financing, from five to seven years for the equipment/machinery and ten to twenty year for the property & plant for the long term financing.

Best **repayment** period is from November to March when the product reaches its peak income.

Grace period can be applied from May to October for the long term financing or equipment and machinery while for property and plant a monthly payment can be applied.

There are two types of **incomes generated** (inflow) from the cold storage: the first one is generated from selling fresh fruit (December to February) and the second is generated from selling vegetables (October to March-April).

Outflow (expenses/investment) cold storage includes purchasing of raw material (fresh fruit and vegetables) and appliance maintenance. The purchasing of fresh fruit is done from September to October meanwhile the purchasing of vegetables is done from June to October.

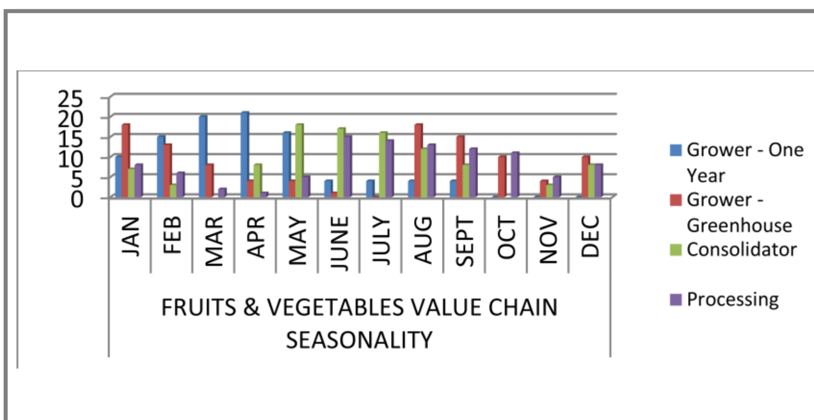
Administrative expenses occur all around the year.

8. FRUIT & VEGETABLES PROCESSING

Introduction

Fruit & vegetables processing in the new market economy it has gain an increased attention as a good potential for generating incomes and ensuring seasonal employment. The processors works seasonally and the turnaround money is once a year. The sector is very much informal and the payment of transaction is done mostly in cash. Financing to this sector is low due to the above mentioned and it has potential for future crediting. Due to informality and cash based payments the financing is done mainly not from financial institutions but family members, relatives etc. This sector has been showing an increase in the recent years not because of new businesses but the informal firms become formal. The profit margin of processor businesses is small and this requires a professional analysis by financial institution when they design the credit line.

There are 35 business processors registered that operates for fruit & vegetables processing in which an average of 1,350 workers get employment engaged during particular seasons. Processing requires an updated technology with relatively high cost as initial investment from 50,000 Euro to 300,000 Euro and with regular maintenance cost. There is little to no evidence form the banks of the capital invested in the form of crediting to this sector. However, businesses are showing increased interest to access additional crediting from the banks.



Seasonality of the Value Chain - The value chain of fruit & vegetables processing and sale is composed of: **growers; consolidators; processers; market.**

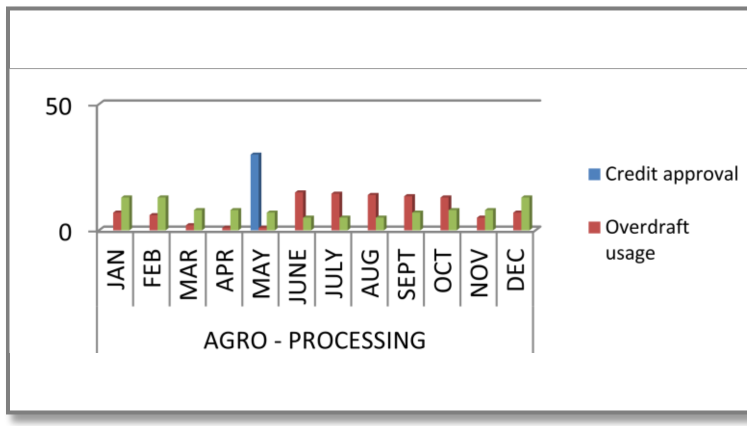
Crop services are provided by *growers* ensuring that the products are taken care with due mechanism and fertiliser during the period from January to September for one year production and all year around for greenhouses. Fruit & vegetables are harvested by *growers and purchased by* ***consolidators'*** almost entire year based on the product (open field products and greenhouses). **Processing** of fruit & vegetables follows the same timeframe as harvesting with very small scale processing in March to May and the peak from June to October. Processing falls considerably in November when compared to previous months. Processed products are in **the market** all year around. This is the regular cycle of the product in the market. By the end of May a new cycle of purchasing and processing starts.

Line of credit features

Fruit & vegetables processing requires **short and long term financing**.

Short term financing (average one year) is covering purchasing of *raw material (fruit and vegetables*), *administrative expenses*, etc. while the **long term** financing is for *purchasing of equipment, machinery and building real estate such as land, building* etc.

Short term financing can be covered by *revolving loan and overdraft* in the frame of the **credit lines** developed by financial institutions, whereas fixed assets (property, plant and equipment) could be covered by long term financing.



The credit line is approved in May, a month before the new cycle of processing production starts. The negotiation between financial institutions and the customer (processor) should be concluded prior to May when the need for funding is at its highest.

The duration of the **credit term** is one year for the short term financing, from five to seven years for the equipment/machinery and ten to twenty year for the property & plant for the long term financing.

Best **repayment** period is from October to April when the businesses reach its peak income. Payments can be done throughout the year and grace period should be applied. Overdraft type of credit is preferable with reasonable interest rate.

Grace period can be applied from May to September for the long term financing or equipment and machinery while for property and plant a monthly payment can be applied.

The peak **income** (inflow) of business processors occurs from December to January. The low income occurs from June to August time when the purchasing of raw material and processing is high.

Outflow **(expenses/investment)** of processing includes purchasing of raw material (fruit and vegetables) and appliance maintenance. The purchasing of the raw material is mostly done from June to October. Bottles or other packaging could be secured at any time during the year, when there is cash available but it is always better to have it in stock prior to season however.

Administrative expenses occur all around the year.

9. MILK PRODUCTION, COLLECTION AND PROCESSING

Introduction

Milk production, collection and processing in the new market economy it has gain a slightly increased in recent years as a good potential for generating incomes and ensuring employment. There are around 300,000 animal farms which employ 300,000 families. Total milk production reaches 1,150,000 ton annually. The main Qarks where this production takes place are Fieri, Elbasani, Shkodra, Tirana and Korca.

The sector is very much informal and the payment of transaction is done mostly in cash. Financing to this sector is low due to the above mentioned and it has potential for future crediting. Due to informality and cash based payments the financing is done mainly not from financial institutions but family members, relatives etc. This sector has been showing an increase in the recent years not because of new businesses but the informal firms become formal. The profit margin of processor businesses is small and this requires a professional analysis by financial institution when they design the credit line.

There are 350 business processors registered that operates in milk production, collection and processing in around 1,750 workers get employment. Processing requires an updated technology with relatively high cost as initial investment from 50,000 to 300,000 Euros and with regular maintenance costs.

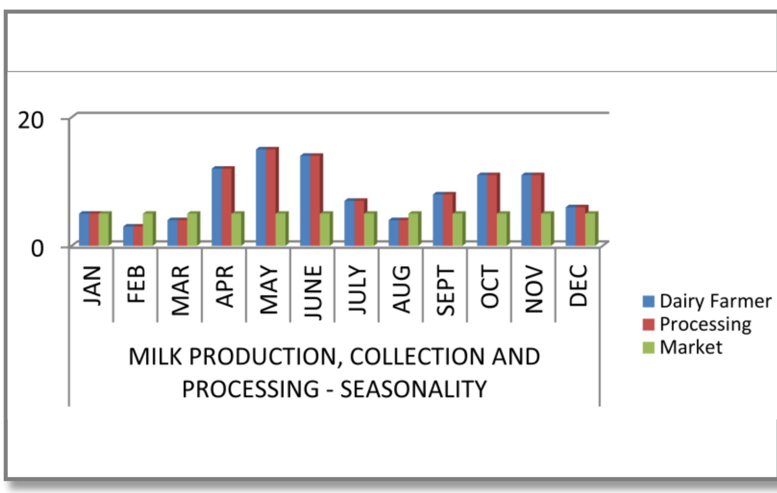
The interest to access additional crediting remains very high on the side of the consolidated businesses since the financial turnover varies from 1 to 2 million Euros annually.

Seasonality of the Value Chain

The value chain of milk production, collection, processing and sale is composed of: **dairy farmer; processing; market.**

Dairy farmers ensure that the milk is collected every day and all year around.

Processors buy the milk from farmers and process it all year around with a small scale processing from January to March and the peak processing twice a year: April to June and September to November. Processing falls considerably in February and August when compared to previous months. The product is in **the market** all year around. This is the regular cycle of the product in the market.

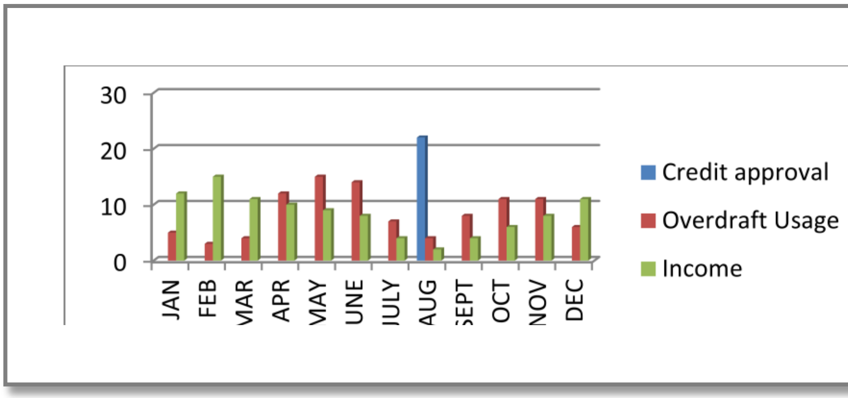


Line of credit features

Milk production, collection and processing require **short and long term financing**.

Short term financing (average one year) is covering purchasing of *raw material (milk)*, *administrative expenses*, etc. while the **long term** financing is for *purchasing of equipment, machinery and building real estate such as land, building* etc.

Short term financing can be covered by *revolving loan and overdraft* in the frame of the **credit lines** developed by financial institutions, whereas fixed assets (property, plant and equipment) could be covered by long term financing.



The credit line is approved in August, a month before the new cycle of processing production starts. The negotiation between financial institutions and the customer (processor) should be concluded prior to August when the need for funding is at its highest.

The duration of the **credit term** is one year for the short term financing, from five to seven years for the equipment/machinery and ten to twenty year for the property & plant for the long term financing.

Best **repayment** period is from November to May when the businesses reach its peak income. Payments can be done throughout the year when the income is high. Overdraft type of credit is preferable with reasonable interest rate.

Grace period can be applied from June to October for the long term financing or equipment and machinery while for property and plant a monthly payment can be applied.

The peak **income** (inflow) of business processors occurs from November to June. The low income occurs from July to October time when the purchasing of raw material and processing is not at the peak.

Outflow **(expenses/investment)** of processing includes purchasing of raw material (milk) and appliance maintenance, etc. The peak purchasing of the raw material is from April to June and from September to November. Bottles or other packaging could be secured at any time during the year, when there is cash available. It would be better if this goods is bought prior to season however. Administrative expenses occur all around the year.

10. HARVESTING, COLLECTION AND PROCESSING OF MEDICINAL AND AROMATIC PLANTS

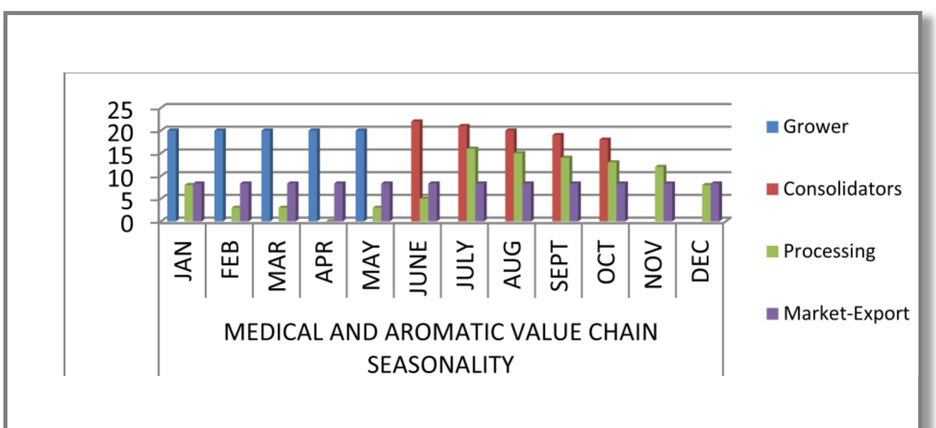
Introduction

Harvesting, collection and processing of medicinal and aromatic plants in the new market economy it has gain enormous increased in recent years as a good potential for generating incomes and ensuring seasonal employment. This business is mainly export and a very small part of it in the local market. Export covers about 95% of volume. The main products exported are sage, hawthorn, juniper, thorn, red clover, lavender, Rosemarie, etc. 65 % with US market is covered by the sage exported from Albania.

The sector is very much informal and the payment of transaction is done mostly in cash. Financing to this sector is low due to the above mentioned and it has potential for future crediting. Due to informality and cash based payments the financing is done mainly not from financial institutions but family members, relatives etc. This sector has been showing a tremendous increase in the recent years. The volume has been increasing from time to time for the export market. The main problem of this business is that the value added is not done in Albania but elsewhere. This means that Albania as a production country benefit little, comparing with the companies outside Albania who add value and sell it to wholesalers and retailers.

There are 50 business processors registered and around 500 - 600 workers engaged (only with collection and processing since collectors and producers engaged with the medicinal plants are over 100,000 seasonally engaged in this sector. Processing requires an updated technology with relatively high cost from 120,000 Euro to 200,000 Euro (within this frame the investment in processing lines accompanied with investment in infrastructure is included) as initial investment and with regular maintenance cost that averages. There is no evidence on the amount of crediting from the banks toward this sector but yearly turnover is counted at 2 - 3 Million USD.

Seasonality of the Value Chain - The value chain of harvesting, collection and processing of medicinal and aromatic plants and sale is composed of: **grower; consolidator; processing; market.**



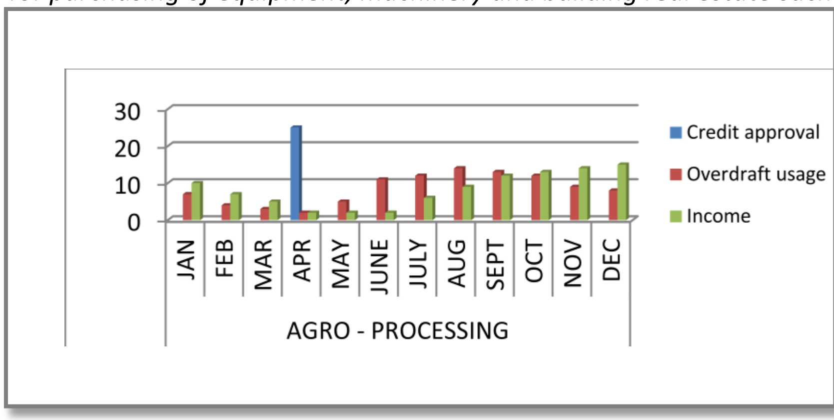
Crop services are provided by *growers* ensuring that the products are taken care during the period from January to May. The products are harvested by growers and purchased/hold by **consolidators'** from June to October. **Processing** of aromatic and medicinal plants occur entire year with very small scale processing from February to May and the peak from July to November. Processing falls considerably in February to May when compared to previous months. Processed products are in **the market** all year around. This is the regular cycle of the product in the market. By the end of May a new cycle of purchasing and processing starts.

Line of credit features

Processing aromatic and medicinal plants requires **short and long term financing**.

Short term financing (average one year) is covering purchasing of *raw material*, *administrative expenses*, etc. while the **long term** financing is for *purchasing of equipment, machinery and building real estate such as land, building* etc.

Short term financing can be covered by *revolving loan and overdraft* in the frame of the **credit lines** developed by financial institutions, whereas fixed assets (property, plant and equipment) could be covered by long term financing.



The credit line is approved in April, a month before the new cycle of processing production starts. The negotiation between financial institutions and the customer (processor) should be concluded prior to April when the need for funding is at its highest.

The duration of the **credit term** is one year for the short term financing, from five to seven years for the equipment/machinery and ten to twenty year for the property & plant for the long term financing.

Best **repayment** period is from August to July when the businesses reach its peak income. Payments can be done throughout the year when the income is high. Overdraft type of credit is preferable with reasonable interest rate.

Grace period can be applied from February to July for the long term financing or equipment and machinery while for property and plant a monthly payment can be applied.

The peak **income** (inflow) of business processors occurs from September to December. The low income occurs from April to June time when the businesses are preparing to purchase of raw material to process it.

Outflow **(expenses/investment)** of processing business includes purchasing of raw material and appliance maintenance, etc. The peak purchasing of the raw material is from June to November.

Packaging could be secured at any time during the year, when there is cash available and it is best if it bought before season starts. Administrative expenses occur all around the year.

11. GRAPES AND WINE PRODUCTION

Introduction

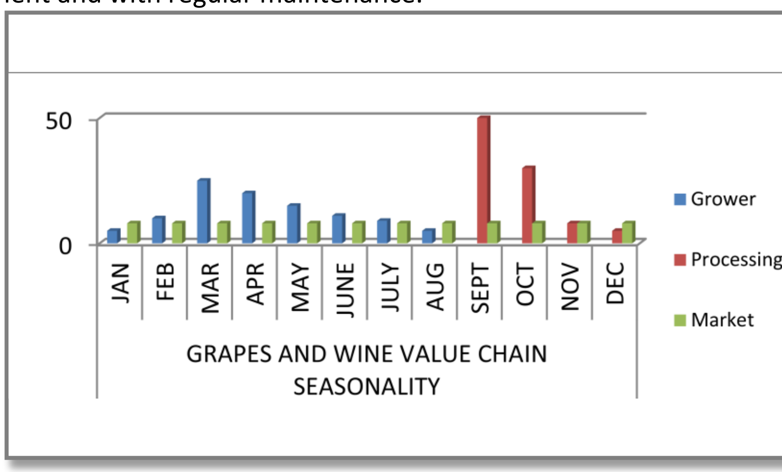
Winemaking is the production of wine, starting with selection of the grapes varieties and ending with bottling the finished wine. Although most wine is made from grapes, it may also be made from other fruits or plants. Albania counts around 11,000 ha vineyards with a total production of 136,000 till 137,000 ton annually. Winemaking is concentrated in Vlore, Berat, Fier, Korce area (roughly 67% of total national production) and the rest is Tirana, Lezha dhe Durresi.

Winemaking in the market economy has shown an increase in the local production and it is a good potential of generating income and ensuring seasonal employment.

The sector is informal and the payments of transactions are done in cash. Due to informality and cash based payments the financing is done mainly not from financial institutions but family members, relatives etc. The profit margin of winemaking businesses is small and this requires a professional analysis by financial institution when they design the credit line.

There are 110 winemaking businesses operating in the market which normally employ around 400 workers, mostly seasonally. Winemaking requires an updated technology with relatively high cost from 20.000 to 150.000 Euros as initial investment and with regular maintenance.

Seasonality of the Value Chain



The value chain of grape and wine production is composed of: **growers; processers; market.**

Crop services are provided by *growers* ensuring that the grapes are taken care with due mechanism, fertiliser etc during the period from January to August. The peak time of work is from March to May.

Grapes are harvested by *growers and purchased by* ***processors*** *in September, October and processed.*

Processing falls considerably in November when compared to previous months. Wine is in **the market** all year around. This is the regular cycle of the product in the market.

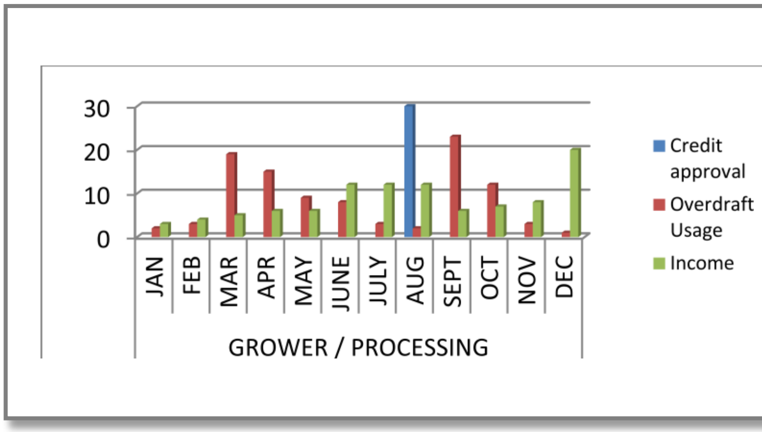
Line of credit features

Grape and wine production business requires **short and long term financing**.

Short term financing (average one year) is covering purchasing of *raw material (grape*), *administrative expenses*, etc. while the **long term** financing is for *purchasing of equipment, machinery and building real estate such as land, building* etc.

Short term financing can be covered by *revolving loan and overdraft* in the frame of the **credit lines** developed by financial institutions, whereas fixed assets (property, plant and equipment) could be covered by long term financing.

The credit line is approved in August, a month before the new cycle of production processing starts. The negotiation between financial institutions and the customer (producer) should be concluded prior to August when the need for funding is at its highest.



The duration of the **credit term** is one year for the short term financing, from five to seven years for the equipment/machinery and ten to twenty year for the property & plant for the long term financing.

Best **repayment** period is from June to December when the businesses reach its peak income. Payments can be done throughout the year when the income is high. Overdraft type of credit is preferable with reasonable interest rate.

Grace period can be applied from January to May for the long term financing or equipment and machinery while for property and plant a monthly payment can be applied.

The peak **revenue** (inflow) of business processors occurs from June to August and December. The low income occurs from July to October time when the purchasing of raw material and processing is not at the peak.

Outflow **(expenses/investment)** of processing includes purchasing of raw material (grape) other expenses, etc. The peak purchasing of the raw material are months of September, October. Bottles or other packaging could be secured at any time during the year, when there is cash available and before harvesting season however.

Administrative expenses occur all around the year.

12. FISH FARMING

Introduction

Fish farming is the principal form of aquaculture. Fish farming involves raising fish commercially in tanks or enclosures, usually for food. There is an increasing demand for fish and fish protein, which has resulted in widespread overfishing in wild fisheries.

Fish farming and processing in the market economy has shown an increase and it is a good potential of generating income and ensuring seasonal employment.

Most of the sector is informal and the payments of transactions are done in cash. Due to informality and cash based payments the financing is done mainly not from financial institutions but family members, relatives etc. Fish farming is concentrated costal area (Vlora, Durres, Lezhe, Shkoder.

Fresh fish is locally produced. Fish for processing is coming from import. There are 6 companies that are registered and licenced for the fish production, which is mainly exported, around 70% of the total production.

There are 70 fish farming business employing around 300 people, mainly seasonally of the working labour is seasonally engaged. Government policy in place has encouraged the sector by offering grants for capital investments and fixed assets, whereas second level banks still report financing at small degree.

Seasonality of the Value Chain

The value chain of fish farming and processing is composed of: **growers; consolidators; processers; market.**

Fish growers ensure that the fresh fish is taken care enough to be in the market on time. The process of fish growing last from 15 to 18 months starting from February, ending in July. Then the product is available in the market. The peak working time for fish growers is from February to May.

Consolidators buy the fish from import and sell it to the market and processors.

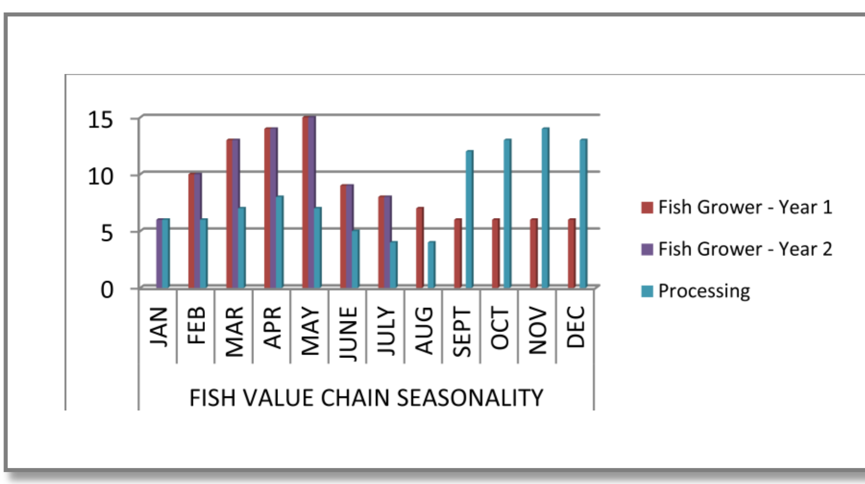
Fish processing is all year around. The peak time of processing is from September to December. Processing falls considerably in January due to the new cycle. After the processing the product is in **the market** all year around. This is the regular cycle of the product in the market.

Line of credit features

Fish processing businesses requires **short and long term financing**.

Short term financing (average one year) is covering purchasing of *raw material (fish*), *administrative expenses*, etc. while the **long term** financing is for *purchasing of equipment, machinery and building real estate such as land, building* etc.

Short term financing can be covered by *revolving loan and overdraft* in the frame of the **credit lines** developed by financial institutions, whereas fixed assets (property, plant and equipment) could be covered by long term financing.

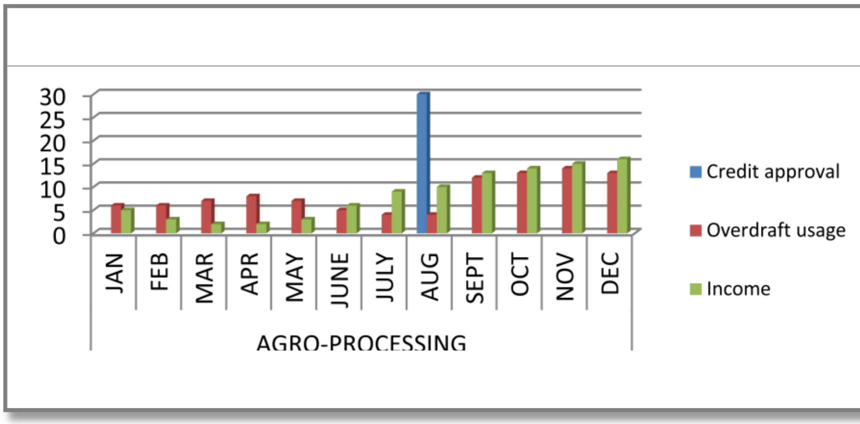


The credit line is approved in August. The negotiation between financial institutions and the customer (producer) should be concluded prior to August when the need for funding is at its highest.

The duration of the **credit term** is one year for the short term financing, from five to seven years for the equipment/machinery and ten to twenty year for the property & plant for the long term financing.

Best **repayment** period is from June to December when the businesses reach its peak income. Payments can be done throughout the year when the income is high. Overdraft type of credit is preferable with reasonable interest rate.

Grace period can be applied from January to May for the long term financing or equipment and machinery while for property and plant a monthly payment can be applied.



The peak **revenue** (inflow) of business processors occurs from September to December. The lowest income occurs from February to May.

Outflow **(expenses/investment)** of processing includes purchasing of raw material (fish) other expenses, etc. The peak purchasing of the raw material is from September to December and the lowest from June to August. Packaging could be secured at any time during the year, when there is cash available but best before processing season however.

Administrative expenses occur all around the year.

General conclusions

The above analysis has shed light in a number of issue around relationship and communication between the operators dealing with the agro-processing and the banks and has drawn attention to the particular topics of interest in order that the needs and potentials of each other are better known and responded, specifically taking into consideration the seasonality as a key concept that ensure efficiency and effectiveness.

Moreover, the issues of building trust and useful relationship are based on the transparency and improved communication what requires in one hand that the banks prepare friendly written materials for the understanding and the needs of the agro-processing operators and agro processing business develop better proposal with technical requirement satisfying bankable projects in terms of accurate financial planning and data analysis coupled with trustworthily advise.

Another important element linked with the attitude in the communication and the mutual interest for the cooperation between two parties is the data accessibility and accuracy. Missing data or even contradicting data that come from different sources has raised often issue of the reliability of the calculations and conclusions developed based on this information. Whereas the banks would need clarity on the provision of the production, inflows and outflows, businesses are reluctant to show. It gets even more cumbersome when sector analyses are needed and the counting of the data should be based on the individuals. Most needed steps to coordinated actions of for data collection coming from producers, Ministry of the Agriculture; professional Associations are currently at the individual's initiative more than a structured and systemic approach.

High level of the incidence of the informality in the sector has prevailed as a negative aspect that is impacting on the development. All the value chain is suffering this feature due to which labour market is suffering first and linked with it also the tax system and revenues that are expected to be generated on this ground. From the bank's perspective registration of the businesses with what it entails is a key element when analysed the credibility of the partner and creditworthiness.

Interviews and exchange with the actors have shown that the market is not regulated. This brings serious consequences when it comes to the practices that are developed and the likelihood that this returns into a practice standard.

Recommendations to the banks

Building upon the analysis and conclusions we would propose to provide a series group of recommendations with particular focus to the banks and some recommendations go to other actors, the most important one at the policy making level, which if implemented duly benefit the banks.

At the policy making level, the efforts to ensure that informality is tackled consistently and with concrete measures should be deepen by developing a system of business registration and preparation of their reporting in line with best contemporary standards. This recommendation is in line with the overall reference that has been made for strengthening of the macroeconomic regulatory frame in Albania. Moreover, the banks would require as one of the key conditions for lending business registration.

When it comes to the concrete ground of relationship between the two parties' agribusinesses and banks/financial institutions there is a need for revitalisation of it starting with the development of strategies of communication with tailored messages and customised to the interest of the clients. For this purpose the banks should consider improvement of the skills of the staff working with the clients by training and development for them. Moreover, we would suggest that a proactive approach to customers with a loan officer more as an adviser, would contribute to strengthening trust, a key parameter to enter and keep the relationship. In this perspective the loan officer is not simply the person who fills in the papers but cares for serving a client as well as for observing trends and suggesting to the management on the need for procedure revisiting.

In terms of procedures to be developed, it is important that procedural aspects for a feasible loan should be added. A contract between the two parties that would cover a period of at least two years should be thought through and developed without hesitation. Along with the contract, a business plan with clear limits of the financing should be developed and based on it a plan for implementation and monitoring of the processes.

On the other hand, the banks and financial institutions should think also of mechanisms for pushing processes towards business formalisation. The seasonality is one of the most critical elements in the agro-processing. As elaborated above, the seasonality changes even within the value chain and for that purpose designing, developing and implementing credit line products based on seasonality not only feeds the needs of the market for financing but allows for banks to work efficiently. A whole process of preparedness is needed from this angel who has to do with right time and right skills. Each of the sectors has peculiarities and it should not be a ‘one size fits all’ approach.

Recommendations to RisiAlbania

RISI is best position in the market to facilitate the communication and interaction between banks and agro-processing value chain. The two parties are in a situation of distrust while they both have an interest to work across borders and bridge the divide inherited. During interviews and face to face meeting, this position was reiterated in several instances by all actors. The process of mediating interest of the parties has started well with this analysis commissioned by RISI Albania on the specifics of the sectors and on the ways how this specifics can be responded duly. Sharing information with the banks and maintain an open line of communication would be useful to negotiate further common interest. Potential training for banks in developing specific products in line with the bank policies could bring a chance in building a new mechanism of partnership.