

Investment Potentials in the Agro-processing

Secretariat of Albania Investment Council
Tirana, 10 November 2020

CONTENT

- I. The Object and Methodology
- II. Main Findings
- III. Recommendations



Agriculture Sector

Contributes around
22% to the VGA

Increased exports
even during Covid-19
(14 August 2020)

Fruits/Vegetables/M
APs are well-
positioned in export
markets

Increase added
value in agriculture
exports

Stimulate
investments in
Agro-processing

OBJECTIVE

Review the potentials for increased investments in agro-processing, focusing on:

- ☐ 4 selected sub-sectors
- ☐ Main business challenges
- ☐ Main business needs

I. METHODOLOGY

Desk-research

- National and international reports, laws and bylaws
- Analysis of official data from secondary sources
- Key statistical data from various institutions related to the sector and the four selected priority products
- Lack of an inventory of projects and donors

Consultations & Working Groups

- Joint technical WG –MFE & MoARD
- Meetings through ZOOM
- Direct Feedback from IC members & partners
- Direct interviews with VC actors and sector experts

2 Questionnaires

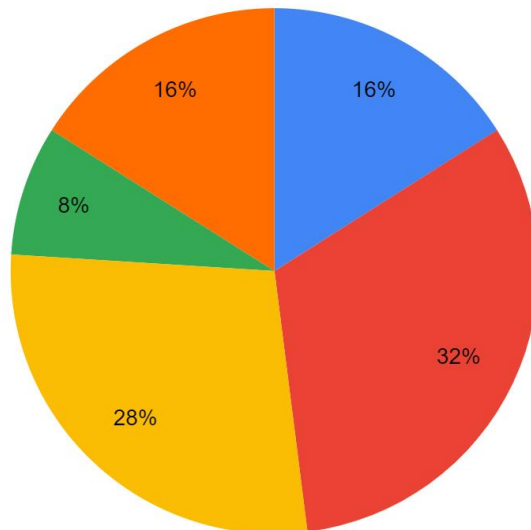
- With 42 companies
 - 26 direct interviews
 - 16 online
- With Financial System
 - BoA
 - 8 second-tier banks
 - 3 guaranteed schemes

“Do you have in plan to make any significant investments in the next 24 months?”

33 out of 42 companies plan to make significant investments in the next 24 months (46% up to Euro 100 000), mainly with subsidies (32%), personal resources (30%) and bank loans (30%).

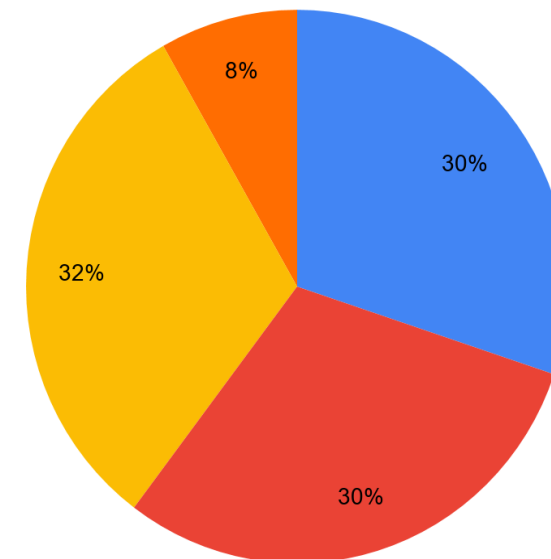
If “yes”, in what value?

- up to 50 000 Euro
- from 50000 to 100 000 Euro
- 100 000 to 500 000 Euro
- 500 000 Euro to 1 mln Euro
- more than 1 mln Euro



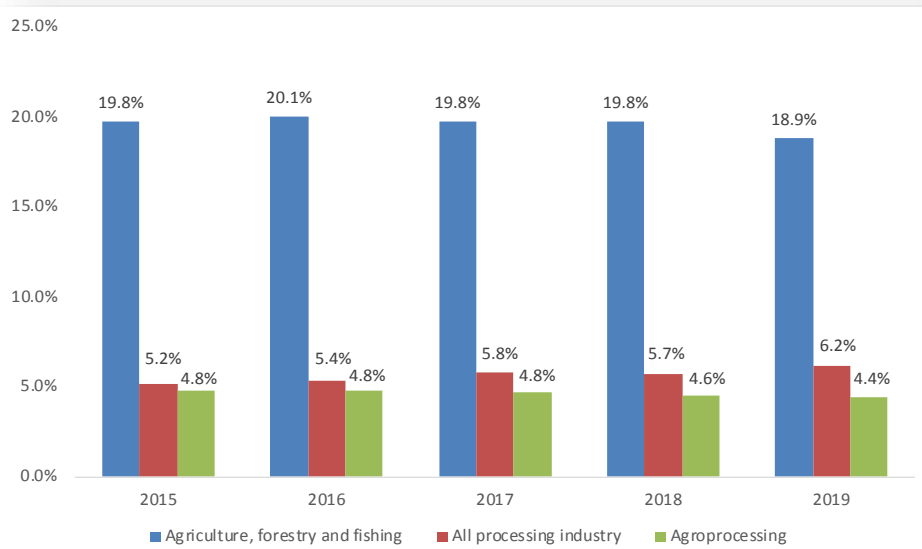
If “yes”, with what resources?

- With personal or business resources
- With loans from banks in Albania
- With subsidies (eg ARDA, AIDA, etc.)
- With funding from other foreign partners



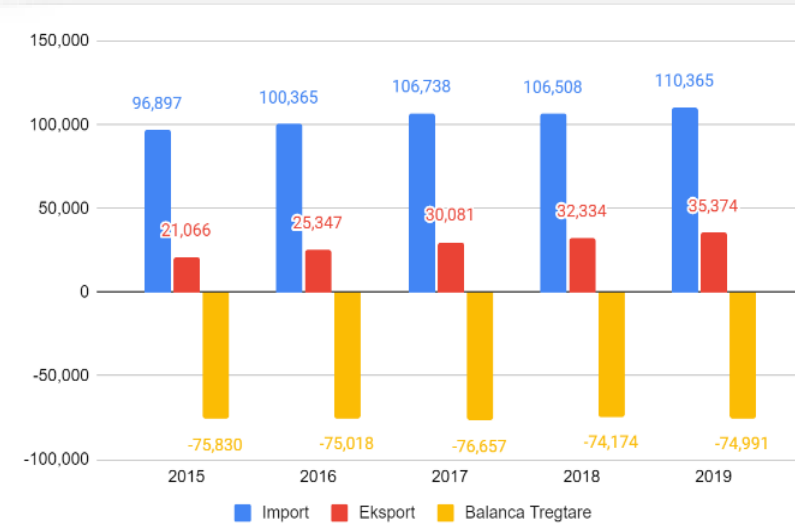
II. Trend Analysis

Contribution in GDP (in %)



→ The Agriculture Sector – contributes 18.9% of country's GDP (in 2019), about 22% of the GVA, and accounts for 36.4% of the overall employment.

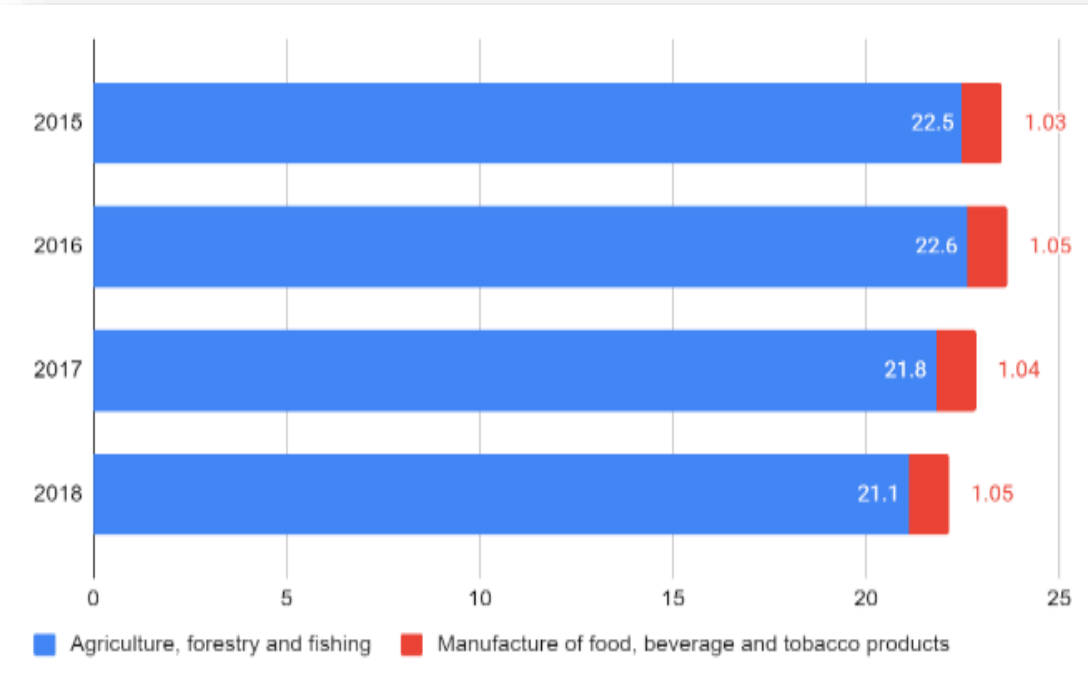
Agriculture Imp/Exp (in mln ALL)



- Agribusiness exports significantly increased mainly by fresh vegetables and MAPs.
- In 2019 represented 11.8% of the country's total exports, showing a significant increase as compared to only 8.7% in 2015 and just less than 3% in 2005.

II. Trend Analysis

Contribution in GVA (in %)



- The overall production value of the agro-processing sub-sector has increased by *8.4% cumulative (2019/2015) reaching up to 70,031 million ALL in 2019*
- The organic production has started to gain some interest stimulated by both export potential and an increasing local consumer demand - *According to MoARD, there are 81 farms in Albania that received organic certification in the recent years*
- Farming structures are small, very fragmented and with rather low productivity, excluding greenhouse vegetables and olives - *approximately 351,600 farms with an average farm size is 1.2 ha, fragmented into 3-5 plots of different size and land quality.*

III. MAIN FINDINGS

Supply of raw materials

- The supply market is very fragmented
- Raw materials have high prices
- Non-uniform product quality
- Insufficient quantities

Limited cooperation & value chain integration

- Few formal alliances
- Little trust in organization models
- Little awareness on the existence of organizations

Challenges in agro-processing

- Micro and small businesses engaged in a complex set of activities with modest technologies
- High informality in the domestic market
- Most of the Albanian products are exported to the Western Balkan countries and new EU countries with lower purchasing power
- Low product quality/standards
- High packaging and other transaction costs

III. MAIN FINDINGS

Challenges in Access to Finance

- A declining trend of lending from private banking sector for 2017-2020
- Agricultural insurance schemes yet underdeveloped
- A declining trend for geographical presence of the commercial banks
- Required guarantees/collateral as well as the timing of loan processing and approval – non-satisfactory
- Property issues and the instability of supply and quality of raw materials, key obstacles to new investments.

Institutional and Legal Challenges

- Obtaining of phytosanitary certificates
- Adoption of legislation that support the domestic product “Made in Albania”.

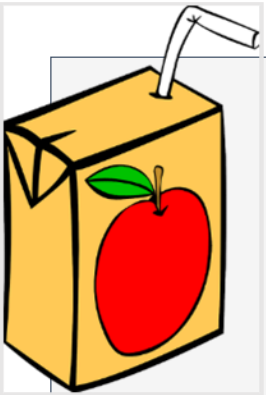
4 PROPOSED SUB-SECTORS

– MAIN FINDINGS



TOMATO

- Increased cultivated area, especially in greenhouses
- Exports of fresh tomatoes have increased substantially
- Limited processing and modest technologies



FRUIT JUICES

Fruits value chain has grown considerably, 22% of the total agricultural output but there is limited processing



CHESTNUT

- Exports of unprocessed chestnuts increased significantly
- Limited processing and modest technologies



BMA

- Strong tradition in the production and export
- More than 95% of total MAPs collected & cultivated (Albania) are exported
- Limited processing but improving technologies

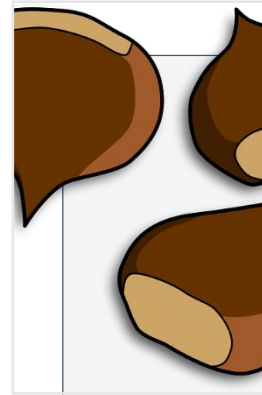
4 PROPOSED SUB-SECTORS

- INVESTMENT POTENTIALS



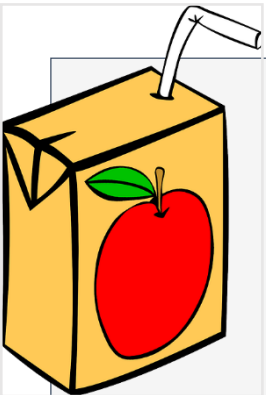
TOMATO

- Dried tomatoes, tomato sauce, tomato juices
- Based on Tech Cards an investment of 560,000 euros is required to meet market demand for tomatoes sauce



CHESTNUT

- Fresh product & processing industry
- An investment of 8 million euros is required to meet market demand



FRUIT JUICES

- High domestic demand
- Investments from the glass industry is needed as packaging makes up about 40% of the production cost



BMA

- BMAs & essential oils
- Based on Tech Cards an investment of 8 million euros is required to meet market demand

RECOMMENDATIONS



III. RECOMMENDATIONS: Cooperation, Integration of Value Chain and Supply with Raw Materials

To incentivize cooperation among farmers

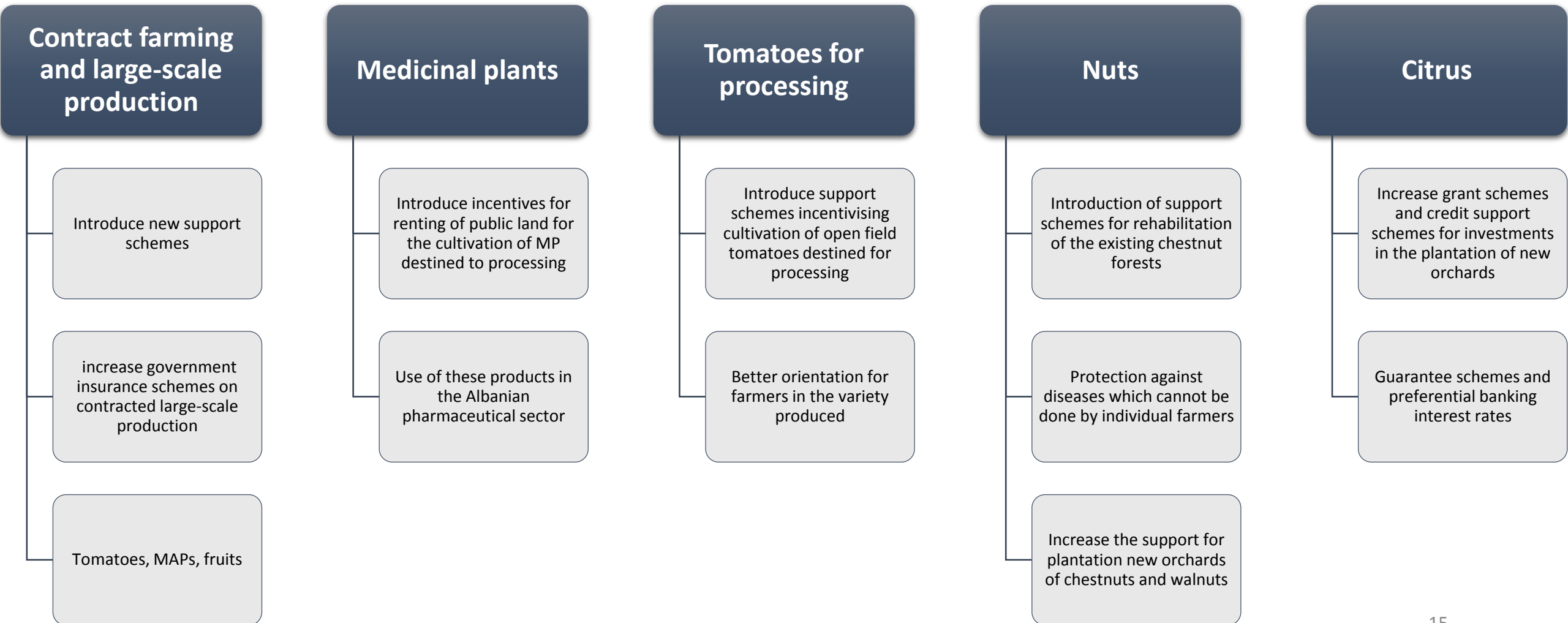
Simplification of administrative procedures, administrative incentives for land registration and construction permits for members of cooperative/farmers' organizations; by respecting private property rights.

Fiscal incentives for farmers' organizations (i.e. lower local/property taxes etc).

Credit support schemes (i.e. guarantee schemes and preferential banking interest rates for loan applications by the farmer organisations/cooperatives).

III. RECOMMENDATIONS: Cooperation, Integration of Value Chain and Supply with Raw Materials

Incentivise increased value chain integration and supply with raw materials



III. RECOMMENDATIONS: Market Information

Create a Market Intelligence Unit to secure the updated information on current domestic and external market needs in terms of products in fresh use or in the processing industry

AIDA

ARDA

Agriculture
university

Cooperate with Local Self Government Units, Business Associations, Export Association, Agricultural University, organize training informing farmers.

Agricultural and processing trends of investment potentials in light of market demand for export

What products are desired by the international market, for fresh use or in the processing industry to timely update current local production - on a large scale.



III. RECOMMENDATIONS: Quality and Competitiveness

Support exports to EU/other
higher-value markets

Enable mutual phytosanitary
certificate for exports of
agriculture products

Speed up the modernization
and accreditation/ new
testing laboratories

Sustain integrated
promotions policies that
enable a consolidated and
transparent calendar of
international fairs

Invest in promotion of
Albanian products in the
international markets

Speed up product quality
and standards in compliance
with the **Best Practices**

- Organic
certification/product quality
and standardization
- Support schemes for Global
G.A.P., Organic,
- Bio certifications for
vegetables, fruits and MAPs,
Fair Wild for MAPs

Enforcement of the control
over the quality on use of
agricultural inputs
(pesticides, herbicides, and
fertilizers) as they directly
affect the quality/standards
of the final product

Consider support in
production of **glass
packaging**

Fruit processing

Tomato processing

Chestnut processing

MAPs processing

Prioritizing support for
inputs for subsectors in the
processing/**Diversification of
grant schemes** and the
banking products

Fruit processing

Tomato processing

Chestnut processing

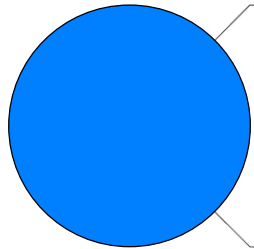
MAPs processing

III. RECOMMENDATIONS: Business Management, Operations and Education

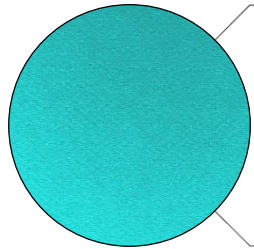
Development of investment profiles and technological cards in Agro-processing to facilitate investment decisions and operations.

Invest in the reduction of skills mismatch – through agriculture vocational education(platforms), professional training, and lifelong learning programs for agribusiness' skilled employees and professional personnel.

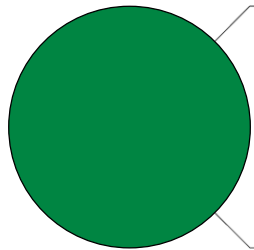
III. RECOMMENDATIONS: Institutional and Legal Matters



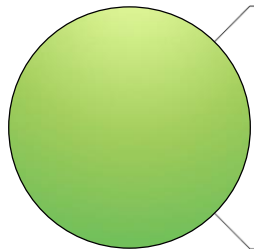
Amendment and alignment of the law no. 106/2016 “On organic production, labelling of biological products and their control” with the provisions of EU Regulation 2018/848 “On organic production” which enters into force is expected by January 1st, 2021



Approval of the draft-law “On vineyards and wine” which has been subjected to notification and public consultation as of June 2020



Increasing the capacities of NFA in the verification of compliance and control of products labelled with Designation of Origin, Geographical Indications, and Traditional Specialty Guaranteed



Harmonisation of data on Agro-processing between all reporting institutions, MoARD, INSTAT, GDC, NBC, BoA, Secondary-level Banks, etc. for better sector analyses and policy orientation

III. RECOMMENDATIONS: Access to Finance

Credit Guarantee Schemes not attractive in terms of costs

Simplification of procedures and reduction of these schemes' administrative costs, can increase their attractiveness and facilitate access to finance for a higher number of businesses.

Creation of insurance coverage schemes for agriculture business products by introducing the State as an intermediary

Set up the Insurance Sector, the Ministry of Agriculture would consider to set up a database with data, risks for each agricultural sub-sector, table with data on time, rains, temperature fluctuations, etc. ex through cooperation with signal prognosis station, and investments that manage risk in agriculture.

DISCUSSIONS

- *Agro-processing (unique raw materials at this moment) to maximise the potential of production and investments on Albanian products*
- *Can we increase value-added for MBAs, Nuts and Fruits/Vegetables to create showcase Albanian products competing in the regional and world markets?*
- *What interventions (government-business-donor) are necessary at sectorial level to speed up agro-processing SMEs to expand current and/or new investments? How to maximize country's potentials with a focus on the country's image, market functioning schemes, import substitutions, informality, increased access to finance, work force development?*



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