

Changing the Albanian subsidy policy in the context of low-profit farms

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Summary

Since 2005, the Government of Albania has been providing subsidies for competitive sectors of the agriculture, mostly fruit growing. However, there is a general lack of data regarding farm revenues, profitability and competitiveness and the criteria are not very restrictive in terms of orchard size or capital. The purpose of this research was to study the competitiveness of fruit tree farms. The study was conducted from 2009 – 2011 in the Vlora region by collecting financial information from 70 fruit tree farms, distributed at different levels of altitude and slopes, both features having an impact on the choice of crops, cultural practices and market access. The average income of rural families in the Vlora region (proxy for the Reproduction Threshold) acted as a reference against which the economic viability of farming systems was evaluated. In general, despite the farm typology, location and differences in net incomes, the farms under study had low net incomes, where 95 percent were under the reproduction threshold. This was mainly due to their small farm surface and, consequently, low productivity. Therefore, there is a lack of ability to accumulate capital and intensify the production, maintaining the extensive type of fruit growing. Under these conditions, 60 percent of the farmers interviewed were involved in other secondary agricultural activities to increase their sustainability, making these farms more competitive than the specialised ones. Although the orientation of subsidises to small fruit farms will offer a better guarantee to low-income categories, it will also delay restructuring of the Albanian agriculture. It may also have a negative effect on the competitiveness of the agricultural sector, in general, because the lack of readiness to sell the land will make it difficult for other farms to grow in order to reach the reproduction threshold and to take advantage of the economics of scale. In conclusion of the above results, the Government of Albania should set some criteria for the beneficiaries of subsidies in terms of farm size and capital to be invested. This would require a set of policies to create some appealing alternatives for farmers selling the land.

Key words: subsidy, competitiveness, agricultural policy, fruit tree farms

Introduction

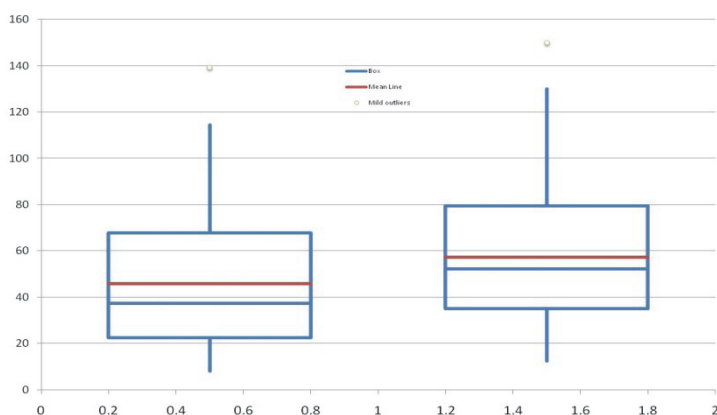
The removal of restrictions imposed by centrally planned economic policies in Albania was expected to lead to the recovery of the agricultural sector, but in the end, it was only partially successful. In implementing the transition process, in general, agricultural challenges - such as low food self-sufficiency levels, unfavourable agro-food trade balances, high employment levels in agriculture and low commercial quality of farm products - still remain. Moreover, despite the tendency for agricultural commodity prices in Albania to gradually align with those in the EU, wide differences in agricultural productivity still persist.

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The purpose of this research was to study the competitiveness of fruit tree farms.

Materials and methods

The study was conducted from 2009 – 2011 in the Vlora region. Farms were randomly selected by the farm database of the Agricultural Technology Transfer Centre of Vlora with a total of 700 family farms with fruit tree cultivation as their main activity.



Graph. 1. Statistical evaluation of the financial data on costs and incomes using the Box Plot analysis

Statistička procjena finansijskih podataka o troškovima i prihodima korištenjem Box Plot analize

To ensure equal representation of climatic (climate, soil), agrotechnical (opportunities for irrigation, fertilisation, mechanisation, etc.) and market (mainly distance from the main market) conditions, farms were selected at different altitudes (the ecological, agrotechnical and market influence) and slopes (agrotechnical influence). A group of 100 farms was aimed at but the data from 70 farms only were considered reliable and complete for the financial analysis.

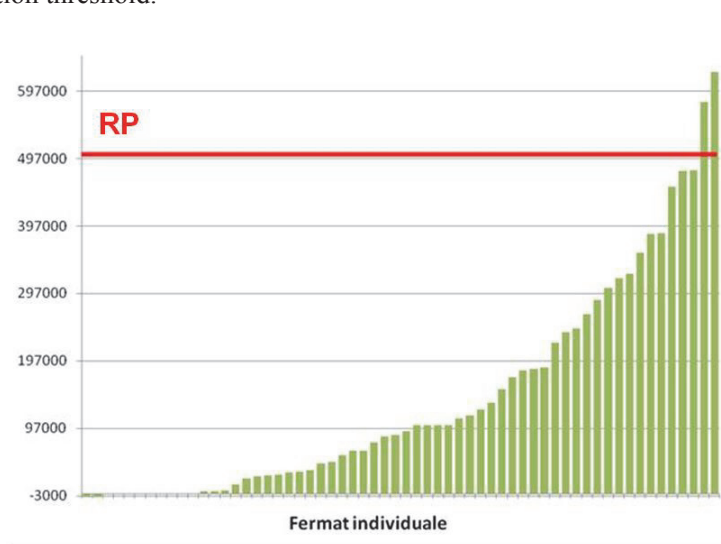
Different typologies of fruit tree farms were included: cultivation of fruits (F), olives (O), vineyards (G) and combinations like fruit + vineyards (FV), fruit + olive + vineyards (FOV) or olive + vineyards (OV)

From the methodological point of view, a major part of this study involved adaptation of the conceptual basis of Agrarian System Diagnosis (FAO, 1999).

The Reproduction Threshold (RT) was introduced as a benchmark for assessing the farms' level of incomes and therefore their profitability. For Family Farms as those in the present study, the RT is the minimum income per family below which farmers are unable to adequately pay for all inputs and to completely restore capital productivity in order to begin a new production cycle. The average income of rural families in the Vlora region (proxy for the Reproduction Threshold) acted as a reference against which the economic viability of farming systems was evaluated.

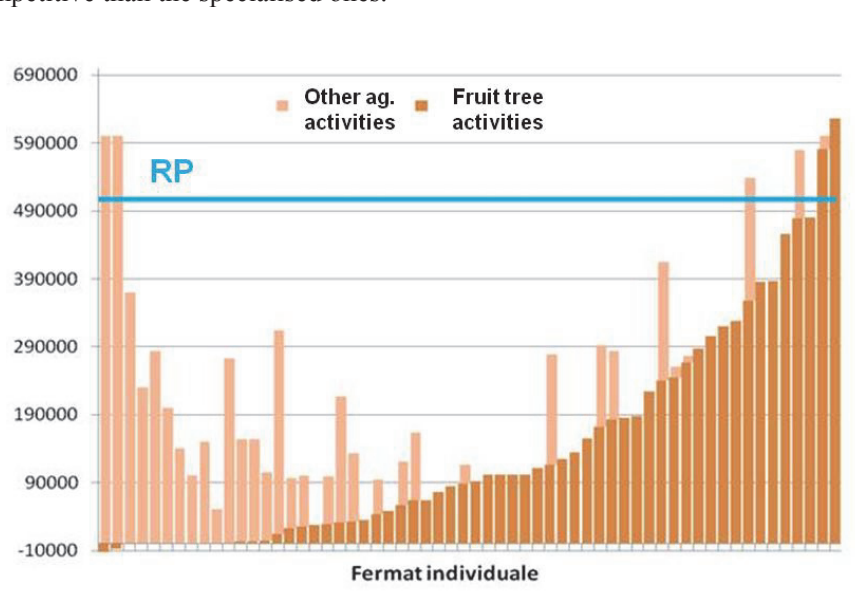
Results and discussion

In general, despite the farm typology, location and differences in net incomes, the farms under study had low net incomes, where 95 percent are under the reproduction threshold.



Graph. 2. Net income from fruit tree farming (lek)
Neto prihodi od voćarstva

This is mainly due to their small farm surface and, consequently, low productivity. Therefore, there is a lack of ability to accumulate capital and intensify the production, maintaining the extensive type of fruit growing. Under these conditions, 60 percent of the farmers interviewed are involved in other secondary agricultural activities to increase their sustainability, making these farms more competitive than the specialised ones.



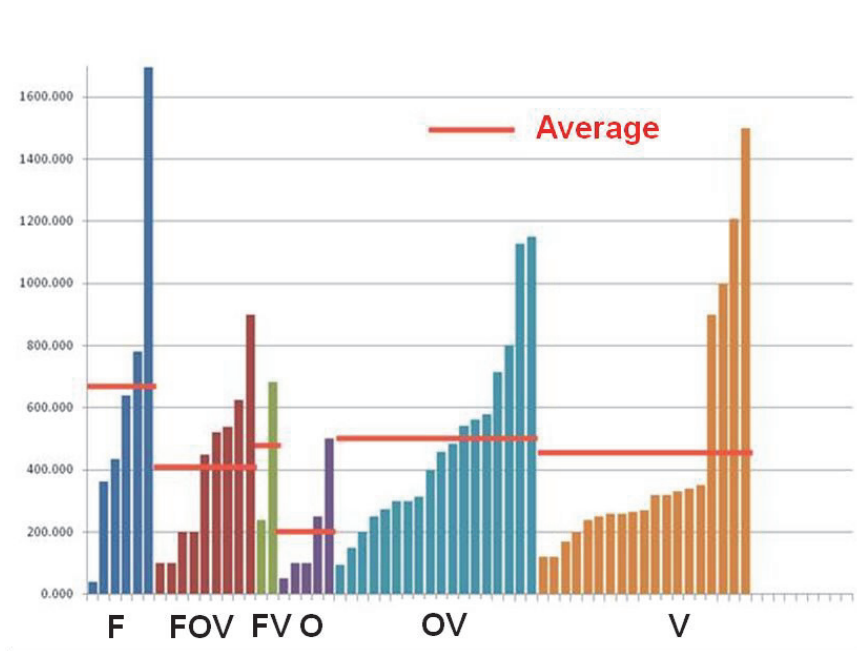
Graph. 3. Net income from fruit tree farming and other agricultural activities (lek)
Neto prihodi od voćarstva i drugih poljoprivrednih djelatnosti

Although the orientation of subsidies to small fruit farms will offer a better guarantee to low-income categories, it will also delay restructuring of the Albanian agriculture. It may also have a negative effect on the competitiveness of the agricultural sector, in general, because the lack of readiness to sell the land will make it difficult for other farms to grow in order to reach the reproduction threshold and to take advantage of the economics of scale.

Conclusion

In conclusion of the above results, the Government of Albania should set some criteria for the beneficiaries of subsidies in terms of farm size and capital to be invested. This would require a set of policies to create some appealing alternatives for farmers selling the land.

Even though 'below-RT' farmers do not contribute to the national agricultural trade to a great extent, they play a vital social role by contributing to the preservation of rural society and delivering environmental services (e.g. landscape maintenance).



Graph. 4. Gross incomes by farm typology
Bruto prihodi u skladu sa tipologijom gazdinstva

References

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Promjena politike subvencionisanja u Albaniji u kontekstu niskoprofitnih gazdinstava

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Apstrakt

Od 2005. godine albanska vlada daje podsticaje za konkurentne sektore u poljoprivredi, uglavnom za voćarstvo. Međutim, postoji opšti nedostatak podataka u vezi sa prihodima, profitabilnošću i konkurentnošću gazdinstava, a kriterijumi nisu restriktivni kada je u pitanju veličina voćnjaka ili kapitala. Svrha ovog istraživanja bila je da se ispita konkurentnost voćarskih gazdinstava. Istraživanje je sprovedeno od 2009. do 2011. godine u regionu Vlora prikupljanjem finansijskih podataka od 70 voćarskih farmi koje se nalaze na različitim nadmorskim visinama i nagibima zemljišta pošto obe karakteristike utiču na izbor kulture, praksu uzgoja i pristup tržištu. Prosječan prihod porodica u ruralnom regionu Vlora (predstavnik praga reproduktivnosti) poslužio je kao referenca za procjenu ekonomske održivosti poljoprivrednih sistema. Uopšteno posmatrajući, uprkos tipologiji gazdinstava, lokaciji i razlikama u neto prihodima, ispitivana gazdinstva imaju niske neto prihode i 95 odsto ih je bilo ispod praga reproduktivnosti. Razlog za ovo leži u malim gazdinstvima i samim tim niskoj produktivnosti. Stoga, ne postoji mogućnost za povećanje kapitala i jačanje proizvodnje te se dalje održava ekstenzivni tip voćarstva. U ovakvim uslovima, 60% ispitanih proizvođača bavi se sekundarnim poljoprivrednim djelatnostima kako bi povećali održivost, čineći tako svoja gazdinstva konkurentnijim u odnosu na specijalizovana. Iako će usmjeravanje podsticaja ka malim voćarskim gazdinstvima ponuditi bolju garanciju onima sa niskim prihodima, ono će odložiti restrukturiranje albanske poljoprivrede. Takođe, može imati i negativan uticaj na konkurentnost poljoprivrednog sektora uopšte zbog toga što će nedostatak spremnosti da se proda zemlja otežati drugim gazdinstvima da se povećaju kako bi dostigli prag reproduktivnosti i iskoristili ekonomiju razmjere. Kao zaključak na pomenute rezultate, albanska vlada treba da postavi određene kriterijume za korisnike podsticaja u vezi sa veličinom gazdinstva i visinom ulaganja. Za to bi bilo neophodno donošenje niza propisa kojima bi se stvorila neka primamljiva alternativna rješenja za poljoprivrednike koji prodaju zemlju.

Ključne riječi: subvencionisanje, konkurentnost, poljoprivredna politika, voćarska gazdinstva

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