Agricultural Development of Eastern Europe Countries: Investments in this Sector their way out of Crisis: Case of Albania

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ABSTRACT: This paper emphasizes the vital importance of the agriculture sector to the food security for Albania and other neighboring post-communist countries. The aim of this study is to illustrate how investments in agricultural development and food security can protect these countries from future global crisis. Agriculture sector used to be a major contributor to the Albanian economy until the 90’s and its role decreased with the liberalization of the economy. Albanians are of the opinion that more investment opportunities within the agricultural sector are required to decrease poverty at the national level and to make sustainable development possible for Albania. To achieve this, agricultural development and food security must be at the focus of the Albanian economy. This paper recommends an increase in investment within the agricultural sector across the nation. The mixed research approach method was used to validate these claims.

Keywords: agricultural development; Albania; Eastern-Europe; food security; global financial crisis; investment; mixed research method

JEL Classifications: Q01

1. Introduction

Food resources are becoming scarcer around the world thus developing countries are finding it exceedingly difficult to sustain and improve the life quality of their populations. As a result, especially after the global crisis, agricultural development and food security have become crucial for the economies of many countries. Also, Albanian government, especially during the past five years, has taken into consideration its development strategies and has programs into place that promote food production and local products consumption at national level. During most of the transition years, as many other Eastern European countries, Albania has experienced a decline followed by a slow growth of the agriculture sector. In order for agriculture to become more successful in Albania, investment that promotes agricultural development and food security must be increased.

This paper emphasizes the vital importance of the agriculture sector to the food security for Albania and other neighboring post-communist countries. The object of this study is to illustrate how investments in agricultural development and food security can protect these countries from future global crisis. Agriculture sector used to be a major contributor to the Albanian economy until the 90s and its role decreased with the liberalization of the economy and the destruction of cooperatives. After the fall of the communism, there was a high migration of the population from the rural to the urban areas and an increase of the construction, real estate, tourism and financial services sectors with agriculture being in decline until the early 2000’s. The situation has shown some improvement in the last 5 years with an annual growth of 4-5% but that is not satisfactory especially when even today there are still many unresolved problems with land ownership.

This research is based on a mixed research method in order to challenge the research question from any relevant angle. The method employs both qualitative and quantitative approach by offering the advantages and disadvantages of both methods. This approach provides the best of the in-depth but
more time-consuming insights of qualitative research together with the more-efficient and predictive power of quantitative research. The study begins with a wide-ranging survey in order to generalize the results of a population and then focuses on detailed qualitative, closed-ended and open-ended interviews in order to collect detailed opinions from participants.

The disadvantages of this research method are the time consuming collection and analysis of the qualitative and quantitative data. Nevertheless, in this case the mixed research method was thought to be the best option since, considering the demographic, this study was expected to be confronted by complex and multiplex social phenomena which are considered from evaluators not easily amenable to single frame probing (De Lisle, 2011). Additionally, inducing participants through online surveys is considered a real challenge. During this study people had to be contacted repeatedly and by using other communication and social networks except for emails in order to encourage a considerable participation.

This study highlights the significant role of agriculture development since it can increase the food production capacity in Albania which would promote food security. Additionally, an increase in food production capacity would place Albania in a better position to control food nutritional content which could decrease expenditures from the health sector. If food production increases beyond national consumption, exports will increase and Albania will have an opportunity for trade with EU members.

This paper follows with section two that introduces agricultural developments and food security in Albania and beyond. Section three explains the research methodology. Section four summarizes the results and presents some recommendations. Section five draws final research conclusions.

2. Agricultural Development and Food Security

Agriculture includes the production of food and goods through farming and forestry and within this sector the cultivation of crops on arable land and the pastoral herding of livestock on rangeland have always been and still are its most important elements (International Labour Organization, 2000). However agriculture is much more than just the production of food and goods. In fact it is a much more complex system of the input, production, processing, transportation, and marketing sector (Baruah, 2005).

During the 80’s in Albania, agricultural production provided about 35% of GDP and it used to employ about half of the population and accomplish about 40% of exports in the country (INSTAT, 1980-2011). Therefore the agricultural sector accounted for a very significant role in the Albanian economy. In the 90’s the level of agricultural production fell to 25% of the level of GDP (INSTAT, 1980-2011). As for most of the post-communist countries, throughout the period of transition during the 90's, the shift from a centralized to a market economy was accompanied by an immediate fall in the agricultural sector. However, from the beginning of transition, income inequalities between rural and urban areas have increased in the Eastern European countries and rural areas have become highly heterogeneous with specific characteristics which vary within a country and even more across countries (IAMO, 2004).

Concerning agriculture production in Albania, compared with 1989, production of field crops decreased with approximately 45%, livestock production did not suffer any significant decline, while the number of fruit trees and vineyard surface decreased with an average of 37% (MBUMK, 1989-2011). The decline of the agricultural product supply resulted in a worsening of the population supply with fresh agricultural products. In 2000, it was forecasted that there would be negative trends for the less developed countries at the beginning of the 21st century, since these countries faced adverse climatic conditions, together with the economic impact of the financial crisis that erupted in 1997 with declining prices for several of the main commodity exports as well as political instability and conflicts. Financial aid programs and foreign donations that until then had been the basis of economic growth were halted. As a result, despite a 4-5% annual growth in the agricultural sector, till 2002 was not yet achieved the level of agricultural production of 1989 (Agolli & Permeti, 2003).

By 2003, the services sector overtook agriculture, for the first time in history, and now employs the most people worldwide. Not surprisingly, a similar trend has manifested itself also in Albania, as construction, the tourism, and the service sector are now the leading sectors within the Albania economy. Agribusiness currently occupies a relatively considerable part of GDP in Albania.
and employs about 50% of the total employed population at a time when the registered unemployment rate is over 14% (INSTAT, 2012). Agricultural production has increased by 5% when compared to 2011 which is a nice trend for countries for Eastern Europe where Turkey shows a 3.3% growth while other countries around Albania show a decline or no growth of the agricultural products like Serbia or Slovenia (WIIW, 2013). However, agribusiness in Albania has had a very slow growth compared to other sectors. Nevertheless, in the last 5 years the agricultural sector shows stable results as a percentage of the GDP. In 2008 and 2009 the agribusiness sector constituted 16.7% of GDP, while from 2010 until today it represents about 17.5% of GDP. While the industrial sector in the last 5 years has composed about 10% of GDP, construction has suffered a decline from 13% in 2008 to 9.6% in 2012, and services make up over 50% of GDP with over 19% of GDP from tourism and about 24% of other services such as financial services (INSTAT, 1980-2011).

According to INSTAT (2012), agricultural land occupies now 21% of the total land, where around 80% of it is privatized and the rest state owned (MBUMK, 2011), while forests occupy 43% and 18% of the land is covered by pastures. Actually, about 46% of the total population lives in rural areas (INSTAT, 2012) and agriculture is one of the best opportunities for employment for them. In fact about 40% of household income in these areas comes from private business that is primarily agribusiness which is the highest rate for the Eastern European Countries (FAO, 2012a). However, most of the agricultural production in these areas is used for personal consumption. The Albanian agriculture is dominated by small size farms with an average size of household farms of 1.2 ha. The small farm size and the fragmentation are a significant challenge to the improvement of agriculture productivity and to a sustainable development of the agriculture sector (MBUMK, 2011). Figure 1 illustrates agricultural products in Albania in 2011 with livestock occupying 52% of them.

![Figure 1. Agricultural products in %](image)

Source: MBUMK (2011)

Globally, it is estimated that half of the world population lives in the rural areas and about one third of the world’s population derives its livelihood from agriculture (FAO, 2012b) and global GDP per capita has increased for several decades (CIA, 2013). Nonetheless, the world faces a major food security problem since agricultural production for 2012 was about 5.9% of the world’s GDP and even though the agricultural sector employs 35% of the population, this percentage has decreased over time (CIA, 2013). And the fluctuations in the price of wheat haven’t helped the situation being the worst commodity for 2012 with European wheat prices reaching the highest levels by November 2012. The price of grain in Europe of 2012 has reached its highest level since the Russian drought of 2010 and closing in to the record high of 2007 with countries all over the world suffering the bad weather and drought (Farchy, 2012).

According to FAO world report for 2010, with more than 50% of the world population living in the urban area, the agricultural sector becomes vitally important since any shortage in the farm supply can cause a food crisis within a short amount of time. The global crisis of 2008 has taken its toll on the agricultural sector as well, especially with the feed costs for pork and poultry businesses increasing (Kravitz, 2009). Additionally, population growth is already straining the capacities of water
treatment plants worldwide. Water resources around the globe are threatened by climate change, misuse, and pollution (Maavak, 2007). Hence, the sooner the importance of agriculture is acknowledged the better future economy problems are handled. As a result, researchers have been looking for a model that would help agricultural and rural development, always taking into the consideration the heterogonous character of rural areas of Eastern Europe. The European Council has endorsed one such model in 1997. The European Model of Agriculture is an attempt to outline a standard which finds a balance between efficient and sufficiently profitable farming structures, the achievement of certain standards regarding product and environmental quality, the implementation of farming in rural society, and a simple and transparent administration policy (IAMO, 2004).

Therefore, Albania can either address agricultural development and food security by reacting ad-hoc to global climate or by being pro-active in its approach in order to decrease poverty on a national level. This can be achieved by advancing economic development, trading across the region and making sustainable development possible for Albania. This study is in support of the pro-active approach.

3. Mixed Research Approach Methodology

This research is based on a mixed research method in order to challenge the research question from any relevant angle. This method offers the best of the in-depth, contextualized, and more time-consuming insights of qualitative research together with the more-efficient and predictive power of quantitative research. The study begins with a wide-ranging survey in order to generalize the results of a population and then focuses on detailed qualitative, open-ended interviews in order to collect detailed opinions from participants.

In this paper, the essential steps to a typical mixed research approach method study were followed. First, the objects of the study was identified and described. The object of this study was decided to be agricultural development and food security since it is deemed crucial to Albania and other developing countries in Eastern Europe due to the recent global food and financial crises. According to WHO (2013), food security exists when “all people at all times have access to sufficient, safe, nutritious food to maintain a healthy and active life”. Food security is a three legged bridge:

a) Food availability: sufficient quantities of food consistently available.
b) Food access: sufficient resources for appropriate nutritious food.
c) Food use: appropriate use of basic nutrition and adequate water and sanitation (WHO, 2013).

Second, the sample size and procedure were determined and the types of survey participants were identified. In that regard, a rough idea about the size of the population and the composition of the persons to be surveyed was deemed important.

A simple random sampling procedure was applied. The population was determined to include only persons who had internet access since participants had to respond to an internet survey. Also, since in Albania rural areas usually do not have internet access, in order to make the results of the survey more relevant since the rural population is about 40% of the total population in Albania, once the internet survey was completed and closed, 300 face to face interviews were conducted to participants in rural areas around the country. The survey was hosted on Zoomerang online survey software so the population for this case would include only those persons who had access to the internet website. The number of persons accessing the internet website was translated to the number of daily hits. The online survey software only allowed a maximum of 100 surveys to be processed. As a result, the sample for the study would be limited to the survey software restrictions. The number of the surveys deemed usable from the software sample was 90 out of 100 and out of the sample of 80 face to face interviews, only 74 were deemed usable.

A survey questionnaire was designed and uploaded into the software. The number of people that were chosen and that satisfied the criteria for this survey was 1000 with an expectation of 50% of them responding to the survey. They were invited to participate via email with direct links to the survey. The participants could respond to the survey only once. The questionnaire contained 21 questions and was conducted between March 1 and 31, 2013. The 21 questions were designed to answer the following issues that are relative to the object research: (1) food security and food safety; (2) the importance of agricultural sector in today’s society; (3) prospects for agricultural development and investment within the sector; (4) employment/business ownership opportunities within the sector; and (5) personal/demographic information.
The most important parts of the questionnaire were those regarding (1) food security and food safety, (2) the importance of the agricultural sector and (3) prospects for agricultural development and investment. In order to understand how agricultural development and food security would protect Albania from future global crisis, closed-ended and open-ended questions were used in the interviews conducted. A closed-ended question provides the respondents with a list of answers to choose which allows for a greater uniformity of responses and is more easily processed than an open-ended question.

The most important question regarding food security and food safety was: “Should food security and food safety be of concern for Albania with respect to the Global Financial Crisis?” The options listed as answers were “yes”, “no” and “no opinion”. If the answer would be “yes”, the follow-up question would be: “Please indicate why Albania should be concerned in this regard?” The response options listed included: “maintaining a good quality of life”, “attaining sustainable development”, “reducing poverty” and the “other (please specify)” option in order to give the participants a choice to express freely their opinion.

In order to estimate the importance of the agriculture within the society the most relevant question was: “Do you think that agriculture should play a larger role in Albania?” The options listed were “yes”, “no” and “no opinion”. Then as a follow-up question if the respondent would answer “yes” would be “please indicate what this larger role might entail?” The response options listed included: “create more jobs”, “produce for exporting”, “produce for local consumption”, “increase national revenue and the “other (please specify)” option again in order to give the participants a choice to express their opinion.

The questions regarding to the issue whether there was sufficient investment/ agricultural development in Albania and the region, including here neighboring countries, were: “Do you think sufficient investment is being made within the agricultural sector locally?” and “Do you think sufficient investment is being made within the agricultural sector regionally?” The response options listed for these questions were “yes”, “no” or “no opinion”.

Lastly, once the online survey and interviewing process was completed, the data was collected, selected and analyzed. The findings of the research were evaluated and the recommendations were provided.

4. Data Analysis, Findings and Recommendations

As mentioned above, 164 surveys were deemed usable, 90 from the online software and 74 form face to face interviews. The majority of questions were answered for each questionnaire. In case of incomplete questionnaire forms, questions not answered were mainly related to personal/demographic information or the follow-up questions. Overall, the survey website was visited 535 times.

The survey included more females (47%) than males (40%), and 15% of those surveyed did not disclose their sex. With regards to age, 6% of the surveyed were between the ages of zero-20 years, 44% were between the ages of 21-40 years, 32% were between the ages of 41-60 years, 12% were above the age of 60 years and 6% gave no responses (Figure 2). As a result, the majority of the participants (66%) were between the ages of 21 and 60 years.
Regarding the participants’ employment status, 65% indicated that they were employed on a fulltime basis, 2% were employed part-time, 10% were self-employed, 9% were not employed, 6% were retired, 5% were students, 1% were disabled and 1% preferred not to answer. Of the participants, 52% of the surveyed answered “yes” to the question whether their family units had children under the age of 18, and the remaining 48% answered “no”.

Concerning food security and food safety, 95% of those surveyed indicated that Albania should be concerned with the global financial crisis, while 1% answered “no” and 4% selected the option “no opinion”. Of the 95% that answered “yes”, 58% answered that Albania should be concerned if they wish to maintain a good quality of life, 30% answered that it should be a concern if they wish to attain sustainable development, 9% answered that it should be a concern if they wish to reduce poverty and 3% percent selected the category “other (please specify)” with answers like “reducing the import bill” and “maintaining quality of imported food”.

Interestingly, a large percentage of the surveyed seemed concerned over the nutritional content of the goods and products imported (66%), while 13% were not concerned, 9% had no opinion and 12% did not respond. Regarding those who were concerned, 39% were concerned because of “chemical content”, 27% because of “early spoilage”, 20% because of “disease outbreak”, 12% selected the “other (please specify)” option and 2% did not give any answer. Answers for the “other (please specify)” option included: “the food imported are discards exported specifically for Albania”, “genetically engineered food and non-organic products” and “unknown chemicals”.

Regarding the consumption of locally produced goods or products, the majority of respondents (41%) answered that they consume between 26-50%, 29% between zero-25%, 13% between 51 and 75, and 17% chose category “above 75%”. Therefore, 70% of the surveyed answered they consumed 50% or less of goods of products produced locally.

Concerning the issue whether the agricultural sector should fulfill a larger role in Albania, 97% said “yes”, while 1% said “no” and 2% did not respond. Of those who answered “yes”, 24% answered that the larger role should be in the form of “creating more jobs”, 13% answered “producing for export”, 55% chose “producing for local consumption”, 3% chose “increasing national revenue”, 6% selected the “other (please specify)” option and 1% did not give any answer to this question. Most of the people that chose the “other (please specify)” option, answered that all of the above options should be included.

Concerning investment within the agricultural sector locally, 4% indicated that sufficient investment was being made into the sector, while 89% said “no” and 7% selected the “no opinion” option. Concerning investment within the agricultural sector regionally, 15% chose “yes”, 70% chose “no” and 15% chose the “no opinion” option. Figure 3 illustrates a comparison of the answers of the above two questions, showing that there is more concern over agriculture locally in contrast to agriculture regionally. However, the results for both questions suggest that more investment within the agricultural sector is required in general for our region.

![Figure 3 Sufficient Investment in the sector](image)

Additionally, when asked which sector should be more involved in agricultural development, 5% of the participants answered “private sector”, 75% selected the “government” option, 15% answered “both” and 5% did not answer. When asked how government should support the agricultural sector in Albania, 6% of the respondents selected through tax incentives, 42% chose “subsidies”, 50%
answered “both”, 2% chose the “some other way” option and 1% did not provide an answer. Concerning, the forms of agricultural development desired at both the local and regional levels, 27% answered “investment in machineries”, 36% answered “investment in agricultural infrastructure”, 30% chose “reform related to agricultural land law to support creation of big farms”, 5% chose the “other (please specify)” option, and 2% gave no answer. Specific answers to the “other (please specify)” option were “increased regional markets” and “information on organic farming”.

When they were asked if there was a need for agricultural training in Albania, 83% answered “yes”, 5% answered “no”, 3% chose “no opinion” and 9% did not respond to this question. These results suggest that training in Albania for the agricultural sector is a need and a possible improvement opportunity within the country.

The question was also asked whether the respondents were presently involved in the agricultural sector, and 35% indicated “yes”, 57% said “no”, 3% chose “no opinion” and 5% did not provide an answer to this question. For those who answered “yes”, 18% said “they were already employed within the sector”, 40% were “business owners within the sector”, 17% were “business investors” and 25% selected the “other (please specify)” option. All of the persons that chose the latter answer, said that they were involved in agriculture through backyard gardening.

Instead, for those who responded “no” to question 18, the question was asked whether they would consider the agricultural sector as a possible sector to become involved sometime in the future. The majority of the respondents, 79%, said “no”, and 18% said aid “yes”, and 3% did not answer this question. Those respondents who selected “no” for an answer to question 20, were asked to specify the reason of their choice and 31% answered that “too much hard work was involved”, 59% said that there were “limited revenue returns”, 9% chose “other (please specify)” and the “agriculture was not a major sector” option was not selected. Most of the respondents who selected the “other (please specify)” option said that they were not interested in becoming involved to the agricultural sector commercially.

In general, the study suggests that most Albanian people are concerned over the food security and safety and that more investment within the agricultural sector is needed at both the local and the regional levels as a way to use agricultural sector as a defense mechanism against future crisis. In summary, the study results suggest the following recommendations:

Government together with the private sector should invest more heavily in the agricultural sector. Some investment options would be to:

- provide more tax incentives and subsidies;
- increase investment in agricultural infrastructure and reforms to support creation of big farms;
- increase the quality and safety of agricultural and agro-processing products;
- improve the management, irrigation and drainage of land;
- invest in machineries;
- invest in R&D in order to improve cultivation and production;
- invest in marketing for local products;
- introduce agriculture in school programs;
- invest in trainings across the country.

5. Conclusion

This research attempted to determine how investments in agricultural development and food security would protect Albania from future global crisis. The object of this study was agricultural development and food security. The mixed research method was used in this study in order to challenge the research question from any relevant angle. A sampling design was used as well as an online questionnaire was designed and uploaded. In order to include the opinion of people from rural areas as well, the online survey was complemented by face to face interviews once the online survey was closed.

With regards to the sampling design, a simple random sampling design was considered appropriate. On the other hand, the questionnaire was designed to include closed-ended questions while the face to face interviews included open ended questions as well in order to make the interviewer comfortable and the interview to flow smother.

According to the data analysis, the majority of those surveyed were females (47%). Moreover, the majority of the surveyed was between the ages of 21 – 40 years (44%) and those employed on a
fulltime basis were 65%. These results may be considered a good indicator for the study, as there is a concern over the interest of young people within the field. Furthermore, many of the surveyed came from households which contained children under the age of 18 years (52%).

Concerning food security and food safety, the study indicated that Albania should be concerned with respect to the global financial crisis. The main reason for this concern pertains to maintaining a good quality of life for the local population. Other responses showed that another major concern should be attaining sustainable development for Albania and the region. A large percentage of the surveyed seemed concerned over the nutritional content for the goods and products imported (66%), but 70% of the respondents consumed 50% or less of goods or products produced locally.

Regarding the agricultural sector fulfilling a larger role in Albania, most people were in agreement. Further investigations disclosed that the larger role should be in the form of “producing for local consumption” and that investment within the agricultural sector should be more aggressive on the local and regional levels. A way to encourage local and regional consumption would be the buy-local and buy-regional promotional campaigns.

The results suggest that the government should play a major role within the sector and that investment in agricultural infrastructure and reform related to agricultural land law to support creation of big farms were best choices in relation to the sector’s investments. Other forms of investment could also be through educational training. Accordingly, the exposure of children to agriculture within the schools and the introduction of agricultural training across the country should be a significant part of this project. Another recommendation was an increase in R&D and technology for further development of the agricultural sector.

As far as the interest in people who are not involved in the sector presently but could consider getting involved in the future, most of the respondents were not interested due to low revenue returns while of those that were involved, 40% were business owners in the sector and almost 25% of the respondents specified that their involvement in this sector was through backyard farming.

To conclude, it was determined that the Albanian population, in general, is hopeful of more investment opportunities within the agricultural sector, in order to contribute to the relief of poverty at the national level, to advance economic development and trade across the region, and to make sustainable development more realistic for Albania. In order to achieve this, agricultural development and food security must be at the focus of the economy of Albania. If the results of this research needed to be tested, it would be necessary to increase the sample size, have a bigger participation in the number of respondents, and have more time to manage and analyze the survey.

References


