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**Project Completion Report**  
**January-September 1995**

Support to Restructuring Albania Fertilizer Subsector  
IFDC Grant No. EPE-0046-G-00-5087-00

Submitted to

The United States Agency for International Development (USAID)  
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and  
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by

The International Fertilizer Development Center (IFDC)

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# **Project Completion Report<sup>1</sup>**

## **January-September 1995**

**Support to Restructuring Albania Fertilizer Subsector**  
**IFDC Grant No. EPE-0046-G-00-5087-00<sup>2</sup>**

### **Introduction and Background**

The focus of work funded by this grant, which covered the 9-month period from January 1-September 30, 1995, was to continue support for the private sector import of fertilizer to meet farmer demand. To this end, principal activities included (1) support for the Albanian Fertilizer and Agricultural Inputs Dealers' Association (AFADA) to help them operate independent of the International Fertilizer Development Center (IFDC), (2) support of business diversification by dealers, (3) dealer training, (4) efforts to increase credit for dealers and monitoring disbursements and recovery, (5) support of the efforts of AFADA to obtain government policies that decrease taxes on fertilizer, (6) dissemination of information via mass media and publishing an agribusiness magazine, (7) support for upgrading the information base of the agricultural research institutes, and (8) pursuit of private investment to develop an adequate supply of natural gas for the Fier Nitrogen Fertilizer Factory (FNFF).

Other significant activities included cooperating with an independent team fielded by the United States Agency for International Development (USAID) who conducted an interim program evaluation, continuing efforts to obtain funding commitments from the USAID for activities (October 1995-December 1997) to sustain the restructured Albanian fertilizer subsector, and finalizing a report on IFDC's activities in Albania for the period 1991-1994.

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<sup>1</sup>This report includes the July-September 1995 quarterly activities and accomplishments.

<sup>2</sup>This grant provided project continuity after Grant No. 180-0046-G-00-2491-02 expired on December 31, 1994, and before project Grant No. EPE-0046-G-00-5114-00 became effective October 1, 1995.

## Program Objectives

### Objectives

1. Increase the capability of private sector agriculture inputs wholesalers and retailers to market their products efficiently and at parity prices through open-market competition in an environmentally sound manner so that activities are sustained over the long run.

#### *Sub-objectives*

- Assist AFADA to assure development and sustainability.
  - Expand international contacts for dealers.
  - Support business planning for AFADA members.
  - Continue to publish the agribusiness magazine, *Biznesi Bujqesor* (BB).
  - Continue to use mass media to provide information on a timely basis.
  - Introduce bulk blended NPK fertilizers.
  - Begin to develop market for quality seed.
  - Further develop market for crop protection chemicals (CPCs).
  - Promote dealer diversification into agro-processing.
2. Improve the capabilities of bankers, factory management, and dealers in developing financial planning strategies (including sound, practical management of credit) that will assure healthy growth in the private sector.

#### *Sub-objectives*

- Increase the capabilities of bankers for providing credit to dealers for fertilizer imports.
  - Increase the capabilities of dealers in international procurement.
  - Assist banks and factories in monitoring credit disbursement and repayment.
3. Develop and institutionalize a viable market information system for agricultural inputs and establish linkages to the private sector.

***Sub-objectives***

- Institutionalize collection of agricultural statistics through farmer surveys within the Ministry of Agriculture and Food (MOAF).
  - Continue field demonstration program with dealers.
  - Assist agricultural research institutions in collecting new experimental data and in database management.
  - Design an Agri-Input Supply Information Unit (AISU).
4. Commercialize activities of the fertilizer factories or privatize the factories so that fertilizer is marketed in a non-monopolistic manner.

***Sub-objective***

- Continue to work with the FNFF on pricing policy to clear their small inventories of fertilizers.
  - Continue to work with the Lac Superphosphate Factory (LSF) on pricing policies and on encouraging timely availability of superphosphate for the wheat season.
5. Develop and implement an economically and environmentally sound production/importation strategy.

***Sub-objectives***

- Assist AFADA dealers in continuing the import of fertilizers.
  - Continue to monitor and evaluate Albpetrol's domestic natural gas supply capability.
  - Promote private investment in the FNFF and the Delvina natural gas field by development and distribution of business planning information.
  - Finalize report on environmental assessment of the FNFF.
6. Encourage the Government of Albania (GOA) to develop and implement a positive agricultural policy that facilitates the development of free market competition.

***Sub-objectives***

- Continue efforts to obtain further reduction of import-related taxes on fertilizer.
- Prepare draft fertilizer quality control order (legislation).

## Accomplishments

The major accomplishments during the grant period (January 1-September 30, 1995) were (1) obtaining Parliament's repeal of the turnover (sales) tax on fertilizer, (2) the reduction of import related taxes from 35% to 7% of c.i.f. value, and (3) assisting importers in the purchase of 25,000 metric tons of fertilizer which resulted in obtaining an adequate supply of competitively priced fertilizer for Albanian farmers. Additional important accomplishments included strengthening AFADA, improving dealer capabilities, assisting dealers in obtaining 138.6 million Leks (about US \$1.5 million)<sup>3</sup> of institutional credit, and institutionalizing collection and reporting of farm-level data within the MOAF.

### Private Sector Capabilities

The agri-input dealers' capabilities were improved through (1) AFADA development, (2) experience gained in importation of ammonium nitrate and urea, (3) importation of quality seed, (4) expanding international business contacts, (5) conducting study tours to the United States for agri-inputs dealers and bankers, (6) publishing the agribusiness magazine *Biznesi Bujqesor* (BB), (7) developing an IFDC project capability to help dealers develop formal business plans, and (8) dealer diversification into agroprocessing activities. A discussion of these activities and the most significant accomplishments to date follows:

**AFADA Development** — With IFDC technical assistance, AFADA conducted monthly Executive Council Meetings. Additionally, AFADA completed monthly regional meetings with an average of approximately 100 entrepreneurs attending each series of meetings. The meetings focused on the fertilizer market, introduction of quality seed to farmers, safe and effective use of CPCs, association development based upon the experiences of the Fertiliser Association of India, and an examination of various changes to be made in AFADA statutes. These changes were decided democratically at the annual general meeting and they included changes in regional representation, nomination and election procedures, dues and fees structure, AFADA standing

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<sup>3</sup>The exchange rate during the period averaged about 92 Leks/US \$.

committees, length of term of AFADA officers, and business and organizational training. The annual meeting was attended by representatives of the media, MOAF, banks, and international organizations. USAID representatives were active participants.

Various AFADA regional meetings were attended by representatives from District Agricultural Departments, bankers, and extension service leaders. Also, the regional meetings attracted a number of international suppliers. Additionally, the new United Nations Food and Agriculture Organization (FAO) agricultural mechanization and agroprocessing equipment project was introduced to participants at AFADA meetings.

IFDC sponsored an agri-input specific training tour to the United States for AFADA dealers and progressive bankers. In addition to topics addressed in previous study tours, new elements included safety and environmental factors connected with CPC usage, quality seed development and certification, technical and financial/investment aspects of bulk-blending, scientific soil and crop analysis, and the animal feed market. Dealers also met with two U.S. firms, MoorMan's, Inc. and Doyle Manufacturing, to discuss business possibilities.

Work on AFADA self-sustainability continues. A Volunteers in Overseas Cooperative Assistance (VOCA) volunteer whose specialty is management training gave leadership seminars at all the March regional meetings. This was followed by two 1-day seminars for existing AFADA officers and potential leaders. One seminar was on leadership development and interpersonal relationships and the other was on association management.

**Expanding International Contacts for Dealers** — AFADA members participated in two trade missions to Italy. AFADA dealers (paying all expenses) visited Italian companies in the following businesses: olive oil production, multicultivators and attachments, fruit tree seedlings, vegetable and fruit importation, flour milling, vegetable and grain seeds, greenhouse materials, compound fertilizers, CPCs, animal feed milling, milk processing, and poultry production. The dealers also visited specialty vegetable producers interested in Albanian-Italian joint ventures. AFADA dealers also made a trip to Bulgaria and Romania where they contacted various agri-input suppliers. Results from these trips were encouraging; dealers have purchased quality seed

from Italy and Bulgaria and are negotiating with Italian firms to establish tomato paste and milk processing facilities in Albania.

AFADA dealers are traveling outside Albania for training connected with new business they are undertaking. One dealer traveled to Hungary for training based on information he received during an IFDC-sponsored seminar on Belgian mini-milk processing and mini-brewery equipment. A Lushnja dealer traveled to Germany for training in milk processing as related to the plant he began operating in September 1995.

The Co-Presidents of AFADA traveled to the United States under IFDC sponsorship to attend the Albanian-American Trade Association (AATA) investment conference and the Presidential Dinner coordinated by the Albanian-American Enterprise Fund (AAEF). While IFDC/USAID sponsored AFADA officers' visas, their travel was fully funded by the AFADA participants except for conference fees, which were supported financially by AFADA. At both meetings, the AFADA Presidents met U.S. investors interested in trade and investment in Albania. IFDC-sponsored interns with both host organizations under the Support for Agriculture Restructuring in Albania (SARA) project assisted in introducing the AFADA participants to prospective U.S. business partners. In addition to promoting the Delvina natural gas and the Fier nitrogen factory investment possibility, IFDC/AFADA presented the AFADA dealer network as a marketing and distribution mechanism for U.S. products and equipment.

**Dealer Business Planning** — IFDC has developed an in-house business planning support unit to help dealers develop business plans that will be needed in the more complex businesses into which the dealers hope to diversify. A process was developed to help them formulate business ideas and develop financial information necessary for good business planning. IFDC then connected them with qualified private Albanian specialists for assistance in constructing complete business plans. Recently, assistance was given in developing a business plan for cheddar cheese production. Discussions were conducted with AFADA dealers interested in meat processing, olive oil processing, fertilizer bulk blending, seed production, and poultry production.

*Biznesi Bujqesor (BB)* — Issues 14 thru 21 were published during the period of this grant. Issue 14 focused on MOAF and agricultural development in Albania, the development of the national farmer's union (BKFSH), the German credit fund in Albania (KFW), and the IBRD Agricultural Sector Adjustment Credit. Issue 15 highlighted the role of statistics in developing agricultural policies, privatization of poultry and swine enterprises, activities of the Albanian Agricultural Journalists Association (AAJA), lobbying approaches for association members (AFADA, BKFSH, and AAJA), SARA dairy industry seminars, and activities of the Savings Bank of Albania. Issue 16 concentrated on SARA/USAID work to support the Agricultural University of Tirana, the flour milling sector, the Land O'Lakes women's dairy project, Albanian participation in the Green Week Conference in Germany, and the potential for fish production in Albania. All issues publish regular articles on fertilizer and CPC usage targeted to seasonal agricultural activities. All issues of BB also address various issues in developing agribusiness.

Issue 17 focused on the aims and activities of the Albanian Foreign Investment Center, the EU-Phare Extension Project, and the Business Development Department of the Ministry of Agriculture and Food. Issue 18 highlighted the Albanian land market controversy and the positions of various parties on further necessary reforms. The contributions of Italian development aid and investments to Albania were detailed as was the present status of agricultural exports. The President of AAJA gave an opinion-editorial (op-ed) article evaluating various aid projects in terms of success of the program and integration of Albanian staff.

The focus of issue 19 was an interview with Mr. Domenic G. Scaglione, Director of the Albanian-American Enterprise Fund (AAEF). The fund was established recently for small and medium size enterprises. Other articles highlighted AFADA's upcoming annual meeting and elections, removal of the turn-over tax on fertilizers, and IFDC's work designed to facilitate the restart of the FNFF.

Issue 20 focused on the AFADA election results, which resulted in major changes in organizational structure and procedures. Additionally, it gave a prospective of IFDC/Albania's future activities in Albania under its new 27-month grant which became effective October 1, 1995. Interviews were taken from Chief of Party, IFDC/Albania; the Minister of Agriculture and

Food; and the Chairman of the AAEF on future perspectives of their activities in Albania. The second tranche of the EC-Phare Small and Medium Enterprise (SME) project of 3 million ECU was also announced. Issue 21 highlighted the activities of AFADA and IFDC representatives at the AATA investment conference and the AAEF's Presidential Dinner in New York. In addition, the IFDC Chief of Party's presentation at The Fertilizer Institute's World Fertilizer Conference was profiled noting Albania's success story as a model for other developing fertilizer economies. USAID's role was explored through an interview with Mr. Steve Haynes, Deputy Director of USAID/Albania. This interview was conducted by the Chief Agricultural Journalist of the National Radio.

**Use of Media** — IFDC in collaboration with national television (TV) developed and broadcast a half-hour TV documentary on the FNFF situation. IFDC/Albania's Marketing Specialist was interviewed on another half-hour documentary on the problems with privatizing the agribusiness sector and the difficulties with competition arising from low cost food imports. He also participated in a half-hour interview for national radio on the development of the agricultural inputs market. IFDC also worked to promote diammonium phosphate (DAP) through national TV and radio advertisements. The Chief of Party, IFDC/Albania, discussed fertilizer quality and use for spring crops during an interview on the weekly agricultural price survey on national television.

IFDC continued to support DAP fertilizer use by farmers. IFDC also assisted AFADA in developing its first generic advertisement on fertilizer. The advertisement is the first of its type in Albania and is expected to highlight the importance of fertilizer and AFADA's role in meeting farmers' fertilizer needs.

AFADA/IFDC continued its generic advertising of fertilizer with the AFADA trade association. Radio Shkodra interviewed IFDC staff and AFADA dealers in their role as suppliers of CPCs and quality seed. Preparations were made for media coverage of the National Agricultural and Food Fair, Tirana, in which IFDC was to be profiled extensively including a discussion with the President of Albania on IFDC and AFADA progress.

**Bulk Blending** — IFDC conducted an in-country bulk blending seminar for AFADA dealers. Technical concepts of bulk blending were presented based on available fertilizers and equipment. This seminar emphasized that AFADA dealers should utilize appropriate technology during initial activities in this area. One AFADA dealer has produced small quantities of NPK fertilizer in a concrete mixer and has successfully marketed the products. IFDC is providing technical and business planning support to the dealer to assist in finalizing the purchase of bulk blending equipment from Doyle Manufacturing Company, a U.S. company.

**Development of the Market for Quality Seed** — A market for quality seed has begun to develop as the result of AFADA international contacts. AFADA dealers have imported significant amounts of alfalfa seed (Italy) and potato and watermelon seeds (Bulgaria). Collaboration with an Italian seed company has resulted in the introduction of several types of quality vegetable seeds, which that company has donated for on-farm demonstrations that are sponsored by dealers. AFADA dealers dominated the auctions of imported maize seed provided as aid by the EU.

IFDC negotiated with FAO III a wheat seed multiplication pilot project based on AFADA dealer management, FAO technical assistance, and quality seed to be provided on a concessional basis by Italian seed companies including Pioneer Seeds (a U.S. firm) of Italy. Several AFADA dealers are expected to participate in utilizing up to 200 ha for wheat seed multiplication.

IFDC collaborating with the International Fund for Agricultural Development (IFAD) has developed a pilot project to produce quality potato seed supplied by a Dutch seed company. This project, introduced to the AFADA executive council, will focus on IFAD's targeted region (the underdeveloped North-East) and will be based on AFADA dealer's production management and marketing and IFAD technical support.

**Market for Crop Protection Chemicals (CPCs)** — AFADA dealers also dominated the April auction of donor-supplied CPCs. Representatives of Agronova, an Italian CPC company, attended several AFADA regional meetings to introduce its product line in anticipation of depletion (beginning in 1996) of CPCs provided by donors. IFDC has provided assistance to Agronova to obtain registration with the MOAF. Other companies including those from the

United States will be contacted to provide information on the market for CPCs in Albania. Use of CPCs is expected to increase. At AFADA regional meetings and during the U.S. study tour, IFDC began to develop an awareness by AFADA dealers of safety and environmental concerns connected with the sale and use of CPCs. Finally, more than 500 knapsack CPC sprayers have been imported by AFADA dealers.

**Dealer Diversification** — AFADA dealers have achieved significant progress in the transition from agribusiness trading to agribusiness processing. Several diversification/expansion projects are coming to fruition. One AFADA dealer was authorized financing from the Agriculture Sector Adjustment Credit (ASAC) Fund for wine production. An Elbasan AFADA member has diversified into olive oil production. Other dealers are moving into diversified businesses based on bulk blending of fertilizer and seed reproduction.

The most recent example of diversification is the establishment of a fully mechanized milk processing line (pasteurization and bottling) in the Kemishtaj area of the Lushnja district of Albania. AFADA member, Mr. Agim Bame, started the first fully mechanized milk processing plant in Albania. It was his vision, spurred by IFDC encouragement, that dates back more than 18 months that resulted in this successful project. The support of IFDC resulted in the grand opening of his facility on September 22, 1995. The official ribbon cutting was done by an IFDC representative. This particular agribusiness initiative was accomplished in concert with other organizations. IFDC took the lead with the idea formulation, provided guidance through the process, and helped ensure the final execution of the project. Development of the project required collaboration and several months of inter-agency communication. As in several cases in the past, IFDC orchestrated the process with other agencies to ensure that an AFADA member would have an opportunity to achieve success.

First, development of the project required communications with FAO specialists to complete a business plan application, next came the German-based KFW fund with its reasonable interest rates and payment terms to make it possible to obtain state-of-the-art technology. The credit received by Mr. Bame was equivalent to US \$210,000. Then IFDC, in cooperation with the German Agency for Technical Cooperation (GTZ) project and the German Embassy, assisted

Mr. Bame and his three associates in obtaining visas to visit Germany to purchase the necessary machinery and receive training.

The factory is now in operation with a milk processing capacity of 4,000 L per 8-h shift. Now consumers in that area will be able to purchase properly pasteurized milk, in 1-L plastic bags, without fear of contamination. The farmers in the district are also pleased by the establishment of this operation as it now provides them with a better means to market milk.

IFDC will continue to collaborate with existing international organizations to promote other such pioneering efforts in the agribusiness sector. However, with the established connections IFDC has made with the AAEF and potential Albanian-American investors and suppliers, it is expected that in the future IFDC will be able to assist in sourcing such equipment and financing from U.S. companies and institutions.

### **Financial Management**

The focus was to assist importers and their dealers in obtaining credit and on monitoring credit repayment. Disbursement of credit by the two factories (nitrogen and phosphate) and three banks during the 9 months totaled 197.7 million Leks (equivalent to about US \$2.15 million) with 70% disbursed by banks.<sup>4</sup> This reflects the lack of production and the small inventory of fertilizer at the FNFF in January 1995. Past due credit increased during the period.

**Fertilizer Imports** — During the 9 months 6 dealers imported 15 lots of fertilizer totaling 25,000 mt. The total cost was about US \$3.6 million, c.i.f. Durres. The c.i.f. price of ammonium nitrate increased from \$90 to \$117/mt during the period. Each of the three Albanian commercial banks issued letters of credit in support of these imports.

**Institutional Credit** — During the quarter 60.2 million Leks was disbursed to importers and their dealers, but only 1.2 million Leks was disbursed for purchases of fertilizer from the domestic factories. Credit recovery was 114 million Leks, but past due loans increased by

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<sup>4</sup>The exchange rate during January-September 1995 averaged about 92 Leks/US \$.

2.9 million Leks during the period and now amount to 7.5% of outstanding or 1.9% of total disbursements (389.9 million Leks) for fertilizer since December 1992. This does not include the fertilizer auctioned by IFDC for which the credit was fully recovered.

**Mercantile Credit** — The FNFF disbursed credit of 38.4 million Leks during the 9 months (January-September 1995) bringing their total granted credit since December 1992 to 236.8 million Leks. While 45.6 million Leks was recovered during the period, 77.4 million Leks (32.7% of granted amount) was outstanding at the end of the period. A total of 56.2 million Leks (23.7% of granted amount) has been outstanding for more than 9 months but not declared as past due. About 18.8 million Leks (7.9% of granted amount) has been past due for 18 months.

The LSF disbursed 20.7 million Leks of credit during the period and recovered 37.6 million, thus decreasing its outstanding credit to 22.6 million Leks. Of the 83.8 million Leks of credit LSF has granted since December 1992, 27.0% is past due.

The widely divergent credit experiences by banks and factories appear to be caused by the desire of factory managers (state enterprises) to manipulate trade credit and collection to obtain subsidies from the state. It appears that management at both factories is concerned only with credit repayment which is sufficient to pay salaries. In this way factory bank accounts remain depleted and they do not have to pay for utilities received from other state enterprises.

### **Market Information System (MIS)**

**Agricultural Statistics** — The report covering the survey of farm households in 1994 was received from the printer and distributed. Similar work is continuing within the MOAF now as an IFDC component of the SARA project.

**Field Demonstration Program** — The 14 wheat varieties and the 12 demonstrations on wheat response to fertilizer were completed. The imported seed from Italy produced no better yield than seed obtained from the Albanian seed enterprise (4.0 mt/ha), and those yields averaged only 300 kg/ha more than the seed saved by farmers.

The increased yield from 150 kg of N/ha was 1,240 kg/ha which resulted in an additional grain valued at 2.1 times the cost of the nitrogen fertilizer. Also, phosphate and potash fertilizer increased wheat grain yields which were valued at 2.0 to 2.8 times the costs of the applied fertilizers. Estimated net profit resulting from the use of all three fertilizers was 13,650 Leks/ha, equivalent to \$148/ha.

A total of 17 maize demonstrations were established in farmers' fields in cooperation with local fertilizer dealers. Yields will be compared among local and imported improved varieties of maize.

**Support to Agricultural Research** — Maize model validation experiments were established at four locations. In each experiment biomass production at various stages of growth will be compared for two varieties, each at four nitrogen rates. Weather data recorders have been placed at each site.

A workshop was conducted for 10 persons from the agricultural institutes and universities. The objective was to provide additional training and to assist Albanian scientists in using the Decision Support System for Agrotechnology Transfer (DSSAT) as an integral part of scientific data collection and as a repository of research data.

Support was provided for sampling and describing 15 soil profiles in principal agricultural zones of Albania. After analyzing the soil samples, the data will supplement that obtained from 17 previously sampled profiles and will permit more accurate mapping of Albanian soils, particularly in the zones of intensive agriculture. This work is being done in collaboration with the Albanian Soil Science Institute and the World Soils Resource Unit of the United States Department of Agriculture (USDA). These data will provide a base for agriculturists to provide better information to farmers and policymakers so they will be able to make informed decisions about land use.

**Agri-Input Supply Information Unit (AISU)** — An IFDC short-term consultant assisted in defining appropriate information needs by agri-input dealers and formatting the report. Initially

the report will be issued monthly and will include information on farm-level prices of fertilizers, pesticides, grains, and grain crop seeds for several districts. Albanian wholesale prices of fertilizers will be reported by location. Spot prices (f.o.b. Black Sea) for fertilizers will also be included in the report. The first report was completed and printed in the September issue of *Biznesi Bujqesor*.

### **Commercialization of Fertilizer Factory Activities**

The FNFF has not operated since October 1994, but 3,000 mt each of urea and ammonium nitrate remained in inventory at the beginning of 1995. The management of the FNFF in conjunction with two dealers, caused disorder in the market for nitrogen fertilizer. The two dealers took ammonium nitrate and urea on consignment, sold the fertilizers at low prices and have not paid the FNFF for the product (see section on mercantile credit). The dealers have used the funds from the "free credit" to import fertilizers and unfairly competed with importers who borrowed funds at commercial interest rates. The Enterprise Restructuring Agency was contacted to encourage them to pressure the FNFF to recover outstanding mercantile credit.

The LSF has operated sporadically after entering an agreement with Evertrade Company (France). Evertrade agreed to supply good quality phosphate rock (PR) to the Durres port, and LSF agreed to produce SSP (18%  $P_2O_5$ ) and deliver it in bulk to Durres. Evertrade markets the exported SSP. About 10,000 mt of SSP has been exported.

The LSF was to produce SSP (15%  $P_2O_5$ ) from their inventory of low grade PR for the domestic market. The sources for sulfuric acid for both grades of SSP were from inventory and from acid imported from Macedonia (road transport). Apparently, the initiation of the sulfuric acid imports was delayed and the delivery rate was lower than expected. Thus, at the end of September no SSP had been produced for the domestic market.

With LSF planning to produce SSP for the domestic market, fertilizer importers were reluctant to import phosphate fertilizers at the very high international market prices. Importers were apprehensive that LSF (state-owned enterprise) would undercut prices and leave importers with large stocks of imported phosphate fertilizer, for example DAP.

**Production/Importation Strategy**

The strategy remains to assist a sufficient number of dealers with importation of enough fertilizers to maintain a competitive market until investors are found and the Delvina natural gas production is developed to permit production of nitrogen fertilizers at the FNFF. A 1-day seminar was attended by 15 dealers where discussions were conducted on procedures, terms, and conditions for fertilizer importation.

**Fertilizer Imports** — IFDC assisted six dealers in importing 22,000 mt of ammonium nitrate (AN) and 3,000 mt of urea during the period January-September 1995. Additional quantities of urea and AN (perhaps as much as 6,000-8,000 mt) have been imported by road transport from Greece and Bulgaria. Most products were off-loaded at the Durres port, but one load was received each at the Vlora and Shengjin ports. The c.i.f. value of the products was about \$3.6 million.

Importers chose AN over urea because the spread in cost was not justified by the greater concentration of nitrogen. The f.o.b. price of urea was double that of AN during most of this period.

**Natural Gas Supply** — In early 1995 a review revealed that national production of natural gas has declined to levels such that by 1996 no natural gas can be expected to supplement Delvina gas sold to the FNFF. Based on this decline, the urea production cost was estimated for operating an ammonia/urea unit continuously at 60% of design capacity (natural gas only from Delvina after the acid fracture of two wells). The estimates show that the FNFF could have a margin for capital recovery/profit of \$90-\$100/mt at current exchange rates and world market prices for imported urea. Thus, the acid fracture of two Delvina wells and the pipeline repair were still recommended, provided the procedure can be performed on both wells and that the Government of Albania will guarantee total gas production from Delvina for the FNFF.

By September 1995 the continued decline in natural gas production was accentuated by increased consumption of natural gas at the Ballsh refinery. This leads to the conclusion that by the end of 1995 even current consumers of natural gas will not receive adequate supplies. Also,

Albpetrol continues to have problems in preparing Delvina well No. 12 for acid fracturing. This may indicate that it is not practical to acid fracture the two existing wells at Delvina. Thus, at least two new wells would likely be required to supply the deficit of current consumers and meet the minimum requirements for the FNFF.

**Investments for Natural Gas and the FNFF** — IFDC developed business planning information for the development of enhanced natural gas production from the Delvina reservoir and for investment in a privatized FNFF. A number of smaller petroleum producers in the United States have been contacted to ascertain their interest in these projects.

**Environmental Assessment of the FNFF** — A report was printed and distributed that defines, prioritizes, and estimates costs for pollution abatement and site remediation measures needed at FNFF.

### **Policy Dialogue**

**Tax Policy** — After considerable effort by AFADA and IFDC, the Albanian Parliament enacted a law that eliminated the 15% turnover (sales) tax on all fertilizer for agriculture, effective April 15, 1995. Although the enactment occurred late for full effect on fertilizer use during the 1994/95 season, four nitrogen fertilizer shipments arrived soon after the effective date due largely to close IFDC/AFADA liaison with the government which permitted purchases in anticipation of the new law. The removal of the tax prevented increasing farm-level prices at a time of rising world market prices. Also import-related taxes on fertilizer have been decreased from 35% of c.i.f. value to 7%.

**Fertilizer Control Legislation** — IFDC in cooperation with the MOAF drafted a law and regulations to establish standards for fertilizers and to create a fertilizer inspection service. IFDC will encourage the government to enact a relevant law when analytical laboratory facilities and inspection services are more fully defined.

## **Training**

In addition to the various in-country training and the external study tour and business connection trips described previously, the following structured training programs were sponsored by the IFDC project.

1. Two participants attended a training program on Computer Simulation for Crop Growth and Nutrient Management, May 8-19, 1995, at Muscle Shoals, Alabama, U.S.A.
2. Two participants attended a training program on Fertilizer Marketing Challenges, July 31-August 25, 1995, in the U.S.A.

## **Constraints**

Inadequate credit to support reasonable levels of business activities remains to be a major constraint for the full development of the marketing and distribution of agri-inputs.

Unfair management practices at the FNFF and among a few dealers hindered the development and sustainability of the new fertilizer marketing and distribution system. The actions of the FNFF management clearly demonstrate that the factory must be privatized as quickly as possible after a suitable supply of natural gas is assured.

The inability of the LSF to produce SSP for the domestic market in time for wheat seeding disrupted the newly implemented phosphate fertilizer marketing and distribution system.

## **Publications**

During the grant period, January-September 1995, the following reports and papers were published:

1. Agricultural Production in Albania-Socioeconomic Survey, 1993-94.
2. Environmental Assessment of the Fier Nitrogen Fertilizer Factory in Albania, March 1995.

3. Project Completion Report, The Work of IFDC Activities in Albania, 1991-1994, July 1995.
4. Business Planning Information for Privatization or Joint Venture Assistance — Albpetrol Delvina Gas Field, Republic of Albania, August 1995.
5. Business Planning Information for Privatization or Joint Venture Assistance — Fier Nitrogen Fertilizer Factory, Republic of Albania, August 1995.
6. Restructuring Albania's Agri-Input Supply. Presented at the World Fertilizer Conference, The Fertilizer Institute, September 1995.
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