

A Winning Agribusiness Strategy



*An Enduring Impact
in Albania*

THE HUMAN FACE OF MARKET DEVELOPMENT

Agif Caca faced a difficult decision when the state-owned factory where he was employed closed at the demise of Albania's centrally planned economy. He could either escape to a possibly better life in Italy or stay in his homeland and build a new life and business in the emerging free market economy. Using only a \$350 inheritance from his father, Caca bought some bricks and mortar and built his own milk and cheese plant.



The young Mireli plant faced many difficulties, such as electric power interruptions and spoiled milk. With assistance from the agribusiness project, the Mireli plant procured and installed a power generator and pasteurizer and purchased three new refrigerated trucks. Since 1992 the Mireli plant has doubled its size and the amount of milk processed has expanded rapidly. Today Mireli is the largest daily milk supplier in Tirana. The factory produces a variety of dairy products.

"AFADA is not only the basis for Albania's modern, competitive agricultural economy but also it provides the foundation for Albania's faith in the free market. Its impact spreads far beyond agriculture itself and will influence growth throughout the economy."

**—Late Joseph Limprecht,
U.S. Ambassador to Albania**

"My collection system is well established because of my reasonable price," Caca says. "The price that I offer is higher than any price offered by other milk collectors. By doing so, I am providing the community with income of approximately \$30,000 per month."

Before Caca started his business, he looked to the staff of the project in his country for expert advice. "I sought the advice of the specialists based in Tirana to assist me in business plan development, in locating equipment suppliers, and in receiving quotations for the needed technology," he says. "The project team provided me with technical assistance in selecting the most profitable products to manufacture, finding financing, and locating information on machinery and equipment sources."

Caca is only one example of a beneficiary of the Albania project. The impact of the overall project is that it has assisted in increasing food productivity, promoted agribusiness development, and demonstrated the potential for agricultural development.

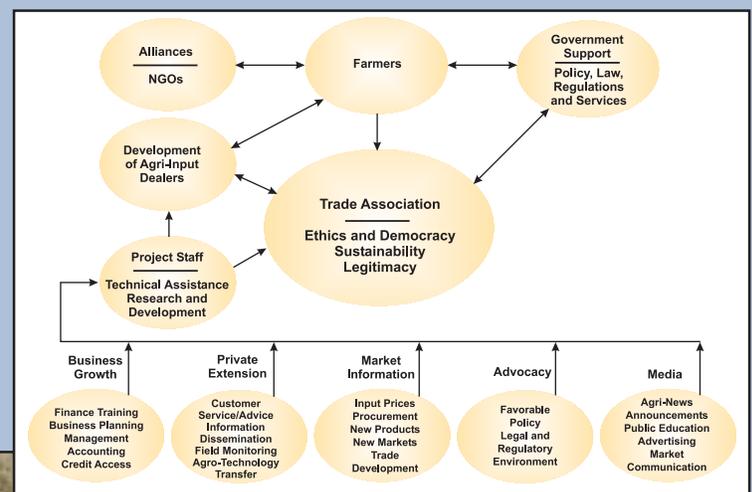
developing world, governments and state enterprises have abandoned their support of fertilizer marketing organizations that were formerly under their auspices, thereby creating a void. Given that void, new and reformed private agribusiness entities are required to improve efficiency and develop a market orientation for commerce in general and agribusiness in particular. Since the mid-1980s, strategies for agricultural development based on principles and policies to strengthen market forces, increase competition, and create a less significant role of the state have been integrated into the theory and practice of market development.

A HOLISTIC AGRIBUSINESS DEVELOPMENT

MODEL—AN INNOVATIVE SOLUTION

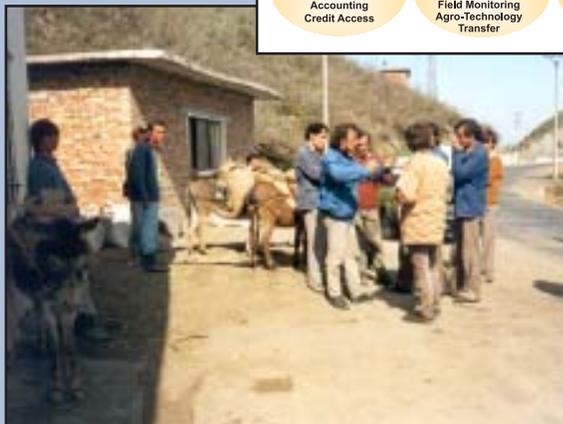
To help fill the void experienced by transitional economies, IFDC created an innovative strategy or model for agribusiness development. The model represents a proven strategy of achieving full market privatization at the outset rather than incrementally. The model can be emulated by countries that are transferring to free market economies. The ultimate goal is to promote the development of an efficient agribusiness sub-sector that can expand markets for and add value to a country's agricultural products. If the private sector is to be successful, govern-

A SUCCESSFUL AGRIBUSINESS DEVELOPMENT MODEL



THE NEED FOR AN INNOVATIVE STRATEGY

With the collapse of many centrally planned economies during the past decade, it has become increasingly evident that greater efficiency, productivity, and economic vigor can be realized through market forces, competition, private initiative, and entrepreneurship. Throughout the



ment must create an enabling environment by providing its support through effective policies, efficient services, and appropriate regulations.

This successful agribusiness development strategy links farmers, agricultural extension specialists, researchers, government, nongov-

ernmental organizations, media, and agricultural inputs dealers to generate, share, and use knowledge and information for the enhancement of market development. The centerpiece of the innovative strategy is the nurturing and development of trade associations. The associations' unity of action gives individual dealers confidence to take risks, to advance their business interests into new areas needed for farmer development, and to create an agri-industrial sector. Trade associations engender business development skills, ethics, and democracy among their entrepreneurial members. Through the trade associations, entrepreneurs are exposed to new products, new markets, trade, and market development. The members of the associations gain experience in credit acquisition, business management, and financial planning. Private sector extension services promote innovative technology and advanced agricultural practices among the country's farmers. The media functions as an invaluable partner in providing for public education, advertising, and branding.

The ultimate goal of the strategy is to improve agricultural productivity, create opportunities for employment, improve standards of living, and promote integration into the world market. The strategy must be adapted to specific social, cultural, and economic conditions; therefore, the strategy is intended as a means to chart a course, aid in discovery, and guide practical work activity.

IMPACTS AND BENEFITS OF THE STRATEGY FOR ALBANIA



When Albania emerged from 45 years of total isolation and Communist rule in 1991, the country suffered an agricultural crisis that required the immediate attention of the international community. The population of Albania was increasing by 2% annually, faster than in any other country in Europe. Domestic food production was declining, food imports were increasing, fertilizer production had ceased, and collective farms were destroyed. Moreover, the foundations for private and competitive agriculture did not exist.

To help the country overcome the tremendous shortage

"IFDC has been and is one of the most successful organizations in implementing projects for the agricultural development of Albania. Its presence since 1992 has had positive impacts on our agricultural sector and the economy."

**—The Honorable Agron Duka,
Albanian Minister of Agriculture and Food**

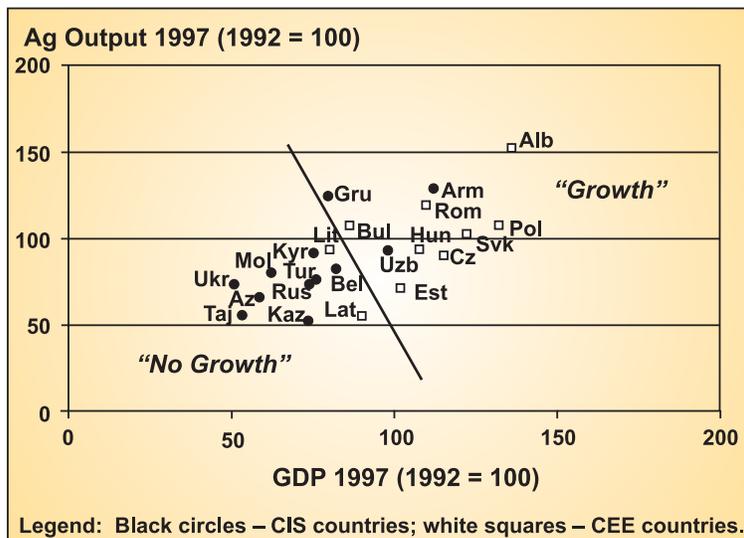
of food, especially wheat, and the lack of fertilizer in the marketplace, the U.S. Agency for International Development (USAID) provided funds to import 20,000 tons of urea fertilizer. It enlisted IFDC to handle the distribution of the fertilizer to farmers. The project team took that opportunity to start developing a free market system by conducting public auctions of the fertilizer. The team identified promising entrepreneurs, trained them in the market process, helped them obtain credit from banks, and instructed them in modern marketing practices.

Albania's agricultural sector now operates as a vibrant market economy. The project has created a fully privatized market for agricultural inputs and assisted Albania in developing an efficient national agricultural statistical system. The country has developed a supporting institutional capability and created several trade associations including the highly successful Albanian Fertilizer and Agricultural Inputs Dealers' Association (AFADA).

SPECIFIC BENEFITS AND IMPACTS OF THE AGRIBUSINESS DEVELOPMENT STRATEGY ON THE ALBANIAN ECONOMY

- In recent years the Albanian economy has shown signs of recovery. Since 1998 the gross domestic product (GDP) has increased each year by approximately 7%-8%. The service sector has experienced a 4.5% growth rate.

CHANGE IN AGRICULTURAL OUTPUT VERSUS CHANGE IN GDP, 1992-97



- Agricultural output plays an important role in the economic growth of developing and developed economies in the Eastern and Eurasia region.
- During most of the 90s decade, Albania was one of the few countries in this region that experienced growth in their economies. Most of this growth was due to its agricultural output.
- In 1997, for example, Albania attained the highest increase in agricultural output and the highest GDP increase as compared with its performance in 1992.
- The economic growth in Albania, as reflected by GDP, is closely associated with the agricultural output. In 1997 Albania increased its agricultural output by about 50%, compared with that of 1992. The associated GDP increased by about 40%.

- Private enterprises are now supplying 100% of Albania's fertilizer requirements, 95% of crop protection products, and 80% of certified imported and domestic seed.
- Ninety percent of all commercial farmers are using fertilizers, and 60% are using improved seed.
- Yields of wheat and maize have increased 22%, and many farmers have shifted to more high-value horticultural crops.
- Market-oriented fertilizer and seed laws have been enacted, tariffs have been reduced, and viable seed and soil institutes capable of serving farmers and agribusinesses have been established.
- During the past few years, Albania has nurtured private sector-led growth in agriculture and business by successfully establishing eight democratic and functioning agricultural trade associations. In 2003 these associations had more than 2,000 members. Recently the project revitalized the Albanian National Farmers' Union, which now has 5,000 dues-paying members.
- A federation of 18 trade associations—the Albania Agribusiness Council (KASH)—now serves as an effective voice for advocating reform of government policies. KASH has participated in the preparation of seven free trade agreements with neighboring countries and has lobbied for seven fiscal laws.
- Since 1998, farm income in Albania has increased by 64%, and exports of fresh vegetables have increased by 247%.
- The project clients increased their production and revenues by more than 60% and employment by 25%.
- The AFADA Credit Union is the largest credit union in Albania and has more than \$150,000 in funds to loan.
- The Assistance to Albanian Agricultural Trade Associations (AAATA) project facilitated over \$20 million in client self-investments and nearly \$7.4 million in trade credit to clients.
- During the past 3 years, the project facilitated access to credit for more than \$13 million to agribusiness enterprises. Repayment rates of loans have been approximately 100%.
- During the past 3 years, the project's impact on the agribusiness capital investments in Albania amounted to approximately \$22 million.
- Sales revenues induced by the project during 2000-2008 are estimated to be \$106 million and profits, \$23 million.
- The American Bank of Albania has approved numerous loans totaling approximately \$50 million for project clients.
- The membership of AFADA now numbers more than 100, with an annual turnover of \$45 million.
- The Albanian Business and Management Center has generated over \$50,000 in technical service fees provided to members and logistic support for trade missions.
- Five high-tech Israeli greenhouses have been constructed for clients in various locations.
- The AAATA project has helped Albanian entrepreneurs make significant advances in food production, including the first production in Albania of extra virgin olive oil, turkeys, roasted peppers, and cherry tomatoes. The project facilitated the direct export of sage valued at more than \$300,000 by a client.

“Initiated in late 1991, the USAID-funded IFDC project in Albania was really the first donor effort to introduce the principles and practice of a free market economy in Albania. IFDC’s hands-on approach to reviving the agricultural sector by marketing imported fertilizer served to train Government officials, private fertilizer dealers and farmers in basic business practices. It was an enormous success: fertilizer applications led to increased crop production, which led to on-farm income generation that stabilized Albania’s rural economy.”

—Dianne Blane, Former USAID Mission Director, Tirana, Albania

ALBANIAN OLIVE OIL PROCESSOR BENEFITS FROM THE AGRIBUSINESS PROJECT

Anastas Gjikondi and other olive oil processors in Albania were told by the skeptics that it might take 10 years to produce extra-virgin olive oil in Albania. However, the skeptics were proven wrong in only 2 years. The Albanian processors and members of the Albanian Alimentary Oil Association, including Gjikondi, were trained and assisted in country by local and foreign experts and in other countries by participating in study tours.



Gjikondi and his family have operated an olive oil processing company since 1995. The family profited from the 35-year experience of Gjikondi who is a former state employee of olive oil processing. In 2000 this active member of AOA doubled his company's processing capacity by installing a second line by means of a loan provided through the Albanian Government. The company's olive oil is sold in bulk to wholesale markets in Tirana. Since 1995 Gjikondi has invested \$550,000 in the business; total storage capacity is 100 tons, and processing capacity of olives is 1,800 kg/day. The project team assisted the company by accomplishing the following:

- Locating equipment suppliers and receiving quotations for the necessary technology;
- Designing and assisting in procurement and installing the equipment;
- Selecting the most profitable products like extra-virgin olive oil;
- Providing information and contacts on raw material supply;
- Finding and procuring packaging materials.

LESSONS LEARNED IN ALBANIA

- Membership benefits are all important.
 - Access to finance is most important.
 - Group advocacy is very powerful.
 - Reliable market information and effective marketing tools are essential for planning and decision-making.
 - Improved technology can be effectively transferred to farmers through private sector extension services.
 - Continual, practical, and reinforcing training is necessary to prepare a cadre of required professionals to ensure sustainability.
 - Regular meetings ensure good communication and aid progress.
 - Establishing trust is essential.
- The media serves as a valuable partner to market projects.
 - Private sector power and innovation can foster sustainable agribusiness development even in the most challenging situations.
 - Success requires a mix of policy reform, technical and business training, trade association development, tailored assistance to progressive individuals, and a results-oriented dedication.

EN&ZY, LTD., REAPS REMARKABLE EARNINGS IN FRUIT AND VEGETABLE PROCESSING



Former employee—now owner—of EN&ZY, Ltd., Enver Ferizaj, bought 1.2 ha of land, on which he operates his fruit and vegetable processing company. After continuing with the usual seven-product line, he soon realized that he needed to expand his business market. He turned to the project for technical assistance. Since that time EN&ZY has experienced dramatic growth. The company realized the following results:

- Achievement of two contract growers' agreements to produce tomatoes and peppers for processing needs.
- Processing of 20 types of fruits and vegetables, with 90% of supply coming from domestic production of field crops.
- In only 1 year the company tripled its exports of tomato ketchup.
- The company's number of products tripled in only 3 years; the sales revenue more than doubled during the same period.
- The company now owns three sales outlets.
- EN&ZY obtained two bank loans, worth \$400,000 for working capital and paid off the loans in 2 years.

SUSTAINABILITY OF THE ALBANIAN AGRIBUSINESS SYSTEM

Albania's agricultural inputs supply, distribution, and marketing system are completely institutionalized in the private sector for agricultural inputs. AFADA is a financially viable organization and completely independent association. With the establishment of KASH, the sustainability of the system is further ensured since KASH has become a powerful advocate or change agent in its relations with the government. Because entrepreneurs and extension managers have been trained in the private-sector, entrepreneurial-driven agricultural development, the sustainability of the project is further ensured.



ALBANIAN FARMER SHEFKI HAXHIU IMPROVES HIS LIVELIHOOD AND THAT OF HIS FAMILY

Shefki Haxhiu is from Vora, 20 km west of Tirana, Albania. The political changes of 1991 led to the rapid partition of the land to farmers. Haxhiu received 1,000 square meters in the plains and 40 olive trees. Shefki Haxhiu worked

hard to provide for his family and to save money. By 1994 he had saved enough to build a greenhouse where he planted tomatoes and cucumbers. After he harvested the first crop in June 1995, he enlarged his greenhouse with the money he earned by selling produce.

Haxhiu used the rest of the net earnings to develop a vineyard in the hilly lands of his father, where he harvested 1,000 kg of grapes worth about \$800. In only 3 years he doubled his grape harvest. Haxhiu obtained all his agricultural inputs from the local AFADA agri-inputs store and was very pleased with the results. He saw AFADA television programs and learned how and where to get the best inputs. The dealer provided him with leaflets on olive cultivation that taught him how to boost productivity. In 5 years he quadrupled his olive production by using this information.



**IRAKLI KOLA
PRODUCES FIRST
WINTER
TOMATOES IN
ALBANIA**



During the early days of the Albania project, Irakli Kola, agricultural economist, and his partner, Mydeir Sakollari, agronomist, helped establish AFADA. Before investing in greenhouses, they became successful in the fertilizer and agricultural inputs business. A few years ago they participated in one of the trade missions to Israel; there they learned about high-tech greenhouses. Not only did they benefit from this trade mission but also they profited from technical assistance in helping them establish a technology transfer center (TTC) at their greenhouse. The Israeli company, AZROM, provided the TTC for free; another Israeli company, AGRIDEV, provided technical assistance. This venture has changed the lives of Kola and Sakollari and their families. Since this is a family-operated business, Kola's son Eno has also been trained by Israeli specialists in Albania. These innovative businessmen were the first to produce winter tomatoes in Albania. They are well known throughout Albania for their entrepreneurial spirit.

**TOSUN LACI GROWS A PROSPEROUS
ENTERPRISE WITH HIS MAGICAL ALBANIAN
BEANS**

Reminiscent of the famed old English fairy tale of "Jack and the Beanstalk," whose magical beans brought him wealth, a resourceful Albanian entrepreneur named Tosun Laci has fared well in his agricultural export business, whereby he markets premium quality green beans to the Italian market. Even during the political turmoil of 1997, Laci, who rents 185 ha from smallholder farmers to produce vegetables for the Italian market, fared better than most of his countrymen. He exported approximately \$900,000 worth of beans, tomatoes and asparagus to Italy during 1997. During 1998 he doubled his exports for a gross of \$1.8 million. Laci is one of the beneficiaries of the intervention in Albania; he participated in its agribusiness training programs and business trips to investigate export opportunities. After this training and exposure, he began greenhouse production of fresh vegetables for both domestic and export markets. "Thanks to AFADA I have established good international contacts," says Laci. "My business survived the collapse of 1997 and continues to grow."

"The success of AFADA really is the untold story of success in the Balkans, overcoming all of the instability and the upheavals An important lesson that we have learned from our Albania experience is that when you organize the private sector, you unleash an untold array of innovation and drive that provides the inputs and technical know-how for a country's agricultural sector."

— Ian Gregory, Director, IFDC's Market Development Division

"My greatest sense of satisfaction comes from knowing that many of our clients have been empowered and their quality of life is improved. Lives are enhanced not only through financial means but also through freedom. Watching hundreds of individuals move from poverty and dependency on the government to having sustainable businesses that support family life and community is a reward."

— Claude Freeman, former Chief of Party, IFDC/Albania

"On my first trip to Albania, I saw a country that was in dire straits. The best hotel in Tirana had only one item on the menu; there was no heat or hot water. Today when we visit Albania, we see a transformed country. People have money and are able to conduct business. They are happy. Of course, there are still problems, but at least people are headed in the right direction."

— Dr. Amit H. Roy, IFDC President and Chief Executive Officer

"No previous experience with a foreign organization in Albania has enjoyed such a high level of cooperation as that between the Parliamentary Committee and IFDC."

— Dr. Haxhi Aliko, Chief of Albania's Permanent Parliamentary Commission for Agriculture and Food

KASH (ALBANIA AGRIBUSINESS COUNCIL)

Members

- Horticulture Association
- Meat Processor Association
- Fisherman's Association
- Agricultural Mechanization Association
- Farmer's Union
- Potato Seed Association
- Dairy Association
- Seeds and Sampling Association
- Edible Oil Association
- Poultry Farmers Association
- Flour Producers Association
- Fertilizer and Agribusiness Dealers Association
- Livestock Association
- Medical Herbs Association
- Willow Management Association
- Private Nurseries and Decorative Wood Association