An article focusing the Albanian challenges in the milk sector

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Current situation of milk sector in Albania

The sector of production and processing of milk remains one of the key sectors of agriculture in Albania. Milk is one of the main livestock products, constituting the major part in the livestock sector. Its production has been growing steadily, with a distribution in all regions.

Domestic production of milk reached about 1.1 million tonnes in 2014, which is an increase of 9 percent since 2007. This increase in production, when seen in the context of the reduced number of cows and small ruminants, highlights the qualitative improvement of the sector. Milk production is dominated by cow's milk (87 percent), while the rest is almost equally shared between sheep and goats.

Most milk is produced by very small semi-specialized producers and from mixed farms, having less than 50 sheep or goats and cattle farms having less than five cows. Most cattle farms have one or two heads of cattle, and about 2 percent of them have more than five cows. However, a trend for consolidation has been observed: The number of farms with over five cows has tripled since 2005, whereas the number of farms with over 10 cattle (1 390 in 2012) has increased more than five-fold since 2005. There are currently 1 390 producers with more than 10 heads of cattle; 8 536 farms with more than 50 sheep and 3 646 farms with more than 50 goats.

About 87% of milk production is cow milk and the difference is sheep and goat milk. In 2014, the yield of milk production is increased by around 20% compared to the year 2000. The following table represents the data on milk production, import and export:

Years	2007	2008	2009	2010	2011	2012	2013	2014
Production (ton)	1,016,000	1,040,000	1,045,000	1,070,000	1,101,000	1,105,000	1,131,000	1,133,000
Export (ton)				8	201	649	375	8
Import (ton)	8,524	7,515	8,604	8,319	8,517	9,309	8,730	8,905
Trade Balance	1,024,524	1,047,515	1,053,604	1,078,311	1,109,316	1,113,660	1,139,355	1,141,897
Coverage from domestic production (%)	99	99	99	99	99	99	99	99

Source: MARDWA, INSTAT

As the table shows the domestic production covers about 99% of the needs. The import is very low and it originates mainly from Italy (around 58%), Macedonia, Croatia, etc. Export in milk is mainly in Kosovo. The differences for 2013 is because of aflatoxine found in milk exported to Kosovo, from one company, which later on filed for bankruptcy. Domestic utilization of milk production is as follows: 46% of milk production is used for processing; 38% is used for own consumption; and 16% is used for calves.

The number of dairy processing units and enterprises is about 311, with about 1,334 employees. Compared with last year there is a decrease of 11% in the number of dairy processing enterprises, mainly related to the quality and hygiene conditions. Notwithstanding the milk processing industry has recently seen progress including new modern factories. So the decrease of the number of diary processing is mainly because of small processing units meanwhile around 30 processing companies have invested in improving the technology and quality of product as well as in promoting their products. These companies are gaining increased shares in the domestic market and are substituting imports.

Through the domestic support schemes in agriculture for 2013 in the livestock sector are financed: 66 000 €uros for milk cows farms; 345 000 €uros for farms breeding more than 10 cows; 1 601 000 €uros for farms breeding more than 100 matriculated sheep/goats.

Opportunities in the diary sector

The dairy sector in Albania is characterized by several opportunities. On the production side, referring even to the data provided, there is a consolidation trend in primary production (increase of the number of larger dairy farms), which is expected to continue. Several milk-processing plants have invested in up-to-date technologies and have improved buildings and facilities to avoid cross-contamination. On the demand side, dairy products are an important food item for Albanian consumers, and there is an overall preference for domestic dairy products. The continuous increase in income has triggered and is expected to further trigger growth in demand for dairy products, in terms of quantity and quality.

Notwithstanding the opportunities, this sector still faces various challenges and important constraints that prevent it to be more competitive. Some of the main challenges faced by the sector are as follows:

- Value chain actors (especially smaller farms and processors) need to improve environmental and safety standards.

- Milk collection and distribution system is characterized by informal organization. Only lately and in few cases there is established a contractual system between milk producer and processor.

- Milk collection and transport is one of the weakest points in the value chain. The collection of raw milk is organized mostly by milk processors (about 60%) and by private milk collectors. Only few farms deliver the milk directly to the processors. For large processors in urban areas, milk collection is a major cost factor, while it is a cost advantage for small rural processors.

- Milk is often not stored in cooling tanks either during the entire on-farm storage period or during transport to the dairy plant as well as many farmers do not know all about microbiological status of raw milk quality. Only very few private collectors have currently professional transport and cooling equipment. Raw milk quality and the microbiological situation are poor, and transport conditions are also often poor, in many cases lacking. Safety and environmental standards should be improved and brought into compliance. The raw milk is paid by milk collectors or milk processors not based on microbiological parameters. One reason for poor microbiological raw milk quality is that there is no incentive system to produce a good raw milk quality.

- In most cases, waste-water and milk processing residues (e.g. lactose) are left untreated.

- A lack of qualified specialists (milk processing technology, laboratory etc.) in rural areas is one of the factors that has hampered and is expected to continue to hamper the implementation of safety and environmental standards and poor law enforcement. Regarding this it is necessary to organize training to address topics on milk processing such as modern scientific dairy management processing and product development, hygienic standards, ISO, HACCP and waste water treatment, marketing and export, etc.

- Regarding sector economics, there are several constraints, including fragmented farm land with average parcel size of 0.3 ha, high prices for inputs, increased competition from imports (part of trade liberalization and supermarket chain expansion), and fiscal informality.

- The commercial market is divided into the formal and the informal market. The modern diary processing plants are operating successfully although they have to deal with the competition from the informal market. One of the reasons is that VAT regulation is currently a disadvantage for the formal (larger) milk-processing sector versus small informal plants, which do not charge VAT and other taxes and can compete with lower prices selling directly to consumers.

Areas of intervention

The priority for this sector will be meeting domestic market demand. There is a need for investment in on-farm cooling chains. At processing level, support will aim at meeting both safety and environmental standards. Support will also be provided towards improving packaging and labelling. Support for implementation of standards should go hand-in-hand with capacity building for farmers and processors and with law enforcement.

Some of the areas of intervention to improve the sector performance are:

Domestic support

From 2008 the Government of Albania has introduced the domestic support schemes which comprise direct support measures for diary/livestock farming as well as subsidized interest rates of loans for agro-food processing companies. From 2010 the support measure changed from supporting related to cows' number to the milk delivered to the milk processors. Also the support scheme on interest rate for processors continues to be implemented on loans received for investing in improving milking technology, hygiene, storage and housing facilities and related equipment, etc. From 2014 there is implemented a new supporting scheme which covers up to 50% of the investment in processing companies.

IPARD – Like Scheme

From 2013 there is launched and implemented the IPARD – Like Programme. This programme supports two measures: Investments in Agricultural Holdings and Investments in the Processing and Marketing of Agricultural and Fishery Products.

Regulatory Framework – Food Safety

The conditions for production, processing, conservation, distribution, control and marketing of food products used for consumers are provided in the law on food, which is in force from 2008. The establishment and functioning of the National Food Authority as the institution responsible for ensuring food safety and consumer protection brought about a significant change in improving the level of food safety as a result of the implementation of inspection practices based on European standards and concepts of risk assessment and management. To ensure a high level of protection of human health and consumers, interests, one of the main objectives of the National Food Authority is the implementation of the HACCP system, based on official control methods of HACCP procedures on initial verification of the adequacy of its plans.

Food business operators, especially those in the milk sector, in order to receive the license have the obligation to implement HACCP plan as an important criterion for ensuring food safety. Also there is in place and in function the Identification and Registration Database for animals which is updated on animals tagged, on animal movement, vaccination, etc. Based on the Stabilization – Association Agreement and National Plan for European Integration the Ministry of Agriculture continuous the approximation of EU legislation in the field of food safety.

Renting of state owned agriculture land

In order to develop the agriculture and livestock sector in particular, by overcoming the problem of land fragmentation the Government of Albania has identified state owned agriculture land that can be landed to potential investors to establish livestock farms and processing plants. This will contribute to the improvement of the sector performance and safety of the products for the consumers.

Foreign Projects

IPA 2013 Financing Agreement has been approved, between the Albanian Government and the European Commission. There are three projects related to milk sector:

- IPA 2013- Support to agriculture and rural development – phase II, with a total budget of 12.34 million Euro, of which 6.4 million Euro contribution of EU and the other contribution of the Albanian Government and the farmers by themselves. The project aims at further sustaining the development of quality farming, the agro-food sector through the implementation of IPARD-like rural development measures, based on the pilot approach developed by the IPA 2011 Project "Support to Agriculture and Rural Development – phase I". The overall objective of this project is to contribute to the improvement of the quality of life in rural areas by increasing the competitiveness of the agricultural and agro-food sector.

- Support to the modernization of the Livestock Sector in Albania, with a total budget of 2 million Euro of which 1.8 million Euro contribution of EU and 0.2 million Euro co financing of the Albanian Government. The aim of this project will be to increase the efficiency of livestock production in Albania, through the implementation of appropriate race policies and practices.

- Strengthening food safety laboratories in Albania", total value of 4.4 million EUR, of which 4 million contribution of EU and 0.4 million co-financing of Albanian Government. The overall objective is to strengthen the administrative capacity to ensure improved levels of food safety throughout the food chain.

The project purpose of this project is working efficiency of the food safety system in Albania improved due to upgrading of the physical network of the offices and laboratories of the National Food Authority at national and regional level. It is also necessary the rehabilitation of the main laboratory to meet the requirements for accreditation under ISO 17025. In this context, it is forecasted to provide technical assistance for the establishment of a system of monitoring, testing and diagnostics that will be used by food safety laboratories network.

Conclusions

The milk sector is developing day by day and offers a lot of opportunities for target groups and different actors of this sector. It faces a lot of challenges and constraints mainly because of the fragmented land which leads to small sizes farms, informal organization of the collection and distribution of milk causing safety problems and other constraints which need to be addressed in order to improve the current situation.

In this regard the milk sector is a priority of the Albanian Government, which is taking the necessary measures to overcome the challenges and constraints. The interventions will be in different areas such as domestic support, capacity building, strengthen of food safety laboratories, regulatory framework related to food safety all with the aim to have a comprehensive impact on the improvement of sector's performance and above all to ensure a high level of protection of human health and consumers interests.