

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT
POLICY

Voluntary Public

Date: 6/24/2014

GAIN Report Number: IT1448

Albania

Post: Rome

Doing Business in Albania Exporter Guide

Report Categories:

Agricultural Situation

Exporter Guide

Approved By:

Christine Sloop

Prepared By:

Dana Biasetti

Report Highlights:

The Republic of Albania is a small former Communist nation situated on the Strait of Otranto which acts as a gateway between Western and Eastern Europe. While one of Albania's priorities is to join the EU and NATO, they are already members of the Central European Free Trade Agreement (CEFTA), and the WTO.

General Information:

Map of Albania



The Republic of Albania Overview

Albania declared its independence from the Ottoman Empire in 1912, but was conquered by Italy in 1939, and occupied by Germany in 1943. Communist partisans took over the country in 1944. Albania allied itself first with the USSR (until 1960), and then with China (to 1978). In the early 1990s, Albania ended 46 years of xenophobic communist rule and established a multiparty democracy. The transition has proven challenging as successive governments have tried to deal with high unemployment, widespread corruption, dilapidated infrastructure, powerful organized crime networks, and combative political opponents. Albania joined NATO in April 2009 and is a potential candidate for EU accession. Although Albania's economy continues to grow, it has slowed, and the country is still one of the poorest in Europe. A large informal economy and an inadequate energy and transportation infrastructure remain obstacles. While the Republic of Albania may still have a very long way to go, they seem to be slowly working towards improving its' economic issues, poor infrastructure, rampant corruption, and high

unemployment rate.

Total estimated population is 3 million, of which over 82 percent are ethnic Albanian, 5 percent Greek, and the remaining are Macedonian, Roma, Vlach, Turkish, Italian, and Serbo-Croatian. The official language is Albanian (however many also speak Italian). Religions include Muslim (Sunni and Bektashi), Albanian Orthodox, and Roman Catholic. The average age is 32. Albania is located on the Strait of Otranto (separating the Adriatic and Ionian seas) and acts as a gateway between Western and Eastern Europe.

Albania's President of the Republic Bujar NISHANI was elected July 24, 2012, while Prime Minister Edi Rama was elected September 10, 2013. One of Albania's top priorities is to join the EU and in doing so, signed in 2006 the Stabilization and Association Agreement with the European Union. Albania is also waiting for membership in the North Atlantic Treaty Organization (NATO). Albania is already a member of the Central European Free Trade Agreement (CEFTA), and the WTO.

U.S. - Albania Relations

The United States established diplomatic relations with Albania in 1922, but in 1939 relations ceased due to Albania's occupation by Italy (1939-43) and Germany (1943-44) during World War II. After the fall of communism in 1991, the Albanian Government sought closer ties with the West in order to improve economic conditions and introduce basic democratic reforms. Diplomatic relations between the United States and Albania were re-established in 1991.

The United States has been a strong partner and friend to Albania as it has made progress to consolidate democracy, and help the economy. The United States supports Albania's European Union membership goal, as it did Albania's pursuit of North Atlantic Treaty Organization (NATO) membership.

U.S. and International Economic Relations

Trade with the United States accounts for a minor part of Albania's trade volume (1%), focusing on a narrow range of goods and products. Major agricultural imports from the U.S. include pork, poultry, biodiesel, and ethanol, while the main exports to the United States are spices. Albania is eligible to export certain products duty-free to the United States under the Generalized System of Preferences program, and they have signed a bilateral investment treaty with the U.S.

Albania has a free trade agreement (FTA) with Turkey and is a signatory to the Central European Free Trade Agreement (CEFTA), which includes the eight countries of Albania, Macedonia, Montenegro, Kosovo, Moldova, Croatia, Serbia, and Bosnia and Herzegovina. Albania also enjoys important trade benefits with EU members since it signed and ratified the Stabilization and Association Agreement (SAA). In June 2009, Albania also signed an FTA with the European Free Trade Association (EFTA). EFTA member states include Iceland, Liechtenstein, Norway, and Switzerland. The agreement with Liechtenstein and Switzerland entered into force in November 2010 and the agreement entered into force with Iceland and Norway in 2011. Albania has been a member of the WTO since September 2000 and is an observer of the Agreement of Government Procurement (GPA) accession.

Albania applies a liberal trade regime following guidelines set by the EU which are in line with

international trade rules. As a result of the on-going process of harmonizing its customs rules with the EU system under the SAA, imports and exports of agricultural and food products are not generally subject to special authorization requirements. The tariff system for agricultural commodities has been simplified, and is now composed of five tariff levels of most favored nations and no “tariff quotas” as well as differentiated seasonal tariffs, which are applied to fruits and vegetables. Excise duties are applied on a group of agricultural and food products.

The table below shows the excise duty applicable as of 1 January 2014.

Product	New excise duty	Previous excise duty
Unroasted, caffeinated or decaffeinated coffee	ALL 0/kg	ALL 30/kg
Roasted, caffeinated or decaffeinated coffee	ALL 60/kg	ALL 140/kg
Energy drinks	ALL 50/liter	ALL 0/liter
Beer (when up to 200,000 hectoliters per year produced)	ALL 360/hectoliter	ALL 1,000/hectoliters (when up to 70,000 hectoliters) ALL 1,200/hectoliters (when 70,000-200,000 hectoliters)
Beer (when more than 200,000 hectoliters per year produced)	ALL 710/hectoliter	ALL 1,500/hectoliters (when 200,001-300,000 hectoliters) ALL 1,200/hectoliters (when more than 300,000 hectoliters)
Sparkling wine, champagne and fermented or sparkling beverages	ALL 5,200/hectoliter	ALL 2,000/hectoliter
Alcoholic beverages with an alcohol content between 15% and 20%	ALL 5,200/hectoliter	ALL 2,000/hectoliter
Spirit beverages produced (when up to 20,000 hectoliters per year produced)	ALL 65,000/hectoliter	ALL 50,000/hectoliter
Spirit beverages produced (when more than 20,000 hectoliters per year produced)	ALL 84,500/hectoliter	ALL 65,000/hectoliter
Cigarettes*	ALL 4,500/1000 cigarettes from 1 January 2014	ALL 3,500 /1000 cigarettes
Other processed tobacco and its substitutes**	ALL 3,000/kg from 1 January 2014	ALL 1,500/kg
Petroleum jelly	ALL 40/kg	ALL 0/kg

- The excise duty will increase by ALL 500/1000 cigarettes for each year until 2017.
- ** The excise duty will increase by ALL 700/kg for each year until 2017.

Economic Overview

Albania coming from a closed, centrally-planned state is making the difficult transition to a more modern open-market economy. Albania, like most countries, has been affected by the global economic crisis. The agricultural sector, which accounts for almost half of the nations' employment is limited primarily to small family operations and subsistence farming due to the lack of modern equipment, unclear property rights, and the prevalence of small, inefficient plots of land. The country will continue to face challenges from increasing public debt, having exceeded its former statutory limit of 60% of GDP in 2013. Strong trade, remittance, and banking sector ties with Greece and Italy make Albania vulnerable to spillover effects of debt crises and weak growth in the euro zone.

GDP (purchasing power parity):

\$26.73 billion (2013 est.)

GDP - per capita (PPP):

\$8,200 (2013 est.)

Agriculture's % of GDP:

17.5%

Main agricultural products:

wheat, corn, potatoes, vegetables, fruits, sugar beets, grapes; meat, dairy products, and sheep

Agriculture's % of labor force:

47.8%

Unemployment rate:

12.9% (2013 est.)

Exchange rate:

Albanian Leke per one US dollar: 109.2

Albania's Agriculture

Albania is a Mediterranean country covered with pastures, forests and green areas between the Adriatic and Ionian Seas. Albania is a small country with a total area of 28,750 square kilometers, 24 percent of which is dedicated to agriculture, 36 percent to forests and 15 percent to pastures. Two thirds of the country's surface area is mountainous (28,748 km²) making agricultural land quite hilly. Nevertheless, there are a lot of crops including olives, vines, citrus, plums, tomatoes, onions and vegetables. With regards to livestock farming, lamb breeding largely prevails. Once an exporter of agricultural products, today Albania has turned into a net importer. The economy remains highly import-dependent in terms of food and raw materials for agro-processing due to low agricultural productivity. Therefore, the country is vulnerable to any increase in food commodity prices. In 2013, imports of agricultural products totaled approximately \$930 million representing 30% of Albania's food consumption. Total consumer expenditure on food and beverages accounts for more than half of total family expenditure but it is still low in terms of average annual per capita consumption. Agricultural production and incomes have followed a noticeably increasing trend in recent years. Livestock production accounts for about 46% of

total production in the sector, followed by 44% of plant crops production and 11% of fruit production. In 2013, the top five products in terms of value were cow's milk (ranked by commodity in the world 67), grapes (ranked 40), beef, tomatoes (ranked 59) and olives (ranked 20).

Thanks to its mild climate, fertile land and abundant water resources including rainfall, surface and ground water, the agriculture sector potential remains untapped because of the small size of farms (average size 1,26 Ha) and low mechanization. Furthermore, the historic low use of fertilizers and pesticides in agriculture creates the opportunity for the development of organic agriculture. Opportunities are available for foreign investors in the production and processing of high-value specialty horticultural crops for niche markets.

Market Entry Strategy

To enter the Albanian market it is strongly recommended that companies find an agent and/or local distributor. The American Chamber of Commerce in Tirana, local chambers of commerce and industry, and the Albanian government agency for foreign investment promotion can provide assistance and guidance in finding an agent. Information and access to markets can be very difficult without local representatives who will have contacts and know-how to do business in this small-but-complex market. Before investing or establishing economic ties in Albania, it would be best to visit the country first.

U.S. companies seeking to market and distribute their goods can easily find merchants, agents, middlemen, wholesalers and retailers. While distribution channels are in place they are less sophisticated than in other European markets. Private companies dominate the retail industry and many of the shops carry Italian and Greek goods. Fruits and vegetables are typically sold at open-air, non-refrigerated public markets. Consumer-oriented trade shows are an important part of the retail scene.

Liquidity is presently a major problem within the Albanian economy. Therefore, with some exceptions, for advance payments confirmed letters of credit by foreign banks are highly recommended. Local consulting offices or law firms, local banks and other professional organizations may be helpful in determining the credibility of a potential business partner. Goods can enter Albania both via land and sea, with major sea ports in Dures and Vlora. Foreign companies also use the sea ports of Thessalonica and Piraeus, Greece, and Bari and Brindisi, Italy.

Agro-industry background and challenges

The Albanian agro-industry is a complex sector that is made up of small private businesses that were created as a result of the privatization of the former agro-processing state enterprises and new investment from private initiatives. The privatization of these State agro-processing enterprises started in 1992 with the bread, flour, milk, alcoholic and non-alcoholic beverage industries. The current orientation of the agri-business and agro-industry sector in Albania is highly driven by the need to comply with the conditions of EU accession and the WTO regulations in order to access more diversified markets.

The challenges that the agribusiness sector in Albania is facing today are:

- Insufficient investment in research and development
- Strong competition from imported products
- The difficulty of ensuring safety and product quality
- A lack of appropriate facilities (i.e. storage, processing capability, packaging, logistics and delivery speed)
- Inconsistent flow of goods and information between actors throughout the food supply chain

Food Safety

Albania has been a member of the Codex Alimentarius Commission since 1992 and is a correspondent member of the International Organisation of Standardization (ISO). In 2009, the Council of Ministers of the Republic of Albania adopted the National Plan for the Implementation of the SAA for 2009-2014 that lays down short, medium and long term priorities for Albania in the European integration process, including the need to update the legal framework and related physical infrastructure for the official inspection of food in line with EU standards. There has been progress in adopting legislation in various areas, including a quality policy that refers to the introduction and promotion of geographical indications. However, there is still a need to adopt a new veterinary framework law. Further efforts are needed in order to harmonize Albanian legislation with the New and Old Approach directives, as well as to build an adequate market surveillance infrastructure.

The new Law on Food passed in 2008 determines the conditions for production, processing, conservation, distribution, control and marketing of food products used for consumers. In 2009 the National Food Authority (NFA) was established in order to bring production standards up to EU levels. The NFA still needs to be clarified and a clear chain of command needs to be established. It has not yet developed its risk-assessment capacity and the Scientific Committee and Panels have not yet been established. The General Directorate of Standardization (GDS) of Albania, which was established in 2008 and replaced the Bureau of Standards, has continued its preparations to apply for full membership of the European Committee for Standardization (CEN) in 2012. The law on standardization was amended in February 2011. In total there are 16 conformity assessment bodies (CABs) accredited by the General Directorate of Accreditation (GDA).

The responsibility for plant health has been allocated to the NFA and the Directorate of Crop Production Policies is responsible for plant protection. Fish production and fishery inspections are the responsibilities of two different departments of the Ministry of Environment, Forests and Water Administration, and fish diseases are covered by the Animal Health Directorate in the Ministry of Agriculture, Food and Consumer Protection (MAFCP).

Processed fishery products are the responsibility of the Food Safety Department in MAFCP and the NFA. Work on drafting a new fisheries law has been advancing, with the aim of strengthening the surveillance and monitoring system in fisheries in order to enable the sector to apply the satellite-based vessel monitoring system and to combat illegal, unreported and unregulated fishing and processing.

Quality control and certification

All quality standards have voluntary status. Sanitarian controls are imposed and monitored by the directorates in the Ministry of Agriculture, Food and Consumer Protection. For imported food and Agri-products, a license must be granted by the food quality and inspection directorate in the MAFCP. Under the Instrument for Pre-accession Assistance (IPA) of the EU, Albania receives financial support for the implementation of food safety standards such as GMP, HACCP and ISO. ALBINVEST, a governmental body, plays an important role and is running a €5 million grant program. It can offer grants of up to 50 % of the establishment costs of entities that are ready to implement such systems. However, the enforcement of adopted legislation is weak due to the lack of financial resources for official control. While some organic farming has been subsidized through direct schemes, most activities in the sector have been driven by donor funding.

VISA Requirements

All travelers entering or exiting Albania must have six months or more validity on their passport. U.S. citizens do not have to obtain a Visa prior to entering Albania. An entry stamp will be issued at the point of entry that is valid for a stay of up to 90 days for a fee of ten Euros. For stays exceeding 90 days, those interested must apply for a Residency Permit at the police station with jurisdiction over the city of residence.

Local Time, Business Hours, and Holidays

The time in Albania is one hour ahead of Greenwich Time and 6 hours ahead of the East Coast of the United States (Eastern Standard Time). Most Albanian businesses are open Monday through Friday from 8 a.m. to 5 p.m. and occasionally open on Saturday mornings. Government offices generally operate Monday through Thursday from 8 p.m. to 6 p.m. and on Friday from 8 a.m. to 2 p.m. There is no legislation regulating shop hours and many shops are open seven days a week.

Key USDA-FAS Contacts

FAS Rome, Italy offers regional coverage of Albania.
Office of Agricultural Affairs,
American Embassy, Via Veneto 119a
Rome, 00187, Italy

Tel: (011) (39) 06 4674 2396

Fax: (011) (39) 06 4788 7008

E-mail: agrome@fas.usda.gov

Webpage: <http://tirana.usembassy.gov/business/doing-business-in-albania-agro-food-products.html>