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Food, Rural, Agricultural and Fisheries Policies in Albania

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“What is needed is a positive vision, a clear road map for getting from here to there, and a clear responsibility assigned to each of the many actors in the system.” UN Secretary-General Kofi Annan

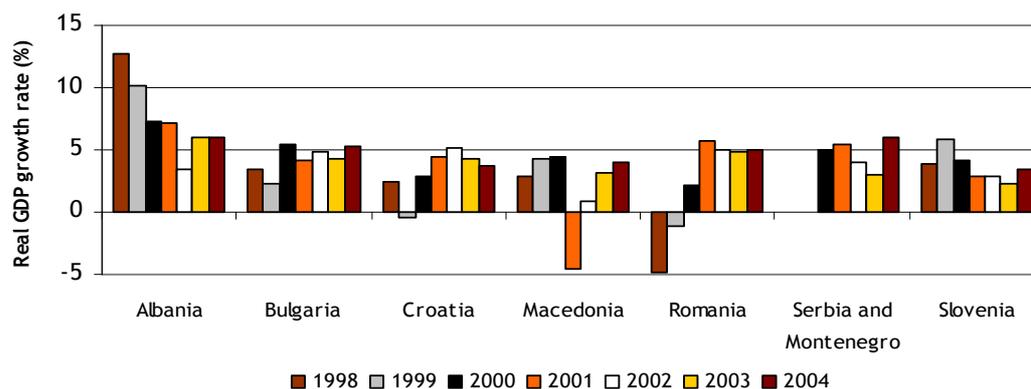
I – Introduction

To discuss about the economic characteristics of agriculture is at the same time easy and difficult, easy because agriculture remains one of the most important activities of Albanian economy, but also difficult because by definition this sector is particular where the rules are not always the same as in the traditional economy. In Albania, traditionally we have been conscious that agriculture is not only one of the productive activities of the society, but is an important element of the socio-economic regulation. The setting up of the agriculture rules and specially a proper system must reflect the economic system established in the country, but in Albania those characteristics have been much more pointed. On these conditions to study the agricultural characteristics of the country, we should take into consideration also the history, economy and social development. In this article we tend to explain the actual situation of the agriculture and the perspectives from the economic point of view.

1. Economic growth

Economic growth is the main factor in reducing poverty and stabilising Albania's macro-economy. The figure 1 below, presents real growth over the past 7 years, showing that Albania has consistently managed to achieve high economic growth since 1998. During 2004 real GDP growth was estimated to be 6%.

Figure 1. Economic growth in Albania and selected countries, 1998-2004



Source: IMF Country reports.

The combination of high growth and a decline in the resident population of Albania (by about 3.4% since the year 2000), has led to a doubling of per capita incomes, in Lek, over the last 7 years. Nevertheless, GDP per capita still remains very low compared with other countries and its increase constitutes one of the strongest challenges for the future. The sectoral composition of growth in 2004 has followed a similar pattern to the previous year, as shown in Table 1. Construction and transport have continued to grow strongly, while industry and agriculture are growing at a lower rate than the national average.

Table 1. Sectoral structure and growth

	Structure of GDP (%)		Real growth rate (%)	
	2003	2004	2003	2004
Total	100	100	6.0	6.0
Industry	10.2	9.9	2.7	3.1
Agriculture	24.7	24.0	3.0	3.0
Construction	9.1	9.5	11.3	10.6
Transport	10.0	10.4	10.8	10.1
Services	46.1	46.3	6.4	6.4

Source: INSTAT.

Agriculture continues to be one the most important sectors of our economy, contributing 24% of GDP and 58% of employment in 2004. Real growth in agriculture is estimated to be 3%, as a result of adequate climate conditions, investment in new production and technologies, especially in agro-industry, and improved power supplies. Good levels of production have led to lower prices. Despite the strong Lek, there has been an increase in agricultural exports and domestic agricultural products have competed successfully against imports.

However, agricultural growth is below the national average growth rate, and is constrained by a number of issues, including emigration from rural areas and the legal framework on property. Agricultural growth is of particular importance to Albania, in view of the very low productivity of the agricultural and agro-industrial system inherited from the past. Further measures are needed to promote the commercialisation of agriculture, both for exports and domestic markets, and to encourage new technologies.

Growth in industry is also about 3% and has been dominated by the energy sector, which grew by approximately 48.9 %, because of investment, reform and favourable weather conditions. Growth of the energy sector remains one of the key elements of national strategy, both for economic and social development. In contrast, the metallurgical industry declined by 68.3 % in total, despite an increase in steel production.

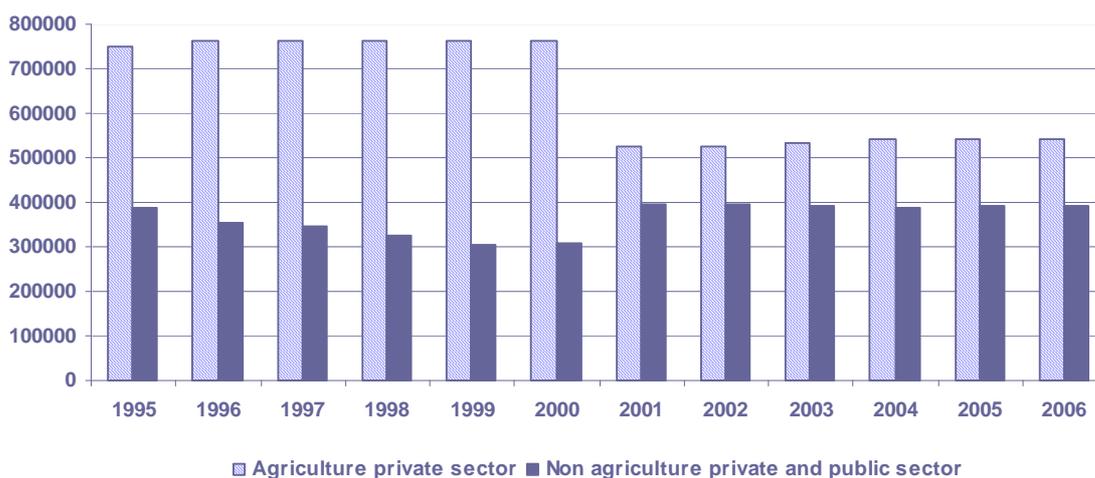
Transport grew by 10.1 % in 2004 and this has been dominated by road transport. Port activity has grown by 5.9%. Railway traffic has declined by 24.2% in volume, with a 15% decline in the value of passenger traffic and a 19.3% decline in goods traffic. Construction is one of the most dynamic sectors of the Albanian economy, with a real growth of 10.6% in 2004. Construction activity is concentrated in the major urban centres. Private sector construction is mainly focused on flats and buildings for families, which comprise about 81.6% of the total financing of private construction.

Services contribute 46.3% of GDP and grew at a rate of 6.4% in 2004, slightly above the national average. Post and telecommunications have increased rapidly, as a result of improvements in service quality, although reforms and price changes in the telecommunications market have led to some major changes. Tourism is a major part of the service sector, during 2004 it is estimated to have generated 673million leks in revenues, marking an increase of over 29% compared to 2003, with increases in visitor numbers and expenditure per person.

2. Labour market

The role of agriculture on the employment of the active population was and stands very important. Agriculture during the last twenty years offered work for more than 50% of the active population, figures are variable from 40% to more than 60% during the last years. The figure show the agricultural population evolution during the period 1995-2006. It is visible the diminution of the active population employed in agriculture and the relative increase of the part of active population employed on the non agricultural sector¹.

Figure 2. The role of the agriculture on the employment of the active population during the period 1985-2001

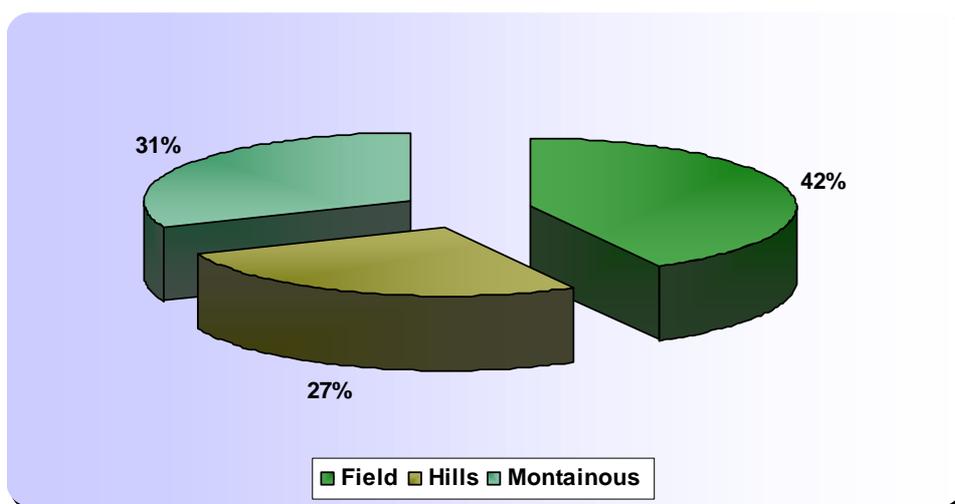


Source: INSTAT, Ministry of Economy Direction of Statistics.

¹ The general population census is made on 2001, have adjusted the employment figure in the national level.

Another phenomena that has accompanied the Albanian pluralism, is the massive emigration toward other European countries, North America, etc. On these conditions the active population on the rural areas cannot follow the same trend as before. After the land division on 1991 the Albanian government automatically defined all the rural habitants part of active population as employed in the family owned farms. The farm size cannot offer work for all the family members. In these conditions, we have a traditional hidden unemployment in the rural areas. On the other hand, the non-controlled emigration and migration do not help the economists to evaluate the extent of these phenomena and the role that they have on the employment of the rural area and the part of employment ofered by the agricultural sector. It is important to discuss about the family and the organization of the wok in farm to understand the role of agriculture on the employment of the active population.

Figure 3. The structure of the rural population (2004)



Source: MoAFCP.

During the years 1997-2004 the average number of households and of rural population generally decreased. The rural area is dominated by families from 3-5 members, which represent 50% of the total number of the families.

About one third of the rural population lives in the mountains areas (31%). The rural population is still dominated by youth. About 26% of the rural population is less than 15 years old, 67.8% is between, 15 and 65 years old, and only 8.6% is older than 65 years.

Consequently, it can be stated that the country has a young generation, segmented in the work force, but with very little employment opportunities in agriculture. The agriculture farm is the main source of employment, so 73% of the working force is employed in agriculture, 6% is employed in non-agricultural business, 6% in agro-industrial activities and 3% in other industries. An enhance analysis shows that the possibilities to work in farms are very low, because of the very limited farm size and number of animals.

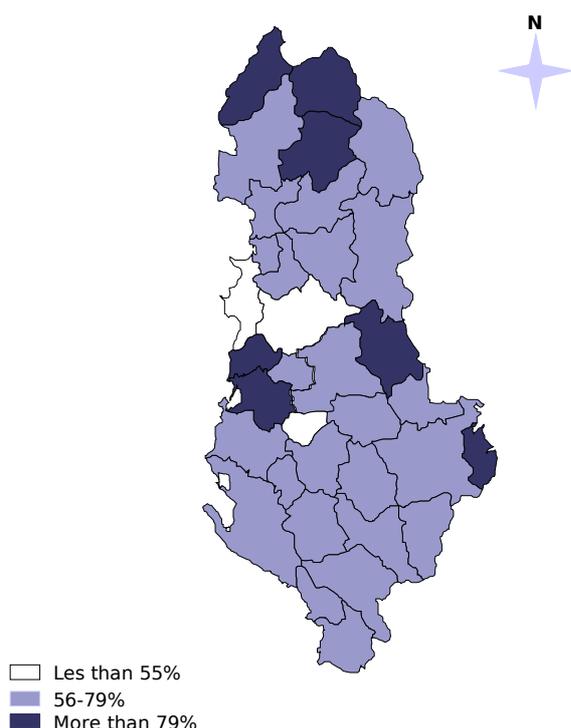
The map below shows the part of agricultural employment of the three defined districts.

The first group consist the group of districts that are not very linked with the agriculture. These are the districts that contain the major cities of the country (Tirana, Durres), where the role of the urban area is relatively much more important than the rural one. This group make consists of the districts, where the agriculture employment offer work for les than 55% of the active population.

The second group of districts concerns the majority of the country. In these areas agriculture remain an important sector but the area is not depending totally from it.

The third group contains the districts where the agriculture is the most intensive and the less intensive sector. It may look like an incoherence, but it is true. This group includes the districts with the most intensive² agriculture (like Lushnja, Fier, etc.) where is concentrated the most of the national agricultural investments (and offer labour for an important part of the rural active population). This group consist of the districts³ where agriculture is one of the fewest economic activity at the rural area. The agriculture sector is not intensified but is the only activity that the habitants can do and for these reasons the agricultural employment in a higher level.

Map 1. The Agricultural Employemen on the total employment



3. Rural poverty

The poverty remains a common phenomena in the rural areas. The poverty is represented in many dimensions; a) the low or very low income level; b) the level of health risk, due to non appropriate level of sanitary services⁴; c) the growth of the illiterate population⁵, or the poor level of the education; d) the limited assess in the decision making process. Disparity in the income is becoming a problematic phenomena compared with the other regional countries. The poverty increases with the same rate of the

² The exploitations in the intensive districts have larger exploitations, irrigated lands and a good agricultural knowledge.

³ In this group make part the districts with the worst agricultural conditions (mountainous areas), small exploitations etc.

⁴ According to the information showed in "Agricultures familiales et développement rural en Méditerranée" ed. Karthala –CIHEAM (2000), the level of hospital beds in the rural area is 2.58 par 1000 habitants, bigger than the other countries of the south Mediterranean countries, (Morocco 0.78, Algeria 2.02, Tunisia 1.81, Turkey 1.85) but less than the countries of the north part (Spain 3.97, France 11.68, Italy 4.18).

⁵ According to the information of the INSAT the level of the illiterate population in 2001, represent only 1.4% of the total population over 6 years old (0.5 of the urban population and 1.1% of the rural population), but the trend shows that the figures can be more important (before the 1990 the illiterate population was officially inexistent).

number of the family member. On the other hand, the most affected groups are those, where agriculture is the only source of income.

Table 2 is showing the poverty according to the main income source, and as we can see, the level of poverty on the agriculture is the most important (48.38%).

Table 2. The poverty according to the main revenue source

	Poor	Not poor	Total
Employed on the non agricultural sector	10.31	40.03	32.63
Employed on the agricultural sector	48.38	23.96	30.04
Retiree (handicappers)	21.05	26.27	24.97
Un employment payment	4.42	1.04	1.88
Other	15.84	8.71	10.48

Source: NSSED.

The agricultural revenue remains the main sources of income, for rural areas. In these conditions, one of the principal duties of the Albanian government is the poverty reduction in accordance with the Millennium Goals.

4. The land structure and the impact in the production structures

It is difficult to understand the agriculture and its functions without understanding the structures of land ownership, and the historic evolution of them. The historic evolution of the land structures in Albania has passed through the Turk land organization (timar and *çiflik*). After the independence proclamation, the land structures has not changed very much in spite the several efforts done by the governments in charge during the period 1912 -1945⁶. Before and during the Second World War 27% (or 106300 ha) of the arable land was latifundial property, and the main land owners were the farmers. We should underline that in this big group, we can find many cases and sub groups⁷, the forest and pasture land were generally property of the community⁸. The main turnover in the land structures of the country has happened after the second war with the power of the Communist Party⁹. The agrarian reform has been begun on 1945 with the approbation of the law "About the agrarian reform". During the application of the reform was distributed a surface of 147.340 ha, to the poor families and beneficent 145.000 families. The main arable land was organized in little farms with a surface in average of 2.2 ha. The land surface of the ex owners in the first version of the law were limited on 40 ha and in the second version in 5 ha. The impact of the reform were not very long lasting because in 1946 the communist Party, begun the socialization of the agriculture that meant also the forced socialization of the land.

⁶ During this period the government of Fan Noli and of King Zog I-st tended to apply an agrarian reform but they has failed in both cases in face of the powerful group of latifundial owners. The first tentative was done by Fan Noli after the June revolution (the first democratic revolution in the country), the land distribution was planned to distributed from the state land fond. The second effort was done by the King Zog I –st, this new distribution tended to redistribute the land of the owners that had huge surfaces, the main goal of the policy was to redistribute the land on different society groups. In the end the redistribution was limited on 8109 ha, 3411 ha state land and 4698 private latifundial land.

⁷ The surface of the land was very variable from several hectares, to one hectares and a big group of farmers without land (the absence of land is due to several factors: farmers are originary from other zones and they did not profit from the land distribution or the villages have no arable land due to geographic situation). On the other hand the quality of the land they had in property was not of the best, they had in property generally the arable and in hilly and mountainous areas.

⁸ Generally in the areas surrounding the rural areas.

⁹ One of the main engagements of the Communist Party During the war that assured the support for this politic group during the war by the rural population.

In the following graph, we will see the evolution of the land structure during the period 1938 –1990 before the de collectivization.

Figure 4. The land structure during the period 1938-1990



Source: Personal elaboration (using the figures of MoAFCP, Civici, Encyclopedic dictionary etc).

As we can see in this graph, the property structures of the land has changed totally during the period 1938-1990, in this graph we see also the group of without land farmers, that had land in their property arable land during the agrarian reform done on 1946.

After an intensive and very hard policy of collectivization, the private land was reduced only in house yards, in 1967. The main land organizations during the period 1970-1990 were the state farmers and the socialist cooperatives. These organizations presented respectively 24.1% and 71.6% of the arable land. It is important to underline the role and the organization of the socialist cooperatives. Legally these organizations were group property but in their activity the group didn't had the possibility to decide the economic policy and to establish the agricultural plants and the market where to place the production.

5. The period 1991-2004

One of the first elements that marked the liberalization of Albania and the transition of political and economic system toward the market economy was the dissolution of the socialist cooperatives and the distribution of the land, which was done according the "law about the land" approved in June 1991. The dissolution of the state farms was done in a second period (two years later in 1993). This process was done in more than four years and during this period the Albanian agriculture totally changed its form.

In the table below, it is presented the structure of the Albanian agriculture before and after the privatization process.

The agriculture structure before 1991

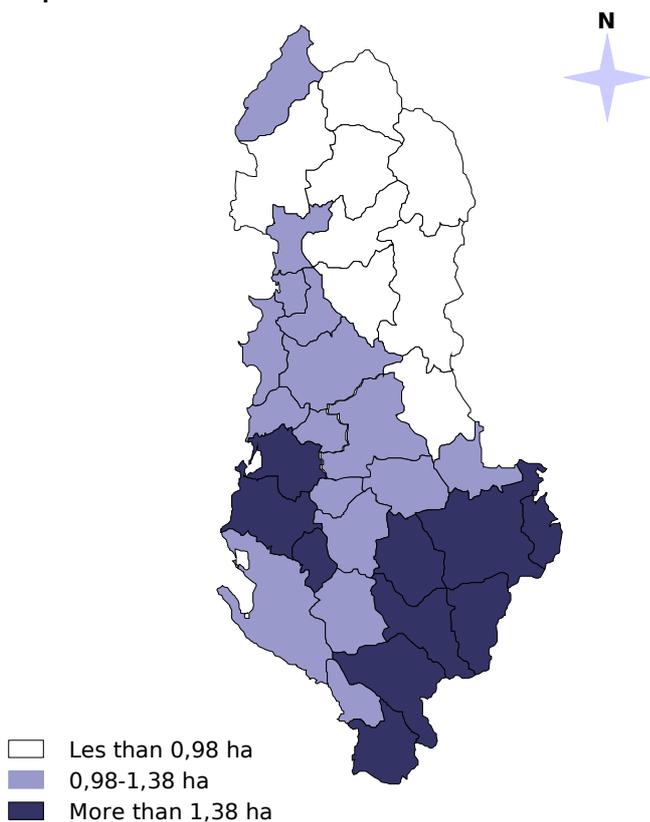
The agriculture structure after 1994¹⁰

622 agricultural units from which 160 where State Farm 462 Socialist cooperatives	466 670 private agricultural units (farms) ¹¹
The average land surface was 1065 ha (respectively 1070ha and 1050 ha for the State farms and Socialist cooperatives)	The average land surface for the private farms is 1,4 ha (from 1-3,4 ha)
Intensive and mechanized production	Low levels of intensifications and mechanization
Production 100% commercialized by the state	Production for the family and self sufficiency and occasional selling on the markets

Source: Personal contribution.

As we can see from this table the Albanian agriculture developed. The created farms differ one from the other, because their land surface changes from a district to another, from a region to another and from a village to another¹². This difference between the zones is shown on the map below :

Map 2



Source: Civici 2000.

¹⁰ In 1994 was finished the privatization process for the state farms, so this date is mentioned generally as the final date of the privatization in Albanian agriculture.

¹¹ In spite the reduced surface the agricultural units in Albania are called farms.

¹² The land that is divided was the land of the village, and the villages with little land surfaces has less land surface par capita than the other villages with more land surfaces.

Land distribution done during 1991, faced the Albanian agriculture with different problems of farm organization as well as land structures. The main problems of land structures can be summarized on these points (Civici 2000):

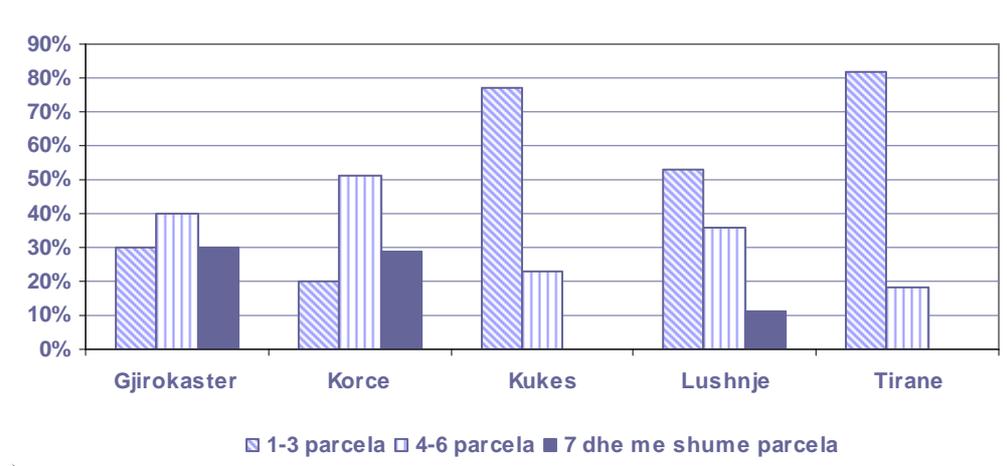
- The extreme land fragmentation
- The security, “ insecurity about the property”
- The land policies and the confrontation of the agriculture versus the other economic activities (tourism and urbanization)

A. The extreme land fragmentation

The land distribution process created a big number of farms but with a limited surface per capita, so in average the farm size was of 1.3 ha/farm. The equity of the land (fertility, distance from the village, distance from the street, the irrigation possibilities etc) requested by law, divided it in many plots, that are very distant one from the others. This problem was more sharp in the mountainous areas where the diversity of the land and of other conditions was more accentuated, so from the distribution process were created more than 1.800.000 plots of land and each farm has from 2-7 plots.

According to a survey in five principal districts of Albania about the fragmentation came out the following results, as represented in the graph below:

Figure 5. The level of land fragmentation



Source: Civici 2000.

The graph shows that Albanian farms are very fragmented and usually the number of plots is from 4-6. This fragmentation introduces different difficulties to the farmers, because it does not allow possibility of improved technology, investments towards improved irrigation system, land systematisation etc.

Conscious about the problems that can arise with this land structure, Albanian government tended to overpass this situation by promoting the strategies that increase the cultivation surfaces. The strategies presented are:

- The cooperation among the farmers
- The increase of the land market role

The cooperation among the farmers is the most natural way to adjust the problems linked with the land structures. Many farmers in spite of the fact they understand that it is very difficult to survive in a market economy alone and in conditions we have already presented, they do not think that the solution will be the cooperation among them. Actually there are some experiences, but it is very difficult to rebuild the confidence between actors.

Land market can also play a decisive role in the enlargement of land structures in agriculture. During 16 years of democratization the rural population has continuously decreased due to migration toward the big cities and abroad. According to this factors are created favorable possibilities to develop land markets which will introduce an increasing land surfaces.

B. Farm structure

Only 73% of the families involved to agriculture activities carry main land works by mechanization, 24% of the farmers use animal to plant the soil, and 63 % prepare the land by hand helped by mechanics.

Hand land preparation dominated to the mountains areas (75%) with a small surface of land 0.1 to 1.02 Ha. Land hand preparation is not tradition in mountain areas but in low land areas, because of not lack of mechanics, but for high level of tariffs paid per land unit, low efficiency economic farms, limited land surface and farm fragmented as well as 70% of the farmers purchase seeds and chemical fertilizers. Around 40-45% of the farmers use livestock feed. Low land farmers over 70% purchase agriculture inputs like seeds, fertilizer and pesticides. The highest expenditures value per farm is for chemical fertilizers (around 40%). Diversely situation is for livestock feed where the biggest part is bought by high land farmers, for winter food. Incomes per farm from livestock are 2,7 times more than incomes from agriculture productions.

Average age for the farmers is 25-54 year old, in this group are 53% of total farmers able to work. Meanwhile farmers with the age 55 to 64 years old are 23,9% and the rest of farmers are over 65 year old. Considering the gender structure farm manager 95 % are men and only 5% are women. Clear up of land property for development of land agriculture market, an important alternative for farm structuring. Agriculture land market is not well developed in Albania. The income flux of sold land is used for construction purposes.

However for agriculture aims is known mainly land leasing. There are farms mostly from Lushnja district, Saranda district etc that have boarded their farm up to 3- 40 ha by renting.

There are many disputes from land privatization not considering former land owners, hampering new agriculture land market in Albania.

To have a functional agriculture land market in Albania must be fulfilled some conditions (i) resolving the ownership of agriculture land (ii) building an information system for land agriculture market, (iii) improvement of state authority transparencies.

C. The land policies and the confrontation of the agriculture with other economic activities (tourism and urbanization)

Albania is a country with a considerable coastal line (more than 450 km), huge surfaces of mountain areas, very favorable for the tourism development. On the other hand before the democratization process the urban population was only 36.1% and the rural 63.9%. Generally the democratization process is accompanied by the migration of the rural population toward the urban areas, so the cities grow rapidly, and extended toward the rural areas surrounding them specially the big cities located on the west party of the country (Tirana, Durrës, Shkodra, Vlora etc.). The two factors developed without the state control contributed in anarchic development of urbanism in the tourist and urban areas. The

agricultural land changed its destination very fast. In these conditions the utilization of the land in different sectors, increased the value by increasing the rent. "The concurrence between the urbanization and the agriculture generally expels the agriculture" (Coulomb 1986). The main element of competition between the two sectors is the land. Both the agriculture and the urbanization use huge land surfaces. Concerning the tourism the problem is more complex. The competition is not limited only in the land resources, but also in the work and the water. The surplus that comes by the utilization of these resources in tourism is much bigger than in agriculture. The economic theory shows that the economic actors of the area have the willness to direct the resources toward an alternative sector. This tendency reduces the land on the agricultural activity and emphasizes the problem of the little farm on the Albanian agriculture. According to a study done during the period 1999-2002, in rural areas located near tourist areas, the land market was created only and exclusively for the alternative utilization (tourism). The buyers were entrepreneurs from Tirana or other cities of the country. The land price was determined not by the qualities of the land, but by the distance between the land and the coastal area¹³ (Guri, Jouve 2003). The process was limited only in the coastal and peripheral areas, but the increasing of the demand for apartments in towns and for secondary residences in coastal areas will increase the transmission of the phenomena.

The price of the land use in tourism is 80 times the price of the land used in agriculture (the study is done in a central area of the country). The farmers usually don't sell the entire surface they have in property, for different reasons: family security, linkage with the land, heritage, and different prices allocated to lands far away from the seashore, or other elements that determine the price etc.).

In the end we should underline that the phenomena is more widely spread on the west part of the country where are located the most important urban areas and the coastal areas. In those areas are located also the most important agricultural land resources of the country.

II – Agro processing Industry

Food processing industry is relatively new in Albania. Until mid 1950' food-processing industry was comprised by a few flourmills, bread production facilities and a few small dairy factories. Real food processing enterprises started developing only after 1970. At the beginning of 1990 food processing industry was comprised by 200 large enterprises and around 600 small enterprises and almost the same number of bread production facilities distributed all over the country. However, the number of such companies and the diversity were never able to fulfill the domestic needs and demand.

After 1991, with the changes happening in the political and economical situation in Albania, even the food processing industry went through a long transformation process especially during privatization. Nowadays this industry is totally privatized. The latest statistics shows that the changes in the supply of food products in Albania have mainly come as a result of some developments happening in some of the sub sectors in the food processing industry.

In 2003, total production of the food processing industry was close to 37,700 million Leks (which covers around 5% of the Albania's GDP in that year valued at 744,548 million Leks), showing an increase of 3,786 million Leks or +11.06% compared to 2002. Food processing industry has grown at higher rates compared to the growth of Agriculture in general. Hence, average growth rate of agriculture sector in 2003 was only 3%.

¹³ The price of the land is determined by factors that are not linked with the agriculture: immediately constructible, constructible in a future, near the road, etc. the price trend is totally different for the tourist land confronting with the lands sold for agricultural purposes (these cases are really marginal).

Table 3. Growth level in the food processing industry

Year	2001	2002	2003	2004
Growth in %	7.7%	13%	11.06%	11.2%

Source: Department of statistics, MOAFCP.

In 2003, higher growth rates are achieved in some sub sectors such as dairy production (production of pasteurize milk grew by +154%, while production of soft and hard cheese grew by 120% and 52% respectively); fruit and vegetable processing (juices, compote, jam etc) growth rate of which varies from +17% to 43%), edible oil production (+75%) etc.

Table 4. Domestic production according to each sub sector (presented with price level of year 2000) (In million Leks)

No.	Sub sectors	2000	2001	2002	2003
1	Meat processing		1,717	2,452	2,248
2	Fish processing		530	989	696
3	Fruit and vegetable processing		652	749	593
4	Vegetal Oil		874	1,212	2,120
5	Olive oil		404	711	344
6	Dairy products		2,815	3,981	5,068
7	Flour production		4,435	4,862	5,500
8	Bread and other products		12,216	12,698	12,798
9	Alcoholic drinks		683	1032	935
10	Wine		303	141	195
11	Beer		875	1160	1080
12	Mineral water and beverages		2,409	2,435	3,341
13	Tobacco production		1,491	773	959
14	Other		590	719	1,822
	TOTAL	27,834	29,994	33,914	37,699

Source: Department of statistics, MOAFCP.

The development process in the food processing industry can be seen even in the number of companies operating in this sector. Hence in 2003, there are around 1,937 processing companies registered. Compared to 2002 there is a drop in this number by 35 subjects, which is more noticeable in some sub sectors such as flour production, edible oil, beer production etc.

Table 5. Number of companies operating in each sub sector

No.	Sub sectors	2000	2001	2002	2003
1	Meat processing	68	70	66	64
2	Fish processing	3	2	2	3
3	Fruit and vegetable processing	20	22	21	22
4	Edible Oil	67	105	117	106
5	Dairy products	330	336	370	375
6	Flour production	406	381	354	303
7	Bread and other products	707	769	792	819
8	Alcoholic drinks	58	61	51	45
9	Wine	22	25	28	33
10	Beer	55	64	69	62
11	Mineral water and beverages	55	48	39	36
12	Tobacco production	7	7	6	4
13	Other	46	60	57	65
	TOTAL	1,844	1,950	1,972	1,937

Source: Department of statistics, MOAFCP.

Another characteristic in the food processing industry is the growth in the level of employment. In 2003, there are 9,371 registered employees in this sector, up from 8,783 that were in 2002. The increase of 588 employees or +6% is more noticeable in dairy production, bread production, beer etc. The sub sectors that show a decrease in the number of employees are mainly flour production and edible oil.

Table 6. Number of employees according to each sub sector

No.	Sub sectors	2000	2001	2002	2003	2004
1	Meat processing	366	470	483	538	642
2	Fish processing	428	389	417	456	454
3	Fruit and vegetable processing	121	122	165	138	125
4	Edible Oil	215	357	430	406	484
5	Dairy products	970	877	1,149	1,198	1,293
6	Flour production	989	793	890	774	697
7	Bread and other products	2,875	3,098	3,008	3,318	3,591
8	Alcoholic drinks	565	473	324	309	326
9	Wine	118	82	120	141	110
10	Beer	444	445	435	558	692
11	Mineral water and beverages	625	579	476	557	634
12	Tobacco production	881	580	398	385	283
13	Other	479	390	488	599	556
	TOTAL	9,076	8,655	8,783	9,371	9,933

Source: Department of statistics, MOAFCP.

Level of investments is another indicator of the sector development. Table 7 presents the level of new investment made in the past during the period 2000-2003 according to each sub sector.

Table 7. Level of investments made by each sub sector (In million Leks)

No.	Sub sectors	2000	2001	2002	2003
1	Meat processing	126,022	105,578	100,694	67,764
2	Fish processing	35	5,007	22,311	49,418
3	Fruit and vegetable processing	3,524	16,705	700	3,270
4	Edible Oil	21,928	354,131	77,421	210,320
5	Dairy products	51,499	58,598	158,780	345,295
6	Flour production	77,895	50,730	112,110	54,316
7	Bread and other products	67,445	111,381	156,732	42,417
8	Alcoholic drinks	39,835	106,625	137,556	81,836
9	Wine	4,079	3,840	13,990	3,920
10	Beer	2,870	2,740	71,894	902,707
11	Mineral water and beverages	394,652	179,621	144,432	285,388
12	Tobacco production	4,000	5,234	0	374
13	Other	104,178	20,342	15,824	45,569
	TOTAL	897,962	1,020,532	1,012,444	2,092,595

Source: Department of statistics, MOAFCP.

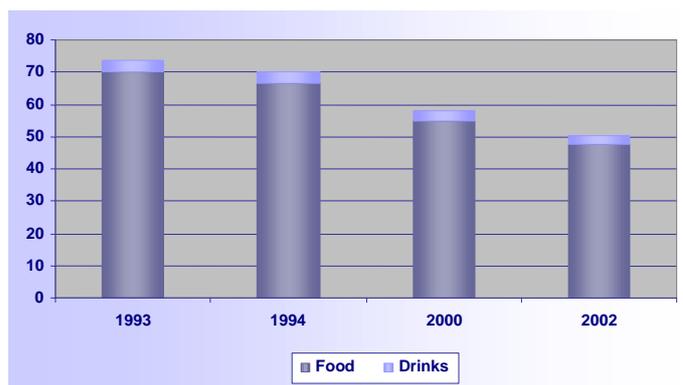
Investments: The annual growth in investments for 2004 is 10%, whereas the investments level for the sector in million Leks is 2.297,699 and the most performing sub sectors were the investments in meat based products have increased by 37%, the processed fruits and vegetables bread, flower, milk and milk base productions, wine with more than two times. An important investment growth is also for the alcoholic beverages. On the other hand there are some agroprocessing sub-sectors whose investments have decreased during the year 2004 as beer production, fish conservation, poultry meat and edible oils the edible oil (-30%) water and soft drinks (-5%).

1. Domestic demand for food processing products

In order to estimate the national demand for food processing products, we have used different statistical sources of information such as surveys conducted by INSTAT with regard to family budget expenses for each group of products, surveys conducted by FAO (with regard to consumption per capita of each product) or other informal surveys conducted with consumers and local producers.

Regarding family expenses the percentage covered by the group of products including food and beverages to the total budget expenses has dropped considerably for the period 1993-2000. Hence in 1993, expenses for this group of products accounted for 73.7% of total family expenses, while in 2000 this percentage has dropped to 50.2%. The expenses for beverages only have also dropped from 3.4% in 1993 to 2.6% in 2002. This drop in the level of expenses spent for food and beverages has come as a result of several reasons: i) increase in the income level of the Albanian families; and ii) the diversification in the global supply of goods and services has expanded the expenditure options of the Albanian families.

Figure 6. Percentage of family budget expenses for food products



Source: Department of statistics, MOAFCP.

However, it is important to mention that Albanian families spend half of their total budget for food and beverages, still remaining the main source of income allocation.

2. Import-export performance of food processing

Despite the fact that even in 2003 export level was very low in comparison to imports in a ratio (1:9), we notice a drop in this ratio compared to 2002 (1:11), which was the highest ratio since 1996¹⁴. In 2003 food products accounted for 50.2% of total exports in Albania and 58% of total imports level¹⁵. These figures have been improving from year to year; hence percentage of imports of food products dropped from 65% in 1996 in 58% in 2003, while the percentage of export level has increased. However, still there is a trade deficit of 29,049 million Leks in 2003.

Table 8. Foreign trade balance of food processing products for the period 1997-2004 (in million Leks)

No	Description	Value million leks					
		1997	2000	2001	2002	2003	2004
1	Export	4732	4027	4156	4076	5119	5676
2	Import	28310	35025	38524	43196	44894	47303
3	Exports in agroindustry	1366	2045	2188	1569	2577	3062
4	Imports in agroindustry	19009	22107	23296	27344	26472	26566

Source: Department of statistics, MOAFCP.

Another important element taken into account is also the level of domestic production of agro processing products compared to the level of imports during the period 1999-2003. Two are the main characteristics that we may notice during this comparison: i) continuous increase in the level of domestic production ii) continuous increase in the imports level. The growth rate of domestic production has been at the same

¹⁴ In 2004 the ratio between import and export was reduced 8:1.

¹⁵ In the last couple of years agriprocessing has played an important role in the export and import level of toptal agriculture products at respectively 45% and 62% of the total.

level as the growth rate of imports holding constant the ratio of local production to total import level at 50%.

3. Geographic distribution of the food processing industry

According to a survey conducted by the Ministry of Agriculture and Food and Consumer Protection in 2003 there was a disproportional distribution of food processing companies in Albania. Majority of these companies is concentrated in big cities such as Tirana (18.7%), Fier (14%), Korca (11.1%) etc., while in the northeast part of the country and in other poor areas, though potentials exist there are very few companies operating there. Hence in Kukës 1.8%, Lezha 4.5% Diber 4.1% etc. During 2004, the distribution of the agroprocessing sector is geographically centralized in Tirana prefecture due to the attractive economical environment related to the presence of the main national market of inputs, human resources, and capital and sustained increased of product demand.

Table 9. Geographic distribution of the companies operating in the sector

Municipality	Change% ¹⁶	Change % 2004	% contribution to total	%contribution to total
Berat	0.8	7	6.6	6.7
Diber	-11.1	10	4.1	4.4
Durres	-8.2	2	7.5	7.3
Elbasan	-1.1	1	9.4	9.1
Fier	1.9	7	14.0	14.4
Gjirokaster	-14.6	6	6.0	6.1
Korçë	18.8	-5	11.1	10.1
Kukës	0.0	6	1.8	1.8
Lezhe	1.2	-8	4.5	4.0
Shkoder	-5.1	-3	7.7	7.2
Tirane	-7.9	12	18.7	20.1
Vlore	3.8	8	8.4	8.7
Total	-1.8	4	100.0	100

Source: Department of statistics, MOAFCP.

The following table show the number of companies and the percentage share of them operating in each municipality together with the changes comparing years from 1997 till 2004. As the table shows there is an increase in the number of companies operating in some areas such as Korca, Lezha and Vlora. On the other side the major drop has happened in some main cities such as Tirana, Durres and Gjirokastra. In the second part of this study, we will outline some of the reasons that have influenced these trends in the food processing industry. Actually the growth of the companies' number is more emphasised in the prefectures of Tirana, Dibra, Vlora, Berat Fier, Gjirokastër. Prefectures that are known as important domestic markets (like Shkodër and Korçë) are not performing very well and their economically environment appears not to be very friendly.

¹⁶ Percentage change to previous year is done taking as base year the previous one $[(n^{\circ} \text{ of companies in 2003} - n^{\circ} \text{ of companies in 2002}) / n^{\circ} \text{ of companies in 2002}] * 100$

Table 10. Geographical distribution of the food processing companies

Municipality	1997	2000	2001	2002	2003	2004
Berat	106	120	132	126	127	136
Diber	68	77	80	90	80	88
Durres	114	113	152	158	145	148
Elbasan	172	119	179	185	183	184
Fier	256	238	242	266	271	292
Gjirokaster	155	136	125	137	117	124
Korçe	120	199	177	181	215	204
Kukes	72	37	34	35	35	37
Lezhe	62	67	87	86	87	80
Shkoder	171	183	165	158	150	146
Tirane	370	397	417	393	362	406
Vlore	100	158	160	157	163	176
Total	1766	1844	1950	1972	1937	2021

Source: Department of statistics, MOAFCP.

III – Natural Resource Management

Natural resources in Albania have been degraded considerably in the last decade. Districts with higher poverty levels also show comparably higher levels of erosion and deforestation, indicating a link between poverty and land degradation. Deforestation also impacts mountain water reserves, reduces river flow levels and increases the risk of severe damage from flooding during periods of heavy rainfall. A rapid increase of livestock numbers has added to the stress on the environment as pastureland tends to be overgrazed. An estimated 60 percent of agricultural land is affected by severe soil erosion resulting from deforestation, poor agricultural practices, and overgrazing. Though very little technical data is available on erosion, it is clear that due to the very fragile soil conditions, millions of tons of fertile soil are lost every year while dams and basins are silted up rapidly.

The past intensive agricultural practices and the present activities of a transitioning market economy have all damaged biodiversity and landscape diversity. Some of the major adverse impacts include (a) habitat loss and fragmentation; (b) damage to and degradation of habitats and ecosystems; (c) disturbance and maltreatment of wildlife, and (d) loss of species and damage and erosion of genetic resources. There are strong needs for building up capacities for monitoring and sustaining biodiversity, for the enforcement of laws but, most importantly, for creating environmental awareness and environmentally sound behavior.

Soils have received little fertilizer since 1991, resulting in a decline in organic content, nitrogen, and potassium. In addition to deteriorating soil fertility, a decrease in water retention capacity and an increased incidence of weeds and plant diseases also results from this neglect. Forest degradation is occurring for three major reasons; excessive fuel wood collection, overgrazing by livestock, and over-harvesting of tree fodder. Productive high forests suffer from illegal logging for commercial wood, accompanied by a considerable waste of quality timber. Flooding is an increasingly pressing problem, especially in the northwestern part of Albania where watershed management is poor and drainage infrastructure is deteriorating. The total area at risk of flooding is more than 40,000 hectares. A causal link also exists between deforestation, overgrazing, erosion, and flooding, which is compounded by the poor maintenance of drainage canals and pumping stations. Marine and aquaculture fishery resources are poorly managed but have good economic potential. Albanian waters are increasingly being fished,

which exerts increased pressure on the fish stocks of Albania. As a result, strong signs have emerged of overexploitation of coastal fish resources in offshore areas.

Forests comprise some 36 percent of the country's land area and constitute an extremely important natural resource base. The potential exists for the sector to increase its contribution to the economic recovery by generating revenues from timber sales, by increasing rural employment, and by generating environmental benefits. Improved forest management should focus on the following three objectives: (a) restoration of degraded, state-owned forest and pasture areas and promotion of their sustainable use, (b) promotion of conservation of natural forest ecosystems, and (c) fostering the transition of the forestry/pasture sector to a market economy, separating commercial from regulatory functions and establishing mechanisms for self-financing of the commercial activities. These steps will require institutional reforms of forest/pasture administration including the establishment of a forestry environmental management unit and the enactment of policy reforms to control illegal forest harvesting, as well as marketing and price reforms. Major emphasis should be given to a participatory approach by local communities in the management of state-owned forests and pastures.

Albania has a rich biological and landscape diversity that maintains a wide variety of plant and animal species. There are an estimated 3,200 species of vascular plants and 756 vertebrate species in the country. About 30 percent of all European floras are in Albania and the high forests are home to communities of large mammals such as wolves, bears, lynx, wild goats and the characteristic bird communities associated with virgin forests. Albania is also an important crossroad for bird, bat, and insect migration. There are about 91 globally threatened species in Albania. The major types of endangered ecosystems and habitats include sand dunes, river deltas, alluvial forests, inland lagoons, coastal lakes, alpine meadows, continental and glacier lakes as well as broadleaf and coniferous forests. Well managed, these areas have significant potential to provide income from tourism and recreation, as well as to provide ecosystem services. Steps taken to protect natural resources will be critical for the future development of the agriculture and rural sector. Albania already has little agricultural land in total and per capita. In order to safeguard the sustainability of agriculture production, the Government needs to; (a) continue to develop and implement policies aimed at improving watershed management by facilitating the village level management of mountain pastures and forests, (b) ensure the sustainable long-term use of water resources among competing claims, and (c) develop and implement policies of marine resource and inland waters monitoring and surveillance. Improved watershed management should seek to gradually transfer user rights of state-owned forests and pastures to communities and villages on a long-term basis with the view to supporting the livelihood of these communities. By ensuring long-term user rights, it is assumed that the interest of local communities in the sustainable management of these forest and pasture resources will be increased, thereby contributing to reduced erosion.

Albania's fresh water resources will be subject to increasingly competitive demands by household consumption, industrial use, hydroelectric power generation, and agricultural irrigation. To ensure rational use of the country's fresh water and the sustainable use of Albania's marine and fresh water fishery resources, a strategy for water resources should be developed. There has been no management approach defining, much less, implementing a sustainable policy, nor has much consideration been given to the role of public institutions in defining and enforcing water usage and sustainable catch levels.

Important actions for the future include:

- Generation of new income opportunities and market access for poor rural communities within a framework of ecologically, economically, and socially sustainable forest, pasture, and watershed management, including access to information technologies.
- Integrated rehabilitation of degraded and eroded forests, pastures, and arable land through micro-catchments management on communal land.
- Mainstreaming of biodiversity and environmental protection through conservation of biodiversity, mainly in protected areas, and education about environmental protection.

- Strengthening institutional capacities of natural resources management and environmental agencies at central, regional and local levels and providing support for the establishment of a coherent legal, policy, and economic framework to decentralize communal forest and pasture management.

Rural Policies and Agencies – Capacity Building

The major role of the Ministry of Agriculture and Food and Consumer Protection is to establish a policy and legal framework and also develop associated regulations to allow agriculture to operate efficiently and successfully in Albania and to ensure the provision of services for the newly created, smallholder farmers. The currently ongoing reforms are a good start for this development however, further efforts are necessary to make the Ministry more client oriented. Clearly, a first important step is the move towards a civil service that makes its positions more attractive and secure.

It is essential that the responsibilities of the Ministry of Agriculture and Food and of the Ministry of Local Authorities is reviewed, in particular, as they pertain to the decentralization process. Decentralization in rural areas affects agriculture, natural resources, and non-farm activities as well as infrastructure. So far, the roles of the various governmental levels are not well defined especially regarding the flow of funds and the responsibilities of spending. A number of responsibilities should remain on the national Governmental level, such as policymaking, legislation, trade arrangements, broad budget allocations, data collection, public veterinary services, and quality standards control. The municipal and local levels should also have clearly defined roles and accountability. The challenges are to realign the Ministries' structure with the local government structure and allocate responsibilities between the central and the local Governments efficiently.

Capacities remain weak at the local and the central levels. It will be extremely important to increase capacities in all levels, especially on the local level, and to efficiently allocate responsibilities.

The main priorities of capacity building and decentralization are to:

- Streamline support services and training for local level staff and make services more client oriented through a restructuring of the incentive base (bottom up rather than top down).
- Attract high skilled staff for positions in the civil service through increased job security and more attractive salary packages.
- Define accountability of local government in the decentralization process.
- Finalize the elaboration of by-laws clearly indicating the responsibilities of the various governmental levels, their decision making power and the flow of funds.
- Develop job profiles and training needs based on this identification.

IV – International trade

Albanian agriculture is not so well developed because of the small farms surface. The majority of them are only at surviving stage. So, only 30% of the agricultural products are destined to the markets. For these reasons the level of the imports are higher compared to the level of the exports, making the exports very limited. The reasons of that disbalance among the exports and imports are:

- i) scarcity and low level of the agricultural products,
- ii) absence of the commercial facilities,
- iii) low level of standarts,
- iv) low level of the concurency of the agricultural products.

Albania for the moment is adopting all the obligations that are impending from the articles 12 and 15 of AAS (Agreements of Association and Stabilisation). These politics are functioning at the regional level, through Balkan Countries. The prime Ministers of the Balkan Countries signed on 6 April 2006, in Bukarest a general agreement, which has created a Regional Free Trade zone.

The negotiation of these quotas has been difficult. This was due to a result of the considerations of many interest rates. Also were taken into consideration all stakeholders or actors that act in a market economy: the producer (but not the monopolist), the consumer, and the exporter.

Actually this Regional Agreement is followed all the commercial politics for the industrial and agricultural products. Albania may export goods to a tariff of 0% for the total quotes given. Also it is important to mention that those agreements are part of CEFTA (Central Europe Free Trade Agreement).

At present Albania has signed Free Trade Agreements only with Turkey.

V – Conclusions

We should underline that the Albanian agriculture is at an important cross-road. It has all the features of a developing country in the agriculture sector, but on the other hand should also increase the performance for the future challenges of integration.

The integration process is putting the agriculture sector in several difficulties, due to the actual farms structure in the rural areas, the weak public institutions and the competition between the UE products and Albanian ones:

- The Albanian agriculture structure is divided in many farms of small size, high level of parcelisation, and part of population that lives in the rural areas, low efficiency of the labour hand and low level of agricultural investments.
- The public policies have little impact in the rural area, the application remains the weak point, and the impact is still limited. The preparation of the public sector to harmonize the national actions with the UE general line of policies remains an important factor of insecurity.
- The agro-processing sector should face harsh problems linked with the sanitary conditions of production and standardisation penalizes immediately the national production. On the other hand the Agro-processing will be the first sector that will be immediately faced with the UE productions and standards.
- The international trade shows the dependence of the Albanian market from the international conjectures and prices. These features increase the dependency of the national market from the international one. Increasing the national capacities, remain one of the main objectives of the policies of the future.
- The management of the natural resources during the last 15 years have shown the weakness of the national regulation institutions. The effect of resources overexploitation is now visible in the quality and the extent of the renewable natural resources.

In the end we should underline that the Albanian agriculture is now through a very important moment of its development that will heavily contribute to change its features in the future.

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Appendix

Table 1: Production level of sub – sectors during the 1992 –2004 period (in ton)

Products	Measurement		1992	1994	1999	2000	2001	2002	2003	2004
	unit									
Processed vegetables	ton		1,861	217	319	105	283	586	683	783
Oil	ton		2,820	8,279	2,549	2,229	9,748	14,026	21,530	24,527.6
Flour	ton		208,530	180,000	268,000	269,000	270,000	273,391	283,755	286,996.8
Soft - drinks	hl		4354	133724	297234	420,448	369,990	423,069	508,567	661,136.9

Source: Statistics Department, Ministry of Agriculture and Food and Consumer Protection.

Table 2: Employees figure in the sub – sector during the years 2000 - 2003

Products	2000	2001	2002	2003	2004
Processed vegetables and fruits	121	82	145	123	125
Oil	215	357	430	406	484
Flour	989	793	890	774	697
Soft - drinks	625	579	476	557	634

Source: Statistics Department, Ministry of Agriculture and Food and Consumer Protection.

Table 3: Number of companies in each sub - sector

Products	2000	2001	2002	2003	2004
Processed vegetables and fruits	16	15	19	20	19
Oil	67	105	117	106	110
Flour	406	381	354	303	288
Soft – drinks	55	48	39	36	38

Source: Statistics Department, Ministry of Agriculture and Food and Consumer Protection.

Table 4: Price level of food-processed products during the period 2002-2004, and their percentage change (in Leks) (base year: 2002)

Products	Measure unit	Average price 2002	Average price 2003	Average price 2004	Variation in % 2002-2003	Variation in % 2002-2004
Processed vegetables and olives	kg	120	127	94	5.83	-26.0
Salt olives	kg	136	161	134	18.38	-16.8
Fruit jam	kg	120	125	123	4.17	-1.6
Marmalade	kg	79	103	85	30.38	-17.5
Processed fruits	kg	114	125	88	9.65	-29.6
Fruit juice	lit	69	78	61	13.04	-21.8
Tomato sauce	kg	118	122	122	3.39	0.0
Refined sunflower oil	kg	122	120	98	-1.64	-18.3
Olive oil	kg	288	337	339	17.02	0.6
Flour	kg	58	27	30	-53.45	11.1
Soft - drinks	kg	51	53	56	3.92	5.7

Source: Statistics Department, Ministry of Agriculture and Food and Consumer Protection.

Table 5: Supply level, production, and imports - exports during the period 2000 –2004, for the Processed fruits and vegetables sub-sector (in Kg)

Years	Demand	Production	Imports	Exports
2000	13,855,764	323,000	15,091,313	1,558,549
2001	12,398,680	399,000	13,035,229	1,035,549
2002	14,024,591	955,000	14,287,613	1,218,022
2003	11,583,831	1,133,000	11,283,128	832,297
2004	6,474,941	1,221,000	6,351,824	1,097,883

Source: Statistics Department, Ministry of Agriculture and Food and Consumer Protection.

Table 6: Supply level, production and imports - exports during the period 2000 –2004, for the flour sub-sector (in Kg)

Years	Demand	Production	Imports	Exports
2000	382,011,770	269,000,000	113,011,770	0
2001	380,164,921	270,000,000	110,196,674	31,753
2002	390,541,894	273,391,000	117,150,894	0
2003	351,764,396	283,755,000	70,763,636	2,754,240
2004	337,978,700	286,996,800	52,563,032	1,581,100

Source: Statistics Department, Ministry of Agriculture and Food and Consumer Protection.

Table 7: Supply level, and imports - exports during the period 2000 –2004, for the oil sub-sector (in Kg)

Years	Demand	Production	Imports	Exports
2000	30,980,067	2,229,000	28,789,196	38,129
2001	43,932,716	9,748,000	34,189,000	4,284
2002	47,681,000	14,026,000	33,655,000	-
2003	56,672,869	21,530,000	35,294,288	151,419
2004	53,841,516	24,527,600	29,596,092	282,176

Source: Statistics Department, Ministry of Agriculture and Food and Consumer Protection.

Table 8: Supply level, production, and imports - exports during the period 2000 –2004, for the soft drinks and fruit juice sub-sector (in Liters)

Years	Demand	Production	Imports	Exports
2000	47,471,405	42,044,800	12,850,649	7,424,044
2001	50,758,873	36,999,000	15,917,535	2,157,662
2002	1,071,120,618	42,306,900	65,693,403	888,242
2003	70,831,706	50,856,700	20,653,028	678,021
2004	77,523,446	66,113,690	32,791,118	21,381,362

Source: Statistics Department, Ministry of Agriculture and Food and Consumer Protection.