Report for SWG in the framework of project “Facilitation of the exchange through advice on harmonized wine regulations in all Western Balkan Countries”

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Short overview of Albanian viticulture

- Albania has a millennial tradition in grape growing and wine production
- The change of the political regime (year 1991) brought many changes where the vineyard and wine sector couldn't help being affected deeply.

Table 1. Total vineyard area and number of pergolas through the years in Albania (1945-2016)

Year	**1945**	**1991***	**1994***	**2000***	**2005***	**2010***	**2016***
Vineyards (ha)	2 737	16 969	4 300	5 824	7 994	9 712	10 533 (1.51% of total agriculture land
Pergolas (000 vines)	6474	2965	3564	4638	5364	5502	6197

* Statistical Yearbook 1991-2010, MBUMK and INSTAT 2010- 2017

Short overview of Albanian viticulture

Table 1. Total vineyard area and number of pergolas through the years in Albania (1945-2016)

Year	**Production (000 tons)***	**% of total production**
Table grapes or raisins	36 769	17.9
Spirits (raki, etc.)	26 870	13.1
Wine production:	141 649	69.0

Table 2. Total vineyard area and number of pergolas through the years in Albania (1945-2016)

Wine export-import	**2016* (hl)**
Import	27 975
Export	256
Difference Imort-Export	27 719

Considering the geographical position of Albania, its climate and soil conditions, wine tradition and number autochthonous varieties, we are still **far from a satisfactory level of wine industry** in the country.

Short overview of Albanian viticulture

- Wine industry, considering both domestic production and import, has a volume of **15 million Euros**
- Based on interviews, most of stakeholders speak of 30% of demand covered by domestic production while 70% by import (10 years ago was 10 to 90)
- it is clear that **domestic production has huge potential and market opportunities** for development

An informal market

Wine market is one of most informal ones in Albania.

- manly because the law in force (Law Nr. 8443, date 21.1.1999) is very incomplete leaving space for considerable abuse.

- another factor is the lack of implementation

- last, but not unremarkable, is the lack of information consumers have on product safety and quality

- not only during production and distribution phases, but also in raw materials as very often grapes enter Albania from neighbouring countries as table grape and end up for wine production

Difficulty to access international markets

Albanian wine production have difficulties to be competitive within domestic market and these difficulties are grater when the aim is the international market.

Interviewed producers highlight as main difficulties:

- high costs of marketing,
- absence of help from governmental structures in information or documentation to enter international markets, and
- strict and different laws that destination countries apply.

Experience is being built through producers and the general trend of exports is positive.

Governmental support towards grape/wine sector

Recent years, throughout National Supporting Schemes in Agriculture and Agro-processing, the Albanian Government has supported the wine sector, mainly in the cultivation of Albanian autochthonous varieties

This has been reflected in a slow but progressive growing of cultivated areas.

Producers demand that:

- law framework on wine and alcoholic beverages should be revised with all stakeholders being part of the process;
- an urgent need is DNA analysis of varieties and their zoning,
- revision of excise tax for Albanian producers and
- regulation of import rules.

Status of legal framework on wine

The actual framework of wine sector is the LAW Nr. 8443, date **21.1.1999** “PËR VRESHTARINE; VERËN DHE PRODUKTET E TJERA QË RRJEDHIN NGA RRUSHI” (“On vineyards, wine and other grape by-products”).

- The law is **extremely limited** in its specifications and **outdated**.
- the responsible ministry was very different from actual structure, and this creates c**onfusion on which structures within the ministry are responsible** for its requirements.

As confirmed by various producers, the only **controls** made to wine production enterprises are made by

1. Costume Services to verify proper contributions on **excise tax** and
2. by National Food Authority to verify compliance **with general rules for food production enterprises** and **proper labelling of products.**

Another draft-law was prepared in 2012 based on COUNCIL REGULATION (EC) No 479/2008 of 29 April 2008 , but it never came to force .

Status of legal framework on wine

Not only the big gaps law framework, but even the actual law on wine that is quite old hasn't found implementation for many aspects it addresses:

- **Article 3** say that "*the strategy for viticulture development is based on the zoning made by authorised organs within the Ministry of Agriculture*", **zoning** that hasn't been made yet.

- **Article 20** talks about **Denominations of Origin** in which haven been determined and this is totally impossible without zoning of varieties cultivated in Albania.

- **Article 26** determines that "*Ministry of Agriculture and Food organises and keeps the* ***register of vineyards*** *and wine industry…*", register which if exists is totally not transparent and not organised within ministry structures

Not only there is a sharp lack of legislation framework for the sector but **also a lack of implementation** of the existing one.
The necessity of a new up-to-date law, harmonised with actual regional and EU framework is an urgent necessity for Albania.

Vineyard register

According to experts of the sector the last reliable data on vineyard register go back to year 1987.

With the change of the system and deep changes in vineyards extension, localisation, varietal composition and their maintenance this information almost disappeared and those few available data were not reliable.

According to **Inter Sectoral Agricultural and Rural Development Strategy, 2014-2020**, vineyard register has been created according to regulation EC 2392/86/EEC and Commission Regulation 649/87/EC

Always according to the above mentioned document until the end of year 2012 10.823 vine units have been registered in GIS system, expressed differently 60% of total units in the country. **This process of registering all vine units in Albania was expected to finish at the end of year 2017**.

No trace of this register

Strategy for development of viticulture and wine production sector

SWOT analysis for viticulture/wine sector:

Strengths
• **Climatic conditions** are very favourable for viticulture • Richness and **diversification in autochthonous varieties** and different microclimates • Employment and **revenue** in viticulture and wine production sector are still among the top rated compared to other agricultural products + increase of wine demand • Considerable **know-how and expertise** is coming into the sector due to Albanian immigrants coming from wine producing countries in EU (mainly Italy) • **Early maturation of grapes** compared to the region
Weaknesses
• **Small farm size** inhibits efficiency of investments and competitiveness of domestic production • **Mistrust** of albanian farmers to unite in **cooperatives** • **Weaknesses of legislation** regarding land property • Weaknesses of legislation regarding vineyards and wine production • Improper **technological infrastructure** in general for viticulture and also for wine production • Very small number of wineries has its own vineyards creating additional cost and loss in quality • Wine price in Albania is burdened with **excise price** whereas many other competitive countries apply 0 excise tax • Absence of holistic and well-structured studies on viticulture and wine market

Strategy for development of viticulture and wine production sector

SWOT analysis for viticulture/wine sector:

Possibilities

- **Surface cultivated with grapes is still low** compare to extension during totalitarian regime. Together with the positive revenue of sector operators it is a motivating factor to increase productivity.
- Initial investment in **new vineyards** is very convenient as actually it is also **supported by government** subsidies.
- **Raise of farm size** (for example through cooperatives) can increase competitiveness of Albanian wines through better coordination and cost reductions
- Government engagement with concrete actions to absolve wine from excise will reduce costs

Threats

- **Pressure from importing companies** toward domestic production
- Competitiveness from other **neighbouring countries** is high as they can offer wines with a satisfying ration quality/price
- Operation of a considerable amount of **informal producers** that damage domestic competitiveness and also consumer perception for albanian wines

Strategy for development of viticulture and wine production sector

Some of main **challenges** of the sector include

- **regulating and formalising the informal market**

- creation of **coordination systems**. lack of proper connection/coordination between farmers and producers (coordination with farmer regarding type of varieties cultivated, irrigation regime, vine treatments)

- the general trend should be oriented towards **expansion of vineyards that are property of wineries** and coordination at a local level between farmers and producers.

- It is very important to focus on **production of quality**. Wineries cannot be competitive in high quantity-low price products, but the only feasible option is diversification of product with high quality and high price.

- improvement and also **up-grade in main production phases** such as maturation/ain ambient and equipment, fermentators, tanks and packaging and bottling equipment

Strategy for development of viticulture and wine production sector

Albanian government in the **Inter Sectoral Agricultural and Rural Development Strategy (ISARD), 2014-2020**, describes the **priority sectors** with development potential of competitive quality products for domestic and foreign market, among which is the **viticulture and wine sector**.

The strategy is being supported mainly from actions of the program **IPARD II**, but interventions that cannot be covered from IPARD II can get support through **National Support Schemes** in order to have a complete mass of actions.

National Supporting Schemes with a budged of **20 million of euros for 2018** and **IPARD** program with a total of **94 million of euros** for investments in agriculture have and are showing a considerable attention on wine sector.

National Supporting Schemes dedicate almost one third of their fund on investment related to vineyards, grapes and wine. For example

- Farmers/producers receive 300.000 of ALL for every hectare cultivated with table grapes
- **350.000 ALL/hectare for vineyards cultivated with autochthonous cultivars**
- 200.000 ALL/hectare for drop irrigation in vineyards with industrial or table grapes
- Warehouses, collection points, refrigerated points, agro-processing receives in total 20.000.000 ALL

Strategy for development of viticulture and wine production sector

On the other side**, Action 1** supported by IPARD II foresees investments in farm with two main objectives:

- **Improving general performance of farms** that produce agricultural raw materials
- **Help farmers to adapt EU standards** regarding food safety, environment protection and animal's wellbeing;

Action 2 of ISARD, 2014-2020 for **Supporting formation of group producers**, as using the term 'cooperatives' scares Albanian farmers whom associate it with previous totalitarian regime.

Its main objective is fostering development of competitiveness and sustainability of agro-processing sector through inciting the creation of farmer-groups and collaborative agricultural associations in order to improve quality and production planning, handling and trading of big amounts of product, and development of negotiating abilities of producers related to product price.

Action 3 of ISARD 2014-2020 supported by IPARD II foresees **investments in physical assets** for processing and trading of agricultural products.

Its objective is supporting development of human resources and physical assets, development of capabilities of agro-food sector to face competitiveness pressure and market forces, and also support for the sector to fulfil EU standards. It will also foster efficiency in use of energy resources and renewable energy.

“Facilitation of the exchange through advice on harmonized wine regulations in all Western Balkan Countries” - Report of National expert for Albania, March 2019

Thank you!