Evaluating the Impact of Small Farmer’s Inclusion in Agricultural Value Chain for Sustainable Rural Development in Albania

Ilir Tomorri, Remzi Keco, and Kejsi Tomorri

ABSTRACT

The rural sector is one of the most important and largest sector in Albania, referring to the contribution to economic growth, gross domestic product, level of employment in the country and increasing the welfare of the population living in rural areas. The average small farm sizes, combined with the excessive land fragmentation, the low level of investments, poor infrastructure, and the loss of agricultural land due to the change of use, have been major structural challenges for the agriculture sector in Albania. The farm structures are dominated by smallholders with many small farms (1.2 ha/farm) and few large farms. Farmers and smallholders are critical for food security, as well as for poverty reduction of rural areas. The smallholder farmers facing a number of challenges such as lack of access to reliable and timely data on market prices as well as markets, inability to access appropriate infrastructure such as storage facilities leading to post-harvest losses or low prices as a result of low-quality produce. One way to counter the above challenges is through the agricultural value chain. If a strong market linkage is created, then it can lead to the development of the value chains, and stimulate an increase in the productive base of the smallholders. An effective market linkage increases opportunities for value addition which can benefit the farmers as well as the smallholders.

This paper is intended to highlight the importance of farmers and smallholders in the value chain as a key to sustainable development for the rural sector.

Keywords: challenges, farmers, productivity, rural sector, value chain.

I. INTRODUCTION

Agriculture remains the most important sector of the country’s economy, constituting 20% of Albania’s GDP and providing the basis of income for a major part of the population. About 37% of Albania’s workforce is employed in agriculture, especially in the rural areas of the country. Agricultural production has increased significantly over the past decade. Sustainable economic growth in Albania is closely linked to the performance of the agricultural sector. However, agricultural development is facing some challenges such as uncertainties about agricultural land ownership, market access for agricultural products, low levels of use of modern technologies, lack of cooperation between farmers, small farm size, reduced margins profit, high informality and rural exodus and youth abandonment [1].

The development of the rural sector is aimed at improving infrastructure and growing investment, the protection of the environment, effective management of agricultural land and food safety. In Albania, the agricultural structure is entirely characterized by small farmers, with many small farms and a few large ones. According to the structural classification, 86% of the farms in Albania have up to 2 hectares of land, and 14% of them have more than 2 hectares. In terms of measures taken, farm integration has been promoted through the establishment and strengthening of farmers’ associations, the introduction of modern technologies and the establishment of agricultural product marketing and trading systems.

Smallholder farmers often try to take advantage of the opportunities presented by expanded markets, as they have limited access to resources such as land, financing, advisory services and up-to-date information on market prices and conditions. These constraints limit the ability of smallholders to invest, increase market surpluses and increase the value of their products. Furthermore, these restrictions on smallholder farmers highlight the importance of policies and programs that strengthen farmer organization and collective marketing. It is important to understand the main constraints faced by smallholders and to address them in order to facilitate their access to necessary agricultural inputs and related markets. The value chain proceed toward to economic development and poverty reduction involves addressing the major restrictions and possibilities faced by farmers, collectors, processors, and dealers [2].

This can inevitably involve a good vary of activities comparable to guaranteeing access to the total range of necessary inputs, relieving access to economical inputs,
enhancing the provision of commercial and financial services, facilitating the flow of information, facilitating improved market access, or expanding access to higher cost opportunities. Value markets or value-added products. The value chain perspective also provides an important way to measure the business-to-business relationships that connect the chain, thereby increasing efficiency. The functioning of the value chain (VC), the relations between the actors, the strengthening of the connection with the markets, constitute some of the structural problems that Albanian agriculture and the small farmers face in the rural areas. Small farmers often face value chain constraints due to lack of information and knowledge, farm size, access to finance, technology, and supporting infrastructure. An important component to face these challenges and problems is the integration of small farmers through agri-food value chain, providing opportunities to increase incomes, reduce poverty, as well as sustainable rural development in our country.

Involving smallholders in agricultural value chains is critical for production growth and an important factor in achieving the commercial and social goals of all those involved in commodity markets [3]. A typical characteristic of developing countries like my country is that there are many small farmers and over-employment in agriculture. The agrifood area as an entire is dealing with issues with developing marketplace institutions, setting up advertising and distribution channels, meeting European Union standards, and constructing the executive ability to support those processes [4]. The agrifood cost chain is anticipated the situation in developing countries in the coming years, as the percentage of supermarkets withinside the retail area is expected to grow importantly, so the agri-food value chain is expected to undergo major changes in the coming years. Albania’s agricultural area desires to be converted right into a worthwhile financial interest that could assure meals security, appeal to investment, promote sustainable improvement and offer employment opportunities, especially for youth.

The purpose of this paper is to provide an overview of the agricultural value chain in Albania; to provide knowledge, for farmers to value chain development and analyze what are the benefits and challenges for smallholders as a result of inclusion in the agricultural value chain. The objective of the study is to explore the effects of smallholder farmers’ participation in the agricultural value chain related to income growth, job creation, poverty alleviation and sustainable rural development.

The rest of the article is designed as follows: Section II represents the theoretical background and literature review about the inclusion of smallholders in the agricultural value chain. Section III describes the methodology regarding, stages, activities, and stakeholders, in the agricultural value chain development. Section IV presents the results of the study about the importance of value chain for sustainable rural development in Albania. The conclusions and recommendations have been presented in Section V.

II. LITERATURE REVIEW

The concept of value chains represents an important shift in thinking about development and the relationship between agricultural producers, traders, processors, and consumers. A value chain is an important framework for understanding how inputs and services fit together and then be used for growth, transformation, or development. Produce a product to be used. And then how the product actually gets to the customer, and as the value increases. [5] Argues that integrating innovation systems and value chain approaches into separate tools can improve smallholder innovation and market success. The lack of effective standards and certification systems and the weakness of the broader legal system often limit the development of the market for high-quality products [6].

The agricultural sector plays an important role in the livelihoods of rural populations, provides employment opportunities associated with agribusiness, and provides a pathway to economic prosperity.

Research institutions must focus on improving technology transfer, linking researchers and farmers more effectively, strengthening agricultural innovation systems and developing inclusive value chains. From this perspective, many development agencies, donors, and governments have identified value chains as a key element of their rural poverty reduction strategies [7].

Practice and experience show that collaboration among stakeholders around value chains can lead to new products, processes, norms, and behaviours that would not otherwise be possible, benefiting poor farmers. These studies reinforce the idea that access to lucrative agricultural markets in developing countries and interventions to address technical, economic, and institutional challenges can help smallholder farmers seize these opportunities.

Smallholders can supply a variety of food products to the market and may have a comparative advantage in producing high-value products such as vegetables, fruits, and specialty crops [8]. Smallholder farmers often find it difficult to seize opportunities to expand their markets. Concerns about the scarcity of agricultural raw materials, coupled with stricter food safety and quality standards imposed by government agencies and supermarkets, have driven market consolidation and enhanced coordination and cooperation among producers, processors, and retailers [9]. But smallholders have limited access to land, finance, advisory services, basic knowledge of market systems, and up-to-date information on market prices and conditions – all of which limit their ability to invest, increase their market surpluses and increase land values and their products. These restrictions on smallholder farmers highlight the importance of policies and programmes that strengthen farmer organization and collective marketing. Increasing the productivity of Albanian agriculture requires greater use of modern inputs (improved seeds, fertilizers, irrigation, mechanization) and better access to (high-quality) markets. Value Chain Development (VCD) is increasingly being promoted as an organizational solution to this challenge. Interventions typically aim to increase the efficiency of agricultural value chains by improving the business environment or by providing temporary support to individual value chain actors, often with the aim of delivering specific social or environmental benefits. The essence of a more integrated VCD model is to engage all actors in the value chain and connect smallholders with input suppliers, processors, or marketing agents. The emergence of value
chain development as a public policy can be explained by the rapid changes in agriculture and food chains in all developing countries over the past 20 years. A topic that has received more attention recently is the development of modern staple food value chains, largely limited to domestic value chains in developing countries [10].

Compared to other economic sectors, the development of the rural sector in Albania is accompanied by issues related to the location of farmers and farms, conditions for product marketing, input prices, the impact of natural factors on agricultural production, fluctuations in the prices of sold products, access to financing.

An important way in which rural farmers in developing countries benefit from agricultural exports and value added to the domestic and export sectors is through contract farming engagement with domestic processors, exporters, or foreign buyers. Contract farming is a way of addressing market failures, integrating smallholders into modern agricultural value chains by providing them with inputs, technical support, and market access. In addition, detailed contracts that include agricultural expansion and aid programs can reduce the financial and technical constraints smallholders face in meeting stringent standards. Farmer organizations help reduce transaction costs in input and product markets by improving product quality, increasing the supply of inputs and selling products. They also help negotiate more favorable contract terms for smallholders. Research shows that reducing specific transaction costs can facilitate the integration of small and less efficient producers into high-quality value chains. These processes have important implications for developing countries. Increased demand and higher prices for high-quality products in international food markets have created opportunities for developing countries to achieve economic growth by expanding and diversifying agricultural exports. Many developing countries recognize the opportunity to develop high-quality food chains as an important strategy for promoting pro-poor growth. Modernizing agricultural value chains is an important part of developing countries and has the potential to increase rural incomes and reduce rural poverty [11].

The question naturally arises as to what government policies, development plans and initiatives of different authorities and organizations can play a role in promoting the development and inclusiveness of these value chains, thereby contributing to poverty reduction. The purpose of this paper is to define the key success factors for designing and implementing value chain development strategies from a business perspective and to analyse the main challenges and benefits of smallholder participation in agricultural value chains.

III. MATERIALS AND METHODS

The agribusiness sector includes all activities related to the transformation, preservation, and preparation of agricultural products for intermediate or final consumption, with a focus on food products. Smallholders are a source of employment that contributes to rural development and even other sectors of the economy, as increasing their income creates markets for services and goods [13].

The Value Chain (VC) covers all activities from conception to production to delivery to the end user or target market. A characteristic of venture capital investments is that they involve a series of actions related to the creation of product value through the production and distribution process of each activity. The agribusiness value chain includes pre-agricultural production services such as fertilizers, seeds, pesticides, tools, and machinery; agricultural production such as primary food processing and products and by-products; post-farm production related to secondary food processing, packaging, and canning, and marketing and distribution processes Production. In this sense, a typical agricultural value chain includes the activities of input companies, farmers, traders, food companies, and retailers, all of which must ultimately meet the changing needs of consumers sustainably [12]. Supermarket chains often place very high demands on their suppliers in terms of quantity, consistency, quality, cost, and business practices that emphasize long-term relationships and contracts with suppliers. In addition, some agri-food sub-sectors, such as greenhouse vegetables and watermelons, are already producing significantly more than domestic demand, and thus need to be exported vigorously. By improving vertical and horizontal coordination, export markets can be better targeted to meet quality and safety standards and increase efficiency. Achieving EU marketing standards for our country can also be a challenge, as most producers are unaware of them and therefore fail to meet them. In Albania, we found different forms of vertical coordination, which varied by sector/product and farmer type. Regarding the type of agreement between the farmer and the buyer, indicate that written contracts (formal contracts) are not common, and informal (verbal) agreements are broadly used.

A. Challenges and Approaches for Inclusive Agricultural Value Chains

In response to the rapid changes in the agri-food sector over the past two decades, smallholder participation in value chains (VCs) is a poverty reduction strategy. The government sees it as a way to improve farmers' access to markets, inputs and credit, and increase productivity and efficiency, which will have a positive impact on livelihoods, food security, increasing rural incomes and reducing rural poverty. Empirical results show that farmers' associations can help integrate smallholders into modern value chains and increase their benefits. One of the easiest ways to develop integrated value chains is direct support to farmers by research institutions. Farmers are often constrained in value chains due to low skills, insufficient access to finance, technology and markets, and relatively small scale. In its narrowest form, VCDs for farmers include training farmers on agricultural practices needed to increase productivity or meet buyer standards. Three categories of challenges related to smallholder participation in value-added supply chains in developing countries have been identified [14].

- Process-related challenges: Horizontal and vertical cooperation to promote the inclusion of smallholders.
- Structural and incentives-related challenges: Allocate and refine resources and skills for smallholder supplier development.

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- Cognitive challenge: Harmonize conflicts between key actors involved in agricultural value chains.

B. Value Chain Development as Part of a Wider Rural Development Strategy

Inclusive value chain development is defined as a positive or desirable change that expands or improve productive operations and generate social benefits and other development goals. Small farmers face a range of challenges related to their specific circumstances, including issues related to the financing of their activity, investment in technology, supply of inputs, product quality and market access. Inclusive value chains typically include smallholder farmers as a large proportion of the rural poor, characterized by exceptional levels of marginalization and suffering, as well as restricted access to technology, assets, education, schooling, and entry and exit from markets.

Smallholder inclusion is defined as a procurement strategy where smallholders commercially produce raw materials for the value chain. A high-quality supply chain is defined as a network of food businesses through which products are moved from production to consumption, while also generating added value in the marketplace. Agriculture in developing countries faces several productivity and transactional barriers in its quest to enter regional and global markets. These include low productivity, uneven quality, high transaction costs, weak market institutions and difficult access to the rural financial system [15]. Therefore, smallholder agriculture in developing countries needs to be upgraded to reach its full potential. Public and private investments are needed to improve smallholder farming systems in developing countries, which is consistent with the concept of smallholder supplier development [16].

In the context of agricultural value chains, including collective action groups (horizontal coordination) and strengthening business linkages with input and output market players (vertical coordination), analysis is important; concepts and approaches to addressing specific challenges and needs in the value chain; tools to identify important factors in the context of value chains and interventions to support smallholder participation in value chains.

C. Critical Success Factors Regarding Smallholder Inclusion in Value Supply Chains

Numerous studies point to the role that farmers' organizations can play in integrating smallholders into value chains and strengthening their bargaining power.

The first reason concerns reducing transaction costs when integrating smallholders into value chains. Contracting with farmer associations (e.g., cooperatives), rather than individual contracts with smallholder farmers, can potentially reduce transaction costs in acquiring technology, meeting buyer requirements, training farmers, and quality control.

The second reason is that farmer organizations can reduce human and financial capital constraints in integrating smallholders into value chains. The production of high-quality products often requires the training of farmers in certain production and storage activities. Through farmer's unions, smallholders have better access to capital, which enables smallholders to make the investments they need that they otherwise would not be able to make [17].

The third main reason for farmers' associations in the value chain is to strengthen farmers' bargaining power. Through collective action, farmers in the supply chain can negotiate better contract terms and better policies with governments more favorably. Combined, farmers' associations often highlight that these efficiency and equity effects are important for improving smallholder access to value chains and improving contractual terms, thereby making value chains more inclusive and thus reducing poverty for smallholders. With the support of agro-industry players, agricultural cooperatives in Albania can be an important platform to help farmers adapt to the needs of agricultural value chains, mainly by developing new skills required for effective vertical coordination [18].

Nowadays, this approach is often complemented by activities that help farmers organize themselves into groups that communicate with each other on input and output markets. Cooperation improves access to input and output markets and increases farmers' bargaining power. It can be overcome by facilitating access to key services that smallholders do not have access to - such as advice and training, credit, and inputs - and productivity constraints. In addition, better organizing the value chain can improve operational performance. Collective action can help achieve economies of scale, making it more attractive for buyers to deal with smallholder farmers because of the opportunity to consolidate larger volumes, thereby reducing transaction costs, and better management of post-harvest operations, thereby reducing post-harvest time. Avoid crop failure and promote the dissemination of best practices and innovations to increase productivity. This is especially true for small farms in Albania due to their small size and high dispersion of land. Collaboration can also help address constraints imposed by decentralization. This can lead to higher incomes for small farmers and better livelihoods for their families.

According to [19], four strategies for developing agricultural value chains were identified:

- Strengthen the coordination of the value chain in both dimensions. Horizontal coordination is characterized by collaboration among producers, enabling collective action to reduce costs, increase revenue and reduce risk. Vertical coordination is characterized by the establishment of longer-term commercial relationships between different types of players in the value chain (producers, traders, and processors) through different contractual arrangements.

- Process and product improvement: This involves improving the performance of specific nodes in the value chain through improved technology and management practices. Process upgrades involve increasing productivity to increase output or reduce production costs. Product upgrades involve improving product quality (such as certification, safety standards, traceability) or moving to more complex products (e.g., processing, packaging) and are often associated with process upgrades.

- Modifications and additions of functionality: This includes functional upgrades where producers or other
actors in the supply chain undertake new functions, such as the provision of inputs or services. It can also be a cross-chain upgrade, where participants use skills and experience developed in one value chain to effectively participate in another value chain.

Improving the institutional environment: The focus here is on improving institutional gaps, including support services and legal and policy frameworks that limit the functioning of value chains.

Based on [20], we identified three strategic actions needed to support value chain improvement and the integration of smallholders into agricultural value chains:

1) promote collaboration and collective action (e.g., through clusters, farmer groups) for joint action with lower transaction costs;
2) influence governance or coordination patterns in value chains through market (contracts) and non-market (e.g., quality and standards) mechanisms;
3) innovation processes (such as capacity building at technical and operational levels).

Furthermore, studies have concluded that the inclusion of smallholders in value chains depends on market characteristics, the integration of smallholders in these markets and their market positioning [21].

In addition, the development of agricultural value chains is related to different questions:

(i) What are the main stages/processes in the agricultural value chain?
(ii) Who are the main actors at each point in the value chain?
(iii) What are the activities of the value chain by stages and for each actor?
(iv) What are the flows of the product between different actors?
(v) Where and to what degree is value added, as the product moves along the chain?

To understand the stages (processes), stakeholders and activities in the agricultural value chain, the data are presented in Table I.

In a hierarchical value chain structure, key players (such as processors or large traders) can play an important role in connecting smallholders to better markets, by providing interlocking arrangements that enable access to services that support farmer development and inputs needed to improve the product [22]. Given this need, it is recognized that, in the context of agricultural value chains, strengthening commercial linkages with input and output market players is an important step in integrating smallholders into agricultural value chains. This coordination of improvements is only effective if smallholders are allowed to take action and invest in other improvement strategies (process and product) that allow them to capture more value; here, different upgrade strategies can have different rates of development.

**TABLE I: AGRICULTURAL VALUE CHAIN STAGES, STAKEHOLDERS AND ACTIVITIES**

| Stages/Processes | Stakeholders | Activities |
|------------------|--------------|------------|
| **Production**   | Farmers (small, medium and large) | Primary producers/producers include farmers and pastoralists. |
|                   | Input suppliers | Seed suppliers, ranchers, fertilizers, suppliers who directly or indirectly provide means of production through traders or other intermediaries. |
| **Collection and Processing** | Aggregators and processors (small, medium & large) | Movement and collect of products from farm to aggregators/processor etc. Processors may be categorized into those small localized processors, medium sized processors, industrial processors and small modern processors. |
| **Marketing and Distribution** | Wholesalers, retailers, and exporters market and distribute products after processing (raw or processed) from growers, primary processors, or food manufacturers. | Wholesalers, retailers, and exporters market and distribute products after processing (raw or processed) from growers, primary processors, or food manufacturers. |
| **Consumption**   | Domestic and international market | A trader who acts as an intermediary between growers/small retailers, processors, and wholesalers. |

IV. RESULTS AND DISCUSSIONS

As the main source of employment and income, the rural sector remains one of the largest and most important in Albania. It contributes about 20% of gross domestic product and about 37% of employees in the country [23]. The rural sector is one of the priority strategic sectors of the national economy and government objectives, the main focus is on the development and consolidation of this sector as a more sustainable and long-lasting alternative to the development of the economy.
The agricultural sector is dominated by smallholder farmers and family businesses. Most of the farms in Albania are mixed and semi-subsistence, they are engaged in different agricultural activities or products. Recently, Albania has been characterized by a trend of farm consolidation/expansion: a decrease in the total number of farms and an increase in the number of farms and the area under cultivation. In Albania, according to data, the number of farms is about 350,940, of which 159,856 are less than 1 ha, 142,084 are up to 2 ha and only 49,000 are over 2 ha.

The development of the rural sector is accompanied by problems compared to other sectors of the economy regarding the location of farmers and agricultural farms, conditions of product marketing, input prices, the impact of natural factors on agricultural production, seasonality, price fluctuations of sales products, access to financing. Referring to the policies undertaken has encouraged the consolidation of agricultural farms, through the establishment and strengthening of farmer associations, implementation of modern technology, and establishing the system of marketing and trading of agricultural products.

Farmers are often the weakest link in the value chain due to their low skills, lack of access to capital, technology and markets, and their relatively small scale. A key issue for these initiatives is the sustainability of established links between farmers and the rest of the value chain. Sustaining this link depends on farmers being adequately organized and complying with agreements with input providers and other actors. These practices show how farmer organizations can help negotiate more favorable contract terms for smallholders. Contract farming can also help farmers overcome market failures, connecting them to points of sale for quality food and guaranteeing a market for their products [25].

The main purpose of rural and agricultural development policies in our country is to contribute to the development of this sector, to improve the quality of life in rural areas, to reduce poverty and to promote sustainable development of the rural sector. Cooperation and links between research and educational institutions, extension services and agricultural policy institutions, are very important.

On the other hand, the integration of Albania into the European Union, dictates new challenges for the rural sector regarding the quality of agricultural products, infrastructure improvement, environmental conservation, and increasing competitiveness by approaching European standards.

Referring to the above data, rural sector is one of priority and strategic sectors of the national economy in terms of contribution to economic growth, gross domestic product, level of employment in the country.

The objectives and strategies of the government for the development and consolidation of the rural sector, aim to increase the productivity and competitiveness of the sector, improve standards, diversification of production and improve marketing channels and access to markets. One of the approaches and strategies of government policies is to include small farmers in the agricultural value chain.

The main benefits of value chain development for the small farmers, with very small land areas are likely to come from expanded employment opportunities in production, processing, marketing, and market activities.
Increasing the productivity of Albanian agriculture requires greater use of modern inputs (improved seeds, fertilizers, irrigation, mechanization) and better access to (high-quality) markets. Value Chain Development (VCD) is increasingly being promoted as an organizational solution to this challenge. The goal of value chain development is to facilitate better coordination among value chain participants, identify common interests, share knowledge, and develop new business opportunities for the common benefit of their members.

The beneficiaries of VCD are farmers, processors, wholesalers, retailers, entrepreneurs, agribusiness service providers and other actors. Investments in agriculture are lower due to the limited internal resources of farmers and the difficulties of access to credit. Access to financial services is important for investing in agricultural productivity, improving post-harvest practices, providing household cash flow, better access to domestic and international markets, ensuring food security and better risk management. For this purpose, it is necessary to develop strategies and supporting policies to encourage and promote financial institutions to provide financial services to farmers. Rural entrepreneurs need to optimize their processes of production, processing, and collection of raw materials by investing in equipment and machinery with efficient technology.

Increased investment in this sector is affected by domestic and foreign market for agricultural and livestock products. The government has undertaken initiatives, through support schemes for farmers and agribusinesses to increase production and improve investment. Market-based initiatives such as Agricultural Value Chains (AVCs) are making progress to support rural smallholders, help them access larger markets, and provide avenues for improving their socioeconomic well-being.

The effective connection between the participation of small farmers in agricultural value chains and poverty alleviation is also one of the keys to rural revitalization and sustainable development of the rural economy.

Government policies, development plans and initiatives of various authorities and organizations can play an important role in promoting the development of agricultural value chains. Producers, entrepreneurs, and policymakers should work closely to promote integrated and efficient production structures that further integrate smallholders into agricultural value chains through distribution networks, thereby creating jobs and increasing their incomes. The agricultural sector in Albania is rapidly modernizing, developing changing demand trends, promoting new production methods, and modernizing marketing, supply, and distribution channels.

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**TABLE II. SWOT ANALYSIS IN RURAL SECTOR, ALBANIA**

| Strengths | Weaknesses |
|-----------|------------|
| • Low labor costs | • Very high land fragmentation |
| • Establish urban and rural distribution network | • Low supply of raw material to processing industry |
| • Business orientation and entrepreneurship | • Low level of technology and investment |
| • Commercial business grows rapidly and increases production | • Insufficient knowledge and research |
| • Approximately 37% of employed persons work in agriculture | • Lack law enforcement in food safety |
| • Unexploited and clean natural resources representing diversification potential | • Weak financial position and lack of access financing |
| • Increasing purchasing power of consumers | • Lack of technically qualified human capital |
| • Good experience in overcoming infrastructure deficiencies | • Low purchasing power of consumers |
| • Product diversification | • Intense competition from the informal sector |
| • Strong drive to improve quality of life and income | • Weak partnership and lack of cooperation |
| • Rising income levels | • Weakly integrated food chain |
| • Large domestic market and export potential | • Market access difficulties from remote rural areas |
| • Improvement of product quality | • Undeveloped logistical infrastructure in rural areas |
| • Certification with quality management | • Low productivity |
| • Consolidation in primary production, processing and trade systems | • Distance between farmers and consumers |
| • Experience in processing traditional products | • Competition from imports |
| • Orientation to domestic market preference | • High cost of domestic raw material |
| • Improved communication network in rural areas | • Undeveloped logistical infrastructure in rural areas |
| • Financial direct payments are an instrument to support farmers and their activities | • Undeveloped processing industry |
| • The high diversification of financial support may be related to the large number of challenges facing the rural sector | • Poor post-harvesting practices |
| • Raise consumer awareness that traditional product quality is a good food safety option | • Insufficient investment in marketing process (packaging and labelling, etc.) |
| • Inclusion of smallholders and improving access to services in the agricultural value chain actors | • Lack of enforcement of property rights due to weak documentation and informal development |
| • Encouraging and supporting of the establishment of farmer’s associations | • Low level of new technologies and innovative practices |
| • Extension services from government and research institutions | • Low experience in professional management skills |
| • EU integration is a key objective, seen as an excellent opportunity to modernize agricultural policy | • Investment remains limited due to very fragmented operating structure and lack of a real land market |
| • Increasing competitiveness, providing support for investments in farms and improving infrastructure in the rural sector | • Inadequate legal framework for food safety and weak enforcement of existing legislation |
| | • Budget allocations for structural support and rural development support are generally low. |
The main contribution of this paper is to examine the impact of smallholder participation in agricultural value chains in the context of income growth, job creation, poverty reduction and sustainable rural development. It is, therefore, crucial to understand the evolution of value chain modernization, as agricultural value chains are an essential tool for developing countries to grow to help increase smallholder incomes and reduce rural poverty.

V. CONCLUSIONS

The rural sector is one of the most important sectors of the Albanian economy, contributing to the gross domestic product, the country’s employment level and increasing the wealth of people in rural areas. The development of the rural sector is accompanied by problems related to the location of farmers and agricultural farms, conditions of product marketing, input prices, the impact of natural factors on agricultural production, price fluctuations, and access to financing.

Integrating smallholders into agricultural value chains has been promoted as a strategy for poverty reduction, economic growth, job creation and improved prosperity in developing countries. Smallholders, wholesalers, retailers, entrepreneurs, agribusiness service providers and institutions, and other stakeholders need to learn more from each other and learn how to collaborate vertically and horizontally in supply value chains. Agricultural value chains provide local farmers in developing countries with access to high-quality markets and new technologies.

Value-chain development as part of a broader rural development strategy. Many smallholders and agricultural overemployment are typical of our country. From the perspective of participating in value chain activities, national institutions and public institutions should support the better integration of farmers and smallholders into agricultural value chain activities.

Research institutions should promote various types of production organizations (such as farmers’ associations, wholesalers, buyers, and retail channels) to increase the level of organizational participation in value chain development. In the context of sustainable rural sector development, it is important to encourage small farmers to increase cooperation with each other, to establish agricultural cooperation associations. Farmers’associations play a crucial role in reducing transaction costs, increasing bargaining power, access to finance, improving product quality, and integrating small farmers into the value chain in the rural sector.

Value chain actors may be motivated to improve their position in the chain by changing their production of value added, their relationships with other actors in the value chain and by choosing different market channels for their products. Facilitate collaboration among value chain actors in order to meet market requirements and standards. Involving smallholders in agricultural value chains is an effective strategy for improving efficiency and value creation. Investing in rural infrastructure that connects farmers to markets helps reduce post-harvest losses and supports innovation and technology to develop competitive value chains.

Addresses governance issues in agri-food systems, focusing on product differentiation, food safety and product standards required in a competitive market environment. Facilitate private sector participation through public-private partnerships to enable farmers to participate in value chains. Integration of Albania into the European Union dictates new challenges for the rural sector regarding the quality and safety of agricultural products, infrastructure improvement, environmental conservation, and increasing competitiveness by approaching European standards.

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CONFLICT OF INTEREST

Authors declare that they do not have any conflict of interest.

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