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Assessing the Medicinal and Aromatic Plants in Albania

Value chain analysis

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ABSTRACT

Harvard University's Center for International Development and the Government of Albania has been engaged in a two year growth strategy exercise starting in 2013 till 2015. Discussions with the Ministry of Agriculture yielded that there is a need for conducting value chain studies on a few important product groups with the following objective:

- Cultivate 'value chain' oriented thinking within the Ministry of Agriculture
- Identify key issues 'within' the particular product groups and 'across' different product groups that need to be tackled at the public policy level

Here is a value chain study of the Medicinal & Aromatic Plants (MAPs), specifically of sage and lavender. The products have been chosen given its huge importance in the economy as the largest export commodity in agriculture and their contributions to a farmer's income. A special black-belt team comprising ministry officials will take forward the findings of this study and will iteratively make policy, ensuring better policies and implementation at the same time.

METHODOLOGY

Commodity groups were identified based on their importance in the economy and priorities set by the Ministry of Agriculture. While sage was chosen due to its large share in the MAP export market, lavender was chosen due to its increasing importance in cultivation of MAPs.

The value chain analysis was divided into two parts – one for the domestic value chain and another for the international value chain.

For each part the analysis was conducted in two parts:

- **Literature review and secondary data** – a thorough review was undertaken of all existing literature on the MAP sector in Albania. This included value chain studies conducted by other agencies or universities and general technical reviews of MAPs produced in the Southeastern European region. It must be noted here that most of the available information on MAPs was dated, with many studies being conducted prior to 2009. At the same time disaggregated data on MAPs for trade, production, prices, etc. was not available on any of the international databases. Sage imports are recorded separately by the United States International Trade Commission (USITC) under the HS code 1211908050. At the same time, limited disaggregated data was available with the Albanian customs office on export of MAPs.

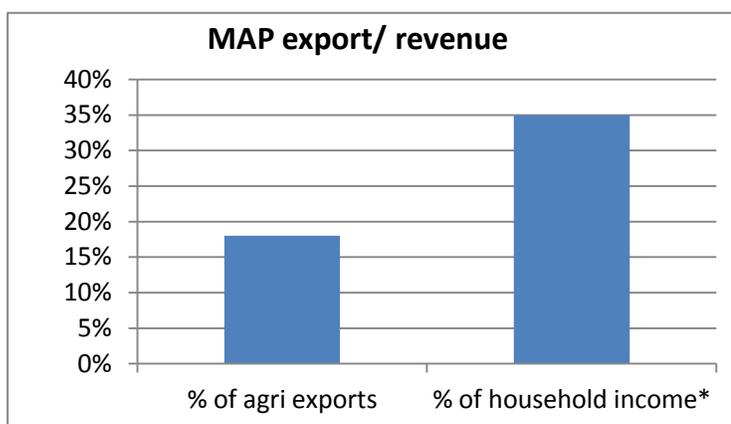
- **Field visits & primary interviews** – Malesi-e-Madhe region in the north of Albania was chosen for conducting the field visits. Seedling producers, cultivators & harvesters, consolidators, processor/ exporters and advisory services arm of the government was interviewed for the purpose of this study. At the same time, contact was established with importers of MAPs via email and phone but none of them were willing to respond to queries on the market. A researcher in Turkey was interviewed to get a very preliminary understanding of the Turkish MAP market. Hence, while domestic field visits were fruitful in giving a good understanding of the value chain, international primary interviews had limited usefulness.

INTRODUCTION

Importance of MAPs in the economy

In the Albanian economy Medicinal & Aromatic Plants (MAPs) hold a very special place. In the communist era, exports of MAPs earned close to \$50 million.¹ Domestic consumption of MAPs has always been very limited. The export market was controlled by a single state controlled exporter but with the end of communism in early 1990s, enterprising individuals saw an opportunity for private exporters and they are now the major exporters of MAPs from Albania. These are Filipi & Co, Gjerda Ltd., Herba Fructa, Mucaj, Xherdo Ltd, etc.

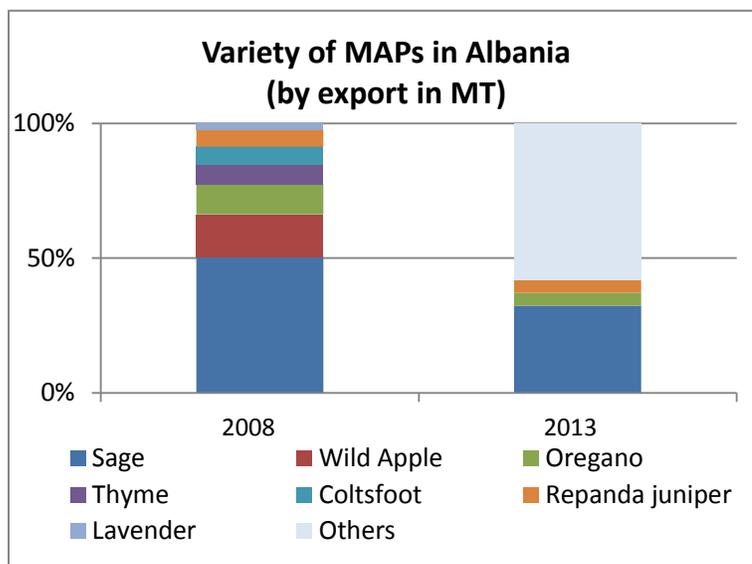
Even today, MAPs continue to be a large export earner for the country at a size of \$28million², or about 18% of total agricultural exports.³ Even at the micro-economy level, MAPs contribute to a large portion of income of a household. In northern Albania, income from MAPs contribute to ~35% of total income (*Northern Albania).⁴



MAP species

In Albania there are about 200 species of MAPs that are traded in the international market. Of these, the largest is sage, contributing to about 33% of the total export volume as against about 50% five years ago.⁵

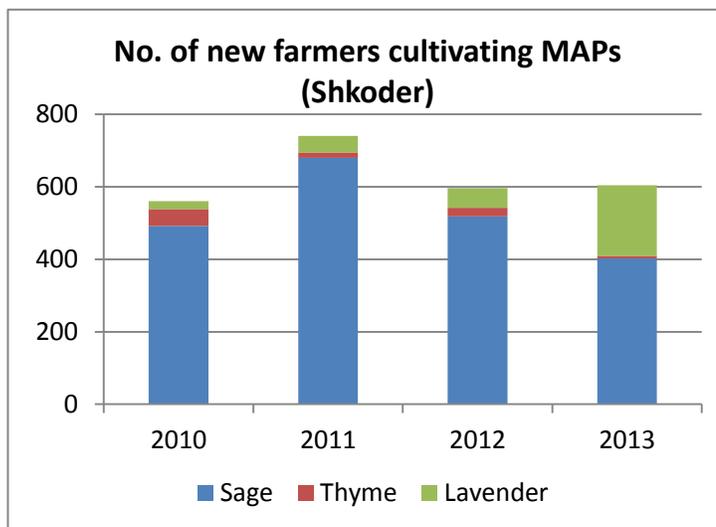
As can be seen in the chart alongside, the proportion of sage in total exports of MAPs has decreased over the last five years. One of the reasons for this is the unsustainable practices carried out in harvesting sage. This will be discussed in greater detail in the following sections.



Wild harvesting versus cultivation of MAPs

MAPs by nature can be both wild harvested and cultivated. Many of the MAPs occur freely in nature, that is, they grow wild in the mountains. These MAPs are then harvested by locals and sold to persons in the next segment of the value chain (consolidators or processor/ exporter). At the same time, some MAPs are not available freely in nature and are therefore cultivated just like other crops such as rice and wheat. While sage is both wild harvested and cultivated in Albania, lavender is only cultivated. In many instances, sage and lavender are cultivated side by side. This is another reason for choosing lavender in addition to sage for the purpose of this value chain analysis. Wild harvested sage is preferred for its higher oil content, thereby higher quality.

Alongside is a chart on the number of new farmers cultivating MAPs – sage and lavender are the most prominent MAPs amongst new farmers who undertake cultivation.⁶ With a gestation period of about 2-3 years, sage and lavender will become prominent cultivated plants.



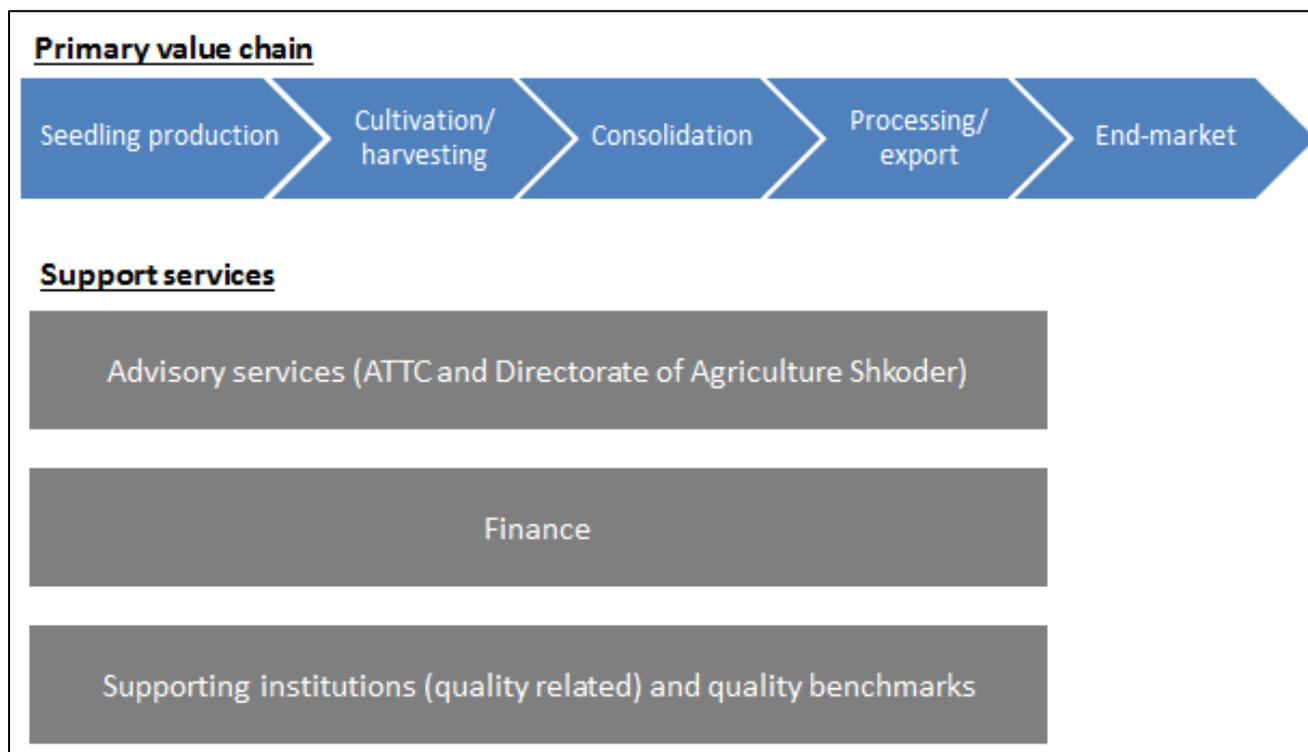
Sage is harvested/ cultivated twice a year, once in summer around June/ July and second in fall around October/ November. On the other hand, lavender is cultivated only once a year for about two weeks in June/ July. During this period large cultivators employ temporary labor to help in harvesting activities.

Cultivation of MAPs has been on the rise due to shortage of wild harvested MAPs, many times due to unsustainable harvesting practices of wild MAPs, and at the same time due to encouragement given by the government in the form of subsidies.

As mentioned before, we divide our analysis into two main sections – domestic value chain and international value chain. Most prior value chain analysis have focused on the domestic value chain only and hence, this report has some new insights that link the end-product at Albania's doorstep with the end-product that reaches the final consumer abroad.

DOMESTIC VALUE CHAIN

A simplified version of the domestic value chain is shown below. It can be divided into two different value chains, complementing each other – the primary value chain and the support services value chain.



While the primary value chain is where the production of sage and lavender happens, support services are those that facilitate a smoother and more efficient production of the product.

Primary value chain comprises five segments namely, seedling production, cultivation/harvesting, consolidation, processing/ export and end-market. Note here that this simplified version of the value chain masks direct relationships that cultivator/ harvesters may have directly with exporters or with consolidators and exporters at the same time.

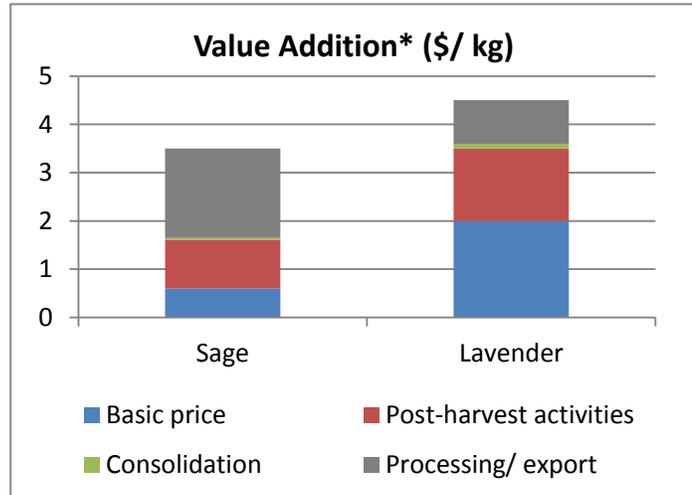
Support services include advisory services provided by Agriculture Technology Transfer Center (ATTC) and Directorate of Agriculture Shkoder, finance and quality related supporting institutions and quality benchmarks.

We will start with the key value chain economics and then go through each segment of the value chain in greater detail.

Key Value Chain Economics

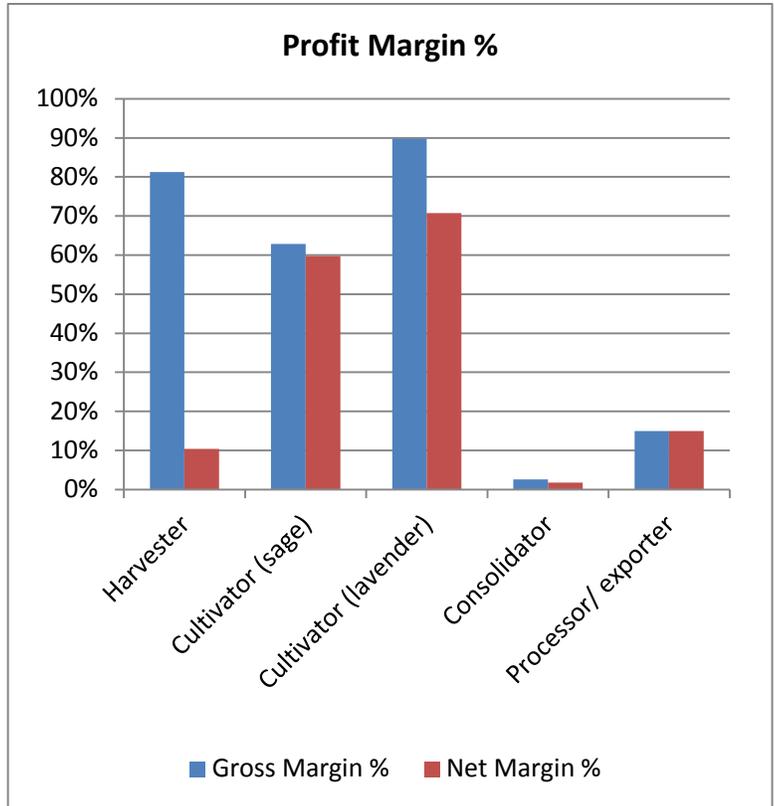
To understand the operation and incentives system of the value chain we consider three different value chain economics:

1. **Value addition:** For a commodity, we define value addition in each segment as the selling price less the cost price of that commodity as it enters and leaves the segment. The chart below shows us the value addition across the different segments for sage and lavender separately.⁷



Here we see that the base price of lavender is more than twice that of sage. Sage is usually consumed in dry, powdered form whereas lavender is consumed as essential oil. As a result of this, basic processing (cutting, cleaning, etc.) adds much higher value to sage than it does to lavender. Post-harvest practices are a huge value addition to sage, with price increasing two-fold when these are carried out. For lavender as well there is a slightly less than doubling of price as a result of undertaking post-harvesting activities. Consolidation being a simple buy and sell practice is very low on value addition.

2. **Profit margins:** The profit margin is a measure of the returns from undertaking certain set of activities in a specific segment. It provides the incentives for conducting these activities. The adjacent chart shows us the profit margin (gross and net) of each segment.⁸ Note that as the consolidator and processor/exporter gets economies of scale and reduced risk from handling multiple products, their profits are not specific to sage and lavender.



Harvesters and cultivators get the highest profit margins, at more than 50%. Hence, their incentive requirements are met very well. The economics of each specific MAP is

different as we see here – profit margins of a lavender cultivator are higher than that of sage. This is due to higher prices, shorter harvesting periods, less intensive farming requirements and longer life cycle of the plant (around 20 years vis-à-vis 3-5 years for sage). Consolidators undertake a very low value addition activity and hence receive the lowest profit margins. Processor/exporter on the other hand have a profit margin of around 15%. It is lower than that of harvester/ cultivators because they undertake quality control and processing. Yet, these small profit margins turn out to be large in absolute numbers as the volume of commodities handled are very high. Hence, the right incentives exist across each segment to function as it should to produce process and push the product into the export market.

3. **Value chain integration:** Value chain integration is a measure of how well the value chain is knit together. This could be due to the right incentives, trust, and nature of contracts or just limited market information leading to less ‘exploration’ by a certain agent in the value chain segment. MAP market has a very good level of value chain integration.⁹ While all harvesters sell to the same consolidator or exporter every year, about 60% of cultivators do the same. This true for the consolidator and processor/exporter. It is observed that this stickiness is due to existence of appropriate incentives, trust and importer domination in determining market economics. Extreme rivalry in the exporter community is potentially another reason

for this. Note also that this stickiness is in spite of there being no formal contracts signed by any agent across the value chain. While such high level of chain integration is good for the industry, it also shows a lack of risk taking appetite especially amongst the exporters, which is necessary to innovate and reap greater benefits.

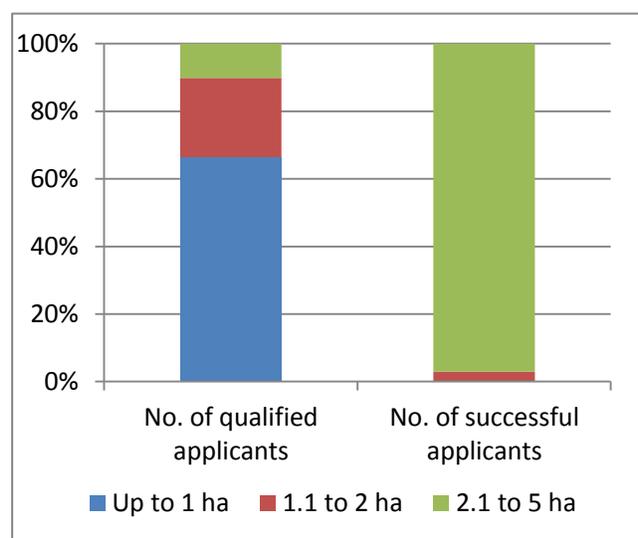
Primary value chain

Let us now talk about each segment within the primary value chain.

Seedling Production

In the case of sage most of the produce is still wild harvested.¹⁰ Seedling production is relevant for cultivation of MAPs only. As mentioned earlier, the government provides subsidy for cultivation of MAPs. In the case of sage, a cultivator does one of the following – one, re-plant a wild harvested sapling, two, use a part of his/ her total farm to produce saplings and three, purchase it from a government recognized sapling producer or foreign sapling production company. To manage quality, the government decided to provide subsidies to only those cultivators who purchase saplings from the recognized sapling producer. The higher price and lower productivity of these seedlings, and a ‘large farm’ biased policy on deciding the winner for the subsidy scheme has led to most cultivators using other ways of obtaining saplings leading to deterioration of quality.¹¹ Government approved sapling producers, therefore, look out for other consumers for their products. For example, a seedling producer (sage, lavender and others) in Malesi-e-Madhe had 100 customers and only 20 of them were local. The remaining was from other parts of the country or from Kosovo.

Sage	Albanian	Foreign (Netherlands, Italy, etc.)
Price	€200/ kg	€120/ kg
Life	5-6 years	3 years
Germination	6 months & 50% germination	Better germination
Productivity	40-60 kg/ ha	150-200 kg/ ha
Quality	Higher oil content	Lower oil content



As can be seen in the chart above¹², the quality of Albanian seedlings is much higher than that of foreign seeds. But the productivity is lower and as revenue is determined solely by quantity with no reference to quality, cultivators inherently prefer foreign seeds. As can be seen from

the chart¹³ on right hand side, most of the subsidies for use of better quality seeds went to cultivators with larger farms, who could probably have afforded the same seeds anyways. None of the smaller farmers (< 1 ha of land) received any of these funds.

Harvesting/ Cultivation

Wild harvesters undertake improper harvesting practices, thereby affecting long term sustainability of wild sage. These improper practices include uprooting whole plants, using sickles to cut the plant rather than only plucking the leaves, etc. These are undertaken to save time and increase the sales weight of the plant to increase revenue. But these bad practices lead to extinction of sage and mountains becoming bare. At the same time, lack of proper drying and storage facilities lead to a reduction in the quality of MAPs. For example, to retain quality, sage needs to be dried in the shade but to quicken drying process or for casual reasons they are dried in the sun. As price is not linked to quality of sage, a reduction in quality is not a big concern for harvesters/ cultivators. In the second cycle of harvesting, drying suffers due to the weather being damp and cold. On the other hand, own house or a room near the house are used as storage facilities. These do not always follow norms prescribed by Good Agriculture and Collection Practices (GACP). It is estimated that there is a 25% reduction in the value of sage due to lack of harvesting and storage facilities.¹⁴

Exporters mix different qualities of produce to meet minimum quality prescribed by importers.¹⁵

Consolidation

Consolidators comprise of middlemen who purchase MAPs from cultivators or harvesters and sell them to processors or exporters. Some consolidators also undertake cultivation to increase their profit margin. As mentioned earlier, this is typically a very low value addition activity. They undertake no quality grading of procured material before selling it to processors/ exporters.

Processing/ export

Typically exporters of MAPs are also processors of MAPs. The type of processing they undertake are very basic if they deal with dry MAPs – cleaning, cutting and packing. In the case of sage only, about 60% of the product is processed and finally exported. The remaining 40% is processed by some exporters into essential oils which can be preserved longer and is easier to transport. Most exporters have a fixed set of clients they sell to, some of whom cut across different exporters. The export market is dominated by about eight exporters all of whom came

up in the post-communist era. These exporters have of late been diversifying into an increasing number of MAPs. Large companies such as Filipi & Co. work with more than 100 varieties.

In addition to undertaking basic processing, exporters also undertake quality control. In terms of quality requirements, since Albania acts as an exporter of raw materials to other markets, organic certification is sufficient for export. All exporters have organic certification relevant to United States and European Union markets.¹⁶ There is only one exporter who has an ISO certification. In some cases the exporter is also required by the importer to undertake quality testing in terms of active components (essential oil, nitrite content and thuyon for sage). As will be discussed later, due to limitations for this in Albania, quality testing is conducted abroad at a higher cost.

Support services

We will now talk about advisory services, finance and quality related institutions.

Advisory services

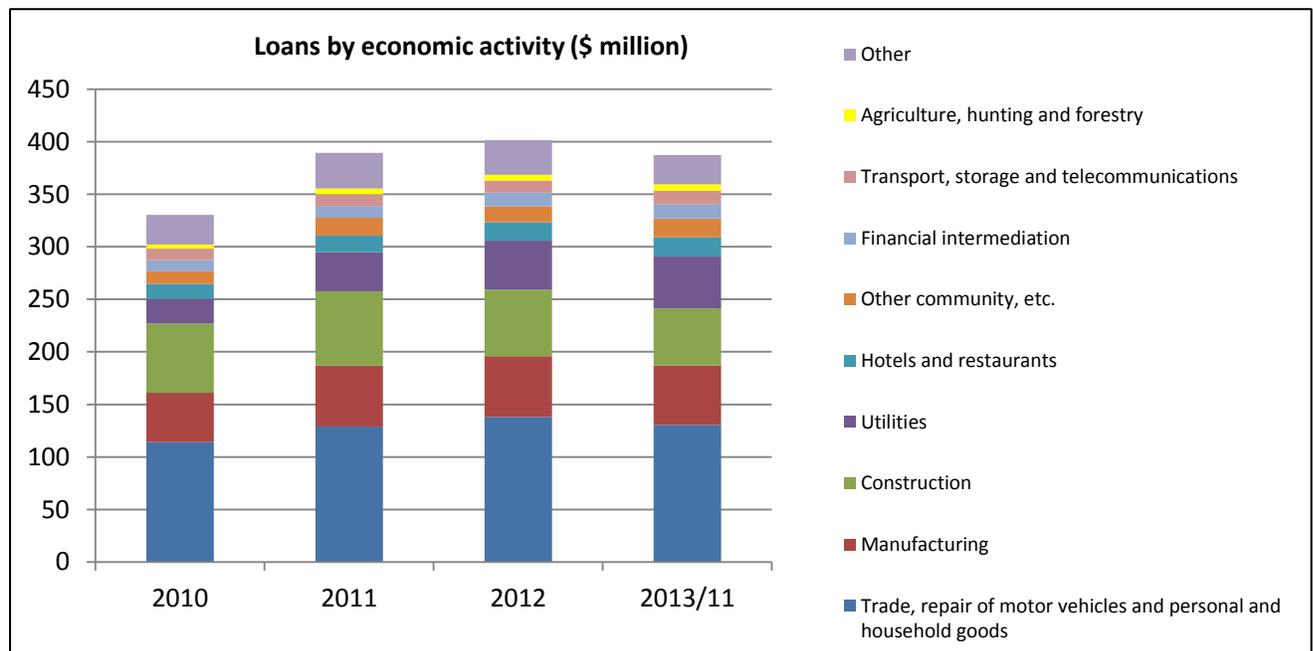
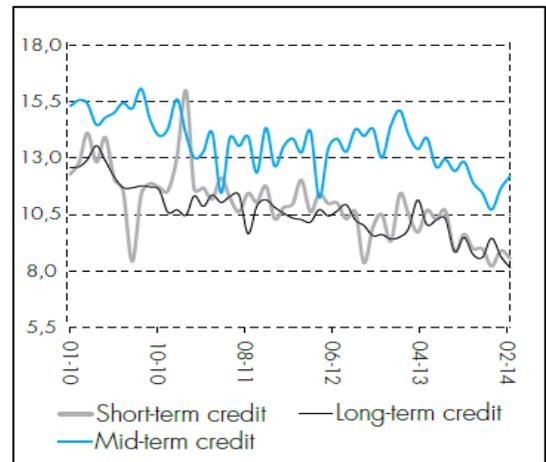
The Agriculture Technology Transfer Center (ATTC) and Directorate of Agriculture (DoA) in Shkoder are respectively responsible for research and dissemination of technology related to MAPs. ATTC has been conducting research in seedling quality and have managed to develop new technologies for seedlings. At the same time they are also a knowledge hub for other cultivation practices undertaken by cultivators. It has weekly meetings with DoA to discuss new findings or any issues raised by the DoA. The DoA, on the other hand, is responsible for dissemination of the advisory service. There is a team of extensionist each of who are responsible for 2000 farmers (1600 for MAPs and 400 for others such as fruits & vegetables).¹⁷ The DoA also disseminates knowledge through leaflets, brochures, television and open-field trainings, etc. Being responsible for 2000 farmers, extensionists are unable to fully deliver on their job. If they were to directly meet a farmer atleast once it would take them about six years. This, therefore, is not an efficient system of operation.

This was evident in that all except a few cultivators reported having gotten any advisory service. The ones who received the service did not show a remarkable difference in cultivation practices. In addition, none of the cultivators expressed the need for any form of advisory service. This could be either because they don't see a need for these services in a quantity only linked pricing system or that they felt they had the right knowledge for cultivation and having never experienced advisory services they did not see any additional benefit from it.

Finance

Accessibility to finance is limited by high interest rates in Albania. As can be seen in the chart alongside, depending on the type of credit, the interest rate varies between 8 and 13% per annum.¹⁸ At the same time the collateral required varies between 120% and 150% of the loan amount.¹⁹

Chart below on loans by economic activity gives us a clear sense of the low priority given to agriculture in the lending portfolio. While total loans are close to \$ 380 million, agriculture loans comprise only about 2% of that, equivalent to \$ 7 million.²⁰



In terms of liquidity requirements, we see that while the harvester and consolidator do not really need much liquidity or investments, the cultivator and processor/ exporter require it during plantation and operations respectively.²¹ Cultivators dig into personal savings or borrow from family and friends to meet their liquidity requirement which typically is of about \$1000 per year. Depending on size, processor/ exporters require about \$ 1 million of liquidity during operations every year. They meet this through personal savings or deferred payment schedules for sourcing materials from consolidators or harvesters/ cultivators.

As a result of this processors/ exporters do not have the risk taking appetite or financial flexibility to explore new customers, markets or technology. As mentioned before, US and EU are the key export markets and have been so for the last many years. At the same time, dry MAP processing technology is the most common form of technology possessed by exporters.²² Some have small distillation plants to process essential oils too.

Quality related institutions and benchmarks

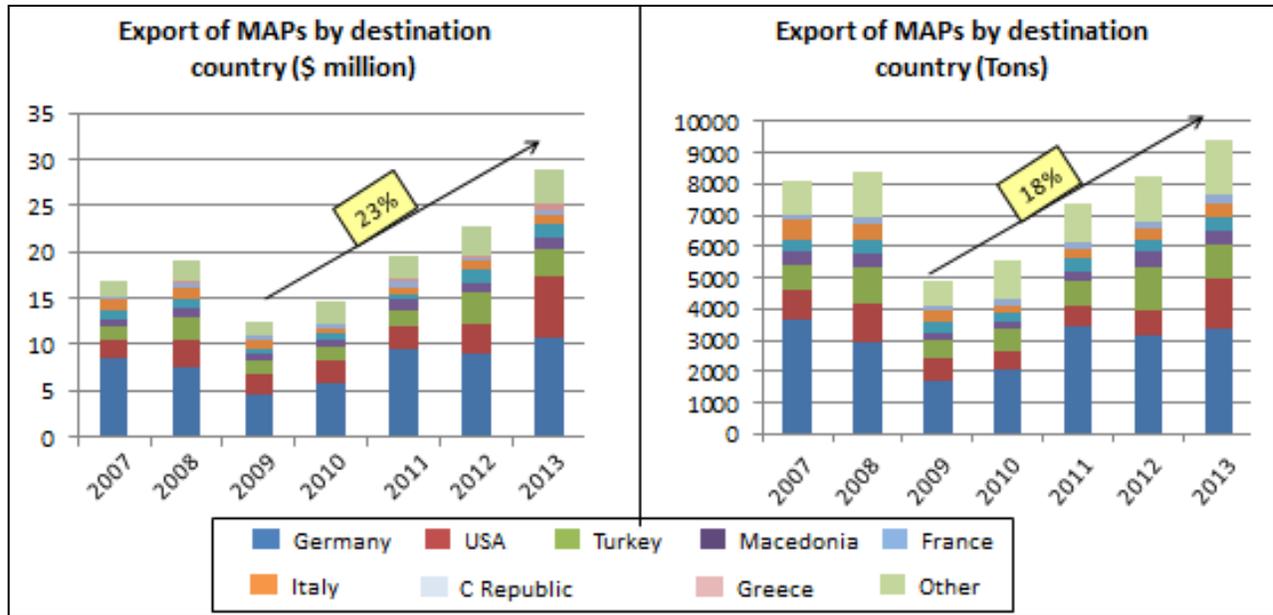
Type of quality testing requirements	Details of quality	Whether is done in Albania or not	Procedure certified or not
Phytosanitary testing	Organic	√	√
	Safety	√	√
Component testing	% of essential oil	√	X
	% of thuyon (basic α, β) for sage	√	X
	% of thuyon (42 component) for sage	X	X
	Active principles for lavender	X	X
	Nitrite content	√	X

The chart here shows us the quality testing universe for MAPs for export in Albania. MAPs need to undergo phytosanitary and component tests to be able to qualify for export.²³ We see here that the Phytosanitary tests can be conducted in Albania and this procedure is certified as well. On the other hand, for component testing only the basic tests are conducted in Albania but they are not certified. As a result, an exporter ends up spending close to three times the amount to get the test done abroad. Basic testing facilities are available in ATTC and Faculty of Natural Sciences.²⁴ Some exporters such as Relikaj also have their own in-house basic testing facility which they use for their own information.

In other words, while organic certification can be done in Albania none others can be done and those that are done are of no commercial value to firms.

End markets for Albanian MAPs

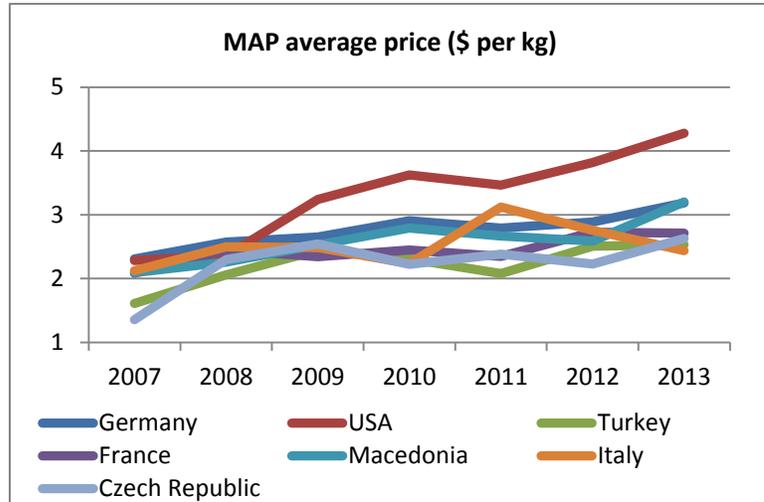
Overall situation



The chart²⁵ above shows the export of MAPs by destination and by years in value and volume terms. Here we see a dramatic drop in export of MAPs in 2009. This is fallout of the Global Economic Crisis triggered by the US sub-prime lending crisis in 2008. Immediately after 2009, though, we see a steady increase in MAP exports. While MAPs export increased at 23% per annum in terms of value to reach \$28 million, it increased at 18% per annum in terms of volume to reach 9100 tons. Evidently, there has been an increase in the revenue receivable per ton of MAP. Now, this could be due to a change in mix of exports i.e., due to an greater increase in export volume of high price MAPs or due to an increase in the prices of a majority (by volume) of MAPs due to increased bargaining power or just demand. Since disaggregated data on MAPs is difficult to come by, we are unable to understand the exact reason for the increase in revenue received. Yet, we can use available data to get broad answers to this question.

Germany is the largest importer of Albanian sage followed by the US and Turkey. Though, the US is becoming increasingly important for Albania, as we will see below.

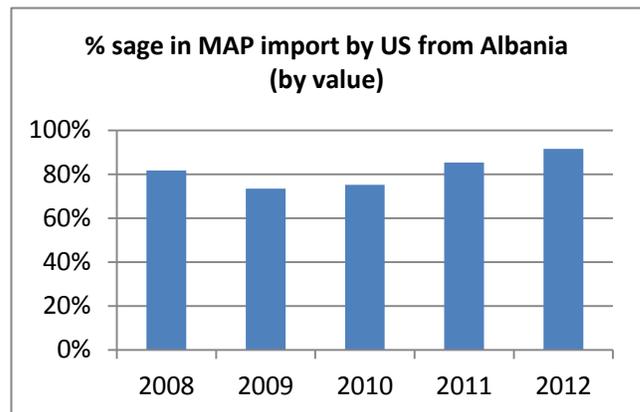
Let us now look at revenue received per ton (prices) by country.²⁶ We can clearly see that while revenue received from the US increases, they remain in the same ballpark for the remaining countries. Another interesting fact is that this trend of the US offering higher prices started in 2009 right after the recession. We are unsure if the two are linked but perhaps, US companies see Albania as a low



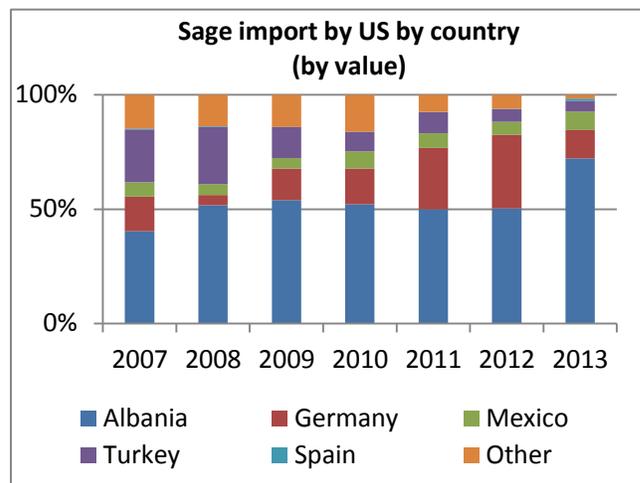
cost source of MAPs so much so that they are willing to pay a higher price to access this low cost source or the other reason could be that the US started valuing the MAPs provided by Albania for its quality or for just having better relations with Albanian exporters.

United States as a MAP export destination

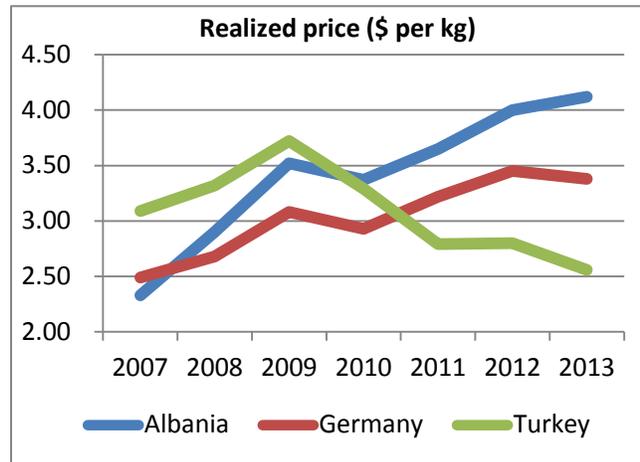
Sage forms about 90% of overall imports of MAPs from Albania by the US (chart alongside).²⁷ We see an increasing trend in the percentage of sage in overall imports of MAPs from Albania starting 2009. This is interesting if we think of this in the context of the previous section where we saw that the US is paying a higher price for the MAPs imported from Albania vis-à-vis other countries. We can, therefore, attribute sage imports as a key determinant of this phenomenon.



Not surprisingly, the US is heavily dependent on Albania for its import of sage. As we can see in this chart²⁸, the share of Albanian sage consistently constitutes about 50% of sage import by the US. In 2013, the share increased to 70% of imports.

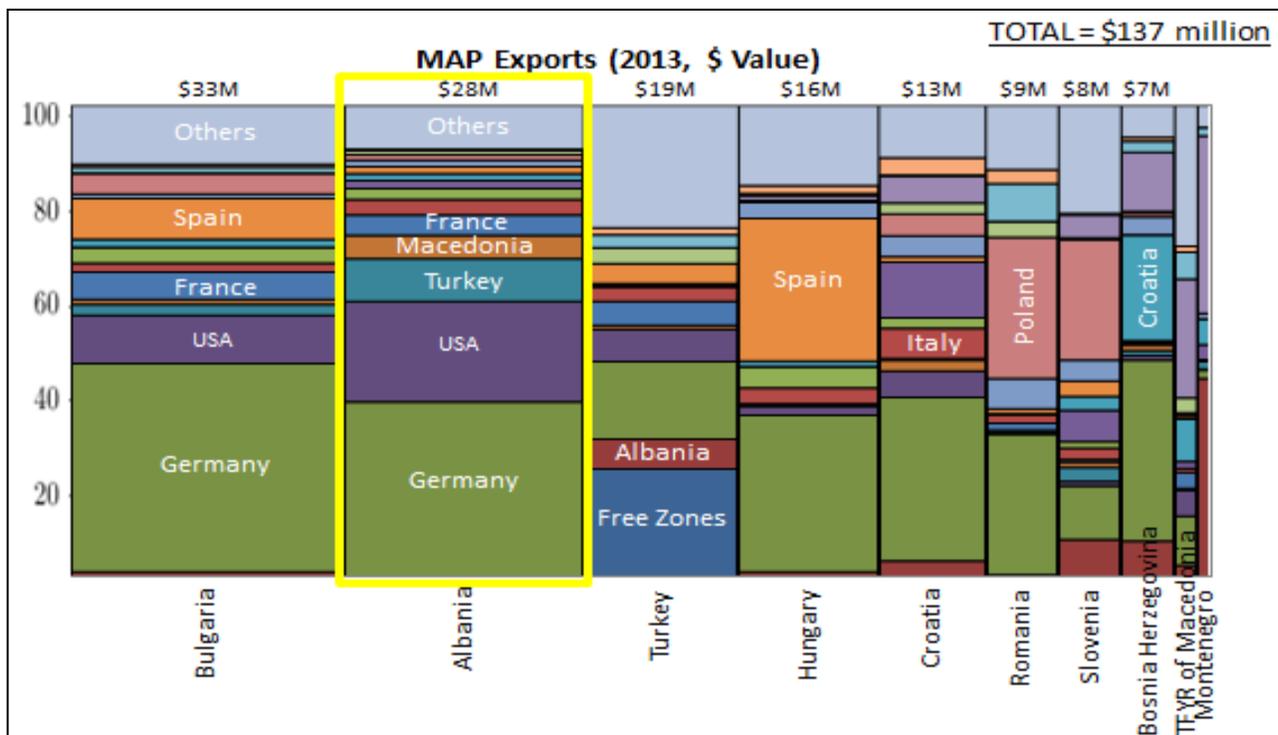


As can be seen in the adjacent chart²⁹, the price received by Albania is higher than that by its closest competitors, Germany and Turkey. In fact, the prices in Turkey fell after 2009. Historically, Turkey is a big re-exporter of Albanian sage to the US. In this context, the new trend observed shows that the US likely prefers to import directly from Albania rather than through Turkey.



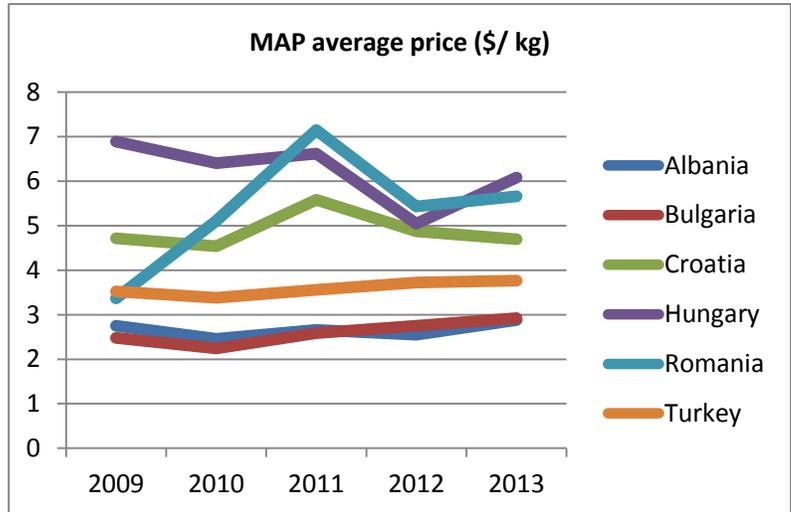
Albanian MAPs vis-à-vis its closest competitors

Albania’s closest competitors are countries in the Mediterranean region that produce and export similar MAPs.³⁰ These are Bulgaria, Turkey, Hungary, Croatia, Romania, etc. The chart³¹ below gives a succinct picture of the MAP exports market in the region.

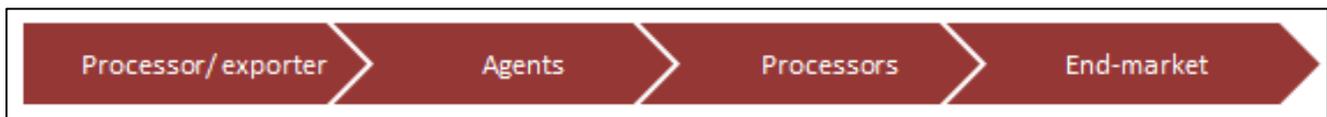


Albania is the second largest exporter of MAPs in the region after Bulgaria, lagging by about \$5 million in export value. Turkey is the third largest exporter lagging by about \$10 million in value behind Albania. An interesting point to note here is that Albania is a major player in Germany and United States that are the largest destinations of MAP exports from the region.

The average price of MAPs from Albania and Bulgaria are the lowest in the region, as can be seen in the adjacent chart³². Therefore, competitive pricing is a potential reason for the large shares of these two countries in the export of MAPs from this region.



INTERNATIONAL VALUE CHAIN



This is a simplified version of the international value chain. Here we see that once the MAPs leave the Albanian boundary they go through agents who either act as middlemen just buying and selling MAPs or add value primarily in the form of further processing and quality control. Eitherway, MAPs undergo further processing to suit the needs of different consumers – individual or industries.

Value addition

To understand the value addition to Albanian sage we looked at the market price of sage in the end market. As an illustrative example we have used the price of McCormick rubbed sage.

On the next page we see that while the price of Albanian export of sage is about \$3.5 per kilo, the price of rubbed sage in the market is \$4.5 per ounce (28 grams).³³ This implies that across the international value chain, there is a value addition of about 4 times the procurement price. This has been depicted pictorially in the next page.

In other words, Albania is at the short end of the value chain for sage (domestic + international).



Understanding the value addition mechanism

Information on the international value chain was difficult to come by but we managed to understand the next step in the international value chain from looking at individual company websites, trading portals and general literature search on the internet.

The table³⁴, on the next page, shows the largest importers of sage from Albania. As is evident here, most of the imports are in the form of sage leaves (middle picture in the pictorial depiction above). All except one importer undertakes further processing in the form of cleaning, cutting, grinding, blending, microbial reduction, cryo-milling, etc. These are all processing done to meet the requirements of a diverse set of customers coming from different industries. Most of the sales after processing is business to business i.e., sales is to wholesalers, foodservice companies, etc.

Another very important point to note is the set of quality control certificates each of these importers possess. They are more advanced than the organic certification that most Albanian exporters possess. These include HACCP, GMP, ISO, etc.

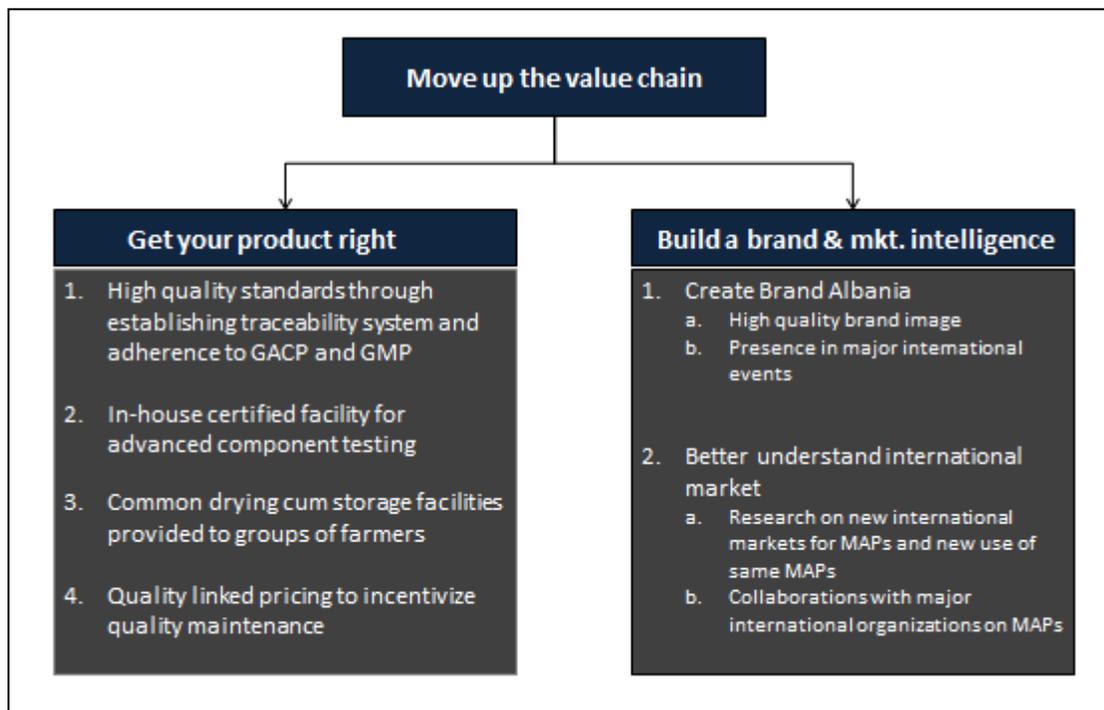
Country	Company	Import form	Processing undertaken	Quality certifications	Buyer/ price
	Krauter Mix (1919)	70% sage leaves	Cleaning, cutting, rubbing, grinding, sterilization	GMP, HACCP, Quality Management System acc. to DIN-EN-ISO 9001:2008, etc.	Exports to about 70 countries; mostly B2B
	A A Sayia (1917)	99% sage leaves	None, resale	NA; Identifies products by country of origin (Albanian sage)	B2B (wholesalers, processors & traders)
	Kalustyan (1948)	90% sage leaves	Cryo-milling (\$14k for upto 50ml capacity)	ASTA and HPCL testing; GMA Safe & Intertek audits; FSMA compliant, FDA & USDA Accredited facility (organic)	B2B (wholesale/ industrial foodservice)
	Elite Spice (1988)	70% sage leaves	Microbial reduction, cleaning, milling, blending (R&D team for innovation)	HACCP, GMP, GAP, Traceability, Allergen control, etc.	B2B & B2C
	Kutas (1980)	NA	NA	GMP, HACCP, ISO 9001:2000, ISO 22000 standards and traceability; tests using European Spice Association & ASTA/ FDA guidelines	B2B (McCormick) 35% of US sage imports from AL is through Kutas

RECOMMENDATIONS

Till now we have established that Albania has a mature sage market but that it is working at the short end of the value chain. Given this the two key recommendations for Albania is to

1. Get the product right
2. Build a brand & market intelligence on the product internationally

This can be pictorially represented as:



A. Get the product right

Getting the product right implies getting the right quality of MAPs that meet international quality measurement standards and the specifications of a variety of industries. This comprises taking the following steps:

1. *Establishing GACP and traceability system* – Albania currently does not follow Good Agricultural and Collection Practices (GACP) for Medicinal and Aromatic Plants³⁵. GACP prescribes certain simple procedural steps to be undertaken to ensure good quality of produce. The processes prescribed are simple and doable yet can be easily overlooked. For example, one of the rules prescribes that the edges in the storage room should be rounded rather than pointed for ease and thorough cleaning. This is

easy to do but is overlooked by most harvesters/ cultivators. Traceability system ensures traceability of products from the ‘farm to table’. This is a tedious thing to do in terms of record keeping and is not followed in Albania. Some exporters have started taking steps to establish traceability but there is a long way to go still. Traceability builds credibility for Albanian MAPs in the international market.

2. *Invest in an in-house certified quality testing facility* – As was shown earlier, the current certified quality testing universe is limited to organic testing only. Investing in an in-house certified quality testing facility will be a great time and cost saver for exporters. This is especially the case if we are to move up the value chain and to base prices on quality of produce rather than on quantity alone (elaborated below). Some of the upgrading costs are mentioned in the table below:

Testing equipment	Price (approx.)
Gas chromatograph – mass spectrometer	\$60,000
High Pressure Liquid Chromatograph	\$40,000
NYR FOS infrared analyzer	\$20,000

3. *Incentivize communal drying and storage facilities for farmer groups* – Even though there is general skepticism towards farmer groups or cooperatives in Albania, there is some recent movement towards forming these groups especially amongst young farmers. The government could take advantage of this and at the same time push for more such groups by providing communal drying and storage facilities to farmer groups. A farmer could be allowed to use it for a cost, thereby ensuring that the provision of these facilities is not a financial burden on the government. This will save a lot of the current losses from the lack of these facilities.
4. *Promote quality based pricing* – Currently there exists no incentives for harvester/ cultivators and consolidators to maintain or manage quality. Hence, uptake of higher quality seedlings are lower, no quality based gradation exists, callous behavior towards good harvesting practices exist, etc. The government needs to promote quality based pricing in order for all agents along the value chain to have the right incentives to produce the right quality. This will especially be important if the

industry plans to move up the value chain. This is because different consumers will need different specifications of quality depending on the industry it is serving through the consumer. To make this a reality, the government could promote a quality gradation system through a marketing federation that is responsible for building brand Albania.

B. Build a brand and market intelligence

When moving up the value chain, one interacts directly with consumers to provide semi-final products rather than raw material hence it is important to build a brand. At the same time, MAPs being a complex market with a very large number of species and players, it is important that the country build market intelligence on at least some of the most important species.

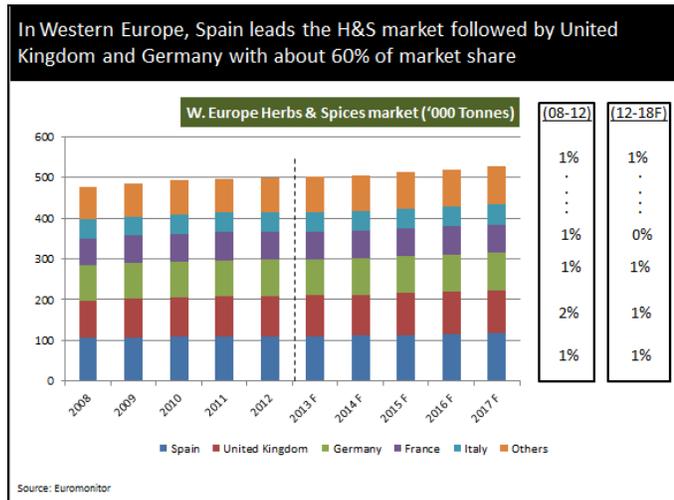
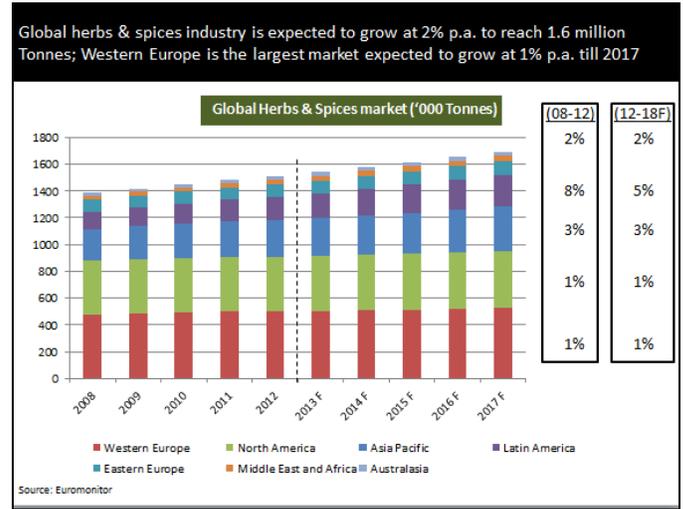
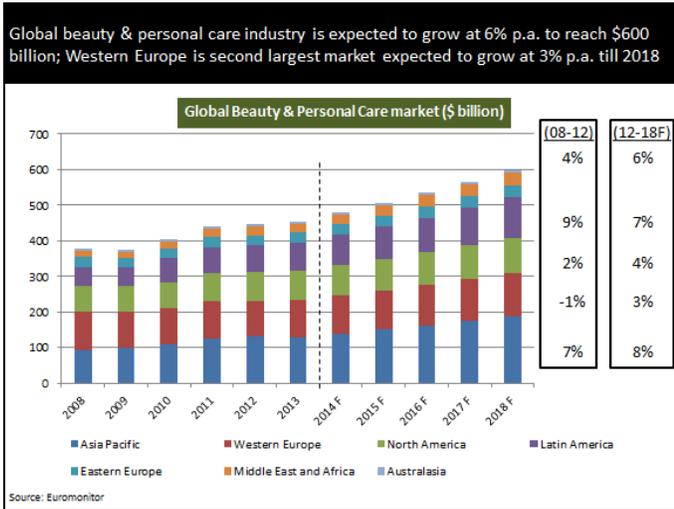
1. *Create brand Albania* – A marketing federation type of organization will be required to build brand Albania. This organization will ensure that the products meet quality specifications agreed upon within the federation. They will also be responsible for all international marketing activities in relevant markets. As there already exists two different industry associations, it only makes sense to not create a new organization. These two industry associations – EPCA and ACPEMP – can work with the Albania Association of Marketing (AAM) to fulfil the role of a marketing federation type of organization:
 - a. Prepare a comprehensive “Albania” branding strategy for MAPs and ensure marketing documents used by companies follow the branding requirements prescribed in the strategy
 - b. Prepare a one-stop website that carries all relevant information regarding Albanian MAPs and involved players
 - c. Prepare a strategy and timeline for Albanian representation in international trade shows and trade missions by businesses and government

2. *Building market intelligence* – Being a complex market with a multitude of species that are traded, each with its own economics of production, demand and trade, it is important to create market intelligence on the most important species to start with. The country should house an innovation fund that can be accessed by private players to develop new species that have good demand internationally and which suit the Albanian growing conditions or to access new markets or undertake innovations in the existing species. This can be done through secondary research and establishing links with international trade associations for MAPs. Having received candidacy status to the European Union, Albania should start establishing relations with the European Herb Growers Association.

APPENDIX

Here are a few sample country profiles that can be used by Albania to create market intelligence and access newer markets.

Global beauty & personal care industry and Global herbs & spices industry growth forecasts by region and country:³⁶



Country profiles for specific high growth countries in Europe:³⁷



Germany

Market Profile

- Largest MAP extraction sector
- 90% MAPs processed in Germany are imported
- Large traders deal in cosmetics & pharmaceuticals
MAPs, small ones do pharmaceuticals
- Organic and other quality standards are important to grow in this market
- Most buyers expect exporters to follow HACCP principles through the process of production of the exported items
- In addition, for wild collection, it expects GACP (Good Agricultural and Collection Practices) prior to processing
- ISO and IFRA specifications also used

Demand for MAPS
\$150 Million (2010)

Expected Growth in Demand
\$210 Million (2015)

MAPS of Interest
sage, chamomile, mint, sea buckthorn, St. John's wort, marjoram, common elder, rose, lemon balm, lovage, blackcurrant & marigold

Trade Partners
Poland, Bulgaria, Chile, China, Egypt, Brazil, Turkey, India and Albania



Germany

Important traders	Website
Martin Bauer (already a big buyer from Albania)	http://www.martinbauer.com
Flavex Naturextrakte	http://www.flavex.de
Pflannenschmidt	http://www.pflannenschmidt.de
Important trade associations	Website
German Cosmetics, Toiletry, Perfumery and Detergent Association	http://www.ikw.org
Bundesverband Deutscher Industrie- und Handelsunternehmen	http://www.bdiw.de
Trade fairs	Website
Cosmetica Berlin	http://www.ki-online.de
Beauty International (Dusseldorf)	http://www.messe-duesseldorf.de
Vivanness	http://www.vivanness.de
Online markets/ press	Website
Ingridnet	http://www.ingridnet.com
Herbworld	http://www.herbworld.com
Greentrade (organic)	http://www.greentrade.net
Cosma and SOFW Journal	http://www.cosma.com http://www.sofw.com



United Kingdom

Market Profile

- 4th largest MAPs market in Europe
- 90% of imports in UK are imported
- UK is not a large exporter of MAPs implying that they use most of their own production for domestic consumption
- Organic and other quality standards are important to grow in this market
- Most buyers expect exporters to follow HACCP principles through the process of production of the exported items
- In addition, for wild collection, it expects GACP prior to processing
- ISO and IFRA specifications also used

Demand for MAPS
14% of EU cosmetic consumption

3rd largest EU Pharma Market

Sustainability through Fairtrade and FairWild given a lot of importance

Expected Growth in Herbal Market Demand
\$563 Million (2015)

Trade Partners
40% of imports are from developing countries including Kenya, China, India, Turkey and Egypt



United Kingdom

Important companies	Website
A & E Connock	http://www.connock.co.uk
Buckton Scott	http://www.buckton.co.uk
The Organic Herb Trading Co.	http://www.organicherbtrading.co.uk
Important trade associations	Website
Cosmetics, Toiletry & Perfumery Association	http://www.ctpa.org.uk
British Herb Growers association	http://www.bhta.org.uk
Trade fairs	Website
Professional Beauty in Manchester	http://www.professionalbeautymanchestertec.com/
Natural and Organic Products Europe	http://www.naturalproducts.eu
Online markets/ press	Website
Ingridnet	http://www.ingridnet.com
Herbworld	http://www.herbworld.com
Greentrade (organic)	http://www.greentrade.net
Cosmetics Business and Cosmetics International	http://www.cosmeticsbusiness.com http://www.cosmeticsint.co.uk



Italy

Market Profile

- 70% MAPs are imported
- Maintaining quality is vital as US (20%) is one of its largest exporters, so is Germany (10%) and France (9%)
- Organic pays a premium but market demand is fluctuating
- Most buyers expect exporters to follow HACCP principles
- In addition, for wild collection, it expects GACP prior to processing
- ISO and IFRA specifications are also used
- Labels such as Fairtrade and FairWild are becoming increasingly important

Market Size
One of the largest market for cosmetics in EU

MAPS Demand
\$150 Million

Maps in demand
Chamomile, peppermint, lemon balm, sage, dandelion, wormwood, mallow, altea, valerian, passionflower, lavender, hyssop and rosemary

Trade Partners
Tunisia, Turkey, Morocco & Croatia



Italy

Important traders	Website
Carlo Sessa (MAPs)	http://www.carlolessa.it
Indena (MAP extracts)	http://www.indena.com
A.Minardi and Figli (MAPs)	http://www.minardierbe.it/prodotti.cfm
Bauer (MAPs)	http://www.bauererbespezie.com
Important trade associations	Website
Italian Association of Cosmetics Industries (Unipro)	http://www.unipro.org
Federation of Italian Producers of medicinal plants (FIPPO)	http://www.pianteofficinali.org/main/fippo.htm
Italian Association companies working with MAPs and spices (Assoerbe)	http://www.assoerbe.it
Trade fairs/ press	Website
SANA	http://www.sana.it
Cosmofarma	http://www.cosmofarma.com
l'Erborista	http://www.lerborista.net

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- ⁸ Interviews with different value chain segment players
- ⁹ Interviews with different value chain segment players
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- ¹² ATTC Director, Shkoder
- ¹³ Ministry of Agriculture, Food and Consumer Protection, Albania
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- ²⁶ Comtrade database, Ministry of Agriculture, Food and Consumer Protection, Albania
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