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## **ECONOMIC DIVERSIFICATION OF RURAL AREAS IN ALBANIA - THE CASE OF KALLMET COMMUNE**

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### **Abstract**

Since the change of the political-economic system in the beginning of the '90ies, rural areas Albania are facing several challenges in terms of their economic profile. Traditional agriculture, although the main economic sector carrying most of the labor force and representing the main income source for most of the rural population, is facing a veritable crisis in different areas of the country due to several reasons: land fragmentation, persisting property problems, the presence of a family-based self-sufficient economy, lack of investments, weak infrastructure, rural exodus etc. The incomes derived by exerting agriculture *in strictu sensu* (production for consumption) are definitively insufficient for rural families. Therefore, efforts are made in order to diversify the production activity in two main ways: a) within the farm context by providing an extra-value to the agricultural production (commercialization of goods directly to the consumer, product transformation up to an embryonic agrotourism); b) beyond the farm context by initiating nonfarm activities, mostly in the services sector, as well as by other sources of incomes such as employment, emigration etc. All this relatively large specter of activities, this diversified economy, is now part of most of the rural family strategies in Albania, but the researches and statistics in this domain still remain very limited. The highlighting, analysis and interpretation of these diversification tendencies embodies the aim of this study, based on the results of a questionnaire carried out in Kallmet commune (Lezha district).

**Key words:** *rural area, farm, economic diversification, agricultural activity.*

### **Diversification, a difficult concept to be defined**

At first, based purely on the etymological aspect, the term 'diversification' seems easy to be interpreted associated to concepts such as change, transformation or process of transition from a certain subject to another. But this is only the narrow sense of the term. In several sciences, such as economy, sociology or geography, especially when it comes to researches on territory, human practices, the developing dynamics etc, the term "diversification" is a relatively difficult concept to be understood.

Livelihood diversification is defined as the process by which rural families construct a diverse portfolio of activities and social support capabilities in order to survive and to improve their standards of living (Ellis, 1998)<sup>1</sup>.

Its implications, in accordance with a particular historical, economic, social and cultural context, are various, given the aspects of this concept depending on the type of the analyzed process.

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<sup>1</sup> Ellis, F. (1998), "Household strategies and rural livelihood diversification", Journal of Development Studies, Vol. 35(1):1-38.

Several authors associate diversification of economic activities and income sources of rural households to the low level of country's development, focusing their researches in developing regions or countries (REARDON, 1992<sup>2</sup>; REARDON et al, 1992<sup>3</sup>; BARRET. et al, 2001<sup>4</sup> etj.). However, as Ellis (2000)<sup>5</sup> says "... participation in multiple activities by farm families is, of course, not new, nor only confined to the rural sectors of developing countries. Livelihood diversification is widespread and is found in all locations, as well as across farm sizes and across ranges of income and wealth".

In this study, which is focused on a rural area with predominant agricultural activity and tries to maintain its geographical character, combined with other economic and psychosocial elements, the concept of "diversification" will be studied in terms of diversification of economic activities of farm families of the considered area. These activities will be classified in:

1. Activities based on the agricultural sector (beyond the basic function of agriculture – simple production), regardless of the area where it is exercised. These activities, such as: commercialisation of agricultural products directly in the hands of the consumer, industrial transformation of agricultural products, agritourism etc, although based on farm products, are indeed processes that do not represent an agricultural activity in its narrow concept<sup>6</sup>.
2. Activities outside the agricultural sector, regardless of the domain they belong to.

### **Briefly on the studied area**

The area taken into consideration is the commune<sup>7</sup> of Kallmet, part of Lezha district. Covering a surface of 18.1 km<sup>2</sup>, with a population of approximately 6800 inhabitants<sup>8</sup>, the commune is composed of four villages: Kallmet i Madh, Kallmet i Vogël, Mërqi and Raboshtë, with an average distance of about 10km from the center of the district.

By the economic point of view, the commune has an accentuated agricultural character, with ancient traditions in viniculture, oleiculture and processing of agricultural products, but in the same time there is a growing trend towards economic activities carried out outside of the agricultural sector.

### **Aim of research and methodology**

This research represents an attempt to analyze and interpret the current situation and the trend of farm families in rural areas, concretely in Kallmet commune, in terms of their involvement in the basic economic activities (agricultural production) and their orientation towards other activities, based or not on the farm resources. Considering this purpose, it is necessary to provide answers to some questions such as:

1. What is the degree of the involvement of farm families in agricultural activities and what are some of the characteristics of this activity?

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<sup>2</sup> Reardon, T. (1992), 'Income Diversification of Rural Households in the Sahel', Rural Development Studies, Vol. 24: 281-297.

<sup>3</sup> Reardon, T., C. Delgado and P. Matlon (1992), 'Determinants and Effects of Income Diversification amongst Farm Households in Burkina Faso', Journal of Development Studies, Vol. 32: 899-912.

<sup>4</sup> Barrett, C.B., T. Reardon and P. Webb (2001a), "Nonfarm income diversification and household livelihood strategies in rural Africa: concepts, dynamics and policy implications", Food Policy, Vol. 26: 315-331.

<sup>5</sup> Ellis, F. (2000), "The Determinants of Rural Livelihood Diversification in Developing Countries", Journal of Agricultural Economics, Vol. 51(2): 289-302.

<sup>6</sup> Sales, processing, service provision etc.

<sup>7</sup> The commune is an administrative division, made of a certain number of villages.

<sup>8</sup> According to the commune's Civil State Office, September 2011.

2. What is the degree of the involvement of these families in other non-typically agricultural activities and what is the nature of these activities?
3. What is the tendency of these families in the future regarding their economic orientation?
4. Should the enlargement of the specter of economic activities be considered as a developing opportunity for the area?

In order to answer to these questions and at same time to know and interpret the perceptions of farm families concerning their economic strategies, the most appropriated research method was considered the survey<sup>9</sup>. This process includes 70 families, chosen carefully in order to provide a satisfactory representation from all the villages of the commune and from several household categories. It is necessary to emphasize that the questions were asked only to the household heads, in order to understand if there is any relation between certain characteristics of the household head and the economic orientation of the household.

### Main results of the survey and discussions

Below there are some of the main results of the survey carried out, with an emphasis on the cases where correlation between indicators is significant.

**A.** The data obtained from the survey show that all the involved households are owners of land they use. The structure of land property appears like this:

- inherited (46%);
- obtained from the implementation of the 7501 Law "On Land";
- partly inherited and partly obtained from the law.

As can be seen in the following table, agricultural land owned by households, despite its limited surface, appears multifunctional in terms of its agricultural use. All families are found to have possession of arable land and most of them also own vineyards and orchards. Despite the relatively high interest for agricultural activity and the ancient and wellknown agricultural traditions of the area, wasteland is considerably widespread phenomenon.

Table 1. Agricultural land use

Agricultural land use	The owning structure by the households (in %)	Average surface (m <sup>2</sup> )
Arable land	100	6.7
Vineyard	86	2.2
Orchards	74	6.9
Pastures	26	1.5
Wasteland	26	2.3

Source: Survey results

**B.** Most of the households, about 66%, consider the owned agricultural land as insufficient, regardless of whether it comes to production destined entirely for self-consumption, partly for market or exclusively for the market. The remaining part (33%) explain that considering the agricultural land as sufficient does not always mean that it meets the household's needs, but it shows that a larger agricultural land would mean a greater commitment in agricultural works and, most of all, greater expenses, which could not be afforded by all the households.

<sup>9</sup> The results obtained by applying this methodology aim to highlight the general tendencies of the population regarding the research's thematic, without pretending to perfectly represent the reality.

C. All the surveyed households are simultaneously involved in land cultivation and animal husbandry. Planted crops are various, but the most common are grains, forages, grapes and some vegetables. Generally they keep two or three types of livestock: a typical household owns one cow, two pigs and ten chickens. Diversified structure of crop and livestock production, considering the limited area of agricultural land and farm as a whole, indicates that production firstly tends to meet household's needs and then to supply the agricultural markets.

D. Another important indicator of the weight that the agricultural activity carries is the engagement of the household members in agricultural works. As it can be observed in the following table, most of the households engage only one person in agricultural works, although the percentage of the households engaging more than one person is almost equal, testifying the important role the agricultural activity plays in this commune in the cadre of the entire specter of economic activities, as well as the important time devoted to agriculture. However, the minimal percentage of households involving all their members in agricultural works indicates that this activity is not that omnipresent in terms of household's labor force, implying a possible involvement of the remaining members in other activities outside the agricultural sector. On the other hand, it is found that almost all households (about 97%) cover themselves the agricultural works<sup>10</sup>, which is related not only to the lack of need for external labor force, but to the limited financial possibilities of several households to afford the necessary expenses.

Table 2. The level of engagement of household members in agricultural works

Number of household members engaged in agricultural work	Households (in %)
Only one member	48
More than one member	46
All members	3
No one (hired persons)	3
Total	100

Source: Survey results

E. Despite the fact that about 94% of the households surveyed say they do trade a portion of their production (about 80% of families commercialise not more than 50% of production), mostly the product commercialisation is made indirectly, by a mediator. Only about 14% of the households trade their products (processed or not) directly into the consumer's hands, almost entirely in Lezha town. This way of production commercialization, which constitutes indeed a form of diversification of the activities carried out by farmers, generally provides them higher incomes<sup>11</sup>, which, in the case of the surveyed households, represent about 30-40% of the total incomes of the households. The correlation between the indicators shows that in general households headed by persons of more than 50 years old are more susceptible to this form of trading.

To sum up, the households, despite the high degree of involvement in the trading process, appear less active in the direct commercialization of agricultural products as one of the forms of diversification of activities within the agricultural sector. Moreover, the agricultural product commercialisation appears to be the only "extra-activity" within

<sup>10</sup> It is about an everyday engagement and not about carrying out some specific agricultural processes.

<sup>11</sup> Except of the cases where the transport cost does not justify the sending of the production at the market by the agricultural himself.

agriculture frame, since none of the surveyed households is not engaged in any other form of diversification<sup>12</sup>.

**F.** With regard to the processing of crop and livestock production by households, almost 90% of them stated to process at least one product, but in each case it comes to an artisanal process, carried out by "primitive" means inside the house.

**G.** The survey shows that more than half of households (54%) also perform activities outside the agricultural sector, distributed by sector as follows:

Table 3. Engagement of households in activities outside the agricultural sector

Sector	Households engaged (in %)
Industrial	26
Construction	32
Services	42
Total	100

Source: Survey results

If in the industrial and construction sector it comes only to the engagement in the form of the employment of one of the household's members, more than 1/2 of the households in the service sector carry out an entrepreneurial activity, mainly modest trade.

Correlating analysis indicate the presence of a relation between the involvement in activities outside the agricultural sector and the age of the household head: on one hand, the households whose head is under 40 years old represent about 42% of households engaged in activities outside the agricultural sector, while making up only 26% of the total households surveyed; on the other hand the households whose head is over 64 represent only 5% of households engaged in activities outside the agricultural sector, while making up up to 26% of the total households surveyed.

**H.** The presence of at least one activity outside the agricultural sector in the cadre of the household's income sources helps in providing higher incomes. However, even in this case, as shown in the following table, there is a significant relation between the age of the heads of the households engaged in activities outside the agricultural sector and the quantity of provided incomes: in general, the more the household head is young, the more the incomes are higher (for the household heads of over 64 years old they are even lower than those of the corresponding households<sup>13</sup> engaged only in the agricultural sector).

Table 4. Incomes (in lek<sup>14</sup>) provided according to sectors and age of household head

Age of household head	Mean incomes of households engaged exclusively in the agricultural sector	Mean incomes of households engaged also outside the agricultural sector
Under 40	5200	9000
41-50	3200	6700
51-64	5600	8000
Over 64	6600	5000

Source: Survey results

<sup>12</sup> The survey shows there is no household engaged in the industrial processing of agricultural products or offering tourist services based on farm resources.

<sup>13</sup> Households whose heads are more than 64 years old.

<sup>14</sup> Albanian currency

**I.** Surveyed households show a low affinity towards expanding of the range of activities carried out within the agricultural sector. Only 11% of them would be willing to engage in one the diversifying forms within this sector (mainly agricultural product processing and just a few in agritourism). The tendency to be orientated towards diversifying forms outside the agricultural sector is also low (only 20%, mainly in trade and construction). In fact, be, in addition to the finding that activities outside the agricultural sector are more preferred compared to those within the sector (not just for financial reasons, but also for a better social position), the data obtained show not just a lack of interest towards the diversification of the specter of economic activities in general, but above all they reveal the difficulties (mainly financial) of the farm households for diversification.

**J.** The data gathered show that the engagement in a new activity, inside or outside the agricultural sector, is considered as an opportunity for the improvement of economic and social situation only by 11% of the surveyed households, while other options, such as: the increase of investments by the government or leaving the settlement or the country are considered more valuable.

**K.** The way inhabitants see their children's future is of particular interest for the research. Regardless of the pronounced agricultural character of the area, its agricultural traditions and the strong relation of the habitants with their settlement and especially their agricultural land, the agriculture is considered as the sector with less perspective, while the engagement in other sectors within the settlement and the alternative of emigration is seen as a better future for the young generation by most of the surveyed households.

Table 5. The children's future

The children's future in the eyes of the parents	Households (in %)
In the same area, in the agricultural sector	3
In the same area, outside the agricultural sector	40
In another area, inside the country	23
Outside the country	34
Total	100

Source: Survey results

### Conclusions and recommendations

The conclusions of this research based on the interpretation of the results obtained by the survey in the commune of Kallmet are as follows:

- The agricultural sector remains the most important in terms of the engagement of the households, but it results insufficient regarding the incomes it provides.
- The basic function in the cadre of agricultural sector remains the simple agricultural production, mainly for self-consumption and less for trading purposes.
- The range of diversifying activities within the agricultural sector is limited in the commercialization of agricultural products directly in the hands of the consumer.
- Lead mainly by the aim of providing higher and complementary incomes besides the agricultural ones, but also by the aim of reaching a better social position, more than half of the surveyed farm households are found to be simultaneously engaged in economic activities outside the agricultural sector.
- Most of the households exercising activities outside the agricultural sector are involved in the service sector (mainly in the form of entrepreneurial activity, mostly in trade), and less in construction and industrial sector (entirely in the form of employment).

- The age of the household head has a considerable impact on diversification initiatives: the most present in the forms of diversification within the agricultural cadre are found the households whose heads are older, while in activities outside the agricultural cadre, those who are younger.
- The incomes of the households where agricultural activity is accompanied with the non agricultural one are generally higher compared to those living exclusively of agricultural activity.
- The tendency to orientate in the future towards activities outside the agricultural cadre is part of 1/5 of the surveyed households, while the one towards other non agricultural activities represents the will of only 1/10 of the households.
- Almost all households see the future of the young generation outside the agricultural cadre, despite the wish to stay or leave the settlement.

Based on these conclusions, in the studied area, as well as in other similar rural areas it is important to encourage diversification in the cadre of agricultural sector, aiming the valorization of agricultural activity, in order to make it more flexible to the current demands and innovations and financially more efficient regarding. A diversified and multifunctional agriculture would lead to a multidimensional revitalization of rural areas. Also, the national, regional and local policies and strategies should extend their focus regarding the economic profile of the rural areas, taking into consideration not only the agricultural sector but also other non agricultural ones, as important components of the spectre of economic activities exercised by households.

Therefore, it is important to take all the necessary measures to provide a complete and updated database regarding the forms of engagement of households in economic activities and to constantly perform monitoring and studies for the inhabitants in general and for several target-groups, in order to highlight the actual situation and to define the tendency of these familiar economic strategies in the future.

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