# Strengthening the Position of Farmers in the Dairy Value Chain in Light of the EU Common Agricultural Policy (CAP): Insights from Albania

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*Abstract: This article analyzes the position of Albanian dairy farmers within the value chain by assessing their power in price negotiations, access to markets, and integration with processors and retailers. Using the framework of the EU Common Agricultural Policy (CAP), which aims to strengthen farmers' positions in the value chain, the study evaluates how Albanian dairy farmers align with these objectives and identifies key challenges. The analysis highlights structural weaknesses, such as fragmented production, weak bargaining power, and limited access to financial and technological resources, which hinder competitiveness. The study aims to identify ways to empower farmers within the dairy value chain by leveraging policies and programs provided by the European Union, particularly the "Farm to Fork" Strategy. Through a comprehensive approach implemented in the framework of the project ""Farm to Fork Academy for Green Western Balkan-our common European future" financed by EU, involving focus group discussions, interviews with key stakeholders, and secondary data analysis, the study provides an in-depth assessment of the current state of the sector and the positioning of farmers within the value chain. Furthermore, it offers concrete recommendations to enhance farmer cooperation, improve quality standards, and implement fair trading mechanisms. The study suggests that government and international partners should support investments in infrastructure and technology, including the establishment of milk collection centers and advanced dairy farm equipment. Additionally, fostering farmer cooperatives would strengthen their bargaining power and improve access to financing and markets. If the right policies are implemented with full support from the EU and national stakeholders, the dairy sector has the potential to increase rural incomes, enhance the quality of life in rural areas, and contribute to overall economic development. Recommendations focus on policies that could enhance farmers' roles in the value chain, including cooperatives, improved market access, and better financial instruments.*

*Keywords: agriculture, dairy sector, value chain, Albania*

# 1 Introduction

Albania's agriculture remains one of the country's principal economic pillars, contributing around 18% to the Gross Domestic Product (GDP) and providing employment for a significant portion of the rural population. The agricultural landscape in Albania is characterized by approximately 350,000 farms with an average farm size of 1.2 hectares. These farms are often highly fragmented—divided into three to five separate parcels—which poses serious challenges for mechanization, operational efficiency, and overall production effectiveness. Despite the inherent challenges due to fragmentation and small-scale production, Albania's agricultural sector has experienced notable improvements in recent years. This progress is largely attributed to both internal investments and robust international support, particularly through European Union (EU) initiatives such as the IPARD program. These efforts have resulted in better infrastructure, enhanced access to modern technology, and improved market connectivity. The gradual shift from traditional production methods toward more sustainable, modern practices is opening new avenues for increasing productivity and competitiveness in both domestic and export markets.

Within this broader agricultural context, dairy sector stand out due to the significant impact on rural incomes and economic development: The dairy sector is a key contributor to Albania's livestock production. It is critical for the direct income of rural families and for ensuring local food security. However, it faces numerous challenges such as low average yields, inadequate cold storage facilities, and insufficient organization among farmers.

The government's focus on strengthening the position of farmers in the value chain is a central element of the Common Agricultural Policy (PPB) for 2023–2027, particularly through Objective 3, which emphasizes enhancing negotiating power, boosting competitiveness, and promoting better organization among farmers. This policy framework advocates for improved synergy within the value chain, market orientation of production, and increased transparency, all of which are crucial for enabling farmers to secure fair prices and sustainable incomes. The overarching goal of this paper is to identify the challenges that hinder dairy farmers from positioning themselves more effectively within the value chain. It also aims to evaluate the opportunities offered by EU policies and funding mechanisms and to propose specific interventions that bolster the technological and negotiating capacities of these producers.

The Common Agricultural Policy (CAP) of the European Union (EU) for 2023-2027 outlines several key objectives, including Objective 3: "Strengthening farmer position in food chain" [2]. This objective focuses on creating conditions that enable farmers to

[2] European Commission (2022). Common Agricultural Policy. Specific objectives of the CAP. Accessed from https://agriculture.ec.europa.eu/sustainability/economic-sustainability/cap-measures_en#

enhance their bargaining power, increase competitiveness, and improve organization in their interactions with processors, traders, and exporters. The intervention measures under this objective are linked with: a) strengthening cooperation among farmers, b) enhancing synergies within value chains, c) supporting the development of market driven production models, d) fostering research and innovation, e) increasing market transparency, and, f) ensuring effective mechanisms against unfair trading practices.

# 2 Objectives and Methodology

The study is structured around several specific objectives:

- To evaluate the production capacity, organizational structure, and main challenges of dairy farmers.
- To investigate factors affecting farmers' bargaining power—including input costs, quality standards, and group organization—and understand how these affect overall profitability
- To examine how the "Strengthening the Position of Farmers in the Food Value Chain" objective of the Common Agriculture Policy (CAP) can be practically implemented, especially in the context of fragmented farm structures in Albania.
- To provide a basis for targeted recommendations to address main challenges faced by the dairy value chain stakeholders.

This study adopted a sequential, mixed-methods design that wove together qualitative fieldwork and quantitative secondary-data analysis to capture both the lived experience of Albanian dairy farmers and the structural forces that shape their bargaining position. We began with a scoping exercise in early 2024, mapping all relevant actors—from smallholders and collectors to processors, input suppliers, and policy-makers—and refining the research questions through informal conversations and a review of national policy documents. The exercise produced a stakeholder matrix that later guided purposeful sampling in the field.

Primary data were gathered between September and December 2024. Thirty five semi-structured interviews (average length one hour) were conducted with 20 farmers of varying herd sizes, five processors, three input suppliers, two Ministry of Agriculture and Rural Development officials and five experts .To explore group dynamics and surface shared concerns, we organized three focus-group discussions in Tiranë, Lushnjë and Berat, with participation of around 30 participants in total stratified by farm size and gender. In addition, a Workshop at national level brought producer organizations, processors' associations, extension officers, NGOs and EU-project staff to the same table, allowing us to test preliminary findings and discuss the feasibility of proposed interventions. All sessions were recorded with informed consent, transcribed

verbatim, anonymised and stored in an encrypted repository that also contains our reflexive field notes.

Parallel to the fieldwork, we compiled a longitudinal quantitative dataset that merges INSTAT agricultural statistics (2000-2023), Ministry of Agriculture and Rural Development subsidy records (2019-2024) and international sources such as the FAO, World Bank and EU Market Observatory. We also assembled a policy corpus covering the CAP Strategic Plan 2023-27, the Unfair Trading Practices Directive, IPARD III guidelines and key national support schemes (e.g., Albanian Governments :Decrees VKM 130/2024 and VKM 581/2024).

Quantitative insights were merged in a SWOT matrix that stakeholders scored for likelihood and impact during a feedback workshop, helping to prioritize strategic options. Finally, triangulation across data types and actor groups ensured that divergent perspectives were reconciled; any anomalies were followed up through four short telephone calls with the relevant respondents.

**Key issues discussed during focus groups**

For the value chain analysis of the dairy sector, a list of semi-structured questions was developed to identify the key challenges and opportunities influencing the performance of farmers and other stakeholders, with a particular focus on farmer's position in the value chain. Key questions that guided this process include the following:

1. What are the main challenges confronting farmers in the value chain?
2. How can farmers strengthen their position in the value chain to add value to their products?
3. Is it feasible for farmers to negotiate better conditions with other value chain actors, particularly regarding pricing and production?
4. Is it realistic for farmers to influence decision-making within the value chain regarding the value of the product?

The methodological steps followed are detailed in the Table 1

| Phase | Activity | Purpose | Main Outputs |
|---|---|---|---|
| 1 | **Scoping & stakeholder mapping** | Identify key actor categories (farmers, processors, collectors, input dealers, policy-makers) and refine research questions. | Stakeholder matrix; interview & focus-group guides. |
| 2 | **Primary data collection**<br>**• Semi-structured interviews**<br>**• Focus groups**<br>**• Consultative meetings** | Elicit first-hand perceptions of constraints, opportunities, and power relations. | 28 interview transcripts; 3 focus-group recordings; 5 consultative-meeting minutes. |
| 3 | **Secondary-data compilation** | Assemble time-series on herd size, milk output, prices, subsidies, and policy measures from INSTAT, MARD, EU, FAO, and World Bank sources. | Harmonized dataset (2000-2024); policy document library. |
| 4 | **Analytical synthesis**<br>• Descriptive statistics<br>• Thematic coding<br>• SWOT analysis | Quantify performance trends; distil cross-cutting themes; assess strengths, weaknesses, opportunities, threats. | Value-chain map; SWOT matrix; evidence tables. |
| 5 | **Triangulation & validation** | Cross-check findings across data types and stakeholder groups; present preliminaries in a feedback workshop. | Revised findings; consensual policy recommendations. |

Table 1

Research Design and Sequence

## Limitations of study

Despite incorporating both primary and secondary data, the study has several limitations. The main challenges include the lack of available statistics for some indicators and the absence of recent data for others. Additionally, the interviews and focus group discussions were based on an indicative sample, which introduces a margin of error in the collected data. Furthermore, some stakeholders were unavailable

for direct interviews, affecting the depth of information gathered. To mitigate these limitations, a complementary analysis of primary and secondary data was conducted.

# 2 Literature Review

The food value chain plays a crucial role in determining the economic and social sustainability of agricultural sectors worldwide. Understanding farmers' positions within this chain is essential to improving their market access, bargaining power, and profitability. In the context of Albania, the dairy value chain holds significant importance due to its contribution to rural livelihoods and national food security.

*The food value chain* encompasses all activities involved in the production, processing, distribution, and consumption of food products. According to Kaplinsky and Morris (2001), a value chain perspective helps identify key actors, their relationships, and value-added activities at each stage. Porter (1985) highlights the importance of competitiveness and efficiency within value chains, emphasizing the need for upgrading strategies.

Studies by Gereffi et al. (2005) distinguish between producer-driven and buyer-driven value chains, which are critical in understanding power asymmetries in agricultural markets. The food value chain in developing countries often suffers from inefficiencies related to infrastructure, financial constraints, and lack of market linkages (Trienekens, 2011). In Albania, similar challenges affect the agrifood sector, requiring policy interventions to enhance competitiveness and sustainability (FAO, 2019).

Farmers' positions in the food value chain are influenced by factors such as access to inputs, market power, institutional support, and bargaining capabilities. Studies by Barrett et al. (2010) and Swinnen and Maertens (2007) suggest that smallholder farmers often face disadvantages in global value chains due to limited access to technology, finance, and information.

In Albania, research indicates that farmers struggle with low bargaining power and are often price takers due to fragmented production systems and weak cooperative structures (World Bank, 2020). Strengthening farmers' roles through collective action, contract farming, and value chain integration has been proposed as a solution to enhance their market participation (Gellynck & Kühne, 2008).

*Market power* :The food supply chain in the EU is characterized by high levels of concentration among retailers and processors, leading to asymmetries in market power. Research by Hendrickson et al. (2018) highlights the challenges that farmers face when negotiating prices due to the dominance of large supermarkets and agribusiness corporations. The EU’s response includes competition law enforcement, aiming to prevent monopolistic behaviors that undermine farmers' profitability (Bonanno & Lopez, 2014).

Another crucial aspect of EU policy is price transparency. The EU Market Observatory for agricultural markets provides farmers with real-time data on market prices and trends, improving their ability to make informed production and marketing decisions (European Commission, 2022). Transparency initiatives such as these are linked to reduced price volatility and better income predictability for farmers (Tothova, 2011).

## 2.1 EU Policy Framework

European Union (EU) has established a comprehensive policy framework aimed at improving farmers' positions within the food value chain. These policies focus on increasing transparency, strengthening market power, and ensuring fairer distribution of value. The Common Agricultural Policy (CAP), competition law, and specific legislative measures such as the Unfair Trading Practices (UTP) Directive play a crucial role in shaping the dynamics of agricultural markets. The EU's Common Agricultural Policy (CAP) serves as the cornerstone of agricultural policy in Europe, aiming to ensure fair incomes for farmers, food security, and rural development (European Commission, 2021). The CAP's latest reforms emphasize market orientation, sustainability, and direct support schemes to enhance farmers' economic resilience.

One of the key components of the CAP is the strengthening of Producer Organizations (POs) and Cooperatives, which enable farmers to consolidate their bargaining power in negotiations with processors and retailers (Swinnen, 2015). Moreover, CAP reforms promote risk management tools, including insurance schemes and income stabilization mechanisms, to support farmers against price volatility and external shocks (Matthews, 2018).

The EU has also implemented the Unfair Trading Practices (UTP) Directive (EU Directive 2019/633), which addresses power imbalances in the food supply chain. The directive prohibits unfair practices such as late payments, unilateral contract changes, and last-minute order cancellations, thereby ensuring fairer treatment for farmers (European Commission, 2020). Studies indicate that such measures significantly improve farmers' negotiating positions and income stability (Crespi & Saitone, 2019).

# 3 Current Situation in dairy sector

The dairy sector is a cornerstone of Albania’s agricultural system and plays a crucial role in both local food consumption and export potential. Livestock production—notably milk and meat—constitutes a major component of the country’s agro-industrial chain, with dairy products representing an essential element of the national food supply. According to unpublished data from the Ministry of Agriculture and Rural Development, the livestock segment contributes around 45% of the overall value of Albanian agriculture.

Over the past decades, there has been a significant decline in the number of livestock. Data covering the period from 2000 to 2023 indicate a cumulative reduction of approximately 48% for cattle, 30% for sheep, and 36% for goats. Even when focusing on the more recent period (2019–2023), the declines remain considerable: cattle numbers fell by about 27%, sheep by 20%, and goats by 24%. These trends underscore the urgent need for targeted interventions to address the challenges threatening the sustainability of livestock production.

Milk production in Albania has experienced both significant growth and notable decline over the years. From 1990 to 1996, total milk production nearly doubled—from 517,000 tons to 1,044,000 tons—reflecting favorable conditions and improvements in agricultural practices during that period. The production peaked at 1,156,000 tons in 2017, but thereafter it began to decline, reaching 901,000 tons by 2023 (a reduction of approximately 22%). Breaking down the numbers by animal type, cattle milk dropped by about 22%, while milk production from sheep and goats decreased by roughly 26% and 20% respectively.

Despite the decline in total production volumes, there is a positive trend in milk yield per animal. The average yield per cow increased substantially—from 1,398 liters in 1990 to 3,157 liters in 2023, which represents an improvement of over 125%. This enhancement in productivity is more pronounced in larger farms that benefit from modern technologies and improved management practices, although small-scale farms still struggle with limited access to such advancements. Milk production by category during 1990-2023 is analysed in the following table

| Category | 1990 | 1996 | 2017 | 2022 | 2023 | Change in % |
|---|---|---|---|---|---|---|
| Cows | 421,000 | 895,000 | 983,000 | 825,000 | 765,000 | -22.15% |
| Sheep | 44,000 | 70,000 | 87,000 | 69,000 | 64,400 | -25.98% |
| Goats | 52,000 | 79,000 | 87,000 | 76,000 | 70,000 | -19.54% |
| Total | 517,000 | 1,044,000 | 1,156,000 | 970,000 | 901,000 | -22.08% |

Table 2
Milk production by category during 1990-2023
Source: INSTAT (2024)

## 3.1 Support for the Dairy Sector in Albania (2019-2024)

The dairy sector is a key pillar of Albania's agricultural economy, playing a critical role in sustaining rural livelihoods and contributing significantly to the country's overall food production. Recognizing its importance, the government has implemented targeted support measures for the dairy sector for the period 20192024. These measures are designed to enhance productivity, modernize production, and ensure

sustainable development through two main channels: the National Support Scheme and the Investment Scheme.

Under the national scheme, financial support is provided directly based on the "base number" of animals in a herd, with differentiated payments for cattle on one hand and for small ruminants (sheep and goats) on the other

For cattle, particularly those raised for reproduction, the government offers support of up to 10,000 lek per head for farmers with a minimum of 10 cows. However, for herds that exceed 50 head, the benefit is reduced by 50%—unless the farmers are registered as part of a formal cooperative or farmer group. This structure is intended to reward smaller, more efficient operations while encouraging collaboration among farmers. For small ruminants, farmers who own at least 100 head of sheep or goats are eligible for a payment of up to 1,200 lek per head. Similar to the cattle scheme, for herds exceeding 300 head, the benefit is halved unless the farm operates under a recognized cooperative framework. This tiered payment system reflects an effort to balance support across different scales of operation while promoting organized, collective action in the sector

Complementing the direct payments, the Investment Scheme is aimed at modernizing the dairy sector by improving infrastructure and facilitating access to modern technology. This scheme focuses on two primary areas: i) Construction of Facilities:: The government provides financing that covers 50% of the total taxable invoice value for building facilities designed for the expansion and improvement of animal rearing. To qualify, new facilities must meet minimum capacity requirements—specifically, they should be capable of housing at least 10 cows or 100 small ruminants. The maximum benefit available per subject under this scheme is capped at 15,000,000 lek. And ii) Modernization of Equipment::To further support the modernization process, the Investment Scheme also covers the purchase of essential equipment and machinery. This includes tools that enhance operational efficiency and improve the overall management of livestock farms. Here too, 50% of the total taxable invoice value is financed, with a maximum cap of 5,000,000 lek per subject.

## 3.2 Organization of the Dairy Value Chain in Albania

The dairy value chain in Albania is a complex system involving a diverse array of stakeholders who collectively influence the quality, safety, and market price of milk and its by-products. At the core of this chain are the dairy farmers, whose operations vary significantly in scale.

The governance of Albania's dairy value chain is critical to ensuring high product quality and food safety. The sector involves various stakeholders—ranging from smallholder farmers and cooperatives to private collection centers and processing factories—that must work in close coordination to deliver milk and dairy products that meet established standards.

A central challenge within the value chain is the lack of consistent, long-term relationships between small-scale dairy farmers and large processing companies. Research shows that many small farmers prefer short-term, “spot” transactions, opting to sell their milk to the highest bidder at the time of delivery. In fact, only about 44% of farmers reported having a long-term contract with the same buyer. This instability undermines investments in quality improvements and infrastructure, as neither party feels secure in their ongoing collaboration

In contrast, larger processors, with better financial resources and technological expertise, are able to dictate terms and impose rigorous quality standards on their suppliers. For example, one of the largest processing companies in Berat, “Erzeni,” emphasizes the use of written contracts. These contracts detail the payment terms, hygienic standards (such as acceptable microbial and antibiotic residue levels), and delivery deadlines. Through such agreements, processors can secure a steady, high-quality milk supply, while offering technical support—such as providing milking equipment and veterinary advice—to help farmers meet these standards.

The figure 1 below traces the journey of milk from **farm gate to household table**, highlighting the distinct stakeholders that shape both the flow of product and the distribution of value.

Overall, the figure illustrates a delicate equilibrium. Farms supply the raw material; collectors and processors transform and police quality; distributors, retailers, and traders impose commercial discipline; and consumers signal value. Strengthening weak links—especially cold storage at farm level, cooperative bargaining, and certification support for small processors—could move more of the final retail euro back toward producers, making the Albanian dairy chain both fairer and more resilient.

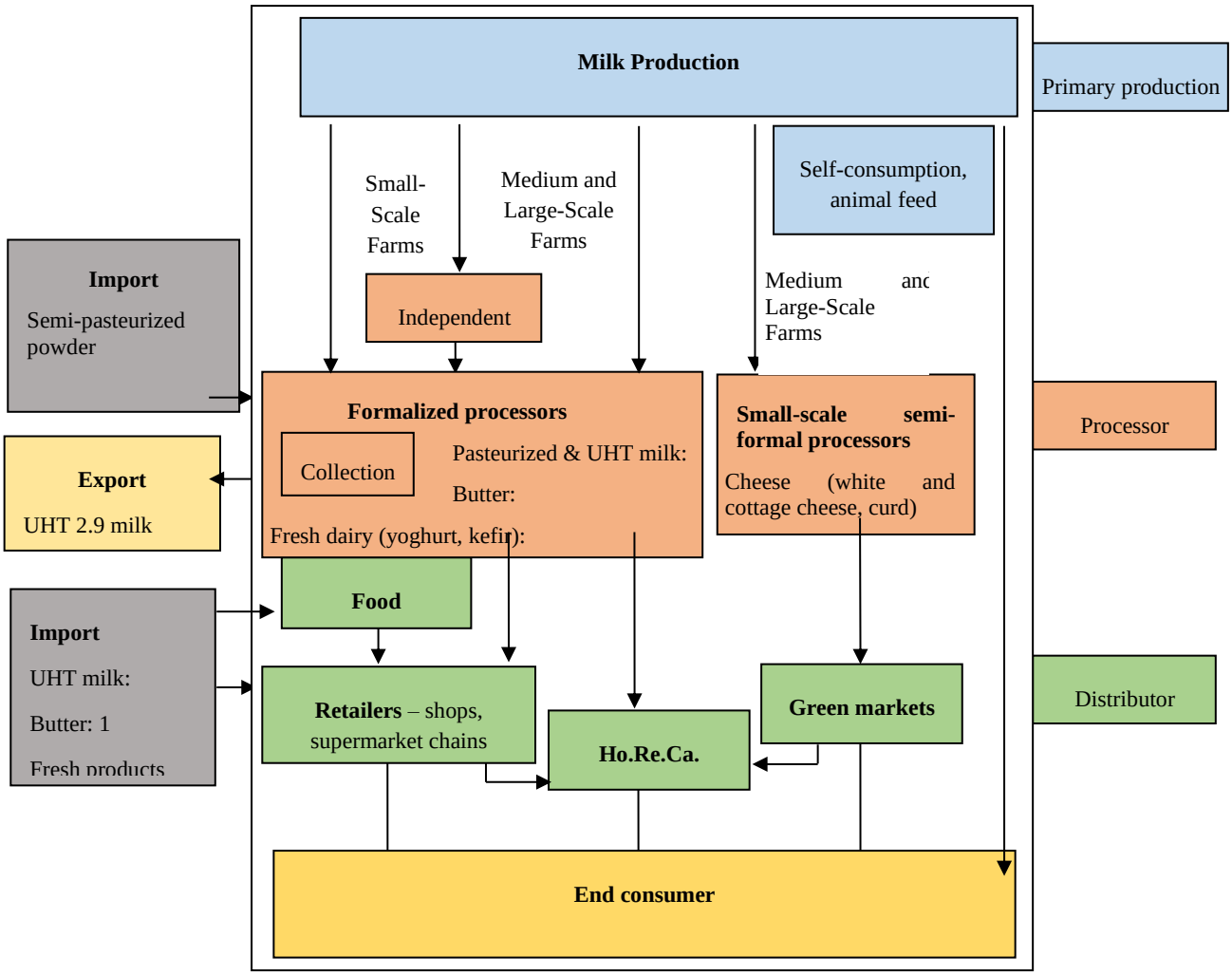


Figure 1

Dairy value chain Map

Source; AGT & DSA. (2021a). Milk Sector Study Report

Example: The AGS Model

AGS, company , operates in the Durrës, Sukth–Vadardhe regions. AGS employs a dual-contract system that clearly specifies all conditions of cooperation, from minimum milk quantities and quality parameters (microbiological and physico-chemical standards) to payment terms and delivery schedules. AGS works closely with farmers through its dedicated veterinary team, which conducts daily quality checks and provides continuous technical advice. In a five-year partnership with a group of farmers in Baldushku, Tirana, AGS established a centralized milk collection center that has improved both the consistency of supply and the overall quality of the milk received. However, while group contracts can stabilize milk prices, they may also create challenges if one member decides to withdraw, potentially disrupting the entire collective arrangement.

Authors interviews , 2024

# 4 SWOT Analysis

| **Strengths (S)** | **Weaknesses (W)** |
|---|---|
| • Suitable natural and climatic conditions create an ideal environment for producing high-quality milk.<br>• A strong tradition in milk production and traditional dairy products, such as white cheese and cottage cheese, which have a stable market and a good reputation.<br>• Consumer trust and preference for local, fresh, and natural products, especially milk. | • High costs for livestock feed and veterinary services negatively impact farmers' incomes.<br>• Labor shortages due to migration, declining interest among young people, and high labor costs threaten the sustainability of livestock farming.<br>• Lack of cooperation and weak negotiation skills prevent farmers from benefiting from economies of scale and achieving unified market access<br>• Low production levels, reliance on traditional methods, and limited use of modern technologies reduce competitiveness with imports.<br>• The lack of standards and certifications for food safety requirements restricts access to international markets. |

| | |
|---|---|
| | • Difficulties in financing and investment prevent local farmers from keeping up with larger competitors.<br>• Limited knowledge of food safety, standards, and market demand, pricing, and distribution channels weakens farmers' market positioning.<br>• |
| **Opportunities (O)** | **Risks (T)** |
| • Growing demand for local and organic products in both domestic and international markets presents export opportunities for farmers.<br>• Support from EU programs and rural development funds offers financing opportunities for modernizing equipment, improving standards, and expanding into EU markets.<br>• Investments in technology, such as new processing lines, hygiene equipment, and modern management systems, can enhance productivity and improve product quality. | • Competition from imported products, often offered at lower prices and with established standards, challenges the competitiveness of domestic products.<br>• Climate change and environmental factors can negatively impact production, increasing uncertainty for farmers.<br>• Food safety concerns may lead consumers to prefer products with international certifications, disadvantaging domestic products that lack quality certification.<br>• Bureaucratic procedures and high certification costs create barriers to accessing EU markets.<br>• Operating in an oligopolistic market increases the risk of discriminatory pricing for farmers, limiting their bargaining power. |

## 4.1 Key Findings

*High cost of inputs* Farmers consistently report that one of the most pressing challenges is the high cost of inputs. These include essential feed components such as soybean mixes and protein supplements, which are critical for animal nutrition. Many farmers produce a portion of their own feed, yet they still need to purchase supplements. Financial constraints make it difficult to benefit from economies of scale, and the limited capacity to purchase inputs in bulk further drives up production costs. Delays in government support—for example, late reimbursement of subsidized fuel—exacerbate these challenges, with one participant noting, "The fuel is reimbursed late; it has lost its value."

*Labor Shortages and Dependence on Family Work*:

Another major challenge is the shortage of labor. Due to the emigration of young workers and a general low interest in agricultural jobs, dairy farms are forced to rely heavily on family labor. In many cases, processes that require external labor—especially tasks perceived as unpleasant, like handling manure—are almost entirely neglected. This heavy dependence on family labor not only limits the scale of production but also hinders the adoption of more efficient, modern practices.

*Inadequate Milk Storage and Processing Facilities*:

Proper milk storage is essential for preserving quality, yet many farmers face significant infrastructural challenges. Without adequate refrigeration, milk quality deteriorates rapidly, forcing farmers to sell at lower prices or rely on immediate, often informal, sales channels. This deficiency in storage infrastructure ultimately leads to losses in both product quality and profitability.

*Collective organization and bargaining power :*

The lack of cooperatives and farmer associations weakens farmers' bargaining power. During consultation meetings, a lack of cooperation and trust among farmers was evident: "*We don't have unions, we have nothing.*" Even where they exist, farmers' unions and associations are often inactive or ineffective: Limited cooperation prevents farmers from influencing decision-making and price setting. They are almost always subject to the prices set by processors, with little control over the final value of milk. This is due to the dominance of a few large processors, the absence of long-term contracts, and the lack of horizontal cooperation among farmers.

On the other hand, *the absence of formal contracts and transparency*

leaves farmers with little or no influence over the terms of sale. Regarding their formal relationships with dairies, farmers report that contracts with collectors are rare: Additionally, weak collective organization prevents the standardization of practices and the establishment of fair mechanisms for value sharing, further disadvantaging farmers in the supply chain.

*Insufficient Training and Technical Support*:

A recurring theme in the discussions is the limited access to structured training programs. Most training is provided through international projects rather than consistent local institutional support. This gap in technical guidance—ranging from proper milking practices to effective herd management—restricts the farmers' ability to adopt modern technologies and improve the overall quality of their milk. The lack of continuous, locally-driven technical support further hinders innovation and sustainable development.

*Limited Acces to finance:*

Results from the consultation meetings indicate that government support for farmers in the dairy sector is insufficient to meet the sector's needs and promote its development. Regarding livestock support, farmers consider it inadequate and difficult

to access:. Farmers state that, under these conditions, they are not motivated to increase their livestock numbers and require greater support:. Additionally, some farmers expressed frustration with the investment scheme, particularly regarding difficulties in obtaining construction permits for stables: Many subsidy schemes also require formal documentation that small farms often lack (e.g., licenses, active taxpayer status, proof of ownership). Without these documents, farmers are unable to access support schemes.

**Recommendations**

Recommendations are designed to address the persistent challenges facing smallholder farmers and to enhance their competitiveness within the value chain. These recommendations are built on an integrated analysis of the current situation, which highlights issues such as high input costs, fragmented production, insufficient infrastructure, weak market relationships, and limited access to finance and modern technology. The overarching goal is to achieve sustainable development and improve the position of dairy farmers through coordinated policy measures and targeted interventions.

**Strengthening Cooperative Models and Micro-Collaboration**

One key recommendation is the establishment of "micro-models" of cooperation. Small groups of farmers are encouraged to band together to share the costs of essential investments, such as the installation of cooling tanks. By forming these small, organized groups, farmers can lower individual expenses, improve milk quality, and create a foundation for more formal cooperative structures in the future. This model, tested successfully in the Myqeqeja Farm project in collaboration with the processor Erzeni, has demonstrated that such an approach not only enhances hygienic standards but also reduces operational costs. In addition, participation in these cooperatives opens access to EU funding instruments like IPARD and national schemes, which can further support modernization efforts.

**Promoting Formal Contractual Relationships**

Enhancing contractual relationships between farmers and local processors is another critical measure. Currently, many dairy farmers operate on a spot-market basis, leading to unstable prices and uncertain market access. The recommendations call for the promotion of short-term, written contracts between farmers and processors. These contracts should clearly specify payment terms, quality standards (including microbial load, antibiotic residues, and somatic cell counts), and delivery timelines. Pilot projects can help educate farmers on the benefits and specifics of formal contracts, while technical support from experienced partners can ensure that these arrangements are effectively implemented. By stabilizing prices and guaranteeing markets, such contracts would reduce uncertainty and enable both farmers and processors to plan long-term investments with confidence.

**Enhancing Training and Practical Support**

The report emphasizes that one of the fundamental issues in the sector is the lack of continuous, practical training. To address this, it is recommended that practical field schools be established to transfer essential knowledge and skills. These schools should focus on areas such as ration management, feed planning, and basic accounting. For example, centers like Center for Technology Transfers, operating in the country could host regular training sessions, where farmers can immediately see the benefits of improved practices and begin adopting modern techniques. Such training programs would not only enhance the technical capabilities of individual farmers but also foster greater collaboration and innovation across the sector.

**Supporting Value-Added Product Development**

To increase the overall value of dairy products, the recommendations stress the need to support initiatives that help farmers add value to their raw milk. This could be achieved through micro-grants that enable family farms to set up basic processing lines—for instance, for the production of cheese or yogurt. Moreover, creating quality seals such as “Local Albanian Milk” would help differentiate domestic products in both local and export markets. Implementing these measures, especially in medium and large farms, can encourage product diversification and even promote agro-tourism, thereby opening new revenue streams.

**Easing Access to Finance and Navigating Bureaucracy**

A significant barrier for many dairy farmers is the complexity of accessing financial support. The recommendations suggest leveraging Agricultural and Rural Assistance Centers (QABR) to help farmers navigate the cumbersome procedures associated with funding applications. Successful models in regions like Pukë, Kukës, and Dibër have demonstrated that such centers can provide essential administrative and technical assistance. By replicating these models nationwide, the government can improve farmers’ access to critical financial resources, enabling them to invest in modern equipment and infrastructure.

**Implementing the "Milk in Schools" Program**

Finally, the document advocates for the implementation of the "Milk in Schools" scheme, based on the EU “From Farm to Table” model. This program aims to establish stable, guaranteed markets for local dairy products by ensuring that primary schools are supplied with fresh, locally produced milk. Such a program would not only improve the nutrition of children but also stabilize domestic demand for dairy products, contributing to the broader development of rural economies. Close collaboration among ministries, municipalities, and farmer groups is essential to ensure that this program is successfully implemented and that it benefits all stakeholders involved.

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