



# Assessing the comparative advantage of olive oil production in albania

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# Problem statement

- Since the 90s, Albania has gone through a series of political and socio-economic upheavals
- This period had also impacted the balance of the foreign trade for agricultural products
- The major supply of oil in Albania comes from imports



# Objectives of the study

- Evaluate the economic returns of producing olive.
- Identify the comparative advantages of olive oil production in Albania under price and productivity changes.



# Procedures

- For the fulfillment of the research objective, the DRC ratio for olive oil production was estimated within the framework of the Policy Analysis Matrix (PAM)
- Within the PAM framework it has been measured also the PCR ratio.
- A sensitivity analysis is carried out to see the possible changes in the base line scenario.



# Policy Analysis Matrix

Item	Revenues	Cost of		Profits
		Tradable Inputs	Non-tradable inputs	
Private Prices	A	B	C	D
Social Prices	E	F	G	H
Divergences	I	J	K	L

# Results

- *Private Cost Ratio* (Evaluated with market prices)

PCR = [Cost of Non-Tradable Inputs / (Revenues – Cost of Tradable Inputs)]

PCR = 2,292,596 ALL / (8,575,000 – 5,314,416) ALL = 0.703

- Domestic Resource Cost (Evaluated with social prices)

DRC = [Cost of Non-Tradable Inputs / (Revenues – Cost of Tradable Inputs)]

DRC = 3,897,996 ALL / (4,645,526 – 2,890,997) ALL = 2.2



# Sensitivity Analysis

		<i>PCR</i>		<i>DRC</i>	
<i>Parametres</i>	<i>Changes in %</i>	<i>Changes</i>	<i>Base Scenario</i>	<i>Changes</i>	<i>Base Scenario</i>
Olive oil production	+20%	<b>0.46</b>	0.703	<b>1.45</b>	2.22
	-20%	1.48	0.703	4.7	2.22

# Conclusions

- Albania is one of the few countries in Europe where olive can be widely cultivated due to its favorable climatic and soil conditions
- Albania farmers are familiar with the cultivation of olives
- The olive culture is a huge national treasure
- Demand for olive oil and table olives in the domestic market is very high





# Conclusions

- The result indicates that olive oil production in Albania is profitable because the ratio is between the intervals  $\{0-1\}$
- The DRC ratio equals to 2.2 which shows that Albania currently has no comparative advantage in the olive oil production



THANK YOU  
FOR YOUR ATTENTION



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