The Problems of the Albanian Agro-Industry through Analysis of Exports – Imports and Competitive Environment (Region of Korca)

Authors: **Aida Gabeta,** "Fan S. Noli" University, Faculty of Economy, Department of Management, Korca, Albania, gabetaaida@yahoo.com; **Eva Dhimitri,** "Fan S. Noli" University,Faculty of Economy, Department of Management, Korca, Albania, evadhimitri@yahoo.co.uk

The general picture of the Albanian Agribusiness discovers that it is still separated and with a productivity of a low scale compared with European equivalents. Apart from rapid progress, the total production doesn't coincide with internal consumption, which is completed from considerable quantities of imported food products. For this reason, the production relatively small needs efficient consolidation processes and effective to the address of the value chain which is based on the capital gains. The development in the value chain and common exploitation of the sources results to the effects of synergy, which leads to the cost reduction, productivity increase, quality improvement and increase of sales through market diversification and sales' expansion in local, regional and international markets.
The paper gives a panorama of exports – imports of the Albanian Agribusiness concentrating at this sector in the region of Korca and analyzes some of the priority industries of the agribusiness sector in the region and further on the point of view of five competitive forces of Porter.

Keywords: *agribusiness, competitive environment, import-export, supply chain, problems*

Introduction

Albania has a negative trade balance. The ratio export – import for the year 2001 is 1:9. The deficit reaches the figure 23% of GNP. In general, this is true, but also it is true for agricultural products. Since the year 2000 the imports of agricultural products and grocery are increased from 34856000 Lek to 42445000 Lek in year 2005 and 80293000 Lek in the year 2011[10]. The followingdiagrams tell for a high demand of the grocery, which is completed modestly from the native makers.

Figure 1: Export – Import of Agricultural Products & Grocery
Source: Statistical Yearbook, Ministry of Agriculture, Food and Consumer Protection

The above graphic presentation (Fig.1) tells the tendencies of imports of agricultural products and grocery in national position.

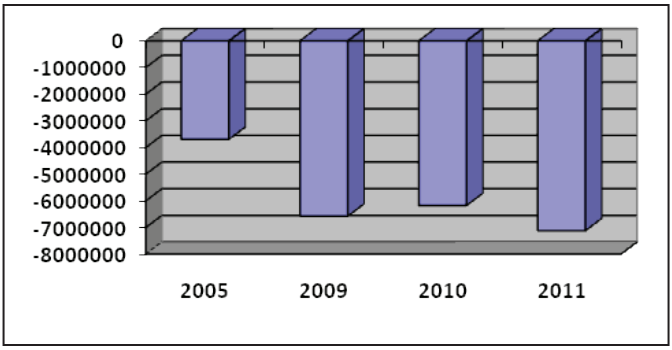


Figure 2: Commercial Deficit of Agricultural and Grocery
Source: Own calculations

At the same time, figures tell that Albania has a structural deficit in native (national) production, although the internal consume is lower than in other countries of EC as Italy and Greece. The annual report of the foreign trade in 2011 showed that there are positive evidences: Imports of some agricultural products have resulted in decrease.

Italy and Greece are the most important trading partners. Regional countries especially Kosovo, Macedonia, Serbia and Montenegro, are becoming more and more important in the trade of agricultural products. Imports from Italy and Greece represent the most part in the national trade. After, there are ranked Brazil, Bulgaria and Germany. Imports from Brazil include considerable quantity of sugar. One of the most important products that come from Bulgaria is sunflower oil and the cigarettes from Germany[10].

As it was mentioned above Albania has subscribed the Agreement of Free Trade with a series of countries of Balkan including Macedonia, Croatia, Bosnia and Herzegovina, Serbia, Montenegro, Rumania, Bulgaria and Kosovo. Since the ratification of AFT (Agreement of Free Trade) in 2002 every year the trading volume has had an increase of about 9%. Either the imports or the exports are increased. The imports from neighbor countries are increased for groups of different products. The Albanian sector experiences a poor competitive position for groups of products which:

- Needs modern technology. Neighbor countries have experienced a long period of competition and economical opening that have led to quick technological improvements in their industry.
- They have production in a broad level. Some group of products is more influenced from the economy of scale. The Albanian total production is in a lower level than those of neighbor countries.
- It is supported in imported law materials, which generally have high costs of transportation.
- Needs high levels of marketing expertise[2].

The Main Specifications of International Trade Relationships of Albania are:

- The total trade balance of Albania is negative.
- The level of Albanian internal production is very low to supporting on it.
- The important elements of basic products of basket such as cereals, milk, meat, fish and fruits are imported.
- The most part of international trade is with Italy, Greece and neighbor countries.
- The best Albanian products which are exported are product for special segments of trade such as frog legs, fish and some special sorts of plants that needs for methods of intensive production.

• Some branches of agro-business (meat, vegetables etc.) import law materials and export the final product (to close countries).

The Progress and Problems of Agro-Products and Grocery Import – Exports in the region of Korca

To analyzing the ratio export – import of agricultural products and grocery in of the region of Korca are extracted records from two customs: Customs of **Kapshtice** and Customs of **Qafë – Thanë**. These are the largest customs and in them are made 95% of foreign trade of goods. In other customs, the volume of export – import of goods is small and they haven't any large load in the trade balance of Korca region.

It has to be mentioned here; the great difficulty to identifying from all imports and exports of agricultural products and grocery those that belong to Korca region. The work was hard, because in the customs mentioned above just it is registered the customs' declaration. These data aren't recorded in a detailed manner in accordance with regions, but just in total. So, really I have to admit that the data I will present can't be 100% correct. The data for imports of these products (in quantity) are presented for the years 2009, 2010 and 2011 to analyzing also their tendency.

The tableau remains pessimistic if we see the progress of exports, which in Korca region, leave a lot to be desired. The main destination of them is Greece and Kosovo. This condition is reflected too, from the data taken in boundary points of the county where for the year 2011 are exported 450 tons beans, 1600 refreshment drinks, 200 tons olives and 564.8 tons tobacco[3]. Their progress is almost the same for the 3 last years.

The balance of Trade for agricultural products and grocery in Korca region presents a deficit, so we import more and more such products from abroad than we export toward them. The phenomenon of trade deficit is still recognized for Albania all in all, because the balance of trade has been negative almost for all the period of transition. Negative balance is for a country, the same for a region is an index of the low economical level of it.

The region of Korca is distinguished for the diversity of agricultural products such as: tomatoes, cucumbers, cabbages, potatoes, beans, onions, apples, plums, and cherries etc.; products which apart from the small quantities are exported abroad. These products occupy a very small load and in total of exports they make 2 – 3 % of it. So, the producers are very inferior and by their products they don't reach to push through foreign markets. The export structure continues to suffer the low level of diversification. The marketing strategies of businesses in region towards the foreign markets are very few. A specific importance has the certification of products emphasizing Albanian origin, to make possible to fit with European standards[9].

But How is Presented the Situation of Imports?

If for the exports we said that their quantities is relatively very low, the imports are prevalent towards the exports after their tendency (trend) in digression for the most part of the product[3]. It comes as consequence of goods' missing in the market, increase of inner demand and impossibility of the internal production to fulfilling this demand or as the result of production of goods with a higher cost in the country.The most quantity of imported products is noted for the category fruits – vegetables; although the tendency has been in digression if we compare from year to year. This tendency is almost the same for all the categories of imported goods.Having to consideration the low quantity of exports compared with considerable quantity of exports of agricultural products and grocery of Korca region we shall briefly stop at the major partners, businessmen of this region.

The region of Korca is situated in such geographic position that is confined with two Balkan states, Greece and Macedonia. So in trade exchange of Korca region these two countries are the major partners (Table 1)

Greece remains undoubtedly the most important partner of Korca region in its commercial exchange with abroad. Greece is a country, member of EC, so that in trade with this country the region of Korca and Albania in general benefit from liberalization provisions that EC has settled with our country and with other countries of the region. EC has deprived the tariffs for more 90% of Albanian products and has given disinterested quotas for the other products. The second place in imports belongs to Macedonia with which Albania has subscribed the First Agreement of Free Trade, which is active since July 2002.

Table 1: Imports of Agricultural Products and Grocery from the Countries of Region (in quantity)

COUNTRY	2009	2010	2011
GREECE	39,431.7	24,097.6	22,184.97
MACEDONIA	9,972.41	14,686.86	9,974.28
BULGARIA	1,423.75	1,915.2	2,300.5

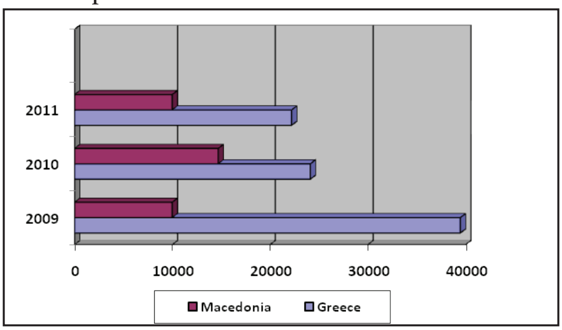
TURKEY	3,614.3	1,783.25	4,266.0
TOTAL	54,451.16	43,482.91	38,725.75

The source: The calculations are accounted by the data taken from the customs, region ofKorce.

As it seems from the above data it is confirmed once more the fact that the imports of agricultural products and grocery have resulted in digression.

The situation presented below tells that overwhelming load makes the imports which exceed several times the value of exports. This naturally shows for reduction of the offer, but how it has to be solved that? Maybe it has to limit the imports? Categorically, the specialists have the opinion against this alternative, emphasizing that the imports are a part of the economical development, are a mean for filling of emptiness and crisis' crossing.

Surely, the side where it is directly expressed the performance of an economy are the exports[8]. Necessity for increase of Albanian exports in general, but also for Korca region is classified an imperative duty, because in exporting level the region is too far its potentials. To providing this increase of exports all are agree for the advantages of trade liberalization and increasing of competitiveness of our products.



Source: Own calculation

The Comparative Analysis of Some of Industries of Albanian Agro-business with those of EC

The determination of priorities that region of Korca has in agro-processing industry is directly related with geographic climatic factors, social and traditional factors. As priorities in Korca region are presented industry of vegetables and fruits processing, industry of industrial plants' processing, meat, milk, drinks' processing industry and those of characteristic traditional products of region.In this analysis we will concentrate with the analysis of two of these industries in national and regional level.

The Industry of Meat Processing

The businesses' number during the last year has undergone a light digression. This number varies from 75 in the year 2009 to 65 in year 2010 and 63 in year 2011[10] (figure 4), without include a considerable number of artisan producers of sausages, which can be about 100. The total value of production of this industry is estimated about 70 million USD [7]. The Albanian Association of Meat Makers emphasizes consolidation of sector.

The investments in technology are triplicate since the year 1998 and the number of employees is increased almost three times, from 357 employees in year 2000 to 1068 employees in the year 2011[10]. (figure 5)

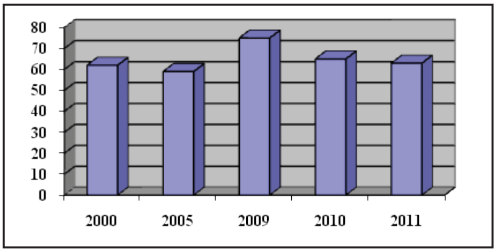


Figure 4: Number of Businesses in the industry of meat processing
Source:Statistical Yearbook, Ministry of Agriculture, Food and Consumer Protection

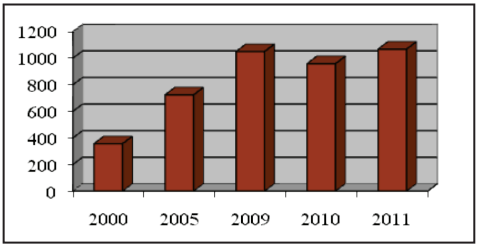


Figure 5: Numberof Employees in the industry of meat processing
Source:Statistical Yearbook, Ministry of Agriculture, Food and Consumer Protection

Albania imports 36800[10] tons of meat; the most part is poultry meat (chicken) and minced pork. Meat exports are of a small magnitude; about 84 tons and increasingly. The conclusion is that the Albanian Trade Balance for meat and its products is negative, like the total of groceries. The imported meat is purchased in the World Market. The main suppliers located in South America, Brazil and Argentine. Other closer suppliers are Greece and Italy.

As for the Albania exports of meat and its products they aren't significant in European level.

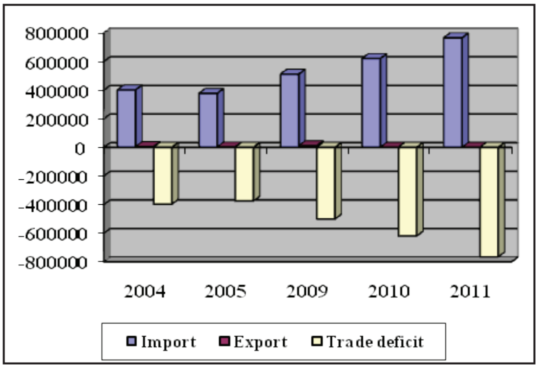


Figure 6: Import – Export of Meat Byproducts (in value)
Source: Own calculations

Business Environment

Business environment isn't stable. The sector has a weak position, in particular its strength in international business background is considered poor. Businesses have low financial capacities and weak marketing positions.

In the point of view of **competitive emulation** the sector of meat processing is characterized from:

- Small makers.
- Small producing volumes.
- Low level of quality compared with imported products.
- Low level of operative costs.
- Needs for higher investments.

Threat of **new entrantsis** low for the fact that:

- Incoming in this industry requests investment relatively big.
- There are strong financially players
- Incoming in these markets is difficult.

Substitutes can be classified with a moderate risk. As substitutes we can mention:

- The foreign brands which are favorable
- The poultry meat (chicken) with a lower price that replaces the beef.

Power of buyers and suppliers is too high that means that the risk they offer is high. The buyers are always native consumers plenty in number, retailers and big customers towards whom is exported. Pertaining to the suppliers sector is depended 95% in size by import, and it is made up of big and strong suppliers and there are e few long-term contracts.

Finally, we can say that meat processing sector is dominated by small makers. In general, technology they use isn't in conformity with that requested by EC. For businesses which serve to internal market this can't be very problem in short-term; but for foreign investors these businesses don't make the most attractive part of meat sector in Albania. The best opportunities for investors can be noted among these groups of firms relatively small, but the dynamics that aims (tends) to produce for export[12]. These companies often import raw materials from abroad and export to closer markets such to Kosovo, Macedonia. Their model of business is based on the increase of value by the exploitation of low work costs in Albania. Compared with the producers of exporting countries, their competitive advantage has come from the reduction of operative costs in order to compensate higher costs of operational planning. Some businesses use effectively this model and when are considered with high potential for a further development of Albanian market, they can withdraw attention of foreign investors[11].

So, we can say that it is a sector full of potential, but at the same time also with serious barriers to be crossed. So, in order to improve the standards of businesses in international level also to get over the weak chains of the internal supply it is necessary a high level of investments[5].

Another potential field for investments is the meat cutting (slaughterhouse) sector. This part of the chain of value is still weak.The specific product as the frog meat can offer interesting opportunities to investors.

The sole Albanian company works with its full capacity. It is successful owing to the intensive producing process, where can fully earn from low salaries in Albania.

The industry of Milk Processing

A commercial evaluation tells that Albania has substantial imports of different sorts of milk products, where the milk is in the first place among them with

83190 tons[15]. Import of milk products is firmly increased. Albania imports milk products from many countries of the world. Italy has exported the most quantity of milk in Albania, while Germany is the main exporter of cheese. Pertaining to the export of these products it is very limited. Incoming to European markets is too difficult. One of the fundamental problems is completion of standards of hygiene[1].

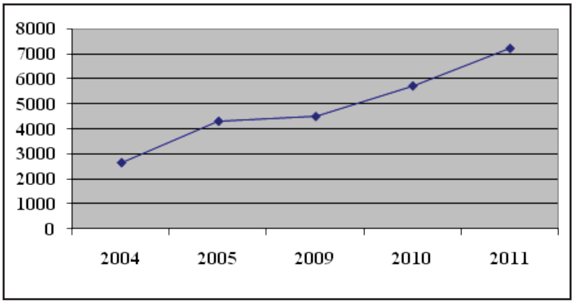


Figure 7: Import of Milk Products Source: statistical Yearbook, Ministry of Agriculture, Food and Consumer Protection

Business Environment

The industry of milk processing has passed through a period of consolidation and modernization. The same process is noted also in Europe. Apart from sector consolidation, businesses are small in European context. The dimension of the Albanian market is small; but although it can be subject of foreign companies' admission. Consuming levels are relatively high. The foreign companies are already active in Albanian market and they have their shares in the market. Poor organization of supplying chain will serve as an entering barrier. Suppliers are a weak element in the value of chain. Most of them are very small, produce just for local market and more often for informal market.

Planning costs of operations are relatively high. Moreover the lack of appropriate objects for the conservation crude milk bears the risk of production's loss and other risks related with its quality. As consequence the relationship between the dairy and their suppliers is a complex one. The dairies have limited capacities to stimulating the increasing of efficiency and quality guarantee.

The sector of milk processing in terms of **competitive emulation** is characterized from the high competition for raw materials and poor quality. The risk from thenew entrantsis moderate for the fact that:

- Already there are powerful financial players in industry.
- Incoming in native sources is difficult.
- Has high costs of admission
- Market is small.

The risks from substitutes is high, because there is milk and powder milk of import in the market, informal systems and also other products of milk, for example imported cheese.

The power of suppliers is relatively low; this means that risk's level for industry is low. Organization of milk accumulation isn't good, their small size, small volume of production and misses the quality guarantee. **Power of buyers** is moderate like and risk's level, because there is a low scale of native market and exist the risk of big formats admission.

Finally, we can say that there are some investments' opportunities in this sector, but at the same time there are serious barriers to be crossed. To improving the standards and bringing them in international levels it is necessary a high level of investments. Cheese makers need considerable investments to improving quality and hygiene of the product. The most part of equipments need to be replaced.

The investments are necessary too, for development of product. Taking to consideration the financial position of businesses, middling development of the supplying chain and volume of demands for investments, the sector isn't so attractive for investors in short-terms conditions.

Sector's profitability of milk processing doesn't assure the foreign investors to come in Albania. Together with problems in distribution system the investments are considered with a high risk. This can be amortized as quickly as the steps of front and back verticals integration will be undertaken in this branch[4]. Although, there are some opportunities of investments supporting on strong inter-regional ties between primary producers and diaries in some segments as it is cheese market.

Albanian market is weak, but well-developed with consumption per capita relatively high. There are failures in the supplying chain, which are serious barriers of incoming. For that reason it is necessary an organizational renovation in supplying chain which shall lead to a vertical integration[6]. Actually in Albanian market of milk products have penetrated a considerable number of foreign famous companies.

Conclusions

Apart from the transformations in Albanian economy in general in the agro-business, privately the sector is characterized from such difficulties as following: small fragmented producing units, a great number of producers, often half-professionals, uncertainty pertaining to land possession, lack of financial supporting mechanisms, poor infrastructure of operations, lack of technological supporting structures, lack of market information, undeveloped trading relationships and an undeveloped processing industry.

Although, the potential of a number of branches of processing food industry is considered high, the general comparative position is continuously specified low.

The most urgent problems are:

• Domination of producing systems in a low level and corresponding problems of internal supply.

• Interdependence from raw materials of import, that leads to a cost's structure relatively high.

• Outdated machineries and equipments lead to in the inefficient production and problems of quality guarantee.

• Lack or low progress of management of supplying chain.

• Undeveloped marketing, or said else weak.

• Poor financial positions and low financing capacity.

In terms of Opportunities, the Albanian Agro-business sector has to look for:

• The consolidation either in primary production or processing and marketing.

• The improvement of quality product, adoption of European standards and certification either producing processes or supplying chains.

• The development of marketing channels either indoor or outdoor.

• The substitution of imports.

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