

**THE COMPETITIVENESS OF COMMODITY CHAINS
IN ALBANIA TOWARD THE EU INTEGRATION
WITH FOCUS ON FARMERS OF KORCA REGION, ALBANIA**

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Abstract

The aim of this paper is to present a clear overview of the competitiveness of the commodity chains of the Albanian agriculture and identify the main difficulties that farmers and smallholders are facing, in order to access local and regional agricultural markets. Addressing weak points along the agro-food chain, and increasing the competitiveness of the agricultural chains by improving support services at producer level, linking them with competitive agricultural markets is very important for the economic growth of rural areas, as Albania aspires to enter EU in the upcoming years. In order to identify the main problems that farmers and small holders are being faced with, when their products access agricultural markets, we conducted a survey that consisted on questionnaires distributed to farmers. Based on the statistical analysis resulted that the main barriers that affect the access of agricultural products on the market were: low selling prices, lack of transportation facilities, lack of contractual trade agreements and lack of

modern technology. This study also addresses to a greater extent different steps that should be followed in order to improve agriculture policies, and to achieve a sustainable agriculture model, so that the Albanian agricultural products can compete with those of the region and EU.

Keywords: Market access, agriculture policies, commodity chain, Korca

INTRODUCTION

Agriculture in Albania faces important challenges aiming to achieve successful structural changes that can increase productivity and restate its competitive advantages. In order to reach at a certain level that can align toward the EU, the sector has to improve its physic capital, and adapt practices at all levels of the agriculture, similar to those of the EU countries. Many smallholders in developing countries face different risks in their production processes. Constantly they are exposed to different negative influences such as natural disasters, conflicts, price instability and uncertainty about the access of resources and markets.

In Albania, farmers face difficulties accessing local and regional agricultural markets, often without adequate means to manage risks. This issue must be addressed in order to prevent price volatility, reduce poverty in rural areas and enable smallholders to meet the growing demand for food. These negative influences reduce farmer's willingness to invest and considering market liberalization between countries they become more exposed to such market risks. In order to create value chains, it is required an interaction between different actors of the sector because the nature of these linkages determines the value of the chain. This may be enriched based on a more developed level of support, through the improved conditions for a sustainable development of the sector, private initiations and responsible institutions for planning, monitoring and implementing policies.

Market access for farmers means the ability to acquire farm inputs and farm services, and the capability to deliver agricultural produce to buyers (IFAD, 2010a). Markets provide the opportunity to generate income, contributing to a reduction in poverty and hunger in developing countries. Markets also drive production to meet consumer demand in terms of quantity and quality (van Schalkwyk et al., 2012). Sustainable access to markets is required to guarantee smallholders an increase in income and to lift them out of poverty.

Switching from traditional to highly competitive products, based on quality, seems to be the most important challenge of the Albanian agriculture in the future toward the EU integration. In order to achieve it, farmers, commodity suppliers, as well as small and medium enterprises needs support in their efforts in order to improve the value chain.

Based on SSBU 2007 – 2013, since the transition period the financial support of the agriculture sector has been focused mainly on indirect financial support, consisting on creating a favorable business environment, support on extension services of farmers, institutional strengthening and rehabilitation of infrastructure. Direct financial support has been applied since 1997, mainly based on payments in the form of grants distributed to farmers through different support schemes, based on the cultivated area. Since 2014, the financial support schemes has undergone through an essential transformation process, focusing on investment schemes aiming to promote storage capacities. These financial schemes support the delivery of agriculture production on wholesale warehouses, storage capacities, conservation, processing and agriculture markets, agriculture technology, safety and quality products based on competitive advantages of Albania. Also, new financial schemes on agriculture support the interest rate until 70%, for a period of seven years, for investments based on bank loans. This form of support it is not limited only for agriculture cooperatives and organizations but include even individuals, legal subjects and new enterprises that are directly related with the investment.

Nowadays, various theoretical analysis in the world focus on agriculture policies, mainly on the role of direct payments which have become part of different evaluations. In fact, support policies of agriculture lead to structural changes, influencing to a large extent the stimulation of production and farm income (OECD, 2011).

Also, Roe et al. (2002), suggests that the application of direct payments compared to the case when payments are not applied at all, may improve the access of farmers on goods and services, increasing their wealth, while may indirectly increase the value of land.

The sustainable growth of the sector depends on the level of technology, knowledge and the efficiency of land inputs that affect the performance of farms. High productivity and competitiveness, market access of products, growth of income and improvements on the living standards of farmers are identified to be the basic factors of production.

Despite the improvements and developments that have occurred during the last years, the agriculture sector in Albania should reach a higher level of productivity and competitiveness in the local and international markets, in order to reduce the gap with other countries across the region and EU. Following this direction, weak points along the agro-food chain should be addressed and a comparative advantage analysis must be considered compared to other regional countries.

In order achieve a more realistic approach and to reach the objectives of this paper, we decided to conduct a survey, contacting directly with farmers (in the form of questionnaires) of Korca region. The aim of the questionnaires was to identify demographic evidence, experience

on agriculture, the sector involved and identify difficulties that the Albanian farmers are being faced with. The study was developed based on a detailed review of the available literature aiming to determine clearly the situation of competitiveness between farmers in Korca region.

RESEARCH METHODOLOGY

The research method used in this study is formulated based on the information and data's that were gathered, the presented issues, data location and their purpose. The form of research used it's a combination between qualitative and quantitative research, benefiting from the advantages of these two research types.

The quantitative approach the study consist on the formulation of a questionnaire, in order to obtain a clear overview of the targeted population and identify the main problems that affect access of products on agricultural markets, as the final destination of the value chain. The qualitative method used in this study focuses mainly on obtaining specific information on farmers and the interpretation of different issues based on their perception.

The nature of the research applied in this paper is to identify and explore over a phenomenon, being more familiar and have a better understanding of it. This study was conducted in Korca region. We chose this region because it is considered to be one of the most developed in Albania in terms of agriculture, and we believe that the indicators that we get from this survey represent similarities with those of the whole country.

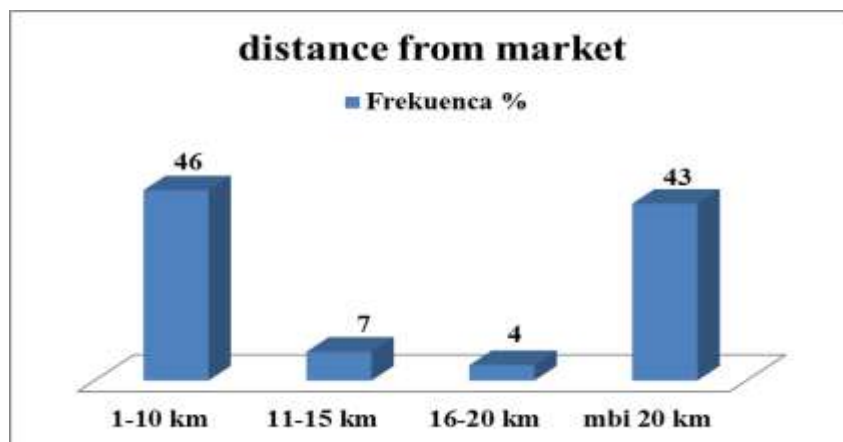
In order to achieve the objectives and to expand the interest and contribution of this paper, the information and data gathered were developed in two phases. Initially was gathered information about farmers that operate in Korca region, from the Regional Directorate of Agriculture. The second phase consisted on the fulfillment of questionnaires from the selected sample. After these steps, all the information and data gathered was processed statistically, reaching concrete results on the main influences of the access of products on agriculture markets. The population that was analyzed in this study represents an intentional probability sample. The reason that we chose this form of sample was to include as many as possible diverse characters of the studied population, and obtain diversified perceptions of farmers. The sample population of this study was represented by 168 farmers and diversified based on Korca municipalities. The scale that was used for measuring directly farmer's attitudes is the Likert Scale. Likert – type or frequency scales use fixed choice response formats and are designed to measure attitudes or opinion (Bowling, 1997; Burns, & Grove, 1997). Based on the frequency of the answers of farmers, a simple statistical analysis was raised consisting on the mean and standard deviation.

Another procedure before setting up the final questionnaire and enhance the reliability of the instrument used during this study, was the test of the questionnaire. This step was taken in order to make the questionnaire more valuable and concise. This phase resulted very important because we were able to acquire a preliminary answer from farmers. Furthermore, during this stage farmers were encouraged to identify other problems and add questions that they considered important for the goals of this study.

RESULTS AND DISCUSSIONS

Returns on investments in the Albanian agriculture have a strong effect on development, especially if channeled through productive investments that focus on addressing weak points along the agro-food chain. The objective of support in this context is to achieve a better distribution balance of wealth and power. In order to intervene it is important to identify the main difficulties of farmers when selling their products. According to farmers, lack of access on agricultural markets prevents the sale of their products on the market. For this reason we decided to identify the main influences that cause this occurrence. Most of them admitted that there are no trading facilities on their rural areas, forcing them to sell their products alone without any reliable information on the market. Poor communication and long distance from the market increase artificially the cost of their products and time. Figure 1, shows the frequency of their answers about the distance that they follow until the regional markets of Korca in order to sell their products.

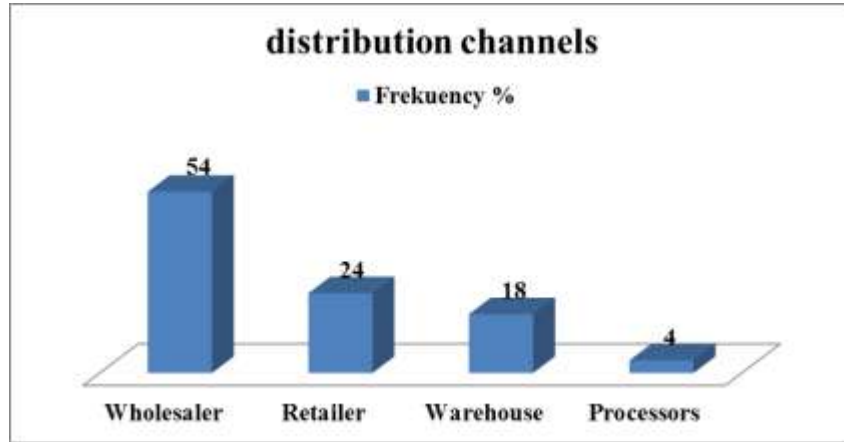
Figure 1. Distance from the agricultural markets



Based on the figure above, 46% of them follow a distance to 10 km away from the market while 43% described a distance that overcomes 20 km. If we consider the conditions of infrastructure on rural areas in Albania and the lack of facilities, these numbers are not so encouraging.

Another important question directed to farmers consisted on the distribution channels that they use for selling their products. Figure 2, shows the frequency of their answers.

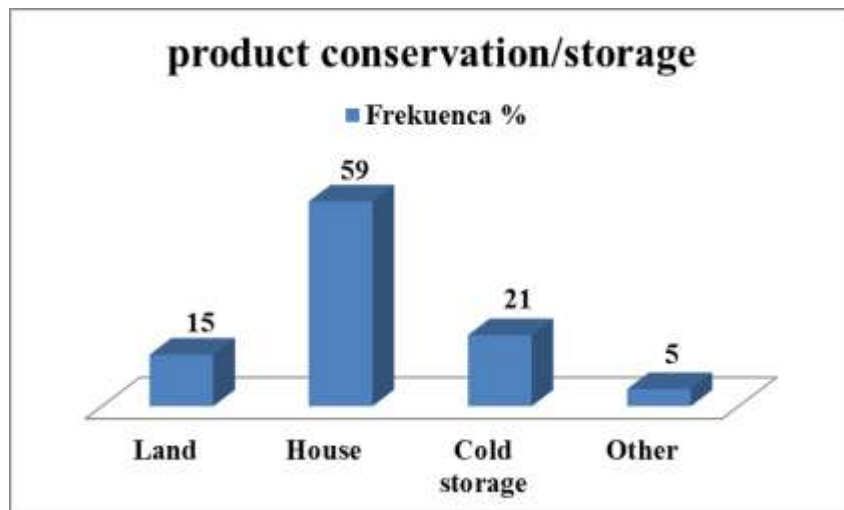
Figure 2. Distribution channels of farmers



As the evidence shows on figure above, 54% of the farmers sell their products on wholesalers, 24% on retailers, only 18% deliver products on warehouses, while 4% delivered them on processors.

Conservation and storage capacities are important processes that affect directly natural values, form, and lifecycle of agricultural products. Figure 3, shows the frequency of the answers of farmers that were interviewed. To be more specific, most of the farmers that answered this question and that are reflected on the graph are mainly involved on the production of fruits.

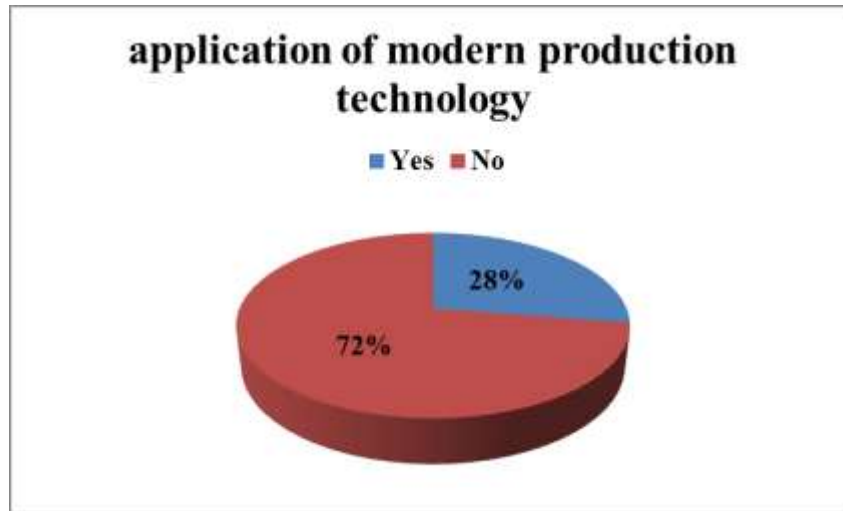
Figure 3. Conservation and storage of agricultural products



The results of figure 3, show that only 21% of farmers were keeping their products on cooling capacities, 59% were keeping them in house conditions, while 15% on the land.

Low level of agriculture technology was identified by farmers of Korca region as one of the most important barriers that affect level of production and quality. Based on the survey as shown on the graph below, resulted that only 28% of farmers were using modern agriculture technologies, while 72% of them were mainly using old production technologies (Figure 4).

Figure 4. Application of modern technology by farmers



Based on the statistics that are shown above, it is necessary that the financial support from the national schemes to be addressed on improvements on the level of production technology.

Related to the data's processed from the questionnaires and the statistical analysis that was conducted, resulted that the main barriers that affect access of products on agricultural markets on the region, are as shown on table 1.

Table 1. Identified barriers that affect access of products on agricultural markets

Barriers	Mean	Std. Deviation
Low selling prices	4.7250	.72641
Lack of transportation	4.3625	.85772
Lack of contractual trade agreements	4.3125	1.01056
Lack of agriculture technology	4.3125	.99803
Uncertainty	4.2875	.99298
High taxes	4.2250	1.06369
Lack of packing materials	4.0500	1.15361
Distance from market	3.7875	1.24581
Poor information services	3.5750	1.21598

According to data's shown on table 1, resulted that all the identified barriers that affect the access of products on agricultural markets in Korca region are statistically important, because the mean of the identified variables is statistically different from the neutral value 3. Based on the analysis, the most important barriers that affect access of products on the market are as follow:

1. Low selling prices
2. Lack of transportation
3. Lack of contractual trade agreements

The mean of the variables lies on the level "very important", statistically different from level 4 (important level), for $P = 0.000 < 0.05$.

Comparative advantage analysis

The concept of comparative advantage as a determinant of international trade became popular for the first time from Ricardo (1817), underlying the importance of physic and natural influences of competitiveness, technological and human factors.

The application of agriculture policies may be effective only if we are clear where we should intervene, so that the Albanian agriculture can reach in the future or come closer to EU standards in terms of competitiveness and quality. In this context, we believe that if we develop a comparative advantage analysis compared to other countries in the region, the application of these policies may be very successful. Compared to other regional countries, we possess against them competitive advantages that derive from the following factors:

- i. Climatic conditions
- ii. Appropriate land conditions
- iii. Wealthy and diversified biological resources
- iv. Old tradition on agriculture

All these factors are a great basis for developing healthy and productive agriculture activities, and serve as an impulse that shows that agriculture sector will continue to play an important part on the Albanian economy in the future. However, our country has a lot of disadvantages compared to other regional countries that derive from different barriers and structural problems of the rural sector. Some of them are as follow:

- i. Small size and fragmented farms
- ii. Difficult management of the agriculture sector because of the large number of small farms and rural population.

- iii. Large diversification of agriculture products because of high level of uncertainties and difficulties of agriculture marketing.
- iv. Difficulties of implementation of modern technologies. Low levels of technology.
- v. Small numbers of farm organizations and cooperatives.
- vi. Poor regional infrastructure, lack of storage/conservation capacities and transportation facilities.
- vii. Low levels of financial support

Based on the factors mentioned above, government financial support should be higher and focused on all stages of the production chain, so that the output could be positive.

CONCLUSIONS & RECOMMENDATIONS

During this study were identified important conclusions conceived based on the results derived from the questionnaires that were addressed to farmers, resulting as follows:

- i. Despite the improvements of the agriculture sector and the increased level of support during the last decade, reality shows that the support schemes are still away from those applied in the EU.
- ii. Based on the applied analysis resulted that the main variables that affect the access of products on agricultural markets are low prices of agricultural products, lack of transportation facilities and lack of contractual trade agreements.
- iii. All the variables that were identified by farmers as “very important”, have a great impact on the production chain, meaning that improving each one of them will have a positive impact on the final output.
- iv. Wholesaler warehouses are the intermediate actor of the agriculture production, specialised and informed on local and foreign trading contracts of agricultural products. Supporting and strengthening this part of the chain, will encourage and secure the market for all farmers products.
- v. Farmer’s organizations play a key role on poverty reduction and enhancing food security. The Albanian government should promote equitable distribution of investments, involve and allow them to participate in the decision – making process to overcome their weaknesses.
- vi. Assistance to farmers should be increased and help them initiate dialogue and build trust between each other, aiming to develop long agreements.
- vii. Financial support schemes should take farmers needs into consideration and support them with more insurance schemes, microcredit and start-up funds, so that they can link

contractual agreements between producers and buyers and facilitate contractual arrangements, based on a secure supply of inputs and accomplish each other requirements in the long run.

- viii. Considering the small size of farms and the high level of land fragmentation, supporting farmer's cooperatives will encourage the development of intensive production. In this context, responsible institutions that compose and implement agricultural policies, should promote these forms of cooperation, as they serve to increase linkages between small farmers and other actors in the chain.
- ix. Considering the difficulties that farmers in Albania are being faced with, it is recommended that support policies should be addressed on enhancing the number of storage and conservation capacities.
- x. Low level of the agriculture technology rank farmers in Albania in a difficult position compared to farmers in other regional countries. In order to reduce this gap, better policies are required in terms of the support of modern technologies.

As we identified the main barriers that affect the access of products into agricultural markets, further studies need to be oriented toward the extent to which the identified variables affect value chains, so that support policies could be applied for the development of value chains, as an effective form of linking farmers with markets.

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