

Albanian Agricultural Producers: Challenges for Increasing Production Capacity and the Effects of Marketing in the Development of the Local Market

Gjokë Uldedaj

Qiriazi University College, Rruga Taulantet, Kodër-Kamëz, Tirana 1029, Albania

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Abstract— Referring to agricultural potentials and resources in Albania, the development of production capacities is below the level of the demands and needs of consumers with local products. Substitution of imports of agricultural products with products of local companies and farms is a very important factor for economic growth, increasing the competitiveness of agricultural economies and opening new jobs. To achieve this, companies and agricultural farms in Albania must apply clearer marketing schemes to identify their potentials and opportunities, through efficient management, based on development plans for each product or agricultural sector. The purpose of this study is the analysis of the competitiveness and performance growth in the market, for the agricultural products taken in the study, as well as the impact of the marketing application, based mainly on the market study. The methodology used in this research include multivariable method along with factor analysis, regression techniques and correlations. The results show that agricultural production companies and farms have started to apply marketing in different forms, both in social and traditional media, creating a better competitive position in the market. This had a positive effect on increasing the presence of local products and the substitution of imported products, increasing the credibility of consumers for products produced in Albania, as well as creating a market with a variety of local products.

Keywords— Marketing, Agricultural Products, Competitive Advantages, Substitution, Import.

I. INTRODUCTION

The economy of Albania has sufficient human resources for market research and the development of new agricultural products, which are in demand in the European Union (EU) markets. Due to the fact that they are of a high ecological level, they do not harm the environment and have more favorable prices than the products of developed EU countries (Bajramović, et al., 2016). The climate that prevails in Albania and the type of agricultural lands favor many new agricultural products and crops that have higher profits than other products that have been cultivated before. The development and growth of existing products is one of the main components in a small or medium-sized company. A progressive company must deal in advance with planning and expanding the variety of products and cultures where it operates in order to be competitive in the market. In order to achieve this, the companies today must apply the most effective marketing, in which all factors in the marketing process will be taken into account and only then will the marketing strategies be determined which would facilitate the movement of products from the manufacturer to the end consumer. Marketing in agriculture must be customer-oriented, mainly in identifying consumer needs and meeting these needs as best as possible, but bearing in mind that to always offer the agricultural producer (farmer), the transporter, the trader and the processor a certain rate of return.

Referring to the considerable agricultural resources until the last ten years, Albania has not moved in the right steps and has not met the demands and needs of consumers with its own products, being forced to meet these demands with imported products. The data of the previous years show positive changes, which have resulted in a decrease in the import of agricultural products and a small increase in export (Hoxha, 2022). This also means the replacement of agricultural imports with domestic production. These positive trends in the agribusiness economy come as a result of the awareness of farmers producing better

quality products that are more in demand in the market (Republic of Albania, Council of Ministers, 2022). This awareness of farmers also comes thanks to the support of various international organizations that support agriculture and undoubtedly thanks to the support of the Government of the Republic of Albania which, through the Ministry of Agriculture, has started supporting farmers through various grants and subsidies in order to increase of the productive potential of agricultural products, as well as increasing their competitive position in the market (Ministry of Agriculture and Rural Development, 2019).

The replacement of imports of agricultural products with local production is a very important factor for economic growth, increasing the competitiveness of agricultural economies in Albania and opening new jobs (Republic of Albania, Council of Ministers, 2016). To achieve this, companies and agricultural farms in Albania should, through the application of consumer-oriented marketing, identify the needs in the market and meet them as best as possible. This will only be achieved through a preliminary market study to analyze all external factors and competition within the industry, to be as competitive as possible in the market and to best meet consumer needs.

TABLE 1
FLOW OF GOODS IN FOREIGN TRADE 2018-2023(Q3)-THE PARTICIPATION OF AGRI-FOOD PRODUCTS
SECTOR.

Million ALL

Year	Export/ FOB	Import/CIF	Participation in export of agri-food products	Participation in import of agri-food products	The Percentage of Coverage
1	2	3	6	7	
2019	298,792	649,118	37,818	127,695	46.0
2020	271,955	605,262	40,861	123,558	44.9
2021	368,769	800,718	46,646	144,937	46.1
2022	486,784	950,381	54,603	166,246	51.2
Q3-2023	371,123	723,356			49.0

Source of Information: INSTAT, 2023

This negative trade balance of agricultural products requires changing the operating environment in order to improve the competitive position in the international market, through effective policies, to increase internal capacities that would contribute to the replacement of imports with local production as well as increasing exports ([Xhepa and Liperi, 2021](#)). In this effort, the replacement of agricultural imports with domestic products remains one of the main challenges for policy-makers and other actors of economic development, to design and implement sound policies that reduce the trade deficit.

The uncertain market of agricultural products and the import of these products from abroad is the biggest concern that the producers of agricultural products fear. Small agricultural producers are faced with high production costs, and as a result, they command high prices in the market.

These two factors prevent these businesses from competing in the market equally with large agricultural producers and imported products. For this reason, the small producer is forced to cooperate with large producers in order to reduce the cost of production and secure the market, because agricultural products have a short shelf life. As a result of this uncertainty from unstable prices of small producers, influenced by the competition of large producers or imports, caused this to be reflected in the following years. Multi-year investment in product marketing leads to product differentiation and the establishment of its recognition and reputation among consumers.

II. METHODOLOGY

The purpose of this paper is the analysis of the existing state of competitiveness of agricultural products and the possibility of substitution of imported products, as well as the impact of the application of marketing. Market study and awareness of agricultural producers to increase their performance in the market as well as the proposal of a marketing model for the Albanian

agricultural producer, to reduce the cost, promote the production of new agricultural products and increase competitiveness in the market.

The main objectives in fulfilling the purpose of the work are:

- Analysis of marketing implementation and preparation of research methodology, according to the requirements arising from the questionnaires and basic hypotheses.
- Preparation and distribution of questionnaires for agricultural producers, as well as collection, processing and presentation of data for discussion.
- Drawing conclusions and giving recommendations to agricultural producers and proposing a marketing model to be followed by Albanian agricultural producers.

In order to carry out this work and to achieve the aim and objectives of the research, a basic hypothesis has been put forward: ***The application of marketing to domestic products enables the substitution of imported products.*** During the handling of the papers, some research questions will be answered as follows:

- What is the state of implementation of marketing and how oriented are agricultural businesses in the application of marketing?
- What is the competitive position of local producers in front of agricultural products that are imported from abroad?

The expected contribution will be the proposed model for marketing to agricultural companies in Albania, while the research in this article can be considered exploratory or confirmatory. The results achieved help in decision-making, suggesting a specific orientation of actions.

The quantitative method of data collection includes the analysis of primary data collected through questionnaires. The sample size is not less than 30 and not more than 50, being considered adequate to carry out this work. The applied methodology of this paper is in function of its purpose and is based on these research elements:

Sources of data is a combination of secondary and primary data. The main research is supported by the data collected through questionnaires distributed to the interviewed businesses, while the secondary data is the result of the information provided through the literature.

During the work, the quantitative method of data collection was used, mainly the questionnaire. This method has helped to compare the different variables used to test the hypotheses presented.

Data processing is based on the use of various statistical methods such as: SPSS Excel, descriptive analysis, cross tables, methods of analysis, representation and correlation between phenomena.

30 different businesses dealing with the production or processing of agricultural products were surveyed and that: 5 producers/processors of milk, 5 producers/processors of non-alcoholic beverages from trees, 5 producers of vegetables, 5 producers of alcoholic beverages, 5 meat processors, 2 processors of flour products and 2 processors of oil products.

Research methods in this study include: multivariable method along with factor analysis, regression techniques, correlation and forecasting techniques.

III. STUDY RESULTS ANALYSIS

The results of the research come mainly from the answers to the general questions, to continue with the part of the questions related to the marketing activities and ending with the part of the validation of the hypotheses according to the Pearson Correlation model. To analyze this paper, in the study part, 30 managers of 30 companies from different agricultural sectors were interviewed and only in those companies/farms. that have more than 10 employees.

30 different businesses dealing with the production or processing of agricultural products were surveyed and that: 5 producers/processors of milk, 5 producers/processors of non-alcoholic beverages from trees, 5 producers from vegetables, 5 producers of alcoholic beverages, 5 meat processors, 3 processors of flour products and 2 processors of oil products.

TABLE 2
WHAT ARE THE FORMS OF MARKETING THAT YOUR COMPANY MOSTLY IMPLEMENTS?

		Frequency	Percent	Valid Percent	Total Percent
Valid	• Internet Marketing	15	25	25	25
	• Television and radio marketing	4	6.7	6.7	31.7
	• Catalog marketing	2	3.3	3.3	35
	• Internet Marketing + Television and Radio Marketing	6	10	10	45
	• Internet Marketing + Television and Radio Marketing + Catalog Marketing	19	31.7	31.7	76.7
	• Internet and catalog marketing	13	21.7	21.7	98.3
	• Internet Marketing + Fairs	1	1.7	1.7	100
	• Total	60	100	100	

The most frequent forms of marketing used by the interviewed businesses are:

- The combination of Internet Marketing + Television and Radio Marketing + Catalog Marketing with 31.7%,
- The combination of Internet Marketing with 25%.
- The combination of Internet Marketing and catalogs with 21.7%.

Competition in the market is considered strong by all sectors, because over 80% of company managers from each sector have declared that they face strong competition.

TABLE 3
DO YOU DO BUSINESS PROMOTION TO PROVIDE INFORMATION ABOUT THE SCOPE OF THE COMPANY?

		Frequency	Percent	Valid Percent	Total Percent
Valid	Yes	38	63.3	63.3	63.3
	Sometimes	22	36.7	36.7	100
	Total	60	100	100	

A significant number of businesses, even 63.3% of them do promotion to provide information about the business, while 36.7% of them only sometimes provide information about the scope of the enterprise.

TABLE 4
IF YES, FOR DESIGNING THE MESSAGE AND ADVERTISING OF YOUR PRODUCTS, YOU ENGAGE

		Frequency	Percent	Valid Percent	Total Percent
Valid	The marketing department within the enterprise	12	20	20	20
	Enterprise staff	19	31.7	31.7	51.7
	Firms specializing in advertising	12	20	20	71.7
	Enterprise staff + Specialized firms	2	3.3	3.3	75
	Marketing department + Specialized firms	15	25	25	100
	Total:	60	100	100	

In the design of the advertising message, 31.7% of the enterprises use the marketing staff, with 20%, respectively, using the marketing department within the enterprise and specialized firms for advertising, 25% of them use the combination: marketing department + specialized firms, while 3.3% of them use the combination: Company staff + specialized advertising firms.

IV. RESULTS FROM CROSSTABS

In this part, the results from processing with SPSS are presented, mainly through the model of cross tables. This model is used to observe the correlation between the independent variables x and the dependent variables y, and also the cross tables where the results confirming the correlation or rejecting it are presented through the "Pearson Correlation" with the two-sided significance test (sig 2 – tailed).

TABLE 5
CORRELATION - PRICING - COMPETITIVE PRESSURE

CORRELATES

		Do you price your products on a geographic basis (rural and urban areas)	Do you consider that your competition is increasing the pressure to lower product prices?
Do you price your products on a geographic basis (rural and urban areas)	Pearson Correlation	1	0.131
	Dig(2-Tailed)		0.317
	N	60	60
Do you consider that your competition is increasing the pressure to lower product prices?	Pearson Correlation	0.131	1
	Dig (2-Tailed)	0.317	
	N	60	60

In table 5, the variable: Do you set product prices on a geographic basis (rural and urban regions) is compared with the other variable: Do you consider that your competition is increasing the pressure to reduce product prices?. From the calculations, it can be observed that a Pearson Correlation coefficient revealed that there is no positive relationship between the two variables, $r = .131$, $n = 60$, $p = 0.317$. In general, there is no positive relationship between the two variables, because even during the interviews it was observed that only a small number of enterprises make price "differentiation" according to geographical areas and this indirectly does not even affect any pressure from the competition to do such a thing nor to reduce the cost.

Verification of hypotheses

In the tables below, the validation of the hypotheses is presented.

H 1: The genuine competition of enterprises in assortments of agricultural products has a negative correlation with the level of consumer involvement in the process of replacing these products.

TABLE 6
HYPOTHESIS 1

CORRELATES

		Does your product range in the market face genuine competition?	How easy is it for the customer to find other products as substitutes for your products in the market?
Does your product range in the market face genuine competition?	Pearson Correlation	1	0.19
	Dig(2-Tailed)		0.147
	N	60	60
How easy is it for the customer to find other products as substitutes for your products in the market?	Pearson Correlation	0.19	1
	Dig(2-Tailed)	0.147	
	N	60	60

Table 6 presents the results of the third hypothesis which was tested as correct. The first hypothesis is based on the assumption that the assortment of products in the market when faced with real competition is not strongly related to the level of consumer involvement in the process of replacing these products.

A Pearson correlation coefficient sheds light on the negative correlation between the two variables, $r = 0.190$, $n = 60$, $p = 0.147$.

In this regard, we can conclude that these two variables do not correlate with each other. This proves anyway that the competition in this sector is real and when there is real competition the consumer is not interested in replacing the products of the company he likes with the same products of other companies because of the price or because of any variable other.

H 2: The degree of substitution of agricultural products due to their country of origin has a negative correlation with the degree of the risk of substitution of these same products due to production with advanced technology.

TABLE 7
HYPOTHESIS 2

CORRELATES

		Do you foresee your customer substituting your products because of the country of origin?	Is there a risk that the consumer will replace your products with those of competitors due to advanced technology production?
Do you foresee your customer substituting your products because of the country of origin?	Pearson Correlation	1	0.11
	Dig(2-Tailed)		0.934
	N	60	60
Is there a risk that the consumer will replace your products with those of competitors due to advanced technology production?	Pearson Correlation	0.011	1
	Dig(2-Tailed)	0.934	
	N	60	60

Table 7 presents the results of the second hypothesis which was tested as correct. The second hypothesis was based on the assumption that: The degree of substitution of agricultural products due to their country of origin has a negative correlation with the degree of risk of substitution of these same products due to production with advanced technology.

A Pearson correlation coefficient sheds light on the negative correlation between the two variables, $r = 0.011$, $n = 60$, $p = 0.934$.

In this regard, we can conclude that these two variables do not correlate with each other and that the correlation is negative. This shows that the consumer is not interested in replacing local products with products from abroad because of the advanced technology used by foreign competition and that in percentage 46.7% of managers think that the Kosovar consumer does not change or replace the product because of technology of advanced for producers from outside Albania.

V. CONCLUSIONS AND RECOMMENDATIONS

Based on the literature used, on the purpose and objectives presented, on the methodology used in the paper, as well as on the findings from the study, we come to three types of conclusions: on the theoretical level, on the methodological level and on the practical level.

5.1 Conclusions on the theoretical plane:

- Marketing as a new science developed from the end of the 30's is of exceptional importance for companies that are oriented towards the market, respectively from the end consumer in order to identify his needs and desires and to meet them in time, quantity and in the right place (Kotler, Kartajaya, and Setiawan, 2021).
- The marketing strategy requires several steps or stages before it is implemented in practice, this is also realized through strategic alternatives.

- Creating consumer trust through the quality of certain products or services, today everywhere in the world is a priority of consumer-oriented companies and the same should happen in Albania.
- The policy of physical distribution of products means finding the easiest and fastest way/channel to penetrate to the final consumer, considering the fact that the company that distributes the goods close to the consumer gains a competitive advantage in the market (Dieppe, 2020).
- The Albanian economy after the 2000s, has been an economy oriented mainly on trade and without a focus on production, to replace the high level of imports, especially in agriculture, but in the last 5 years a better progress can be observed in this sector.
- Maintaining consistency in production, especially in agricultural products, is more than necessary to satisfy the consumer and maintain continuity in the market.

5.2 Methodological conclusions:

- To recognize the implementation of marketing activities and strategies in agricultural production companies in Albania, it was necessary to use surveys and analyze them. For this purpose, those companies that employ more than 10 workers were selected as a sample, while the interviews were conducted mainly with people who are owners of companies/farms or at the managerial level.
- The questionnaire is the research instrument used to collect data from companies and is built from various questions related mainly to questions about marketing strategy activities but also other questions about competitiveness and competitive advantage in the market, through which they are achieved conclusions of interest, to have a clear overview of how they are being implemented in practice and how much importance is given to marketing in manufacturing companies.
- The study contains a comparative look between the same and different businesses within a sector.

5.3 Conclusions on the practical level:

- Customer care and trust means repeat purchases from existing customers and increase in the number of new customers, thus leading to increased company profits. This has been proven in those companies that were part of this study, as well as by the proven hypothesis related to these variables.
- The Albanian consumer, according to the answers given by the interviewees, does not prefer to replace local products if the variety of products offered in the market matches their requirements.
- The Albanian consumer also does not prefer to replace local products, due to advanced technology from competitors targeting the local market.
- Setting the right objectives and measuring managerial performance has influenced the increase in sales from agricultural companies in Albania.
- Most of the respondents assess the risk from import substitute products and about 56% of them think that there is a risk for their businesses from these products, while 30% do not have that opinion.

5.4 Recommendations

- Development through acquisitions is an alternative that gives the opportunity to enter new markets/products. In some cases, products and markets change rapidly, and this is presented as the only way to enter these markets, while internal development is considered a very slow path. Companies in the food sector in Albania have so far hesitated to act with such a strategic alternative. Therefore, it is recommended that they take the risk to enter this strategic alternative in order to enrich their markets/products and create a competitive advantage in the market.
- The modification of current products and the entry into production of new products, similar to the products that dominate the domestic market, is a recommendation that is made especially to those companies that have reached the stage of maturity with their current products and for which consumers are looking for innovation.
- Maintain stability in the production of their products, paying special attention to the quality of the products in order to convince the consumer that they are meeting their requirements and expectations.

5.5 Recommendations for producers/processors

- The agricultural production enterprises part of this study has to some extent combined well the elements of mixed marketing, in particular promotion and distribution channels, but they have not performed well in terms of cost reduction and variety in products.
- Another shortcoming that has been observed in these businesses is the use of insufficient knowledge related to marketing strategies.
- Efficiency in production and reduction of costs, using several strategies that affect the increase of competitiveness in the market and the increase of consumer confidence, ultimately lead to the replacement of imports with domestic products.

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