

THE DEVELOPMENT OF CLUSTERS AS A WAY TO INCREASE COMPETITIVENESS OF BUSINESSES (CASE OF MILK PROCESSING INDUSTRY IN TIRANA)

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Abstract

The aim of the study is the suggestion of cluster development as a way to increase competitiveness in business and as the main way for the effective use of the potential of the dairy processing industry through policy guidance and their management to meet the challenges of today and future. The study provides an overview of the dairy sector, focusing primarily on its properties in the region of Tirana. The study consists in identifying possible strategies and solutions to enhance the competitiveness of the sector, which despite its steady growth faces a number of challenges and barriers. The implementation of quality standards and food safety, lowering the cost of raw materials and increased quality are elements on which depends directly competitiveness of the sector. The sector suffers from a lack of cooperation between all stakeholders in the supply chain. In this framework paper aims to analyze the clusters as a way to increase competition and cooperation at all levels of the value chain in the dairy processing industry. In this context, the study points to a growing need for enhanced cooperation horizontal, vertical and lateral in order to increase competitiveness by increasing productivity, lowering costs and better control the quality from raw materials to the final product, in terms of efficient management of the food supply chain. At the same time, the study shows the need for more effective policy making by policymakers to increase the competitiveness of the sector.

Keywords: Clusters, agricultural policies, competitiveness, supply chain, dairy sector

Introduction

Milk in Albania is an important part of the agribusiness sector. Its development is accompanied by a number of barriers, where the most important are the poor performance of the value chain characterized by a low level of operations, high costs, lack of quality and lack of reliability. As a result, agricultural and food products have not yet competitive advantages over analogue imported products. This is materialized by the fact that imports of these products are still at high levels, while exports have a negligible increase. In this way there is a need of an efficient management of the dairy processing sector for providing comparative advantages of local products and increase exports by encouraging investments that support production, improve infrastructure and facilitate the connection of production with the market. Implementation of quality standards and food safety, lowering the cost of raw materials and increase the quality are the main elements directly dependent on the sector's competitiveness. Development of clusters is one of the ways to achieve this goal.

International developments have their impact on the development of the dairy sector in Albania. On the one hand the gradual process towards liberalization of markets will provide greater opportunities and in turn the need to adapt production to growing demands of these markets presents challenges for agribusiness. Competitiveness in national and international markets depends not only on competitive advantages, but also in government policies in this sector.

The purpose of the study

The main purpose of this paper is to analyze the current situation and prospects of development of dairy sector. For this purpose: will be assessed the potential of creating clusters in the dairy processing industry. Through current sector analysis, will be given theoretical and practical recommendations regarding the possibility of development, perspectives and priorities of creating regional clusters in Tirana region.

Methodology

For this paper are used primary and secondary data. As the primary method are used questionnaires with the owners/managers of businesses and experts in the field as well as pilot study (a business previously selected).

As secondary data are used previous literature about the dairy processing sector with an emphasis on its properties in the national and regional scale, studies of this kind in Eastern European countries, the Ministry of Agriculture Statistical Annuals, INSTAT, etc.

Sample Selection

To ensure maximum accuracy of the data, samples were taken on the region studied. Samples were taken on the population surveyed as well as agro-livestock farms. The selection of the sample was made based on the number of agro-processors in the dairy industry in the district of Tirana. The first sample was formed from an intentional choice, namely, 17 agro-processors (31.5%), 36 dairy farms (66.7%), 1 unit of livestock and agro-processing combined (1.9%), total 54 units. Of 54 units, 18.5% of them are small businesses, 68.5% medium businesses and 13% large businesses.

The second sample was formed from a casual choice of regional agro-processors and a choice of experts, composed of academics, officials and representatives of non-governmental organizations. The reason for this kind of choice was based on the available knowledge, involvement and importance of these actors in the agricultural and livestock clusters in Tirana region. The data collected by questionnaires, was processed with the SPSS program.

Literature Review

What is competitiveness?

Competitiveness is the fundamental cause that affects the prosperity of a country. While macroeconomic fluctuations, political developments, changes in resource prices and trade flows and foreign investment may shift in GDP over time. The only reliable basis of true prosperity is "productive potential of the economy of a country". Central focus of public policy should focus on competitiveness, despite the constant desire for quick solutions and short-term success.

From the beginning, it was the goal of the European Union to strengthen the competitiveness of Europe and its firms, besides other economic fields, by creating a large, internal European market. In addition, there is the objective of increasing the living standards of the countries of the Community and its citizens, an objective which underlies the strengthening of competitiveness in the candidate countries for EU accession.

What is a cluster? Why cluster?

"Clusters are geographic concentrations of interconnected companies and institutions in a particular field." (Porter 1998)

Nowadays is discussed more in finding new ways of economic development adapting to the new trends of the global and liberalized world economy. The best world experience recommends new forms of regional development in cluster type.

The cluster allows the business to operate productively. Businesses can easily adapt to changes in customer needs, technology, competitive

environment or the cost of inputs, if their partners are close and united with each other in the form of associations and advised by the expertise of academic and research institutions. Certainly the company's internal environment is important, but also the surrounding environment has an undeniable role. Cluster represents a new way of thinking about the location and challenges of how companies can be configured, how the institutions (such as universities) can contribute and how governments can foster economic development and prosperity. Creating a cluster means to collaborate in order to be more competitive and successful.

Through the establishment of relations, individual SMEs can counter problems related to their size and improve their competitive position. Cooperation between firms enables the creation of a common space for learning, exchange of ideas, and development of knowledge regarding the improvement of product quality, technology and moving towards more profitable markets segments. Besides these, the links between enterprises, service providers (training institutions, technology centers) and local policy makers can help create a vision of development and pave way for joint actions increasing SME competitiveness.

Table 1. How can stakeholders collaborate in clusters?

Relationships	Benefits
Manufacturer of milk processing sector	Standardization of demand and increase of raw material quality
Relationship with universities	Inovation: technology improvement
Relationship with a marketing company	Access to product information / marketing,
Relationship with a local bank	Access to credit
Relationship with a company for technological waste	Cost reduction
Relationship with training institutions	Improvement of management and workforce training
Connection with laboratories	Improvement of standards / quality
Relationship with NGO-s	Mapping and monitoring regional development strategies
Relationship with public agencies	Improvement of business environment / influence on government

Dairy Sector Development in Albania

The current structure of the dairy sector in Albania is characterized by a large number of small dairy producers. Private business has started only in 1991. National Milk production in Albania is currently about 1 million tons per year. Currently, there are about 219,952 farms with milk cows with a total of 355,000 cows that produce 0.80 million tons of milk per year.

There are 74,005 farms cultivating small stocks (SRS) with 1.9 million sheep and goats that produce around 0.14 million tonnes of milk per year. Many dairy producers have applied so far milking by hand or by very simple machines.

Milk processing industry in Albania is characterized by a large number of nearly 400 registered units. However, most dairy processors are very small units with simple traditional technology or seasonal processing units for sheep or goats.

There are about 27 modern milk processing units in Albania that operate with a capacity of 10-40 tonnes per day. None of them can fully exploit the capacity. About 60 milk processing units are partially mechanized, with a capacity of 4-10 tons per day. Only very few dairy processors have advanced to the establishment of a laboratory for testing milk quality. Others have simple devices for basic tests of milk quality.

In Albania rural population constitutes about 50% of the population, where a considerable number is employed in agricultural activities and agriculture occupies about 21% of GDP¹. It is understood that this sector is important in economic and social development of the country. Domestic agricultural production is low and not competitive because the farms are small and fragmented with an average area of 1.1 ha. Albania is a country with considerable opportunities in terms of climate conditions, sunny days, the land, water resources and human potential in rural areas. These factors prove the potential of agriculture in the future.

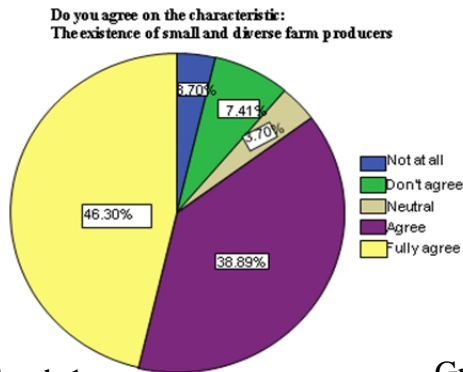
The agricultural sector is still characterized by difficulties such as:

- ✚ Increasing number of small and often non-professional manufacturing units,
- ✚ Uncertainties relating to the ownership of land,
- ✚ Lack of financial support mechanisms,
- ✚ Poor infrastructure of operations and lack of technological support structures,
- ✚ Lack of market information,
- ✚ Territorial distribution of farms,
- ✚ Small number of specialized dairy farms,
- ✚ High costs of raw milk collection and quality control,
- ✚ High competition from informal market and imported goods,
- ✚ Lack of proper awareness and education about the requirements for milk production.

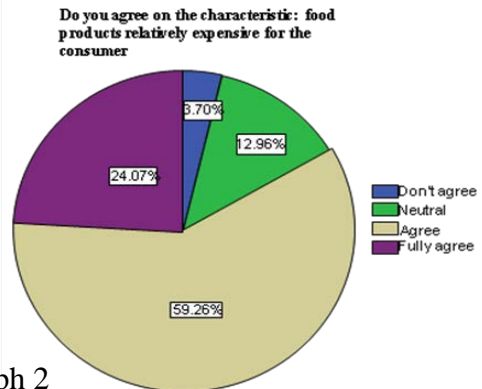
¹ World Bank Statistics

Results of questionnaires with experts and agro entrepreneurs

From the questionnaire data emerges that agriculture and livestock supply chain in Tirana region is characterized by a large number of small-farm producers, from small and medium agro-processing units, and relatively expensive products to the final consumer.

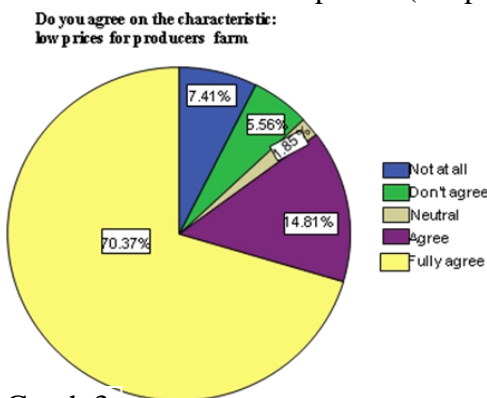


Graph 1

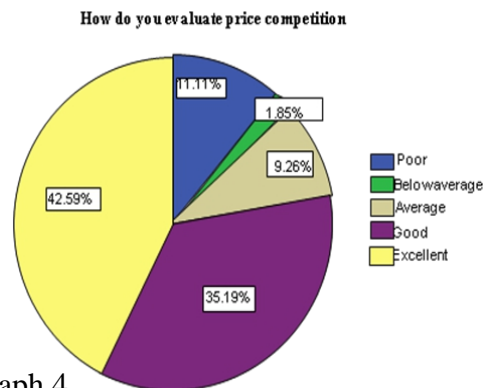


Graph 2

Most of our agro-processing enterprises are small and their impact on marketing is very localized. About 46.3% of respondents claim the existence of a large number of small-farm producers. At the same time more than half of them agree with the fact that agro-processing enterprises in the region are small and medium enterprises. (Graph 1)



Graph 3



Graph 4

More that 59.3% of the respondents support the fact that agricultural and livestock products are relatively expensive for consumers, 24.1% completely agreed and 13% neutral. (Graph 2) This comparison is done considering the prices of imported agricultural and livestock products are relatively low. (Graph 4)

There is positive assessment in determining that prices for producers-farmers are low. Farmers can not easily find the raw material; it is a high price, unfit for them. This is confirmed by the results for farmers. (Graph 3)

In the *second section* of the questionnaire were evaluated some elements of the supply chain: the competitiveness of domestic dairy products compared with imported products, the implementation of quality standards, safety of animal products and control of the progress of these products from production to the final consumer, by scale: poor, below average, average, good, very good. Competitiveness of agricultural and livestock products, compared with those imported are evaluated positively by 77.8% of the respondents.

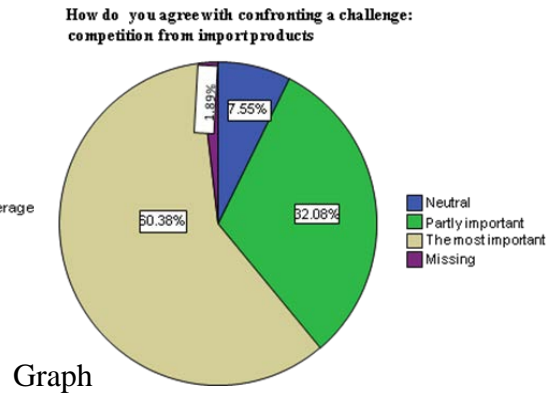
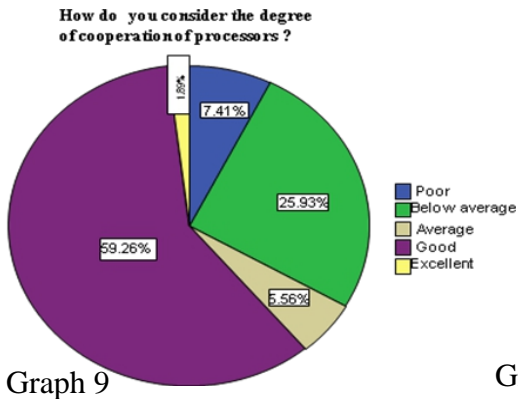
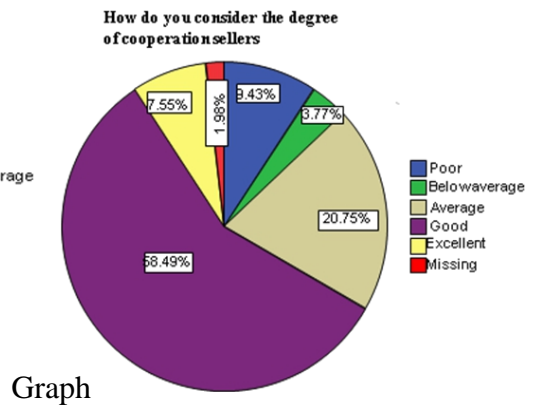
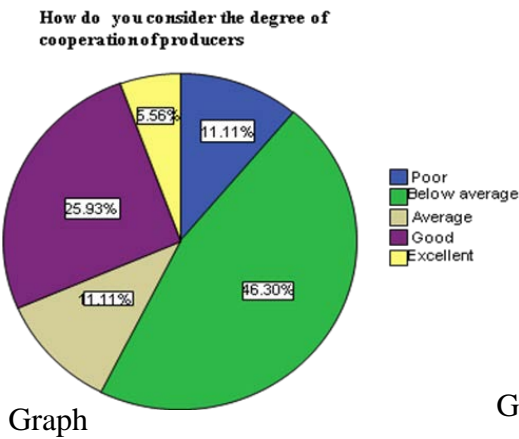
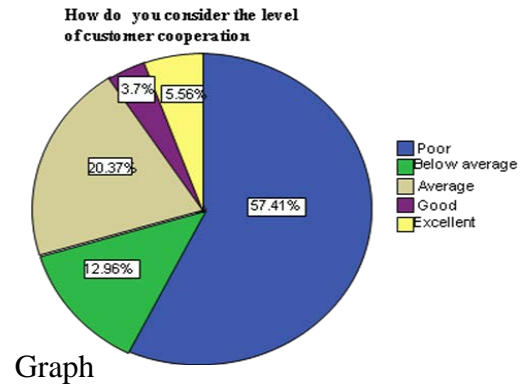
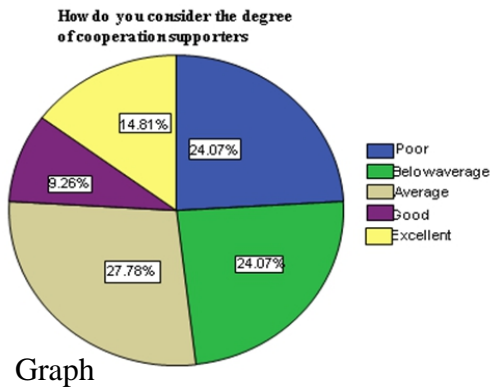
Implementation of quality standards and livestock safety was evaluated in a good level from 42.6% of the respondents and in the average level from 38.9% of them. Only a small proportion of 14.9% evaluate a it under average and poor.

Controlling the evolution of the products from production to the customer is estimated from 40.7% of the respondents as best, from 35.2% as average and from 11.2% of them as below the average and poor. Responses show that more remains to be done to switch to a better level of these two elements, because the average assessment shows not a good sign for quality standards and control of the evolution of the process from production to customer.

Implementation of quality standards and livestock safety and control during all phases of dairy products, is an immediate task for supply chain management. Possible improvements in these aspects would impact positively on the improvement of competitiveness of products of this chain. In the third section is estimated the degree of cooperation of all participants (producers-farmers, processors, retailers, consumer associations and supporting institutions) in the supply chain according to the degree of 5 levels: poor, below average, average, good and very good.

The level of cooperation between stakeholders in the supply chain is relatively low, estimated at a level below the average of 46.3% of the respondents and poor level from 11.1%, ie a total of 57.4% of respondents. This low level of collaboration between stakeholders in the supply chain, directly affects the level of competitiveness of its products. As shown (Graph 7), the manufacturers are less cooperative than other stakeholders. This lack of cooperation is mainly related to the large number of units, their inability to reach agreement, changes in economic conditions, lack of knowledge, lack of control over production, because this production comes from many small units that operate on their own.

From the results we can conclude that efforts should be encouraged to increase the level of cooperation in order to make this chain competitive.



The fourth section of the questionnaire requires the evaluation in order of importance of such factors that are thought to lead to success the supply chain, such as the integration of marketing plans and strategies, specialization in a smaller range of products, supply and demand forecasting, improvement of operations and efficiency, increase of new customers and introduction to new markets.

According to estimates made by the respondents, results that 81.5% of respondents consider as very important integration plans and marketing strategies. Specialization in a smaller range of products is moderately important (neutral) for 33.3% of respondents, particularly important for 27.8% and very important for 25.9%. Similarly, almost 90% of respondents consider very important supply and demand forecasting, operations efficiency and entry into new markets.

The fifth section of the questionnaire requires the assessment of the challenges facing the supply chain partners in the region of Tirana. All definitions listed as challenges in the questionnaire, was accepted by the majority of respondents.

85.2% of the respondents admit facing the inadequacy of the main tools in the supply chain. There is a difficulty for providing effective network of stores and new technology which comes as the result of difficulties in finding investment capital and cooperation among stakeholders. This deficiency results in the difficulty in improving the skills of processing, packaging, logistics and rapid product delivery. Thus, 81.5% of respondents completely agreed on the difficulty in providing safe and quality products.

Another challenge is the lack of important agricultural-livestock market where 77.8% of respondents completely agreed and 16.7% of them agree. About 94.5% of respondents claim that there are difficulties for the purchase of agricultural land and livestock, due to lack of clear ownership documents and also difficulties in finding alternative sources of investment such as bank loans, etc..

Respondents (98.2%) see as the main challenges to agriculture and livestock supply chain the lack of investment in research and development as well as competition from imported products. According to the respondents, the production relies more on traditional mode of production than in new innovative ways. Important impact has been the difficulty in finding the monetary resources to support new innovations.

Even regulatory barriers (96.3%) are a very important factor that creates difficulty in agro-processors, in confronting the difficulties in implementation, ongoing changes, etc. Manufacturing units find difficulties in implementing frequent changes and sometimes drastic legal basis, which often causes the "confusion".

For 59.3% of respondents competition from imported products is very important. This competition is driven by prices of imported products and their high technology.

Another barrier to the operations of agro-processing units is also considered the crisis in the region. 72.2% of respondents appreciate the very

high impact of the crisis which affects the increase in prices of raw materials and imported products.

The sixth section of the questionnaire requires an assessment in order of importance for agriculture and livestock supply chain, regarding supportive government policies. All types of government support are considered important by almost all respondents (98.1%). Respondents consider very important government policy for granting loans with low interest rates for the financial support of the growth and development of their activity. 74.1% of units interviewed appreciate very important supportive management system.

The efficiency and effectiveness of production capacity is a very important factor for 75.9% of the units surveyed. Managers assess efforts to be more effective, to compete with dignity in country and abroad. Even technology is a very important factor for the growth of competitiveness in the future (57.4%).

Infrastructure is a very important factor for a very large portion of the units surveyed (83.3%). Construction of new roads and improving existing ones are considered very important for the supply chain. Respondents expect from government support programs for the creation of transport facilities.

The final section requires evaluation by their level of importance, to a number of factors that will affect the supply chain in the next 5-10 years. Among the factors that are considered very important by 60 percent of respondents could mention: food and livestock safety policies, changes in purchasing power, the development of new marketing channels and new product strategies. Units are already conscious that marketing is a very important factor for the growth, knowledge and product selling in the market. It is a priceless tool for bringing product closer to the consumer.

Analysis of the survey results

It is done the analysis of responses, using averages and standard deviation. Issues identified as most important are analyzed below:

[1] The structural characteristics of the supply chain management of agricultural and livestock

Tirana region is characterized by a large number of small-farms and diversified producers (average, 17.4). This situation can be explained by the fact that the quantity produced is intended to meet basic needs for food. Another reason that could explain the existence of small and diversified producers may be related to risk issues. Risk aversion is a common attitude of producers that behave conservatively and avoid risks by increasing the variety of products within the same production area. This diversified product also is favored by the high degree of fragmentation of the farms.

Another characteristic identified as important is the predominance of small and medium agro-processing in the region (average 4.11) and lower prices for farmers (average 4:35). The latter is believed due to high production costs, low efficiency and high competition from imported products, which in most cases dominate domestic markets. On the other hand, the price of agricultural and livestock products to consumers is considered relatively expensive (average 4:04, due to the many stages and intermediaries through which they pass until they reach the final customer).

It was noticed during the analysis the low assessment of the performance of agriculture and livestock supply chain. Implementation of standards under the required level (average, 2.6) and a weak performance of control systems toward the progress of the products at all stages of processing up to final consumer (average, 2.79) constitute a disadvantage in the quality of products in front of imported products. On the other hand, the high cost of production, which is reflected in their prices, is a disadvantage compared with imported products. This confirms the fact that the competitiveness of the sector's products (average, 2.5) is evaluated below average.

Related to cooperation, from the results we can conclude that manufacturers are less cooperative than other participants as processors or retailers. This may be due to the belief of producers, that an attempt to increase cooperation can increase the total cost of operations while there is a high degree of land fragmentation and low level of specialization of production.

[2] Private initiatives and commitment for improvement

The commitment of management to improve operations and efficiency is placed first on the list in terms of importance that has for business success (average 5.7). Like nationally, the Tirana region are not exploiting the potentials of this region and existing market opportunities. Improvements in efficiency and effectiveness in the agricultural sector and agro-livestock should be seen in synergy to new ways in all aspects: in agricultural production, "agriculture and livestock processing, marketing strategies, operations and management of agricultural chain and livestock as a whole.

Programs for the improvement of the efficiency and effectiveness of production capacity (average, 5.7), stays in the center of the transformation and upgrading of agricultural and agri-livestock. At the same time they must be done to obtain the advantages of economies of scale in production. In this way it will be providing the advantage of low costs and prices for the products of the sector, which in response, will gain new parts of the internal market, but it will also create the possibility of their penetration in foreign markets.

A good prediction for compliance of supply and demand (average, 4) is very necessary, because their discrepancy causes more disruptions in the agriculture and livestock supply chain. Development of new customers, the introduction to new markets (average, 4.89) and investments in technology (average, 4.5) are considered equally important.

[3] The role of the government in the development of agriculture and livestock chain.

In this section we identify the most important issues through which the government can contribute to make competitive the agricultural and livestock supply chain. First, the support for the implementation of information management systems in agriculture and livestock seems to be very important (average 4.74). A concrete action could be setting up certified bodies of information system which will help in food quality, will support operations and planning processes. Secondly, the support by provision of affordable credit rates (average 4.87) was seen very necessary, because, as was mentioned earlier, the region is dominated by medium-sized and small businesses, which have limited investment opportunities. Despite that there are several initiatives by the government to cover part of the interest rate or to subsidize some sectors; the result shows that there is still a need to stimulate the development of agricultural sector and agro - livestock in this perspective.

Additional services (average, 4:54) are also seen important. Key examples here are some issues: training and support to apply for funding, training on new methods of production, etc. Moreover, the development of knowledge systems through research institutions or programs will facilitate market activities and supply chain partners by increasing the possibility of research and information. Besides the factors mentioned above, a critical element is the implementation of government policy on agricultural products and livestock (average, 3.9), since in many cases the challenge is seen more in terms of policy implementation.

[4] The most important developments that are expected in the medium term

With regard to the importance that may have in a medium term period (5-10 years), various factors for agricultural and livestock supply chain, policies for safety of agricultural and livestock products seems to be considered the most important (average, 4.66). This is due to the increase of legal requirements on safety standards and an increase in consumer awareness and expectations. Also in the medium term, it is expected a change in purchasing power and consumer attitudes (4:59 average), which requires a response from business operators and institutions with respect to quality and safety standards.

Ensuring the security of agricultural and livestock product quality, currently is seen as a challenge (average 3.8), due to the slow development of quality management systems in agriculture/livestock and due to poor performance (below average) of control systems from production to distribution at the final consumer. Another important development required in the medium term is to improve the infrastructure and convenient transport links. The current situation brings many challenges for the operational activities of supply chain management, influencing product quality, delivery time and overall costs. The development of domestic infrastructure is considered as important as developing external links (average 4.3).

Other elements that are expected to be important are the development of new marketing channels and product strategies (average 4). This as a result of higher competition expected from EU products (average, 4.2). While competitive pressure from internal and external forces is growing, it is expected an increased level of joint ventures between local and foreign firms and a growing concentration in the retail sale (average, 4.1). The retail sector is developed and characterized by a dominant role of supermarkets, which are becoming the most important trade channels.

Investments in research and development are considered as a major challenge that has lacked the region. If we had government's commitment to support the overcoming of obstacles mentioned above and to gain advantage from lower labor costs, availability of local raw materials and attractive climate for investment through competitive fiscal regimes, current and future investors can view Tirana as a region that offers great opportunities for investment.

To conclude, regarding the dependence between the factor "competitiveness" (dependent variable) and "degree of cooperation among stakeholders in agricultural and livestock supply chain" (independent variable) are based on regression analysis using SPSS statistical method ($y = a + bx$). This relationship is analyzed for each stakeholder in the supply chain. Output resulting from the processing of data for each case includes the correlation coefficients, the value of which defines the relationship between selected variables.

- 1) *Competitiveness* = $a_1 + b_1$ The degree of cooperation of producers
- 2) *Competitiveness* = $a_2 + b_2$ The degree of cooperation of manufacturers
- 3) *Competitiveness* = $a_3 + b_3$ The degree of cooperation of sellers
- 4) *Competitiveness* = $a_4 + b_4$ The degree of cooperation of consumer associations
- 5) *Competitiveness* = $a_5 + b_5$ The degree of cooperation of supporting institutions

Where ‘a’ represents the constant and ‘b’ represents the regression coefficient

Statistical analysis of the results:

1) *Competitiveness* = $a_1 + b_1$ The degree of cooperation of producers
 Results (Table 2) show a significant positive relationship between competitive ability of agricultural and livestock products and degree of cooperation among producers and other stakeholders in the agricultural and livestock supply chain (regression coefficient, 0.639). $Y = 3.910 + 0.02x$

2) *Competitiveness* = $a_2 + b_2$ The degree of cooperation of manufacturers
 Results (Table 2) show a significant positive relationship between competitive ability of agricultural and livestock products and the level of cooperation of processors with other stakeholders in the chain of agricultural and livestock supply (regression coefficient: 0:43). $Y = 3.533 + 0.133 x$

3) *Competitiveness* = $a_3 + b_3$ The degree of cooperation of sellers
 Results (Table 2) show a significant positive relationship between competitive ability of agricultural and livestock products and the degree of collaboration of sellers with other stakeholders in the supply chain of agricultural and livestock. (Regression coeff: 0.467). $Y = 2.436 + 0.435 x$

So, the higher the degree of collaboration of sellers with other stakeholders in the supply chain, the higher will be the competitive ability of agricultural and livestock products, a result which is the same with the other two cases mentioned above. The advantage of this cooperation consists in the improvement of the supply and through it the creation of production factors.

Table 2: Statistical analysis of Responses

	Model	Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	3.910	.449		8.709	.000
	How do you consider the degree of cooperation among producers?	.020	.154	.0018	9.81	.0499 <0.05 <i>Statistically important</i>
2	(Constant)	3.533	.545		6.478	.000
	How do you consider the degree of cooperation among manufacturers?	.133	.0160	.114	8.31	.0410 <0.05 <i>Statistically important</i>
3	(Constant)	2.436	.598		4.073	.000
	How do you consider the degree of cooperation among sellers?	.435	.164	.349	2.656	.011 <0.05 <i>Statistically important</i>
4	(Constant)	4.584	.310		14.781	.000
	How do you consider the degree of cooperation among consumers?	.332	.140	.312	2.371	.021 <0.05 <i>Statistically important</i>
5	(Constant)	3.454	.383		9.015	.000
	How do you consider the degree of cooperation among supporting institutions?	1.91	.128	.202	14.86	.0143

a Dependent Variable: How do you evaluate price competition?
($\alpha=0.05$)

4. *Competitiveness* = $a_4 + b_4$ The degree of cooperation of consumer associations

Results (Table 2) show a significant positive relationship between competitive ability of agricultural and livestock products and the degree of collaboration with consumer associations and other stakeholders in the supply chain of agricultural and livestock (regression coefficient: 0.598). $Y = 4.584 + 0.332x$

Even here we understand that the more consumer associations collaborate with other stakeholders, the higher will be the competitive ability of products. The information they convey the chain enables other partners to boost efforts to satisfy consumer preferences.

5) *Competitiveness* = $a_5 + b_5$ The degree of cooperation of supporting institutions

Results (Table 1) show a significant positive relationship between competitive ability of agricultural and livestock products and the degree of collaboration of supporting institutions with other stakeholders to in the supply chain of agricultural and livestock. (Regression coefficient: 0.702) $Y = 3.454 + 1.91x$.

As shown, there is a significant positive relationship between competitive ability and level of collaboration of supporting institutions in the agricultural and livestock supply chain. Infrastructure for training and improvement, research and development, economic development, presentation, etc., made available by the supporting institutions.

In conclusion we can say that:

Increasing competition in the agricultural and livestock markets in Albania and Tirana region in particular, as in all countries of the Western Balkans, has brought many challenges and opportunities for partners in agriculture and livestock supply chain. It has urged stakeholders in the supply chain to be market oriented, to improve production, processing and distribution systems, focusing mainly on consumer preferences.

Challenges identified for the private sector have to do with an increased pressure to improve operations and efficiency, quality and safety standards of the products, information exchange and investment in new technologies.

The contribution of institutions (government) towards an agricultural and livestock supply chain more efficient, is seen in terms of supporting the implementation of management systems, financial support on issues such as subsidies and affordable interest rates on loans, strict implementation of government policies in agricultural and livestock products and increasing investment in research and development. Developing internal infrastructure

is considered as important as the development of regional connections for the improvement of the performance of operational activities across all supply chain. Increasing the competitiveness of agricultural and livestock products highlights the need for increased cooperation of all stakeholders in the supply chain.

Recommendations

The agribusiness sector is still facing many challenges and difficulties in the region of Tirana. Some theoretical and practical recommendations that will help in tackling the challenges facing this sector and increasing competitiveness would be:

- The only way for the development of the agricultural sector is the creation of large farms. Through the organization of clusters, exchanges between them, common utilization of available equipments, purchase of land and rents, will consolidate the use and development of land market. In this regard can be promoted credit for the purchase of land and facilitated procedures for its sale. Farmers should enter into contractual relationships or to form groups for the supply of raw materials and marketing of products, benefiting in this way lower prices for raw materials and greater security for the sale of their products.
- The local government should play an active role and cooperate extensively with manufacturers, creating transparent and enforceable rules. Local government can invest in rural areas to create conditions suitable for storing or processing of their products, but these investments should be done very carefully. The aim should be encouraging private entrepreneur's investments in these areas. Some of facilitating conditions for farmers, have to do with the management of rural markets and the establishment of new centers in other municipalities in the region. In this center should be viewed the possibility of marketing of products, standardization and packaging, etc.
- Government support for the implementation of information management systems in agriculture and livestock industry seems to be very important. A concrete action could be to create certification bodies or centers of information systems that can help in ensuring food quality, support and operations planning processes.
- Another important partner for manufacturers on their way towards increasing competitiveness are also financial institutions. Albanian economy needs support from banks and they should continue to support this important sector of the economy as it is very necessary their assistance and presence to the farmers. For this may be needed the promotion of banks to enter the financial services in rural areas and perhaps the creation of the rural bank can be a suitable solution.

- Production diversification of and the increase the mechanization level is one of the main ways to achieve the desired outcomes of agricultural production.
- It is important for partners to be involved actively and flexible enough to respond as quickly as possible to market changes. This rapid response to market changes requires the development of a common strategy, strong collaboration, integration chain, and effective communication.

Table 3: Evaluation of responses according to the mean and standard deviation

Responses	Mean	Standard Deviation
<i>Rating on a scale of 5 levels, from completely disagree to agree (1-5)</i>		
The existence of a large number and diversifid small farmers	4.17	1.06
Small and medium agro-processing businesses	4.11	0.861
Expensive food products for consumers	4.04	0.726
Lower prices for farm producers	4.35	1.231
Insufficiency of appropriate tools	4.78	0.604
Difficulties in providing safe and quality products	4.8	0.451
The lack of a functioning agricultural market	4.69	0.722
Low investements in R&D	4.41	0.687
Discrepancy	4.35	0.649
Regulatory barriers	4.28	0.738
Competition from imported products	4.53	0.639
External events	4.69	0.543
<i>Rating on a scale of 5 levels, in performance from weak to excellent (1-5)</i>		
Competiiveness of food products	2.63	0.493
Implementation of standards	2.62	1.037
Controlling the evolution of products	2.96	0.975
Collaboration of producers with other stakeholders	2.69	1.146
Collaboration of manufacturers with other stakeholders	3.22	1.093
Collaboration of sellers with other stakeholders	3.51	1.031
Collaboration of consumer's asociations with other stakeholders	1.87	1.198
Collaboration of suporting institutions with other stakeholders	2.67	1.346
<i>Rating on a scale of 5 levels, in importance from 'not important' to 'very important' (1-5)</i>		
Integrating plans, marketing strategies	4.69	0.843
Specialization to a smaller range of products	3.56	1.223
Forecast	4.91	0.401

Management dedicated to improving the operations	4.85	0.359
The growth of new customers and the introduction to new markets	4.89	0.372
Subsidies for producers and manufacturers	4.98	0.136
Strict implementation of governmental policies	3.927	1.162
Support for getting loans	4.87	0.339
Supporting management systems (certifying organisms)	4.74	0.442
Continued ancillary services	4.54	0.719
Food safety policies	4.66	0.783
Changes in purchasing power and consumer attitude	4.59	0.74
The development of new marketing channels and new product strategies	4.83	0.776
The efficiency and effectiveness of production capacity	5.7	0.848
Production technologies	4.5	0.637
Highly competitive products from EU (EU agreement)	4.39	0.59
Increased foreign investment in the region	4.48	0.54
Improved infrastructure and transport methods	4.81	0.438
Joint Ventures	4.4	0.531

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