MEAT PROCESSING INDUSTRY IN ALBANIA

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ABSTRACT

The meat processing sector is one of the most intensive in Albania. It has noted increasing growth rates in terms of production, employment and investment, even one of the most growing sectors in the agro-food processing reaching 43% growth per year. The purpose of this study is to identify, determine and quantify certain benchmarking indicators and norms against which meat processors can evaluate themselves and improve their decisions aiming being profitable in short and long run. To assess the average percentage growth of investments in meat processing industry we referred to the data from Ministry of Agriculture and Rural Development (MoARD) in Albania. Three are the main customers for the meat processing industry in Albania, wholesalers, retailers and restaurants. Firms sell 66.5% of their production to the wholesalers, 27% to the retailers and 6.5% to the restaurants. Based on the data from survey we calculated some financial management performance indicators for meat processing sector in Albania. The study developed 11 benchmark indicators for meat processing sector in Albania. 3 indicators are established in financial management domain and 8 indicators in the domain of general management. Any enterprise, in meat sector, could evaluate its performance against these indicators.

Keywords – Meat processing sector, Albania, Benchmark analysis.

INTRODUCTION

Meat processing in Albania is dominated by small-scale companies, partly industrial producers (54 well-established private companies) and over 100 others operating as artisan ham & sausage producers (Kapaj, et al 2013). The sector has noted increasing growth rates in terms of production, employment and investment, even one of the most growing sectors in the agro-food processing reaching 15% growth per year and with a current production value over Euro 55 million. Investments in the sector have increased in the recent years both on buildings and technology-wise. Market share of domestic sausages and ham is estimated to be over 90% (Kapaj, 2014) with high import substitution norms in the recent years. Meat consumption per capita is also increasing, but still lagging behind the EU levels. The production is based mainly on processing of imported raw materials, considering that livestock sector in Albania is not developed at that stage to supply the industrial sector with the required amount of raw materials. Slaughtering takes places mostly in farms, a few are located in the main cities, but slaughterhouses by EU norms are lacking, hence a field of investment. Slaughtered meat in Albania is preferred for fresh meat consumption. Retail chains of main meat processors are found all over the country, with Tirana the most concentrated market, due to about 36% (MoARD) of the population living in this area. The sector is strongly supported also by a growing retailing market with new international brand hyper and supermarkets locating in the country.

Benchmarking – Definition: "Comparison of the overall performance and key performance indicators with standards achieved by best practitioners worldwide" from Professor Fred Hilmer.

Performance or Competitive Benchmarking was done within the meat processing industry in Albania. Business considers their position in relation to performance characteristics of key products and services. Benchmarking partners are drawn from the same sector (meat processing sector). Type of activity and location were to criteria used for selection. A stratified random sampling was used to select 30 meat processing enterprises out of 54 registered in Ministry of Agriculture and Rural Development (Kapaj, et al. 2013) in Albania. Face to face interviews with questionnaires were conducted for collecting the data. In order to ensure clear and reliable data, all face to face interviews questionnaire were done by pre-trained staff.

We are going to develop some critical indicators from this sample, which can be used as benchmark indicators from other companies. Each meat processing company can evaluate themselves against these indicators. Benchmarking is a management tool aimed at improving the results, processes and products of a given company. This method (in this study) is based on the comparison of a company to a sample of companies selected by as size, location or type of activity (Larrein, 2002). A "benchmark" is a reference or measurement standard used for comparison. "Benchmarking" is the continuous activity of identifying, understanding and adapting best practice and processes that will lead to superior performance. Benchmarking measures an organization's products, services and processes, to establish targets, priorities and improvements, leading to competitive advantage and/or cost reductions.
Descriptive analysis and results

To assess the average percentage growth of investments in meat processing industry we referred to the data from Ministry of Agriculture and Rural Development (MoARD) in Albania. Figure 1 shows the investments in million Lekë (ALL) over the years. Based on these data we can calculate that the average growth of investments is 54%.
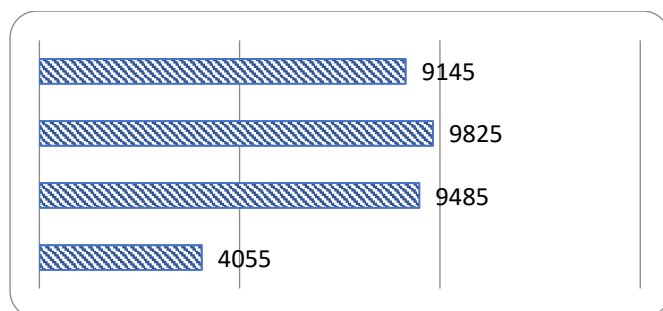
Figure 1. Investments in meat processing sector
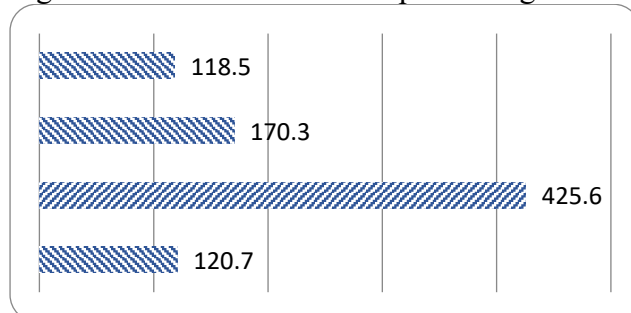
Source: MoARD 2019

Again relaying to the data from MoARD we get the figure below about the production in meat processing sector over the years. From these figures we calculated that the average growth of production in percentage is 43%.

Figure 2. Production in the meat processing industry

Source: MoARD 2019

Three are the main customers for the meat processing industry in Albania, wholesalers, retailers and restaurants. In the Table 1 is given total amount of products that 30 selected enterprises sell in one year to each of three customer's type.

	Wholesale	Retail	Restaurants
Percentage	66.5	27	6.5
Quantity	8022	3257	784

Source: Own study

Firms sell 66.5% of their production to the wholesalers, 27% to the retailers and 6.5% to the restaurants. Vertical integration by having their own shops is very important in firms' opinions. They can be in contact with customers and get their opinions regarding the product, product quality, marketing services etc. Mangers saying that customer' opinions are real and reliable information for future decision-making towards improving product quality and organization performance. "Wholesalers" number as a benchmark indicator due to the fact that it is the way mostly in place. Based on our survey the enterprises differentiate imported meat in three categories depending on quality. There is a different price for each quality, higher price for first quality and cheapest one for the third quality.

Figure 3 shows three quality beef and average price for each quality. As shown, beef and pork are more expensive compare to the poultry meat and this is relevant for three quality categories. The average prices are respectively 312.6 lekë/kg, 223.4 lekë/kg, and 151.1 lekë/kg for cattle, pork, and poultry.

Figure 3. Average price according to the meat quality
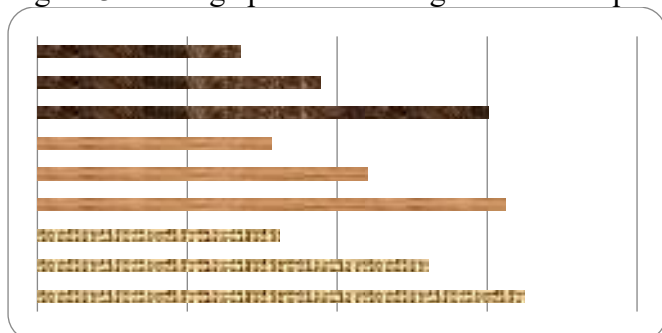
Source: Own study

Based on the data from survey we calculated some financial management performance indicators for meat processing sector in Albania. Of course that there are other financial indicators that can be involved in financial benchmarking, but this study tries to establish the

bases for further research in terms of benchmarking. In the same way were developed some management's indicators, dealing with production and two indicators dealing with quality and safety. Table 2 shows performance indicators from meat industry, named 'Benchmark' indicators. In two other columns are shown 'Company's current situation' and the 'Company's target'. Any company in meat processing sector in Albania can establish what the current level of performance is in a measurable and understandable way. This is the current performance. The study developed the benchmark indicators and levels and then a target level can be representing the company's planning objectives.

Factor	Company's current situation	Benchmark	Company's target
Financial management	Company X calc.		Company X objective
Production values increase %	Company X indic.	15	Company X target
Investments increase %	Company X indic.	54	Company X target
Mean profitability/turnover %	Company X indic.	5	Company X target

General management		Company's current situation	Benchmark	Company's target
Production volume increase %		Company X indic.	15	Company X target
Employment increase %		Company X indic.	15	Company X target
Sourcing of row materials from domestic markets %		Company X indic.	70	Company X target
Selling of products to domestic markets %		Company X indic.	70	Company X target
Information gathering with respect to quality and safety from clients%		Company X indic.	67	Company X target
Quality management systems %		Company X indic.		Company X target
Average production ton/year/enterprise		Company X indic.	420	Company X target
Average price row material Leke/kg	Cattle	Company X indic.	312.6	Company X target
	Pork	Company X indic.	223.4	Company X target
	Poultry	Company X indic.	151.1	Company X target

Source: Own study

CONCLUSIONS

The study developed 11 benchmark indicators for meat processing sector in Albania. 3 indicators are established in financial management domain and 8 indicators in the domain of general management (product management, quality management and marketing management). The closer the company indicators are to the sector indicators the better the position of the company in meat sector. We must say that there are some large size companies that can outnumber the indicators of the sector. These are only few and have a dominant position in the sector.

Any enterprise, in meat sector, could evaluate its performance against these indicators. They can evaluate their current performance and also adjust their target objectives in the respective domain. To do so, enterprises must carry out an inside analysis in domain of financial management and general management. This is not an easy task, but it can help companies orient their decisions towards reaching meat sector indicators.

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