



A general overview of the food processing sector in Kosovo

Food industry is one of the most significant sectors in the economy of Kosovo, perhaps the majority food products are produced by the local producers of the food sector.

One of many problems that today production food companies are facing in Kosovo is the lack of technology, which has an impact of increasing the production capacities as well as boosting the quality of food products, the lack of financial means, and the lack of authentic marketing strategies, which will have a positive impact in the business operation. Non-local competition and the import of products from the neighboring countries are obstacles for development of the food production companies in Kosovo. Kosovo has inherited from the past a low level of development of the food production companies. The strategy and their development as well as the marketing plan had been in extremely low level within the production companies. In the absence of marketing plan the production and the sale sector has been responsible to sell the food production of majority businesses in Kosovo.

Long-term economic development requires a stronger and healthier sector of the private staff. In Kosovo and many economic undeveloped countries, small and medium businesses of the private sector offer the main resource of increasing employment. However, the growth and the performance of these SMEs are restricted from a wide range of regulatory obstacles. The development of economy of one country today cannot be thought without small and medium businesses. As a conclusion researchers are calling these businesses as generators of growing of the marketing economy.

After the last war in Kosovo, the business of food productions was in a very bad condition because it had many losses and enormous damages from the war and also difficult economic conditions. After the war, the investment environment was more favorable and for the businesses was easier to continue their business activity. The possibility for developing food production businesses increased, especially those of milk sector, meat, fruit and vegetables and cereals beginning with new technology, new knowledge and new possibilities of production and penetration of new local and international markets.

From investigation of the market of food production businesses and from the study of the existing food production status we can provide a clear picture of the actual status for the business environment. Small and medium businesses of the sale of food productions in the Prizren Region will be facilitated by our suggestions and recommendations according to findings and identified problems during the process of investigation and meetings with businesses. Our recommendation will develop increasing capacities and the quality of the food products, but also implementing successful strategies of marketing from these food production companies with the intention of finding new customers in the national and international markets. The business of food products has a possibility to create a competitive advantage in the market by boosting the quality of natural and organic products as well as declining the cost for local products in comparison to the foreign producers that export to Kosovo. Local businesses have the possibility to penetrate in the new markets and discover new customers who consume products of high quality with reasonable prices in the market. Non-formal economy creates conditions for injustice competition between food

production firms. Businesses, which operate in the underground economy cause irregularities in the market deciding competitive prices than food production firms who pay liabilities and they are regular. They offer food production goods with a lower price than the general price, which has a negative impact to the other new products. Anyway, food production businesses in Kosovo play a crucial role to create new jobs and developing export and they act as an important factor of economic stability and growth.

Actual status of businesses in the sector of food production in the south Region of Kosovo.

The South Region of Kosovo that includes Prizren and 5 other Municipalities (Suhareka, Dragash, Malishevë, Rahovec, Mamusha) is a well-known region in Kosovo for the production and processing of natural and qualitative food. These producers and processors of food products are the main suppliers with local food products of the market in Kosovo. The competition of food production businesses is quite present in Kosovo. The import of food products beginning from the milk and its products, meat and its products, processing of fruits and vegetables, spices, flour as well as other food products, which are imported to Kosovo from other countries of the region with a lower price than our local products, is hindering the growth of the food production companies.

Based on the investigation, which were done by the food business productions, we have classified these businesses in several categories:

- 1. Milk producers**
- 2. Collection, processing, packaging and conservation of fruits and vegetables**
- 3. Producers and processors of meat and its products**
- 4. Producers of food productions and spices**

There are some detailed information about all the groups of abovementioned food producers by the intention of presenting the true status in the area of food production businesses. These information are based on the relevant facts offered by businesses and questionnaires (offered information by the businesses) drafted according to the methodology determined by ZES. The purpose of investigation is giving clear recommendations about the businesses of food products.

1. Milk producers

Production and processing businesses of milk products are located in all areas of Kosovo, but the most development of them is exactly in the Prizren region. The industry of milk products is considered with sufficient capacities for covering the market of Kosovo, but however even this sector suffers from the dependence of import. Today in Kosovo are imported around 60 % of milk products from the countries of the region and Europe, whereas only 40 % of the market is covered from the local producers of milk. The milk production and its products have found a place to the mountainous areas of Sharr in the Municipality of Dragash as well as rural areas of the south region of all Municipalities which have collection and processing centers of milk. There are also small

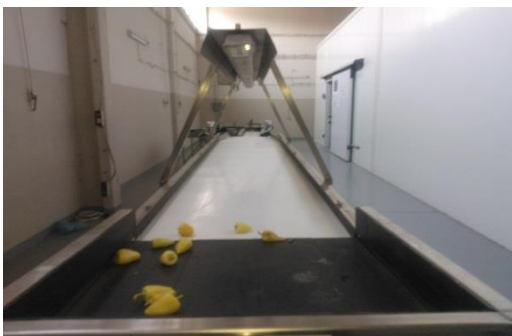
factories that deal with production of milk products such as daily milk, cheese, clabber, thin yoghurt and yoghurt.



By increasing the capacities and technology of milk production in the future, Kosovo will cover a considerable part of its market where the crucial role will play milk producers from the Prizren region. From one day to another the customers are convinced to buy the food and local milk products because they would like to become active part to develop this production sector.

2. Producers and processors of fruits and vegetables

Production and processing businesses of fruits and vegetables are basically firms which had begun their activity after the war and they deal with collection, processing, packaging and conservation of fruits and vegetables. Collection of fruits and vegetables is carried out from all farmers of the village and villages of the Municipalities of Prizren region. Production capacities of fruits and vegetables of Prizren region are 10,000 tons per day and fresh packaged and conserved vegetables. By these capacities is covered only one part of the local market around 40%, whilst another part of the market is covered from the import. Assortment of productions of fruits and vegetables of businesses of Prizren region who are considered as leaders in Kosovo are basically these types: peppers (different types, tomatoes, grapes, plums, cabbage, cucumbers, hot peppers, chutney, various jams, etc.



These food producing firms of fruits and vegetables have the clients of the businesses who supply them with fruits and fresh vegetables in the local market. There are also customers who export fresh products of fruits and vegetable in the international market, especially in Germany and

Switzerland. The production firms of fruits and fresh conserved vegetables had not done any investigation of the local and outside market, but they in the majority cases work with orders. These firms have not done any investigation of marketing up to now and their competitors are all those businesses that in Kosovo import fruits and conserved vegetables from the countries of the region.

Producers and processors of meat and its products

Prizren region and its citizens are known that they consume a lot of meat in comparison with other towns of Kosovo, therefore also the meat producers and meat products are concentrated in this region where they run their activity through slaughterhouses, butchers' shops as well as factories for processing meat products. Key products for processing meat are sausage, different salami, baloney, smoked beef as well other products from cattle meat and chicken. Prizren is a place of a good example of conducting safe slaughters of animals as well as offering the fresh meat and controlled for the customers. The fresh meat is placed to the cooling areas under the requested temperatures at the certain time. This action and this manner of conducting slaughtering is 100% safe, therefore products, which come out from these slaughterhouses are safe for the local customers.



Firms of fresh meat productions as well as meat productions have a range of products which offer to the customers fresh calf meat or bovine and lamb, salamis, sausages as well as conserved meat of bovine and chicken.

Production and processing Firms of the fresh meat as well as other products of meat have not created income so far from the export because they are not exported outside the country. Only a small number of firms exports meat products in Albania. These production and processing firms of meat and its products have not done any analyses or investigation about the outside market and they have not prepared any marketing plan or strategy to sell the products in the international market.

Producers of food products and Spices

Production of food products and spices is increasing in Prizren region and it offers a high potential of the possibility to establish profitable businesses in this significant sector of economy. Regeneration of the capacities in the field of agribusiness will create a possibility of employment, growing of existing firms and the boost of profit. In the Prizren region operate different food

production businesses, which produce different types of spices such as: Ketchup (tomato), Mayonnaise, Marmalade, Chutney, Hot Peppers, Vinegar, jams, conserved pickles, cucumbers, etc.

The firms which deal with the production of spices and other food conserved products and packaged from the Prizren region had entered powerfully in the Kosovo market. They are operating today with optimal capacities, but with pretensions to increase the production capacities and finding new customers in the future. These businesses need to increase production capacities and also boost the quality of products. However, these businesses have had great progress in their business.



Production firms of spices have a considerable number of local whole sale buyers all over Kosovo, but these firms export also their products in the markets of Albania, Macedonia, Serbia and Montenegro. These local firms have done investigations to sell their products to the outside market in order to identify new customers. Within marketing, these businesses deal to promote their products to the local televisions, daily news, national fares and they do not have an authentic strategy of marketing. However, the number of businesses is increasing since the quality of local products is higher and the import of similar products is smaller.

Findings about the sector of food producers

Food production firms are operating with desirable results with pretension of increasing the production and selling the food productions. These firms have an extraordinary competition especially of similar imported products from neighboring countries. Segmentation of the market, the lack of financial means and the profit of new customers is a key challenge that preoccupies these firms. Also offering qualitative products with reasonable prices and identification of customer's needs are a great challenge.

If we leave aside everyday problems with what local producers are facing (such as: the lack and frequent power cuts, the lack of subvention of Production, particularly agriculture by the Kosovo government, low level of education as far as using the technology, etc.) Kosovo producers have the possibility to create competition advantage in the market through the lower cost. The lack of technology to increase production capacities, the lack of material and financial means, as well as the lack of equipment, which will enable the increase of production capacities, they are some of the identified findings of the food production firms. These firms still need to increase the capacities of management staff and professional one with the intention to prepare about the challenges of the global market, which has started to be known even in Kosovo.

Identified problems of food production businesses

Key identified problems in the sector of food production businesses are as follows:

- The problems whereby the food businesses are facing
- The lack of financial means,
- The lack of a strategy for expanding the production capacities,
- The lack of strategy and a marketing,
- The lack of a web-page in internet of companies, which will assist them to promote the business and food produced products,
- The lack of promoting the food products through media, daily newspapers, portals of internet, radio and television, etc.,
- The lack of training of the management staff and the production one.

The problems that are connected with the state institutions

- The lack of sufficient subventions about the food production businesses by the state institutions.
- The lack of a good communication between state institutions with businesses in general.
- Fiscal policies such as high taxes, VAT charges in the border, licenses for export, exaggerated bureaucracy of importing the raw material and the change of the value of invoiced goods,
- Difficulties in the legal aspect to participate to the international fares as well as the need to obtain visas to participate to the international fares.
- The lack of customs facilitation in order to buy the base material for the food production companies.
- The lack for some of the imported food productions in the season of those local productions.
- The presence of non-formal businesses that operate in Kosovo and they create not fair competition about the registered businesses.
- Bank loans with high interest rates that stagnate the possibility of the growth for the food production businesses.

Recommendations

Based to the actual status, the findings and identified problems may be given these recommendations and conclusions:

- Increasing the capacities as well as enlargement of assortment with new food producing products;
- Supply with contemporary tools of technology and equipment to increase the production capacity and the quality of products;
- Application of firms for food products for the grants or easy loans for enlargement of the business activity;
- Expanding the cooperation with business and trade associations in the Prizren region as well as wider all over Kosovo;
- Pragmatic approach of production, presentation, promotion and the sale of food products;
- Training the current staff, or employment of the new management staff in order to promote marketing;

- Drafting a marketing and promotion strategy;
- Training the current staff about the electronic manners to promote productions such as: web pages, social network, etc.;
- More active cooperation with associations ZES as well as businesses in order to promote objectives and their activities not only in the Municipality of Prizren but also the connection and cooperation to the international businesses;
- Offering professional assistance by the ZES members as well as training the staff for the food production businesses and others to apply to the national grants and especially to those international ones;
- Conducting joint projects of the production sector with the education institutions, to increase the awareness about the values of local products as well as engagement of business associations regarding the approach and bringing the customer in relation to the importance of local products;
- Greater engagement of business associations and those of the business such as ZES of organizing and participation of food production to the national and international fares as well as organizing business meetings B2B where the businesses will have the possibility to have access to the new markets with the intention of increasing the business activities, which will have an evident impact to improve the business environment and economic growth of the Prizren region as well as the general economic growth of the state of Kosovo.