

## Phenomena and problems observed in the management of the value chain in agribusiness enterprises in Peja

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### **Abstract:**

*Agribusiness enterprises in the municipality of Peja nowadays qualified as a period of liberalization are the first steps to understanding that their economy has aimed its place in the service of people.*

*The geographical configuration and natural resources are the best indicator that these enterprises be successful in a competitive market agribusiness industries in the region.*

*The goal of these companies is that through good management of the value chain to decrease uncertainty, transaction reduce costs, the possibility of additional benefits the relationship with members of the chain.*

*The nature of phenomena and problems observed in agribusiness enterprises in Peja to four industries differ on specifics that. Phenomena and problems observed in these industries and which should be eliminated in the links of the value chain are market and competition that the four industries are enormous.*

*The absence of contracts with farmers is a phenomenon present somewhere more and somewhere less. This phenomenon is present in the amount of meat industry. The main motivation for farmers is the price, so the four of agribusiness industries price represents the basic motivation for suppliers to these industries.*

*Market liberalization and create problematic phenomenon for these industries as a threat from new entrants into the market.*

*Occurrence and other problems in these industries represent additional costs facing the industry of flour and beer this challenge is high and the milk and meat is moderate.*

*The necessity of advancing in the organization system for these industries Kloster would reduce additional costs and create new levels of competition and that will create value for customers.*

*To select and implement a sustainability strategy of this industry in Peja expected by their managers to analyze in detail the problems that appear in the value chain links.*

*Industry agribusiness passing at the time described as "period of liberalization" and the philosophy of state "Laissez-faire" which means that the economy there should be no other purpose except profit and social development (JM Keynes), Laissez - faire It works in these industries on the basis of the law of supply and demand, which regulates the economic life of the citizens of Peja*

**Key words:** management of value chain, agribusiness enterprises, Peja

## **INTRODUCTION**

Municipality of Peja is a relatively poor economy in the region and therefore problematic exit from this situation will affect the growth of social welfare of the municipality.

Production of agricultural products is necessary for the food costs are a heavy burden for the population of the municipality, so the import of these products is reduced and replaced with local products.

One such step was followed postwar especially the most popular companies in Peja as is devolli group, Elkos Group, Taka, Dardania, and brewery Buquku after changing his head.

There are signs of increasing employment and household income of agribusiness enterprises in the municipality of Pec.

Collection of raw materials such as milk, wheat and meat have enabled increased employment and secondary active.

Municipality of Peja characterizes geographical position which enables to have raw materials for the development of agribusiness industry. This industry has existed in Pec partly from the 70's, before the war means an industrial zone in the southeast of the city of Pec with an altitude of 432 meters, near Kosovo Polje railway knot - Peja road Peja - Pristina.

It can rightly be said that the geographical configuration of the municipality of Peja is in favor of developing the agribusiness industry.

In the historical context of agribusiness enterprises in the municipality of Peja in comparison with other companies in the region have significant difference for this interval can not be measured in years but decades and centuries. The last postwar Kosovo businessmen are beginning to realize that small family economies using existing natural resources should be given priority for these companies to achieve above-average profits ranging social welfare.

Postwar manufacturing enterprises agribusiness earlier except the brewery others which were established in the 90's were destroyed so they are today still bear the burden of the initial investment and the same have not yet reached that economic growth and social welfare to flow in these enterprises. The tendency of these Entrepreneurship is that imported food products be replaced with domestic products because this region has favorable conditions for development of this industry which in particular municipality has industrial area.

## **THE PURPOSE AND OBJECTIVES OF THE STUDY**

The purpose of the study is to find the opportunity to create competitive advantage and understand the implications and issues arising in the agribusiness enterprises in the municipality of Peja and the possibility to create competitive

intelligence. Another goal is to find opportunities to create competitive advantage always considering the dilemmas and problems that arise in the value chain management in agribusiness enterprises in Peja.

Enterprises agribusiness municipality were passing at the time described as "period of liberalization" and the philosophy of state "Laissez-Faire" which means that the economy there should be no other purpose except profit and service to the people. (JM Keynes).

The objectives of the paper are in this case - the ability of these enterprises to eliminate the problems that create additional costs and less competitive in other countries. Motive incentive for companies' farmers and agribusiness industry is a solid base in order to improve the trade balance of Kosovo because Peja resources and raw materials for industry. This would save the import of agricultural raw materials deposited more money abroad. In 2014 the import of these products have been spent over 800 million euros of which products can be produced in Peja, Kosovo.

Research in the field of agribusiness enterprises in the municipality of Peja supported in the medium and long term project over compiled by the Directorate for Economic development in Peja.

The structure of production in the municipality percentage is skewed toward large agribusiness for geographical and climatic conditions allow it. During the research and interviews on the ground in enterprises agribusiness in Peja has resulted styles of management in these companies represent a trend not very dynamic with a management style generally informal, not sufficiently focused on the qualification of people, lack of fit in their business environment which is very dynamic. Lack of projects and obtaining information for the same enterprises in the region and structure ruling not well organized.

Professional ability and lack of investment in qualified quad present difficulties in our research in these companies. Subsidies from the central government and local governments in recent years although still small interest added more farmer to higher production in the municipality.

But these industries such as the meat, flour, milk and beer are doing research debates and development strategies of these enterprises. Economic Institute Rinvest has studied the main obstacles faced by these investors and they start from the supply Improper power electrical, legal and inadequate and inefficient, with is corruption high, political stability, market limited the north of Kosovo RESOLUTION 12/44 security council.

## **THE STRUCTURE OF AGRIBUSINESS ENTERPRISES IN THE MUNICIPALITY OF PEC**

With a table will ask phenomena and problems in four industries as a champion of agribusiness in the municipality of Pec.

Phenomena and problems	Flour Industry	Dairy Industry	Meat Industry	Beer
Market competition	XXX	XXX	XXX	XXX
Lack of contracts is a phenomenon present	XX	XX	X	0
The main motivation for farmers is the price	XXX	XXX	XXX	XXX
The threat of new market entrants	XXX	XXX	XXX	XXX
Uncertainty about raw material	0	X	XX	XX
Coping with additional costs	XXX	XXX	XXX	XXX
Quality as the motive	XXX	XXX	XXX	XXX
Coordination among them actors	XX	XX	XXX	0

Symbol 0 reflects the absence phenomenon and problem mentioned industries.

Symbol X symbolizes a few problems and phenomena in these industries.

XX symbol symbolizes the problems and average occurrence.

Symbol XXX symbolize many problems and phenomena in these industries.

## **RESEARCH QUESTION, HYPOTHESIS AND METHODOLOGY**

### **Research Questions**

- 1) What are the issues and phenomena that are seen as an obstacle to local investors and foreigners.
- 2) What is the mentality created intelligence in the management of these enterprises to be directed at agriculture as a source of raw material for strategic products
- 3) The problems and phenomena observed are those that impact directly and indirectly on the value of good management in agribusiness enterprises in the municipality of Pec. The high degree or low these phenomena are management's strategy for growth and sustainability of these enterprises.
- 4) Of the four industries the above, but only beer industry raw materials provides fully imported as finished, so malty in the absence of a plant for its production because it was before the war has been destroyed completely, other industries plan to exploit the potential of existing local where after September this year with the entry into force of the law on tax relief which means removal of VAT on raw materials in custom is the motive for farmers and local producers industries agribusiness municipality Peja and beyond.

### **Assumptions and methodology**

#### **Hypothesis 1**

Agribusiness enterprises have a purpose by identifying problems phenomena and increase profit on average and create competitive intelligence.

Phenomena and problems listed by industries ranging from market and competition as the first occurrence shows that the four industries competitive advantage is in the initial stage what means that there is need to enhance the quality and win new markets.

Market structure coordinated with the best actor among them organized in association would be based strategy of enterprise development of these industries. So symbol XXX shows that the market and competition are phenomena and many major problems facing these industries. The fact that the four agribusiness Peja municipality born decades later than those in the region, and requires good management of value chain and good relations with customers to create competitive advantage of these products compared to those of region which tradition and the lowest additional cost. The subsidy from the state to the farmers of raw materials for these products should be increased, although in recent years he has started from the central government but are quite small funds. The new tax law dated 1 September 2015 for the industry is hopeful that there will be facilities for their products.

The integration of Kosovo in regional organizations and its status selection are impulse incentive for farmers of this area.

From the standpoint of the use of contracts between actors in the four industries taken in the analysis result in various problems, until the flour and milk are present contracts to meet their absence is very great but the beers as the raw material malt not produced in Kosovo, it is imported from abroad on a permanent basis.

The need for an enterprise for production of malt is a necessity of the time because of the beer industry has a tradition of 45 years old.

The price for the farmers of raw materials for the four industries constitute the motive, it shows great phenomenon and problem in the management of the value chain due to additional costs and quality of raw materials.

The threat of new entrants in the market is great, but with the new law of the Republic of Kosovo, dated 01.09.2015 the import of raw materials Integrated Emergency these industries and purchases from farmers in the country are

exempt from VAT on this by interviews in these industries agribusiness appears that the threat of new entrants in the market is too large, here it requires good management of the chain of value and the ability to create intelligence competitive in obtaining information from enterprises similar position in the region and beyond.

The threat of insecurity for raw materials for industry enterprises of flour are average for that milk does not exist because there is raw material sufficiently in place for meat uncertainty about raw material is low and the beer is the maximum because depends mainly imports.

Here required urgently need for an investor who invests in a company that produces malt as raw material for the same beer has existed in the period before the war but now is out of function and effect of privatization has not resulted in success. Additional costs according to the analysis conducted for these four industries shows that beer is the maximum flour and meat and milk and is average.

The quality of the analysis made by the enterprises of these four industries is the motive for what manufacturers means that problems and phenomena are huge disconnect chain creates value and competitive advantage obstacle to producers of these industries in the municipality of Pec.

Coordination of actors between them varies to the industry of flour and milk they are therefore the problems average, while that of meat no coordination of the actors of the beer industry coordination is complete due to the specifics of the security of raw materials.

Coordination of actors means of cost reduction and the concept is well known in the literature as value chain management. For the good management of the value chain The relationship with the customer and affects the growth and sustainability of these industries agribusiness in Peja.

In recent times by the managers of these industries have begun the first signs that these industries can increase their export



capabilities that help them improve a little bit that Kosovo's trade deficit probably the greatest day in these 40 years. This result finally with a well thought out policy of central and local government, through subsidies and the recent law on fiscal policy.

Implementation of the plan research is extended in time and space in the companies that are the result of the privatization of the post war period as brewery and others which commenced its activities in the 90 th and after the war expanded their activity as an example Devolli company (production of milk and its products), and Buquku Elkos Group company (meat processing) and Dardania flour company in Peja.

## **Hypothesis 2**

Good value chain management and coordination between stakeholders are good the motive for value chain management in agribusiness enterprises in Peja.

The structure of the market with good actors coordinated between them and organized in association would be based strategy of enterprise development of this industry.

Associations and their need to create shows that after the war they are few in number. Lack of projects often presents a challenge for new investments and capacity expansion for these industries. Business plans called only for the needs of bank loans are not sufficient for a better coordination between the actors. An analysis of data from the interpretation of the flour industry and that of milk Dardania Devolli There is only a direct link between industry and small farmer therefore lacks the organization of associations or why not in the form of agricultural cooperatives.

## **Methodology**

For the realization of this paper is used a methodology of qualitative data. Interviews with managers of these enterprises

are semi-structured, and qualitative data are made with Excel program. The underlying work is the specification and focusing on variables that gives specific language to elaborate and explain the problem.

The paper is based on the German historical school where theoretical research supports for economic phenomena of these companies are judged and evaluated as products of a historical cultural and institutional contest.

From interviews conducted in the field in the agribusiness industry in Peja results that generally management styles are informal and not sufficiently focused on the qualification of People and the lack of obtaining the same information from enterprises in the region.

Professional ability and lack of investment in new quad prepared and presented difficulties in our research in these companies.

## **CONCLUSIONS AND RECOMMENDATIONS**

Unable modern manufacturing technology to our country, and the lack of foreign investors for these products required by fiscal policy to release from customs fees and VAT all importers of the technology for production.

Lack of equity in these companies favors the import of used machinery half which is outmoded technologies time together in similar enterprises in the region.

In these enterprises is necessary investment in the education of new generations in the form of scholarships and student loans to branches and profiles that are essential to the manufacturing enterprise.

Prioritize the technological advancement in order to reduce the cost of production which enables higher productivity and competitive advantage.

In our reality should give priority to the small economy because Peja has ideal conditions for agribusiness that its products will meet the market needs of Kosovo.

Building manufacturing culture of this municipality would alleviate unemployment and poverty reduction. Eliminated formal barriers which are harmful to the premises of these companies.

The legal infrastructure to perform its function, the budget of Kosovo taxes paid and to be outside the spirit of daily politics. Combating negative phenomena in local governance such as corruption, violence, informality and smuggling is a legal obligation of the executive.

All these phenomena negatively affect the development and perspective of local and foreign investors in agribusiness enterprises in Peja.

Elimination of negative phenomena mentioned is breathing oxygen for the best of these companies that are hopefully the citizens of the municipality of Peja for economic growth and social prosperity of our municipality.

Directorate for agriculture, hydro economy to be in conjunction with the ministry of agriculture and to apply for grants and projects and subsidies to farmers in the municipality to increase their production capacity.

The environment of these enterprises in the municipality of Pec, as well as the geographical position of the municipality of fertile soil by sufficient water suitable climate are factors enabled development of the food industry in ways that imported food products be replaced with local ones.

The amount of cash spent on the import of raw materials agrarian reduced to a minimum so that the funds change their destination instead of payments for raw materials agrarian abroad translated into local investments for manufacturing industry agribusiness Peja.

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