OLIVE OIL VALUE CHAIN COORDINATION IN ALBANIA

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Abstract

In Albania olive and olive oil sector operates quite differently compared to other agrifood subsectors in Albania or compared to the same sector in other countries, regarding value chain coordination. The objective of this research work is to analyze the relations between actors in the olive oil value chain with focus on processors, which also represent the key node of this chain. A survey with 19 olive oil processors was carried out in June 2010. The reason for choosing this segment of the olive and olive oil value chain is that, in addition to the fact that it was easier and more cost-effective (as compared to a survey with farmers), olive oil processors represent a key node of the chain given that most olives are processed into olive oil in olive mills. Vertical integration is common in the olive oil sector. Almost half of the respondents, state that they invested in planting their own olive groves. Such vertical integration may be useful in decreasing raw olive costs (producing instead of buying) as well as transaction costs. It is common for most olive oil mills in Albania to provide services to farmers by processing their olives against a fee. For many olive oil mills, provision of such services for farmers counts as their main source of income. Most processor state that 50 percent or more of the olive oil that they processed is retained by farmers. Few processors use olive oil mills mainly for producing their own olive oil. Most olive processors (16 respondents) state that they sell part of their production directly to households, and 8 state they sell at least 50 percent of the product directly to households resulting in a shortening of the value chain. The main source of quality control for clients is personal trust, and direct observations (factory visit) as compared to other forms such as lab control and certification. Since most clients are households, it is natural that the main source of quality is personal trust, while lab analysis is not feasible for such clients. Expansion of supermarket chains will impact the value chain coordination and distribution channels. Direct sales will become less common – farmers and processors have to improve efficiency and standards to enable access to the growing supermarket chains and exports.

Keywords*: olive oil, value chain coordination, Albania*