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Producer and Consumer's Perspectives on Olive Oil Quality Albania's Case

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Abstract

Nowadays, consumers are increasingly demanding more quality in the product rather than a variety of attributes such as nutritional balance, health, image, presentation and, in general convenience. The demand for olive oil, an important component of the Albanian diet, has also been changing in recent years. In recent years, olive tree stock has exhibited an approximately 5% increase per year, though annual olive oil production varied substantially, ranging from 3,454 to 8,979 tons of olive oil. The variations are due to changes in yield and importing olives from neighboring countries (Kapaj 2012). The objective of this study is to analyze the olive oil market in Albania especially related to the quality of the product. To reach this objective the study will focus in Albanians olive oil consumer so we can better understand their perceptions towards olive oil quality. A descriptive analysis for the olive oil market in Albania, giving more focus to what Albanian consumers like and don't like in this product, whether the consumers have an adequate knowledge of the specific qualities of olive oil and also the perceived quality with regard to origin, what they would like to be different, any improvements/changes they would like in the olive oil market, what is their reaction towards prices, packaging and origin of olive oil, what is their perception towards olive oil quality and how informed is the Albanian consumer on the olive oil quality, will be the method of analysis in this research. The study

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area is the center of Albania, Tirana (capital) and two of the other major cities (Fier and Durres) where the main markets and processing industries are located. Face to face interviews have been carried out with olive oil consumers.

JEL classification numbers: Q10, Q13
Keywords: Olive oil, Quality, Albania, consumers' perceptions, descriptive analysis

1 Introduction

Nowadays, consumers are increasingly demanding more quality in the product rather than a variety of attributes such as nutritional balance, health, image, presentation and, in general convenience. The definition of food quality is a very subjective, differing from person to person and should be discussed in regard to changes in consumer expectations, legislative needs and new developments in instrumental analysis. The concept of food quality should be analyzed as a system of product requirements both material and immaterial, related to the product in itself, the production context, the product-packaging system, and the product-market system. Also, the dynamics of the quality system is shown as a relationship between processing conditions, product characteristics, product performance, and consumer requirements.
The demand for olive oil, an important component of the Albanian diet, has also been changing in recent years. In fact, olive oil contribution to Albanian fat consumption has been increasing in the last two decades. Accompanying the increase in olive oil consumption in Albanian, domestic production of olive and olive oil production has also increased. In the 1980s, Albania produced an average of 3,000 tons of olive oil per year. By the 1990s, the average annual production of olive oil rose to almost 4,000 tons per year. In recent years, olive tree stock has exhibited an approximately 5% increase per year, though annual olive oil production varied substantially, ranging from 3,454 to 8,979 tons of olive oil. The variations are due to changes in yield and importing olives from neighboring countries (Kapaj 2012). This study will focus the analysis on a specific product: olive oil. This choice is based on the importance of olive oil in the present competitive scenario in light of the commitments made by the European Union (EU) and Southern Mediterranean countries for the creation of a free trade area in the Mediterranean, starting in 2010, within the rules set out by the World Trade Organization (WTO). Trade in agricultural products has been included in this process and a liberalization process in stages is foreseen.

2 Material and Methods

The objective of this study is to analyze the olive oil market in Albania especially related to the quality of the product. To reach this objective the study will focus in Albanians olive oil consumer so we can better understand their perceptions towards olive oil quality. A descriptive analysis for the olive oil market in Albania, giving more focus to what Albanian consumers like and don't like in this product, whether the consumers have an adequate knowledge of the specific qualities of olive oil and also the perceived quality with regard to origin, what they would like to be different, any improvements/changes they would like in the olive oil market, what is their reaction towards prices, packaging and origin of olive oil, what is their perception towards olive oil quality and how informed is the Albanian consumer on the olive oil quality, will be the method of analysis in this research. The study area is the center of Albania, Tirana (capital) and two of the other major cities (Fier and Durres) where the main markets and processing industries are located. Face to face interviews have been carried out with olive oil consumers.

3 Results

Albania is one of the few countries in Europe, and the only country in the Central-East Europe, that has the favourable climatic and geographical conditions for olive cultivation. The olive cultivation story in Albania is as old as in the other Mediterranean countries. In the complex process of transition in the Albanian agriculture, the olive and olive oil production will be one of the main directions in the agro food industry. Some of the main reasons that will sustain the potential contribution of the olive sector in the development of the country's economy are:

- According to its favorable geographic and climatic conditions, Albania is one of the few countries in Europe where olive can be widely cultivated.
- The people of the rural areas are used with the cultivation of this culture, and a good tradition has been inherited from one generation to the other.
- The olive culture is a big national wealth. A large investment in this sector is a heritage from the past and has been enlarged over the time.
- The demand for olive oil and table olives in the domestic market is very high. From the other side, with an adequate technological improvement in the olive processing industry, this product could be traded in the international market.
- In the olive production industry, the work is concentrated in the first and the last three months of the year. During this period other cultures need little labor. This will help to decrease the work seasonality in the agricultural sector.

The processing of olives and the production of oil are small in scale and the market is fragmented. Most of the estimated 130-150 firms in Albania are family-owned and –managed with up to five employees and a modest turnover of up to €10,000 per year. (Kapaj, 3012) They apply traditional cold pressing methods and rely heavily on the local market. Processors provide a mix of services to farmers such as them pressing and refining the oil and returning it along with the remaining cake. They also pack and bottle the oil and sell it in the market. Bottling, storage and labeling are typically performed in-house.

In the early 2000s, the country's total production was almost entirely consumed domestically and the per-capita supply with olive oil (0.7 kg/year) is low compared to EU and especially to its olive-growing member countries like Italy or Greece. Over the past decade, the sector has benefited from significant investment: more than 90 out of the total 130-150 processing plants were recently founded and feature modern processing facilities.

Long-term contracts between olive oil producers and the different entities to whom they sell – wholesalers, middlemen, and retailers or to end consumers – are uncommon and the on average small transactions make the various distribution channels additionally inefficient. There are some downstream linkages between processors and local farmers through which those processors who can afford it provide farmers with training and resources. Albania is set apart from other olive oil producing countries by the inefficiency of vertical coordination along its olive oil chain.

Over the last decade, a large number of Albanian agro processors ware privatized, leaving no public ownership in the sector. Rural credit is becoming available to processors, but they have difficulty accessing it due to their small size. Unlike farmers, however, processors are often organized in cooperatives the number of which is steadily rising. There are plans to expand and to increase cooperation in order to meet the growing demand for quality products. The largest challenge on the processing level is that of traceability and quality standards certification, both of which are main objectives of the EU strategy to promote the olive oil sector in its member countries. So far, existing quality standards are seldom enforced. Traceability systems are appearing, but need harmonization. Some essential features of a quality certification infrastructure, e.g. laboratories, are still rare. The establishment of organic production standards is prevented by similar difficulties.

Olive oil produced in the country suffers from significant problems in terms of quality. This low quality of olive oil is the product of two main elements; problems in olive cultivation and collection, but also problems that arise during the processing and marketing of the product.

The low quality of olive oil is affected by these factors in the process of agricultural production:

- Low service levels during olive cultivation process, which increases the level of grains affected by pests and lead to increased acidity level of the output, olive oil;

- Harvesting after the optimal product for an extra virgin olive oil;
- Wrong practices for product delivery in terms of days after harvesting;

Lack of selection of olives based on their quality before processing, which leads to a low quality product at the end. Regarding the level of processing, currently the country's main problems we see:

- Storing the olives for a long period in the processing plants before processing them to olive oil;
- Wrong practice of mixing olive oil with other vegetable oils;
- Storing the final product in not appropriate tankers, packaging in plastic bottles which do not preserve the original qualities of the product;
- Lack of standardization of the plant (in terms of building, sanitary and Phytosanitary norms etc.);
- Not cleaning the machineries after each process of extracting olive oil.
- As a consequence of all these problems, the customer has a mistrust regarding Albanian oil brands about their quality.

As the first part of the questionnaire was related to the perception that Albanian consumers have on olive oil and quality we have done a descriptive analysis to analyze their perceptions. The used questions in this part of the questionnaire are related to: the place where they buy the product, if they have changed their purchasing place and the reasons after this change, their perception on quality of the product, if they read the label of the product and get informed through it, etc.

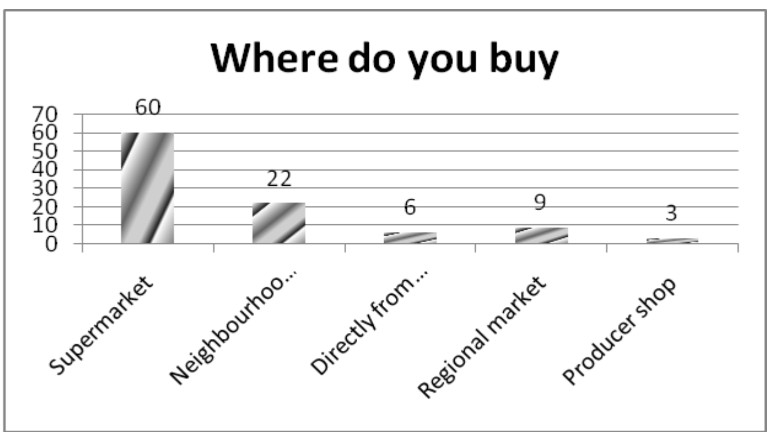

Figure 1 Where do Albanian Consumers buy?

Most of the respondents (consumers) buy their olive oil in the supermarkets or hypermarket. This is a growing trend even in Albania, like in the other western countries. They, the consumers, do state that they feel safer in buying olive oil in the supermarket where it is bottled and labeled. Asking why of this choice they response is because the quality control is much higher in the supermarket then in other places.

Despite that the majority of them by in supermarkets there is still a significant percentage of them that by in the neighboring small shop (22%) in regional markets (9%) and from producers directly (6%). Formalizing buying behavior by shifting towards supermarkets represent also and growing consumer's awareness about food quality and safety (supermarkets are supposed to apply strict hygienic-sanitation conditions and well established quality practice in the products they trade.

Figure 2: Changing the place of purchase.

Results of the survey revealed that 80% of the respondents (consumers) have changed their buying place, while 20% of them by still in the same place.

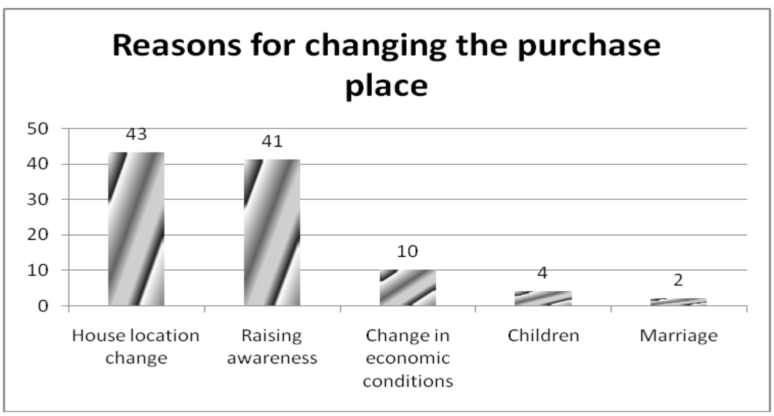

Figure 3 Reasons for changing the purchase place

Change in the buying pace has been the result of changing house location for 43% for the respondents, raising food safety awareness for 41% of the consumers which is directly related to the increasing need from the consumers' part towards a safer product and change in economic conditions for 10% of them. A small percentage of consumers accept marriage and children as factor affecting their change in buying location.

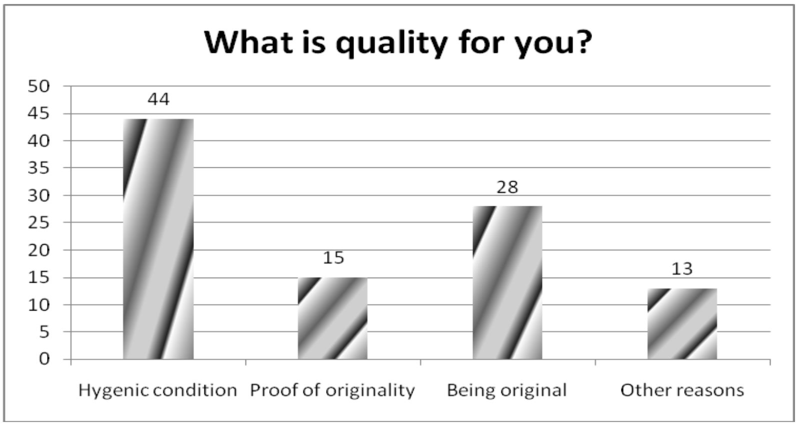

Figura 4: What is quality for you?

It is meant to test how the consumers perceive the quality by asking them to state different aspects of product quality. When this question was asked the consumers were focused on their quality perception related to olive oil. The results show that 44% of them assess firstly the hygienic sanitation condition as an important element of quality, 28% of them assess being original as an important element, whereas 15% and 13% assess proof of origin and other factors respectively as an important factor of perceiving quality.

Related to the question "What is quality for you", consumers consider as the main factors that affect their choices; Price of the products, Distance from the production side, Brand and hygienic sanitation conditions.

Around 75% stated the above mentioned factors as the most important ones, while other consumers rated in addition to these factors mentioned also ethic values in production, after sale service and organoleptic characteristics.

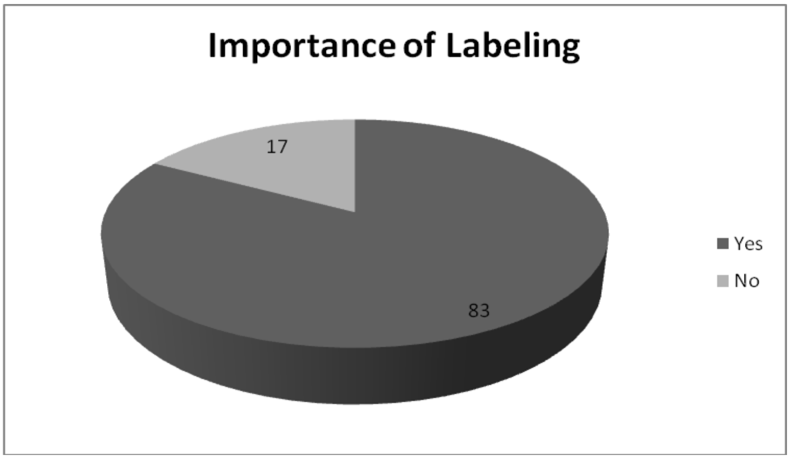

Figura 5: Importance of the product label

As an important element of buying behavior (affect the consumers' perceived quality), information supplied in product label is considered by 83% of the respondents. So, they read the label and information in it affect their choice. On the other hand 17% of the consumers do not consider this information.

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