Infrastructure investment strategies for increased agro-industrial outputs in Kosovo: [presentation given August 12, 2010]

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“INFRASTRUCTURE INVESTMENT STRATEGIES FOR INCREASED AGRO-INDUSTRIAL OUTPUTS IN KOSOVO”

Presented by
Siti Insiana

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Kosovo’s agro-food imports by countries in 2007 (in million euro)

- Serbia, 89.9
- Croatia, 17.6
- Macedonia (FYROM), 45.0
- Albania, 6.8
- Other countries, 128.1
- Greece, 10.6
- Germany, 14.0
- Austria, 16.1
- Slovenia, 17.9
- Italy, 10.4
- Hungary, 17.2
- Bulgaria, 10.7

Sources: Agripolicy.net – Agriculture Statistic table:8.1; Statistical Office Kosovo (2008)
Kosovo’s agro-food imports by countries in 2007

- Other countries, 33%
- Macedonia (FYROM), 12%
- Serbia, 23%
- Hungary, 4%
- Croatia, 4%
- Albania, 2%
- Bulgaria, 3%
- Slovenia, 5%
- Italy, 2%
- Greece, 3%
- Austria, 5%

Sources: Agripolicy.net – Agriculture Statistic table:8.1; Statistical Office Kosovo (2008)
Increases in Imports in million euro
(2005 – 2007)

Sources: Agripolicy.net –
Agriculture Statistic table:8.1;
Statistical Office Kosovo (2008)
Share of Agro-food Import in Percentage of Total National Imports

- Poland: 6.6%
- Hungary: 5.2%
- Croatia: 8.3%
- Slovenia: 7.3%
- Serbia: 6.4%
- Bosnia & Herzegovina: 15.8%
- FYR of Macedonia: 14%
- Kosovo: 24.3%

Source: Agripolicy Statistic Table: 8-1
Kosovo Sectoral Public Spending
(2009-2011)

Source: MFE, 2008
Agriculture Subsidy in the EU as Compared to Farming Subsidy in Kosovo

<table>
<thead>
<tr>
<th>Country</th>
<th>Budget SPS (million €)</th>
<th>GDP in 2008 (million €)</th>
<th>Farming Subsidies in % of Its GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>(KOSOVO)</td>
<td>2.7</td>
<td>3800</td>
<td>0.07 %</td>
</tr>
<tr>
<td>Austria</td>
<td>5205.0</td>
<td>312,000</td>
<td>1.67 %</td>
</tr>
<tr>
<td>Denmark</td>
<td>7201.0</td>
<td>255,750</td>
<td>2.82 %</td>
</tr>
<tr>
<td>Germany</td>
<td>40307.0</td>
<td>2,757,500</td>
<td>1.47 %</td>
</tr>
<tr>
<td>Greece</td>
<td>14480.0</td>
<td>266,258</td>
<td>5.44 %</td>
</tr>
<tr>
<td>Poland</td>
<td>15039.0</td>
<td>396,000</td>
<td>3.80 %</td>
</tr>
<tr>
<td>Hungary</td>
<td>6093.0</td>
<td>116,250</td>
<td>5.24 %</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>2489.0</td>
<td>37,500</td>
<td>6.64 %</td>
</tr>
<tr>
<td>Slovenia</td>
<td>712.0</td>
<td>41,250</td>
<td>1.73 %</td>
</tr>
</tbody>
</table>

Sources: Implementation & Vision of CAP in 27 EU Member States; Agriculture a Priority in ’09 – Kosovo, Balkan Insights.com
Project’s aims

• To assess the need for public infrastructure support during: storage, processing, and marketing (retail and commercial)

• To identify public infrastructure investment strategies and interventions needed for agro-industry in Kosovo to grow and be competitive

• Formulate recommendations with regard to infrastructure support requirement for the sector to grow and be competitive
Capstone Project’s Scope

Production
Growing & Harvesting

Storage ➔ Processing ➔ Marketing

Retail
Commercial
Project’s methodology:
(How I gathered data)

• Evaluated agriculture/relevant projects carried out in Kosovo since 2002-2009

• Gathered data from: Statistical Office Kosovo, MAFRD of Kosovo, NGOs and institutions working in the related field, relevant associations, as well as Business Support Center Kosovo (BSCK).

• Interviewed business practitioners and local experts in the agro-industry sector.
Project’s methodology Cont’

Current State Assessment
• Issue identification
• Technology requirement evaluation
• Opportunity identification

Future State/Needs Evaluation
• Projection of domestic & export market demand

A Web-based Research on Best-practices
(from the region and elsewhere)
Current State Assessment

• Agriculture sector in Kosovo’s economy
• Agriculture policy
• Overview of the agriculture and food trade in the region
• Projection of domestic demand growth
• Growth opportunity for the sector
Share of Agriculture in GDP (2008)

Sources: Global Finance; Agripolicy.net; SOK 2008
Agriculture export, import, and trade balance by country in million euro in 2008

![Graph showing trade balances for various countries.](image-url)
Agriculture Policy and Legal framework for the sector

The top five of them:

• The “Green Book” of Kosovo
• Agriculture and Rural Development Plan - ARDP strategy for 2007-2013
• Law on Food (2009/03-L – 016)
• Law on Support to small and Medium Enterprises (2005/02-L-5)
• Law on Foreign Investment 2005/02-L-33
Projection of domestic demand growth for yogurt and milk

Sources: Author’s own projection based on the current data on per capita consumption, adjusted to per capita income and population growth trends.
Projection of Domestic Demand Growth for Selected Commodities

Sources: Author’s own projection based on the current data on percapita consumptios, ajusted to percapita income and population growth trends
Future potential –
Most Promising Commodities of Kosovo
What are the challenges?

- Issue identification
- Limitations and capacity gaps
- Opportunities – identification of most promising commodities of Kosovo
- SWOT analysis
- Lessons learnt on best practices
- Infrastructure Investment Strategies for the Sector to Grow and be competitive
Charting the Investment Strategic Priorities for Kosovo’s Agro-food Industry

- Demand Projection & Import Subst. Opportunities
- Limitations & Capacity Gaps
- Comparative Advantages
- Lessons Learnt on Best Practices

Infrastructure Investment Strategies

National Development Plan
Limitations and Capacity Gaps

Technical Limitations:
• The processing technology - less efficient processes than those by competitors - renders compliance to international standards more difficult.

Managerial Limitations:
• Managerial focus on competitiveness
• Managing complex operations
• Not fully grasp the challenges of competition - a lack of anticipation and strategic thinking

Financial Limitations:
Interest rates for the agro-food sector appear to be higher than for other sectors
Limitations and Capacity Gaps

Structural Limitations:
• The fragmented nature of the farmland
• high costs for the collection of primary inputs
• government subsidies for agricultural products and production inputs.

Procedural Limitations:
• Weak enforcement of standards and regulations
• lead inconsistency of quality and standards
• resulting in a lack of consumer trust
Growth Opportunities of the sector

Future potential of the following products could be considered:

- Several potato products, sold in bulk
- Frozen vegetable, sold in bulk (in particular red pepper)
- Small fruits such as berries
- Tomato based products: tomato puree, etc. for export
- Meat products
- Dairy products (mainly considering the high growth demand projection)
Lessons Learnt on Best-Practices

- **Croatia**
  SMEs and focusing exclusively on the weak links in the production, processing and marketing chain.

- **Slovenia**
  Established a special taskforce in charge of competition.
  Continuous endeavor of attaining international standards, innovation and new technologies.

- **Malaysia**
  Developed an Agriculture Marketing Agency - promoting local produce under a brand name “Malaysia’s Best”.

*Source: Kit Chan Director of K-farm, Malaysia. www.k-farm.com*
Infrastructure Investment Strategies for the Sector to Grow and be Competitive

- Strategic Priorities
- Critical Issues to Increase the Sector’s Outputs
- The Way forward – Critical Issues to Enhance Competitiveness
  - Food safety and quality standards
  - Sector’s limitations and Capacity gaps
  - Marketing strategies – Adopt Best Practices
Conclusion and Recommendations

• Establish a Task-force in charge of competition and competitiveness

• Establish an Agriculture & Agro-food Marketing Agency of Kosovo, for promoting domestic products. Develop a brand name such as “Kosovo’s Best”

• Develop physical infrastructure in the following areas, in order of importance:
  1. Adequate Lab. Facilities
  2. Collection center for inputs
  3. High capacity freezing Facilities
  4. Cool room facilities
  5. Cool truck transportation
Thank you !!

Comments or Questions ?