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An Analysis of Household Consumption of Dairy Products

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ABSTRACT

Household consumption of dairy products is one the major component in the total sales of the Albanian dairy industry. Therefore, understanding the factors which may significantly influence household consumption is important in the planning of farmers, processors and manufacturers. Consumers' responses to changes in price and non-price factors are basic to an economic analysis of almost all the policy decisions related to industry or government programs. Forecasting the future direction of household consumption, and how that direction might be modified through industry efforts or by national programs and policies, requires information on the relationships among prices, incomes, household characteristics and consumer demand. This study focuses on households as consuming units, explains and analyzes their purchasing behavior for dairy products. As milk is a very important component of the Albanians diet, this study explores consumer preferences for milk in Albania and also tries to determine consumers profiles based on their preferences and socio-demographic factors. To reach these objectives, this research designed a conjoint choice experiment survey and collected primary data in the most populated cities of Albania. This study provides useful information to different stakeholders including milk producers and importers. The milk industry and its marketers may benefit from this information by using it to strategically market their milk to different groups.

INTRODUCTION

Livestock is a very important agri-food sector in Albania - about ½ of the farmers are engaged in the livestock including the dairy sector. Dairy products represent an important part of the Albanian household consumption basket. Milk production is by far dominated by cows' milk (more than 4/5). Overall, dairy production is destined to the domestic markets, thus the production increase is mainly triggered by increase in the domestic demand, while the dairy trade balance shows a structural deficit. The dairy value chain is considered a priority sector considering import substitution potential.

There was a strong increase in milk (and dairy products) production trend during the first decade of transition - growth has continued also through the 2000ies. While the number of cattle and small ruminants has been decreasing during this period, production of milk has increased,

confirming an improvement in yields (efficiency), triggered by investments in breeds and management related to a consolidation trend (in terms of dairy farm size). Despite these improvements, the milk production yield (eg. for cow, which is the main source of milk production) is far below EU trends. In addition to low yield, another major concern is lack of compliance with standards, which bans Albania from exporting dairy products to EU markets.

Household consumption of dairy products is one the major component in the total sales of the Albanian dairy industry. Therefore, understanding the factors which may significantly influence household consumption is important in the planning of farmers, processors and manufacturers. Consumers' responses to changes in price and non-price factors are basic to an economic analysis of almost all the policy decisions related to industry or government programs. Forecasting the future direction of household consumption, and how that direction might be modified through industry efforts or by national programs and policies, requires information on the relationships among prices, incomes, household characteristics and consumer demand. This study focuses on households as consuming units, explains and analyzes their purchasing behavior for dairy products. As milk is a very important component of the Albanians diet, this study explores consumer preferences for milk in Albania and also tries to determine consumers profiles based on their preferences and socio-demographic factors. To reach these objectives, this research collected primary data in the most populated cities of Albania, Tirana and Durres. A descriptive statistical analysis has been carried out to describe the dairy products in Albania and also a cross tabulation to look into the consumers groups. The study provides useful information to different stakeholders including milk producers and importers. The milk industry and its marketers may benefit from this information by using it to strategically market their milk to different groups. 2. Milk production in Albania Livestock production is seen as a backbone of Albania's agriculture. The value of livestock production has increased from 63 328 million leek in 2000, in 78438 million leek in 2010, which makes 57% of the total value of agricultural production of 138260 million leek (Statistical Yearbook 2011). Livestock products constitute a main source of food, and a high share of production still serves for subsistence purposes and as feeding for the calves.

Dairy activities have a long tradition in Albania due to the favorable natural resources for dairy production. In the plains, cattle production is dominant, while in the hills and mountains, sheep and goat production are more suitable. Traditional dairy products are yoghurt, butter, curd and different kinds of cheese from cow, sheep and goat milk. According the statistics of MBZHR total milk production has increased from 948000 ton in 2000, up to 1145000 ton in 2019 from which cow milk production represents the most of it. (MBZHR statistical yearbook 2020) Some data of milk production through the years are given below in Table 1.

Table 1: Livestock number and milk production during 2000 to 2019

Category (000 heads)	2000	2005	2010	2014	2016	2019
Cattle	728	655	493	500	504	492
Sheep&Goat	3045	2701	2581	2804	2850	2911
(000 tom milk)						
Cattle	807	930	930	965	964	975
Sheep &Goat	141	146	140	168	167	170

Source: MBZHR, 2020

Milk production and collection system (mainly cow milk) in Albania is characterized by the existence of the informal (direct selling from farmers) and formal market channels (collection & distribution by dairies). Milk production in Albania suffers still from problems of quality assurance. According the annual survey of the MBZHR in 2018 only 23 % of produced milk is going to the dairies for processing, 45 % of it is directly marketed, 19 % it is used for self-consuming and 13 % is used for animal feeding (calves). A very big part of milk it is consumed directly and not processed and or controlled. The dairy sector is one of the most important industries in the agro-business sector. It provides 90 % of the milk supply for Albanian consumers. This sector has been very significantly growing during the last five years. If we see at some statistical data of the investments done in this industry there has been a significant increase in the years 2006 and 2010, Figure 1.

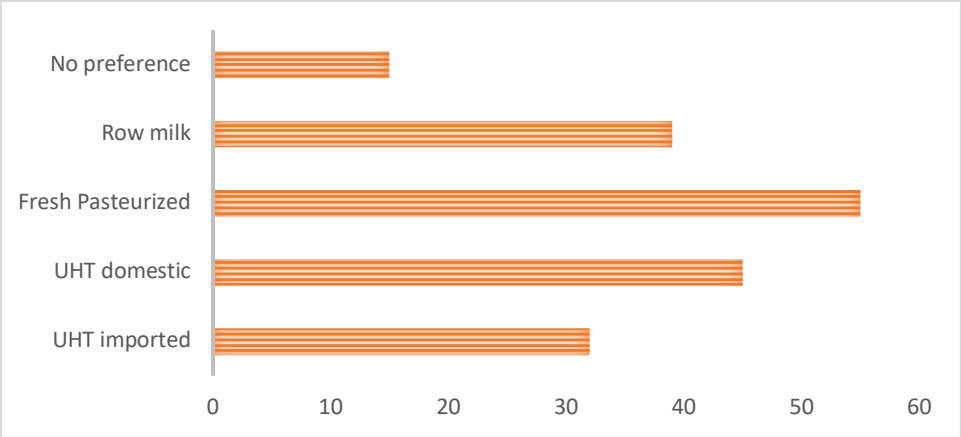


Figure 1: Investments in the milk industry through the years (million ALL)
Source: MBZHR, 2020

However, the industry remains relatively immature; although the raw milk production increased at a rate of 15% (MBZHR statistical yearbook 2020) over the last five years. The production of high quality milk is the key to establish a profitable future for the dairy industry. The dairy sector is often exposed to risks linked to the raw material supply because there is not in place a vertically integrated system, concerning the raw material supply and the distribution of the products to the final consumer. In the dairy industry milk remains the most important component in terms of production and also in consumption. If we look at the share that milk has in the dairy industry it is significant higher compared with other products like cheese, butter and yogurt, Figure 2.

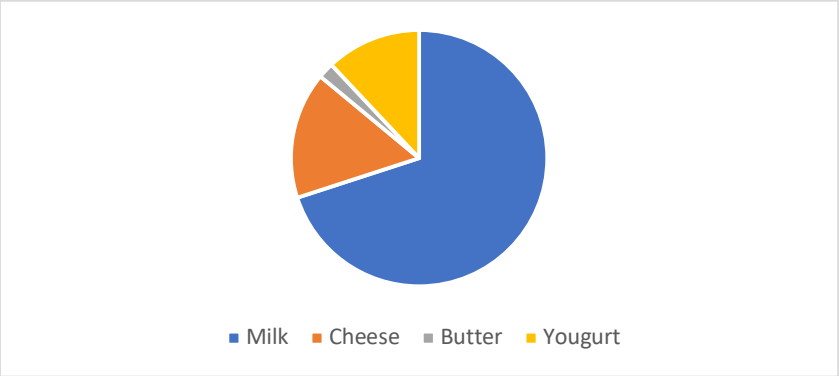


Figure 2: Share of dairy agro-industry production in 2019 (ton)
Source: MBZHR, 2020

Results and Conclusions From the data collected in 186 households in Tirana and Durres city it can be said that milk consumption is a very important component in the Albanian daily diet. Only 4.7% of the households haven't consumed milk recently, whereas the rest of them stated that they consume milk 2-3 kg a week. 87 (46.5%) of the households listed "health benefits" reason as the most important one for their everyday milk consumption. Regarding the children influence in the household consumption we have got the following answers. As it can be seen from the figure below the majority of the households are very highly affected from the children presence in their milk consumption.

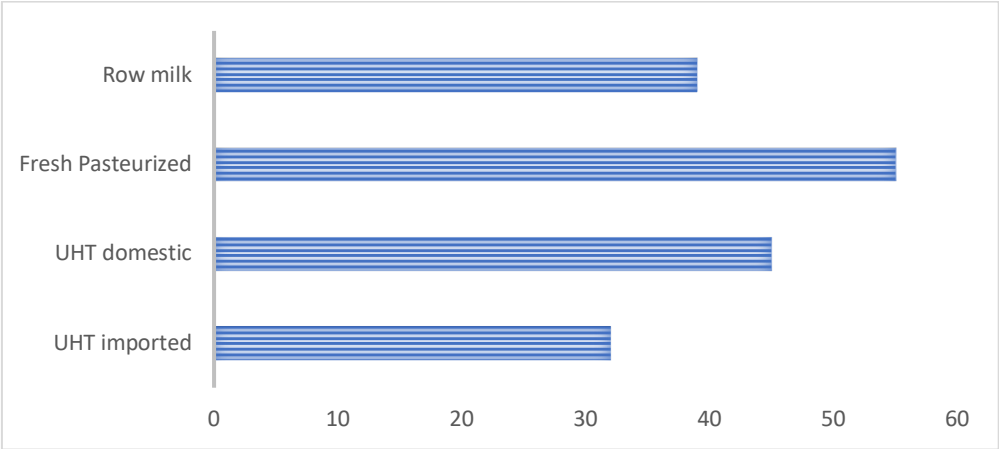


Figure 3: Children influence in Milk consumption
Source: Study data

In this study we have also investigated how do the household react towards the places where to buy milk. The households involved we answered almost equally regarding the place of purchase. They are divided among the three possibilities, if they buy the product in "Supermarket", "Small neighborhood shop" or "At home", equally

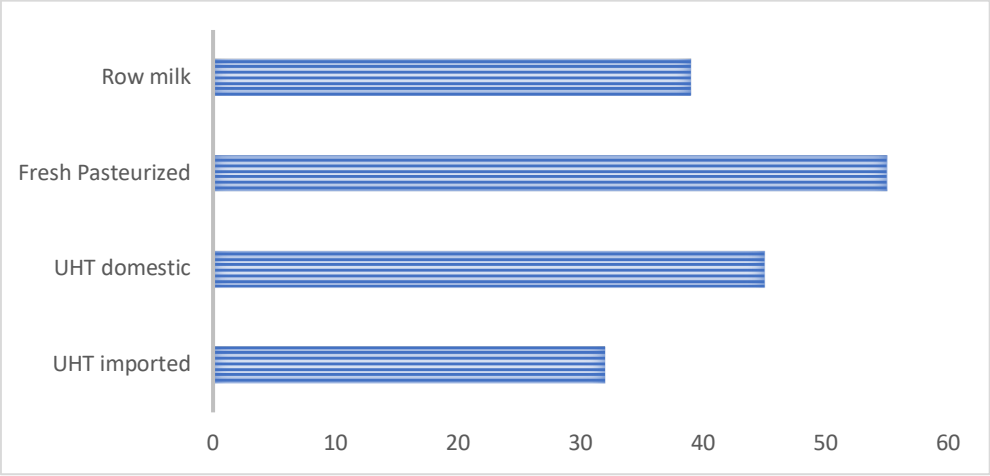


Figure 4: Purchase place of milk
Source: Study data

Milk type and the consumer reaction towards it has been another important point of the research. According to their answers the majority of the households prefer "Fresh pasteurized milk).

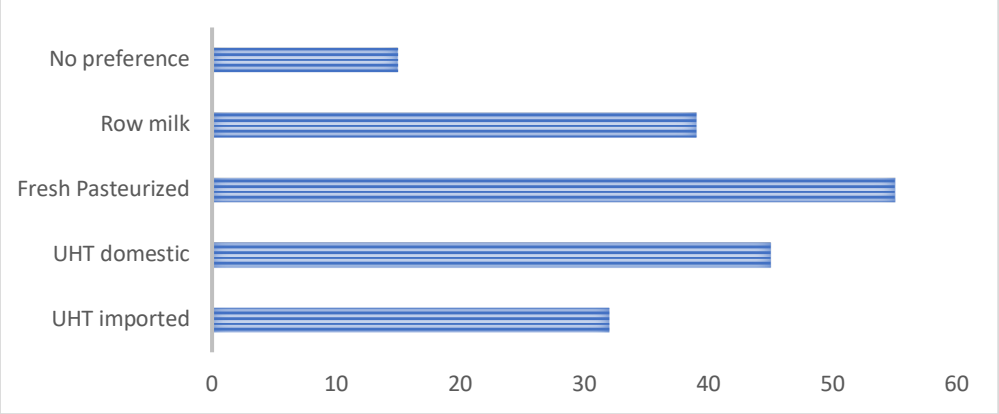


Figure 5: Consumer preferences towards milk type
Source: Study data

During this study was also thought that presented an interest to see how they the household are distributed among the two variables included in the study, type of milk and income. For this reason, we have done a cross tabulation as below:

Table 2: Consumers distribution according to milk type and household income (€/month)

	Milk Type					
Income	UHT imp.	UHT dom.	Fresh past.	Row	No preference	Total
- 400	6	10	5	9	4	34
400 - 800	17	19	24	22	4	86
800 - 1300	6	12	22	6	6	52
1300 +	3	4	4	2	1	14
Total	32	45	55	39	15	186

Source: Study data

This is done keeping in mind the purpose of the study to identify groups of consumers with special features that prefer a certain type of milk. If we take a look at the observed cross distribution of the households, most common groups of customers focus on consumption of fresh pasteurized milk and that row combined with a level of more than towards the highest income.

CONCLUSION

Our study focuses on consumers' preferences for milk in Albania. The idea that motivated this research is that before any course of action supporting the domestic milk production industry can be undertaken, we need to know what consumers want. Milk producers must meet consumers' demand for milk when there is demand in order to remain competitive. Once we are able to clearly describe the existing demand for milk, a marketing strategy can be properly developed. This study makes it possible to identify four milk consumers groups according to their preferences on the product attributes. All these groups represent different potential market segments with specific characteristics. The most populated consumers groups preferred fresh pasteurized milk and this is most common in the middle-income groups. Also interesting is the high percentage of the row milk consumption, but in the case of Albania quality and safety of the dairy products especially milk is not very much reflected in the consumer behavior.

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