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AN ANALYSIS OF THE SERBIAN POULTRY MEAT SECTOR¹

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Abstract

Worldwide production of poultry meat has a steady growth. In Serbia, however, there has been a significant decrease in poultry population, production and consumption of poultry meat since the early 1990s. Numerous factors contributed to the current situation. Firstly, dramatic shrinking of the market due to the disintegration of former Yugoslavia and then of the Federal Republic of Yugoslavia, followed by the UN sanctions, collapse of big poultry businesses and their unsuccessful privatisation, lack of the state support etc. The paper gives an overview of poultry meat sector in Serbia, including population, production and consumption of poultry meat, and foreign trade. The aim is to examine the current situation in Serbia's poultry meat production and put forward suggestions on improving the sector.

Key words: *poultry meat production, consumption, Serbia*

Introduction

Modern poultry meat production and its consumption in the world show a steady growth (Leenstra et al, 2006). Between 1970 and 2005, the increase in poultry meat production in developing countries was 1042.5 per cent and 227 per cent in developed countries, respectively. Poultry meat accounts for 25 per cent of total meat production and consumption in developed countries, whereas in Serbia, it is 14 per cent of total livestock production with a declining tendency (Škorić, 2006). Dietary and nutritional qualities of poultry meat products are the main factors which explain its attractiveness, especially because rearing chickens requires relatively small investment and short time. Furthermore, frequent outbreaks of cattle diseases in developed countries have had a positive impact on poultry industry, thus resulting in an increasing interest in

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poultry meat among consumers. This trend is confirmed by the estimated poultry meat production published by FAO (Table 1).

Table 1. Estimated poultry meat production in millions tons

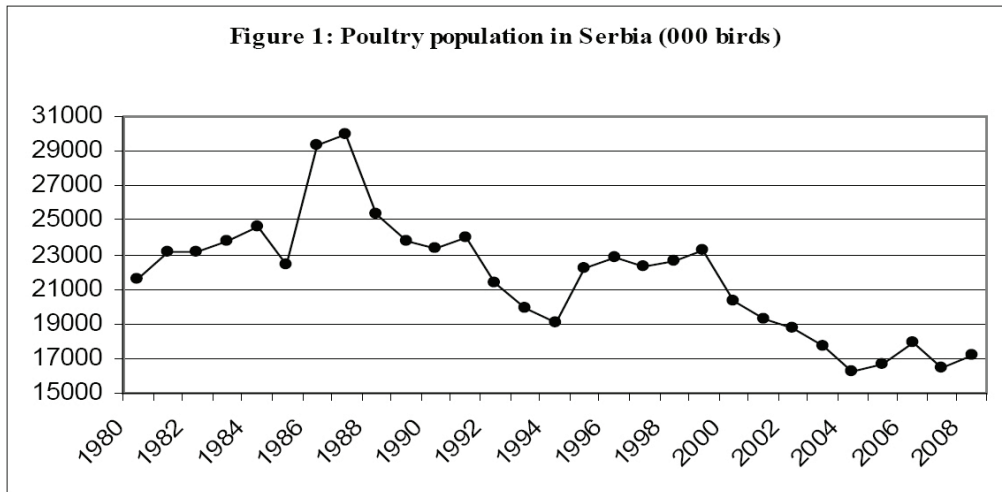
year	1999	2015	2030
Worldwide	61.9	100.6	143.4
Developing countries	31.3	59.1	93.5
Developed countries	30.6	41.5	49.8

Sours: Janečić Z. (2003)

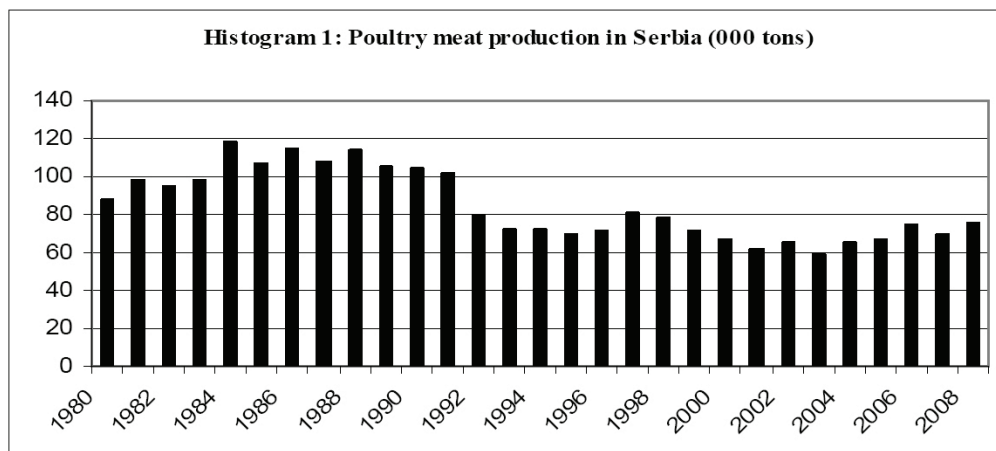
The paper analyses the current situation in poultry meat production in Serbia, in the period of 1980 – 2008. This study only looks into chicken meat production since it accounts for more than 90 per cent of total poultry production (Krstić and Lučić, 2000). The analyzed data are official statistical data of the Statistical Office of the Republic of Serbia, as well as those taken from related articles and publications. The data on poultry population and poultry meat production refer to Serbia without Kosovo and Metohija. The aim is to examine the current situation in Serbia’s poultry meat production and put forward suggestions on improving the sector.

Results and discussion

The present situation in Serbia’s poultry meat production greatly differs from the world trends. To be precise, poultry population (Figure 1), the level of poultry meat production (Histogram 1), and its consumption in the past more than 15 years leads to the conclusion that poultry sector was and still is in a serious crisis.



Sours: RZS, <http://webrzs.stat.gov.rs/axd/poljoprivreda/rezultats21.php?baza=2>



Sours: RZS, <http://webrzs.stat.gov.rs/axd/poljoprivreda/rezultats21.php?baza=2>

Numerous factors contributed to the current situation. Firstly, dramatic shrinking of the market due to the disintegration of former Yugoslavia and then of the Federal Republic of Yugoslavia, followed by the UN sanctions, collapse of big poultry companies and their unsuccessful privatization, lack of the institutional support etc. The paper gives an overview of poultry population, production and consumption of poultry meat, and foreign trade. According to official statistics, poultry population decreased significantly from almost 30 million birds in the late 1980s to nearly 17 million in 2008 (Figure 1)

Despite this, the data on broiler population in the past three years (table 2) is encouraging, indicating the increasing trend by more than 3.5 times.

Table 2. Broiler population (000 birds) on December 1st

Year	Vojvodina	Central Serbia	Total Serbia
2007	1639	545	2184
2008	3530	2906	6436
2009	5618	2218	7836

Sours: RZS, <http://webrzs.stat.gov.rs/axd/poljoprivreda/rezultats21.php?baza=2>

Poultry meat production plays an important role in global meat production and consumption³. In the past two decades, the global consumption of poultry has grown much faster compared to other types of meat (annual growth ranged between 3 and 6 per cent) (Tikasz et al, 2009). In 2005, the biggest producers of poultry meat were France, the UK, Spain, Germany and Italy, with more than million tons (Cinar et al, 2009).

Poultry production in Serbia (67,000 tons in 2005) is far behind the leading EU and world producers; and, more importantly, far behind objective potential and opportunities

3 32 per cent of total world meat production in 2007

that exist for this production.

In the early 1960s, Serbia began to introduce commercial production of poultry meat recording high growth rates until the late 1980s (Histogram 1). Dramatic decline in chicken meat production was recorded in the early 1990s (30 per cent less in 2009 than in 1990)⁴. Since then the production and offer of poultry meat has been greatly determined by private sector.

The reasons behind the poor state of poultry production, and poultry sector, can be largely attributed to:

- Declining living standards and purchasing power
- Saturated poultry market which is dominated by a great number of small-scale producers
- Insufficient utilization of genetic potential of parent stocks (less than 65 per cent) (Milosević and Perić, 2002)
- Collapse of big poultry companies and their unsuccessful privatization
- Destruction of grandparent stocks, and unregulated import of genetic hybrids leading to frequent 'flooding' of the market with one-day chickens which is consequently causing low utilization of parent stock (Škorić, 2006)
- Dramatic shrinking of the market due to the disintegration of former Yugoslavia and then the Federal Republic of Yugoslavia
- Non-existence of vertical integration of poultry producers, because of frequently conflicting interests among producers of one-day chickens, broiler producers and slaughterhouses
- Poultry meat frequently comes from unofficial channels, which greatly threaten the production
- Long-time inability to export poultry meat owing to the UN_sanctions, non-compliance of regulations, the absence of institutional support etc, leading to tight competition among producers in small and saturated Serbian market
- Non-existence of interventions by Directorate of Buffer Stock during frequent seasonal fluctuations in supply and demand etc.

Although there are many different systems of poultry production, all of them fall into two main production systems: intensive and extensive ones. The intensive system of rearing broilers is the most common system in poultry production worldwide⁵ (Milošević et al, 2006), and also in Serbia. However, it is not the only way of poultry meat production. Extensive and other (semi-intensive) production systems have grown in significance due to the rise in living standards and purchasing power, and the influence of animal welfare organisations.

Serbia's poultry sector comprises three different types of producers:

1. backyard poultry farmers who produce poultry for their own consumption, and market their surplus products in local market, especially at local market places

4 <http://webrzs.stat.gov.rs/axd/poljoprivreda/rezultats21.php?baza=2>

5 more than 65 per cent of total poultry meat production is realised using highly productive commercial hybrids

2. small and medium scale producers who often have slaughterhouses of small capacity which frequently do not meet required standards
3. big poultry businesses with modern facilities for production and processing of poultry meat (Škorić, 2006)

The exact number of the first two groups of producers is unknown since the majority of them are non-registered, and, generally, they do not have regular customers. It is estimated that these producers account for more than half of total poultry meat production (Rodić et al, 2010). Although some of them work for big poultry companies, which allows them better market access, most of them are engaged in uncontrolled production mainly for local markets (Rodić et al, 2010). The third group of poultry producers, very few of them, supply half of Serbia's market with poultry meat. They are the only ones that own big, intensive commercial farms and modern slaughterhouses, and use the latest production technology.

All three groups of producers are engaged in intensive production. The duration of broiler rearing is 42 – 45 days, mean density is 17 birds/m², feed conversion ratio is less than 2.0, and the mean gross weight of slaughtered chicken is above 2 kg.

The largest number of birds is slaughtered in households, while slaughterhouses account for 25 per cent of total number of slaughtered birds (Vlahović, 2010). The largest commercial producers of poultry meat are meat industry Topiko (associated company of the Perutnina Ptuj Group) and Agroziv, from Pancevo, followed by Vindija, from Plandiste; Yuhor, from Jagodina; Neoplanta, from Novi Sad etc (Vlahović, 2010). The main characteristics of slaughtering industry in Serbia are inefficient use of the present capacities, outdated equipment and technology, as well as lack of modern standardisation. All of this limits and/or prevents export to the EU countries, even transit via the EU countries is banned (Rodić, 2009).

Economic status of poultry meat production can be assessed by looking into business successes of poultry farms and producers. Unfortunately, in Serbia, the picture is rather grim since lately the producers have hardly been making any profit. Their dissatisfaction with low prices of poultry meat is such that they have threatened to process all chicken meat into pâté since only processed products are profitable⁶. The reason for this lies in the fact that processed poultry products require use of specialised technology and compliance with very strict quality standards, thus disabling the development of grey market.

Global increase in poultry consumption can be attributed to many factors, namely the high demand for cheap and also high-protein animal foods. In addition, the consumption is closely linked with standards of living and purchasing power of a population, which is illustrated with the marked rise in poultry meat consumption in Russia and the countries of former Easter Bloc (Magdelaine et al, 2008). In 2006, worldwide consumption of chicken meat was 11.7 kg/capita, in the USA it was 46.2 kg/capita, in Russia 16.7 kg, in the EU – 27 15.8 kg (Cinar et al, 2009). According to Magdelaine et al, in 2008 the biggest consumers in the EU were Hungary and Ireland

6 <http://www.mojafarma.rs/index.php/Trziste/Meso/s-piliima-u-minus.html>

(34kg/capita/year), then Spain, Great Britain and Portugal (about 30 kg/capita/year), Germany and Italy (about 22.9 kg/capita/year).

Chicken meat consumption, as well as its production, have shown dramatic decline in Serbia, which can be largely contributed to the fall in living standards and purchasing power⁷. According to Stevanović (2009), it is difficult to estimate chicken consumption in Serbia's population due to very opposing and often unreal official data on the consumption. Data on chicken consumption per capita in Serbia differs greatly from author to author. For instance, according to Škorić (2006) the consumption is between 6 and 8 kg/capita; according to Rodić et al (2010), who have used Vlahović and Štrbac's estimates (2006), it is 10 kg/capita; according to Stanković (2010)⁸ the consumption is 17.4 kg/capita while Vlahović (2010) estimated that the consumption of chicken meat in 2008 was 18 kg/capita. Even the highest estimated consumption of 18 kg/capita is far below the EU average.

In recent years, chicken consumption has recorded a slight increase in Serbia. This could be attributed to the low cost of poultry meat in comparison with other types of meat. It is realistic to expect that the rise in living standards will lead to the rise in chicken meat consumption.

Both import and export of poultry meat in Serbia is very modest. In 2007-2008, the export of poultry meat was about 2,300 tons (nearly € 4 million), while the import was about 196 tons (about €300,000)⁹. Serbia exports poultry meat to two countries only, namely Montenegro (92 per cent of total export) and Bosnia and Herzegovina (Vlahović, 2010).

Conclusion

Globally, poultry meat production indicates a steady growth, whereas the situation in Serbia differs markedly. Since the 1990s, there has been a decline in chicken population, poultry meat production and its consumption. The fall in living standards and purchasing power have contributed to this situation. Moreover, the production takes place in a large number of small- scale farms which are badly organised, non-competitive¹⁰, they also lack concentration and specialisation. Finally, non-existence of vertical integration of poultry producers, a large share of grey economy, lack of institutional support, low productivity and obsolete facilities and technology hinder any change and/or development in this branch of animal husbandry.

Despite all the above mentioned, compared to all branches of animal husbandry, poultry is able to revitalise fastest, and thus may offer its products in the EU and

⁷ According to Škorić (2006) the confirmation lies in the fact that despite dramatic decrease in poultry population and its production, there is still enough poultry meat in the Serbia's market

⁸ <http://www.mojafarma.rs/index.php/Trziste/Trziste/srbija-daleko-iza-evropskih-zemalja-po-potronji-hrane.html>

⁹ <http://webrzs.stat.gov.rs/axd/poljoprivreda/rezultatst10.php?ind=1>

¹⁰ which does not allow them to market their products in hypermarkets, however, as a consequence this can lead to import of poultry meat from countries such as Brazil and the USA

other markets. Serbia has the potential to increase poultry production, as it possesses favourable conditions, it is a net-exporter of corn and soybean and has skilled personnel and scientific potential. However, in order to have production that is competitive to sell products in foreign markets, urgent action in additional investment and adjustment in production systems is needed. Moreover, it is necessary to introduce and co-ordinate new standards and policies on food safety, which majority of poultry producers in Serbia still disregard. There also has to be a greater variety of poultry products on offer in order to follow world trends. Institutional support is indispensable in achieving this. This support should combat grey economy, manage seasonal fluctuations, provide subsidised loans, introduce tax reductions for poultry producers etc.

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