AgriPolicy.net

The project aims to establish a network of experts involved in agricultural policy analysis and rural development in the New Member States, in the Acceding Candidate Countries and in the countries of the Western Balkan. More detailed information on the project can be found at www.agripolicy.net.

DOCUMENT HISTORY

Date	Author	Description
December 2006	Mária Jamborová	Intensive Animal Production Chain in Slovakia
January 2007	Svetlana Belešová	Efficiency and Situation in Food Industry and Industrial Branches in National Economy
January 2007	Slávka Krížová	Factors Influenced Food Consumption
February 2007	Mária Jamborová	Veterinary Health Care and Services
February 2007	Ivan Masár	Collection of Data and Conclusions
February 2007	Marian Božik	Supervision
February 2007	Dagmar Matošková	Supervision
20 March 2007	John Malcolm	Editing
10th April 2007	Svetlana Borecká	Response on several questions
20th April 2007	John Malcolm	Final Version

CONTENT

1 Introduction to the meat sector

In the Slovak Republic the meat industry has a long tradition and together with the milk industry is among the key food sectors. Meat industry production accounts for17% of the whole food industry production and is second only to the milk industry. However, apart from the poultry sector, meat production and processing is characterised by small-scale units with low efficiency. The share of domestic production in total meat consumption was only 76 % in 2005. This sector, along with fruits, has the lowest level of self-sufficiency in the Slovak agricultural sector. Within the meat industry, pig production has stagnated in recent years, imports of pigs and pigmeat have increased and Slovakia became a net importer with a self-sufficiency ratio of only 66 %.

In the past decade, both the national pig herd and the cattle herd slumped by more than 50 % due to a number of factors such as poor breeding, low average litter size and calving rates and input limitations. Increased milk yields with no rise in milk and milk production consumption resulted in a decline in the milking cow numbers and a gradual transition to the Holstein herds. Stagnant incomes among the majority of the Slovak population caused a decline of the meat consumption and the resulting low prices discouraged production over the past decade. In 2005, only some two-thirds of the companies in the meat industry were profitable: a situation similar to that in the previous five years. In recent years all the meat processing companies had to invest heavily to comply with EU hygienic and other standards and requirements.

Production capacities of the meat industry have increased but actual production lagged behind; hence capacity utilisation averages only 60 % and in the case of cattle and pig abattoirs, capacity utilisation averages just 50 %. The poultry industry is in a better position than red meat processors due to its more advanced and specialised output, aimed at value-added products and its slaughterhouse capacity utilisation averages more than 80 %. In 2004, a total of 155,600 tonnes of meat and meat products were produced, of which 63,700 tonnes represented solid cut meat, 90,400 tonnes meat products and 1,500 tonnes canned meat.

2 Structure of the sector and recent trends

In the period 1993 to 2003, the Slovak livestock breeding sector was characterised by several poor features such as a failure to meet contractual deliveries, uncertainty and inelasticity in deliveries, indebtedness, insolvency and low competitiveness in foreign markets. The meat-processing sector had other problems, e.g. redundant production capacity, outdated technologies and facilities, a high debt burden and too little meat and meat products that were able to meet export certification standards. The calendar year 2003 was crucial from the point of view of meeting deadlines for improved quality and production standards and related sanitary facilities. Many out-of-date abattoirs needed financial resources not only for investing but also for maintenance. Some meat producers went out of business, others concentrated on the specialised meat products. At present, only a few livestock producers still have to modernise their animal housing.

Currently meat producers face powerful retail chains that are predominantly foreign owned. The entry of new retailers into the Slovak market has caused price pressures on producers and processors, changes in supply chain relations and imposed higher costs through more demanding transport logistics and marketing systems. At the same time farmers and processors are more dependent on sales to these retail chains as traditional wholesalers and small retail outlets have declined in significance.

The meat canning industry is in a deep depression as revenues and consequently the number of employees have declined more by 50 % compared to 2001. There are several reasons for this;. privatisation led to factories being acquire by people who lack business skills, some of them unfamiliar with the canning business. They were unable to cope with the collapse of Russian markets or to offer long-term credit to Russian customers. Local meat canneries could not compete with foreign corporations. For example, the annual sales of the large Czech company Hamé Babice are double the combined total of the Slovakian canning industry. Currently, Slovak canneries mostly use imported raw materials, and processes not only meat but also vegetables and mushrooms. Price pressure from the retail chains has led to the use of lower quality meat.

Despite long term contracts between livestock farmers and the abattoirs, both parties sometimes think short-term and act opportunistically in breech of their commitments. These actions result in a relatively low level of vertical integration and an absence of greater co-operation within the meat sector. Contrary to the pigmeat and beef processing industry, the poultry sector shows a higher degree of integration and cooperation. The major producers do not simply concentrate on a specific production segment but tend to engage in the whole production chain – from egg-laying through hatching, feed processing, broiler fattening up to slaughtering. According to the statistical data, the number of poultry producers is now some 20 % fewer than in 2001.

Currently 80 companies are engaged in the poultrymeat market. Following increased demand in the recent years, total poultrymeat production has risen and is now some 102,000 tonnes liveweight of which 92 % is chicken, 4 % hens and rest turkeys and ducks. In recent years, production of slaughter turkeys has fallen sharply mainly due to the shortage of equipment able to slaughter large turkeys. Currently, turkeymeat is processed by a single company.

3 Policy and standards

State support for cattle breeding covers technical and financial assistance for the preservation and maintenance of genetic resources (such as pedigree book establishment and management, pedigree records and testing, cattle yield checking, health evaluation, origin verification, and audit of reproductive features. Breeders are aided to improve the genetic quality of breeds that have historic importance and tradition in Slovakia. Regulations cover health issues, health conditions, veterinary inspection, and import rules for beef cattle, sheep and goats as well as fresh meat.

Poultry producers would like to see the current ban on the use of meat-bone meal as feed to apply only to cattle breeding. Poultry producers have to pay extra charges for animal waste disposal instead of allowing poultry remains to be used for meat-bone meal manufacturing.

The State Veterinary and Food Administration and the Central Controlling and Testing Institute in Agriculture carry out comprehensive veterinary inspections, check the quality of meat and monitor the whole meat supply and distribution chain. Since 1st February 2007 a new law has come into force regulating veterinary care, animal health requirements, rights and commitments in the veterinary area, competences and imposing sanctions on those breaking the regulations.

|However, last year veterinary inspections showed that 5.5 % of all meat and meat products sampled failed to comply with one or more of the standards for water content, fat or protein content, permitted levels of additives or had microbiological infringements.

4 Market trends and perspective for meat consumption

Consumer spending is influenced by many factors with household income the crucial one. Slovakian per capita meat consumption is around 60 kilograms per annum but since 2000 beef consumption has fallen below 10 kg (presently 6 kg) due to a decline in household income and rising beef prices coupled with fears of the risk of BSE. Annual veal consumption is very low (0.1 kg per capita), heavy veal exports have caused a shortage of veal in the shops. Over the last five years, pigmeat consumption has averaged 32.4 kg p.a. and, despite concerns about Bird Flu, poultrymeat consumption has risen to 20kg p.a. In contrast consumption of sheepmeat averages only 0.19 kg., some 80% of lambs produced being exported, mainly to Italy during the Easter period. Household expenditures on meat and meat products is around 30 %.of expenditure on food.

Table 1 Meat per capita consumption (in kilograms/year) and recommended level*

Year	2000	2001	2002	2003	2004	2005 (P)	Recommended food ration
beef and veal	9,3	7,0	6,8	6,9	6,4	6,1	17,4
pork	33,1	31,8	31,3	32,3	31,9	31,1	22,2
poultry	17,1	18,5	20,1	20,7	20,4	20,3	15,0
sheep, horse, rabbit, venison etc.	1,4	1,4	1,5	1,6	1,4	1,4	2,7

* As recommended by the Ministry of Health of the Slovak Republic

The longer term prospects fro meat consumption will be influenced by a number of factors: expected higher incomes of most Slovakians; changing lifestyles leading to growing demand for more processed, chilled and frozen meat; fresh convenience meat products; processed meat snacks and gourmet and delicatessen meat dishes. Some analysts predict a progressive increase of the out-of-home meat consumption. In 2010, according to RIAFE research estimates, beef consumption will increase to 8 kg per capita whilst pigmeat consumption declines to 25 kg; healthy eating considerations will lead poultrymeat consumption to rise to about 25 kg; and lamb and sheepmeat to remains low at 0.29 kg.

5 Recent trends and perspectives for trade

For many years Slovakia has been a net exporter of live cattle and this export accounts for 18.5% of total production. Export of chilled beef has increased, the main buyers being neighbouring EU countries (Czech Republic, Poland, Hungary).
Italian and French buyers are very interested in calves of the Slovak origin. Since 2004, some Slovak butchers have been successful in exporting pork. A small amount of pigmeat products is also exported. On the other hand imports of live pigs and pigmeat have significantly increased with Slovakia becoming a net importer. The largest number of pigs come from the Czech Republic, Hungary and Denmark. Pigmeat is imported mainly from the Czech Republic, Germany, Hungary and Poland.

Since EU-Accession, poultry imports have increased very significantly, reflecting efforts by the importers to source from cheap poultry suppliers. Approximately 40 % of poultry import comes from Poland and the Czech Republic. Most of turkeys, ducks and geese are imported due to the inefficient domestic production. The low volume of sheepmeat and live sheep imports come from New Zealand and the Czech Republic respectively. Live sheep are exported to Italy, Austria, Hungary, the Czech Republic and Spain. Sheepmeat is exported to Italy, Hungary and the Czech Republic. Imports of live goats and goatmeat were negligible but live goats were supplied to Italy, Austria and Ireland. In 2005, import of livestock increased by 19 % compared to the previous year; whilst imports of meat and edible meat offals rose by 86 %. The highest inter-annual growth was recorded in pigmeat imports (up 103 %) and poultry (up 55 %).

6 Expert views on the successes and challenges of the sector

At the present time there are not any important foreign investors in the Slovak meat industry except in poultry processing. In this branch, a large Czech holding company recently acquired two large Slovak plants, thus gaining more than 50 % of the market. It seems that in general investors are discouraged by the lower level of technical efficiency compared to EU-15 countries, the overlapping of competencies among local authorities and the central government `as well as by the complex nature of established relationships between meat suppliers and consumers. According to the Slovak Union of Meat Processing Companies data, Slovak meat processing plants still have 90% of the domestic market and have begun exporting. However, foreign companies have a strong presence in Slovakia, supplying inputs and selling meat and meat products. Foreign intermediaries and trading companies supplying feed additives, mineral mixtures, premixes and admixtures currently have a 40% market share. According to Herfindahl index the concentration ratio of the meat processing industry was only 0.07 in 2005 and together with the bakery-confectionary and dairy industries, is the least concentrated sector the food industry.

After 2002 pig numbers declined sharply due to the economic transformation of companies, lower breeding performance and the oversupply of pigmeat on the domestic market that brought about a substantial reduction in farm prices though this was not matched by a similar fall in consumer prices. The poultry sector is characterised by fluctuation in poultry numbers, increasing poultrymeat imports and reduced domestic hatchings. In consequence of structural changes and the concentration of production, the number of legal entities in the meat and meat products sector has declined. Most processing companies have their own fattening units, a slaughterhouse, cold storages and egg-processing facilities. Only a few pig breeders still need to modernise animal housing facilities in order to comply with EU animal health requirements and minimise ammonia emissions. The development of animal breeding is hampered by input prices growing faster than farmgate prices. This has caused a sharp decline in farmers´ income and limits the financial resources available for modernisation. Over the next few years, improvements are expected in litter numbers, pig growth and feed conversion rates; in animal health and welfare; and through longer sow life: all of which will contribute to a more efficient industry

7 Conclusion

Food safety concerns, involving continual inspections of domestic and imported meat and meat products, are an inevitable challenge for meat producers and processors. All stages in the food chain will be required to demonstrate compliance with EU standards. For Slovakia it is important to meet EU veterinary and hygiene requirements in animal rearing and to prevent the spread of animal diseases.

Traders and meat processors have to seek export opportunities especially in branded products and national speciality meat products. Experts anticipate further new technological advances in the meat industry, including fat content limitations. The demand for higher quality and added- value meat products, convenience foods and organic meat food products is expected to continue to rise. According to a recent survey, Slovak consumers prefer quality and freshness in meat and meat products, want low retail prices, a wide choice of products and speedy service in readily accessible retail stores.

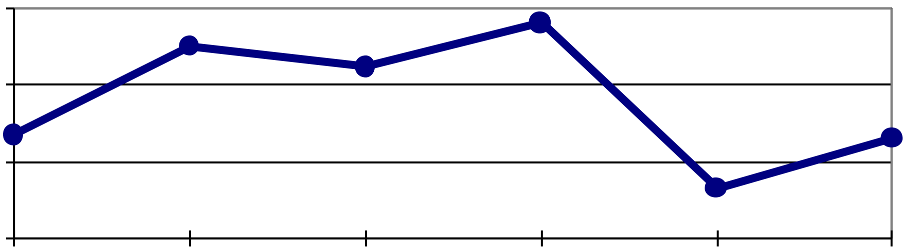
Annex 1: Country profile for beef and veal

Cattle Herd in the Slovak Republic (´000 head)

Date	Legal entities	Entrepreneurs, natural persons	Non-registered farmers	Total
31st December 2002	550,1	17,9	39,8	607,8
31st December 2003	530,1	22,6	40,6	593,3
31st December 2004	475,9	23,8	40,4	540,1
31st December 2005	463,5	22,9	41,4	527,8

Average Carcass Weight of Slaughter Cattle and Calves (kgs of live weight per head)

Year	Cows	Bulls	Heifers	Calves	Slaughter Cattle Total
2002	456,7	484,1	379,1	87,4	456,1
2003	463,2	491,3	378,9	79,5	459,2
2004	474,2	482,3	366,3	76,5	459,0
2005	475,4	496,8	383,0	71,4	471,5



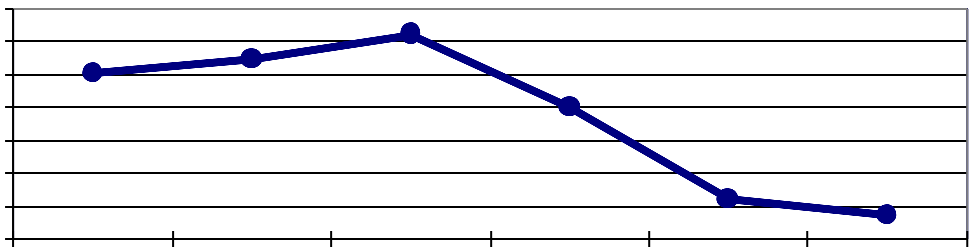
Annex 2: Country profile for pigmeat

Pigs Herd in the Slovak Republic (´000 head)

Date	Legal entities	Entrepreneurs, natural persons	Non-registered farmers	Total
31st December 2002	1 250,2	48,9	254,8	1 553,9
31st December 2003	1 133,4	52,7	256,9	1 443,0
31st December 2004	853,0	41,1	255,1	1 149,2
31st December 2005	815,7	36,6	256,0	1 108,3

Average Carcass Weight of Slaughter Pigs in Slovakia (kgs of live weight per head)

Year	Fattening pigs	Sows	Total
2002	106,7	189,9	108,6
2003	106,3	189,0	108,4
2004	105,3	193,8	107,8
2005	105,6	198,1	107,5



Production of Slaughter Pigs in the Slovak Republic (tonnes of live weight)

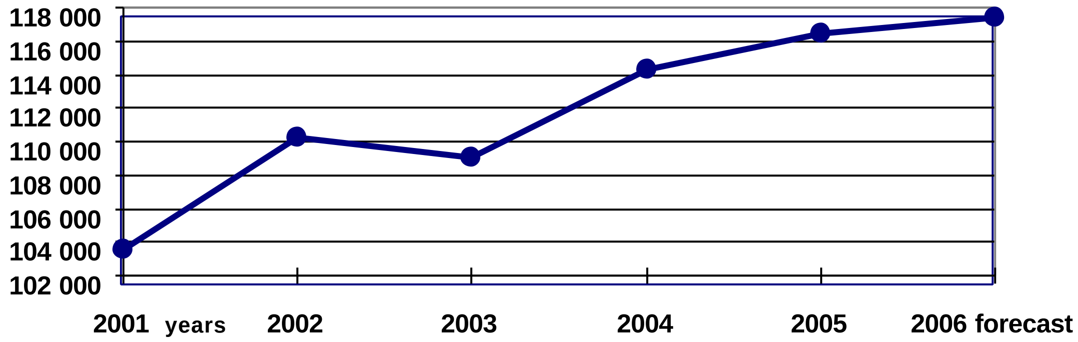
Year	Sale	Home slaughtered	Market production
2002	174 692	52 250	226 942
2003	182 166	50 000	232 166
2004	160 108	40 000	200 108
2005	132 110	35 000	167 110

Annex 3: Country profile for poultrymeat

Poultry number in the Slovak Republic (´000 pieces)

Date	Hens	Chickens	Ducks	Geese	Turkeys	Total
31. 12. 2002	6 213	7 031	253	34	285	13 959
31. 12. 2003	6 127	7 475	251	36	163	14 217
31. 12. 2004	5 647	7 466	249	36	167	13 713
31. 12. 2005	5 591	7 876	250	35	180	14 084

Slaughter poultry sale in the Slovakia
(tons of live weight)



Production of Meat with Bone (in tonnes)

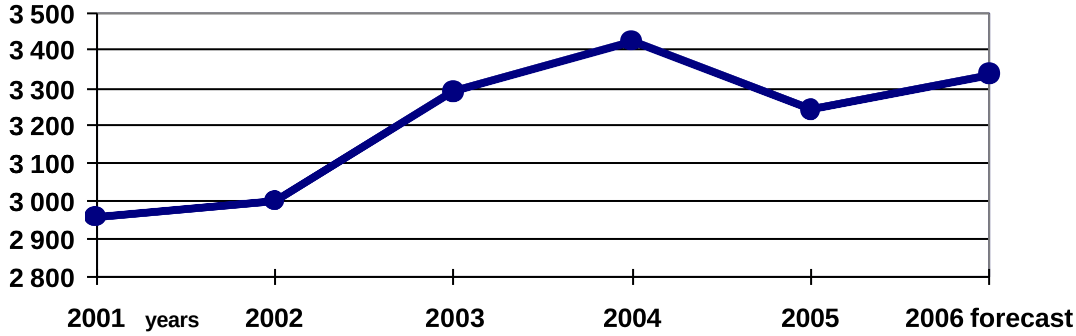
Year	Beef	Pigmeat	Poultry	Sheep	Goat
2002	41 640	154 310	96 662	1 795	339
2003	39 983	158 073	92 265	1 917	341
2004	41 224	143 578	87 670	1 986	319
2005 estimate	38 416	109 165	90 137	1 893	334

Annex 4: Country profile for sheepmeat and goatmeat

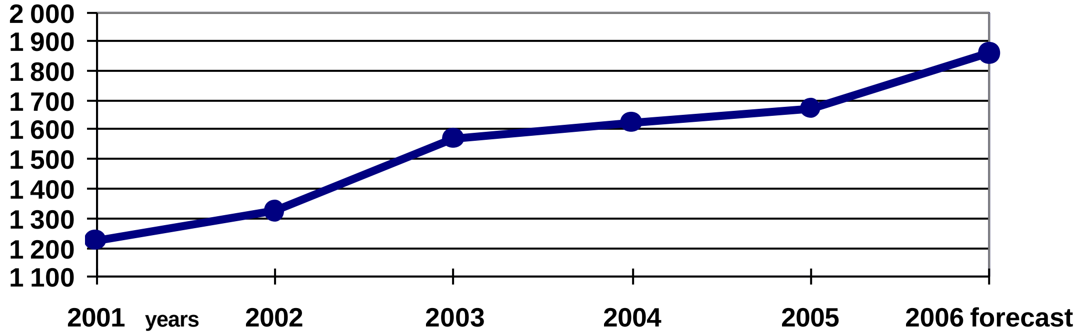
Sheep flock in the Slovak Republic (pieces)

Date	Legal entities	Other breeders	Total
31st December 2002	217 571	98 457	316 028
31st December 2003	213 139	112 382	325 521
31st December 2004	204 005	117 202	321 207
31st December 2005	202 718	117 754	320 472

Slaughter sheep sale in Slovakia (tons of live weight)



Slaughter lambs sale in Slovakia (tons of live weight)



Goat number in Slovakia (´000 pieces)

Date	Goats and bucks	Goat mothers
31. 12. 2002	40,2	29,8
31. 12. 2003	39,2	29,2
31. 12. 2004	39,0	28,5
31. 12. 2005	39,6	29,1