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CONTENT

EXECUTIVE SUMMARY

The meat sector accounts for around a quarter of the total value of agricultural production in the European Union (EU) as whole and one-sixth of world meat production. The sector covers four main meat types: beef/veal and sheepmeat/goatmeat (the so-called ‘red meats’), and pigmeat and poultrymeat (the ‘white meats’). The EU is a major producer, consumer and trader in meat, accounting in recent years for around one-eighth of world trade in meat and meat products. Overall the EU-15 is a net exporter of meat and meat products, having ranged between 105% and 108% self-sufficiency in recent years. Only Poland and Hungary of the newly joined MS are consistent net exporters of meat in volume terms, the EU-27 remains a net exporter, though at a somewhat lower level than in the past.

Farm types differ greatly between Member States in terms of size, aims and methods. Many farms in the NMS, the CC and the PCC, in common with the situation in the more remote areas of the EU-15 are very small, family-owned entities focused on subsistence or semi-subsistence traditional labour-intensive farming methods. In contrast, to the grazing livestock sector, the majority of white meat production, especially poultry production, in both the EU-15 and NMS is in the hands of large business units producing primarily for commercial sale and using advanced capital-intensive methods.

The average consumption of meat across the 15 Member States in 2003, prior to enlargement in 2004, was 92kg per head per annum, entailing as follows: pigmeat 44kg, poultrymeat 23kg and beef/veal 20kg, with sheepmeat/goatmeat a relatively small sub-sector at 5kg. The Accession of 10 new Member States in 2004 reduced the average per capita consumption to around 86kg. Increased trade flows – both intra-EU and extra-EU - have increased consumption of a wider range of meat types in most Member States irrespective of trends in domestic production.

The original CAP system consisted in trade restrictions coupled with intervention buying and storage to maintain the internal market price above its true equilibrium level. Farmers were rewarded for over-producing and increasing the intensification of livestock farming, this, coupled with increasing transportation of live animals, combined to exacerbate environmental degradation and impact adversely on animal welfare. Changes to the CAP in the 1990s and more recently, reduced livestock stocking rates through limiting headage payments. The reforms of 2003 introduced the single farm payment system. Farmers are now encouraged to plan production on the basis of expected market prices rather than farming for subsidies.

The 2003 reforms have subjected the four meat sub-sectors to varying degrees of change. The reform will bring about considerable pressure for change in beef and milk production. For some existing MS, modulation of the single farm payments will pose competitive pressures on larger farms. In contrast, small family-owned subsistence farms in the NMS and applicant countries are likely to remain in the informal sector. Pigmeat and poultry production already face a competitive environment and will tend to benefit from CAP reform as this reduces the prices of cereals and other feed ingredients. However, animal welfare concerns and

compliance with increasingly stringent environmental standards pose a significant challenge for the NMS and applicant countries.

Transition to the new support system with its emphasis on food safety and environmental stewardship, is likely to be much harder for NMS and applicant countries unable to build the necessary changes into their supply chains to meet EU standards. In most NMS there are large numbers of family-owned subsistence farms operating at low levels of productivity, producing poor quality meat (in relation to market standards) at relatively high unit cost. The ability of the accession countries to develop export markets will depend crucially on their ability to improve their price and quality competitiveness in view of the structural problems they face. This, however, cannot be achieved without significant modernization and consolidation of farms to improve efficiency and compliance. Incomes of consumers will rise over time in the accession countries and increase demand to a greater or lesser extent for all types of meat. Where domestic production remains uncompetitive, countries will become increasing net importers and self-sufficiency rates will fall.

The 12 NMS have faced difficult problems of transition but those looming over the other four countries covered in this report are even greater. Turkey is now in a phase of rapid economic growth and increasing incomes; demand for animal products is expected to increase in terms of quantity, quality and variety. Apart from modern units of poultrymeat production near urban centres, livestock production is generally carried out on small scale mixed farms. These farms lack the capital needed to modernise and raise their production and productivity levels. In this latter regard, Bosnia-Herzegovina, Croatia and Serbia face similar structural problems; much still remains to be done to achieve EU standards.

1 Introduction:

This Report is the fourth and final sector report produced by a consortium of representatives from 11 of the 12 New Member States (NMS), Malta being the exception; the Candidate Countries (CC), Croatia and Turkey; plus Bosnia-Herzegovina and Serbia. The Consortium is led by Euroquality and the sector studies led by Drew Associates. This report contains In the Annex) a summary of each of the individual country reports produced under the CEECAP study. The full country reports are also being published on the AgriPolicy website.

The meat sector accounts for around a quarter of the total value of agricultural production in the European Union (EU) as whole and one-sixth of world meat production. The sector covers four main meat types: beef/veal and sheepmeat/goatmeat (the so-called ‘red meats’), and pigmeat and poultrymeat (the ‘white meats’). The EU is a major producer, consumer and trader in meat, accounting in recent years for around one-eighth of world trade in meat and meat products. Overall the EU-15 is a net exporter of meat and meat products, having ranged between 105% and 108% self-sufficiency in recent years. Only Poland and Hungary of the newly joined MS are consistent net exporters of meat in volume terms, the EU-27 remains a net exporter, though at a somewhat lower level than in the past.

The output of the meat sector can be supplied to markets in many different forms from a live animal, or dressed carcass, to a range of processed items, each form commanding a higher market price as more value is added. In some cases, the final product can be very strongly branded or qualify as a food of designated origin (such as Parma ham).

The addition of the 10 NMS in 2004 increased the total EU output of the main meat types by some 5.7million tonnes a year from 35.4 to 41.1 million tonnes and Bulgaria and Romania together produced some 1.3 million tonnes that year so that what is now the EU-27 produced 42.4 million tonnes of meat in 2004, a little less in 2005 and is estimated to have produced a little more in 2006. Total Meat Consumption in 2004 was 33.5 million tonnes in EU-15 and 39.4 and 41.4 million tonnes in EU-25 and the countries of EU-27 respectively. Thus collectively the 10 NMS added slightly more to consumption than they did to production. Indeed as table 1 below shows, only Poland and Hungary of the NMS are net exporters of meat and livestock. Poland alone accounted for 3.2 million tonnes of the additional output and added 2.9 million tonnes to consumption, whilst for Hungary the quantities were 1 and 0.9 million tonnes respectively.

Table 1 Production & Consumption of Major Meats* 2004 & 2005 in 000 Tonnes

	Production (000 tonnes)		Consumption (000 tonnes)		%age Self-Sufficiency
Country	**2004**	**2005**	**2004**	**2005**	**Ave 2004-5**
BULGARIA	214.6	227.5	328.4	354.0	65
CYPRUS	97.1	96.8	109.3	104.8	91
CZECH Rep	731.8	692.1	846.8	854.8	84
ESTONIA	68.5	66.6	95.2	87.2	74
HUNGARY	1006.1	937.9	867.6	852.9	113
LATVIA	71.8	70.8	136.0	125.2	55
LITHUANIA	174.6	182.7	218.0	208.8	84
MALTA	17.2	17.7	43.7	35.7	44
POLAND	3141.3	3212.1	2946.0	2910.6	108
ROMANIA	1106.6	1025.4	1393.5	1436.6	75
SLOVAKIA	305.2	268.1	399.5	337.9	78
SLOVENIA	141.3	135.3	160.2	155.9	87
12 NMS	7076.1	6933.1	7544.2	7464.6	93
EU-15	35383.1	35391.5	33543.8	33659.0	105
EU-27	42395.8	42186.1	41409.8	41523.6	102
CROATIA	124.6	137.1	204.0	214.7	63
TURKEY	1361.5	1388.8	1331.5	1342.5	103
B-H **	40.9	42.0	62.5	72.5	60
SERBIA	420.0	431.0	420.8	429.5	100

Source: Eurostat for EU-27; National sources for the other four countries

- *Beef & veal; pigmeat; poultrymeat and sheepmeat.
- **Bosnia-Herzegovina
- Self-Sufficiency is average Production/Consumption for the two years

As can be seen, of the countries aspiring to join the EU, Croat and Bosnia-Herzegovina are both net importing countries; Turkey has a small net surplus in volume terms; and Serbia is in balance.

2 The Size and Structure of the Meat & Livestock Sector

Farm types differ greatly between Member States in terms of size, aims and methods. Many farms in the NMS, the CC and the PCC, in common with the situation in the more remote areas of the EU-15 are very small, family-owned entities focused on subsistence or semi-subsistence traditional labour-intensive farming methods, producing a high proportion of the slaughter animals. The production on such farms tends not to enter the formal market sector but is consumed by the farm family, their relatives and neighbours. This is especially the case on beef, sheep and goat farms.

In the EU as a whole and again in most of the countries studies, somewhat more than two-thirds of beef and virtually all veal production originates from the dairy herd, with surplus dairy calves being reared for veal and dairy-beef cross cattle being reared for beef. The other third of beef production comes from “single-suckler” herds where virtually all the cow’s milk goes to her calf. These specialist beef herds are most usually found in the less favoured farming areas in the EU-15 but more widely, though often as new introductions, in the NMS and other countries covered in this study.

In contrast, to the grazing livestock sector, the majority of white meat production, especially poultry production, in both the EU-15 and NMS is in the hands of large business units producing primarily for commercial sale and using advanced capital-intensive methods. Although most often still family-owned, many other pig and poultry farms produce under either some form of vertical integration with upstream and/or downstream organisations or they collaborate with fellow producers in co-operatives or other farmer controlled businesses to increase their effective size and market power. In many of the central and eastern European NMS and applicant countries, the pig and poultry sectors still have a number of former state farms in operation, though these have now usually become locally independent or privatised.

Poultry production, and to a lesser extent pig production, tends to be mostly vertically-integrated, with single businesses usually organising every stage from rearing to delivery to retailers and with movement of live animals kept to the minimum. In contrast, beef and veal may have several distinct stages in both their production and distribution handled by different businesses, often necessitating significant transportation of live animals. In locations where self-sufficiency or semi-subsistence farming is common, very little in the way of supply infrastructure has usually been developed.

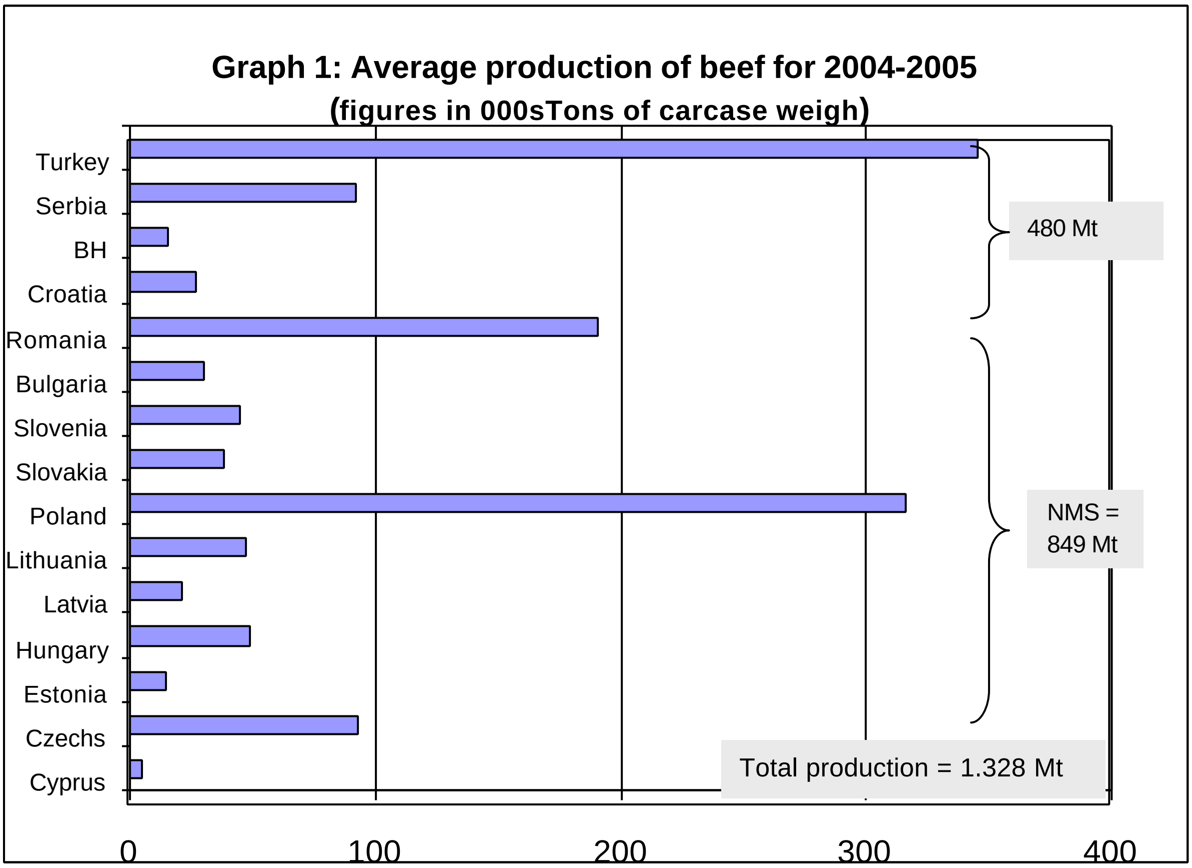
3 Consumption

The average consumption of meat across the 15 Member States in 2003, prior to enlargement in 2004, was 92kg per head per annum. (These figures, along with most consumption per head data quoted later in the report for the NMS, include consumption of minor meats such as horsemeat, rabbit and venison.) Within the overall figure, consumption of pigmeat averaged 44kg, poultrymeat 23kg and beef/veal 20kg, with sheepmeat/goatmeat a relatively small sub-sector at 5kg. These averages mask significant differences between countries and regions, depending largely on culture and tradition, production patterns, openness to external trade and income levels. The Accession of 10 new Member States in 2004 reduced the average per capita consumption to around 86kg. Although the accession of Bulgaria and Romania in 2007 slightly reduced this figure further, the longer-term expectation is for a gradual increase in consumption to around 90kg per capita in the 12 NMS due primarily to rising income levels and living standards.

4 External Trade

The EU is extensively involved in external trade and, overall, both before and since enlargement has been a net exporter of meat, although as can be seen from table 1 there are significant differences in self-sufficiency among the NMS as is also the case within EU-15 where self-sufficiency ranges from very high, 220% in Ireland and 200% in Belgium, to very low 55% in Greece and only 50% in Luxembourg. Of course it is to be expected that within an integrated market specialisation will occur and there will be areas of deficits and others of surplus production in relation to local demand. Although it sometimes seems to assume a political importance, it is no more logical to seek food self-sufficiency in a country than it is in a region, a city or a village.

Patterns of production differ greatly between countries, depending mainly on terrain, vegetation and climate, consumption patterns, tradition and farm type (cf. Graph 1 below presenting beef production data for NMS and Candidates and Precandidates Countries). Specialisation in production tends to both dictate and reflect local, regional and national tastes and hence the overall consumption patterns of different Member States. Increased trade flows – both intra-EU and extra-EU (including preferential access arrangements with third country suppliers) - have increased consumption of a wider range of meat types in most Member States irrespective of trends in domestic production. Tradition – in both consumption and production – has also influenced this process.



5 Policy Background

Within the EU-15, most countries tended to specialise in the type of farming best suited to their factor endowment, which over time usually confers a degree of expertise adding to their comparative advantage. However, the CAP support system encouraged the expanded production of several forms of farming, including beef and sheep, beyond the level justified by economics.

Among the NMS, during the Soviet period some former USSR states were obliged to specialise in forms of agriculture irrespective of suitability of their resources. For example Latvia and to a lesser extent Estonia had a dairy sector much larger than their natural resources justified. Overall, at the turn of the century, the livestock sectors in several of the NMS were rather unbalanced and overproduced in relation to the level of output that might be expected in a fully free-trading world economy. (As was also the case in the EU-15 where the CAP had protected domestic producers from increasing competition within the world market.) The consequence is that sometimes painful adjustments were inevitable for producers in both NMS and EU-15 as the EU was enlarged and CAP reform took place.

The original CAP system of protection through market intervention was developed when European policy was still conditioned by post-war food shortages and a shortage of gold and dollars with which to buy on the world market, so that a drive to greater self-sufficiency in food seemed sensible. However, in the longer term, trade restrictions coupled with intervention buying and storage to maintain the internal market price above its true equilibrium level was fundamentally flawed both in terms of the higher prices, welfare losses and allocative inefficiency that it caused, and the intensification of farming methods it encouraged. Farmers were rewarded for over-producing and increasing the intensification of livestock farming, this, coupled with increasing transportation of live animals – especially sheep and veal calves – in order to satisfy consumer demand for “locally-killed” meat, combined to exacerbate environmental degradation and impact adversely on animal welfare.

Concerns about animal welfare led to changed regulations as regards the live transport of animals and reductions in the stocking densities of housed pigs and poultry. Changes to the CAP in the 1990s and more recently, reduced livestock stocking rates in the cattle and sheep sectors through limiting headage payments and introducing extensification payments thereby encouraging EU-15 producers into less intensive production methods.

The reforms of 2003 introduced the single farm payment system. This ‘decoupled’ subsidies from agricultural output and linked them instead to the process of ‘cross-compliance’ – the meeting of standards relating to environmental stewardship, animal welfare and food hygiene, and diversification into a broader range of rural development schemes. The ‘modulation’ of subsidies – reductions both over time and across different types of farm – has been intended to remove the distortions from the farm sector and promote competition, while also raising the standards of environmental protection. Farmers are now encouraged to plan production on the basis of expected market prices rather than farming for subsidies. This key shift in the reform of the CAP is the acknowledgement of a wider range of interests in the countryside in order to develop a sustainable resource for all.

6 Reform of the Livestock Sector Support System

The 2003 reforms have subjected the four meat sub-sectors to varying degrees of change.

The beef/veal sector has been subject to extensive CAP support in the past. Cattle farming has a much longer production cycle than pig and particularly poultrymeat production, this makes for slow herd growth and a cyclical ‘cobweb’ pattern of higher prices leading to increased supply before prices fall and supply contracts come under pressure. Beef and milk production have both been consistently supported, and hence not subjected to the disciplines of the market so the CAP reforms will bring about considerable pressure for change.

The drive for greater profitability in the past has tended to lead to more intensive production over time but the decoupling aspect of the single payment system will build on earlier extensification premium payments to revert to more land extensive production methods. Although more environmentally friendly than intensive beef production and arguably beneficial to animal welfare, this is likely to raise unit costs and reduce the competitiveness of beef/veal in relation to other meat.

For some existing MS, modulation of the single farm payments will pose competitive pressures on larger farms and in several NMS may encourage the break-up of their remaining Kombinats in this sector. In contrast, small family-owned subsistence farms in the NMS and applicant countries are likely to remain in the informal sector and find transition passing them by because a lack of finance constrains improvements to production methods and animal housing.

Pigmeat production systems within the EU-15 have followed poultry production in being primarily indoor based and have had only very limited support in the past in the form of private storage aid and export refunds to dispose of surpluses. Thus pigmeat production has been market-oriented for some time and farmers in the countries with large pigmeat sectors (such as Germany and Spain) already face a competitive environment and will tend to benefit from CAP reform as this reduces the prices of cereals and other feed ingredients thus reducing unit costs and increasing competitiveness with grass based meats.

However, the sector is not immune from transition problems; animal welfare concerns and waste disposal problems of meeting the increasingly stringent environmental standards pose a significant challenge for the NMS and applicant countries which also face reductions in traditional state support.

Infrastructure is crucial in the development of a country’s meat industry. From transportation to abattoirs and processing prior to marketing and distribution, all elements must be in place and co-ordinated. There is evidence from the individual country reports that transport and other infrastructure problems in farming and elsewhere in the food chain are undermining the sector’s potential for competitiveness, and hence its ability to develop and expand.

7 Transitional Support and Protection

Transition to the new support system with its emphasis on food safety and environmental stewardship, is likely to be much harder for NMS and applicant countries unable to build the necessary changes into their supply chains to meet EU standards. In some countries it is a matter as basic as improving roads to facilitate the transportation of animals to abattoirs, but for most NMS and applicants it is the need to improve their ability to track meat during its production cycle to improve its quality, labelling and traceability, and to guarantee essential hygiene standards.

8 The new Member States

As outlined above, several NMS had livestock sectors that at the end of the 20th Century were out of line with what a free market economy would have produced. The Period of Transition and the pre-Accession period brought much structural change and re-orientation in most NMS. The new support system is likely to present a number of challenges to the farm sectors of both the long-established and New Member States. Producers in the EU-15 face the problems of shifting to a more market-based approach for deciding what to produce and how to use their land and other resources.

Many farmers in the NMS and applicant countries will also have to adapt their production methods to meet higher standards of animal welfare and raise the hygienic and carcass quality requirements and consistency of their output. Throughout the enlarged community, farmers and meat processors also have to ensure product traceability from farm to table – a practice which is not yet complete in many EU-15 countries.

In order to maintain farm incomes and avoid the ‘abandonment’ of elements of production during transition, ‘partial decoupling’ has been allowed between 2005 and 2007. Several NMS have taken the opportunity to maintain certain internal support payments – such as the slaughter premium for calves – in order to ease the transition to the new system.

Many of the new Member States joining the EU in 2004 and 2007 were economically less well developed than the EU-15. The meat sectors of the smaller countries in particular are characterised by a number of structural problems at the production, processing and distribution stages. The difficulties of transition to more market-orientated economies within the expanded agricultural sector of the enlarged EU have been exacerbated by the fact that the process of CAP reform meant that the target itself was moving and changing.

In most NMS there are large numbers of family-owned subsistence farms operating at low levels of productivity, producing poor quality meat (in relation to market standards) at relatively high unit cost. Animal feeds, accommodation and farmer knowledge are inadequate, and insufficient capital exists for acquiring high quality breeding stock to build up herds and improve productivity.

The livestock and meat sectors of many NMS are characterised almost exactly by the conditions that make transition difficult. Improving meat quality, animal welfare and environmental standards are all difficult to achieve with limited expertise and finance, yet the single farm payments are conditional upon such improvements taking place.

In the more rural area in several NMS, the relatively high levels of subsistence farming constrain market development, not only through the low volume of meat of a sufficiently high standard available for sale, but also through the lack of an entrepreneurial culture to shift to more commercial operation. Many farms are geographically isolated from slaughtering facilities and other elements of the processing infrastructure making hygienic transportation of live animals and carcasses particularly difficult. Few abattoirs and processing units comply with EU requirements and most operate with outdated technology and obsolete capital equipment at low levels of capacity utilization. In addition, despite the developments in state veterinary services, administration systems are frequently inadequate and unable to cope with EU conditions relating to food labelling and the traceability of meat and meat products.

Levels of hygiene are poor in the distribution and sale of products, especially chilled items. Farms have also lacked the expertise and awareness of how to add value to their products. Lower levels of productivity push up costs and reduce competitiveness and the poor standards of animal hygiene increase the vulnerability of farms to outbreaks of disease. The combination of these factors makes it difficult for farms to achieve the levels of sales that would start to generate viable incomes, so the problems arising specifically from their circumstances remain. Meanwhile, rising incomes in the non-agricultural sector raise demands that cannot easily be supplied domestically at least in the short term in many NMS.

Changes to EU export subsidies and tariff arrangements over the years have afforded greater protection for some sectors compared to others. Support for past beef production has fallen in recent years, partly due to the BSE scare in the sector and changes in consumption patterns, but also due to the removal of subsidies that have left producers vulnerable to competition in world markets

In the NMS, subsidies for beef, including breeding stock, rose in pre-Accession period and have continued at the higher level since then. This, combined with increased demand from EU15 for rearing stock, has pushed up prices for exports of young stock giving rise to short-term enhancement of export earnings, but perhaps hindering the medium–term build up of the exporting countries' own production. Again, the composition of production influences a Member State's ability to cope with transition.

Almost all of the Member States produce all four of the main meat groups in varying volumes and proportions. The ability of the accession countries to develop export markets will depend crucially on their ability to improve their price and quality competitiveness in view of the structural problems they face. In the absence of favourable exchange rate movements (which could not be relied upon in the long term) productivity must be increased to reduce unit costs and prices. This, however, cannot be achieved without significant modernization and consolidation of farms to improve efficiency and compliance. Incomes of consumers will rise over time in the accession countries and increase demand to a greater or lesser extent for all types of meat. Where domestic production remains uncompetitive, countries will become increasing net importers and self-sufficiency rates will fall.

9 The Candidate and Pre-Candidate Countries

The 12 NMS have faced difficult problems of transition but those looming over the other four countries covered in this report are even greater. The major problems for Turkey in seeking to move from a candidate country into the pre-Accession and Accession stages seem to be primarily political and by no means all of their own making. Croatia, Bosnia-Herzegovina and Serbia were all severely affected by, and in economic terms are far from fully recovered from, the wars that followed the break-up of Yugoslavia. Damaged infrastructure, lack of finance, and in some cases expertise, has hindered economic progress in the food and agricultural sector as in their economies as a whole. For the most part, livestock numbers have not recovered to their levels when part of Yugoslavia.

Turkey is now in a phase of rapid economic growth and increasing incomes, particularly in urban areas, and demand for animal products is expected to increase in terms of quantity, quality and variety. Turkey's rapid population growth and increased real per capita income has led to a fast expansion of food demand over recent years and a shift in consumption patterns away from beef and sheepmeat towards poultrymeat and fish. Apart from poultrymeat, which is produced mainly near urban centres in large modern units that meet international standards, livestock production is generally carried out on small scale mixed farms. These farms lack the capital needed to modernise and raise their production and productivity levels.

In this latter regard, Bosnia-Herzegovina, Croatia and Serbia face similar structural problems; low capital intensity results in low productivity, relatively high production costs and low profitability which in turn prevents the accumulation of capital to finance investment, thus perpetuating the low production and productivity levels. In the meat processing sector few establishments meet EU safety, hygiene and animal welfare standards; hence they are handicapped by not being able to export to the EU. Although all three countries have been striving to upgrade their facilities and improve the quality and traceability of their livestock and meat products, progress has been slow and much still remains to be done to achieve EU standards.

ANNEX 1 Individual Country Report Summaries

Bosnia and Herzegovina

The recovery of Bosnia and Herzegovina's meat sector, in the terms of increased livestock numbers, herd structure, volume and value of production, yields, self-sufficiency, exports and the share of livestock in total agricultural production is not only slow but also unstable. The instability particularly refers to the cattle and pig sectors, while the sheep and poultry sectors have experienced more significant and stable progress.

Overall, Bosnia and Herzegovina relies more on imports now than in the past for a significant part of meat consumption due largely to war damage, but also to the break up of former Yugoslavia causing changes to the identification of some sources as "foreign". Neighbouring countries with whom BH has free trade agreements are the main trading partners (Croatia, Serbia, and Slovenia). The low level of self-sufficiency and under-utilised capacity in many slaughterhouses and meat processing plants coupled with consumers confidence in the quality of domestically produced meat could be seen as an opportunities for developing the sector as a whole. However, the official statistics do not actually represent the reality of the situation due to significant illegal trade across the borders.

Currently, meat producers are not competitive, due to low yields, high production costs, inefficiency and high input prices. Many producers tend to sell or slaughter young stock rather than fattening them, leading to processors having to rely mainly on imported meat supplies. Greater co-operation is needed between producers and processors on a contractual basis so as to make the food chain more efficient and thereby more competitive in the market.

In the near future, a major task will be that of harmonising standards with those of the EU. An important first step is the establishment of a common Ministry of Agriculture and common Veterinary Agency within the constituent parts of Bosnia and Herzegovina and the removal of bureaucratic and administrative obstacles to progress. Improved border controls, the elimination of illegal trade and better inspections of the meat quality are also important requirements, identified but not yet provided. The establishment of the Veterinary agency and certification bodies together with the introduction of systematic measures to eliminate animal diseases, and the adoption of EU standards are not only necessary steps in the process of EU integration but also preconditions for the B-H meat sector to improve its performance in any export markets.

Although there are long-term possibilities for the meat sector to develop and prosper, significant progress is unlikely in the short-term due in significant measure to the poor economic condition of consumers and their lack of spending power.

Bulgaria

Following the transition from socialism there were major disturbances to the agricultural sector as farms and livestock were re-distributed from state farms and collectives to individual ownership. As a result livestock numbers and meat production declined significantly; most noticeably, poultrymeat took over from pork as the major commodity as the supplies of the latter fell so sharply. National production of meat declined to such an extent that Bulgaria became a net meat importer for the first time.

As well as changes in ownership of the production resources, the turbulence during the 1990s was associated with changes in regulations relating to marketing and a shortage of capital for upgrading farms and factories to meet EU requirements. However, there has been more stability since the turn of the century, and some recovery in livestock numbers.

Pig numbers are now rising and 46% of these animals are located in large herds on farms, many of which are vertically integrated with processing businesses and/or produce sufficient cereals to meet their feed requirements. These factors help to keep production costs down but pork prices are still low due to pressure from imports. It expected that EU membership will provide some protection from the latter.

Sheep meat production is viable as high local demand provides a reliable income and around one-third of production is regularly exported.

Poultrymeat production is the sub-sector with the greatest potential for dynamic growth. Most production is on large farms in the grain producing areas of the country. The outbreak of Avian Influenza caused only a small and temporary blip in demand.

Traditionally the majority of cattle have been on subsistence and semi-subsistence farms and the beef meat produced of poor quality attracting little demand as fresh meat. Much of the demand for meat for processing has been met by imports and in the past three years imports have accounted for two-thirds of beef meat and meat product consumption.

There has been considerable restructuring of the meat processing industry, including closures of many abattoirs. This sub-sector needs to adopt new technologies so as to improve hygiene and other quality standards so as to meet EU standards. Many factories have still to be brought up to standard; hence restrictions remain on exports from Bulgaria to other EU countries. There is a “traceability” problem with meat due to the fragmentation of farms and deficiencies in the organisation of breeding.

Despite past difficulties, the prospects for the meat sector are considered to be positive. Per capita consumption has recovered and continues to grow and tastes are changing in favour of higher quality products. There are prospects for changing the balance of trade as access is gained to the EU market and some protection obtained from low priced imports from the Americas. Major processors are investing in new technologies. There does however remain a problem at the meat production level; production is too low and farms are too fragmented. Further re-structuring of farms is expected.

Croatia

Croatia has favourable conditions for livestock production, particularly in the hilly or mountainous areas. Livestock production accounts for 44% of total agricultural production by value but production does not satisfy domestic demand hence Croatia is a net importer of meat and meat products, being self-sufficient only in poultry production. Small family farms still predominant especially for grazing livestock and pigs; in contrast, large-scale production units dominate the poultry sector.

Cattle production is Croatia's main livestock sector and, whether for milk or beef, is conducted on an extensive, not intensive, basis with 83% of cattle production being on family farms. Cattle numbers have increased up by 10% since 2001. Croatia has a centuries-old tradition in sheep and goat farming, more than 95% of sheep and goat production being on family farms. Pig production is similarly found mainly in small units on family farms. Only the larger commercial farms and a few of the family farms are specialised production units using up-to-date technology that complies with EU legislation. In contrast, most poultry production is in large modern units.

The meat slaughtering and processing sector comprises a large number of scattered units due to the poor transport infrastructure in some parts of the country and also the need for fast preparation of food during the tourist season. The majority of the abattoirs operate with outdated technology and at a low level of capacity-utilisation.

Throughout the sector, a major problem is that of small production units which have low productivity and often fail to meet environmental and animal welfare requirements. The meat processing industry has begun to consolidate introducing new technology to meet EU hygiene and quality standards which should help to increase the competitiveness of the domestic processing industry and to ensure its place in the international market.

Croatian producers of meat and meat products have started to apply a more market-oriented approach in their businesses. The development of producers' brands has already made a positive impact on business results though overall much remains to be done.

Cyprus

Livestock production has been rising in importance in recent years and now accounts for almost half of the total agriculture output. The value added for the livestock sector rose by 18% during the period 2000 to 2005, the increase being in the pig sector.

Livestock production is primarily used for local consumption. Imports are most significant in the beef sector; indeed but for the large number of tourists Cyprus would be self-sufficient in beef and also in total meat. The number of farms has been steadily declining over recent years but the decrease has slowed down. There has been a trend towards larger ones: in 2005. 81% of livestock farms had more than 100 animals and 45% more than 200 animals. There was an increase in cattle number in the two years prior to EU Accession primarily attributed to the absence of milk quotas. This led to an increase in meat production in the year following Accession.

A major challenge for the non-grazing livestock producers has been the abolition of subsidies on cereals used as inputs which led to increased feed costs. As expected, the poultry sector has faced significant problems since Accession due to its low productivity compared with that in competitor countries. A distinct feature of the poultry sector is that most of the poultry abattoirs are owned by the producers. Currently, there are 24 poultry abattoirs in Cyprus, with the biggest 5 having a 90% market share.

Accession was beneficial in the introduction and implementation of policies and practices regarding hygiene and animal welfare. Subsidies and grants for modernisation were much needed. On the other hand, the abolition of subsidies for fodder crops had a big impact on livestock production costs. Poultry meat producers have encountered the threat of imports for the first time. Although imports are relatively low, they are growing at a fast rate and are expected to continue growing; hence local producers will need to increase productivity if they are to compete with cheaper imports.

Prior to Accession, a major issue had been that many of the small communal abattoirs could not afford the costs associated with compliance with the EU regulations and they have now closed down. However, to date this does not seem to have had a major effect on the producers. The presence of some high capacity abattoirs throughout the country and the small size of Cyprus has ensured a reasonably smooth transition.

Czech Republic

Livestock production plays an important role in Czech agriculture, having a 55% share in the country's gross agricultural output. Cattle farming including milk and beef production, accounts for some 45% of livestock production in value terms. Total meat production has fallen gradually since 2000. as has meat consumption though not as much: hence imports have supplied an increasing share of the CR market, most noticeably in the case of pigmeat which is the major form of meat production and consumption in volume terms.

Cattle breeding and beef production are pivotal branches of animal production and the national dairy herd will continue, as in the past, to be the main source of beef. Beef production and consumption has been declining, mainly because of the strong competition from poultrymeat in recent years: a trend that is expected to continue, although at present poultrymeat producers face short-term uncertainties because of fears of the spread of bird-flu. Experts believe that beef production could recover from its present level as higher incomes stimulate demand.

EU Accession brought changes to the pattern of the Czech Republic's foreign trade notably increasing competition in the domestic market. Imports of beef and poultrymeat rose as had been expected, but pork imports showed the greatest rise. Processors are importing cheaper cuts of meat for use in their products under price pressure from the hypermarkets and supermarkets. An unexpected result of Accession has been a significant growth in exports of live animals, particularly cattle and pigs.

The meat processing industry is expected to become more concentrated and the number of enterprises will decline. Czech producers and processors alike face the problem of needing to modernise their premises, adopt new techniques and invest in new equipment to meet EU hygiene and animal health standards. Some processors have been able to make the necessary improvements with the help of EU funding; others, who lack the necessary investment resources, may not survive in the face of strong competition.

Pig breeding and pigmeat production are both under heavy competition from other EU countries. The country has not been self-sufficient in pigmeat production since 1999 and the position is getting worse. Pig production is likely to become more concentrated in large specialised companies can comply with EU veterinary, animal welfare and hygiene standards.

The production and consumption of poultrymeat are both predicted to show a modest increase in the medium term, though producers will face strong competition in European markets and they too need to improve animal welfare standards. The producers and processors should focus on the exports of specific value-added products.

Estonia

Over the last six years, the value of meat gross output at current prices has risen significantly with the volume of production rising by some 20% and prices by 25%, both being influenced by convergence with the EU market. Beef production has fallen slightly but output of the other meats has risen; poultrymeat most noticeably so. Pigmeat accounts for over a half of all meat output.

Due to stiff competition following EU-Accession, poultry product prices have fallen slightly on the domestic market and are among the lowest on the European market.

Estonian consumption of meat and meat products has been steadily increasing over the past six years and averaged 65 kg per head in 2006, well below the EU average of around 90 kg per person per year. In the last 10 years, pigmeat consumption has grown over 28% in Estonia, making up an average of 32 kg per person in 2006. Beef is gaining more and more popularity among consumers, but poultrymeat consumption is declining. The major factors behind these differing trends appear to be rising family incomes and changing the consumer tastes.

Estonia is a net importer of meat and meat products though there was rising two- way trade in the years preceding EU membership, partly due to tourism.

Estonia has an enviable record in the absence of dangerous infectious animal diseases. However, the sector suffers from the low environmental sustainability of the agricultural produce processing industry, particularly in regard to waste management and disposal. Both the farming and processing/manufacturing sectors of the industry are working towards, but have yet to fully comply with, EU health and environmental standards. Further investment and modernisation of meat processing plants is needed.

Moreover, both sectors need to focus on product development, in order to increase value added and to improve product quality. Gaining a greater share of the domestic and export markets will also require the implementation of EU food-labelling and traceability regulations so as to provide information and assurance to consumers.

Hungary

Meat production is an important sub-sector of Hungarian agriculture; however it has been declining in recent years. The national pig herd halved in the early years of Transition (from 10million in 1989 to 5 million in 1995), since when a more moderate decline has taken the herd to below 4 million in 2006. Hungary had long been a net exporter in the pig sector but after EU-Accession became a net importer as pig production fell by a quarter from 2000 to 2006. The other meat sectors have still remained net exporters.

Beef consumption was always low (10 kg per capita was the peak before 1990), and declined during Transition. This downward trend has continued is now below 4 kg per capita. Production is double consumption. Sheepmest consumption is negligible in Hungary; production being mainly targeted to exports though sheep and goat production together account for only 2 % of output of livestock and livestock products.

Poultrymeat consumption significantly increased after Transition (from 20 kg per capita before 1990 to over 30 kg after 2000), party replacing the fall in other meat (mainly pork) consumption. As well as supplying the domestic market, a significant share of poultrymeat production is marketed abroad mostly to other EU countries. Poultry constitutes more than a quarter of GAO of livestock and livestock products. Large scale enterprises and vertical integration from feed production through young stock production to processing has increased in recent years. However, many farmers feel they are worse off within the integrated system as, in effect they simply supply poultry housing and labour; other inputs such as chicks and feed are supplied by the integrator and most of the profit of the vertical chain is also taken by the integrators.

Within the Hungarian meat sector, the five companies have 54 % market share (top 3 have 35%) and the smallest 117 (out of 162 meat companies) have only 10.4 % market share. The crisis of the sector is reflected in the fact that third and fifth largest companies are currently bankrupt. The Hungarian livestock sector faces the need to modernise and invest to meet EU hygiene and animal welfare requirements. The sector faces other challenges: feed supply is considerably higher than the demand from the livestock sector and processing and slaughtering capacities are higher than is currently required. Adjustment will be painful for some.

Poultrymeat has become the most important meat in consumption. The most significant challenge is bird flu which has recently returned to Hungary, restricting exports in the short run and it temporarily reversing the net exporter position. Animal welfare requirements also increase production cost. Nevertheless, this sector, due to the short production cycle, can adjust quickly to market changes. Price elasticity of poultrymeat is lower than that of other meats; it follows that demand for cheap poultrymeat of doubtful quality is not too significant.

Latvia

Meat production and processing is the third largest sector of Latvian agriculture. Pork, Beef, Veal and Poultry are the most important contributors with pork making up about 50% of the total. Poultry meat makes the least contribution of these, but it has grown consistently since 2000. Meat consumption is growing faster than production (up 38% and 27% respectively) and there is an inherent negative balance of trade. Self-sufficiency is about 54% with poultry the smallest contributor to imports and pork the largest; 54% but down from 77% in 2000.

Developments in the meat processing sector have exceeded those in the food sector as a whole, and these have been accompanied by increased employment and productivity of labour.

The structure of livestock farming has been changing with higher percentages of animals kept in larger groups on fewer farms. The numbers of pig farms has decreased by 33%, and the bulk of poultry meat production comes from only two businesses.

The size of the national pig herd increased for several years from 2000, but has declined a little in the last two years, while the numbers of poultry have continued to rise. Cattle and sheep numbers increased between 2000 and 2005 but have declined a little since. The numbers of specialised beef cows has increased, partially encouraged by targeted state aids as the average quality of cattle has traditionally not been high. Improvements through breeding have also been encouraged for pigs. Pedigree breeding farms have been set up for the main livestock types

Exports of meat and meat products have grown, but so too have imports, and by greater amounts. The bulk of imports are of processed, rather than raw or frozen meat, whereas the opposite is true of exports. Exports of beef exceed imports, which is not true for pork and poultry which partly reflects the relative pricing of these commodities. Beef can fetch higher prices in other countries whereas pork is more expensive in Latvia than elsewhere in the EU. These price features also reflect the taste preferences of the home consumers. Poultry meat is growing in popularity because of its leanness.

The incomes of producers have increased in recent times helped by payments from the EU. Aid for cattle production has increased while that for pigs has decreased; hence the incomes on grazing farms have risen by more than those on intensive (grain feeding) holdings.

Meat processing too is becoming concentrated into fewer hands. This has been partly due to the relevant premises needing to comply with more stringent health and hygiene regulations in order to obtain licences to trade from the state Food and Veterinary Service. However, there have also been some other developments in the form of vertical integration and the creation of co-operatives. Another positive development has been the introduction of low-capacity slaughter houses to support organic production, but in general there is concern that the activities of the Food and Veterinary Service will lead to a decline in the numbers of small businesses which could help sustain the rural economy and niche markets. The dominant processed product has been sausages.

There is clearly scope for further development of meat production and processing in Latvia, but there is little optimism that this will come about because the present enterprises are not profitable enough to attract the necessary investments.

Pedigree breeding farms have been set up for beef cattle, sheep and pigs. As regards the first of these, they should help raise marketability by improving quality, and allow the exploitation of areas unsuited to cereal production. Improvements in the quality of pigs are also needed to help producers keep pace with evolving consumer tastes at home and the needs of export markets

Lithuania

Livestock breeding and meat production have become one of the most important sectors in agriculture, amounting to 23% of gross agricultural output. In 2005, 28% of food domestic expenditure was for meat. Purchases of particular types of meat were pigmeat (25 %), poultry (25 %) and beef (15 %). Although meat consumption increased by 42% during the period between 2000 and 2005, it remains below the average per capita level of the EU.

There are deep-rooted traditions of livestock breeding in Lithuania and the climate is favourable. Livestock breeding reached its peak in the country between 1985 and 1990. In the first years of Lithuania's Independence the reconstruction significantly changed the state of livestock breeding. Over the first 10 years, lower meat consumption and exports caused livestock numbers to fall to one-third of their earlier levels.

EU Accession benefited the livestock sector: during the period between 2004 and 2005 livestock production became profitable, not just for livestock producers, but also for processing enterprises. Increased consumption of poultry and pigmeat in Lithuania and higher volumes of exports resulted in increased output prices of as much as 70 %. Most of the cattle farms are relatively small and cannot adopt new technologies or better breeds of cattle. The number of cows has fallen by approximately by 4 % annually as a result of increasing productivity and quota limitations. The great majority of beef originates from dairy cattle; the first breeds of beef cattle were only imported in 1995. Consumption of sheepmeat and goatmeat has been low historically and is falling.

There has been little restructuring in the pig-breeding sector; large scale production continues to dominate with some 65 farms each have breeding herds of over 7000 pigs. Similarly in the poultry sector, 69 % of poultrymeat comes from large agricultural companies, each raising 50,000 birds or more. This scale of production allows the adoption of innovative technologies.

There were 275 livestock and poultry abattoirs and meat processing enterprises in the country at the end of 2005. The abattoirs purchase 90 % of the available cattle because of strict veterinary requirements and the system of direct payments. However, the abattoirs purchase only 50 % of reared pigs due to the continuing high level of home consumption and sales in local markets.

According to the data relating to availability of meat in Lithuania the self-sufficiency level for beef was 160%, for pigmeat was 76% and for poultry 75%. Clearly, the balance of trade in meat is negative, but this is decreasing rapidly. The highest exports are of beef. The quantities of exported live calves are increasing markedly. During the period between 2002 and 2005 the import of pigmeat increased threefold and the export of poultry increased by some sixfold. 24 % of poultry production was exported, while imports totalled to one third of demand in 2005.

There are enough modern abattoirs with adequate capacity for livestock and poultry. The improving national economy encourages consumption of more meat and its products. In 2006 the Lithuanian Agrarian Institute of Economics did an investigation of the meat sector, which included forecasting its development in Lithuania between 2005 and 2013. According to the forecast the consumption of meat and the number of livestock will increase and the prospects for the sector are good.

Poland

Poland is characterised by a surplus of meat production over consumption i.e. self-sufficiency is in excess of 100%. Pork has traditionally dominated the pattern of production with a 64% share, followed by poultry meat at 22% with beef and other meats trailing well behind.

As regards consumption this stands at about 90 kg. per head, with expenditure on meat accounting for 28.6% of the total spent on food.

Accession to the EU has been followed by restructuring of production enterprises with the number of pig farms declining by 58,900 and cattle farms by 151,700. Poultry production has been on a more commercial basis for some time. There has also been concentration among the meat processing enterprises with large and mid-sized businesses becoming more dominant. However, a large number of businesses with less than 9 employees remain in existence. This re-structuring followed significant new investment, with the meat and poultry sectors increasing their share of new capital relative to the food sector as a whole. Much of this funding was provided by the SAPARD scheme, and has resulted in meat taking a larger share of food exports.

The national budget continues to provide support at the individual farm level alongside adoption of the various EU schemes. The structure of payments favours producers of grazing livestock over those operating intensive, grain feeding, units.

Other changes which have followed from accession include discontinuation of intervention buying of pork, application of milk quotas and compliance with EU health and other quality related regulations. This has already resulted in increasing proportions of pigs and cattle processed through the larger slaughterhouses falling into the higher grades of the EUROP carcass classification scheme; unfortunately the smaller slaughtering enterprises cannot afford the required investment to implement such grading which is spoiling the situation somewhat.

Quality regulations are managed by a number of institutions including the Veterinary Inspection Service, and their brief extends to aspects of animal waste processing and the associated monitoring of animal passports and ear tagging. The numbers of processors licensed to trade in EU markets has increased very satisfactorily.

The consumption of pig and poultry meat has increased while that of beef has declined. This largely reflects price differences, but the relatively poor quality of beef is a factor. Further growth of the home market will depend on creating new products and boosting quality to meet the tastes of the wealthier classes of consumer.

Exports of all meat types to EU markets have increased particularly for beef.

Future prospects depend on further re-structuring of the industry particularly among producers who are losing marketing power to the processors. The latter are seeking vertical integration so as to improve the flow of raw materials to their factories. However, there is still a need for further reductions in the numbers of small processing units whose practices are a drag on improvements in quality and marketability.

Romania

Until 2001 the Romanian meat sector was characterised by declining livestock numbers in all species and declining meat production due to the fall in domestic demand. Subsidies in the form of premiums contributed to the recovery of the sector: livestock numbers and total meat production increased by about 4.2% in the period 2000 to 2005, from 1.45 milliom to 1.5 million tonnes liveweight. Pigmeat contributed 40.1% of the total, poultrymeat 26.6%, beef 25.3% and sheep and goatmeat 7.5%. Insufficient domestic production and unsatisfactory quality has led to an increase in meat imports and a decrease in meat exports, making Romania a net importer of meat and meat preparations.

Pigmeat: Romania is a net importer of pig meat which is explained by the fact that though the number of livestock increased liveweight pork production fell between 2000 and 2005 and that the processors prefer higher quality imported pigmeat.

Poultrymeat: Romania is a net importer of poultry meat. Own-consumption accounts for 33% of total poultrymeat production and 67% is sold on the market.

Beef: Romania is a net importer of beef. Of the total beef produced, 27% is for on-farm consumption, 34% goes to processing and 39% is directly sold on the local market.

Sheep and goat meat: Romania is a net exporter of sheep and goatmeat. On farm consumption accounts for 43% of total production, 45% is sold directly to consumers on the local market and only 12% goes for processing.

The large meat processors are confronted with a fluctuating and low quality domestic supply, as most animals (80% of herds) are raised on small-sized household farms, lacking high quality genetic material, often with inadequate feed rations. At the same time, the large processors prefer to import pork and poultrymeat, at better prices and quality than they can buy the meat from the domestic market

By the end of September 2005, 102 projects were approved for the SAPARD sub-measure ’Meat and meat preparations’. 47.5% of the total value is for capacity enlargement projects and 39.2% went for more efficient utilisation of existing facilities. Emphasis was put as well on the improvement of storage capacities and for adaptation to EU standards.

In the short term no important changes are expected in the beef market due to the low demand for beef on the domestic market and also limited export demand. In the long term, due to the advantages of breeding cattle in natural conditions, organic farms may emerge with aim of exporting beef products.

At present, the low number of abattoirs certified according to EU standards is constraining the opportunity to transform the exports of live animals, especially cattle and sheep, into carcase sales or exports of processed products.

Serbia

Serbian livestock husbandry has faced two decades in crisis leading to a decline in the volume of production at an average annual rate of around 1.5%. This has been influenced by a significant shrinkage of the national market together with a whole host of other problems of transition: the privatisation of the state agricultural enterprises followed by the absence of any long-term livestock husbandry development strategy; the technological obsolescence of processing capacities, particularly in the exporting sector of the meat processing industry; and poor relationships between livestock producers and processors. Compared to 1990, in 2005 total meat production was 30% lower, with beef and poultrymeat both down by 40%.

The pig sector dominates Serbia's livestock and meat production accounting for 58% of the total in 2005; whilst there were relatively modest contributions from beef (21%) and poultry (16%), while lamb and goatmeat amounts to only 5%. Serbian livestock production depends upon the import of concentrates and other components of animal feed, which together formed 7% of the total agrarian imports in the period 2000 to 2005. This import dependence results in high concentrate prices, which in turn cause relatively high costs of fattening livestock.

The available data on household consumption suggests that per capita consumption of both beef and pigmeat have fallen from the level in 2000. Both totally and in the main meat categories in the period 2000-2006, Serbia was self sufficient in meat production.

Serbia could increase its meat and meat product output provided a number of preconditions are met: enlargement of family farms in the livestock sector, specialisation in production, utilisation of animals with high genetic potential, provision of high-quality animal feed and better animal health protection, together with access to the necessary financial resources.

The slaughtering and meat processing sectors have over-capacity in relation to livestock output resulting in low capacity utilisation, illiquidity, obsolete equipment and production technology and very low hygienic, sanitary and veterinary standards. The sector needs to reorganise and modernise to meet the regulations and requirements of potential markets, notably raising and maintaining hygiene standards, intensifying veterinary and sanitary supervision and adopting EU quality standards.

According to Serbia's agricultural development strategy, family farms are central to future development; their enlargement and production specialisation could significantly increase efficiency and production. They like the post-farm sector enterprises need to modernise and adopt higher quality standards.

Slovakia Summary

Slovakian meat 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 and that of pig production only 66%.

In the past decade, both the national cattle and pig herds fell by more than 50 % due to a number of factors such as poor breeding, low average litter size and calving rates and input limitations. Stagnant incomes among the majority of the Slovak population caused a decline in meat consumption and the resulting low prices discouraged production. In the period 2000 to 2005, only some two-thirds of the meat processing and manufacturing firms were profitable and all the surviving firms have had to invest heavily to comply with EU hygienic and other standards.

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%.

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 has declined more by 50% compared to 2001. Post privatisation the industry was unable to cope with the collapse of Russian markets nor to compete with foreign competitors. Despite long term contracts between livestock farmers and the abattoirs, both parties sometimes think short-term and act opportunistically, resulting in a relatively low level of vertical integration and poor co-operation within the meat sector.

In contrast to the pigmeat and beef processing industry, the poultry sector shows a higher degree of integration and cooperation and with rising levels of demand, total poultrymeat production has risen.
Food safety concerns are an inevitable challenge for meat producers and processors and some producers and processors have had difficulty in complying with EU veterinary and hygiene standards.

Slovenia

The meat sector has traditionally been among the leading agri-food sectors in Slovenia, which is in accordance with the importance of livestock production in national agriculture. In 2005, it contributed more than 30% to the gross agricultural output, almost half of which comes from the beef sub-sector. The other two sub-sectors, important in terms of output, are pigmeat and poultrymeat.

The meat processing sector has a similar share of the food industry as primary meat production holds in agriculture. Meat processing is the largest manufacturing activity in Slovenia's food industry generating about a quarter of that industry's turnover. The red meat segment of the meat processing industry (i.e. beef and sheepmeat) is still among the most fragmented branches in the food industry.

The meat sector has always been closely integrated into the international market. Trade in live animals, meat and meat preparations (CNCT 01, 02, 16) represented around 24% of the value of food and agricultural exports and 14% of the value of such imports in 2005. Meat preparations prevail in exports (more than 50% of value), and unprocessed meat is predominant in imports (almost 70%). The majority of imports have traditionally come from the EU-25. The trade balance has always been negative, with the deficit increasing after EU Accession. This has been largely a consequence of an increase in meat consumption, which was never fully supplied by domestic production. Live animals for slaughter represented an important share of exports after Accession; mostly cows for slaughter, for which prices on the domestic market have been relatively low. In exports of poultry and pigmeat products, the countries of the former Yugoslavia remain the major trading partner, although the exports to the EU-25 also rose after Accession.

There have been no dramatic changes in the meat sector in recent years. Meat production totalled around 176,500 tonnes whereas consumption has been some 198,000 tonnes; the rate of self-sufficiency being around 90%. Domestic beef production has varied, revealing no explicit trend; it reached around 45,000 tonnes. Consumption has picked up to around 47,000 tonnes recently. Therefore, Slovenia again turned from a net exporter to a net importer of beef, as used to be the case in the past. The economic conditions for beef production improved for producers after EU Accession. Beside higher direct payments, producers benefited also from a rise in prices. Domestic production of pigmeat stands at around 65,000 tonnes. The consumption of pigmeat has been rising and exceeded 90,000 tonnes. The opening up of the pig market after EU Accession has not yet brought about any negative consequences for producers. Poultrymeat production is characterised by a relatively high level of concentration, specialisation, vertical integration and rather favourable economic developments. Production of chickens prevails (around 80%). Meat production has averaged at around 55,000 tonnes, and consumption at around 50,000 tonnes. Slovenia has been traditionally a net exporter of poultrymeat.

Despite some current problems, the long-term prospects for Slovenia's meat sector might be quite positive. It has still retained extensive animal production systems (especially beef) which can assure a high-quality product. The processing sector is well equipped, has tradition and contemporary knowledge, which should all foster economic development. Also the geographical location in particular proximity to the Italian and Austrian markets is favourable.

Turkey

The livestock sector is an important part of the agricultural sector and has a high potential in the economy. Livestock products, including meat, milk, eggs, honey, wool, hides and skins, play a significant role in the Turkish economy. Animal husbandry constituted approximately 25 % of total 38 billion USD (10 % of GDP) agricultural production value in 2005.

Livestock production is generally a small-scale activity carried out as a part of a mixed farming operation, two-thirds of Turkey's farms having both livestock and crop production. Only 2.4 % of the holdings are involved exclusively in animal husbandry.

Over recent decades, the livestock sector has displayed two clear trends: declining numbers of livestock; and increasing meat production due to the rapidly growing poultry sector. The average carcass-weight of cattle and small-ruminants has increased in recent years but beef and sheepmeat production has declined since 2000 as poultry production has grown

The livestock sector has received government support since the establishment of the Republic of Turkey in 1923 and involvement in the market increased significantly from the mid 1960s.

Rapid growth in population, urbanisation and real per capita income has led to a faster expansion of food demand than agricultural production, resulting in a shift in consumption patterns towards other animal products (poultry and fish) within a stable overall per capita consumption of animal products. Turkey is now in a phase of rapid economic growth and increasing incomes, particularly in urban areas, and it can therefore be predicted that demand for animal products will increase in terms of quantity, quality and variety.

Small-scale livestock producers are uneconomic and not responsive to subsidies. The subsidy environment has been very encouraging for large-scale livestock sector businesses. Turkey has to strengthen existing programmes for disease eradication and control. Turkey also has to adopt a strong and proactive programme where necessary.

Opportunities for the Turkish livestock sector can be summarised as follows:

1. EU negotiation process could be a driving force for the food safety, border measures, and animal health;
2. Relatively high livestock numbers;
3. Potential for organic farming; and
4. Increasing demand for animal products.