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THE LIVESTOCK MARKET IN CROATIA

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Summary

The authors analyze the livestock market in Croatia by examining production and consumption schedules, marketing channels, the quality and range of products and agricultural policies concerning supply and demand. At present, the supply of most livestock products does not meet the requirements of the domestic and world markets. The suggested solutions include changes in the way and structure of livestock production, improved preparation of products for the market and development of a modern market infrastructure.

Key words: livestock products, market, Croatia

Introduction

A well-developed livestock production, an important constituent of advanced agricultures, requires numerous and effective sales channels, through which it directly influences the development of the market. A developed market and consumer demand in turn fnfluence production. By contrast, a closed, monopolistic, i.e. undeveloped market stifles production, while a low level of production hampers the development of distribution channels.

It is the poorly developed livestock market, one of the characteristics of all former socialist countries, that has been slowing down the development of livestock production in Croatia. This makes it imperative to investigate the market, identify its shortcomings and suggest measures to improve its efficacity.

Self-sufficiency in livestock production in Croatia

One of the prerequisites for a good market investigation is to identity the level ot the country's self-sufficiency in livestock production, i.e. to work out production and consumption schedules (Grahovac, 1992; Kovačić, Franić, 1993).

Because of the high annual fluctuations in the domestic livestock production and the foreign trade volume, especially in the past ten years, the average level of self-sufficiency for periods of several years had to be calculated.

The results for the five years preceding the war and for 1991-1992 are shown separately.

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Pork occupies the first place in the overall meat consumption in Croatia. Before the war the comparatively well-developed processing plants made considerable earnings from pork exports. One of the most valuable export items in the 1980s was tinned ham; in the second half of the 1980s, ham exports were based on imported live pigs from the former GDR and Hungary (K o l e g a , B o ž i ć , 1992). During the preceding period there was a high deficit in the trade among the republics of the former Yugoslavia. Self-sufficiency in pork, at 80 per cent between 1981 and 1990, has increased slightly during the war years because of reduced consumption. Between 1981 and 1985 pork consumption (including processed pork) was 41 kg per capita.

Beef. The war has inflicted great damage on beef production in Croatia. Whereas before the war the country had considerable beef surpluses (especially in the first half of the 1980s), it now has to import beef. In 1991-92 imports averaged 27 thousand tons (only live cattle), which was more than 50 per cent of the domestic production. However, Croatia at the same time maintained high export levels (ca 22 thousand tons). Since exports consisted of high-grade beef and domestic production declined, beef supplies on the domestic market decreased. The per capita consumption dropped from 17 kg in 1981-90 to 12 kg in 1991-92.

Table 1 - MEAT BALANCE SHEETS IN CROATIA - PROIZVODNO - POTROŠNE BILANCE MESA U HRVATSKOJ

	Years	Live-weight increase	Meat produc-tion	Export	Import	Inter republic trade	Available for consumption total	Available for consumption proce-ssing	kg/per capita*
BEEF	1986-1990	133268	86624	27792	23442	116	82159	19985	17.37
	1991	75730	49225	19097	26227		56355	18494	11.78
	1992	89084	57905	25320	28223		60808		12.68
PORK MEAT	1986-1990	257600	131376	6058	26038	-12770	164126	45905	34.71
	1991	185236	96323	4394	14401	-11493	117823	34143	24.63
	1992	184412	95894	1257	14119		108756		22.67
POULTRY MEAT	1986-1990	116261	86248	4075	1019	9332	73860	7122	15.62
	1991	97571	71227	2514	2911	1866	69757	8570	14.58
	1992	96141	70183	11238	12019		70964		14.79
SHEEP MEAT**	1986-1990	11854	5690	175	151	-2628	8295		1.75
	1991	5653	2713	15	228	-1300	4226		0.88
	1992	8192	3932	22	1102		5012		1.04

* including meat products
** international trade also includes negligible amounts of goat meat

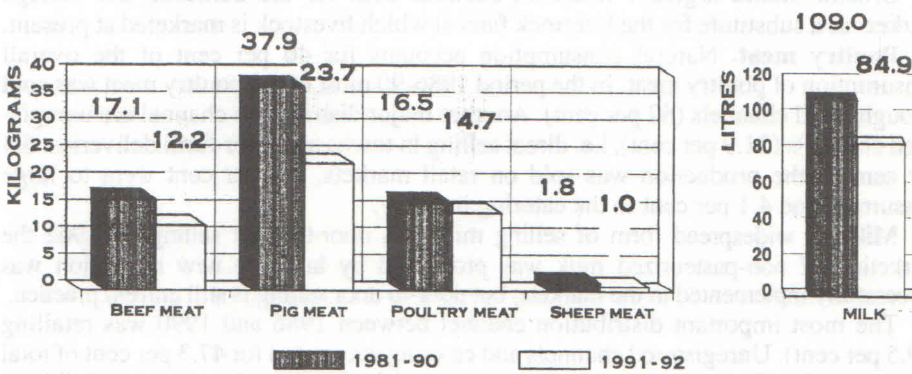
Poultry meat. Poultry meat production has suffered least from war destruction because production plants are located mainly outside the war zones.

Poultry meat production meets the domestic demand and part of it is exported. In view of the anticipated impossibility of a quick restoration of pork and beef production, consumption is expected to increase steeply in the coming period. In the 1981-85 period the annual consumption averaged 17 kg per capita; in 1991-92 it was 15 kg per capita.

Milk. With the falling number of milk cows, milk production has declined as well. The statistics for milk production do not include goat and sheep milk, which accounts for only 2 per cent of the overall consumption. The declining milk production and consumption during the 1980s was accompanied by a decrease in the consumption of dairy products. In the 1986-90 period milk was also imported from the other republics of ex-Yugoslavia (5 per cent of the total production). In the past three years imports rose to 10 per cent of the total domestic output (mainly long-life milk from Slovenia).

In 1991-92 milk consumption, including dairy products, averaged 182 litres per capita, a decrease of 25 per cent compared to the period 1986-90 (Table 1). The declining purchasing power led to a decrease in imports of dairy products (expressed in fresh milk) and a rise in self-sufficiency in 1991-92 (79.6 per cent) compared to the second half of the 1980s (76.1 per cent).

Figure 1 - CONSUMPTION OF LIVESTOCK PRODUCTS IN CROATIA IN PERIOD 1981-1992 - POTROŠNJA STOČARSKIH PROIZVODA U RAZDOBLJU 1981. - 1992.



Source: Author's analysis on the basis of certain balance sheets

Distribution channels

Distribution channels for livestock products may be divided into registered and unregistered (Mahler, 1991). In Croatia registered channels include purchase, wholesale and retail selling, export and import selling the retail market, large consumer selling and catering. Unregistered channels comprise livestock markets, inter-farm deliveries, direct village-town deliveries, on-the-farm selling and retailing through trade union branches. The significance in marketing terms of the sales channels differs from one livestock product to another.

Pork. The marketing of pork products in Croatia in the perid 1981-1991 was as follows:
- 1981-85 50 per cent
- 1986-90 52 per cent
- 1991 44 per cent

In the period 1986-90, 43.1 per cent of the total market consumption of pork was sold through retail channels, 3.6 per cent went to large cosnumers and 53 per cent was sold through farmers' market selling and on-the-farm purchase, the two strongest sales channels in Croatia. The year 1991 saw a high increase of natural consumption.

Beef. The largest supplier of beef in general and feeder calves in particular are family farms. Unlike pork, most of the beef production is marketed. The following percentages of total consumption were marketed:
- 1981-85 98 per cent
- 1986-90 97 per cent
- 1991 96 per cent

On the domestic market beef was sold mainly through retail channels, unregistered channels and large consumers. Beef exports, an important item in Croatia's foreign trade, consisted mainly of feeder calves and baby beef. The export price in Italy is higher than the average export price in the rest of Western Europe because of the proximity of the market and the excellent meat quality. Croatia exports refrigerated meat and live cattle for further fattening averaging 300 kg.

Croatia should organize livestock auctions both for the domestic and foreign markets as a substitute for the livestock fairs at which livestock is marketed at present.

Poultry meat. Natural consumption accounts for 40 per cent of the overall consumption of poultry meat. In the period 1986-90 most of the poultry meat was sold through retail channels (62 per cent). Another major distribution channel are unregistered channels (21.9 per cent), i.e. direct selling in towns and inter-farm deliveries. 6.4 per cent of the production was sold on retail markets, 5.6 per cent went to large consumers and 4.1 per cent to the catering industry.

Milk. A widespread form of selling milk was door-to door selling. In 1962 the marketing of non-pasteurized milk was prohibited by law; the new regulation was successfully inplemented in the markets, but door-to door selling is still current practice.

The most important distribution channel between 1986 and 1990 was retailing (49.5 per cent). Unregistered channels and catering accounted for 47.3 per cent of total marketed milk. The share of large consumers and farmers' markets was negligible (3 per cent and 0.3 per cent, respectively).

Ouality and range of products

Livestock production in Croatia is not sufficiently market oriented: the greatest attention is paid to technological quality, while quality as perceived by consumers is neglected (Kolega, 1992). Product diversification exists only as a function of production factors and size of packaging. Special consumer groups on the domestic and world markets are not taken into account.

The reasons for this situations are to be found in the following:
- insufficient domestic supply;

- lack of innovations in livestock production;
- insufficient technological skills to meet requirements relating to product range and quality;
- absence of pasture and shed-pasture breeding of cattle;
- the limited consumer budget;
- the closed domestic market.

In pig breeding lard and bacon types are most numerous (average meat content is 38). This has a negative effect on the export of pork and processed pork products (Kolega, Biloš, 1987).

The most frequent breed in cattle production are Simmentals (a combined breed). There is a shortage of beef cattle and milk cows.

In poultry production there is a shortage of geese, duck, fowl and all types of freeranging poultry.

Thjere is a great shortage of all breeds of horses, goats, sheep, rabbits and game.

Agricultural and food policies relating to the supply and demand of livestock products

In most countries agricultural and food policies are producer oriented. Consumer participation in policy formation is restricted mainly to issues relating to the "entry" of food into distribution (Tracy, 1993). The situation in Croatia is similar but what differentiates it from the developed countries is the fact that none of the basic aims of agricultural policies have been implemented so far (improvement of farmers' living standards, market stability, supply reliability, and prices adjusted to the consumers' purchasing power).

The greatest direct and indirect influence of agricultural policies on the demand and supply of livestock products is to be found in fiscal measures and foreign trade policies.

In Croatia milk is the only subsidized dairy product. However, the total premium for milk is negligible: it is paid as compensation to dairy producers who deliver milk at lower prices to consumers entitled to preferential treatment.

Taxation policy. The sales tax rate on all products for ultimate consumption is 40 per cent. However, the basic sales tax on agricultural and fischeries staples and human food is 5 per cent. Also, ther is no tax on bread, milk cooking oil and cooking fats,which is how the government indirectly subsidizes the consumption of these products. Furthermore, there is no sales tax on livestock products sold by individual producers on markets and at fairs. The system is advantageous for producers and consumers, but it also opens the way for speculative selling and black- marketering.

Foreign trade policies. In the former Yugoslavia, of which Croatia was part before independence, domestic producers enjoyed a higher degree of proteiction than almost anywhere in the world. In this way the stste indirectly restricted the development of domestic consumption, especially of products that were mostly unavailable on the domestic market.

The state agencies issuing import licences (in the case of import quotas) were under the pressure of asociations of big producers which hampered imports. Protective tariffs are much lower at present, which, despite the declining living standards, has resulted in growing imports a deteriorating balance of payments. Because of the war, a temporary ban was imposed on certain livestock exports but it has been lifted in the meantime.

Humanitarian aid. Humanitarian aid has considerably influenced the food consumption of the threatened groups of Croatia's population during the war. With the establishment of peace and the return of refugees to their homes the need for humanitarian aid will disappear. This will in turn increase the domestic demand for livestock products and thus change Croatia's self- sufficiency in these products.

Market constraints. In the past the marketing conditions were not the same for all livestock producers. Large state-owned firms were privileged. When selling their products private producers had to operate through state-owned monopolies, which processed the products for the market. The private producer was paid a lower price by the state-owned agribusinesses and was cut off from retailers and consumers. Furthermore, private producers had little chances fo getting credits for the production and sale of their products.

The absence of market institutions such as auctions and commodity exchanges has also contibuted to the resistence of the comparatively widespread natural consumption of livestock products.

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TRŽIŠTE STOČARSKIH PROIZVODA U HRVATSKOJ

Sažetak

U ovom radu autori analiziraju tržište stočarskih proizvoda u Hrvatskoj preko proizvodno-potrošnih bilanci, analize tržnih kanala, kakvoće i asortimana i mjera agrarne politike u području potrošnje i potražnje. Ponuda većine stočarskih proizvoda nije bila prilagođena zahtjevima domaćeg i svjetskog tržišta. Potrebna je promjena načina i strukture proizvodnje, poboljšanje pripreme proizvoda za tržište i promicanje suvremene tržne infrastrukture.

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