



Competitiveness of the Pig Supply Chain in Hungary

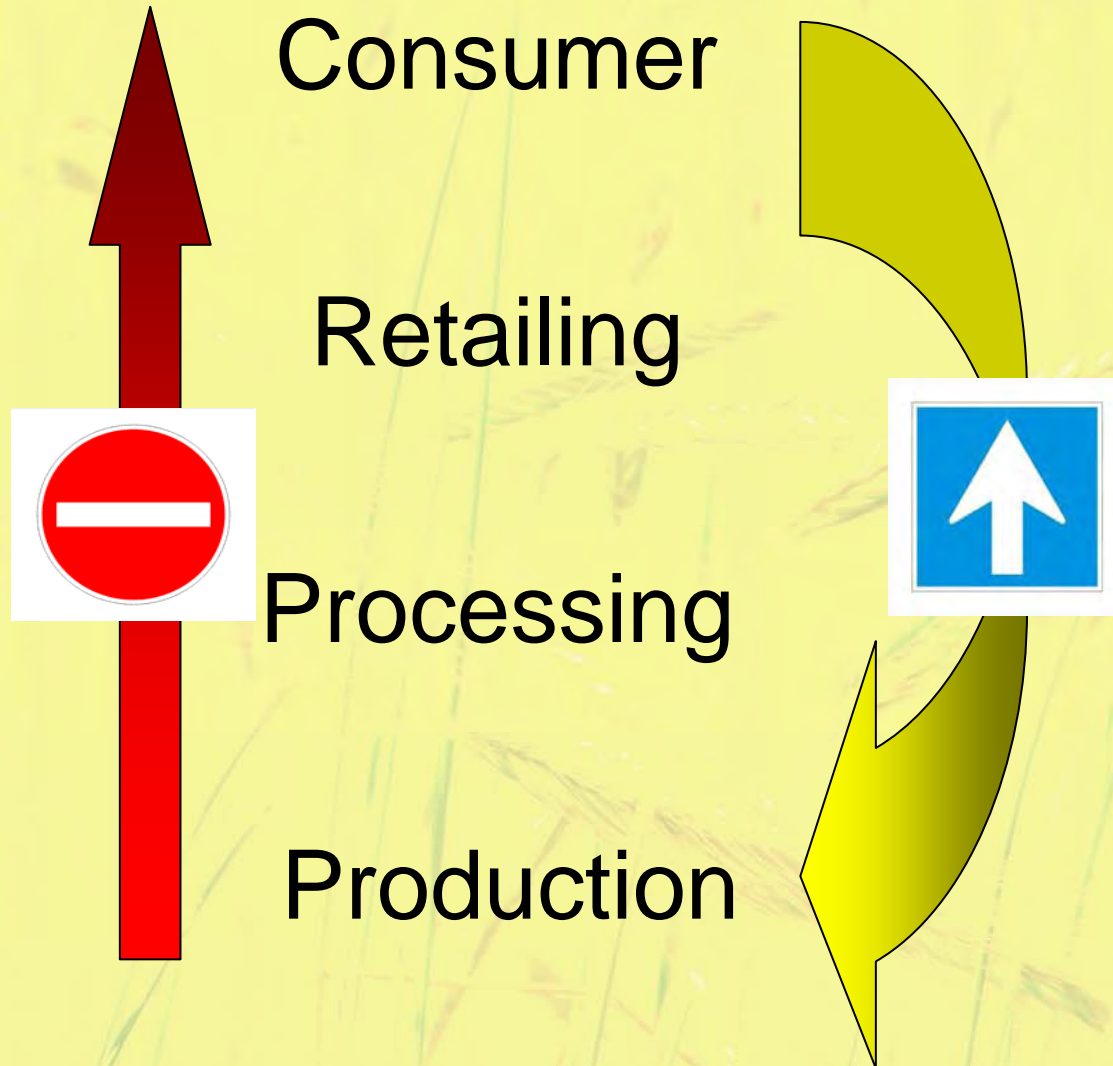
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The Key Elements of the Supply Chain



Pig Supply Chain

Internal market (Consumption)

External market

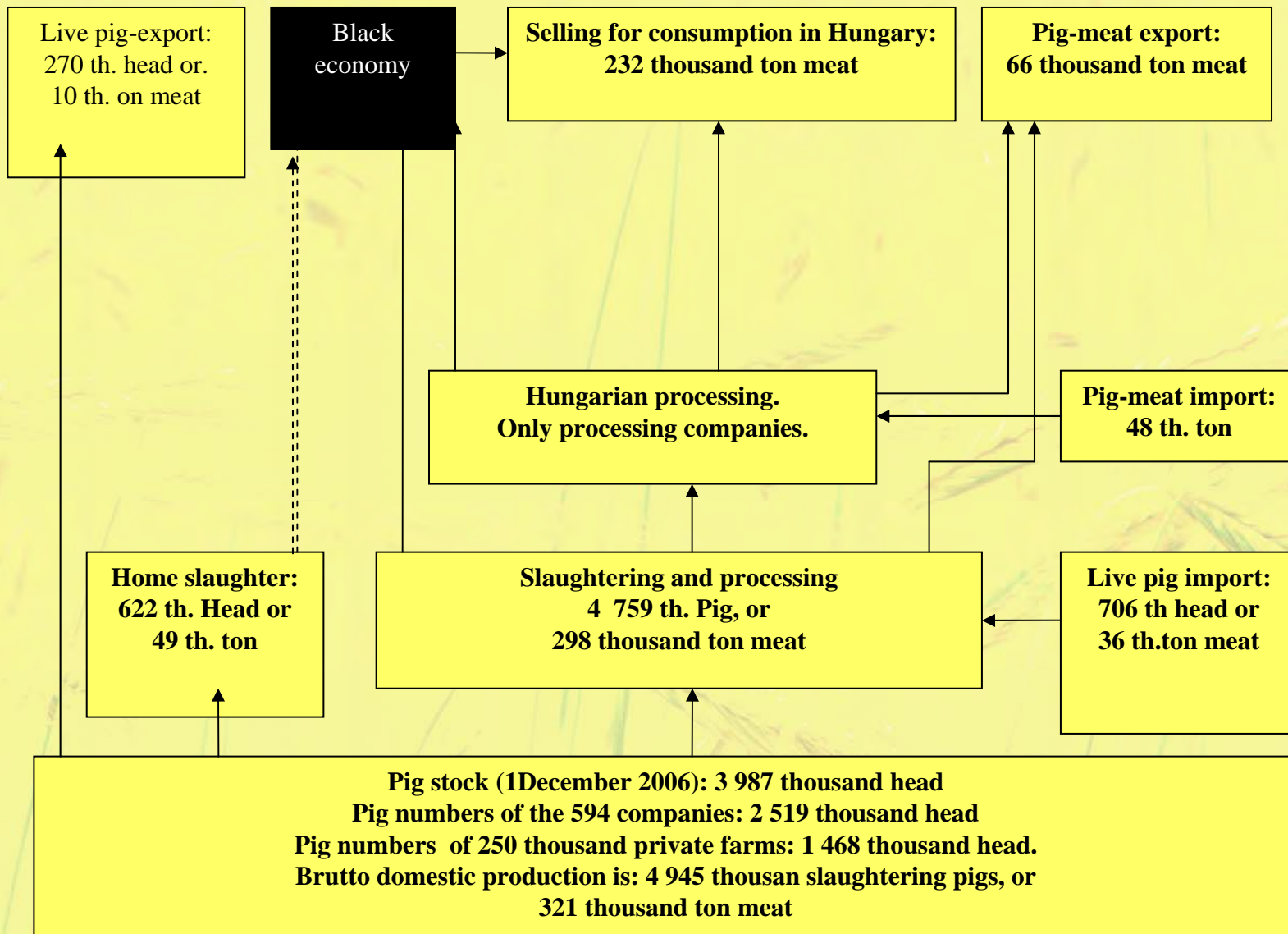
Retailing

Processing

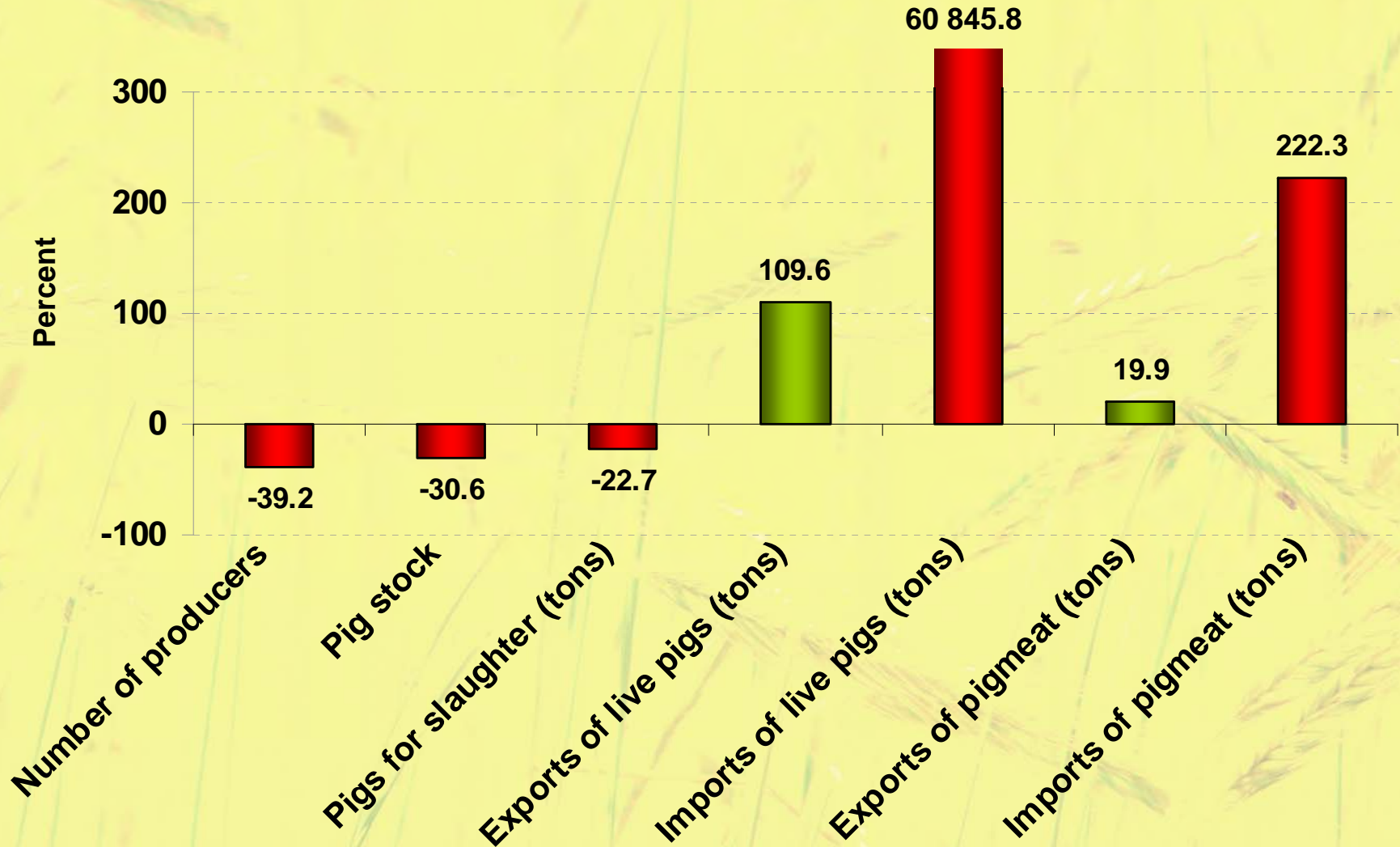
Production (raw material)

Conclusions

Pig-meat marketing channels (2007)

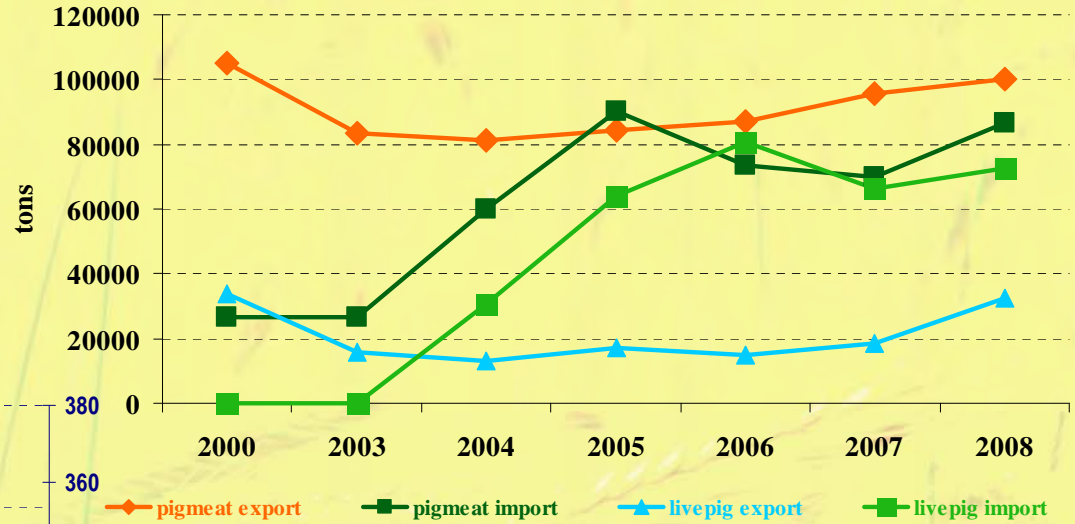
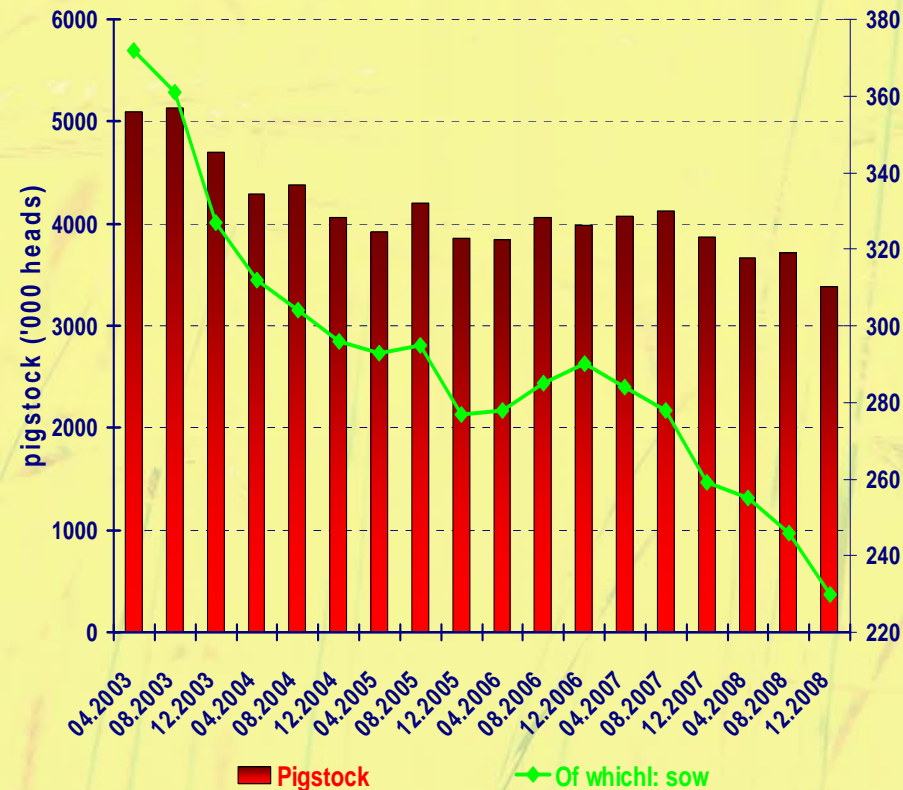


Changes in the Pig-meat supply chain in Hungary (2008 vs 2003)



External Trade of Hungarian Pig-meat sector (2000-2008)

Development of Pig stock in Hungary (2003-2008)



**Pig-meat export in 2008: 234 million €
import: 155 million € (balance of external trade in volume: 13 500 tons) + live pig import = net import**

Consumption

Approximately 50 % of the total meat consumption in EU is pig-meat.

The average consumption of pig-meat in Hungary 27 kg per capita (2006) There was 38 kg in 1980's.

"Unhealthy, old-fashioned, rich in fat and cholesterol, boring product".

Processing

In 2005, according to the AKI database, there were 103 EU approved slaughterhouses and 72 cutting plants.

The nominal slaughter capacity: 8.5 million heads per year.

According to AKI slaughter statistics, in 2008 4.3 million live pig were slaughtered in Hungary (including imported pigs: approx. 600 thousands heads) so the capacity utilization was 50%.

Production and capacity concentration in pork processing

Activity	Salami		Sausage		Others	
	Production %	Capacity %	Production %	Capacity %	Production %	Capacity %
Top-5 processors	85.6	59.7	57.8	26.8	46.2	33.3
Top-10 processors	94.3	77.7	80.3	44.8	66.9	51.4

International Competition

Name	Hungary average	Hungary best	Denmark	Netherlands	Spain
Slaughter pigs/sow/year	16.8	22.7	24.3	23.2	21.9
Mortality in weaner section	5.0	3.3	5.0	2.0	4.0
Mortality in finisher section	7.0	4.75	4.0	3.0	7.0
Kg feed per kg gain in the finisher section	3.7	3.3	2.8	2.65	2.71
Daily gain (g)	695	710	849	774	683

Source: Rasmussen (2006), Danish Bacon and Meat Council (2007)

Competitive Disadvantages in the Pig Supply Chain

Consumption (internal market)

Consuming habits varies from country to country and from region to region.

Multinational companies operating in several EU member states are in an advantageous situation.

The market share of traditional products decreases, the consumption of the meat products reflect a declining tendency

The Hungarian purchaser/consumer is indifferent to the origin of the product. Price-sensitive.

The frozen pig meat is not popular in Hungary (the fresh meat is rather frozen at home).

Competitive Disadvantages in the Pig Supply Chain

Retailers, commercial chains

Retail as consumer's guardian.

Concentration of retail;

Price oriented;

Back margins;

Saturated markets, Retail war on prices;

Private label vs. manufacturers' brands;

Market power;

Market distortion.

Competitive Disadvantages in the Pig Supply Chain Processing

Cutting, chopping and meat production units are not separated in Hungary. Lack of specialization.

Logistical disadvantages.

Large share of black marketing: 25-30%.

Due to high proportion of illegal market players, the legal competitors can not offer a competitive price for retail sector.

Out of date technology, low capacity utilization.

Lack of trust and weak contract enforcement along the pig supply chain

Competitive Disadvantages in the Pig Supply Chain

Production (1)

Lack of specialization at farm level: sow keeping, pig breeding, pig fattening phases are not separated.

Heterogenic biological basis, few breeders, small stock, small selection basis.

Pigs with high value genetics can not be kept at fattening farms, which do not have perfect animal health status and up-to-date technology.

Production (2)

Cross-compliance regulations, regarding to environmental/animal welfare/animal health status, cause competitive disadvantage to farmers, especially during economical/financial crises.

High interest rates and the lack of capital (foreign capital interest rates: 14-15%).

Keeping pigs requires land area (manure disposal, producing grain fodder).

Fees coming from different authorities are high (veterinary inspection charges, rendering costs of animal by-products etc.).

Guarding and protection also increases production costs (may constitute 0,5% of the production value);

Geographical disadvantages.

Thank you for your attention!

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