The Republican Meat and Milk Market

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Abstract: The article analyzes the level of public self-sufficiency with meat and milk products in the republic. The relation between the meat demand and supply and the public composition is indicated. The home meat and milk is presented in dynamics showing that it has certain dependence on imported foodstuffs. Therefore, the most effective marketing channels are evaluated for the raw stock and products. The main factors of product marketing progress are the state encouragement of producers, development of the processing industry. The need to promote subsidizing and to protect home market from escalation of the imported goods, are substantiated.
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1. Introduction

The meat self-sufficiency level in the republic now amounts a bit more 80 % and reduced somewhat in the past two years (Table 1). The graveness of the situation is that the republic has not managed so far to ensure a stable meat production growth rate satisfying the public demand. For instance, the production meat scope per capita in the republic lags by 20 % behind the medicinal norms of 82 kg per year. It is worthwhile to note that that meat consumption per capita amounts in the USA to 122 kg, in Luxemburg to 135 kg [1]. Therefore, for the meat self-sufficiency level in the republic to grow, the challenge should be solved of home meat production growth and it is determined by a number of external and internal factors.

Table 1. Public meat self-sufficiency level in Kazakhstan in 2008-2012

Indicators	2008	2009	2010	2011	2012
Production per capita, kg	56	56	57	57	55,5
Consumption per capita, kg	49	51	53	66	69
Self-sufficiency, %	114.3	109.8	107.5	86.4	80.4

MAIN PART

The most popular meat consumed in the world is pork followed by poultry, beef and mutton [2]. The Kazakhstan meat production structure has its particularities where meat consumption depends on its type. The production in 2011 in % was beef 41.8; pork 22.7; mutton15.9; poultry 10.9. The meat demand structure is linked with national public features in the republic. Kazakhs make up the most population (64 %), they mostly prefer the beef; Russians are second (22 %) preferring pork which has a stable second production level. Then mutton and poultry follow.

In general, notwithstanding a certain positive tendency, the meat market has an essential dependence (Table 2). The import share at the home market was 19.9 %. The share of beef, mutton, pork and horse was insignificant amounting to within 0.5 – 6.8 %. The horse meat at the home market has a high degree of dependence on the poultry and sausage imports.

At present about 64 % of the consumed poultry is imported. The imported 192 thousand tons of poultry approximately 25 % are produced in the CIS; the balance is produced in the far abroad. The poultry import dependence results from two reasons. The first reason is that the public prefers more and more the poultry. Te second reason is that the poultry prices are more affordable to the public. The poultry import grows after its production has augmented 1.7 times.

Table 2. The meat and meat product market capacity in Kazakhstan during 2008-2012, thousand tons

Types of meat and meat products	Production		Export		Import		Import share, %	
	2008	2012	2008	2012	2008	2012	2008	2012
Meat, total	874.2	926.8	2.9	1.6	158.3	230.3	15.4	19.9
including:								
beef	400.1	385.0	0.4	0	11.7	19.5	2.8	4.8
mutton	130.8	138.8	0	0	0.3	0.6	0.2	0.5
pork	206.2	212.0	0	0.2	9.1	12.0	4.4	5.4
horse meat	66.3	80.0	0	0	2.0	5.8	3.0	6.8
poultry	65.3	111.0	2.5	1.4	132.6	192.3	67.9	63.7
Canned meat	4.6	10.2						
Sausage articles	39 .9	46.0	0.01	0.01	28.4	34.7	41.2	43.0

At the contemporary stage, the republic needs to expand poultry breeding at a higher rate; it requires new breeding facilities to be constructed and commissioned. The need of this strategy is boosted by the unfair competition of the foreign exporters [3].

The forecasts outline the strategy of livestock expansion with the consideration of implementation potential. The meat production growth in the republic in future will proceed by expansion of beef and poultry breeding [4]. Thee branches hold priority in livestock farming. The beef and poultry production accounts for 5.3 billion tenge or 70 % of the total state subsidies to livestock farming expansion.

The strategic aim of meat production expansion is based on the new qualitative level of cattle and poultry use taking into account the modernization of these branches. The beef production is planned for provision of meat and meat product independence and that of poultry to limit the chicken import and stimulate the chicken growth within the country. The beef farming should grow in 2014 to 576.1 million tons, or the annual growth should amount to 3 %. The imports during 2010-2014 will remain at the level 12.8 % [5, page 135]. In addition, the conditions will be provided to bring livestock farming export potential to 60 thousand tons by 2016 and to 180 thousand tons by 2020 [6, page 2].

The poultry market is very competitive due to the relatively cheap prices which stimulate the demand. For instance, the poultry is priced at 521 tenge per kg, or two times cheaper than beef (Table 3). The high poultry competitiveness compared with other v meat types prompts the significant branch potential. These facts prove that the poultry demand will but grow in future.

Table 3. Mean meat consumer prices in Astana and Almaty for 2011, tenge per kg

Meat types	Kazakhstan	Astana	Almaty
Beef	1081	1314	1376
Mutton	1043	1513	1280
Pork	837	829	1049
Horse meat	1167	1464	1491
Poultry	521	550	605

One of the factors of drastic poultry breeding growth was a larger subsidizing scope presuming a three-level financing system. Before the producers were helped between 66 and 60 tenge per kg providing the poultry breeding would amount to 8 and 1.5 thousand respectively. In the current year those breeding 15 thousand tons will receive 70 tenge per kg, 8 thousand tons over 66 tenge, 1.5 thousand tons and more will receive over 60 tenge per weight unit. Now the subsidies are higher than with the previous two-level system. This policy is aimed at encouraging all, including small producers.

Kazakhstan needs the policy aimed at protecting economic interests of home producers, barriers to fence off the dumping prices. A particular need is explained by the fact that the imported poultry is sold cheaper at home market. This situation inhibits the local poultry breeding expansion. In addition, the deficit of goods while the demand growth dictates the home market expansion.

The pork is most competitive following the poultry. It is observed in the republic, in the cities Astana and Almaty. The cheap pork as the competitiveness factor assures further pork breeding expansion. Yet one should remember that pork consumption has its peculiarities due to republic national and territorial nature. The pork is not the mass consumed meat type as, for instance, beef, reducing its competitiveness at home market. The public meat preferences prove it. The pork consumption per capita is the third (13.4 kg) after beef (24.2 kg) and poultry (18.1 kg).

The sheep breeding in Kazakhstan is the most ancient and developed livestock breeding. In the past and now it is favored by vast natural pastures in the first place. The mutton is competitive and rates third at the consumer market. Still, the pricing is not the decisive factor in the mutton competitiveness. It is inhibited that the mutton consumption is limited because of the taste properties.

At present the mutton uderconsumtion leads to the fact that the available breeding facilities are under loaded. The Kazakhstan ministry of agriculture reports that mutton proceeding is 28 %. The problems of low processing are high cost and poor quality of the raw stock, moral and physical equipment wear, low paying ability of organizations in charge of product purchasing and processing. It dictates the encouragement of agricultural producers that they reduce the breeding cost, update and refit the processing industry.

The livestock farming will be successful providing the milk production grows. Kazakhstan lacks the milk self-sufficiency due to the acute deficit of own raw stock for the processing industry. Meanwhile, there is enough raw milk is produced (Table 4). Therefore, the available dairies receive just 34 % milk. In addition, the poorly developed processing is due to the poor raw milk quality, so extra measures are needed to set up the effective organizational structure able to boost the agricultural farms to the higher level and develop the conditions for reducing the homesteads.

Table 4. State of milk market in Kazakhstan in 2008-2011

Indicators	2008	2009	2010	2011
Supply, thousand tons	383.4	366.7	467.0	532.7
Consumption, thousand tons	508.4	520.9	638.0	635.7
Self-sufficiency, %	75.4	70.4	73.2	83.8
Milk production per capita, kg	332	332	327	316
Milk consumption per capita, kg	204	210	204	228

The recent situation relating to the milk processing perturbation shows the growth dynamics (Table 5). Alongside there is misbalance between production and consumption (23.5 % in 2011). It requires limiting the milk import as it is done in the USA by all possible bans, trade barriers, programs of encouraging profits and prices [7]. To ensure food safety, the federal and state governments in the USA use a variety of normative laws on environment, land use, zoning e cetera, which influence positively the milk industry expansion [8].

Another cause inhibiting the milk demand is the ban to consume similar imported products at dumping prices. It is preferable to adapt the measures ensuring milk home market protection. Particular attention should be paid to the milk cheaper cost and the processing cheaper cost.

One of the reasons of low milk supply is the undeveloped market infrastructure of milk passage from the producer to the consumer. To overcome the existing challenge of turnover growth requires the efficient logistics in order to reduce the cost of transpiration, processing and marketing.

Table 5. Livestock processing in 2010-2011, tons

Product	Production		
	2010	2011	%
Milk processed into liquid mil and cream	294 957	335 946	113.9
Powder milk	2 610	2 923	112.0
Cream butter	13 276	14 220	107.1
Cheese and curdled milk	15 918	16 579	104.2
Condensed milk and cream	9 414	10 494	111.5
Sour milk	117 549	134 822	114.7
Iced milk	14 821	14 307	96.5

The most effective present turnover of production and marketing of meat and milk are the «production – purchasing – processing – retailing - consumption» for small farming, «production - processing – marketing net – consumption» for moderate and large production, «milk or meat facilities with own infrastructure (modular slaughter houses, feed and processing facilities) - marketing - consumption» for milk commercial diaries and grazing plots (Table 6).

The experience of functioning of feeding facilities shows that the most effective marketing of chilled meat is achieved through large marketing nets. It enables to reduce the promotion cost, to boost the demand by consumers by lowering prices of top quality meat. The Ostrogorskii agricultural feeding facility of the Astrakhan district in the Akmolinsk province demonstrates more vividly the meat production efficiency (Table 7). The farm through Solnechnyi shop in Astana sells the Hereford beef 16 -20 % cheaper than at the market.

Table 6. Approximate efficiency of main milk and meat marketing channels in the republic

Raw and ready product marketing channels	Product selling price of one k, tenge	Specific profit share, %		Specific share of transaction cost in marketing price, %
		production	Logistic structures	
Producer is purchasing and processing unit – marketing net – consumption (milk)	140-165	26-30	74-70	57-54
production – processing – consumption (milk)	130-155	33-33	67-67	52-48
Meat facilities (including slaughter units, feed factories and processing shops) - marketing net – consumption (сырое meat)	1200-1300	40-37	60-63	29-31

The market of almost all economic subjects gets into the unequal economic situation due to the marketing hardships. The existing relations between producers and sellers are the main reason of poor agricultural farming profitability. Therefore, the matters of harmonizing relations between producers and logistic structures remain challenging still.

Table 7. Effectiveness of Ostrogorskyi breeding facility at Akmolinsk province for 2012

Start year	2012
Total investment, million tenge	1193,2
Herd at feeding facility, heads	2300
Project payback, years	9.5
Production cost per kg, tenge	876
Marketing cost per kg, tenge	1260
Profitability, %	43.8

The effective progress of meat and milk market in the republic is feasibly proving the state subsidizes its functioning. The subsidizing plays a definite role because its purpose is to prove the utmost help to farmers to develop he pedigree breeding and to improve the quality of produce in the country and its scope. According to the approved rules, the subsidizing will be provided for the pedigree cattle head instead the live weight, like before; the compensation for producer bull in the farm cattle has doubled to 104 thousand tenge [9]. In addition, the subsidizing is provided for the actually produced and marketed items confirmed by the relevant documents. The budget subsidies serve to partially cheapen (up to 45 %) of the formula feed and (or) mixed feed cost (after – concentrated feed) used to breed mutton, pork, broilers and turkey (after – poultry), hen eggs,, egg laying cross breeds (after – edible eggs), and to compensate partly the cost of milk, fine-wool sheep (after – fine wool), mutton, horde meat, koumiss and camel milk [10].

The matter of agriculture subsidizing is utterly essential (Table 8). The share of subsidies in gross agricultural production under the Agreement of the Customs Union counties should amount to 9 %. In general, the agriculture in the republic is subsided at the level 4 %, including the livestock breeding slightly over 1 % [11, page 13]. Therefore, the share of subsidies should be increased in the gross production to 9 %, and in the livestock breeding at least three 3 times. The organization of economic cooperation and development (OECD) reports that, in 2007–2009 , the support of agricultural producers was in %: in the Eurounion 23; turkey - 34; Japan - 47; Korea - 52; island - 53; Switzerland - 58; Norway - 61 [12].

Table 8. Size of state encouragement of meat and milk production in the republic during 2010-2011

Meat types	Scope of gross livestock breeding, billion tenge		Scope of subsidizing of productivity by encouragement, million tenge		Scope of subsidizing of in % to gross production	
	2010	2011	2010	2011	2010	2011
Meat - total	450.9	528.8	6759.2	6178.0	1.5	1.2
Milk	252.9	329.6	2500.0	2916.0	1.0	0.9
Livestock	774.1	942.4	13130.0	13206.2	1.7	1.4

CONCLUSIONS

The republic needs to boost the milk and meat self-sufficiency. The main factors inhibiting the self-sufficiency are insufficient meat and milk production, poor profitability. To overcome this handicap state encouragement is necessary to producers, efficient logistics and more profound processing. In general, the proposed measures of boosting production, and perfection of market infrastructure permit t raise the self-sufficiency in foodstuffs.

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