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PECULIARITIES IN THE DISTRIBUTION OF PORK MEAT

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ABSTRACT
Under the influence of changes in the macroeconomic environment in Bulgaria in recent years have brought significant changes. In many markets, enter new entrants, as in meat production and processing, and in wholesale and retail trade in live animals and pork. Distribution channel in pork includes several players: the producer (farmer) - wholesaler (large chains) - retailers - end-users.
The purpose of this study is to determine the proportion of individual participants in shaping the final price for pork in Bulgaria. The main research hypothesis is that in recent years the producer (farmer) lost its share at the expense of retailers and wholesalers.
To achieve the objective, we planned **to implement the following tasks**:
1. To determine the characteristics of the pig meat market in Bulgaria
2. To determine the purchase price of pork and those in wholesale and retail trade in the period 2001-2009 year.
3. To determine the proportion of farmer (producer) and that of wholesale and retail in the final pork price

The period of study covers the 2002-2009 year. Data source information was used SAPI, agricultural reports, etc.

Key words: distribution, pork, farm-gate, wholesale and retail prices, supply chain, pork industry

INTRODUCTION
The entire cycle of pork production is a complex system consisting of a large number of entrepreneurs in the field of pig breeding, slaughtering, processing and marketing structures.

All decisions aimed at maximizing profits, to the extent permitted by the conditions and information available. System as a whole, however, be subject to and operates based on rigorous economic principles and laws. There were new marketing institutions: the stock exchanges, markets and numerous middlemen traders. All this led to a certain strengthening of competition between them and the significant change in the behavior of individual market participants.

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Retailers and suppliers of meat
Anywhere in the EU retail increasingly falls under the domination of large and powerful supermarket chains. At a time when there are existing antitrust legislation which prevents large-scale producers to distort the market through its dominant role, no specific EU legislation designed to prevent distortions caused by the purchasing power of supermarkets.

Structure of marketing channel. (1)
The distribution channels downstream define the opportunities and threats for the producers. Food processors do not have the power or

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authority to take decisions in the down stream businesses. Processors can just influence their decision by offering a better price, services or quality. Wholesalers, retailers and food service companies are an important link between the food industry and consumers as end users. The retailers are a final stage in the supply chain before the final consumers. The minority in numbers are the supermarkets (non-specialised retailers): one third of the retailers belong to this category. The developments in these distribution channels define the business environment for the food industry:

In EU Member States, where the top five retailers have held over 70% of the food market in 2005 **(Table 1)**. Concentration in the retailing of food is rising sharply across Europe.

Table 1. *Market share of retailers in some EU countries*

Country:	Market share (in %)
Finland	90
Sweden	81,8
Ireland	81,4
Slovenia	81,6
Estonia	78,8
Austria	78,7

Source: Euromonitor

The data **(Table 2)** showed that during this period, total meat consumption in the EU will increase from 89.6 to 90,8 kg. Such a high meat consumption in Bulgaria as an EU member is difficult to achieve. In studies Dragoev et al (2). in 2010 is expected in our overall consumption of meat from 64,5 kg incl of pork 37,1 kg, which it will have a 57.5% share in consumption, ie with 7.4 percentage units above the EU average **(Table 2)**

Table 2. *Dynamics in meat consumption in the EU, kg/per person*

Type of meat:	2007		2009		2011*	
	кg	%	кg	%	кg	%
Pork	44,5	49,7	45,2	50,1	45,5	50,1
Beef	18,1	20,2	17,9	19,8	17,7	19,5
poultry	24,1	26,9	24,3	26,9	24,8	26,3
Sheep / Goat	2,9	3,2	2,9	3,2	2,8	3,1
Total	89,6	100,0	90,3	100,0	90,8	100,0

Source: European commission, 2011* Forecast

PRICE TRANSMISSION ALONG THE FOOD SUPPLY CHAIN

Theoretical background

The assessment of price transmission along the food supply chain, i.e. how much and how fast price changes are passed through between the different stages of the chain, is often used as an indicator of the effectiveness and efficiency of the chain as well as of the degree of competition in food processing and distribution. (3)

The adjustment of the food supply chain to price changes is an important characteristic of the functioning of markets as it reflects the nature, structure and organisation of the chain. Measuring the degree of vertical price transmission thus helps to identify potential market failures.

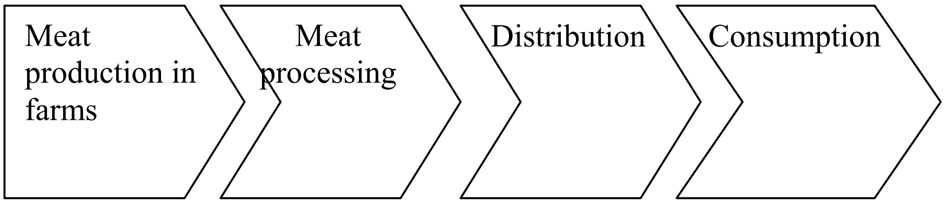
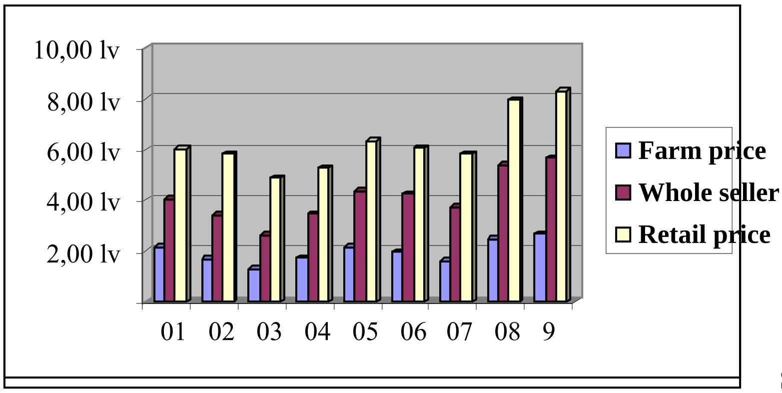


Fig. 1. Value Chain in meat production

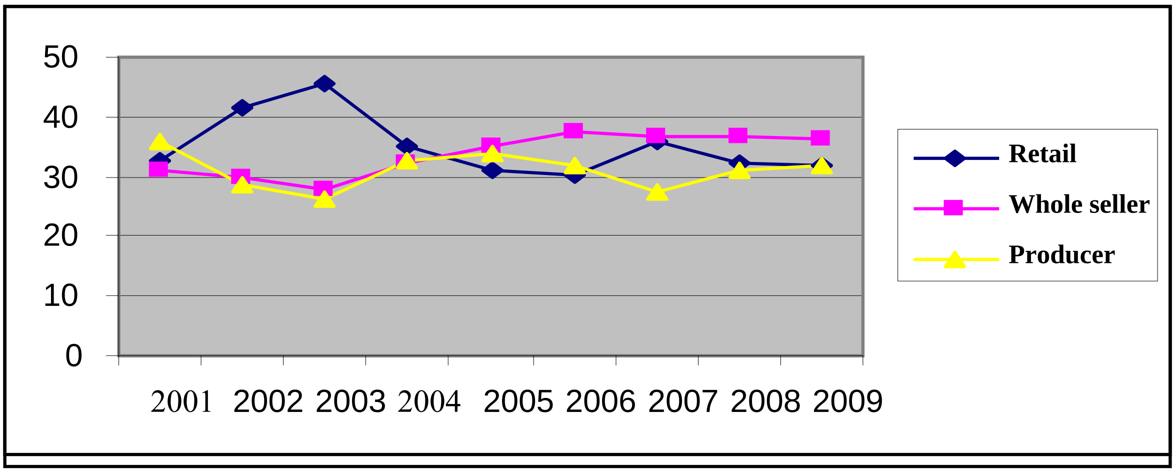
Material and methods of work.
The study includes an analysis of pork prices in manufacturing and retailing in the period 2001-2009
Price differences were identified (marketing margins)
1. Share of the producer = farm-gate / retail price *100
2. Share of the wholesaler= (whole seller price – farm gate price)/ retail price*100
3. Share of retailer= (retail price – farm gate price)/ retail price*100
Where farm-gate (FG) , whole seller price (WS) and retail price (RP) are, respectively, farm-gate, wholesale and retail price of pork.



Source: SAPI

Fig. 2. Dynamics of prices of pork for the period

The farm gate price of pork has undergone major changes. Of 2.17 leva per kg in 2001 it had risen to 2.67 leva in 2009. i.e. by 23%.
For the same period wholesale and retail prices for pork jumped by 40 and 38.7%
Reached the same conclusion and Hadjieva (4) which claims that the detention of the farm gate price at the expense of large chains and retailers is a huge obstacle to the development of the sector.



Source: own calculations

Fig. 3. Share of individual participants in the distribution of pork

What are the conclusions that we can do based on the data in **Fig. 3**?

- In 2001, the proportion of farmers was the highest compared to other participants in the distribution channel- 36%
- Period 2002-2004 was marked by very high profits for retailers and their share in total price reaches 45% in 2003
- Since 2005 is a very strong presence of wholesalers who hold a permanent share in the range of 36-37%. They become participants with the greatest force in the distribution channel.

Pig sector is a major livestock industry in Bulgaria. This is shown in research conducted by Petrova and Nencheva (5). The authors argue that the distribution of farms showed that in Stara Zagora are distributed fairly evenly mixed and specialist farms, respectively 49.79% and 50.21%. Among the most numerous specialist are pigs, birds, rabbits - 13.8%

CONCLUSION

Our research calculated the cost distribution in the Bulgarian pork supply chain and concluded that the producer finally earns only 31-32 % of the market price of pork. This represents a huge gap between the off farm and retail price.

Farmers may also improve their position by participating in strong governed chains. On one hand they have to meet usually very high standards, on the other hand they will be paid extra for these additional aspects of production.

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