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Some aspects of beef marketing in Portugal

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SUMMARY - In the past five years, the Portuguese domestic market for animal products has gone through some adjustments as a result of the application of the Common Agricultural Policy and the Uruguay Round negotiations. Nevertheless, those changes were also based on considering future EU enlargement to Eastern European countries and associations with Mediterranean non-community countries.

Key words: Marketing, red meat, bovines, organization.

RESUME - "Quelques aspects de la commercialisation de la viande bovine au Portugal". Pendant les cinq dernières années, le marché intérieur portugais des produits animaux a subi des ajustements liés à l'application de la Politique Agricole Commune et des négociations de l'Uruguay Round. D'autre part, ces changements s'étaient également faits en prévision d'un futur élargissement de l'UE vers les pays de l'Est de l'Europe et des accords d'association avec les pays tiers méditerranéens.

Mots-clés : Commercialisation, viandes rouges, bovins, organisation.

Production systems

Portugal can be divided in two main regions, one at north and the other at south. The first one is characterized by production systems with small farms and cattle head average of 1.5-2.0 (beef or dairy cows). The latter has relative big herds accounting 50 to 60 cows (beef).

Production systems in the northern region are also characterized by early weans, veal meat production, local market and traditional fairs, market of these animals with traditional intermediaries, carcasses consumed in the region.

Instead, in the southern region, those systems rely more on a weaning age around 6-8 months, heavy carcasses, market at auctions or big enterprises (stores), fattening and consumption outside the region.

General objectives

During the last five years the Portuguese domestic market for animal products has gone through some adjustments in order to reach the objectives of shaping an internal market more functional and effective according to the Common Agricultural Policy and the Uruguay Round negotiations. Nevertheless, those changes were also based on considering future EU enlargement to Eastern European countries and association with Mediterranean non-community countries (Maghreb).

Major changes implied the improvement of the economic aspects and the preservation of the quality of animal products with the idea of a competitive single market. A strong supply from other European producers will put pressure on the national market, although the domestic market absorbs only 55% of the production.

Responsible entity

The Central Department of the Ministry of Agriculture that is in charge of the agricultural policies which includes the marketing of animal products, is the Institute for the Agricultural Markets and Agrarian and Foodstuffs Industry (IMAIAA). Its main role is to work as a link between the different

economic actors with a sectorial approach for managing staff decisions; it also participate directly in several committees and working groups.

Strategies

Regarding the meat industry, IMAIAA has the following tasks: (i) monitoring the evolution of national and international community markets; (ii) collect and publish information on agricultural markets for public entities and economic operators; (iii) implement decisions that motivate investments; (iv) protect controlled origin produces and provide those produces with specific and biological licenses; and (v) coordinate the legal authorization of the agricultural and agree-food plants.

In Portugal, the red meat industry could be classified as: (i) traditional small intermediates; (ii) butcher shop; (iii) large intermediaries; (iv) commercial stores; (v) restaurants; and (vi) catering.

Through the Ministry of Agriculture and the European Fund for Agricultural Orientation and Guarantee (FEOGA), those groups are provided with an opportunity to obtain financing for improving the production and marketing of their products. The concerned total investment in 1995 was 5.4 millions escudos or 285,000 ECU. About 52% of the investment cost were supported by the FEOGA -the remaining 40% by Portugal.

The actions to be taking for improving the red meat marketing, should help in reaching the following objectives: (i) better access to the market; (ii) improvement of marketing techniques; and (iii) development of specific packages for their products.

With regard to the marketing sector, there is another opportunity for producers or breeder's organizations, which are represented by cattle auction parks.

The auction situation is represented by the following figures (values of 1992): (i) auction parks around the country: 16 (21); (ii) numbers of auctions per year: 170 (188); (iii) number of farmers sending animals to auctions: 3,058 (2,801); (iv) number of commercial operators that bought animals: 2,134 (2,037); (v) number of animals sold: 15,409 (16,245); (vi) value of sold animals -ECU: 813,000 (826,000 Escudos); and (vii) type of sold animals: charolais crosses 60%, limousine crosses 15%, frisian 14%, others 11%.

Livestock numbers

Increased domestic demand has raised the number of slaughtered animals, increased live animals imports due to their better carcass weight and lowered market price (Table 1).

It is important to point out the change in numbers between breeding and dairy cows. Breeding animals continue to rise instead dairy cows trend is to reduce their numbers.

Table 1. Cattle distribution (1,000 heads) in Portugal -1994

	<1 year		>1 and <2 years			>2 years		
	Beef calves slaughtered	Others alive	Fattening males	Fattening females	Heifers	Males	Beef cows	Dairy cows
North	19	95	33	5	33	10	82	146
Centre	10	62	22	4	18	6	29	106
Lisbon	8	37	16	5	15	6	31	38
South	12	66	20	5	20	7	126	21
Azores	9	56	13	3	18	4	15	88

This trend affects positively Portugal reuse of old crop lands and also the subsidies for breeding cows (130+25+30 ECU). Concerning those previous figures, 11.1% represent imported full-blooded cattle reproducers.

This trend has reflected in boosting cattle imports, especially in South Portugal. Imported animals accounted for 68% of total imports.

A slight decrease in the number of cattle heads has been recorded since 1992, due to various reasons: (i) weather conditions; (ii) decrease of price of the fattening young animals; (iii) quotas policy; and (iv) the "fado" (destiny).

Cattle carcass classification

An interesting point is related with the higher prices paid to the producers, type of the carcasses and the opinion of the consumers. It is usually said that the meat from the North is better and so it is the prices to the farmers, but if we look at the statistics comparing regions and EUROP schedule classification of the carcass per classes we find the outlook shown in Table 2.

Table 2. Statistics comparing regions and EUROP schedule classification of the carcass per classes (%)

	E	U	R	O	P
Littoral	5	8.4	33.5	43.9	13.9
Central	1	5.7	30.4	48.7	15.0
North	1	1.9	9.5	47.1	41.2
Northeast	2	3.9	21.0	67.4	7.4
Lisbon	3.1	28.2	52.3	13.2	3.3
South	3.0	14.6	46.8	29.8	5.8

Market and the prices

The relation supply/demand has a tendency to increase for the first one, caused by a respective 19.0% drop in cow price and a 15% drop for young crossed animals. The value of beef for the family represents about 31.7% (28.1% for meat from adult animals and 3.6% for veal) of total meat costs.

As mentioned before, the distribution of the type of carcass along the country, it explains how some market prices are incorrect because those who produce the best animals do not usually receive the best pay. We need to change things like these for an open market that will help those who produce better.

The auctions are the best example of the difficulties encountered by producers because the prices have gone down in the last years and some times nobody is willing to pay a good price for animals and is shocking for the farmer, the animal to come home for another week waiting and start the competition for forages and grain with breeding animals.

One very important question related with red meat market is the price of compound foodstuffs -which has remained almost constant since 1992- instead meat price has decreased since than and the price of raw materials for industries and the prices of forages for cattle breeds have raised. This situation explains many problems that exist at the farm level, such as the lower economic efficiency and the suffering from attacks of feedlot enterprises.

Another question that may explains the asymmetry of the market, is the decrease of prices at farmer level and maintenance of the meat price at consumer's level.

The set-aside and community subsidies (COM) are another issue, which contributed to increase the confusion for the Portuguese farmer, who produce in a special environment, the Mediterranean zone. An old Professor told me one day: everybody thinks that Portugal is an agricultural country, but

what they forget is that rain is concentrated in three months, and these are the months when we do not need them; in resume is a good country for tourism!

Practicalities

Herewith, there are two examples of an excellent combination between Breeders Association and Commercial Groups, which are trying to solve these problems for the beef market, one for a local cattle breed and the other for an exotic breed.

Mertocar

The need to help the Mertolenga cow breeders on the national market of the red meat helped to create a joint-work with ACBM-Mertolenga Breeders Association who certifies the origin of the animals to be slaughtered and gives information about the number of calves.

The Mertocar instead makes the contacts with food market chains, structures the feed management and manages the best time to sell the fattening animals.

The main characteristic of the meat produced with this Mertolenga cattle are the association of an intensive use of pastures and forages with a small contribute of grain or compound foodstuffs. The animals at 24 months average 400-450 kg live weight.

The first step to improve the market of Mertolenga beef was through the direct sale at a good restaurant in a high population area (near Lisbon) with an exposition during a week about the breed and the management.

Presently the Mertocar sells all the young bulls that belongs to the associates and much more animals that belongs to other members of ACBM and are not yet members of Mertocar. The prices are very interesting and above the average price of cross animals marketed at some stores.

Coop-Limousine

This group of Limousine breeders has the objective of marketing the young animals (male and female) through traditional butchers always under exclusivity and they are also the only ones trading this type of meat (presently they work with eleven butchers: 6 in Lisbon, 4 in Algarve and 1 at Alentejo Cost).

The Coop-Limousine sends the animals to two slaughterhouses were only animals with classification of E-U-R can be marketed by those plants. The other carcasses will be separated in commercial cuts for an another type of marketing without certification.

The economic results are very interesting because they get more of 25% over the average market price.

Sometimes, they export the culling females to France where they sell them for a good price regarding this type of animals, unlike what happens in Portugal.

The ACL-Limousine Breeders Association has an integer control of certification of animals that go to slaughterhouse and hopes to reach an agreement with Mertolenga Breeders Association for certification of Limousine bulls for terminal crosses with the Mertolenga cows.

Conclusion

In this paper, it is evident the major efforts for changes carried out by the Portuguese beef market. However, a recent study by a group of agricultural economists pointed out that there is a total lack of information about what is and the value of the domestic meat market.