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Quality for Competitiveness of meat products from Montenegro

A quality to maintain...

The limited production resources, tourist-oriented demand, large traditional production are just few Montenegro specifics which have contributed to one of the most interesting and successful development of the region in the last decade - meat processing in Montenegro. The development of processing also encourages the establishment of market chains and good trends in meat production.

Value of tradition

Montenegro has a rich food heritage, characterised by a great diversity due to pristine environment and cultural influences over centuries. Rural communities from coastal and mountain regions create agriculture and food products with strong character that all together represent a highly valuable food heritage. To plan future actions for local development and promotion of this heritage the Ministry of Agriculture in Montenegro is engaging in the inventory of traditional products and their link to geographical origin. The products to be included in this inventory should correspond to one or more of the following characteristics:

- Traditional products that have specific characteristic because of the local natural conditions or the producers' know-how inherited through several generations
- Products with reputation recognised by consumers from or out of the area of production, OR
- Products traditionally consumed as such, in form of ingredient or as a dish, typical product for the Montenegrin cuisine

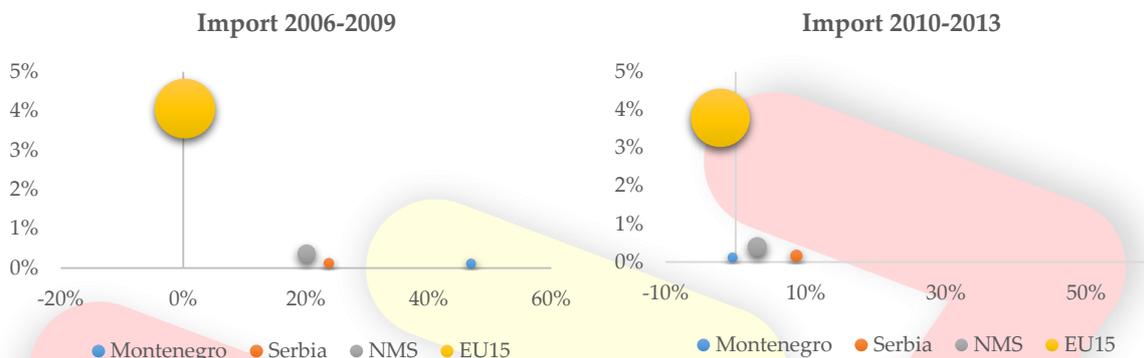
Production of Njeguška pršuta has a long history, consumers recognize and highly appreciate the brand. Economically, this production is very important because its value is estimated at EUR 40 million, while annual exports worth 3.8 million euros. Production trends are good, but not the price ones. By reducing the quality the consumer confidence will be lost. Once trust is lost it is difficult to re-establish.

Impressive development of meat processing sector

In 20 years from non-existent, the meat processing sector grew to a branch that employs thousands of people, meets most of the domestic demand, exports, and has plans and the potential for further growth.

Towards the beginning of this century meat processing industry in Montenegro was at a low level, while domestic consumption was based on imports. In the last five years the growth rate of imports in Montenegro in relation to the world, especially in the region and the new EU member states is negative and it all at a time when trade in meat products in Europe and the region extremely grow.

Import of meat products



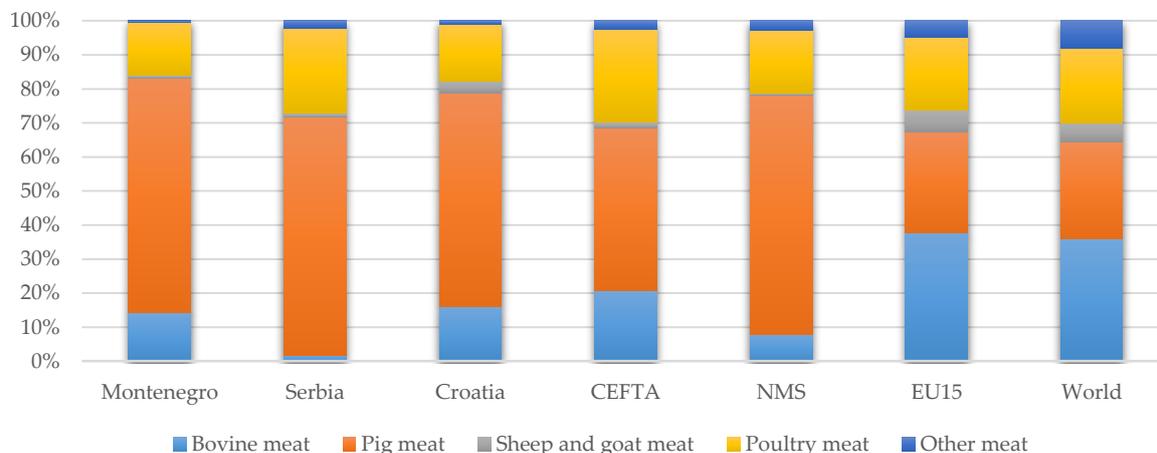
Source: UN Comtrade

Adding value to imported pork meat

In Europe, the largest import of port meat per capita is in Montenegro

There is a big difference between production possibilities and consumer requirements for certain categories of pork meat in Montenegro. Production of Njeguška pršuta and demand during tourist season, are the main drivers of import of pork that valued 66 million USD in the last five years. In 2014 a sudden increase in imports of 36% was recorded and exceeded the value of 100 million dollars. Local production of 4 thousand tons of pork is very small.

Import structure 2013



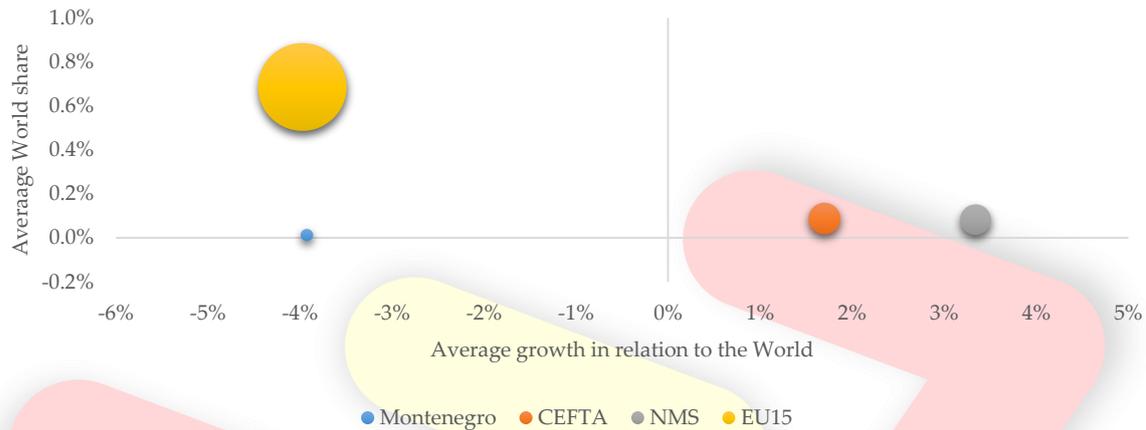
Source: UN Comtrade

Need to inverse a negative trend in sheep production

While Montenegro seeks its chances in high quality, branded sheep and lamb meat as flag products for tourism, the trends in this production are dropping and lagging behind the regional ones

After sharp decrease in 2010 the trends in sheep production are slowly recovering, but still show negative trends in comparing to global, regional trends and NMS. The average production drop since Montenegro become independent is around 4%

Production of sheep and goat meat 2006 – 2013



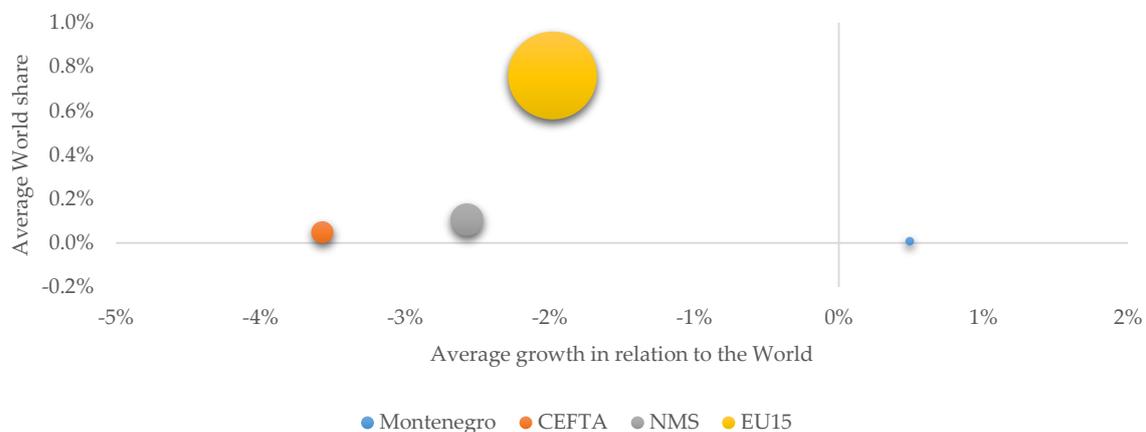
Source: FAO

Production of beef and poultry is chance ahead

While Europe turns to beef import, the producers, processors and the state institutions in Montenegro have other ideas.

Production of beef in Europe lags to the global trends, Europe is losing its price competitiveness, turning to quality competitiveness, so the only growth is recorded in production of high quality veal. The trends in the region are identical. On the other hand though the production is small, the trends in Montenegro are better. The main trigger of this growth is value chain integration and organisation by the processors.

Production of beef 2006 – 2013

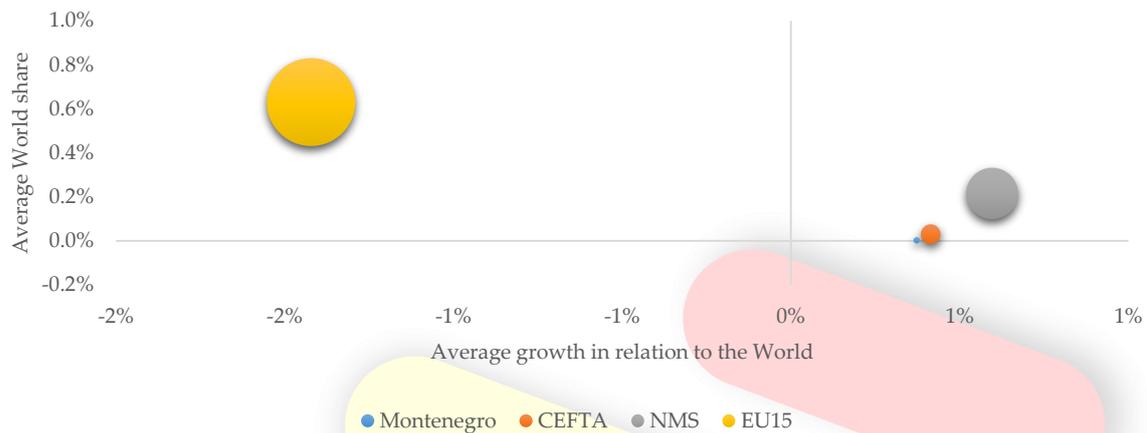


Source: FAO

The share of national production of poultry rapidly grows, with possibility for further improvement.

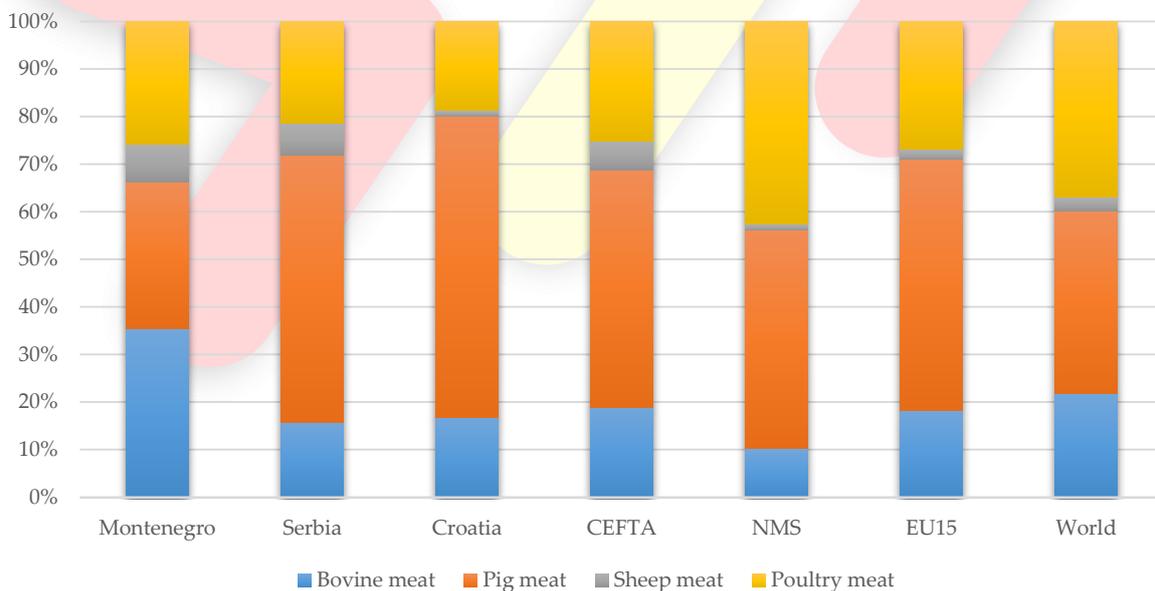
As the consumer requires fresh chicken meat, the chicken production is very localised and there is very little trade. The share of production and consumption of chicken meat in the region is growing however it is still significantly lower than in the world, EU15 and New member states, which all indicates potential for further growth.

Production of poultry 2006 – 2013



Source: FAO

Structures of production 2013



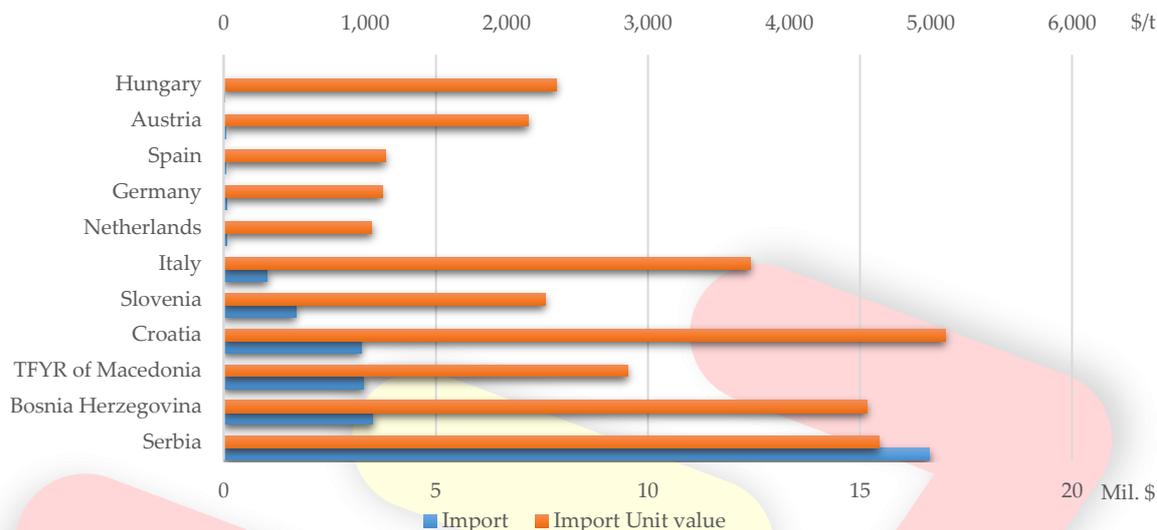
Source: FAO

Who are the competitors, where the imports come from?

83% processed meat comes from CEFTA countries and only 17% from EU

The source of import, more than the structure of the imported products, conditions that Montenegro has high unit value of imported processed meat, which is almost equivalent to the value in EU 15, and significantly higher than CEFTA, and particularly NMS.

Import of meat preparations 2013



Source: UN Comtrade

Sector in figures

Although small, meat production and processing sector, it is very dynamic and shows encouraging trends.

- 92.7 million \$ is the value of imports of meat in Montenegro
- 29.7 million \$ is the value of imports of meat products
- Average 37% of meat and 44% of meat products are imported into the four-month tourist season
- 12.2 million is the value of exports of meat products, of which 82% are exports to Serbia and Bosnia and Herzegovina
- Meat production in Montenegro is 3% of the production in Serbia
- Montenegro produces about 600 thousand Njeguška pršuta per year
- Export of meat products from Montenegro to Serbia in 2014 compared to 2006 increased by 67%
- Unit value of imported meat products in Montenegro is 40% higher than in the new member states
- The average price of Njeguška pršuta was reduced by 40% over the past 10 years

Challenges

A phase in the development of the meat processing sector finished – for majority it was a success, for a few not. It is time to summarize the effects and to understand and analyse trends and possibilities and to make new plans. Some of the questions for the sectors new strategy are:

WHICH meat product have potential for sustainable competitiveness?

HOW MUCH will the upcoming EU accession processes affect the meat production and processing sectors?

HOW WILL the new changes (depreciation and strengthening of the currencies, the sanctions of Russian federation, surplus of products in EU, drop of oil prices) affect the sector of meat production and processing in Montenegro?

HOW to increase the value of meat products from Montenegro?

HOW to decrease illegal production in the sector?

HOW to integrate traditional producers into modern value chain that would extend further from the production gate?

HOW to achieve that tourists consume high quality local products instead of imported ones?

HOW to decrease the prices of processed meat while preserving or increasing quality?

WHICH national strategy to employ in order to promote GI and Quality schemes that guarantee quality to consumers and economic benefit to producers?

Opportunities

EBRD/FAO project “Improvement of quality standards of meat products in Montenegro and exchange of experiences of Western Balkan countries” offers support in defining answers to the listed questions. The project ensures support to more effective and integrated value chain in Montenegro, through improving of quality and safety in meat processing sector, while developing the indications of geographical origin of food products.

The product activities include:

- Analysis, exchange of experiences and strategic planning in the sector of meat production and processing;
- Flexibility of food safety rules – why the adaptations and derogations and for whom;
- Inventory of traditional products and potential products for protection of geographical indication of origin
- Support to development of a GI pilot case in the meat sector
- Development of the national quality strategy for meat processing sector



PARTNERS ON THE PROJECT

Grand Duchy of Luxembourg
Ministry of agriculture and rural development of Montenegro
European bank for reconstruction and development
UN FAO
Meat industry “Meso-Produkt Franca”
Meat industry “Goranović”
Center for rural development and agriculture “Agrikultura”
REDD
University “Donja Gorica”