Export Marketing of Croatian Baby Beef

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SUMMARY

Croatia has traditionally been the exporter of livestock and beef. In 1988 Croatia exported a record of 35,7 thousand tons of livestock, worth almost 60 million US $. During the period between 1981 and 1991, the export of beef and processed meat was somewhat smaller, about 12,8 thousand tons, 40 million US $ worth. The most important export destinations were Italy, with almost 90% of all volume and monetary value of export, and Greece. In March 1993 EU has banned the import of livestock and beef from Croatia, due to a scandal with infected cattle. In spite of the subsequent abolition of this ban, Croatian export never really recovered, so today the export of beef amounts to less than a thousand tons.

Even though the conditions on the export markets and in the domestic cattle breeding industry have changed, we think that it is possible to achieve the export expansion of Croatian baby beef in the foreign market.

This article describes the results of the research conducted on the Italian and Greek market. According to expert opinions and the results of our survey it is evident that, with a certain quality of the product, it would be possible to renew the export of Croatian baby beef to the target markets.

KEY WORDS

baby beef, export, marketing

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INTRODUCTION

Cattle production is an important part of the Croatian agriculture. Already at the beginning of the last century (1906-1910) Croatia exported livestock (158,2 thousand tons) to Austria, Germany and the Middle East. In the 1970s there was an increase in the demand for beef on the global and on the European market, which caused the prices to rise. Former state (SFRJ) made an agreement with the EU about export of 80 thousand tons of livestock and beef, and since then until the end of 1980s, with some fluctuations, the export of these products was growing (Pankretić, 1998).

The most important export was the one of baby beef. In the period from 1981 till 1990 average annual export from Croatia to EU amounted to 19 thousand tons. In 1988 Croatia exported a record of 35,7 thousand tons of livestock, worth almost 60 million US $. The most important export destinations were Italy, with almost 90% of all volume and monetary value of export. Second important export destination was Greece with 5% of export quantity. Export prices were significantly higher, even 40%, in relation to prices in the domestic market. The export of beef and processed meat was somewhat smaller, about 12,8 thousand tons, 40 million US $ worth. The most exported meat was veal, so called "Milan cut" into Italy, with the share of 70% of total export. Processed meat was exported to Germany (12,4%), and canned beef to the United States (Pankretić, 1998). Even though the export of livestock and beef was encouraged with the export subsidies, and even though it was not such a lucrative economic activity, it was without a doubt beneficial for the Croatian cattle breeding, and overall agricultural production.

In March 1993 EU has banned the import of livestock and beef from Croatia, due to a scandal with infected cattle. Although this decision had been changed in the June of the same year, Croatian export could not restore the previous position in the Community market. The export of livestock was almost gone, and the export of meat reduced drastically. Today Croatia exports less than a thousand tons of beef (Kolega, Božić, 2001).

The current situation in the European market is not so favourable, and the export to these markets is becoming more difficult. The degree of self-sufficiency for beef in the EU has increased. However, the self-sufficiency for Italy (61%) and especially for Greece (21%) is still low. The import of beef and veal in the countries where these kinds of meat are lacking (Italy, Greece for example) is mainly based on the trade inside the Union (see Nielsen, 2000). The consumption of beef is stagnating, due to new trends in nutrition and the appearance of the "mad cow" disease (see Northen & Henson, 1998). Breeds of cattle used for meat are more present in the offer, and the Simmental breed, because of its darker colour of meat, is losing its market position. Especially southern Europeans prefer beef with a lighter colour (see Nielsen, 2000).

In spite of the changing conditions in the export markets and in the domestic cattle breeding industry, we think that even under these circumstances it is possible to renew the export expansion of Croatian baby beef to our traditional markets. The largest portion of cattle breeding industry in Croatia is based on the Simmental breed used for the combined production of milk and meat (HSSC, 2001). Most of this production has the characteristics of an extensive production system. Today Croatia has a significant population of cows who come from the on farm selection, who are not fed with concentrated feed, and not at all fed with bone meal. These animals are safe from BSE infection. Expert estimates say that 50 – 60 thousand animals could be proven to be BSE free.

New conditions in the developed markets force us to reconsider the usual patterns of consumer behaviour. Many sanitary scandals, the most drastic of which was the appearance of the "mad cow" disease, make the price of the product a secondary consideration. Health safety has once again become the basic consumer requirement concerning beef (see Nielsen, 2000).

We think that Croatian cattle breeding industry has a new chance for market expansion, especially in our traditional export markets. To use the existing potential in the best way, it is necessary to create a product with higher market value for target markets.

The objects of our research were Italian and Greek market. The choice of these target markets was logical. Most of our export of livestock and beef used to go to these countries, and even today some quantities are being exported to Italy. We assumed that Croatian beef has a favourable image on these markets and therefore the introduction of the new product might be easier.

The goal of this research is to determine the possibilities of renewing the export of beef to Italian and Greek market.

METHODOLOGY

At the beginning of the research expert interviews in Greece and Italy were conducted. We talked to importers and traders who are familiar with the circumstances in their countries' markets.

We also conducted three group interviews in Italy with Italian beef consumers, and one focus group in Greece. "The use of focus groups is commonly advocated in order to generate concepts when previous knowledge about the area to be investigated quantitatively is limited" (Grunert, 1997). Twenty-four people participated in three focus groups whose topic was meat consumption. These people were beef consumers and we wanted to explore their attitudes on the importance of nutrition in general, with a special accent on the meat consumption (beef).

The respondents were from different age groups (20 to 80 years old), different occupations (students, employed, retired) and there were equal number of men and women. This way we wanted to get a representative sample of meat products consumers.

We used the results of focus groups as a basis for creating a much broader survey. The survey was conducted in the Italian region of Toscana that used to be the principal market for Croatian baby- beef. The survey consisted of several sets of questions. The first set inquired about the respondent's behaviour in buying and the consumption of meat, especially beef. After that, the respondents had to rate the importance of certain characteristics of beef. A separate set of questions were put in the form of statements– where the respondents had to express the degree of agreement or disagreement with these statements about buying and eating beef. Several questions dealt with trust in the quality of the imported meat, and attitudes toward Croatian beef and their buying intentions. In the end of the survey we also gathered some data on socio-demographic characteristics of respondents. A total of 190 consumers were interviewed.

In this article we stated only those results of the survey that are important for its main subject – the export of Croatian baby beef to the Italian market.

RESULTS AND DISCUSSION

Expert interview – Italian market

When we need information in some area that has not been sufficiently explored, as it is the case with the export of Croatian beef to Italy, the best prognosis of the future development can be obtained from experts in this area. Market estimates in this research are based on expert opinions of Italian importers and traders (wholesale and retail) of livestock and beef from Croatia: Stancich Ezio and Sergio, Enrico Bartolozzi, Vittorio Bartolozzi.

Mr. Stancich Ezio and Sergio are the owners of "Agrimpex" S.r.l. Import Export" from Trieste. They import beef from Croatia since 1979. Before the war, "Agrimpex" imported 250 tons of beef a year, in the last years that number was reduced to 90 tons per year, and in 2002 they did not import any beef from Croatia. Enrico Bartolozzi works for company "Geriba" that deals with meat and livestock trade, and for a longer period they buy veal from Croatia from "Agrimpex". While there was enough high quality beef in Croatia, that meat made up 80% of their business, and today this cooperation is significantly reduced. They work directly with Croatian companies "Grude" and "Ivanec". Vittorio Bartolozzi is the manager of butchers' cooperative C. E. M. seated in Prato (Toscana). C. E. M. imports beef from Croatia for a long time ("Agrimpex", "Belje", "PPK Karlovac").

According to the experts' statements, until 1990s, Croatian veal was of the highest quality in the Italian market. It was sold mostly in the region of Toscana. Its price was higher than the price for meat from other countries. Butchers did not state clearly the country of origin, but Italian consumers knew it as "Slava". Croatian veal was frequently used for the preparation of the so-called Fiorentina steak (medium-rare steak prepared on the barbecue). It was sold in butcher shops, because its appearance was not so attractive to be sold in the supermarkets. However, butchers knew that it is of high quality and they recommended this meat to their customers. There was no media promotion for Croatian veal, except for the recommendations of satisfied buyers.

All experts unanimously say that the demand for "real" Croatian veal has not reduced, but that there has been a fall in its quality. The veal produced today in Croatia, from animals imported from Eastern Europe, is not of good quality and it is hard to sell in the Italian market.

The experts estimated that the export market for Croatian beef exists, but only if it is "real" Croatian beef. They think that Croatia could restore its previous export positions in the Italian market, and even expand to other regions in Italy, especially Milan. The production should be focused on the Croatian Simmental breed (genetics are very important) and the traditional way of feeding animals should be preserved. In experts' opinion, in absence of sufficient quantities of Croatian Simmental, it would be better to import animals from France or other western European countries, rather than animals that are imported nowadays from Eastern Europe. Croatian meat should build an image of healthy meat, and as such achieve a 30 % higher price than other meat in the market.

Expert interview – the Greek market

Expert interview in Greece was conducted with Mr. Stavros, owner of the butcher shop in Athens who sells mostly beef and veal. According to Mr. Stavros, Greece does not produce enough beef; 80% of it is imported. The largest quantity of beef is imported from the Netherlands.

Consumers cannot tell the difference between Greek and imported veal, but they usually ask for domestic meat and they trust their butcher. Consumers are ready to pay a slightly higher price for meat of high quality (domestic, soft and tasty). Before the appearance of the "mad cow" disease consumers mostly bought meat in the supermarkets, but today they usually buy it in small butcher shops.

Not all Greek meat is of high quality (depends on the breed). The best meat in Greece is the one bred in Greek Macedonia (especially the region Seres). Some beef is imported from Macedonia, because it is of similar quality as the one bred in Greek Macedonia.

Imported meat (especially one from the Netherlands) is sorted into several quality categories. Categories are determined depending on the weight and percentage of fat in animals, and have different prices accordingly. Greek meat does not have quality designations, nor information about the origin of meat. Currently there is no Croatian meat offered in Greece, and in Mr. Stavros' opinion, Greek consumers are not familiar with Croatian beef. However, he does not see any obstacles for the import of Croatian beef to Greek market.

Results of focus groups - Italy

Respondent who took part in the group interview stated that when it comes to choosing meat, the most important characteristics are expiry date, colour and the appearance of meat, controlled origin and the quality of the product. That's why most buy meat at the butcher shop they trust, and if they buy it in stores consumers always check the label with information about the origin of meat. All respondents stated that they have more trust in the quality of domestic meat and they mostly buy Italian meat. The price is not that important if the consumers are certain that the process of breeding was controlled.

The consumption of meat was reduced lately mostly because of health issues and because of fear of the "mad cow" disease. However, this fear is smaller now due to better meat control. Changes in the family also influence the reduction of meat consumption, for example, when children leave parents' home. There has also been a change in habits, and today people eat more white meat which was widely bought during the epidemics of the "mad cow" disease.

All respondents are unanimous in the opinion that food is very important for health. Because of the recent BSE outbreak, it is important to know the process of animal feeding and the region the animals were bred in. In that sense, consumers are careful about the information about the origin and the process of breeding and that is why they mostly buy domestic meat at the trusted butcher shops. Countries that were largely affected by the BSE are, in respondents' opinion, Great Britain, Germany, France and Belgium. Respondents also think that the media had a big role in creating the fear of BSE. They put the trust for information about the health safety of meat with their butcher, and only after that to the state institutions.

Results of focus group - Greece

Seven people participated in a focus group that was conducted in Athens in October 2002. All respondents agree that food is very important for health, but none of them take special care in choosing the food. They usually buy food in the supermarkets. Ideal meal, in respondents' opinion, should include meat, potatoes and salad. Greeks mostly eat lamb and veal, and meat is eaten almost every day. Some respondents think that the poor quality of veal in the market is an important factor for the reduction in meat consumption.

Respondents think that red meat is healthy, because it has more iron than white meat. However, due to BSE crisis, the consumption of beef has been reduced. Nowadays they buy meat mostly in the shops they trust.

Important information about beef is its origin and the way it was bred. Everybody agreed that they would rather buy Greek beef, produced in the countryside. Respondents think that domestic cattle breeders feed their cattle with healthy food. They would like to see some guarantees before buying imported meat. Respondents trust their butcher and if he confirms the quality of meat, they would buy imported meat as well.

One respondent could remember Croatian beef. However, consumers did not know this meat as beef from Croatia, but they knew it as beef from Yugoslavia. In Greek market today, as far as they know, there is no beef from Croatia. On the other side, they all think that good advertising and information about the meat quality would bring satisfactory results in selling the meat from Croatia in Greece.

Results of the survey conducted in Italy

In this part we will present only the survey results about consumers attitudes toward imported meat and especially toward Croatian beef.

"From which of these countries you would never eat beef?" was the question for the respondents, and we offered 15 countries as possible answers. As it was expected, the majority of respondents, more than half, would never eat beef from England. Of EU countries, there is also distrust for French meat, while meat from other countries is well accepted. The highest degree of trust has been shown for meat from Switzerland (only 4% of the respondents would not eat this meat).

Of the countries of central and Southeast Europe the biggest trust has been shown for the Croatian meat (12,3% would not eat), then Hungarian (13,8%) and

I would never eat meat from:

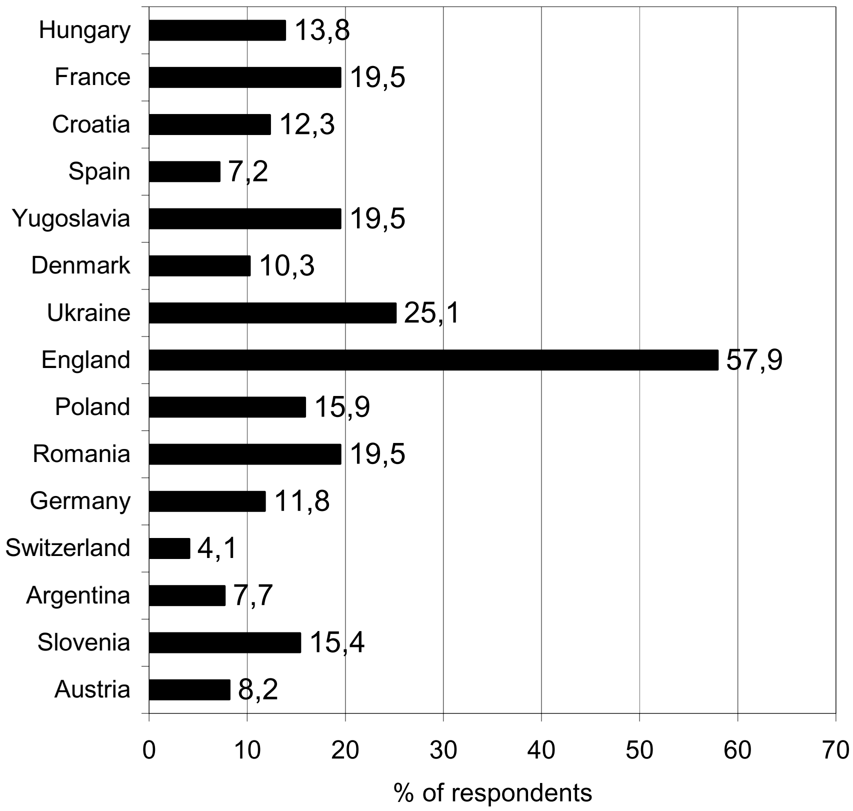

Chart 1.
Consumers attitudes toward meat from different countries
Source: survey

Slovenian meat (15,4%). There is a high degree of trust for beef from Argentina (only 7% would not eat).

One fifth of the respondents said that they tasted Croatian beef, more than half in Croatia, and the rest in Italy. Out of the total number of the respondents who tasted Croatian beef, 12% consider it to be better than beef from other European countries and 27% think that it is of equal quality. However, most respondents cannot tell the difference between Croatian and any other beef.

Fifteen percent of the respondents think that Croatian beef can be bought in Italy, while more than 80% does not know if there is Croatian beef in the Italian market. In the question about the intention to buy or taste Croatian meat, 28% of respondents answered that they had no intention of doing that, 5% of the respondents will certainly buy Croatian meat, and further 30% will probably buy it.

To the question of guarantees that the Croatian beef sold in Italy should have, 20% of respondents answered that it should have a recognisable brand, and one half think that it should have a certificate from a Croatian state institution. 80% of respondents find it very important that Croatian beef should have a certificate from an Italian state institution, and one quarter of respondents think it would be a good idea that this product should have a certificate

Do you intend to buy / taste Croatian beef?

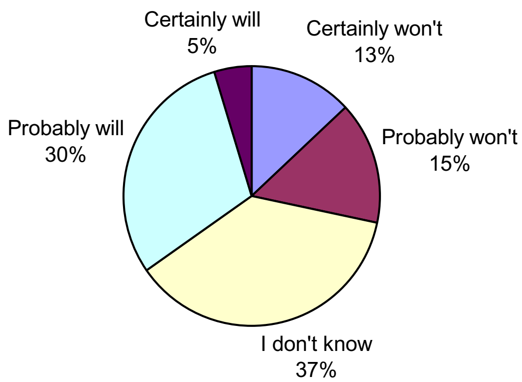

Chart 2. Consumer intention to buy/taste Croatian beef
Source: survey

from an independent Italian institution. Only 13% of consumers think that such beef should have their butcher's recommendation.

CONCLUSION

From the results of expert interviews, focus groups and the survey, it becomes clear that the renewal of export of Croatian baby beef to Italian and Greek market is possible. The demand for Croatian beef exists in these markets, especially in Italian market and to renew the export it is necessary to plan for efficient export marketing.

In choosing meat, consumers think that the most important characteristics are expiry date, colour and the appearance of meat, controlled origin and the quality of the product.

Therefore, Croatian meat should build the image of healthy meat and as such achieve 30 % higher price than other meat in the market. We should also stress the fact that the meat should be produced from the cattle bred in Croatia, not from the imported animals.

An important characteristic of the new export product should be labelling and traceability. Traceability allows us to follow the way of Croatian baby beef from breeding to the consumer's table. This includes production surveillance, control of the origin of animals and animal products, and the credibility of the production system. The accent should be put on the protection of the traditional product, its technology and origin, and abiding by the principles of organic production.

In the initial phase of beef export the usual means of distribution would be used. The co-operative of producers of Croatian baby beef would gather the cattle, and Italian and Greek companies would handle the export.

Promotion of Croatian baby beef should be based on the real advantages that this product has in comparison with the competition in the Toscana market. The goals of promotional activities would be: familiarising the targeted consumer segment with new market brand "Croatian baby beef", positioning the brand as a healthy and organic product, positioning the brand as 100% BSE free, associating the quality of the new brand with the quality of baby beef that used to be known in Toscana market as "Slava". In the promotion of Croatian baby beef, only the consumers of targeted segment should be approached while making the maximal use of publicity and communication support for sale actions. Also, a recognisable market brand should be used along with the designation of quality and origin. Priority should be given to the promotion through butcher shops (push strategy with a promotion discount) and to promotional tasting.

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