

The Meat Processing Industry in Mongolia

Bumtsend Munkhdelger*

*School of Economics and Management, Nanjing University of Science and Technology
Xiaolingwei, Nanjing, China

DOI: 10.29322/IJSRP.10.03.2020.p9963

<http://dx.doi.org/10.29322/IJSRP.10.03.2020.p9963>

Abstract- Mongolian meat processing industry needs to focus on future development trends, make full use of Mongolian rich meat resources, and grasp the opportunities for international competitiveness. Therefore, the Mongolian government attaches great importance to the production capacity, development trends and policies of increasing export output of the meat processing industry. This research analyzes the current market situation and development trend of Mongolia's meat processing industry and uses the traditional model of industrial organization theory as the SCP model to study the market structure, market behavior and market performance of Mongolian meat processing industry. The development trend of the industry and put forward development suggestions.

The SCP model of industrial organization theory is a research model that combines a certain market structure, market behavior, and market performance scope.

Key words- Meat Processing Industry, Mongolian Meat Industry, Industry Organization, SCP analyses

I. DEVELOPMENT HISTORY OF MONGOLIAN MEAT PROCESSING INDUSTRY

Mongolians have relied on grassland animal husbandry to provide livestock products. Mongolian ecology and traditional grazing methods have a significant impact on the development of animal husbandry. Looking at the development of Mongolian meat processing industry:

The Mongolians traditionally engage in animal husbandry and use meat as food. Since 1921, Mongolia's slaughter of livestock and processed meat industries have been established. In 1924, small meat processing enterprises were built in 9 provinces and supplied products to Russia. In 1924, the capacity of the Ulaanbaatar slaughterhouse increased by circles and semi-finished products per year. In 1930, livestock breeding camp slaughterhouses were established in many provinces. In 1946, Mongolian largest meat processing factory was established in the capital of Mongolia and increased the production and export of meat and meat products, improve animal slaughter technology. After that, in 1971 increase the productions capacity of their factory. In population density areas organize simple seasonal livestock slaughterhouses. With the help of German technology and economy from 1987 to 1989, it has been updated with German technology. After the democratic revolution in 1990, Mongolia's meat processing industry began to develop faster than before. Since 1996, the number of small and medium-sized meat enterprises has increased.

II. CURRENT SITUATION OF MONGOLIAN MEAT PROCESSING

A significant feature of the Mongolian livestock husbandry is that it relies on traditional nomadic pastures and four seasons of water migration. The animal husbandry industry is mainly natural pasture. The cost of no land and feed is low, and the production cost is very cheap. This is a very good production function. The abundance of livestock materials is affected by weather and seasonal stress. In other words, for grassland animal husbandry, economic factors are more important than climatic factors. If increases exports of value-added meat products, it can get more profits than the mining industry.

In 2018, the total number of livestock animals in Mongolia reached 66.4 million. Mongolia produced 0.42 million tons of meat in 2017, providing domestic demand for its own production. In recent years, Mongolian economic development and living standards have increased the demand for meat products. Mongolian per capita meat consumption has reached 16.4 kg. The volume of pork produced in 2017 was 0.8 tons, and the sales volume was 700 tons. Poultry meat was 1.48 tons, and sales volume was 14.4 tons. Mongolian meat exports are increasing, with total exports of 55.0 thousand tons in 2018, a year on year increase of 1.9%. Revenue from meat exports was 146.5 million dollar. Mongolia horses are mainly concentrated in external markets and 90% of total exports. Mongolia's geographical location provides good market entry opportunities for China and Russia. Mongolia mostly, exports meat to two neighbors Russia, China and also working to find new markets in Japan and the Middle East, with Iran a particular target as producers hope to benefit from higher halal meat prices.

Mongolia has three main sources of meat supply. First, meat dealers buy live livestock, and after paying the slaughter fee at a slaughterhouse near Ulaanbaatar, they bring meat to the food market channels. The second is the channel for meat processing enterprises. Meat processing entrepreneurs collect livestock from herders and give them to the meat processing slaughterhouse. Meat processing companies provide processed meat products to food markets and retail stores in the capital. Third, herders distribute meat directly to consumers.

III. ORGANIZATIONAL ANALYSIS OF MONGOLIAN MEAT PROCESSING INDUSTRY

A. Market Structure Analysis of Mongolian Meat Processing Industry

1) Concentration

The Mongolian government attaches more and more importance to the development and policy of Mongolian meat processing industry. In 2010, there were 70 meat and meat processing plants, including 50 in Ulaanbaatar. In 2018, there were 123 slaughtering and meat processing plants across the country. In terms of the number of enterprises, according to the statistics of the Mongolian Meat Association in 2017, the regional distribution of Mongolian meat industry enterprises shows that there are more meat processing plants in the capital and in the central region, with 79 other 44 Countryside. Mongolia's meat processing industry has a high market concentration and lacks competitiveness. This means that it is a powerful oligopoly. The Meat Impex is the largest of all meat processing companies in Mongolia. In 2017, the number of meat companies is gradually increasing, and the degree of centralization is accelerating.

2) Brand differentiation

At present, there are many new meat processing enterprises in Mongolia, but head manufacturers are likely to maintain a leading position for a long time. For example, Meat Impex establishes a high-end brand image and produces more than 100 four types of products. For 70 years, the company has been providing meat and meat products to residents of the capital, and has accumulated rich experience in exporting meat and meat products to Asian and European countries, has played a special role in pushing Mongolian beef to the world. Many years experiences continue to win the trust of consumers and build lasting brand life. For other large high-income companies, they provide meat and meat products to foreign markets. In the domestic market they has their own chain stores and shops, as well as department stores and supermarkets. Small and medium-sized enterprises need to build the core competitiveness of their brands to avoid the crisis and maintain their core advantage.

3) Barriers to entry

From the perspective of entry barriers, the biggest barriers for Mongolian meat processing industry to enter new enterprises are funding and modern technological issues. The processing of meat products requires good equipment based on modern technology and specific product technologies and product processes. In the past eight years, Mongolia's meat and meat processing enterprises have increased. At present, Mongolian large meat companies use German technology and advanced meat products. Due to the lack of funds and human resources, newly-entered enterprises in the Mongolian meat market are unable to reach the technologies and patents owned by large meat products enterprises, resulting in technical and patent barriers. New entrants also have accumulated experience. Mongolian large-scale meat products companies have 73 years of experience and have formed a relatively complete industrial chain. Another barrier is the sales channel for meat products companies. The interior and equipment costs of the sales channel are a bit of a barrier to new entry.

B. Market Behavior Analysis of Mongolian Meat Processing Industry

1) Price strategy

According to the law of supply and demand, meat is cheaper and consumers demand more. The supply of meat on Mongolian domestic market is shrinking, and price increases depend on many factors. These include seasonal prices, exchange rates, fuel costs,

weak livestock and meat production systems, funding sources for meat reserves, and the impact of timely meat exports. As far as seasonal prices are concerned, Mongolia's meat prices change a lot in the market every quarter. Herdsmen's behavior is mostly sold in the fall and winter to prevent winter and large numbers of livestock. In spring or during the breeding season, the number of livestock is insufficient to increase the number of livestock. In terms of monthly meat prices, meat prices have risen from November to June and July of the following year, and may decline to November thereafter. Slaughter companies and traders slaughter and stock livestock in November, then supply the frozen meat market in winter and spring. Meat prices have increased due to the low meat supply in the Mongolian market in July and August. The risk of seasonal changes in meat demand and prices poses considerable obstacles to meat trade.

(2) Advertising strategy

Advertising is a method of non-price competition often used by companies in the market. Because advertising has a great impact on consumers' subjective and enhances brand and reputation. TV commercials have become the most important promotional tool for strong Mongolian meat processing companies. For Mongolia's largest meat processing company, the sales and marketing expenses of Meat Impex were 2.8 thousand dollar in 2016 and 29.9 thousand dollar in 2018. This means that the company's sales and marketing expenses have increased year by year. But some small and medium-sized meat processing enterprises are out of reach. This has a great impact on their competitiveness. At present, the consumption of the Internet is also growing, so each company uses the Internet to introduce their products to consumers.

C. Market Performance Analysis of Mongolian Meat Processing Industry

Technology and Product Innovation

Mongolian animal husbandry provides high-quality meat, which is the characteristic and benefit of Mongolian meat products. However, when Mongolia introduced original high-quality meat to foreign markets, it mainly used modern technology and equipment. In order to produce safe meat products, it is necessary to continue the continuous chain connection between the meat processing stage and even the consumer refrigerator, and the meat products more prominently their respective energy properties, emphasizing nutrition and health, and the packaging and quality are closer to and adapted to various consumer. At present, Mongolia's animal husbandry is rich in resources, and a wide range of technical and infrastructure issues has limited Mongolia's export capabilities, including lack of infrastructure and high-quality scientific laboratories. A large number of small and medium-sized meat products enterprises need technical funds. Today, large meat processing companies in Mongolia use modern German technology.

IV. CONCLUSION AND RECOMMENDATION

Mongolia has more than 70 million livestock, but 90% of all meat is slaughtered by the herders and not in professional monitored operations. This is a problem of lack of security. Mongolian meat industry needs to use sufficient resources to strengthen competition and encourage new and old business support. Despite increased production, most factories are located in the central part of the city. Proper distribution of production across regions will strengthen production activities, which will have a positive impact

on food security and meat prices. Increasing the capacity of existing companies and building new meat factories are the main factors that promote the development of the meat industry. As a result, 90% of the meat processed by traditional manual herders or manual methods is reduced and the production and processing of meat are increased.

According to the market structure, calculating industry concentration shows that Mongolia's meat product processing industry market concentration is oligopoly type 2. Mongolia's meat product processing industry has a high market concentration, and monopoly concentration has increased, it is easy for head manufacturers to stay ahead in the long run. Among all the meat processing companies in Mongolia, Meat Impex is the largest company and has established a high-end brand image. The company's years of experience continue to win consumer trust and build lasting brand life. Small and medium-sized enterprises need to build the core competitiveness of their brands to avoid the crisis and maintain their core advantage. The biggest barriers to market entry and exit for an enterprise are funding and modern technology issues. The higher the level of technology, the higher the production and competitiveness of enterprises. According to the market behavior, Mongolian domestic meat supply is shrinking, and price increases depend on many factors. These include seasonal prices, exchange rates, fuel costs, weak livestock and meat production systems, funding sources for meat reserves, and the impact of timely meat exports. There is a monopoly situation in advertising behavior. As large enterprises have abundant funds, their marketing budgets are also high. Therefore, the TV commercials in Meat Market are relatively large. In terms of market performance, Mongolia's large meat processing companies currently use modern German technology. The biggest barrier to entry for Mongolian meat processing industries and entry into new enterprises is the issue of modern technology. The processing of meat products requires good equipment based on modern technology and specific product technologies and product processes.

The development situation, market structure, behavior, and market performance of Mongolian meat processing industry, the following policy recommendations are proposed strengthen the scale and management of market order in the meat processing industry, need to use sufficient resources to strengthen competition and encourage new and old business support.

In addition, pay attention to the zoning and development of Mongolian meat production and increase the capacity of existing companies and build new meat plants, ensure the quality and safety of meat products, and research that needed to increase the development of meat production.

REFERENCES

- [1] B. Ochirbat , “Mongolian Meat Industry Challenges and Approaches (Book style with paper title and editor) ”, Mongolia: Ulaanbaatar, 2017, pp. 1–14.
- [2] Japan International Cooperation Group , Basic research in the Mongolian agricultural sector (Book style). Mongolia: Ulaanbaatar, 2017, pp. 11-19.
- [3] W. Jun Hao, *Industrial Economics*. (Book style) China: Beijing, 2016, pp. 1-13.
- [4] Industrial and Trade sector of Mongolia, *Competitiveness assessment*, (Unpublished work style),” unpublished, 2017
- [5] Mongolian Agriculture Department, *Mongolia Regional Development Research Report*, Mongolia: Ulaanbaatar, 2017
- [6] Mongolian Government-Ministry of Food, Agriculture, Light Industry of Mongolia, “Sustainable Development Strategy of Mongolian Animal Husbandry-2030” . Mongolia: Ulaanbaatar, 2017, pp. 1-34.
- [7] Mongolian Government-Ministry of Food, Agriculture, Light Industry of Mongolia, “Meat and Dairy Products Development Programm” . Mongolia: Ulaanbaatar, 2016, pp. 1-91.
- [8] Sustainable Development-East Asia and Pacific Sector, “Livestock Research in Mongolia (Comprehensive Report) ” , World Bank, 2008, pp. 1-56.
- [9] Bank of Mongolia, “Competitiveness of the agricultural sector and living standards of the local population”. Mongolia: Ulaanbaatar, 2015, pp. 1-88
- [10] Mongolian Ministry of Food, Agriculture, Light Industry. Mongolian Ministry of Food, Agriculture, Animal Husbandry and Light Industry report estimates. Mongolia: Ulaanbaatar, 2017, pp. 11-19.
- [11] National Statistical Office of Mongolia, “Mongolian National Statistics report estimates - Animal Husbandry, published at <http://www.nso.mn>, 2017
- [12] Mongolian Government-Ministry of Finance, “Introduction of Mongolia's General Budget”, Mongolia: Ulaanbaatar, 2017, pp. 249.
- [13] Mongolian Enterprise Data Platform, “Mongolian Enterprise Meat Processing Data”, unpublished. 2019
- [14] Mongolia Securities Market Association “Meat Market Research” , Mongolia: Ulaanbaatar, 2010, pp. 11-19

AUTHORS

First Author – Bumtsend Munkhdelger, Nanjing University of Science and Technology, Nanjing, China.
mdr_muugii@yahoo.com