

ECONOMIC EFFICIENCY OF POULTRY MEAT PRODUCTION AT S.C."AVI-TOP" S.A. IAȘI

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Abstract

The high performance of poultry breeding is an integral part of a system of durable agricultural production and represents a viable choice comparing to the traditional approaches of the agriculture.

A qualitative poultry breeding excels by the fact that it puts the health on the first place. It is part of the food chain and must guarantee the adequate conditions of quality and safety, as part of the production within this chain, beside the primary production.

The efficiency of poultry farms increased through using modern and high performance technologies and equipments, which led also to the increase of their productivity.

In the last years, in Romania, both the high interest of consumers on food safety and the care for the environment contributed to the development of a qualitative and efficient poultry breeding.

Even if over the last years the poultry industry was affected by the Avian Flu, the financial crisis or by other factors that could destabilize it, the European Union financial supports and other stimulating measures in favour of the conversion to a modern and qualitative poultry breeding, stimulated the develop of the poultry sector and the supporting of companies within the agribusiness channel.

Obtaining a durable and efficient poultry breeding depends on the integrated agriculture, whose objective is to manage the high productivity farms in a durable way, by using qualitative systems of cultivation, breeding and fattening of animals and poultry and by processing and sale of finished products.

S.C. "AVI-TOP" S.A. Iasi is one of the successful companies. The permanent concern of the company board is to satisfy the most sophisticated tastes of the poultry meat consumers.

Key words: efficiency, production, poultry meat.

The efficiency of poultry breeding and the productivity of the poultry farms have increased, as a result of using modern and high performance technologies and equipments. In the latest period, both the high interest of consumers related to food safety and the concern for the environment have contributed to the development of a high-performance poultry breeding.

The poultry breeding forms an integral part of the durable agricultural system and represents a viable choice comparing to the traditional approaches of the agriculture.

We observe the increased interest of consumers for healthy and safety products and implicitly, of producers and public authorities.

The high-performance poultry breeding puts first the consumer's health. It belongs to food chain and it has to guarantee the quality and safety conditions, as part of the production within this chain, beside the primary production.

Thus there is necessary to ensure basic environment standards in poultry breeding, without an additional financial claim. However, the high-performance poultry breeding is encouraged in the

European Union by investments in primary production and products sale.

The poultry meat market evolves towards high-quality products. The emphasis is put on newness and product value-added to consumers. We observe a maturing of the market, when the competition determines the most important producers to seek new development ways.

The main producers on market are concerned to diversify their products, by extending the existing brands or by introducing new ones.

The quality and the quality management are concepts which are considered as tasks for the companies oriented toward the future, regardless the product, the production sector, the location or the company size.

MATERIAL AND METHOD

The study was performed at S.C. "AVI-TOP" S.A. Iași, which is a representative unit in the field of poultry meat production, both at local and at national level. S.C. "AVI-TOP" S.A. Iași is a share company with private Romanian capital, which

deals with poultry breeding and the poultry meat sale. It was founded on December, 14, 2001.

S.C. "AVI-TOP" S.A. Iași belongs to successful units. The permanent concern of the company leadership is to ensure the high quality of its products, having as logo, the expression "AVI-TOP – the quality blazon" and to satisfy the poultry meat consumers' finest tastes.

During the nine years of activity, S.C. "AVI-TOP" S.A. Iași has succeeded to represent successfully the joint of European production and quality standards with the requirements of the Romanian food market. The company disposes of the following specific equipment: *the incubation station, four production farms, the poultry slaughter-house, the plant for combined fodder, the mechanical ateliers, the own fleet, two cold storages etc.*

At present, S.C. "AVI-TOP" S.A. Iași is known not only due to its products named AVI-TOP, but also due to its interest and offer on other brand products, such as: "Five Stars", "1001 Specialties" and "Gallis".

RESULTS AND DISCUSSIONS

The offer of S.C. "AVI-TOP" S.A. Iași includes 70 products with different characteristics and packaging to fit all distribution channels.

In the latest period, the market demands have determined private brands apparition, which are characterized by an optimum quality-price ratio for the final consumer. S.C. "AVI-TOP" S.A. Iași has become a well-known company and it adapts and improves its products depending on the market demands and needs.

Within the diversity of its products, S.C. "AVI-TOP" S.A. Iași offers the following assortments:

- **chicken meat in bag**: griller chicken, first quality chicken, chicken thighs, chicken thighs with back, chicken breast, chicken wings, chicken liver, chicken gizzards and hearts, chicken soup mix, chicken back, chicken necks, chicken heads and claws, chicken bones.
- **chicken meat tray**: griller chicken, chicken thighs, boned chicken thighs, chicken breast,

boned chicken breast, chicken wings, chicken liver, chicken gizzards and hearts.

During the period 2005-2007, the poultry meat production has had an increasing evolution, from 2337 tons in 2005, 3183 tons in 2006 up to 3919 tons in 2007. Throughout the year 2007, S.C. « AVI-TOP » S.A. Iași has registered an increasing evolution in June (over 204.9 tons). Thereupon the company has reduced its offer in December (till 175 tons) (*tab. 1*).

S.C. "AVI-TOP" S.A. Iași addresses both to market of individual consumers and to organizational market, based on the served consumers' category.

Referring to the served geographical space, S.C. "AVI-TOP" S.A. Iași addresses to all Romanian counties and towns on the following distribution lines (*fig. 1*):



Figure 1 Map of AVI-TOP products distribution

- Tecuci-Galați-Focșani;
- Adjud-Focșani-Râmnicu Sărat-Buzău;
- Hîrlău –Botoșani-Dorohoi-Fălțiceni;
- Suceava-Rădăuți-Siret-Gura Humorului-Câmpulung Moldovenesc-Vatra Dornei;
- Bistrița Năsăud-Cluj Napoca-Timișoara;
- Pașcani-Tîrgu Neamț-Bicaz-Gheorghieni;
- Roman-Bacău-Moinești-Tîrgu Ocna;
- Iași-stores (other than its own stores);
- Iași- Kosarom stores.

Table 1

Poultry meat monthly evolution within S.C. "AVI-TOP" S.A. Iași, in the period 2005 – 2007

Year	Month												Total
	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	
2005	367	421	280	119	108	78	110	123	129	147	136	139	2157
2006	521	665	412	190	158	112	165	209	206	228	203	143	3212
2007	667	798	515	227	193	129	205	257	243	268	235	206	3943
verage	518	628	402	179	153	106	160	196	193	214	191	164	3104
%	16.7	20.2	13.0	5.8	4.9	3.4	5.2	6.3	6.2	6.9	6.2	5.2	100.0

Source: Data processed based on the records of S.C. « AVI-TOP » S.A. Iași

The market of S.C. « AVI-TOP » S.A. Iași in Moldova region is presented in the 2nd table (tab. 2).

Beside these permanent customers who buy big quantities of company's products, S.C. «AVI-TOP» S.A. Iași has also occasional customers in București and in other counties (Alba, Cluj).

The production cost in a company represents the evaluating barometer of the economic activity. The authors revealed that the costs were higher with 27.8 % in 2007, comparing with those in 2005, by analyzing the current situation of the company S.C. «AVI-TOP S.A.» Iași (tab. 3, fig. 2).

Table 2

The regional poultry meat market of S. C. « AVI-TOP » S.A. Iași, in the period 2007- 2008

Town/County	M.U.	Years		% /2007
		2007	2008	
Iași town	tons	332.7	302.8	91.0
Pașcani-Roman-Hârlău	tons	234.8	264.3	112.6
Județul Botoșani	tons	100.1	125.1	125.0
Galați-Brăila	tons	53.1	470.7	886.4
Bacău County	tons	253.4	346.1	136.6
Piatra Neamț-Bicaz-Târgu Neamț	tons	344.7	467.0	135.5
TOTAL	tons	1318.8	1976.0	149.8

Source: Data processed based on the records of S.C. « AVI-TOP » S.A. Iași

Table 3

Production cost evolution and structure of poultry meat at S.C. «AVI-TOP» S.A. Iași, in the period 2005-2007

Specification	2005		2006		2007			Period average	
	Lei/ kg	% of total	Lei/ kg	% of total	Lei/ kg	% of total	%/ 2005	Lei/ kg	% of total
Direct expense - total, out of which:	4.100	88.1	4.934	89.6	5.296	89.1	129.2	4.777	89.0
-fodders	2.248	48.3	2.711	49.2	2.863	48.2	127.4	2.608	48.6
-biological material	1.025	22.0	0.817	14.8	0.965	16.2	94.2	0.935	17.4
-labour force	0.792	17.0	0.726	13.2	0.744	12.5	93.9	0.754	14.0
-other direct expenses	0.035	0.8	0.680	12.4	0.724	12.2	2062.4	0.480	9.0
Total overheads, out of which:	0.554	11.9	0.572	10.4	0.647	10.9	116.7	0.591	11.0
-credit interests	0.127	2.7	0.166	3.0	0.201	3.4	158.0	0.165	3.1
Production cost	4.654	100.0	5.506	100.0	5.943	100.0	127.8	5.368	100.0

Source: Data processed based on the records of S.C. « AVI-TOP » S.A. Iași

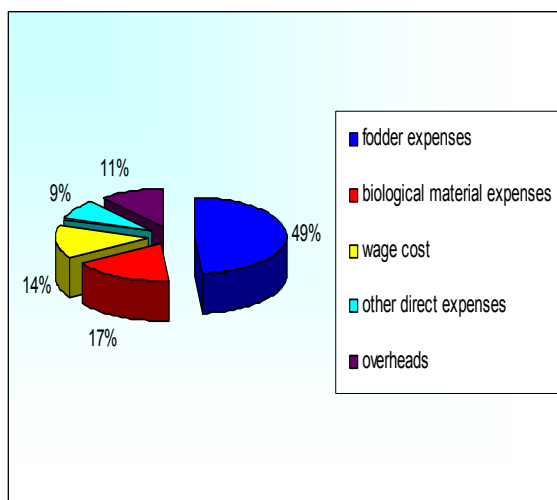


Figure 2 **Production cost structure on poultry meat at S.C. «AVI-TOP» S.A. Iași - % (period average)**

The biggest preponderance in the production cost structure is hold by fodder expenses (48.2 – 49.2 %), followed by biological material expenses (14.8 – 22.0 %) and wage cost (12.5 – 17.0 %).

The overheads have had an increasing evolution, with a high proportion (10.4 – 11.9 %). The credit interests have represented 31,8 % out of the total overheads in 2007. A higher preponderance in the structure of direct expenses is hold by the fodder expenses (48.6 %), followed by biological material expenses (17.4 %), in average on 2005 – 2007 periods. The wage cost represented only 14.0 % and the overheads represented 11.0 % during the mentioned period.

The evaluating indicators of economic efficiency result from calculations and processing of information within the technical-economic documentation, based on mathematical methods.

The turnover comprises the total incomes from the company's trade operations, respectively from the goods sale in a determined period of time. The financial and the exceptional incomes are not included in the turnover (*tab. 4, fig. 3*).

We observe that S. C. "AVI- TOP" S.A Iași has realized a growing turnover in time. This fact proves that the company is powerful, in a permanent development and its products are increasingly claimed by consumers.

The turnover was with 15 % bigger in 2008 comparing with 2007.

The estimation of the company's turnover increase is based on numerous investments up to 20 million lei performed in the latest years. The investments have consisted in increasing the production capacity, by building new halls for chicken breeding and slaughter. The company's strategy for the next 5 years is to invest in founding new farms for chicken breeding and reproduction.

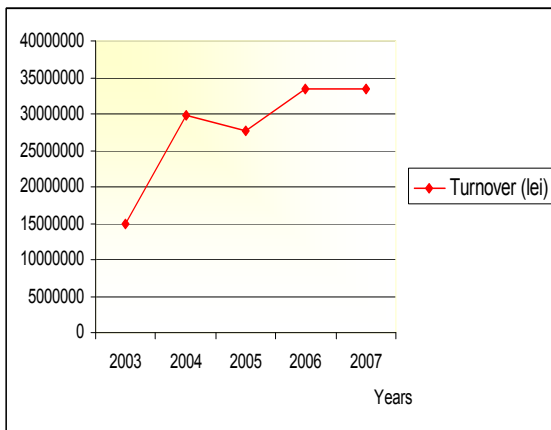


Figure 3 Evolution of turnover in the period 2003-2007, at S. C. "AVI- TOP" S.A Iași

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Concerning the poultry meat, S.C. "AVI-TOP" S.A. Iași holds a market share of 1,19 % from the national market and 12 % in Moldova.

The relationship between the turnover and the total production expenses was positive, in the sense that the turnover surpassed the growth rate of total production expenses and it led finally to a yearly increase of the profit (*tab. 5*).

We observe that the total gross profit was 5,3 times bigger in 2008, compared to 2005 and the rate of return has increased.

Referring to the average of survey period, we observe that the expenses for raw materials and other materials hold the biggest preponderance in the total operating expenses (64.3 %), followed by the expenses for staff (15.1 %), the expenses for electricity, water and gas (6.3 %) and the expenses for excises and taxes (1.3 %) (*tab. 6, fig. 4*).

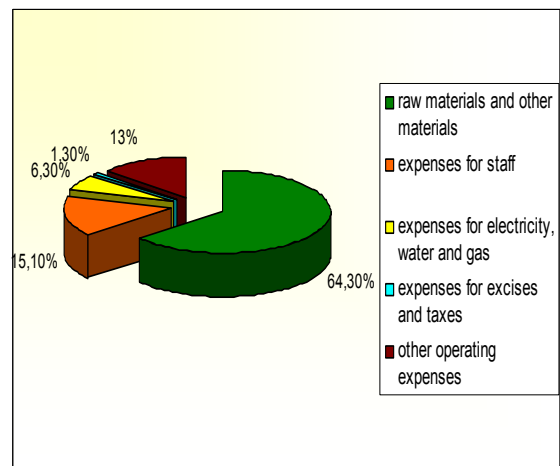


Figure 4 The structure of operating expenses at S.C. "AVI- TOP" S.A. Iași (2005-2007 period average) - %

The capitalization evolution was positive in the period 2005 -2007 (*tab. 7*).

The total gross profit evolution has increased, for example, during the period 2005-2007, so that the total gross profit has increased with 39.0 % in 2007, compared to 2005 and the gross profit rate has increased with 0.51 %.

S.C. "AVI-TOP" S.A. Iași has elaborated a marketing programme for making and launching on market of the product named „refrigerated griller chicken” (*tab. 8*).

The marketing programme represents a constituent element of the organization management policy, being a coordinating instrument of the company's actions to realize within the market and in other fields of activity. It serves directly to achieve the company's objectives and represents a key element for leadership. The marketing programme is necessary in all phases of the marketing activity.

Table 4

Evolution of turnover and gross profit at S.C. "AVI- TOP" S.A Iași, in the period 2003- 2007

Year balance	Turnover (lei)	%/2003	Gross profit (lei)	%/2003
2007	33500000	223.5	2590410	248.0
2006	33344219	222.4	2434629	233.1
2005	27657387	184.5	2384112	228.2
2004	29731391	198.3	1903471	182.2
2003	14991344	100.0	1044554	100.0

Source: Data processed based on the records of S.C. « AVI-TOP » S.A. Iași

Table 5

Evolution of financial performances at S.C. "AVI-TOP" S.A. Iași in the period 2005 - 2008

Indicators	M.U.	2005	2006	2007	2008	Period average
Turnover	million lei	98929	155402	302910	284921	210541
Total expenses	million lei	93467	140799	276659	255888	191703
1000 lei turnover expenditure	lei	944.7	906.0	913.3	898.1	910.5
Gross profit - total	million lei	5462	14603	26251	29033	18838
Gross profit rate	%	5.84	10.37	8.66	10.18	9.82
Net profit - total	million lei	5356	10446	19034	23841	14669
Net profit rate	%	5.73	7.42	6.33	8.36	7.65

Source: Data processed based on the records of S.C. « AVI-TOP » S.A. Iași

Table 6

Evolution of operating expenses at S.C. "AVI- TOP" S.A. Iași in the period 2005 - 2007 (million lei)

Specification	2005	2006	2007	Period average
Operating expenses- total, out of which:	91525.1	138210.4	268858.6	166198.0
1.Expenses for raw materials and other materials	58888.2	86751.5	175027.5	106889.1
2.Expenses for goods	2272.3	3243.3	4211.3	3242.3
3.Expenses for electricity, water and gas	6333.0	9052.3	15783.7	10389.7
4.Expenses for staff, out of which:	14879.1	22345.4	38123.6	25116.0
- wages	10881.5	16584.1	27336.2	18267.3
- insurance and social protection	3997.6	5761.3	10787.4	6848.8
5. Amortization	1711.7	2582.0	7980.5	4091.4
6.Expenses for external services	6783.1	11669.8	18977.9	12476.9
7.Expenses for excises and taxes	657.7	1574.6	4265.9	2166.1
8.Other operating expenses	-	991.4	4488.1	1826.5

Source: Data processed based on the records of S.C. « AVI-TOP » S.A. Iași

Thereby the marketing programme finds justification, **firstly**, in economic efficiency increase of the company's market activity. This desideratum can be achieved only in the situation of a correct substantiation of decisions, performing and controlling marketing actions.

Secondly, the marketing programme is important to eliminate or attenuate the orientation difficulties and integration of marketing instruments within the general economic effort.

Finally, the existence of the marketing programmes strictly elaborated is imposed by the

requirements of an efficient coordination between efforts resources in a certain perspective and the use of appropriate ways to eliminate the misunderstandings and the ambiguity.

Therefore, the necessity of a marketing programme is determined by the complexity of activities where it is materialized the promotion of the company's marketing policy. In this situation, it takes an increasingly regard to programming, which occupies a place more and more significant in the whole marketing activity.

Table 7

Poultry carcass meat capitalization at S.C. « AVI-TOP » S.A Iași, in the period 2005-2007

Product	Indicators	2005	2006	2007	%/2005
Poultry carcass meat	Total gross profit (million lei)	2968	3625	4125	139,0
	Gross profit rate (%)	6.60	7.35	7.11	+0.51

Source: Data processed based on the records of S.C. « AVI-TOP » S.A. Iași

Table 8

List of activities to be performed within the marketing programme

Activity symbol	Activity content	Previous activity	Duration of activity (days)
A	Making decision of product launching	-	5
B	Ideas selecting related to the new product	A	15
C	Documentary study	A	10
D	Realizing the product prototype	B	30
E	Realizing several wrapping variants	D	17
F	Qualitative research (product, wrapping and brand tests)	C, E	12
G	Choosing the brand and wrapping variant	F	1
H	Quantitative research(market survey)	F	30
I	Product finalization	G, H	20
J	Preparation of production capacity	I	30
K	Preparation of launching series	I	15
L	Determination of sale price	H	2
M	Establishing the launching geographical area	H	1
N	Establishing the distribution channels	M	1
O	Organizing the sales	N	12
P	Selecting and contact the agents	N	10
R	Negotiation with intermediary	L, O, P	20
S	Production of launching series	J, K, R	20
T	Wrappers making	R	15
U	Distribution of launching series	S, T	22
V	Performing the promotional campaign	S	20
W	Launching	U, V	5

If the marketing programme is viewed as a practical tool, it will become a detailed plan of a complex activity, which emphasizes to achieve a certain objective.

A series of practical actions are included in a coherent ensemble through the intermediary of the marketing programme. The actions are echeloned in time and space and there are indicated the resources responsibilities provided in both the deployment of each action and the ensemble activity.

CONCLUSIONS

The mission of the company S.C. "AVI-TOP" S.A. Iași is to give value to the life, through promoting a healthy alimentation based on the chicken meat, which is easy to prepare and very tasty.

The total expenses were ascendant and were influenced by the expenses resulted from the electricity, heat, water and gas consumption. The incomes evolution was ascendant, due to the increase of production, sales and sale prices.

Concerning the capitalization, we observe that the net profit doubled in 2005 and it tripled in

2006. These results prove the favourable evolution of the company's activity.

S.C. « AVI-TOP » S.A. Iași will develop its trade on medium term, through the intermediary of big retailers, representing the sale channel which contributes to the company's image, notoriety and favours the creating of a consumption habit.

As for the development and launching of new products, the marketing department of the company S.C. "AVI-TOP" S.A. Iași organises brainstorming meetings for generating ideas of new products, performs market surveys and proposes the introducing of new products in the company's offer.

S.C. "AVI-TOP" S.A. Iași uses competitiveness challenge strategies related to product quality, wrapping, publicity and supplying promptness and does not centre on price strategies.

The offer of processed meat products has diversified significantly in the latest period and covers all market segments, providing a possibility of offers' widening so as to respond to all consumers categories, based on each preferences and exigencies. We can also observe that the preference for uncooked dried products is become more and more present in Romania, as well as in

other countries. This fact is surprising because the Romanian consumers prefer generally the traditional taste of the meal.

The appearance of modern trade networks and the increase of purchasing power of the population have had as an effect, the orientation of customers with medium and high incomes, towards “cut pieces” products to the detriment of cheaper ones. In this context, S.C. “AVI-TOP” S.A. Iași has elaborated a marketing programme for making and launching on market of the product named „refrigerated griller chicken”.

The marketing programme represents a constituent element of the organization management policy, being a coordinating instrument of the company’s actions to realize within the market and in other fields of activity. It serves directly to achieve the company’s objectives and represents a key element for leadership. In these situation, *the marketing programme represents the tool of the company’s market strategy.*

The price and promotion policies represent two of the company’s advantages, which contributed to the creation of a stable relationship with all its clients.

The advantageous prices established by the company represented the key step to attract customers and the promotion policy contributed to the customers’ loyalty.

S.C “AVI-TOP” S.A. Iași hopes to obtain a significant advantage through the introduction on market of the new product named „refrigerated griller chicken”, especially because it is the first company which introduced the refrigerated meat on the market of Moldova region, where the company holds a high market share.

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