

SLOVENIA

Restructuring and
developing physical
potential and
promoting innovation

Location

Pomurska region

Programming period

2007 – 2013

Axis / Priority

Axis 1 – Improving the competitiveness of the agricultural and forestry sector

Measure

M123 - Adding value to agricultural and forestry products

Funding (EUR)

Total budget 3 198 113
EAFRD 982 702
National/Regional 327 601
Private 1 887 711

Project duration

2010 – 2012

Project promoter

Kodila d.o.o.

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The Kodila meat processing company used EAFRD funds to invest in new equipment in order to enhance the quality of its PDO ham and increase its production volume

Summary

The Kodila family meat processing business has been operating for 24 years. Due to changing conditions where supermarkets dominate the market compared to small and specialised businesses, the owner took the decision to restructure his business.



The project financed the reconstruction of the company's production and sales facilities and the purchase of new equipment. A new building serving as a ripening depot and a shop was constructed. It was built using the traditional architecture style of the area using clay walls and a straw roof. The building also provided space for presentations and tastings. The existing processing premises were extended, renovated and modernised with new equipment for processing, internal transport, packaging, as well for computerised production and storage control.

Results

The production quantities increased 1.5 times and the expected annual income planned for five years after completion of the investment has already been achieved within 2.5 years.

The number of staff working at the Kodila premises increased from 20 to 35.

Between 2000 – 3000 visitors annually take part in guided tours of the production area and tastings.

After being available in the market for 4 years the price has doubled and the quantities sold have risen by ten times.

Lessons & Recommendations

- ❑ Engaging in any project solely for financial reasons is not an ideal way to approach a project. Passion and patience are also key while keeping a close eye on the economics to efficiently and effectively use new investments in support of the business objectives.
- ❑ Each producer should find his own and unique way and business model. Kodila give priority to quality, knowledge and tradition over mass production.

Context

The Kodila business is located near Murska Sobota in the Prekmurje region which has a long tradition in agriculture and food processing. It produces dried meat products, of which the Prekmurje ham is the most important. It also produces high and middle class fat products (liquid fat, crackles) and gourmet products (pates, spreads etc.). A specialist line includes foods produced without any preservatives, based on meat, salt and spices only.

The Kodila family business has been operating for 24 years. Mr Janez Kodila took over the company 13 years ago and he is the 3rd generation to manage the business. Due to changing conditions where supermarkets dominate the market rather than small and specialised businesses, Mr Kodila took the decision to restructure the business. The business changed from a local butchers shop selling mainly fresh meat into processing a small amount of meat products for direct selling. The change of business model was also based on the philosophy of introducing traditional methods and recipes to small-scale manufacturing. Mr Kodila was among those working both at national and EU level to promote Prekmurje ham to receive Protection Designation of Origin (PDO) status.

The restructuring of the business was strongly connected with the development of the Kodila brand, market repositioning and expanding sales to the Slovenian market.

Objectives

The project aimed at improving the production conditions to ensure quality and added value of the products, primarily the Prekmurje ham.

An objective was also to increase consumers' awareness and provide them an insight into the specificities of the production process in order to differentiate the company's ham from industrially produced ones.

Activities

The project financed the construction of business and sales facilities and the purchase of technological equipment. A new building serving as a ripening depot and a shop was constructed. It was built in a traditional architecture style with clay walls and a straw roof and included space for presentations and tastings. The ripening depot got equipped with a computerised air condition control system, which allows approximately 70-80% use of external climate conditions (natural environment) and is therefore very energy efficient.

In the ripening process the ham goes through four chambers each simulating the conditions of the four seasons. Ground water is used as an alternative source of energy for cooling and air conditioning of the ripening depot. A smoking chamber was also built with an open fireplace using beech trees as traditionally practiced in the Alpine and Sub-Alpine regions.

The existing processing premises were extended, renovated and modernised with new technology equipment, such as processing equipment, internal transport equipment, packaging equipment, computerised production equipment and storage control.



Main Results

The production and sales area increased from 700 m² to 2300 m². The production quantities increased 1.5 times and the expected annual income planned for five years after completion of the investment, has already been achieved within 2.5 years.

Cooperation agreements have been made with seven pig breeders from the area.

The number of staff working at the Kodila premises increased from 20 to 35. However, the workers are not directly employed by Kodila, but are engaged under cooperation agreements for example with local social enterprises who engage vulnerable target groups in eco-farming, processing and packaging and provide support in the packaging phase where much manual work is required. Some offer their products to be displayed for sale on Kodila's shelves.

The premises have become a popular destination for tourists and visitors of the Prekmurje area. Between 2000 – 3000 visitors annually take part in guided tours of the production area and tastings. The new shop offers products from around 20 small manufacturers of traditional foodstuffs, drinks and crafts ranging from wine, oil, juices, brandies, flour, vegetable products, baked products, etc. all in one place. These manufacturers are usually unable to find sales space on other shops' shelves and have no marketing capacities of their own.

Kodila's strong focus on quality is well supported by quality schemes. The Prekmurje ham Origin was already protected at national level for many years and became certified PDO at EU level in 2014.

After being available in the market for 4 years the price has doubled and the quantities sold have risen by ten

times. However it is still small scale operation producing about 3000 pieces annually. The business today is operating at 80 - 90 % capacity and the future growth is seen in adding further value and quality rather than increasing quantity.

The main customers for Prekmurje ham are higher quality food shops, hotels and other key account customers, tourists visiting the premises, etc. Other products are also available in the main chain of stores over Slovenia. The company is entering markets in Austria, Germany and others. The PDO status is seen to be a very important part in building market visibility as it provides a clear message about the product quality to the customer.

Key lessons

The project was designed on the basis of recognised needs. The project beneficiaries aimed to improve the processing conditions for high quality meat and to effectively cater for the growing market demand.

Engaging in any project solely for financial reasons is not an ideal way to approach a project. One needs passion and patience, but also a close eye on the economics to efficiently and effectively use new investments in support of the business objectives (rather than creating a financial burden). Readiness to operate for the longer term, technological processes, marketing and tourism were each decisive elements of this good practice.

The process of building and managing a company brand takes time. The PDO label supported Kodila in their efforts to differentiate the Prekmurje ham in the highly globalised markets.

Each producer should find his own and unique way and business model. Kodila give priority to quality, knowledge and tradition over quantities.

Additional sources of information

n/a