

Competitiveness of Romanian milk and meat sectors in the context of accession to the EU

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Structure

- **General information about Romania's agriculture**
- **Supply, demand, consumption, trade (milk, meat)**
- **Expectations**

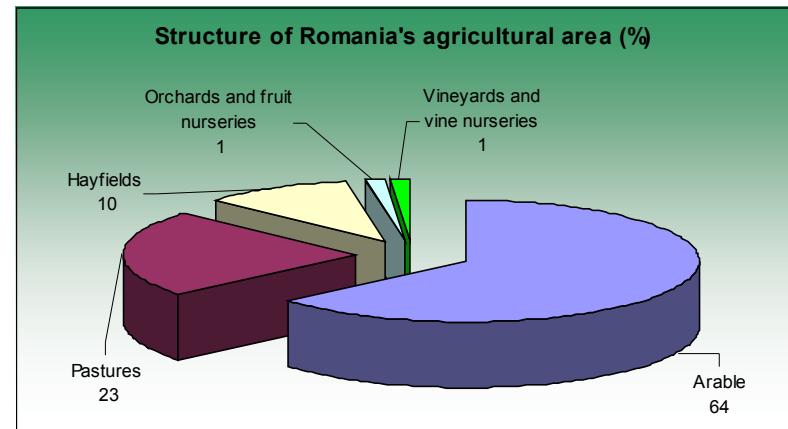
Some general data on Romania's agriculture

Land area:

- **Agricultural area: 14.8 million ha (61.7% of Romania's total area)**
- **4.5 million individual agricultural holdings use 52.4% of the total agricultural area**
- **Out of these, only 38% have more than 1 ha**

Population:

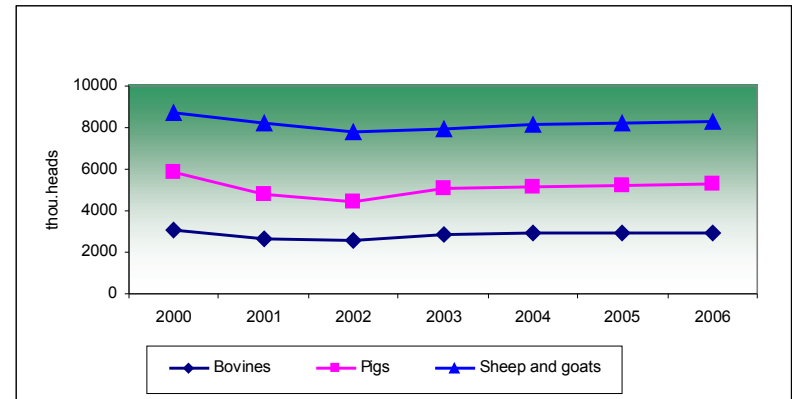
- **Rural population: 45.1% of total population**
- **Population employed in agriculture: 31.2%**
- **GDP in agriculture: 8.5%**



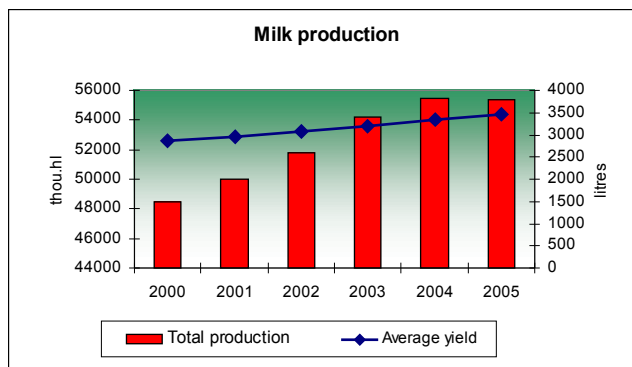
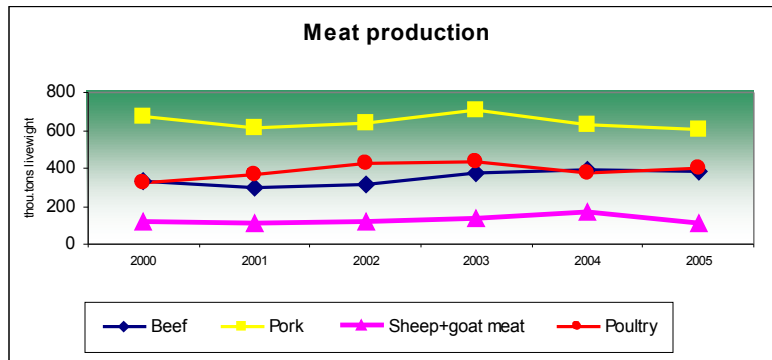
Livestock herds

- Year 2003: beginning of livestock herds stabilization after the decline in the period 1990-2002
- Average size of farms (heads) :
 - bovines: 2.4
 - dairy cows: 1.6
 - pigs: 2.9
 - sheep and goats: 9.1
- Density (number of animals/100 ha land)*
 - bovines: 20.5
 - pigs: 72.9
 - Sheep and goats: 59

* The cattle, sheep and goats are related to the arable land + pastures + hayfields and the pigs are related only to the arable land



Animal production



Meat product (live weight)

- Except for beef production that remained stable, the production of the other species declined, due to:
 - Low competitiveness of domestic pork production, and preference for imports due to their lower prices and higher meat quality
 - Panic created by avian influenza
 - Low demand for mutton

Milk production

- Total production increase (14%) due to the increase in average yields (21%)

Production destination in 2005 (%)

Specification	Beef	Pork	Poultry	Sheep and goat meat	Milk
Processing	36	28	61	12	24
Self-consumption	25	53	33	43	39
Direct sales	39	19	6	45	26
Feed for animals	-	-	-	-	11

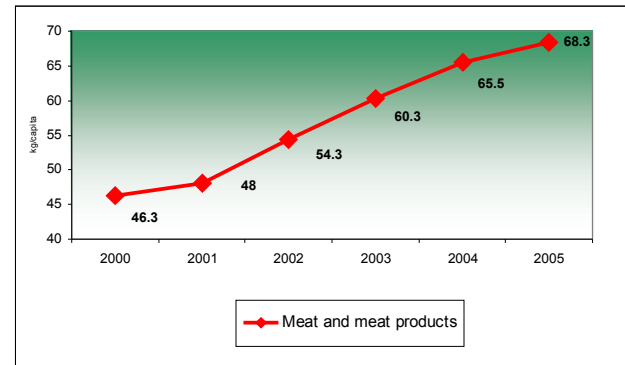
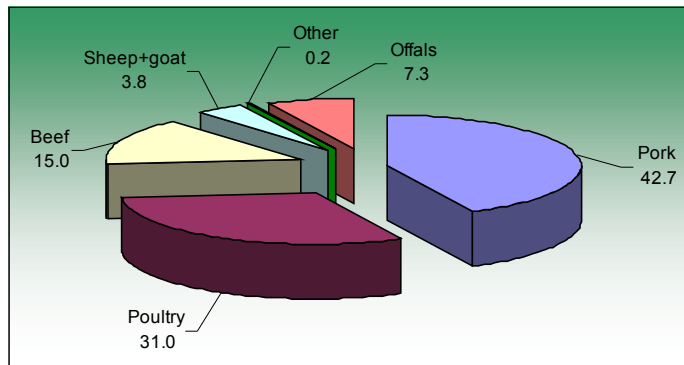
In spite of:

- High self-consumption in milk, pork, mutton
- Large quantities of mutton sold on the peasant markets

Yet:

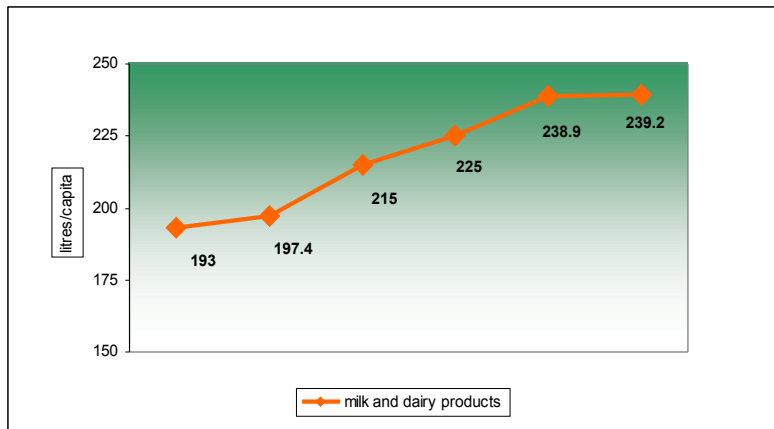
- The vertical integration of poultry meat production limits the direct sales, in favour of industrial processing

Meat consumption



- The meat and meat products hold the first place in the structure of expenses for agrifood products (23%)
- Pork holds the first position in Romanian consumers' preferences and it has been also stimulated as a result of problems that appeared with the poultry meat
- Poultry meat is the most accessible as regards prices for consumers
- Mutton is occasionally consumed (on Easter, in autumn)
- Beef demand is still low

Milk consumption



- In the structure of expenses for agrifood products, the milk and dairy products hold the 3rd position (12%) after meat and bread
- Quantitative increase (24%)

Processing sector (2000-2005)

Specification	Milk	Meat
Share in the food industry	7%	19%
Share of investments in total investments in the food industry	8%	13%
Industrial production	3 times increase of fresh dairy production and 2 times increase of cheese production	2 times increase in the production of meat preparations and 2 times increase in canned meat
Quality of raw materials	<ul style="list-style-type: none">only 20% of the raw milk complies with the EU norms (NTG: 1 000 000/ml, NTCS: 600 000/ml)	<ul style="list-style-type: none">the percentage of fat in pig carcasses frequently exceeds the EU limits

Compliance of production capacities with the EU standards

Specification	Red meat	Poultry meat	Milk
A – Units complying with EU norms (in July 2006)	31	24	49
B – Units complying with the EU norms (on January 1, 2007)	290	22	217
C – Units listed for the transition period (that will comply with the norms by the end of 2009)	88	6	75
D – Units with no restructuring program (will be closed down)	13	-	20
TOTAL	422	52	361

- 75% of the red meat units, 88% of the poultry units and 74% of the dairy units comply with the EU norms (January 2007)

Domestic policy

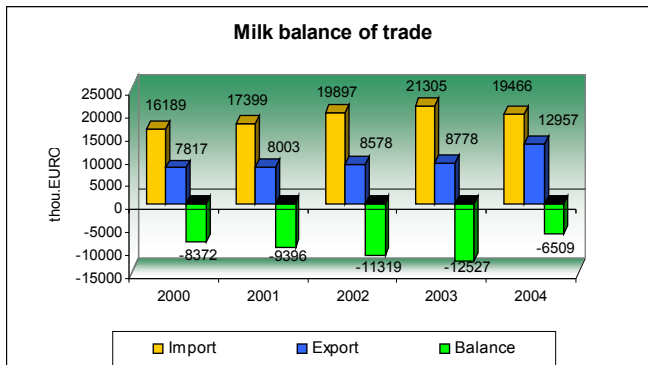
- **Result of negotiations**

Milk	Meat
Milk quota: 3.0 million tons, out of which: <ul style="list-style-type: none">- 1.1 million tons to processing (36%)- 1.9 million tons direct sales (64%) Reserve quota: 0.2 million tons (2009)	National ceilings: <ul style="list-style-type: none">- Bovines: 1.8 million heads- Sheep: 5.9 million heads

- **Domestic financial support 2007: 124 million EUR, out of which:**

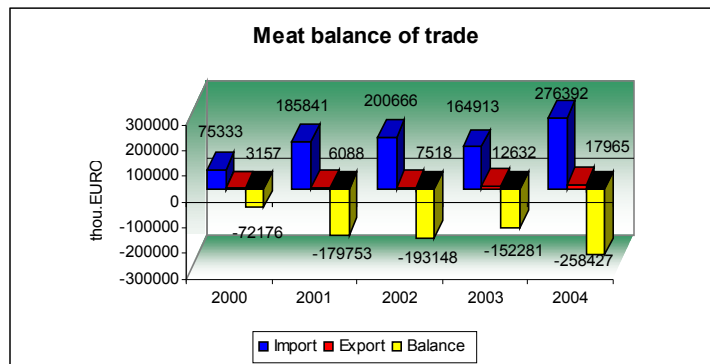
- **Complementary National Direct Payments: 35 million EUR:**
 - Annual premium per ton of milk (for the farms having the milk quota)
 - Premium per head for the suckling female animals
 - Premium per head for the young female bovines raised for meat
 - Premium per head for slaughtering animals (bovines)
 - Premium per head for sheep, goats (at lambing)
- **Improvement of breeding quality and of animal production quality: 89 million EUR**
- **Other subsidies:**
 - Milk premium per litre of milk according to EU norms (0.09 EUR/litre)

Balance of trade



MILK

- ✓ Except for cheese, Romania is a net importer of dairy products
- ✓ With the accession, an increase of imports by about 30% is expected



MEAT

- ✓ Romania is a net pork importer and net exporter of live animals (sheep and bovines)
- ✓ half of the export of live animals is represented by sheep

Expectations (1)

- **Increase in the quality of raw materials through improving the performance of pig and bovine breeds**
- **As a consequence of quality improvement, it is expected that the milk and meat prices will raise**
- **Increase of farmers' incomes**
- **Increase in the demand of meat and dairy products**
- **Access to an enlarged EU market**
- **Stimulation of intra-Community trade, as a result of the removal of tariff barriers**
- **Increase of foreign investments**
- **Disappearance from the market of many economic operators from the milk and meat processing sector**
- **An even greater penetration of imports if the sectors do not improve their competitiveness**

Expectations (2)

- On the short and medium term, the Romanian meat and milk market is not competitive compared to the European Union market
- On the long term, however, due to Romania's competitive advantage, i.e. 4.8 million ha of pastures and natural hayfields, Romania has the possibility to develop its organic farming sector for the milk and beef sectors
- On the long term, the development of pork and poultry sectors may become possible, owing to the large grain supply in Romania
- On the medium and long term, due to the limited demand for goat and sheep meat, no significant changes are expected in relation to production increase



**Thank you very much
for your attention!**