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GAIN Report #RO0019

## Romania

### Dairy and Products

#### Annual

#### 2000

Approved by:  
**Holly Higgins**  
**U.S. Embassy**  
 Prepared by:  
 Anton Pavel

**Report Highlights:**

**Due to a reduction in dairy cow herds, FAS Bucharest estimates that Romania's butter output will decrease 14 percent to 6,000 MT. FAS Bucharest projects that both domestic milk fluid and butter production will continue to drop in CY 2001, because of the severe drought that has impacted animal feed grains and hay production throughout the country. Romania is a net importer of dairy products and recently offered a production subsidy to stimulate milk fluid production and consumption.**

Includes PSD changes: Yes  
 Includes Trade Matrix: No  
 Annual Report  
 Bucharest[RO1], RO

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## Production

FAS Bucharest estimates that Romanian milk fluid production for CY 2000 will drop two percent to 5.4 MMT, compared to 1999, because of a two percent reduction in dairy cow herds. FAS Bucharest estimates further reduction in CY 2001 projecting the output for milk fluid to total 5.3 MMT. Domestic butter output, which will follow a similar trend, is estimated to drop to 6,000 MT in CY 2000 from 7,000 MT over the previous calendar year. For the CY 2001, as in domestic dairy production, FAS Bucharest projects butter outputs to continue to decline to 5,000 MT. as a result of dairy herd reduction

The reduction in dairy cow herds are a result of severe drought throughout Romania in CY 2000. The countrywide drought significantly reduced the production of hay and other feed supplies for animals. During this period, producers harvested, on average, two cuts of alfalfa cuts, compared to 3-4 cuts in prior years. The reduction in the supply of animal feed and hay has forced some dairy producers to cull their herds.

The Romanian dairy sector continues to face difficulties in the absence of a viable market economy. Currently, some major constraints faced by the Romanian dairy sector include: reduced reproduction rates; inadequate feeding and reduced protein content in dairy cow diets; continued reduction of grazing land; high cost of various inputs (energy, fuel, animal drugs, frozen semen, etc.) compared to a reduced producer price for milk; and insufficient milk storage equipment which limits the amount of milk purchased by dairy processing operations.

According to recent GOR statistics, domestic dairy herds total 1.58 million head, of which 90 percent are owned by producers who have 1-2 cows. These producers use antiquated technologies and have reduced milk production per cow.

In order for the dairy sector to become more efficient and increase production of milk fluid and other dairy products, studies undertaken by local research institutes indicate a need for financing, to encourage producers to use better feed to increase yields, expand their farms, and incorporate the use of technology to expand their operations. The recent study confirms that such changes and investment could improve conditions for dairy farmers. In light of GOR budgetary constraints, financial assistance is not available for dairy farmers at this time.

In September 2000, the GOR has allocated a production subsidy of RL500/liter of milk (about \$0.02 at the current exchange rate) to increase the output. However, it is expected that this regulation will have only a limited effect on production, as prices continue to increase for various dairy production inputs.

## Consumption

Consumption of milk and other dairy products continues to remain low, due to reduced production and high retail prices. At the same time, the current average purchasing power is only 40 percent of what it was in 1990.

**CY 2000 Prices of Fluid Milk and Butter**

<b>Product</b>	<b>Price (US \$)</b>
Fluid milk (in bulk, farmers' market)	\$0.20-0.30/liter
Fluid milk (packaged, pasteurized, food stores)	\$0.50-65/liter
Butter (0.25 kilo pack)	\$0.70-1.05

Because of the lack of quality control and improper storage, some milk and other dairy products in farmers' markets have been found by consumer protection agencies to be unfit for human consumption. These products have been withdrawn from market.

**Trade**

Romania is a net importer of dairy products. According to FAS Bucharest estimates, based on data from trade and industry sources, Romania imports of dairy products in CY 1999 totaled US\$24 million, while exports of Romanian dairy products totaled approximately US\$4 million, leaving a deficit of about \$20 million. The main suppliers of dairy products to Romania in CY 1999 were Hungary, Moldova, Poland and EU countries (Germany, France, Netherlands). Because the EU enjoys a preferential import duty, Germany, France and Netherlands supply about 80 percent of Romanian butter imports while Moldova, Hungary, Poland and Germany were the leading suppliers of milk and other dairy products. Because of insufficient domestic supplies, and the GOR lack of policy changes to assist the dairy industry, FAS Bucharest forecasts that Romania will continue to be a net importer of dairy products during the next several years.

**2000 Import Duties for Dairy Products**

<b>HTS Code</b>	<b>Item</b>	<b>Duty</b>
04.01	Milk, fluid	General Duty - 35 percent EU - 35 percent (preferential duty) Poland & Slovenia - 30 percent (CEFTA)*
04.05	Butter	General Duty - 45 percent EU - 18.8 percent (preferential duty) Czech Republic - 25 percent (CEFTA)*

Source: 2000 Romanian Customs Handbook

\*CEFTA stands for the Central European Free Trade Association. Countries within CEFTA receive preferential duties for their products.

**PSD Table, Milk, Fluid**

PSD Table						
Country	Romania					
Commodity	Dairy, Milk, Fluid				(1000 HEAD)	(1000 MT)
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Cows In Milk	1650	1613	1645	1580	0	1560
Cows Milk Production	5145	5165	5135	5040	0	4975
Other Milk Production	400	380	400	370	0	360
TOTAL Production	5545	5545	5535	5410	0	5335
Intra EC Imports	0	0	0	0	0	0
Other Imports	1	1	1	1	0	1
TOTAL Imports	1	1	1	1	0	1
TOTAL SUPPLY	5546	5546	5536	5411	0	5336
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	0	0	0
Fluid Use Dom. Consum.	3770	3450	3750	3400	0	3360
Factory Use Consum.	995	1395	1005	1315	0	1300
Feed Use Dom. Consum.	781	701	781	696	0	676
TOTAL Dom. Consumption	5546	5546	5536	5411	0	5336
TOTAL DISTRIBUTION	5546	5546	5536	5411	0	5336
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

**PSD Table, Butter**

PSD Table						
Country	Romania					
Commodity	Dairy, Butter				(1000 MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Beginning Stocks	1	1	1	1	1	1
Production	9	7	8	6	0	5
Intra EC Imports	0	0	0	0	0	0
Other Imports	1	1	1	1	0	1
TOTAL Imports	1	1	1	1	0	1
TOTAL SUPPLY	11	9	10	8	1	7
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	0	0	0
Domestic Consumption	10	8	9	7	0	6
TOTAL Use	10	8	9	7	0	6
Ending Stocks	1	1	1	1	0	1
TOTAL DISTRIBUTION	11	9	10	8	0	7
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0