USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.08

Required Report - public distribution

Date: 8/31/2004

GAIN Report Number: RO4014

Romania

Livestock and Products

Annual

2004

Approved by:
Brian Goggin
U.S. Embassy Bucharest

Prepared by:
Cristina Cionga

Report Highlights: Swine inventories in 2004 have slightly diminished compared to the previous year, after the very severe drought in the summer of 2003, which dramatically raised feed prices. Although live cattle are a major agricultural export item of Romania, the country remains a net importer for both beef and pork, including from US. The current production subsidies are anticipated to result in some recovery of the livestock sector in 2005, evolution to which the upward trend in consumption prices is also contributing.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Unscheduled Report
Sofia [BU1]
[RO]

Table of Contents

Production

Romania's swine inventories reached, in the beginning of the MY2004, 5.14 million heads, representing a 1.7 percent increase from the previous year, although sow stocks were 8 percent down. This situation (attributed to the extremely severe drought that affected the grain and feed sector in 2003) partly explains the decline in livestock numbers in the first the first half of the year 2004, with over 400,000 hogs less than in January-June 2003, and likely to continue shrinking swine herds until the end of December. However, a wide range of governmental programs meant to support livestock population and production (described in more detail below), if not discontinued after the November 2004 elections, are expected to result in some recovery in 2005. The majority of this swine population (a steady 75 percent) is held in individual households, while only 23 percent of the animals are bred in large farms (of over 3,000 commercial hogs). Nonetheless, some new commercial operations, developed by private investors, are emerging. As an example, the largest Romanian (and one of the largest by worldwide standards) integrated operation, located the western part of the country, has been recently acquired by a major multinational.

Cattle inventory was steady throughout 2003 and no significant changes are expected by the end of 2004. A trait of the bovine sector in Romania is that there are no differences in feed ration formulation for dairy cows versus beef cows. In fact, there are no statistical registrations to make the distinction between the two categories of animals. Cattle and calves on feed stood at roughly 2.9 million heads in the beginning of 2004 and some increase was registered during the first half of the year (in absolute terms, with 2,000 animals) as against the same period of 2003. Even though bovine growers are eligible for different GOR subsidy schemes, recovery in the sector is very slow, due to both the long production cycle and the structural deficiencies that are characteristic to the Romanian agriculture, where market-oriented operations coexist with small subsidence farms, requiring deep restructuring. This means that most production continues to come from small farms. Households holding 1-2 cows count for the majority of dairy cows inventories (about 80 percent). Less than 40 percent of the domestic beef production (i.e., 142,000 MT, on a liveweight basis) goes to meat processing units, while 26 percent are self-consumed in rural households and the remaining 35 percent supplied to the retail market.

We anticipate that pig meat production in 2004 will be down by some 5 percent, because of a drop in the number of animals slaughtered, although this may be partly compensated by some increases in the average carcass weight. For the first half of the year, the official Ministry of Agriculture statistics show that the average liveweight at slaughtering was 105 KG (versus 103 KG in January-June 2003) for hogs and, respectively, 359 KG (versus 346 KG) for bovine cattle, reportedly attributed to improved feed and forage practices at farm level. In 2004, only about 32 percent of domestic pork supply was delivered to processors, while the share of self-consumption remained very high, at about 60 percent, with the balance directly sold on the retail market. This is insufficient to cover the local processing demand, so that significant amounts of pork cuts (almost balancing the domestic supplies) are annually imported.

It is generally assessed that after Romania will become an EU member (optimistically scheduled for 2007), only the few farms currently equipped with competitive technologies will remain operational. The recently issued EU position paper, referring to the completion of negations on agriculture with Romania, stressed the importance of the accession preparations considering all aspects of food safety along the production chain, including primary production, the production of animal feed and consumer safety. Although the EU meat industry is subject to strict sanitary regulations, according to the document, Romania was granted a transition period until December 31, 2009 for modernizing and re-vamping its slaughtering and meat processing units, in compliance with the Community requirements, while products from establishments subject to transitional arrangements will not be sold to other Member States and will be clearly identified. In absolute numbers, this is how the Romanian industry is foreseen to look in 2010: out of the existing meat processing capacity (totaling 728,000 MT/year for slaughtering and, respectively, 777,000 MT/year strictly for processing), about 30 percent will be shut down. This means that, out of the total of 561 slaughterhouses registered in 2004, only 4 are EU-requirement compliant, 14 are to be revamped by 2007, 20 will be modernized by 2010, while the remaining 523 are listed to be closed. A similar situation is in processing[1]: 5 plants are EU-compliant, 52 will be revamped by 2007, 17 by 2010, while 507 are likely to be shut down.

Production, Supply and Demand Table

Romania							
Animal Numbers, Cattle							
	2003	**Revised**	**2004**	**Estimate**	**2005**	**Forecast**	**UOM**
	USDA Official [Old]	**Post Estimate [New]**	**USDA Official [Old]**	**Post Estimate [New]**	**USDA Official [Old]**	**Post Estimate [New]**	
Market Year Begin		01/2003		01/2004		01/2005	MM/YYYY
Total Cattle Beg. Stks	2878	2878	2890	2897	2910	2890	(1000 HEAD)
Dairy Cows Beg. Stks	1738	1759	1776	1757	0	1760	(1000 HEAD)
Beef Cows Beg. Stocks	0	0	0	0	0	0	(1000 HEAD)
Production (Calf Crop)	1430	1410	1434	1408	0	1420	(1000 HEAD)
Intra EC Imports	0	0	0	0	0	0	(1000 HEAD)
Total Imports	24	1	28	1	0	2	(1000 HEAD)
TOTAL Imports	24	1	28	1	0	2	(1000 HEAD)
TOTAL SUPPLY	4332	4289	4352	4306	2910	4312	(1000 HEAD)
Intra EC Exports	0	0	0	0	0	0	(1000 HEAD)
Total Exports	60	152	62	120	0	115	(1000 HEAD)
TOTAL Exports	60	152	62	120	0	115	(1000 HEAD)
Cow Slaughter	1060	960	1060	1000	0	1005	(1000 HEAD)
Calf Slaughter	40	38	40	41	0	40	(1000 HEAD)
Other Slaughter	224	180	224	200	0	195	(1000 HEAD)
Total Slaughter	1324	1178	1324	1241	0	1240	(1000 HEAD)
Loss	58	62	56	55	0	57	(1000 HEAD)
Ending Inventories	2890	2897	2910	2890	0	2900	(1000 HEAD)
TOTAL DISTRIBUTION	4332	4289	4352	4306	0	4312	(1000 HEAD)
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0	(1000 HEAD)
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0	(1000 HEAD)

[1] By processing units, those plants without own slaughtering line are meant.

Production, Supply and Demand Table

Romania							
Meat, Beef and Veal							
	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		01/2003		01/2004		01/2005	MM/YYYY
Slaughter (Reference)	1324	1178	1324	1241	0	1240	(1000 HEAD)
Beginning Stocks	0	0	0	0	0	0	(1000 MT CWE)
Production	202	190	204	205	0	210	(1000 MT CWE)
Intra EC Imports	0	0	0	0	0	0	(1000 MT CWE)
Total Imports	5	3	3	4	0	3	(1000 MT CWE)
TOTAL Imports	5	3	3	4	0	3	(1000 MT CWE)
TOTAL SUPPLY	207	193	207	209	0	213	(1000 MT CWE)
Intra EC Exports	0	0	0	0	0	0	(1000 MT CWE)
Total Exports	1	0	0	1	0	2	(1000 MT CWE)
TOTAL Exports	1	0	0	1	0	2	(1000 MT CWE)
Human Dom. Consumption	159	150	158	160	0	161	(1000 MT CWE)
Other Use, Losses	47	43	49	48	0	50	(1000 MT CWE)
TOTAL Dom. Consumption	206	193	207	208	0	211	(1000 MT CWE)
Ending Stocks	0	0	0	0	0	0	(1000 MT CWE)
TOTAL DISTRIBUTION	207	193	207	209	0	213	(1000 MT CWE)
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0	(1000 MT CWE)
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0	(1000 MT CWE)

Production, Supply and Demand Table

Romania							
Animal Numbers, Swine							
	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		01/2003		01/2004		01/2005	MM/YYYY
TOTAL Beginning Stocks	5058	5058	5196	5145	5321	5070	(1000 HEAD)
Sow Beginning Stocks	359	362	362	335	0	340	(1000 HEAD)
Production (Pig Crop)	6210	5600	6320	5200	0	5440	(1000 HEAD)
Intra EC Imports	0	0	0	0	0	0	(1000 HEAD)
Total Imports	230	116	215	95	0	100	(1000 HEAD)
TOTAL Imports	230	116	215	95	0	100	(1000 HEAD)
TOTAL SUPPLY	11498	10774	11731	10440	5321	10610	(1000 HEAD)
Intra EC Exports	0	0	0	0	0	0	(1000 HEAD)
Total Exports	0	0	0	0	0	0	(1000 HEAD)
TOTAL Exports	0	0	0	0	0	0	(1000 HEAD)
Sow Slaughter	369	0	360	0	0	0	(1000 HEAD)
OTHER SLAUGHTER	5386	5200	5512	4950	0	5080	(1000 HEAD)
Total Slaughter	5755	5200	5872	4950	0	5080	(1000 HEAD)

Loss	547	429	538	420	0	430	(1000 HEAD)
Ending Inventories	5196	5145	5321	5070	0	5100	(1000 HEAD)
TOTAL DISTRIBUTION	11498	10774	11731	10440	0	10610	(1000 HEAD)
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0	(1000 HEAD)
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0	(1000 HEAD)

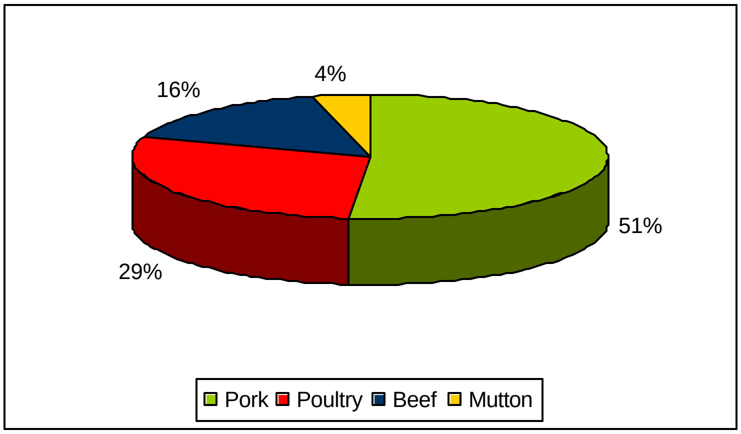
Production, Supply and Demand Table

Romania							
Meat, Swine							
	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		01/2003		01/2004		01/2005	MM/YYYY
Slaughter (Reference)	5755	5200	5872	4950	0	5080	(1000 HEAD)
Beginning Stocks	14	0	12	0	8	0	(1000 MT CWE)
Production	435	433	443	412	0	420	(1000 MT CWE)
Intra EC Imports	0	0	0	0	0	0	(1000 MT CWE)
Total Imports	50	102	38	90	0	95	(1000 MT CWE)
TOTAL Imports	50	102	38	90	0	95	(1000 MT CWE)
TOTAL SUPPLY	499	535	493	502	8	515	(1000 MT CWE)
Intra EC Exports	0	0	0	0	0	0	(1000 MT CWE)
Total Exports	0	0	0	0	0	0	(1000 MT CWE)
TOTAL Exports	0	0	0	0	0	0	(1000 MT CWE)
Human Dom. Consumption	423	470	426	442	0	455	(1000 MT CWE)
Other Use, Losses	64	65	59	60	0	60	(1000 MT CWE)
TOTAL Dom. Consumption	487	535	485	502	0	515	(1000 MT CWE)
Ending Stocks	12	0	8	0	0	0	(1000 MT CWE)
TOTAL DISTRIBUTION	499	535	493	502	0	515	(1000 MT CWE)
Calendar Yr. Imp. from U.S.	0	2.3	0	10	0	0	(1000 MT CWE)
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0	(1000 MT CWE)

Consumption

Per capita meat consumption in Romania is about half of the EU average (92 KG). Romanians show a strong preference for pork (Graph 1), though chicken meat’s share in the average diet is increasing.

Graph 1. Meat Consumption Preferences



Animal protein intake continues to be relatively low in the consumption pattern (about 19 percent), although we forecast an increase in 2005, in tandem with higher incomes resulting from a stable economic growth (of an average of 5 percent over the past 4 years and another 5.3 forecast for 2005). Continued strong consumption growth has been one of the driving factors to GDP expansion, but this translated less in food consumption in the beginning of the 5-year economic growth period. The expenditure structure was heavily influenced by the fact that population started receiving access to individual loans and thus preferred to buy dwellings or household durable goods.

Production of processed meat products was in 2003 only 155,430 MT, because of the relatively modest domestic consumption (of only 8-9 KG/year/capita). Meat and meat products consumption pattern reveal some seasonality, with peak periods in May-June and September-October.

The estimated meat products market reached in 2003 EUR 300 million. In terms of geographical distribution, the largest processors are located in the southern Romania.

More than half of the meat-processed products are sold in bulk, while domestic products are preferred to the imported ones. Romanian consumers prefer "tasty" fresh products and, though fat content and additives are not yet an issue, there is a trend towards buying more expensive higher quality products.

Consumers are not devoted to a single brand, but product availability (i.e., good distribution through supermarkets and smaller points of sale) plus an acceptable price/quality ratio are factors that influence consumption of a certain brand.

Currently, the market is in the growing phase. The top five meat-processing companies account for roughly 40 percent of the market, while consolidation is expected to continue. Important foreign players are expected to enter, because of the still relatively low labor cost and the proximity of the country to EU and Russia. Lately, due to the rapid appreciation of pork prices in Europe and US, as well as the limited domestic supplies, many producers reportedly turned to black market operations, which, according to the estimates of the meat processing association, reached an alarming 60 percent of the total market.

Though the meat and meat processed products market are not foreseen to expand rapidly in terms of volume in the near future, the market value is expected to raise, since domestic consumers are shifting to higher value added and quality products. As of today, circumstances are quite favorable to multinationals to make takeover bids for local producers and, in fact, Polish, German and Dutch producers have expressed interest in investing in the Romanian meat processing industry.

Trade

In 2003 and 2004 Romania remains a net exporter of live animals (one of the most traded agricultural products), especially cattle and sheep. About 152,000 heads of bovine animals (mainly fattening calves to be finished in the country of destination) were shipped in 2003 to Middle East and Mediterranean countries (Syria, Greece, Italy, Libya) or EU states. During the first five months of 2004, another 60,000 heads went to the same destinations, totaling $21 million.

Export Trade Matrix

Country	Romania		
Commodity	Animal Numbers, Cattle		
Time Period		Units:	Heads
Exports for:	2003		**Jan-May 2004**
U.S.		U.S.	
Others		Others	
Croatia	52269		18094
Syria	40830		14384
Greece	38891		17180
Italy	10507		5578
Libya	3507		505
Spain	2030		1045
Germany	1951		1476
Jordan			434
Total for Others	149985		58696
Others not Listed	1531		301
Grand Total	151516		58997

Romania and the EU reciprocally granted customs duty exemptions for beef, under the "Double zero" agreement, as follows:

Product	Romania's export duty free quota (MT) to EU	EU's export duty free quota (MT) to Romania
Bovine meat	4,000	4,000
Beef offalls, fresh or preserved	100	100
Bovine meat preparations	500	500

In 2003, Romania imported almost 3,500 MT of beef, mostly from EU member states, but almost did not make use of its TRQ, especially because of the very reduced number of plants approved to ship to EU destinations. However, because of BSE concerns, very few countries are admitted to export live cattle/beef to Romania: Australia, Canada, Paraguay, Denmark, Austria, Hungary, France.

Imports of US beef are banned in Romania, because of the December BSE outbreak, although the veterinary authorities from the two countries are currently making efforts to reach consensus on a mutually acceptable language in the health certificate for beef products to be shipped to Romania (especially on specific risk material –SRM –statements). Other products (casings, beef tripe) are allowed, and, in fact, US is the main source for such products imported into Romania.

Import Trade Matrix

Country Romania

Commodity Meat, Beef and Veal

Time Period		Units:	MT
Imports for:	2003		**Jan-May 2004**
U.S.		U.S.	
Others		Others	
Austria	2165		650
Hungary	973		423
France	170		50
Denmark	122		
Australia	7		
Germany			235
Total for Others	3437		1358
Others not Listed	11		20
Grand Total	3448		1378

For both live swine animals and pork Romania remains a net importer. Up to May 2004, when Poland, Hungary and the Czech Republic joined the EU, these were the most important sources for swine/pork products, especially because their subsidized exports were able to successfully compete with the local suppliers. In an attempt to protect the domestic market from cheap Polish and Hungarian sales of swine meat, safeguard measures against the two countries were introduced in July 2003, respectively March 2004, until they became full EU members. However, the interest of these former CEFTA trading partners to export to Romania may diminish in the short run, as reportedly they currently seek opportunities in Western Europe, a "market with an unquenchable appetite". Thus, FAS Bucharest forecasts that, for the balance of the year, as well as for 2005, pork imports from EU will diminish.

Demand for swine meat, nonetheless, remains high in Romania and thus US can be very competitive. Using the duty suspension for pork cuts (Table 1), US pork exporters started identifying some opportunities, especially shoulder cuts, trimmings and offal used in processing industry. In 2003, 2240 MT of pork cuts were originated from US, while another 1500 came in January-May 2004.

Import Trade Matrix

Country Romania

Commodity Animal Numbers, Swine

Time Period		Units:	Heads
Imports for:	CY2003		**Jan-May 2004**
U.S.	0	U.S.	0
Others		Others	
Hungary	94123		39898
The Czech Rep.	17774		7303
Austria	1736		13
Poland	850		1300
Spain	721		94
France	560		676
Italy	395		
The Netherlands			354
Germany			20
Total for Others	116159		49658
Others not Listed	36		
Grand Total	116195		49658

Import Trade Matrix

Country Romania

Commodity Meat, Swine

Time Period		Units:	MT
Imports for:	2003		**Jan-May 2004**
U.S.	2239	U.S.	1506
Others		Others	
Poland	33887		4196
Germany	13069		6820
Hungary	10929		5880
France	8334		3962
Italy	7666		3382
Austria	6519		1759
Spain	5000		2054
Canada	3990		1834
Belgium	2738		700
The Czech Rep.	1130		1231
Total for Others	93262		31818
Others not Listed	8485		3403
Grand Total	101747		35221

Romania is not allowed to export swine animals/meat to either EU or US, because it has not countrywide discontinued inoculating against classical swine fever. Nonetheless, the veterinary authorities are strictly implementing a program agreed with EU, which started in August 2003, and which would give Romania permission to export pork from 2006.

Applied import duties for products of interest are given in Table 1 below.

Table 1. Romanian Bindings vs. Applied Tariffs in 2004 (percent)

HS Code		WTO bound tariff	2004 applied duty	Special EU preference
0102	Live bovine animals			
0102.1030	Heifers for reproduction, pure breeds	270	0	
0102.9051	Heifers for slaughtering, over 300 kg	270	25	18.8
0103	Live swine animals			
0103.1000	For breeding	3	0	
0103.91, 92	For slaughtering	270	15-20 (2)	0 for 0103.9190, 0103.9290
0201	Bovine meat, fresh or chilled	288	20	0 for TRQ (1)
0202	Bovine meat, frozen	315	20	0 for TRQ (1)
0203	Meat of swine, fresh, chilled or frozen	333	20	
	-Fresh or chilled	333		
	--Carcasses and half carcasses:	333		
0203.11.90	---Other	333		
	Hams, shoulders, and cuts thereof, bone in			
0203.12.90	---Other	333	0	
0203.19.90	---Other	333	0	
	-Frozen (3)			
	--Carcasses and half carcasses:	333	45	
0504.00	Animal casings and tripe, whether or not cut, fresh, chilled or frozen, salted, in salte water, dried or smoked (casings)	100	10 (4)	0

(1) TRQ for bovine meat (fresh and frozen) is 4000 MT.
(2) The CEFTA preference to Hungary was suspended until April 30, 2004, as the country, prior to become a full EU member from May 1, was currently subsidizing exports of swine animals and pork. Customs duty for live swine imported from Hungary was raised to 35%.
(3) Duty exemptions for pork cuts were introduced in October 2003 and will continue through June 30, 2004. This is because domestic supply, though slightly increasing, is not able to balance consumption in the short run. Pork carcass duty rate was increased to 45 percent (from 20 percent) until April 30, basically to protect the domestic market from cheap Polish and Hungarian sales of swine meat.
(4) Casings are tax exempted.

Domestic Support

In order to stimulate livestock population and production, the budgetary effort was increased in 2004, but outlays structure was pretty much similar to the one in 2003. Some of the support programs qualify as Green Box"-type and are measures exempted from the reduction commitment (Table 2), while others count in the Aggregate Measurement of Support, but are below the "de minimis level" (Table 3):

Table 2. "Green Box"-type measures of support, budgetary allocations in 2004

Measure type	Description of measure	Monetary value (billion lei)
Direct payments to producers	Budgetary allocations in order to stimulate increase in livestock numbers:	448.5
	-for 252,650 calves kept for more than 6 months	131
	-for 59,050 pregnant heifers	80
	-for 59,000 pregnant sows	132.5
	-for breed improvement	50
	-for artificial insemination (450,000 for bovines and 150,000 for swine animals)	55
Animal disease control	Parasites and epizootic control.	620

Source: Ministry of Agriculture, Forests and Rural Development
Official exchange rate in July 2004: ROL 33,395/US$

Table 3. Product-Specific Aggregate Measurement of Support: Market Price Support

Product	Eligible production	Total market price support (billion lei)
Live swine delivered for slaughtering	100,000 MT	800
Live bovine delivered for slaughtering	10.000 MT	50
Live sheep delivered for slaughtering	2,500 MT	10

Source: Ministry of Agriculture, Forests and Rural Development
Official exchange rate in July 2004: ROL 33,395/US$

If not discontinued after the November 2004 elections, these measures are anticipated to result in some recovery in both cattle and swine sectors.

Prices

In the first half of 2004 swine meat prices have rapidly appreciated, especially triggered by the safeguard measures introduced against CEFTA partners. This trend is expected to continue in the short run, because of the demand limited by both the reduction in domestic slaughtering and the shift in Poland and Hungary's export orientation towards western Europe.

On the contrary, ex-factory beef prices have slightly fallen in January-May 2004, while farmers are increasingly dissatisfied with liveweight procurement prices offered by the industry. The price gap between beef and pork is significant (25-30 percent more for the later), situation in total contradiction with the western markets, where beef and veal are usually twice more expensive than swine meat.

Prices Table

Country Romania

Commodity Meat, Beef and Veal

Prices in US$ per uom MT, carcass weight

Year	2003	2004	% Change
Jan	1660	1474	-11%
Feb	1629	1497	-8%
Mar	1507	1440	-4%
Apr	1506	1475	-2%
May	1569	1540	-2%
Jun	1484	1609	8%
Jul	1342		
Aug	1289		
Sep	1302		
Oct	1297		
Nov	1261		
Dec	1333		

Exchange Rate Official monthly ave Local Currency/US $

Note: Ex-factory prices, VAT not included.

Prices Table

Country Romania

Commodity Meat, Swine

Prices in US$ per uom MT, carcass weight

Year	2003	2004	% Change
Jan	1658	1627	-2%
Feb	1655	1715	4%
Mar	1497	1624	8%
Apr	1486	1770	19%
May	1526	2014	32%
Jun	1514	2085	38%
Jul	1646		
Aug	1757		
Sep	1775		
Oct	1840		
Nov	1759		

Dec	1515	

Exchange Rate Official monthly ave Local Currency/US $

Note: Ex-factory prices, VAT not included.