USDA Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Template Version 2.08

Required Report - public distribution

Date: 8/31/2006

GAIN Report Number: RO6018

Romania

Livestock and Products

Annual

2006

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Report Highlights:
For the second year in a row, pork was Romania's top agricultural import in 2005 (almost USD 400 million worth), as domestic supplies are low and of variable quality. Beginning October 1, 2006, U.S. pigmeat exporters will be allowed to ship to Romania only from EU-approved plants. Romania's decision to implement EU regulations prior to the country's accession raises potential national treatment concerns under the WTO, as the measure holds third-country meat products to a higher standard than Romania's own domestic product. Live cattle continue to be a major agricultural export.

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

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Executive Summary

The Romanian cattle herd is fairly stable, but the GOR's efforts are currently directed towards the introduction of specialized beef versus dairy production breeds, improvements in feed and forage practices at farm level, and advanced techniques for animal husbandry, in an attempt to maximize support from the European Commission upon Romania's EU accession, anticipated for January 2007. Cattle slaughter is slowly recovering after the significant decline in 2004 and 2005, although the pace of exports of live bovine animals to the EU remains intense. Romania continues to be a net importer of beef in 2006, on the background of a quasi-constant consumption.

In the beginning of the 2006, Romania's swine herd reached a new low at 4.85 million head (down 1 percent from the previous year), mainly attributed to the reduction in sow numbers, in particular the reproduction stock, in 2003 and 2004. The pig crop is nonetheless expected to start rising again in 2006 and 2007, which will result in some recovery of the sector by end of the first year of Romania's EU membership. A major problem remains the quality of the domestic pork supplied to the processing industry, as the majority of the swine herds (81 percent in 2005) are held in individual households, with deficient feeding and husbandry practices, and generally poor genetics.

For 2006, we anticipate that pork production will be fairly stable (or will shrink marginally), while from 2007 it should resume growing as a result of direct investments in the sector. Although abundant local corn production and still-cheap labor should be key to the sector's competitiveness, currently domestic production costs are high. With imminent EU membership, Romania is having to make significant structural changes in pig growing.

In 2004 and 2005, swine meat was Romania's top agricultural import (almost USD 400 million 2005), as domestic supplies are low and of variable quality. However, imports will be limited in 2006 by the country's decision to implement EU regulations prior to actual accession, which, from the month of October, will allow entry of U.S. swine meat only from EU-approved plants. The United States is the third largest supplier of pork cuts to Romania, with 31,000 MT (CWE), worth USD 57 million. U.S. swine meat exports to Romania have continued to grow in 2006, and are up almost 150% during the first 4 months of the year (to USD 14 million) compared to the same time-period in 2005.

Production

Recovery in Romania's cattle is slow (with herds just 0.7 percent up at the end of 2005 compared to one year earlier) and this trend is expected to continue in the medium run. This situation is, as mentioned in our past analyses, due to both the long production cycle and the structural deficiencies that are still characteristic of Romanian agriculture, even though the GOR came up with various subsidy schemes (see section on Domestic Support Policy) for bovine growers. Cattle and calves on feed were just above 2.9 million head in the beginning of 2006, with some marginal increase in inventories registered the first semester compared to the corresponding period of the previous year, which, on the background of a quasi-constant reproduction stock, makes us anticipate that end-year numbers will stand at similar levels. While it is generally admitted that in practice there are no differences in feed ration formulation for dairy cows versus beef cows, the Romanian Ministry of Agriculture is currently preparing the National Program for Cattle Growing Restructuring, which will provide figures to make the distinction between the two categories. This document is aimed at addressing a number of priorities that would help the sector to better absorb the European support granted upon country's EU accession. As the slaughter premium (as per Council Regulation (EC) No. 1254/1999) agreed as a result of the agriculture negotiations between

Romania and the EU can be granted for a maximum of 1,148,000 adult bovine animals and, respectively, 85,000 calves, efforts are currently directed towards the introduction of specialized beef production breeds, improvements in feed and forage practices at farm level, advanced techniques for animal husbandry, and the introduction of carcass grades and standards. This is also important because Romania is currently in the process of preparing the national registry of farmers eligible for future direct payments for milk from 2007, as the country negotiated a pretty substantial quota for milk. The total national reference quantity for milk was set at 3,057,000 MT of which 1,093,000 MT for deliveries and 1,964,000 MT for direct sales. This, together with the “Reserve” quota that might add in 2009 in order to count for current on-farm consumption, reflects Romania’s potential to improve milk collection, cold storage and processing facilities.

Official data provided by the Romanian National of Statistics to EUROSTAT indicate that the total number of cows and heifers on November 30, 2005 was 1,817.6 thousand head, of which dairy cows 1,625.4 thousand head. This is not reflected in the Production, Supply and Demand Table below, as, for the sake of consistency inter-years, Post uses December 31 data in the analysis[1].

Production, Supply and Demand Table

Romania							
Animal Numbers, Cattle							
	2005	Revised	2006	Estimate	2007	Forecast	UOM
	USDA Official [Old]	Post Estimate[New]	USDA Official [Old]	Post Estimate[New]	USDA Official [Old]	Post Estimate[New]	
Market Year Begin		01-2005		01-2006		01-2007	MM/YYYY
Total Cattle Beg. Stks	2907	2907	2915	2928	2925	2940	(1000 HEAD)
Dairy Cows Beg. Stks	1540	1540	1535	1540	0	1545	(1000 HEAD)
Beef Cows Beg. Stocks	201	201	215	203	0	205	(1000 HEAD)
Production (Calf Crop)	1451	1468	1455	1470	0	1480	(1000 HEAD)
Intra EC Imports	0	0	0	0	0	0	(1000 HEAD)
Total Imports	2	5	2	5	0	6	(1000 HEAD)
TOTAL Imports	2	5	2	5	0	6	(1000 HEAD)
TOTAL SUPPLY	4360	4380	4372	4403	2925	4426	(1000 HEAD)
Intra EC Exports	0	0	0	0	0	0	(1000 HEAD)
Total Exports	160	155	150	150	0	0	(1000 HEAD)
TOTAL Exports	160	155	150	150	0	155	(1000 HEAD)
Cow Slaughter	1200	1149	1212	1200	0	1205	(1000 HEAD)
Calf Slaughter	0	0	0	0	0	0	(1000 HEAD)
Other Slaughter	0	0	0	0	0	0	(1000 HEAD)
Total Slaughter	1200	1149	1212	1200	0	1205	(1000 HEAD)
Loss	85	148	85	113	0	121	(1000 HEAD)
Ending Inventories	2915	2928	2925	2940	0	2945	(1000 HEAD)
TOTAL DISTRIBUTION	4360	4380	4372	4403	0	4426	(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] Data from the November census may be used after Romania’s EU accession, in order to assure comparability within the consolidated EU reporting.

Beef production was 5 percent up in 2005 (203,000 MT on a carcass weight basis) and originates mainly from small farms and individual households. This was the result of both the additional 12,000 animals slaughtered over the marketing year, but also the increase in the average carcass weight (due to Governmental programs meant to extend the period until calves are butchered). Interestingly enough, the share of beef used for self-consumption in rural households declined to 25 percent, as against 38 percent in 2004. For 2006, we anticipate that the growth in bovine meat production will be just marginal (some 2-3 percent), as the high domestic prices maintain consumption pretty stable, while demand for live cattle in Europe has accelerated lately, triggering significant exports from Romania in the first semester of the year.

Romania							
Meat, Beef and Veal							
	2005	Revised	2006	Estimate	2007	Forecast	UOM
	USDA Official [Old]	Post Estimate[New]	USDA Official [Old]	Post Estimate[New]	USDA Official [Old]	Post Estimate[New]	
Market Year Begin		01-2005		01-2006		01-2007	MM/YYYY
Slaughter (Reference)	1200	1149	1212	1200	0	1205	(1000 HEAD)
Beginning Stocks	0	0	0	0	0	0	(1000 MT CWE)
Production	205	203	210	208	0	212	(1000 MT CWE)
Intra EC Imports	0	0	0	0	0	0	(1000 MT CWE)
Total Imports	15	36	12	33	0	32	(1000 MT CWE)
TOTAL Imports	15	36	12	33	0	32	(1000 MT CWE)
TOTAL SUPPLY	220	239	222	241	0	244	(1000 MT CWE)
Intra EC Exports	0	0	0	0	0	0	(1000 MT CWE)
Total Exports	2	1	3	1	0	0	(1000 MT CWE)
TOTAL Exports	2	1	3	1	0	1	(1000 MT CWE)
Human Dom. Consumption	218	238	219	240	0	243	(1000 MT CWE)
Other Use, Losses	0	0	0	0	0	0	(1000 MT CWE)
TOTAL Dom. Consumption	218	238	219	240	0	243	(1000 MT CWE)
Ending Stocks	0	0	0	0	0	0	(1000 MT CWE)
TOTAL DISTRIBUTION	220	239	222	241	0	244	(1000 MT CWE)
Calendar Yr. Imp. from U.S.	0	46	0	0	0	0	(1000 MT CWE)
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0	(1000 MT CWE)

In the beginning of 2006, Romania's swine stocks reached a new low at 4.85 million head (1 percent down from the previous year), mainly attributed to the reduction in sow numbers and in particular in the reproduction stock in 2003 and 2004. The pig crop is nonetheless expected to start rising again in 2006 and 2007, which will result in some recovery of the sector at by end of the first year of Romania's EU membership. A major problem remains the quality of the domestic pork supplied to the processing industry, as the majority of the swine herds (81 percent in 2005) are held in individual households, with deficient feeding and husbandry techniques, that add to the generally poor genetics.

For the fiscal year 2006, the GOR put in place a number of domestic programs meant to help the livestock sector to recover prior to country's anticipated 2007 EU accession (see section on Policy).

Production, Supply and Demand Table

Romania							
Animal Numbers, Swine							
	2005	**Revised**	**2006**	**Estimate**	**2007**	**Forecast**	**UOM**
	USDA Official [Old]	**Post Estimate[New]**	**USDA Official [Old]**	**Post Estimate[New]**	**USDA Official [Old]**	**Post Estimate[New]**	
Market Year Begin		01-2005		01-2006		01-2007	MM/YYYY
TOTAL Beginning Stocks	4899	4899	4930	4853	5020	4835	(1000 HEAD)
Sow Beginning Stocks	335	335	340	344	0	350	(1000 HEAD)
Production (Pig Crop)	5650	5660	5750	5700	0	5705	(1000 HEAD)
Intra EC Imports	0	0	0	0	0	0	(1000 HEAD)
Total Imports	145	172	150	175	0	210	(1000 HEAD)
TOTAL Imports	145	172	150	175	0	210	(1000 HEAD)
TOTAL SUPPLY	10694	10731	10830	10728	5020	10750	(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	0	0	0	0	0	0	(1000 HEAD)
OTHER SLAUGHTER	5760	5873	5805	5850	0	5860	(1000 HEAD)
Total Slaughter	5760	5873	5805	5850	0	5860	(1000 HEAD)
Loss	4	5	5	43	0	40	(1000 HEAD)
Ending Inventories	4930	4853	5020	4835	0	4850	(1000 HEAD)
TOTAL DISTRIBUTION	10694	10731	10830	10728	0	10750	(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)

An important boost to the hog industry is expected to come from Smithfield Foods[2]' new operation in Romania, currently under development. The multinational purchased a large pork processing plant in the western part of the country, dating from the socialist era, and is currently investing to turn it into a top platform in the proximity of some major export markets in early 2007. Smithfield is also constructing and populating farms to raise high-quality hogs for slaughter (within five years, the company expects to raise and slaughter in Romania about 4 million hogs per year), which will soon make them a major consumer of fodder and feed grains, as well as of services delivered by local farmers and suppliers.

According to revised data released by the Romanian Ministry of Agriculture, total hog slaughtering in 2004 stood at 5.67 million head (from 5.96 million head reported in RO5011), resulting in 470,000 MT (carcassweight) of meat. In 2005, production raised by 5 percent, attributed to both the number of animals delivered for processing (up by almost 4 percent), but also to some increase in the average liveweight at slaughtering. For 2006, given the anticipated evolution in hog population, pork production will be fairly stable (or will just shrink marginally), while from 2007 it may resume growth, as a result of direct investments in the sector. The average liveweight at slaughtering in the first semester of 2006 was 104 KG/head for hogs and, respectively, 350 KG/head for bovine cattle, slightly

[2] Smithfield is currently the largest pork processing company in the world with sales of about $10 billion.

under the values registered in the corresponding period of the previous year. In fact, such reduced weight of the calf carcasses makes the Romanian beef only very seldom accepted on the EU markets.

Ministry of Agriculture's statistics show that, in 2005, only about 28 percent of domestic pork supply was delivered to processors (the corresponding figure a year earlier was 21 percent). The share of self-consumption decreased to 53 percent (from 63 percent in 2004), with the remaining 19 percent channeled directly to the retail market (such sales absorbed just 16 percent of the total pork domestic production in the previous year). This gives an indication about the quality inconsistency of domestically supplied hog meat, often unacceptable for the processing industry. As a result, pork imports expanded rapidly, becoming the top agricultural import into Romania from 2004.

Although abundant local corn production and still-cheap labor should normally be key to domestic swine sector's competitiveness, currently domestic production costs are high. With the imminent EU membership, Romania is encountering significant structural changes in pig growing. We forecast that very soon only the few farms that invested in technologies will remain operational, on the background of an accelerated industry consolidation and vertical integration. Currently, the domestic meat supply is very fragmented and originates from operations largely inconsistent in terms of technical endowment.

As far as accession preparations related to food safety are concerned, 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 EU requirements, while products from establishments subject to transitional arrangements will not be sold to other Member States and will be clearly identified.

In the beginning of 2006, there were 19 plants for red meat approved to export to EU (falling under "A" category), while another 238 were expected to be EU compliant by January 1, 2007 (the "B" category). In the "C" category, there were 25 red meat establishments (i.e., expected to meet the EU requirements by the end of 2009). The "D" category (likely to be shut down by October 1, 2006) were 274 operations, of which some might move up into other categories, depending on their availability to invest in revamping and modernizing their facilities. The existing processing capacity totals roughly 730,000 MT/year for slaughtering and, respectively, 777,000 MT/year for meat products, of which an estimated 30 percent will be closed.

Romania							
Meat, Swine							
	2005	Revised	2006	Estimate	2007	Forecast	UOM
	USDA Official [Old]	Post Estimate[New]	USDA Official [Old]	Post Estimate New]	USDA Official [Old]	Post Estimate[New]	
Market Year Begin		01-2005		01-2006		01-2007	MM/YYYY
Slaughter (Reference)	5760	5873	5805	5850	0	5860	(1000 HEAD)
Beginning Stocks	0	0	0	0	0	0	(1000 MT CWE)
Production	455	496	460	490	0	495	(1000 MT CWE)
Intra EC Imports	0	0	0	0	0	0	(1000 MT CWE)
Total Imports	185	246	180	260	0	250	(1000 MT CWE)
TOTAL Imports	185	246	180	260	0	250	(1000 MT CWE)
TOTAL SUPPLY	640	742	640	750	0	745	(1000 MT CWE)

Intra EC Exports	0	0	0	0	0	0	(1000 MT CWE)
Total Exports	2	0	3	0	0	0	(1000 MT CWE)
TOTAL Exports	2	0	3	0	0	0	(1000 MT CWE)
Human Dom. Consumption	638	742	637	750	0	745	(1000 MT CWE)
Other Use, Losses	0	0	0	0	0	0	(1000 MT CWE)
TOTAL Dom. Consumption	638	742	637	750	0	745	(1000 MT CWE)
Ending Stocks	0	0	0	0	0	0	(1000 MT CWE)
TOTAL DISTRIBUTION	640	742	640	750	0	745	(1000 MT CWE)
Calendar Yr. Imp. from U.S.	20	31	35	25	0	5	(1000 MT CWE)
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0	(1000 MT CWE)

Consumption

Expansion of swine meat domestic consumption, in response to consumers' reticence to buy poultry after the numerous highly pathogenic avian influenza outbreaks in Romania was also encouraged in the first semester of 2006 by the pork price depreciation. The situation is currently changing and we forecast a downward scenario in the second half of the year, as the Romanian authorities decided, via radical and abrupt sanitary-veterinary requirements EU-like, to cut, from October 1, imports from US and Canada, two major sources of swine meat in the past. It is thus hard to believe that Romanian consumers will be able to keep pace with the raising meat prices on the alternate import markets (EU) as well as the domestic ones.

Per capita meat consumption in Romania is very slowly increasing and still represents just about half of the EU average. Poultry's share in the average diet is steadily going up (reaching an estimated 35 percent in 2005), although pork still holds about 45 percent of the total meat preferences. Beef and veal are not traditional in the consumption pattern, with some 15 percent share in the total.

Intake of calories of animal origin continues to be relatively low in the consumption pattern (about 23 percent in 2005, from 20 percent a year earlier).

It is expected that consumption of pork originating from backyard individual households (which typically produce for self-consumption) will shrink in the near future.

The meat and meat product market is expanding, in tandem with an ascending purchasing power of the population. Concentration is fairly high, with the largest five meat-processing companies accounting for roughly 40 percent of the sales. Romanian market nonetheless still has an important growth potential, given its dimension (22 million people), the still relatively low labor costs, and the good quality of the traditional meat products. Limiting factors are currently the rapid appreciation of pork prices in Europe, the limited domestic supplies, as well as the elimination from the market, through sanitary and veterinary restrictions, of the North-American swine meat suppliers.

Companies make efforts to develop brad awareness establish national distribution channels, sales and logistics infrastructure. Despite a visible trend towards buying higher quality, nicely packed branded products, more than half of the meat and meat-processed products are still sold in bulk. Demand for liver-paste ("paté") is high among the lower income population segments.

Trade

Romania's top agricultural export continues to be, like in all recent years, live sheep and bovine animals. The main markets for cattle are the EU and the Middle East countries. In 2005, 150,000 head (compared to 172,000 head a year earlier), mainly fattening calves to be finished in the country of destination, were shipped to Croatia, Greece, Bosnia and Herzegovina, Egypt, Germany, etc. With the EU's reconfirmed interest in buying calves from Romania, regardless the breed, the weight or whether male or female, the pace of these exports remains high in 2006, with over 72,000 live animals shipped in January-May.

Exports of beef and veal, on the other hand, are very limited. The European markets practically do not grade the small carcasses of about 150-250 KG, quite typical in Romania, as animals are often slaughtered too early. Breed improvement for beef production remains a major priority for the sector to move to higher value products. Government support measures are in place for increasing the period when the animal is kept on feed (slaughtering premia, that will remain operational also after country's EU accession).

Export Trade Matrix

Country	Romania		
Commodity	Animal Numbers, Cattle		
Time Period	CY	Units:	Head
Exports for:	2005		**Jan-May 2006**
U.S.	0	U.S.	
Others		Others	
Croatia	65,259	Croatia	28,190
Greece	34,529	Bosnia & Herzegovina	10,639
Bosnia & Herzegovina	12,195	Greece	10,508
Egypt	9,341	Syria	9,817
Germany	7,953	Italy	4,545
Italy	7,762	Germany	2,195
Syria	7,202	Libya	1,780
Slovenia	3,837	Netherlands	1,724
Libya	1,613	Spain	980
Spain	1,008	Egypt	802
Total for Others	150,699		71,180
Others not Listed			1,216
Grand Total	150,699		72,396

Live bovine animals imports in 2005 increased to 5,320 head (from 2,200 head in 2004), entirely pure breed animals for reproduction sourced in EU (The Netherlands, Austria, Germany, Hungary, Denmark, etc.). We anticipate that a similar number will be reached by the end of this year.

Import Trade Matrix

Country	Romania		
Commodity	Animal Numbers, Cattle		
Time Period	CY	Units:	Head
Imports for:	2005		**Jan-May 2006**
U.S.		U.S.	
Others		Others	
Netherlands	2,299	Germany	852
Austria	1,190	Netherlands	804
Germany	1,093	Austria	250
Hungary	341	Hungary	114
Denmark	104	Italy	104
France	67	Denmark	74
Italy	38	France	33
Switzerland	38	Switzerland	25
Total for Others	5,170		2,256
Others not Listed	150		
Grand Total	5,320		2,256

The current reciprocal preferences granted between Romania and the EU in terms of customs duty exemptions for beef, under the “Double zero” agreement, remain in place until January 1, 2007:

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 offall, fresh or preserved	100	100
Bovine meat preparations	500	500

In 2005, Brazil became the tip supplier of beef to Romania, with almost 29,000 MT out of a total of almost 36,000 MT (CWE). The balance originates from EU member states.

Beef and veal exports from Romania remained insignificant even within the TRQ granted by EU, because of both the quality of the meat and the reduced number of plants approved to ship to EU destinations.

Imports of US beef and products (including tripe, for which US was the number one supplier for the past couple of years) are temporarily banned in Romania, because of BSE concerns and other sanitary-veterinary restrictions, reflected in the language of the health certificate for beef products, harmonized by Romania with the EU one.

Import Trade Matrix

Country	Romania		
Commodity	Meat, Beef and Veal		
Time Period	CY	Units:	MT
Imports for:	2005		**Jan-May 2006**
U.S.	46	U.S.	
Others		Others	
Brazil	28,604	Brazil	9,879
Austria	2,498	Austria	488
Germany	2,090	Hungary	233
Hungary	1,149	Germany	162
Italy	648	Belgium	83
Poland	499	Poland	80
Denmark	108	Italy	2
Belgium	15	Syria	2
France	12	Mexico	1
Australia	8		
Total for Others	35,631		10,930
Others not Listed	3		
Grand Total	35,680		10,930

Export Trade Matrix

Country	Romania		
Commodity	Meat, Beef and Veal		
Time Period	CY	Units:	MT
Exports for:	2005		**Jan-May 2006**
U.S.		U.S.	
Others		Others	
Bulgaria	525	Bulgaria	252
Hungary	88	Austria	57
Germany	75	Netherlands	29
Netherlands	60	Turkey	12
UK	59	Malta	6
Algeria	38	Greece	5
Turkey	31	Croatia	4
Spain	28	Moldova	4
Poland	20	Antigua & Barbuda	3
Austria	13	Russia	3
Total for Others	937		375
Others not Listed	87		4
Grand Total	1024		379

Like in 2004, a domestic shortage of good quality swine meat for processing made the product the top agricultural import into Romania, with over 245,000 MT CWE, a significant surge from the 179,000 MT that had entered in the previous year[3]).

Import Trade Matrix

Country	Romania		
Commodity	Meat, Swine		
Time Period	CY	Units:	MT
Imports for:	2005		**Jan-Apr 2006**
U.S.	31,228	U.S.	9,131
Others		Others	
Germany	52,771	Canada	13,063
Canada	36,208	Germany	10,860
France	25,763	Poland	6,401
Spain	21,172	France	5,063
Poland	15,722	Spain	4,805
Hungary	13,184	Hungary	4,187
Netherlands	11,581	Belgium	2,445
Austria	11,113	Austria	2,163
Italy	9,753	Italy	2,071
Denmark	8,552	Netherlands	1,823
Total for Others	205,819		52,881
Others not Listed	8,631		2,247
Grand Total	245,678		64,259

United States consolidated its position in this marketplace, becoming the third largest supplier of pork cuts to Romania, with 31,000 MT (CWE), worth USD 57 million. US swine meat exports to Romania have continued to grow in 2006, by almost 150% during the first 4 months of the year, compared to the same time-period in 2005. The value of US swine meat exports to Romania reached $14 million in 2006 (4 months), with 125% more than last year.

Nonetheless, under the pressure of the domestic growers, the GOR approved in September 2005 a regulation with a major impact on pork meat exports to Romania. Veterinary Order no. 53/2005 transposing the EU 79/542/CEE and 2005/234/CEE, regulates animal health and veterinary certification requirements for non-EU members. The regulation sets standards which limit US exports to Romania as *only EU approved red meat processing plants, would be eligible to export.* The above veterinary order was to go into effect on July 1, 2006. However, according an amendment published on June 23, 2006, the implementation date was delayed by three months and current veterinary certification for US pork meat exports will remain in place until October 1, 2006. Consequently, all pork meat exports certified on or before September 30, 2006 will be accepted in Romania accompanied by the current health certificates. After October 1, 2006 pork meat shipments must be certified with revised certification that indicates compliance with EU requirements.

[3] Pls. note that in Post's 2005 Livestock Report (RO5011), the 2004 pork imports into Romania were 139,839 MT. As this was calculated on a product-weight basis (PWE) and with different conversion ratios, we revised the figure to 179,000 MT, using the conversion ratios indicated for the EU Member States, for comparability reasons.

As numerous processing facilities in Romania have already been granted a transition period to meet the requirements outlined in Veterinary Order 53, the decision Romania took to implement EU regulations prior to country's accession raises potential national treatment concerns under WTO, as the measure should hold third country meat products to a higher standard than Romania's own domestic product.

Under preferential arrangements, various livestock products originating from EU can enter Romania duty-free, while other enjoy TRQs until January 1, 2007 (see Table 1 below). Currently, as Romania's granting of preferences to the European Union is inconsistent with a mandatory criterion of eligibility for the US GSP program, the USG is considering removing the country from the program.

Table 1. TRQs applied in 2006 for Primary Animal Products Originating from EU

	HSC	Product	TRQ (MT), if not otherwise specified	Date of opening (dd.mm.yy)	Import duty (%)	Unitary allocation (MT if not otherwise specified)
1.	0102 90 51 0102 90 59 0102 90 61 0102 90 71	Cows and heifers weighing more than 300 kg	15,000 head	03.01.2006	15	150 head
2.	0103 92 19	Live swine animals weighing more than 50 kg (except for breeding sows weighing more than 180 kg and for purebred breeding animals)	14,000 1,000 head	03.01.2006 03.07.2006	15	150 60 head
3.	0201 0202	Meat of bovine animals, fresh, chilled or frozen	4,000	03.01.2006	exempted	20
4.	0203 22 0203 29 0210 11 0210 12 0210 19	Swine meat, fresh, chilled or frozen.	23,000	03.01.2006	exempted	40
5.	0206 10 95 0206 29 91 0210 20 0210 99 51	Fresh or chilled edible offal of bovine animals, other Frozen edible offal of bovine animals, other Meat of bovine animals salted, dried or smoked Edible offal of bovine animals, other	100	03.01.2006	exempted	1
6.	1601 00 10 1601 00 91 1601 00 99	Sausages prepared of liver and similar products Sausages not made of meat, offal and blood (except for liver) Sausages and similar products, of meat, offal (other than liver) or blood	1,125	03.01.2006	exempted	10
7.	1602 10 00	Homogenized preparations of meat, offal or blood, in packs	1,250	03.01.2006	15	10

	HSC	Product	TRQ (MT), if not otherwise specified	Date of opening (dd.mm.yy)	Import duty (%)	Unitary allocation (MT if not otherwise specified)
		under 250 grams				
8.	1602 41 10 1602 42 10 1602 49 11 1602 49 13 1602 49 15 1602 49 30 1602 49 50	Ham & cuts thereof, of swine animals	2,125	03.01.2006	exempted	20
9.	1602 50	Prepared meat of bovine animals	500	03.01.2006	exempted	10

In order to ship fresh pork to Western Europe, Romania must be declared free (eradicated) of Classical Swine Fever. According to OAI rules, a country is eligible to export at the earliest 6 months after the last outbreak is closed. For the past couple of years, vaccination against the disease was forbidden affected in rural households, which resulted in 456 outbreaks (that is, 3,173 pigs all over the country) and 1.2 million euros paid in compensations only in January-July of 2006. Currently, the National Veterinary Authority is considering requesting a transition period from the EU, according to which vaccination will be compulsory for the hogs kept in rural households and optional for the ones raised in industrial operations. Vaccination will be phased out in parallel with progress achieved in: (i) farm identification and registration; (ii) biosecurity at farm level; (iii) tracking animal movement; (iv) animal rendering. Annually, budgetary outlays for CSF eradication stand at euro 70 mill.

For live swine animals Romania remains a net importer, with 172,000 head in 2005 (38 percent up from 2004) and a similar trend during the current year. All imports originate from EU member states and are either pure breed animals for reproduction or animals for slaughtering.

Import Trade Matrix

Country	Romania		
Commodity	Animal Numbers, Swine		
Time Period	CY	Units:	Head
Imports for:	2005		**Jan-May 2006**
U.S.	0	U.S.	
Others		Others	
Netherlands	79,841	Netherlands	58,797
Hungary	66,916	Hungary	12,490
Poland	9,310	Germany	2,774
UK	5,513	Austria	1,583
Belgium	4,048	Begium	1,450
Germany	2,678	Poland	940
France	2,374	Slovakia	536
Denmark	947	France	402
Cyprus	255	Denmark	156
Spain	186	Spain	113
Total for Others	172,068		79,241

Others not Listed	119	
Grand Total	172,187	79,241

Policy

In 2006, most support measures are handled by the Paying and Intervention Agency. In addition, the national SAPARD agency (for rural development funding) was turned in March 2006 into a Paying Agency for Rural Development and Fisheries, in preparation for the future structural funding.

One main change in policy is the shift to direct support per cultivated areas and animal head. These measures are considered transitory to the EU direct payment system, while schemes from the previous years were largely discontinued.

Most of livestock production subsidies are provided per head of animal and can be described as “green box-type”. Eligible are dairy cows, sheep, and fish and the subsidy is especially meant to increase livestock number and improve husbandry practices. Market price support, counting in the Aggregate Measurement of Support, but below the “de minimis level”, is budgeted for hogs and broilers delivered to processors.

Dairy cows will be subject of a payment per head ranging from RON 500-700/head, as follows: 200 RON/head within the initial 60 days from giving birth if calf resulted through artificial insemination, 100 RON/head if the cow had been conventionally inseminated by a certified bull; 300 RON/head for all cows which are registered with the Official Performance Control Office, 100 RON/head for cows registered with the genealogic register, 200 RON/head for cows ecologically certified, 200 RON/head after 6 month age of a calf resulted through artificial insemination, 100 RON/head for a calf resulted through conventional insemination. A slaughtering premium of RON 700/head for young bovine animals weighting over 450 KG liveweight is considered an important incentive for investments in the beef sector.

In the hog sector, between Jan 1 – March 1, 2006, the subsidy per head was set up at 100 RON for animals weighing 90-110 KG and delivered for slaughtering. During the same period, the amount paid per head for ecologically grown hogs was 20 percent higher. From the month of March, there were additional conditions attached to the subsidization scheme, as follows: the hogs were to originate from plants compliant with specified biosecurity measures and to be delivered to authorized slaughterhouses; the unit subsidy varies according to the quality class of the carcass (classified under the EUROP system), as follows: 120 RON/head for hogs in the “E” category; 100 RON/head in the “U” category. Carcasses classified as “R”, “O” or “P” are not eligible for market price support. Ecologically grown hogs from “E” and “U” quality classes are paid 120 RON/head. The overall budgeted amount for swine growers was increased in August 2006 to 96 million RON.

Prices

After prices for both beef and veal and swine meat were on an upward trend in the first part of 2005, they started to temperate towards the end of the year and even depreciated in January-June 2006. This was primarily due to the good grain and protein crops in the MY05/06, which cheapened feed significantly. Nonetheless, AgBucharest forecasts that this tendency will be reverted in the second semester of 2006, given the pretty modest level of feed crops, the raising prices for pork in EU, as well as the elimination from the market, via sanitary and veterinary restrictions, of the US and Canadian swine meat in the last quarter of the year.

The price gap between beef and pork increased compared to the previous year. Poultry remains significantly cheaper.

Prices Table

Country Romania

Commodity Meat, Beef and Veal

Prices in US$ per uom MT

Year	2005	2006	% Change
Jan	2063.6	1929.5	-6%
Feb	2832.5	1856.2	-34%
Mar	1813.6	2056.4	13%
Apr	2139.8	1930.5	-10%
May	2280.1	1457.2	-36%
Jun	2189.0	1428.1	-35%
Jul	2364.2		
Aug	1753.6		
Sep	2268.9		
Oct	2339.0		
Nov	2098.5		
Dec	1945.8		

Prices Table

Country Romania

Commodity Meat, Swine

Prices in US$ per uom MT

Year	2005	2006	% Change
Jan	2751.4	2446.8	-11%
Feb	2655.4	2227.8	-16%
Mar	2539.0	2106.0	-17%
Apr	2496.4	2185.8	-12%
May	2455.5	1785.1	-27%
Jun	2189.0	2037.6	-7%
Jul	2195.4		
Aug	2630.5		
Sep	2443.5		
Oct	2506.1		
Nov	2098.5		
Dec	2270.1		