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Romania

Trade Policy Monitoring

New Trade Regime for Poultry and Pork Products 2006

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Report Highlights:

On February 13, 2006, the GOR passed its annual Decision approving country's import schedule for the current year. This is of a major importance to US exporters, as the regulation brings changes in import duties for some poultry products. The new regulation raises the tariff on frozen leg quarters from 45 to 70 percent until August 15, 2005. For swine meat, after intense consultations with stakeholders, the authorities decided to maintain the same trade regime like in the previous year, as the Romanian market is still much dependent on imports, which represent about 70 percent of all domestically processed pork.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Sofia [BU1]
[RO]

On February 13, 2006, the GOR passed the regulation (Government Decision 200/2006) approving Romania's new import schedule (valid from February 16 through December 31), which incorporates changes of major importance to US exporters.

Most importantly, tariff rates for two poultry products, defined by the codes 0207 1420: chicken halves and quarters, and 0207 1460: chicken leg halves and quarters, were temporarily increased for 6 months (February 16 – August 15) to 70 percent (from 45 percent in 2005).

The Romanian authorities justified this radical action by the special situation triggered on the domestic market by the highly pathogenic Avian Influenza outbreaks. They claim that operations of domestic commercial producers were heavily hit by the reduction in broiler consumption, as reportedly carry-in meat inventories went up 10-fold over the past 5 months. The duty raise aims to help domestic industry to increase sales and, thus allow poultry growers to put more money into biosecurity at farm level.

AgBucharest, nonetheless, expects that consumers' reticence to buy poultry will hardly diminish as a result of such trade measures. In fact, the market has already reacted to the Avian Flu threat, penalizing imports as well. Trade figures show that Romania's poultry imports diminished by 30 percent in November compared to the previous month, while poultry shipments originated from US shrank even more sharply. We anticipate poultry price appreciation, which will further suppress consumption, especially affecting lower-income Romanians, who are the main consumers of products like frozen broiler leg quarters. From the total 160,000 MT of poultry meat imported by Romania in 2005, US supplied 58 percent i.e., almost 93,000 MT. The bulk of the latter figure (about 93 percent) were imports falling under the two codes for which import rates were temporarily increased by the GOR. Frozen leg quarters (which fall under HS code 0207 1460) is the product typically accounting for most of the poultry shipments from US to Romania. This product does not directly compete with the fresh poultry meat products locally produced, since it targets lower-income population segments.

The annual TRQ for poultry meat originating from EU, exempted from customs duties in Romania, was increased from 2006 to 9,000 MT.

For swine meat (another product of utmost importance to US exporters), the GOR decided to extend the same trade regime like in 2005. Exemptions granted for a number of positions (see table below) are effective on an MFN basis. Despite the pressure exerted by hog growers, the measure was needed because domestic supply of quality swine meat for processing is very limited, with livestock numbers and overall meat production down in 2005. Duty on swine liver (HSC 0206 41) was decreased to 10 percent in 2006 (from 20 percent in 2006).

The waiver on import duties is expected to contribute to extended export opportunities for U.S. frozen pork cuts and offalls. Lately, US has become a steady supplier of the Romanian meat processing industry: in 2005, 25,655 MT of swine meat (out of imports totaling 192,490 MT) were originated from US. This figure more than tripled from 2004 (when US shipped 7,200 MT). Other major suppliers were Germany, Canada, France, Spain. The duty-free quota granted by Romania to EU under the Association Agreement is 23,000 MT per year.

| HS Code | Product with zero duty (through 12/06) |
|------------|--|
| 0203 | Meat of swine, fresh, chilled, frozen |
| -0203.2211 | Hams and parts thereof |

| | |
|------------|-----------------------------|
| -0203.2219 | Shoulders and parts thereof |
| -0203.2915 | Bacon and parts thereof |
| -0203.2955 | Boneless (trimmings, loins) |