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Report Highlights:

This report provides an overview of the impact to date of COVID-19 on the Romanian agriculture, retail sector, distribution channels, wholesale prices and government support programs provided to cope with the COVID-19. On March 31, 2020, Romania reached 2,000 cases, and which more than doubled one week later (almost 4,500 cases as of April 8). Upwards of 190,000 workers have lost their jobs and another 950,000 employees are furloughed. Hotels and restaurants potentially face 80 percent revenue losses. Food stockpiling has driven up prices for some products. The Ministry of Labor seeks to provide unemployed benefits to workers at 75 percent of their gross annual salaries. Although some transportation and logistics irritants remain, most Romanian food companies are running at capacity to produce and are able to distribute food to consumers.

General Text:

Since Romania's first COVID-19 case on February 26, 2020, Romanian consumers dramatically shifted away from shopping in traditional markets and modern retail outlets to shopping online. After declaring a state of emergency on March 17, 2020, Minister of Internal Affairs Marcel Vela announced that all restaurants, bars, hotels, coffee shops, and other public venues would suspend business operations. Most cultural, scientific, religious, sports, and similar activities conducted in confined spaces are also suspended. Any gatherings of over 100 people were strictly prohibited.

Between March 11 and March 20, 2020, banks withdrew 4.4 billion RON (about \$1 billion) from the Central Bank to cover cash withdrawals from individuals and businesses. This level was double the amount withdrawn during the December 2019 holiday season.

On March 31, 2020, Romania reached Scenario 4 (more than 2,000 cases) which forced the Ministry of Health to install new mitigation and control measures for fighting the virus. The National Authority for Consumer Protection (ANPC) proposed temporarily price caps of staple products, as defined by the Government of Romania's (GOR) minimum monthly market basket. Romania's Senate also passed a proposal to temporarily cap staple food prices. The proposal is now being debated in the Chamber of Deputies. The draft proposal would cap margins at 10 percent for food processors and distributors, as well as cap retail prices for staples at 10 percent. The proposed price caps would be implemented throughout the state of emergency and up to 90 days after the cessation of the state of emergency.

COVID-19 Impact on Priority Agricultural Sectors:

Grains and Oilseeds: Consumer demand for wheat flour, corn flour, and cooking oil immediately following Romania's COVID-19 outbreak increased by about 50 percent, which challenged stakeholders throughout the supply chains. Food industry representatives have made public assurances that stocks of these products are sufficient to meet consumer demand. Despite the initial post-outbreak buying spree, total flour and edible oil consumption are likely to be relatively flat, as sales have dropped because consumers have started to consume their stockpiles. Some farmers report concerns about the availability of seeds, fertilizers, and plant protection products due to COVID-related logistical challenges. Suppliers of these products have assured farmers that their needs will be covered during spring planting. Romanian farmers are in the field and are eager to complete spring planting on time.

Dairy, Livestock, and Poultry: Livestock farmers, slaughter facilities, and dairy processing plants are deeply concerned about their workers catching COVID-19 and subsequent labor deficits. In an effort to mitigate against the novel coronavirus and maintain consistent and timely commodity and product deliveries, some producers and processors are adopting social isolation strategies, segregating employees into groups, and providing additional protective equipment. Some livestock farmers have report issues with importing live piglets and feed ingredients, especially soybean meal, due to supply chain disruptions.

Horticulture: Fruit and vegetable producers report difficulties in selling fresh produce over the past 10 days. Spring weather conditions mean the start of the fresh fruit and vegetable season in Romania and

normally during this time of the year, farmers are busy delivering fresh produce to retail outlets or to farmers markets. However, the reduced in-store foot traffic, widespread hotel, restaurant, and institutional (HRI) closures, and restrictions on social movement have decreased demand for fresh horticultural products. Farmers are seeking support from the GOR to bring highly-perishable products to market. In response, the Ministry of Agriculture and Rural Development (MARD) offered to publish supplier information on its website in order to link producers with potential buyers.

COVID-19 Impact on Food Processing and Distribution Sectors:

Food Processing: According to Post industry sources and media reports, most Romanian food processors have enough finished products to continue supplying retail outlets for the next one to three months. Current orders are up 30-40 percent over the last quarter and many food processors are working at full capacity to meet increased consumer demand. Many food processors are no longer source food processing ingredients from traditional suppliers in Spain, Italy, and France, as overland truck transportation in and out of those countries has become cost prohibitive and is no longer predictable. Some importers report food processing ingredient shipments from Turkey and Iran have been delayed for weeks. Many food processing companies are looking to source ingredients from other suppliers, particularly Northern Europe, although input costs would increase as a result. As processors attempt to re-stock ingredient supplies, they express concern about future demand due to widespread unemployment and more limited incomes, and therefore lower consumer demand in two to three months. Processors are also implementing additional measures to protect employee health and ensure food safety by constantly cleaning and sanitizing throughout the facilities.

Retail: According to Nielsen retail audit data, from February 23 to March 15, 2020, Romanian retail sales increased by 37.2 percent over the same period in 2019. Food sales increased by 42 percent, and personal hygiene product sales increased by 65.6 percent over the same period in 2019. Home care product sales increased by 23.4 percent over the same period last year.

The fast-moving consumer goods market grew by 76 percent in value in week 11 (March 9-15) over the same period in 2019. Food products sales increased by 75 percent, personal care products by 113 percent, and home care product sales by 100 percent. The food products that accounted for 75 percent of the week 11 sales jump in 2020 over 2019 were basic staples like meat and sausages, cooking oil, cheese, bottled water, fruits and vegetables, and canned goods. Products registering at least 300 percent sales growth over 2019 were canned meats (625 percent), pure alcohol (418 percent), and yeast (366 percent).

According to Dunwell, Romania's largest independent industrial real estate agency, 23 distribution centers supply nine of Romania's largest national retail chains every day. These distribution centers are currently working at full capacity. Kaufland, Carrefour, LIDL, Metro, Profi, Mega Image, Auchan, REWE, and Cora stores have over 950,000 cumulative square meters of warehouse space, which supply over 3,000 stores daily across Romania.

In response to COVID-19, Kaufland, Mega Image, and Glovo (delivery app) launched telephone lines for free delivery to elderly consumers. Kaufland and Selgros also included an option to order prepared,

pre-packaged meals. Kaufland Romania announced that it would pay three months of state and local taxes in advance to support governmental economic relief efforts during the public health crisis. They also offered a \$1.75 million bonus to its "first line" teams, stores, and warehouses, and will provide immediate on-the-spot overtime payments throughout the COVID crisis.

In March, Profi, Penny, Mega Image opened 24 total new stores. According to Cushman & Wakefield, each day shopping malls are closed, unearned revenue losses are between \$16 and \$22 million. Total retail space in Romanian malls, retail parks, and commercial galleries is about 3.9 million square meters. Most supermarkets have changed their opening hours to 8:00 a.m. to 9:00 p.m.

HRI: Romania's HRI sectors are the most severely affected food and ag-related sectors, to date. On March 17, 2020, Minister of Internal Affairs Marcel Vela announced that all restaurants, bars, hotels, coffee shops, and other public venues would suspend business operations. Delivery and take-out are allowed to continue.

After the state of emergency declaration and subsequent restaurant closures, Romanian food service sales dropped by about 80 percent. Since then, some restaurant owners began delivery services as a means to keep their businesses afloat. Other restaurant owners have shut down, expecting to stay closed for two months. The National Organization of Hotels and Restaurants declared that the sector will lose \$2.6 billion due to COVID-19, and 80 percent of total employees could lose their jobs.

Food Prices: Because of higher logistics and packaging costs, some food manufactures are expecting five to 10 percent increases in their operating costs. Most food companies have suspended market promotions to offset higher transport prices. ANPC and Competition Council are making unannounced retail visits to verify price conformity and guard against price gouging.

The latest price analysis submitted by Retail Zoom on April 7, 2020, shows that during week 12, March 6-22, retail prices increased for some products, include 44 percent for yeast, 20 percent for mayonnaise, 15 percent for eggs, 14 percent for flour, nine percent for canned meat, and 13 percent for baked goods. Carrefour announced that they will freeze prices for almost 500 staple products until April 19. Mega Image announces freezing prices for all products through the end of April.

Government Support: As of April 1, 2020, employers can request GOR assistance to meet employee payrolls. The Ministry of Labor will provide unemployment benefits for furloughed and dismissed employees for up to 75 percent of the average gross salaries. HRI companies will particularly benefit from the state unemployment benefits for their furloughed employees. According to the latest official data, on April 6, 2020, almost 190,000 employees have their contracts terminated and another 950,000 employees have been furloughed due to the economic crisis generated by the pandemic.

MARD is considering the recent EU guidance on state aid and is analysing which agricultural sectors are most negatively affected by COVID-19, as to prioritize direct support from the national budget to those producers. As of March 30, MARD is also offers small vegetables producers an online portal to link them with retailers.

Logistics and Transportation: President Iohannis announced a national plan to limit the spread of COVID-19 on Wednesday, March 25. Most people are only able to leave their homes to buy food or medicine, go to work, seek medical attention, and other essential activities. All passenger flights to and from France, Spain, and Germany are cancelled, although air freight, mail, and humanitarian or emergency medical service flights can continue. Several airlines have suspended flights to Bucharest's Henri Coanda International Airport, including from the Lufthansa Group (Lufthansa, Austrian Airlines, SWISS) until April 19, and KLM until May 3, 2020.

On Sunday, March 29, 2020, GOR authorities implemented Military Ordinance No. 4, which requires drivers entering Romania with vehicles greater than 2.4 metric tons to self-isolate for at least 14 days upon entry. Employers or local authorities are required to provide drivers with a place to self-isolate. Some importers have informed Post about concerns that they will not be able to maintain consistent stocks, as trucking companies will be forced to run on minimal staffing at any given time.

On Saturday, April 4, 2020, Military Ordinance No. 7 was published to speed up long-haul commercial freight traffic. As a result, truck drivers can more easily pass through Romania, provided they stay on designated transit corridors, leave designated corridors not more than 48 hours to deliver or load freight, and park in designated areas, in order to be exempt from the 14 days isolation. Upon entering the country, foreign drivers will apply for a special sticker that will identify the type of transport. Drivers will also be issued a special transit form, which they will be required to carry. Drivers who do not comply will be forced to quarantine for 14 days, at their own expense.

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Attachments:

No Attachments.