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Approved By:

Russ Nicely

Prepared By:

Monica Dobrescu

Report Highlights:

Romanian poultry meat production is set for another year of growth in 2016 stimulated by a positive economic environment. Trade is anticipated to rise moderately. Per capita consumption will remain on a rising trend for poultry meat as consumers show strong preference.

General Information:

In 2016 the Romanian poultry meat sector is anticipated to continue growing stimulated by a boost in private consumption. Fiscal measures adopted by the Romanian Government over the past 18 months, namely a reduced Value Added tax (VAT) for food products and increases in the minimum and public wages translated into higher disposable income at the consumer level. The domestic poultry industry remains on a positive trend with continuing investments in production and processing technology, logistics and branding. These features ensure that the poultry sector remains one of the most dynamic in Romania's agriculture and food industry field.

DOMESTIC PRODUCTION AND CONSUMPTION

Poultry meat production is anticipated to grow by 5 percent in 2016, based on the production data available for the first 6 months of this year (please see Table 1). Rising demand and competitive production costs, supported by reasonable feeding prices as a result of the generous grains and protein meal supply, represent factors which stimulated poultry farms to continue developing. Imports are expected to follow the same trend, but at a slower rate than 2014. On the other hand, the poultry meat exports are foreseen to stagnate reflecting both rising domestic market opportunities and strong competition in foreign markets.

Table 1 - Romania, Poultry Meat Production, Trade and Consumption

Carcass Weight (CWE), MT	**2012**	**2013**	**2014**	**2015**	**2016***
Poultry Production	342,074	332,428	355,527	410,783	431,000
Imports from EU	105,954	94,332	118,747	125,809	133,000
Imports from extra EU	9,673	5,420	6,128	5,053	4,700
TOTAL SUPPLY	**457,701**	**432,180**	**480,402**	**541,645**	**568,700**
Exports to intra EU	76,965	69,440	61,056	69,426	71,000
Exports to extra EU	8,200	9,654	8,119	7,482	6,000
Available for Domestic Consumption	372,536	353,086	411,227	464,737	491,700
TOTAL DISTRIBUTION	**457,701**	**432,180**	**480,402**	**541,645**	**568,700**

Source: Global Trade Atlas, National Institute of Statistics; FAS projections

The productivity of the sector improved for the year in 2015. The average daily weight gain grew from 53.06 grams in 2011 to 56.07 grams, average feed consumption declined from 1.885 kg feed/kg of meat in 2011 to 1.690 kg feed/kg of meat, while mortality percentage dropped from 3.5 percent in 2011 to 2.66 percent. During the past several years no major disease outbreaks hit the sector allowing the industry to progress further. Unlike other components of the livestock sector, poultry has not been included for coupled support from the European Union. However, poultry producers are entitled to receive domestic support for compensating expenses generated by implementation of the strict animal welfare rules on their farms.

The recent retail law implemented in the middle of 2016 is positively viewed by Romanian poultry producers, especially the provisions regarding the terms of payment, which require retailers pay their suppliers in a shorter time. In addition, the provision for shelf-taxes elimination is considered to positively affect producers' margins.

According to data released by the Poultry Producers Association, about 50-60 percent of total poultry meat production is produced by ten poultry farms. These are large and medium poultry producers with deliveries ranging from 12,500 MT/year to 65,000 MT/year (please see Table 2). These producers are vertically integrated from feeding to hatching, slaughterhouses and processing facilities. Such a level of integration allows them to control the cost of production and marketing, ensuring their competitiveness and capacity to adapt to new market conditions. There are smaller players in the market which are concentrated exclusively on poultry growing, which makes them less profitable and more vulnerable in case of a crisis. Consequently these companies expand in general at a slower rate from one year to another compared to the larger players.

Table 2. Major Poultry producers - Romania (2012-2015)

- liveweight MT -

Rank	Company	2012	2013	2014	2015
1	Transavia	54,195	57,637	58,182	64,976
2	Avicola Buzau	21,307	25,422	46,082	53,677
3	Agricola International Bacau	43,074	44,227	46,559	45,622
4	Agrisol	23,228	22,628	22,922	24,406
5	Avicarvil	16,608	18,647	20,318	20,617
6	Ave Group	16,711	16,620	17,565	16,699
7	Oncos	8,267	9,598	9,379	13,264
8	Avicola Slobozia	10,479	11,775	11,757	12,856
9	Bravcod	8,937	9,052	9,379	12,611
10	Avicod Broiler	10,157	11,957	13,017	12,523
	TOTAL 10 major producers	**212,961**	**227,563**	**255,160**	**277,252**

Source: Poultry Producers Association in Romania

In terms of prices, the Poultry Meat Producers Association keeps track of average farm-gate prices for carcass and cuts. According to their data, the average price in Romania since 2013 fell from 1.74 Euro/kg (U.S. $ 1.91) to 1.51 Euro/kg (U.S. $ 1.66) in 2015 per kg of carcass, about 80 percent of the average price at the EU level.

The largest share of poultry meat produced is sold as fresh/chilled meat on the market, investments in cutting lines and packaging technologies are helping producers to ensure hygiene standards and extend product shelf-life. Large poultry operations market a sizeable volume through the modern retail outlets, both their own brands and private labels, while a few developed independent store chains. It is worth noting the constant focus of the industry to move towards higher-value products, "ready-to-eat" being one category which has developed over the past couple of years in response to consumer preferences. Per capita poultry meat consumption is foreseen to increase to 24.6 kg in 2016, ranking second after pork meat, still below the EU average of 27 kg.

TRADE

In line with expectations, poultry meat imports rose in 2015 by almost 5 percent, showing a moderated increase compared to 2014 when imports rose by 25 percent in the context of oversupply at the EU level generated by the Russian trade restrictions. Imports from EU countries rose in 2015 by almost 6 percent, while imports from non-EU countries dropped by almost 18 percent (Table 3). This trend is foreseen to be maintained in 2016. Frozen meat accounts for about three quarters of the import volume, while chilled/fresh accounts for about 25-28 percent.

In terms of market shares, Hungary is the leading supplier with 23 percent of total broiler imports in 2015 (27,196 MT). Poland (25,715 MT) continued in 2015 to gain an increasing share of the Romanian market, accounting for 22 percent of total broiler imports. The Netherlands continued in 2015 to be an important supplier (18,071 MT), although it keeps losing market share, followed by Germany (15,556 MT) and the United Kingdom (7,991 MT). Trade figures available for the first four months of 2016 indicate the same countries will continue to remain the major suppliers.

Table 3 - Romania, Poultry Meat Imports (MT)

Origin	Calendar Year				Year To Date		% Change 2015/2014	% Change 2016/2015
	2012	2013	2014	2015	04/2015	04/2016		
EU	105,954	94,332	118,747	125,809	36,607	40,725	5.95	11.25
Non-EU	9,673	5,420	6,128	5,053	1,546	1,401	(17.54)	(9.38)
TOTAL	**115,627**	**99,752**	**124,875**	**130,862**	**38,153**	**42,126**	**4.79**	**10.41**

Source: Global Trade Atlas

After a plunge of 13 percent in 2014 due to difficulties in maintaining markets after Russian trade restrictions were implemented, Romanian poultry meat exports recovered in 2015 (up 12 percent) but remained below the level of 2013 (please see Table 4). Exports mainly consisted of cuts, almost equally distributed between fresh/chilled and frozen. The major destinations for local poultry meat are the United Kingdom, Bulgaria, the Netherlands, Hungary and Greece.

Table 4 - Poultry meat Exports, Romania (MT)

Destination	Calendar Year				Year To Date		% Change 2015/2014	% Change 2016/2015
	2012	2013	2014	2015	04/2015	04/2016		
EU	76,966	69,441	61,056	69,426	22,447	21,739	13.71	(3.15)
Non-EU	8,200	9,653	8,120	7,482	3,162	2,032	(7.85)	(35.74)
TOTAL	**85,166**	**79,094**	**69,176**	**76,908**	**25,609**	**23,771**	11.18	(7.18)

Source: Global Trade Atlas

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