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Romania

Livestock and Products

Annual

2002

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Report Highlights:
In 2001 cattle on feed registered a historical low and pork inventories bottomed out. Both sectors began to recover in the past year. Romania is a net importer of both pork and beef, but is not allowed to export either of the two products to the EU market. In its effort to adopt legislation consistent with EU, Romania's sanitary requirements are becoming stricter. There are increased opportunities for U.S. pork and offals sales. Beef exports are hindered by the requirements for "hormone-free" meat.

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

Production

Romanian livestock herds continued to diminish into the year 2001. In response to this decline, the Ministry of Agriculture is considering a set of measures aimed at increasing both livestock population and meat production. In 2001, domestic pork production fell to 608,000 MT liveweight, from 670,000 MT, of which 323,000 MT were self-consumed in rural households. Reported domestic commercial production of pork in 2001 did not exceed 200,000 MT carcass weight.

An upward trend in herd numbers is anticipated for the year 2003, with a 7 percent increase (per head basis) in swine numbers.

Swine inventories in the beginning of 2002 stood at 4.47 million head or 7 percent down from last year. However, after experiencing dramatic structural changes, the sector seems to be recovering. In fact, at the end of the first semester of this year, stocks are 5 percent up over 2001 levels. This seems to be partly driven by the subsidy program of the GOR, and partly by the reasonably good harvest of corn and barley in both marketing years 2001/02 and 2002/03. With production of piglets 9 percent higher than a year earlier (likely to reach 5.7 million head), slaughter rates are steady. Year-end inventories are expected to reach 4.65 million head in 2002.

Pig meat production in 2002 will stay close to the previous year's level, since conditions in both the domestic market and the international market are not likely to change in the short run. However, by the end of 2003, a 2 percent increase is anticipated.

Cattle and calves on feed totaled 2.8 million head at the end of 2001, reaching a historical low. Six months later the sector registered 4 percent growth (per head basis) compared to June 30, 2001. This trend is likely to be sustained throughout the second half of the year and further, into 2003. Thus inventories are forecast to reach more than 28.5 million head at the end of calendar year 2003.

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 which make the distinction between the two categories of animals.

Post expects recovery in the sector, though steady, will be slow, at about 3 percent per annum, both in terms of production (calf crop) and total cattle stocks. Beef and veal meat production will be probably 3 percent down by the end of the current year and slightly raise in 2003. This the anticipated outcome of the GOR livestock reproduction support programs, which will reduce slaughter. The GOR's procurement subsidy system which condition payments upon animal weight at slaughter will diminish slaughter rates. In addition, feed prices (mainly for silage) are expected to decrease, following fairly good corn production.

PSD Table Animal Numbers, Swine

PSD Table						
Country	Romania					
Commodity	Animal Numbers, Swine				(1000 HEAD)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
TOTAL Beginning Stocks	6400	4797	6200	4477	6150	4650
Sow Beginning Stocks	525	323	525	328	0	340
Production (Pig Crop)	6300	5206	6300	5700	0	6100
Intra EC Imports	0	23	0	93	0	70
Other Imports	200	269	250	230	0	200
TOTAL Imports	200	292	250	323	0	270
TOTAL SUPPLY	12900	10295	12750	10500	6150	11020
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	20
TOTAL Exports	0	0	0	0	0	20
Sow Slaughter	225	32	220	33	0	34
OTHER SLAUGHTER	5675	5335	5580	5327	0	5436
Total Slaughter	5900	5367	5800	5360	0	5470
Loss	800	451	800	490	0	530
Ending Inventories	6200	4477	6150	4650	0	5000
TOTAL DISTRIBUTION	12900	10295	12750	10500	0	11020
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

PSD Table Meat, Swine

PSD Table						
Country	Romania					
Commodity	Meat, Swine				(1000 MT CWE)(1000 HEAD)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Slaughter (Reference)	5900	5367	5800	5360	0	5470
Beginning Stocks	25	0	30	0	25	0
Production	275	406	270	405	0	410
Intra EC Imports	0	33	0	35	0	30
Other Imports	37	13	40	20	0	23
TOTAL Imports	37	46	40	55	0	53
TOTAL SUPPLY	337	452	340	460	25	463
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	1
TOTAL Exports	0	0	0	0	0	1
Human Dom. Consumption	295	405	305	410	0	420
Other Use, Losses	12	47	10	50	0	42
TOTAL Dom. Consumption	307	452	315	460	0	462
Ending Stocks	30	0	25	0	0	0
TOTAL DISTRIBUTION	337	452	340	460	0	463
Calendar Yr. Imp. from U.S.	0	0.023	0	0.05	0	0

Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

PSD Table Animal Numbers, Cattle

PSD Table						
Country	Romania					
Commodity	Animal Numbers, Cattle				(1000 HEAD)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Total Cattle Beg. Stks	3000	2870	2895	2800	2850	2867
Dairy Cows Beg. Stocks	930		920	0	0	0
Beef Cows Beg. Stocks	220		210	0	0	0
Production (Calf Crop)	870	1409	865	1428	0	1450
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	22	0	30	0	0
TOTAL Imports	0	22	0	30	0	0
TOTAL SUPPLY	3870	4301	3760	4258	2850	4317
Intra EC Exports	0	48	0	0	0	0
Other Exports	10	18	10	45	0	50
TOTAL Exports	10	66	10	45	0	50
Cow Slaughter	645	n.a.	620	n.a.	0	n.a
Calf Slaughter	45		35		0	
Other Slaughter	135	1376	120	1290	0	1310
Total Slaughter	825	1376	775	1290	0	1310
Loss	140	59	125	56	0	58
Ending Inventories	2895	2800	2850	2867	0	2899
TOTAL DISTRIBUTION	3870	4301	3760	4258	0	4317
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

PSD Table Meat, Beef and Veal

PSD Table						
Country	Romania					
Commodity	Meat, Beef and Veal				(1000 MT CWE)(1000 HEAD)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Slaughter (Reference)	825	1376	775	1290	0	1310
Beginning Stocks	10	0	10	0	10	0
Production	173	200	169	194	0	203
Intra EC Imports	0	0	0	0	0	0
Other Imports	1	11	1	10	0	15
TOTAL Imports	1	11	1	10	0	15
TOTAL SUPPLY	184	211	180	204	10	218
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	1	0	1
TOTAL Exports	0	0	0	1	0	1
Human Dom. Consumption	172	150	168	155	0	165
Other Use, Losses	2	61	2	48	0	52
TOTAL Dom. Consumption	174	211	170	203	0	217
Ending Stocks	10	0	10	0	0	0
TOTAL DISTRIBUTION	184	211	180	204	0	218
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Domestic Support Policy

Similar to crop production policy, the GOR subsidies for livestock breeders in 2002 targeted the "commercial farm" in a concentrated effort to tackle the issue of subsistence agriculture and to promote commercial consolidation in the sector. The newly announced programs are meant to re-launch the sector. However, Post estimates pig and cattle numbers, in the short run. will continue to remain substantially below the early '90s levels, mainly because of the macroeconomic environment.

The main reasons for Romania's dramatic decline in meat production and livestock numbers (over the past ten years) include:

- dismantling of state run production cooperatives;
- technical inefficiencies;
- financial inefficiencies;
- escalating prices for energy and imported inputs;
- shrinking meat consumption caused by diminishing purchasing power of the population.

There are two categories of GOR subsidies in place.

The first one has an impact on commercialization and the amounts budgeted are to cover GOR procurement of 45,600 MT of beef and 160,000 MT of pig meat respectively:

- direct payments of roughly $118/MT liveweight for live bovine animals weighing more than 380 kilos each delivered to authorized slaughterhouses;
- direct payments of roughly $118/MT liveweight for live swine animals weighing 90-110 kilos each delivered to authorized slaughterhouses.

The second category of support measures are designed to help reproduction and animal selection, as follows:

- $4.6 million for heifers' first calf delivery.
- $5.2 million for calves kept on feed for at least 6 months.
- $7.4 million for breeding sows delivering at least 8 piglets.

A more detailed breakdown of the main subsidies in the livestock sector is presented in Table 1.

Table 1: Allocations for livestock programs in the FY 2002

	Quantity ('000 heads or '000 MT)	Total budgeted amount (million US$)
A. Subsidies for reproduction, of which:		
Pregnant heifers	106.2	4.6
Calves	490.7	5.2
Sows	91.6	7.4
B. Subsidies for meat		
Beef and veal meat	45.6	5.4
Swine meat	160	18.8

Note: Conversion made at an estimated annual end-of-year exchange rate of 34,000 ROL/US$

Consumption

Consumption continues to be severely constrained by low buying consumer power. Thus, lower income population segments have adjusted their consumption patterns and switched to "inferior goods". Pork is still the most consumed meat in Romania. In 2001 the average annual consumption of swine meat stood at about 18 kg per capita, as against about 7 kg of bovine meat. Typically, more than half of domestically produced pork does not reach the market, being used for self-consumption in rural households.

A comparison of consumption data of main food products in EU countries as well as the states in east-central Europe (CEECs) (Table 2) shows that in Romania, the average annual consumption of meat and milk is much lower than in other countries. Moreover, the caloric intake is twenty-five percent less than the mean figure for the EU and, respectively, sixteen percent less than the CEEC average. The comparison also shows a deficiency in the Romanian consumption pattern as far as protein intake is concerned.

Table 2: Consumption of basic food products

	1990			2000		
	Romania	EU average	CEECs average	Romania	EU average	CEECs average
Food (% of household expenditures)	57	17.0	37.4	55	14	28
Daily caloric intake (per person)	3200	3400	3100	2600	3440	3100
Daily protein intake (g/per person)	95	104	94	82	107	91
Meat and meat prod. consumption (kg/year)	72.2	83.1	75	40	90	70
Milk and dairy consumption (litters/year)	99	250	188	145	260	175

Source: Romanian Institute for Statistics, World Bank, Eurostat.

There is no direct link between the decrease in beef consumption and the BSE and FMD-related concerns. Under the current difficult economic circumstances, a large part of the population lacks purchasing power and thus "food safety" cannot be defined as an issue. Nevertheless, concern over environmental issues is not likely to decline, but this can be translated into a change in consumption pattern only for the higher income population segments.

Given growth prospects for the coming years, the domestic market is expected to expand.

Trade

Since 1998 Romania has turned into a net importer for both swine (live animals) and meat. This was mainly determined by the low domestic availability of the product. Nevertheless, substantial trade liberalization begun in 1997 has also opened the door for imports.

Current MFN duties and preferential rates were granted to trading partners from the EU and Central European Free Trade Agreement (CEFTA) as follows:

Table 3: Current duties (%) on selected livestock products

HS	Product	MFN tariff	Applied to imports from the EU	Applied to imports from CEFTA
0102, except for:	Live bovine animals	Ex.	Ex.	Ex.
0102.9051	Heifers for slaughtering, weighing 300 kg or more	25	18.8	15
0102.9059	Other	25	18.8	15
0102.9061	Cows for slaughter	25	25	15
0102.9069	Other	25	25	15
0102.9071	Other, for slaughter	25	25	15
0102.9079	Other	25	25	15
0103	Live swine			
0103.1000	Purebred breeding animals	Ex.	Ex.	Ex.
0103.91.10	Weighing less than 50 kg	15	15	10
0103.91.90	Other	15	Ex.	10
0103.92.11	Saws weighing 160 kg or more	15	15	15
0103.92.19	Other	20	20	15
0103.92.90	Other	20	Ex.	15
0201	Meat of bovine animals	20	20	20
0203	Meat of swine	20	20	20

Ex.- exempted

Imports of both pork and beef escalated in 2001 asdomestic herds registered historical lows. Thus, throughout much of calendar year 2001, the MFN applied import tariff on chilled and frozen pork was 45 percent, while members of the CEFTA enjoyed a preferential rate of 25 percent. August 2001 MFN import duties (applicable to imports from the United States as well), were lowered from 45 to 20 percent, as the domestic market was short. These lower tariffs were subsequently extended until the end of the year 2002 and, moreover, included beef (for which MFN duties were cut by half, from 40 percent). The new regulation is expected to expand U.S. export opportunities to Romania, especially for pork shoulder cuts and offal for use in processing.

The Romanian Customs Office reported that during 2001 the country imported 46,536 MT of fresh, chilled or frozen pork meat (HTS Code 0203), primarily from Germany (14,100 MT), Hungary (8,400 MT), Austria, France, The Netherlands, Poland. The U.S. shipped only 23 MT of frozen pork in this period. In the first five months of 2002, over 23.6 MT of frozen U.S. pork has been imported. Romania also imported close to 292,000 hogs for slaughter in 2001, Hungary being the main supplier.

Over half of these imports are estimated to have entered the country duty-free, thanks to the GOR law on "disadvantaged zones”, which gives incentives to investors established in the regions declared as such. The law was ineffective and the GOR decided to discontinue the policy effective Ocober 1, 2002. Post expects that imports will decline in 2003, as the domestic supply, in turn, begins to recover.

Romania’s live hogs and pork exports have been almost null for several years. This was partly due to the sanitary-veterinary requirements from partner countries.

Romania vaccinates against classical swine fever (CSF) and thus cannot export pork to the EU market. Only canned pork is allowed for export to EU states. As herds are expected to grow, the local producers are hoping to regain their traditional markets in the former Yugoslavia region and the CIS markets.

Regarding the importation of bovine live animals/meat, the Romanian veterinary authority has adopted very restrictive regulations. Some BSE risk management measures were introduced in 1996 and the program expanded consistent with EU legislation in September of 2001. Because past imports of live cattle, meat and bone meal from EU countries took place, the Scientific Steering Committee of the EU has put Romania into the third risk category for BSE since 2001 and it consequently cannot export beef/veal to the EU.

Romania does not allow imports of bovine animals/meat from EU members where the presence of BSE has been confirmed. Effective in 2002, only countries authorized to export to the EU are allowed to ship to Romania.

In 2001 the Ministry of Agriculture passed regulations in line with relevant European SPS legislation forbidding the use of artificial growth promoters by domestic livestock breeders. The GOR also enforced measures for comprehensive surveillance and examination for residues in meat and products of animal origin. This restriction severely limits the access of beef and veal originated from the U.S., since only products derived from animals meeting the requirements of Non Hormone Treated Cattle (NHTC) program consistent with the EU requirements are eligible. There are still a number of products that can be exported to Romania: beef tripe, genetics, petfood. Nevertheless, the regulatory framework is extremely fluid and the veterinary-sanitary requirements on specified risk materials (SRM) for BSE, hormones’ use, certification etc. are revised often.

Romania’s exports of live bovine animals can only target non-EU countries and have been low in the recent years.

Import Trade Matrix Animal, Numbers, Swine

Import Trade Matrix				
Country	Romania		Units:	1000 HEAD
Commodity	Animal Numbers, Swine		Partial Begin	01/01/02
			Partial End	05/31/02
Imports for:	2000	2001	2002)	
	CY	CY	Jan-May	
U.S.	0			
Others				
Hungary	169	269	75	
Moldova	0.8			
UK	0.2			
Germany		23	32	
Czech Republic			26	
Austria			2	
Total for Others	170	292	135	
Others not Listed	2	0	2	
Grand Total	172	292	137	

Import Trade Matrix Meat, Swine

Import Trade Matrix				
Country	Romania		Units:	MT
Commodity	Meat, Swine		Partial Begin	01/01/02
			Partial End	05/31/02
Imports for:	2000	2001	2002	
	CY	CY	CY	
U.S.	0	23	24	
Others				
Hungary	5805	8413	1261	
Germany	3335	14088	6130	
The Netherlands	4092	2875	3818	
Belgium	2506			
Austria	1996	5411	3763	
France		4630		
Switzerland		182		
Brazil	169	44		
Poland		2931	300	
Czeck Republic			963	
Total for Others	17903	38574	16235	
Others not Listed	4486	7939	5784	
Grand Total	22389	46536	22042	

Export Trade Matrix Animal Numbers, Cattle

Export Trade Matrix				
Country	Romania		Units:	1000 HEAD
Commodity	Animal Numbers, Cattle		Partial Begin	01/01/02
			Partial End	05/31/02
Exports for:	2000	2001	2002	
	CY	CY	Jan-May	
U.S.	0	0	0	
Others				
Italy	45	17	3	
Egypt	25	2		
Syria	18			
Lebanon	14	2		
Libya	12	5		
Germany	7	2	1	
Greece	4	28	13	
Hungary	2			
Croatia		7	7	
Total for Others	127	63	24	
Others not Listed	58	4	2	
Grand Total	185	67	26	

Import Trade Matrix Meat, Beef and Veal

Import Trade Matrix				
Country	Romania		Units:	MT
Commodity	Meat, Beef and Veal		Partial Begin	01/01/02
			Partial End	05/31/02
Imports for:	2000	2001	2002	
	CY	CY	CY	
U.S.	0.09	0	0	
Others				
Hungary	631	775	1619	
Poland	142	1987	2233	
Germany	146			
Austria	377	5903		
Czech Rep.		2203		
Brazil		122		
Total for Others	1296	10990	3852	
Others not Listed	94	500		
Grand Total	1390.09	11490	3852	

Prices

Recent restructuring of pig industrial "complexes" stabilized prices on the domestic market, while imports increased. It is reported that these complexes generally operate at full capacity, with good technical and commercial performances.

Prices Table Meat, Swine

Prices Table			
Country	Romania		
Commodity	Meat,Swine		
Prices in	US$	per	MT
Year	2001	2002	% Change
Jan	1759	1903	8.19%
Feb	1692	1756	3.78%
Mar	1733	1679	-3.12%
Apr	1584	1779	12.31%
May	1607	1583	-1.49%
Jun	1589	1751	10.20%
Jul	1574	1668	5.97%
Aug	1632		
Sep	1687		
Oct	1751		
Nov	1802		
Dec	1845		

Note: These farmgate prices do not include the VAT.			
Prices calculated using monthly average exchange rates.			

The demand for veal and beef remains depressed and the processing industry sources 85-90 percent of its needs from domestic suppliers.

Farmgate prices for bovine carcass for the first seven months of 2002 depreciated as follows (Table 4):

Table 4: Farmgate prices for beef, carcass weight (US$/MT)

January	1716
February	1674
March	1648
April	1511
May	1463
June	1408
July	1455

Source: Local producers.
Note: Conversions made using the official monthly exchange rates.
These prices do not include the VAT.