THE MAIN ROMANIAN AGRICULTURAL SECTORS EVOLUTION FOLLOWING EU INTEGRATION

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Structure

- Dairy sector
- Poultry sector
- Vegetable sector
- Oilseeds sector
- Price volatility analysis along the agri-food chains
- Analysis of the economic flows between the “agriculture” aggregate and the “food industry” aggregate from the perspective of intermediary deliveries (destinations) and of intermediary acquisitions (origins).
- Final conclusions

Dairy sector

	2007	2008	2009
Total farms (number)	1052028	945860	849851
Livestock herds (heads)	1710432	1593535	1499434
Average farm size (heads/farm)	1.63	1.68	1.76

Dairy farm structure by size clases

	2007	2008	2009
1 - 2 heads	969896	863830	757799
3 - 5 heads	66653	65817	73436
6 - 10 heads	9614	9852	11227
11 - 15 heads	2433	2468	3105
16 - 20 heads	1391	1586	1620
21 - 30 heads	942	1028	1202
31 - 50 heads	587	634	795
51 - 100 heads	321	409	432
over 100 heads	191	236	235

Number of milk quota beneficiaries

	2007-2008	2008-2009	2009-2010
Producers with delivery quota	**228257**	**179079**	**136735**
Producers with direct sales quota	**1425284**	**1273518**	**991210**
Buyers for processing	**429**	**478**	**477**

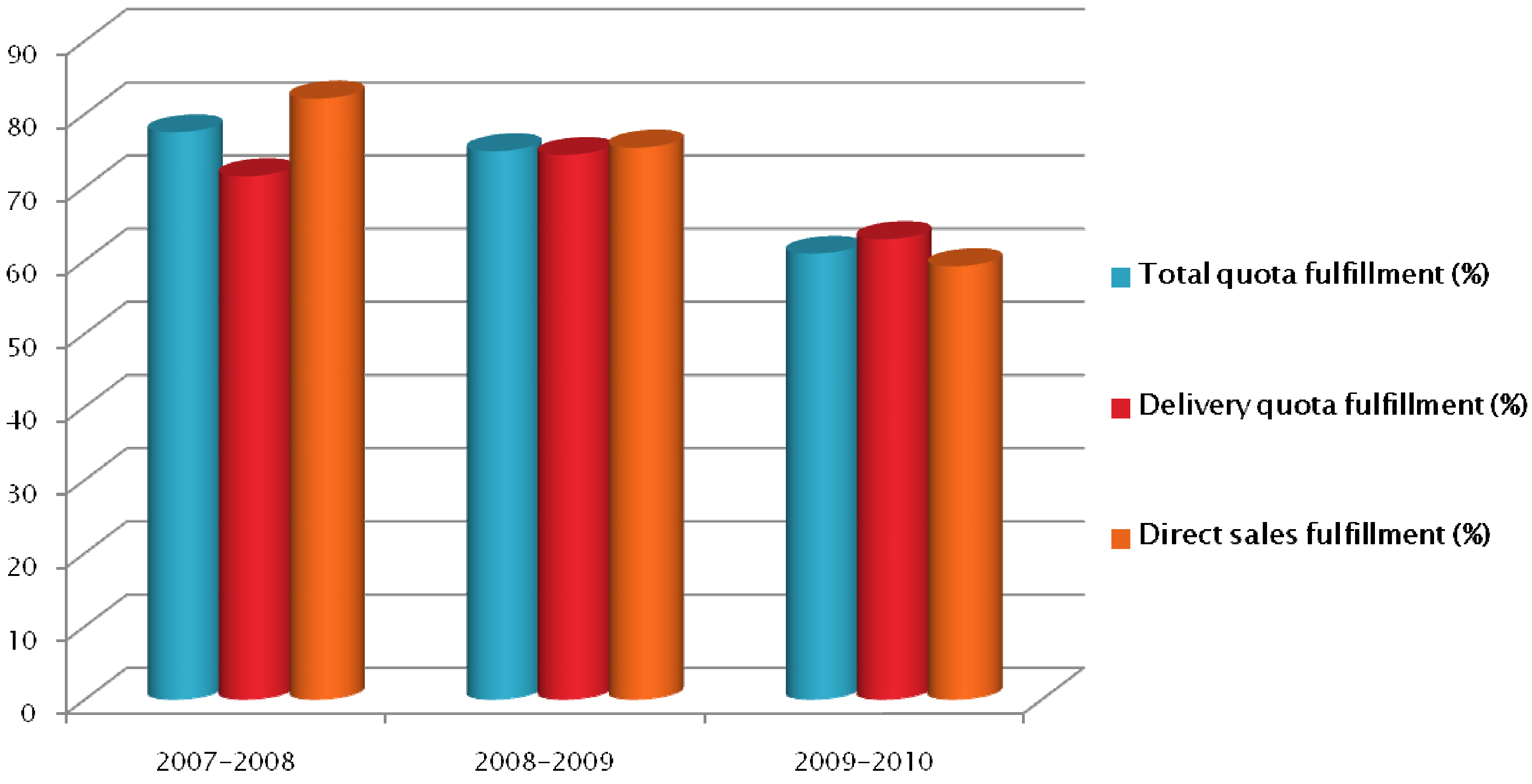
Structural characteristics of the outputs on the specialized dairy farms (FADN, 2007)

	Average milk yield (kg/cow)	Milk production on the farm (tons)	Milk price (euro/ton)
EU-15	7019	355	349
EU-10	5567	102	283
Romania	3883	17	330

Evolution of the milk deliveries – direct sales ratio in Romania

Quota years	2007-2008	2008-2009	2009-2010
Total national quota (thou. t)	3057	3118	3149
Milk deliveries share (%)	43.2	45.8	46.8
Direct sales share (%)	56.8	54.2	53.2

Milk quota fulfillment per total and by components



Row milk supply

	2007	2008	2009	2009/2008(%)
Row milk collected in country(t)	1157919	1072679	1011464	-5,8
Imported row milk(t)	43856	51707	80636	+55,9
Total (t)	1201775	1124386	1092100	-2,9

Dairy balance trade (thou. euros)

	2007	2008	2009
Milk and sour milk concentrated	**-19698**	**-30088**	**-37039**
Milk and sour milk unconcentrated	**-5805**	**-4048**	**-7598**
Butter	**-15807**	**-18861**	**-21470**
Cheese and hard cheese	**-53937**	**-78400**	**-69175**

Romania is a net importer for dairy products

SOME CONCLUSION

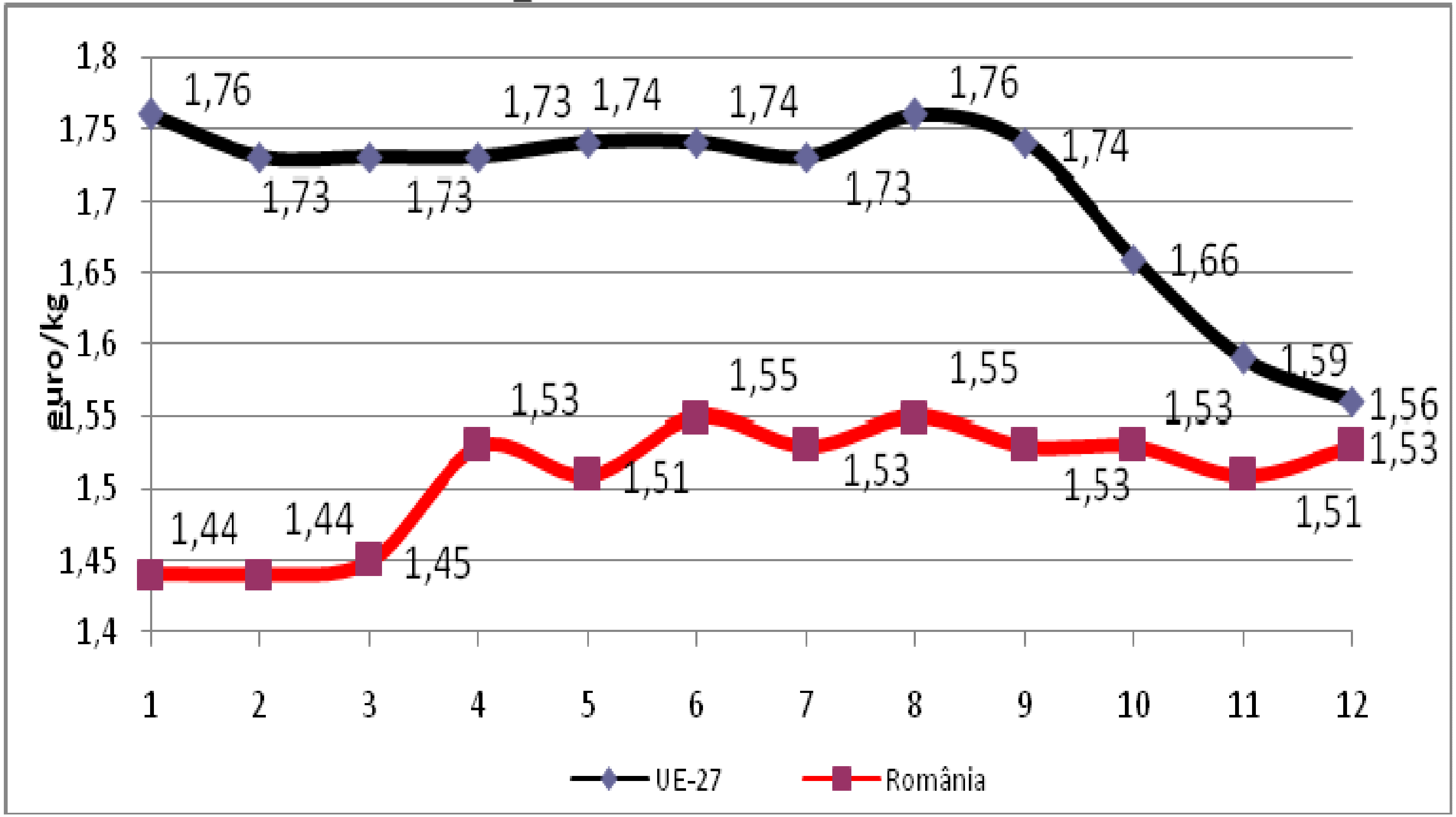
- **The transformation of the dairy cow farms sub-sector in Romania, following EU accession was produced under the milk quota system constraints due to both structural and conjunctural factors**

- **The result of the interaction between these factors is reflected in the poor economic performance of the dairy farms: these obtain the lowest net value added per annual work unit among all the EU Member States (2441 euro/AWU); this situation is the result of the small farm size, in combination with the labour surplus on these farms.**

Poultry sector

- **The poultry sector is characterized by the existence of two systems: an extensive raising system on the individual households and an intensive or industrial system.**
- **The large units for raising chickens for meat are integrated units, with combined feed mills, reproduction units, chicken raising units, slaughtering and processing units, distribution units and own shops.**
- **There are 273 thousand individual holdings, summing up 24% of the number of poultry, and 185 legal entity units, which account for 76% of poultry number**
- **The total number of slaughtered poultry in 2009 was 241128 thousand heads, out of which 74.6% were slaughtered in specialized industrial units.**

Evolution of monthly average broiler prices in 2009



Poultry meat production

	2007	2008	2009
Poultry carcass total (thou. tons), out of which:	304.9	343	371.3
- in specialized industrial units (thou. tons)	210.3	255.7	289.8
Average chicken carcass weight (kg/piece)	1.6	1.6	1.5
- in specialized industrial units (kg/piece)	1.6	1.7	1.6

Foreign trade with chicken meat

	2004	2005	2006	2007	2008	2009
Imports (thou tons)	129.1	160.8	155.4	138.3	118.3	112
Exports (thou tons)	3.8	6.2	3.1	1.7	8.0	30.2

Self-sufficiency in meeting poultry meat consumption needs from domestic production

	2006	2007	2008	2009
Domestic production – thousand tons carcass	273.3	304.9	343.0	371.3
Consumption – thousand tons	460.8	433.8	453.8	462.2
Total production per total consumption - %	59.3	70.2	75.5	75.6

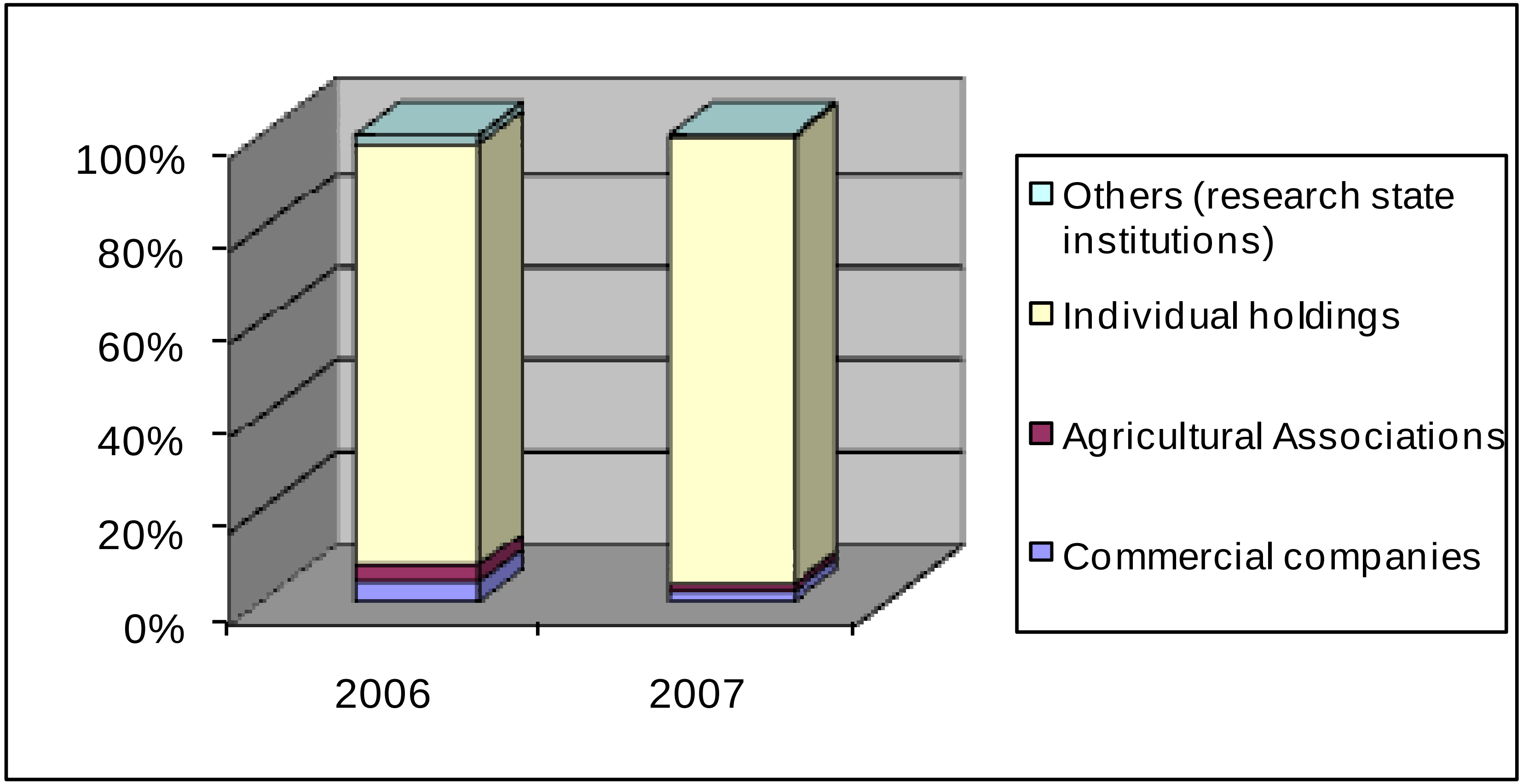
SOME CONCLUSIONS

- **Poultry meat production increased after Romania joined EU, while self-sufficiency in poultry meat also increased from 59.3% in 2006 to 75.6% in 2009**
- **In 2010, producers were confronted with pressures related to the low prices compared to the 2009 prices, due to decreasing sales, as well as the absence of subsidies and increase in feed prices.**
- **The broiler carcass prices were below the EU-27 average**

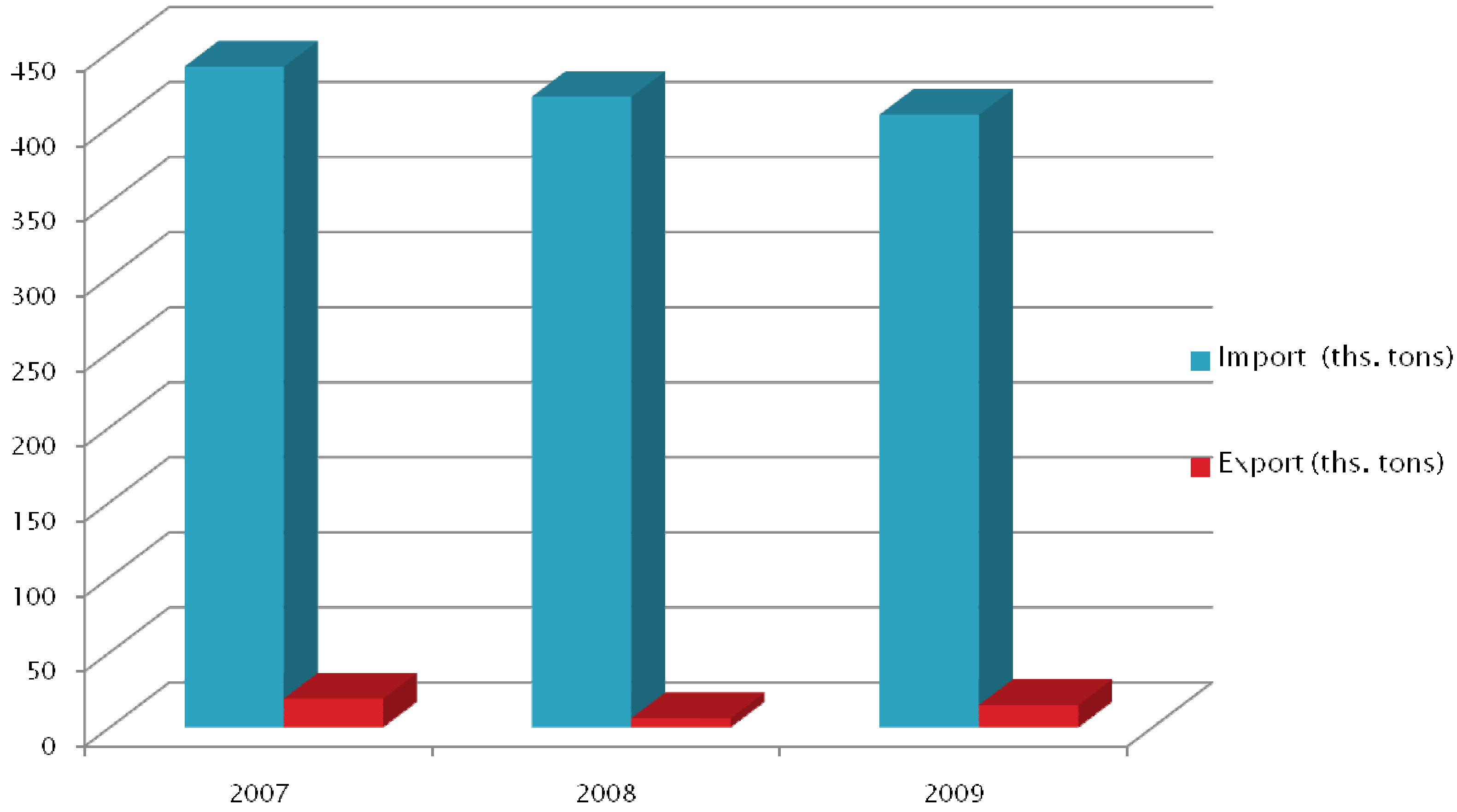
Vegetable sector

- **The land area under vegetables accounted for 3.3% of total cultivated arable**
- **At the EU level, the share of area under vegetables is quite similar; the difference is that currently in Romania the consumption needs are not fully covered by domestic supply**
- **Main cultivated vegetables: tomatoes 18%, cabbage 17.7%, and dry onion 14%.**

Share of cultivated areas by types of holdings



Vegetable balance trade



Coefficient of variation %

	Field tomatoes	Winter white cabbages	Onions	Green peppers
2005	19	27	7	19
2006	42	56	11	36
2007	19	24	7	19
2008	19	39	5	13
2009	28	27	4	27
2010	9	6	11	11

Variation Coefficient for F&V in relative prices in few EU Countries

	CV 1999/2002	CV 2003/2006	CV 2007/2009
Austria	2,6	3,0	6,8
Bulgaria	6,9	2,8	12,9
Greece	7,7	3,7	3,9
Spain	2,2	3,3	2,4
Hungary	8,1	5,0	6,8
Poland	4,9	7,9	6,9
Romania	9,7	12,3	12,6
Slovacia	1,7	2,7	3,3

Some conclusion

- **The vegetable production and yields fluctuate a lot and this is reflected in the price variation.**
- **The CV for F&V is highest among the other Romanian agricultural products and among the EU countries.**
- **Although some support was provided to this sector within CAP it is still confronted with large fragmentation among farmers and wholesalers.**
- **Weather conditions contribute also to a high variability of the production which makes it even more difficult to balance the demand and supply.**

OILSEEDS SECTOR

- **Romania is one of the most important producers of oil crops in Europe.**

- **The main cultivated oil crops are: sunflower (66%), rapeseed (30%), soybean (3%) and others 1%.**

- **The oilseeds industry had an increasing trend, mainly due to a steady increase of sunflower production and to a constant demand of raw (brut) oil and oilcakes on the foreign markets.**

- **By types of holdings, there is a balanced situation between the individual holdings and the agricultural companies. On the individual holdings, sunflower is cultivated on the largest areas (55-61%)**

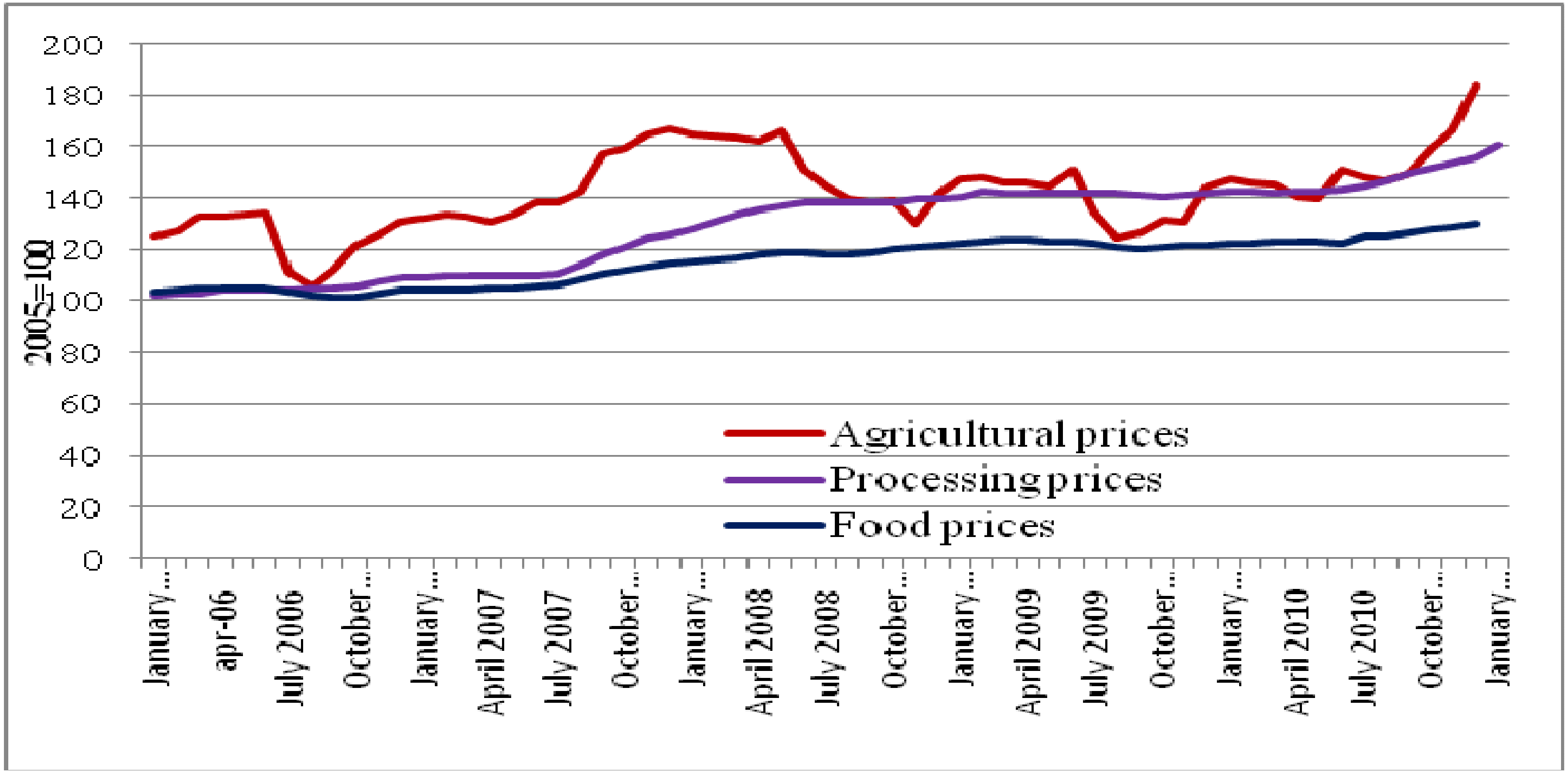
OILSEEDS SECTOR

- **The Romanian oil industry is booming, being very competitive, with great investments from the large foreign companies in this field (Cargill, Bunge) absorbing almost 950 thousand tons of sunflower seeds and about 235 thousand tons soybeans.**

- **Sunflower remains a top product in the Romanian exports, while the exported surplus continues to decrease as the needs for raw materials for processing on the domestic market increase.**

- **Romania has a positive trade balance from the trade with oil seeds, oils and oil cakes in the last three years**

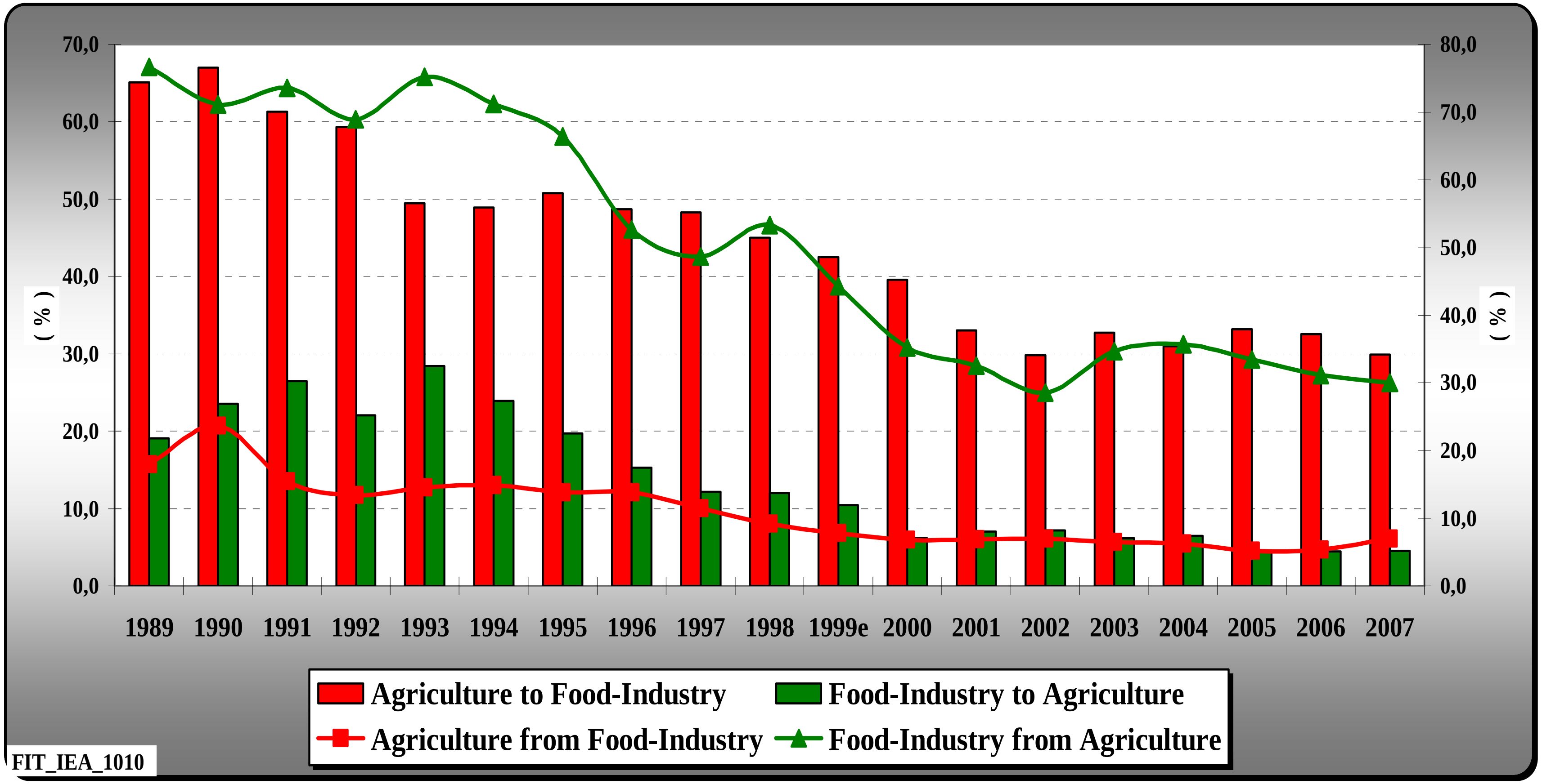
Evolution of agricultural products prices, of the processor products prices and of consumer food prices in Romania



Price variability in the main stages of agri-food chains

	Jan.2006-Dec.2010	Jan.2006-Mar.2007	Apr.2007-May 2008	Jun. 2008-Oct.2008	Nov. 2008-Sep.2009	Oct.2009-ul.2010	Aug.2010-Dec.2010
Crop products	16.50%	11.20%	10.80%	16.20%	9.40%	8.90%	13.10%
Animal products	14.30%	5.80%	8.40%	5.10%	3.40%	4.50%	4.60%
Total processin g	13.10%	2.40%	8.80%	0.50%	0.70%	0.70%	2.30%
Total foodstuffs	7.50%	1.20%	4.60%	0.60%	1.00%	1.00%	1.40%

Evolution of inter-relations between agriculture and food industry, as intermediary deliveries and intermediary acquisitions, in Romania's economy, 1989 – 2007



Source: own calculations, on the data from Nat. Accounts, 1990 - 2007, NIS;

FINAL CONCLUSION

- **From the analysis of the sectors presented one can notice that although there were steps made in improving competitiveness following the EU accession, the main structural problems are still an issue.**

- **Fragmentation still remains a problem, the negotiation power is still low, there is an oligopoly situation regarding the agricultural inputs, there is also an oligopoly situation in the distribution and marketing channels especially in the vegetable sector.**

- **Price volatility is extremely high, which is a consequence of a very high production variability and lack of balanced situation between demand and supply of agricultural products.**

- **This may suggest that the adoption of Common Agricultural Policy has not yet solved the main sectoral problems and the future CAP may further be reformulated in such a way that problems at stake could be better tackled.**

Thank you for your attention!