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Report Highlights:

Domestic consumption for beef and pork meat is predicted to continue rising stimulated by abundant supply in the European Union on one hand and the fiscal measure reducing the VAT rate for food products. Dairy quota elimination at EU level and reduced grains supplies in 2015 due to adverse weather factors led to higher slaughtering in the second part of 2015. Commercial sector for both cattle and swine is consolidating.

CATTLE

The Romanian bovine sector is forecast to continue its restructuring process. The cattle number is steadily growing after a drop in inventory in 2011 (Table 1). According to the latest inventory data published by the Romanian Statistical Office, cattle inventory grew by 0.4 percent in June 2015 compared to a year before.

Table 1- Cattle inventory, Romania

Inventory at December 1st	2010	2011	2012	2013	2014
Cattle (heads)	2,001,100	1,988,900	2,009,100	2,022,400	2,068,900

Source: Romanian Statistical Institute

In terms of farm size, recent data reveals that in July 2015 about 92 percent of all cattle inventory belong to family farms and only 7 percent to companies and associations. The commercial segment has a positive outlook, with considerable investment in genetics quality, housing, and herd management. Breeding live cattle imports doubled in 2014, showing a clear tendency for bovine farm improvements before the EU dairy quota abolishment. Hungary was in 2014 the major live cattle supplier, because of proximity, followed by Lithuania and Germany, the latter being a constant supplier for the Romanian market. Market conditions deteriorated in 2015 so the trend reversed and live bovine imports fell by 76 percent during the first 8 months of 2015 (Table 2).

Table 2 – Romania, Import Statistics Bovine Animals, Live, number of heads

Partner Country	Calendar Year			Year To Date		
	2012	2013	2014	08/2014	08/2015	%Change
World, of which	**7,371**	**10,443**	**21,125**	**18,961**	**4,490**	**(76)**
Hungary	772	4,564	8,510	8,090	983	(88)
Lithuania	-	200	5,892	5,892	850	(86)
Germany	1,589	1,556	2,129	1,467	537	(63)
Netherlands	760	926	1,455	1,148	457	(60)
Czech Republic	318	102	499	372	-	(100)
Italy	278	689	433	428	103	(76)
France	1,939	782	412	221	499	126
Other	1,715	1,624	1,795	1,343	1,061	(21)

Source: Global Trade Atlas

Romania is a traditional exporter of live cattle. Lack of improved management and feeding practices prevent farmers from being competitive on the foreign beef market, hence the orientation towards live cattle exports. Farmers consider exports as an important driver for their calf production. Specialized trading companies purchase the calf and young bulls for export purposes.

The second part of the year 2014 was dominated by the drop in live cattle exports as a result of Blue

Tongue disease outbreaks, which emerged in August 2014. The export restrictions imposed by several countries coincided with the Russian trade restrictions imposed in August 2014 leading to a live cattle and beef meat higher availability, consequently leaving to price collapse. In 2014 live cattle exports fell by 12 percent (Table 3), the lack of foreign demand leading to a further drop in exports of 24 percent for the first 8 months in 2015. An isolated case of Bluetongue disease generated some fear that the previous year's context will be repeated in 2015, but those few cases in September 2015 remained isolated and foreign markets did not place bans on live cattle from Romania.

Table 3 – Romania, Export Statistics Bovine Animals
Live, number of heads

Partner Country	Calendar Year			Year To Date		
	2012	2013	2014	08/2014	08/2015	%Change
Total, of which	**304,396**	**277,748**	**245,239**	**204,788**	**154,370**	**-24.62**
Italy	47,657	57,372	52,764	44,549	17,508	-60.7
Spain	53,108	53,311	45,046	40,104	14,495	-63.86
Croatia	62,944	44,344	34,632	23,269	49,718	113.67
Israel	15,341	38,970	21,465	21,465	17,046	-20.59
Libya	27,921	25,437	15,322	15,322	2,731	-82.18
Jordan	19,914	12,285	12,262	12,262	7,760	-36.72
Poland	10,352	8,459	10,658	9,937	772	-92.23
Bosnia & Herzegovina	7,671	8,527	9,297	7,193	4,135	-42.51
Netherlands	13,382	4,718	8,560	7,486	357	-95.23
Albania	1,206	792	8,556	3,259	9,026	176.96
Hungary	12,676	7,230	7,407	6,360	8,018	26.07
Greece	11,992	8,571	7,385	4,659	8,755	87.92
Other	20,232	7,732	11,885	8,923	14,049	57.4

Source: Global Trade Atlas

BEEF

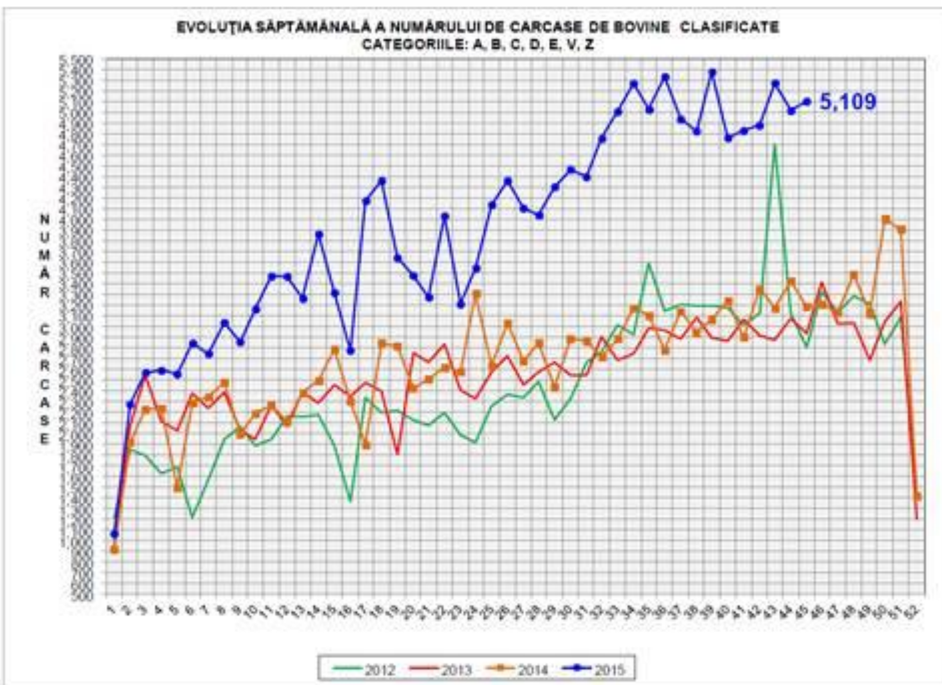
The number of cattle directed to slaughter has declined every year since 2010 (Table 4). Given the predominance of the backyard sector, slaughter remains dominated by non-commercial cutting which accounts for about 80 percent of the total slaughter. A slight tendency for decline may be observed though, as holdings become less interested in raising animals. As young calves from the non-commercial channels (backyard farming) dominates the slaughtering structure, the carcass weight is in general about 120 kg, much lower than the carcass weight of cattle originating from the commercial sector which is around 215 kg/carcass.

Table 4 – Bovine Slaughtering, Romania

Slaughtering (number of heads)	**2010**	**2011**	**2012**	**2013**	**2014**
Slaughterhouses	129,699	129,087	134,775	139,632	136,351
Backyards (non-commercial)	648,660	622,086	593,421	576,684	554,325
Total slaughtering	778,359	751,173	728,196	716,316	690,676
Percentage of non-commercial slaughtering in total (%)	*83.3*	*82.8*	*81.5*	*80.5*	*80.3*

Source: Romanian Statistical Institute

Cattle slaughter rose by 12 percent during the first 9 months of 2015 compared to the previous year, in response to higher beef demand, severe cow selection and unfavorable feeding prices due to summer drought. Most of the increase comes from the slaughterhouses and to a lower extent from the non-commercial segment, which only grew by 2 percent. The bovine slaughtering rhythm is expected to slow down towards the end of the year, as consumption switches to pork meat, the traditional meat consumed for the Christmas holidays. The graph below depicts the rising trend of weekly slaughtering in slaughterhouses, which is evidently above the level of previous years. The same source shows an increasing gap between the acquisition prices for EU (higher) and domestic for all types of live cattle (further information may be read on the website of the Romanian Carcass Grading Commission (www.ccceurop.ro).



Source: CCC Carcass Grading Commission

The beef sector is characterized by a lack of predictability and limited number of cattle solely raised for beef production. In terms of breeds, the most predominant breeds are the mixed breed (Simmental type) raised for both milk and beef, but more recently an increasing interest is shown for high-quality beef. Under fears of losing profitability in the dairy sector, but also driven by rising demand for high-quality beef, farms partially switched their inventory towards beef. Starting with 2015, coupled support is approved for 35,000 heads of beef cows, meaning about 325 U.S. $/head of beef cow. Only farmers whose cattle are registered into the herd books and have a number of 10-250 heads are eligible for this type of support. This support is topped-up by the de-coupled support of 115 U.S. $/head from the national budget allocated for the number of bovines owned in January 2013, regardless the variations over time in the herd within a farm. The latter type of support is set to decrease gradually until 2020. Both types of support may further stimulate the bovine farms development.

Beef production is predicted to recover in 2015 (Table 5). In 2014 the Russian trade restrictions on EU imports, which created a temporary beef surplus at the EU level, generated an increase in beef imports into Romania by 42 percent at year level. Imports are estimated to continue the rising trend, based on recent trade data which shows an increase of 80 percent in imports during the first 8 months, compared to the previous year. The increase in imports may be partially attributed to the recent cut of Value Added Tax (VAT) rate from 24 percent to 19 percent starting in June 2015 for food products and which stimulated consumer demand.

Table 5 - Romania, Beef Production, Trade and Consumption

Carcass Weight (CWE), MT	**2013**	**2014**	**2015 ***
Beef Production	93,000	91,000	95,000
Imports	19,000	28,000	34,000
TOTAL SUPPLY	112,000	119,000	129,000
Exports	8,000	5,000	11,000
Available for Domestic Consumption	104,000	114,000	118,000
TOTAL DISTRIBUTION	112,000	119,000	129,000

Source: Global Trade Atlas, Romanian Statistical Institute; FAS projections for 2015

The major fresh, chilled or frozen beef suppliers during the first 8 months of 2015 were Germany, Poland and Italy while Netherlands and Sweden were the major destinations for fresh/chilled Romanian beef. United States is supplying beef on the Romanian market through other EU member states. Intra-stat data reveals that the value of U.S. beef exports to Romania has grown from $78,000 in 2010 to U.S. $450,000 in 2014. U.S. beef export data for the first semester of 2015 suggests an increasing trend in both quantity and value, creating the expectation for at least a further 10 percent increase by the end of 2015.

Although at a smaller scale, an upward rising trend may be noticed for exports in 2015, the 8-month trade figure showing a double export volume compared to the previous year.

SWINE

Romanian swine inventory has been on a continuous downward trend since 2010, falling by 7 percent in five years. The inventory data collected for the May 2015 survey indicates an increase of 3.1 percent for swine, from 4.518 million heads in May 2014 to 4.659 in million heads in May 2015, indicating a possible trend change. The shares between commercial and non-commercial has changed over the past years in the favor of commercial sector, as the interest for raising pigs in non-commercial operations has diminished.

Table 6 - Swine inventory, Romania

Inventory December 1 (heads)	**2010**	**2011**	**2012**	**2013**	**2014**
Swine	5,428,300	5,363,800	5,234,300	5,180,200	5,041,800
• of which sows	355,600	380,600	398,800	383,700	378,300

Source: Romanian Statistical Institute

The piglet reproduction segment is not well-developed in Romania, as the level of required investment is much higher than the investments in fattening facilities and most of the integrated farms produce piglets for their own fattening farms. Thus, in order to satisfy the demand, piglet import for fattening grew continuously over the past three years (Table 7). Germany, Hungary and the Netherlands have been the largest suppliers. The largest share of these imports (77-88 percent) represents live swine weighing less than 50 kg, for fattening purposes, and only a small share (3-6 percent) represents swine for breeding purposes. Piglet imports have slowed down during the first 8 months of 2015, possibly because of competitive pork meat imports. Live swine exports are negligible and they almost entirely go to the Moldova Republic market.

Table 7 - Romania Import Statistics Swine
Live, Number of heads

Partner Country	Calendar Year			Year To Date		
	2012	2013	2014	08/2014	08/2015	%Change
World	983,908	1,094,344	1,365,796	923,249	898,423	-2.69
Germany	155,948	324,456	481,434	313,035	390,677	24.8
Hungary	457,159	422,358	409,047	290,529	221,195	-23.86
Netherlands	273,878	277,389	335,323	244,993	210,056	-14.26
Slovakia	41,188	32,442	65,404	35,253	35,361	0.31
Denmark	16,500	14,748	29,380	17,097	16,098	-5.84
Poland	1,181	330	19,859	7,669	630	-91.79
France	2,896	7,545	1,439	1,065	4,175	292.02
Other	35,158	15,076	23,910	13,608	20,231	599

Source: Global Trade Atlas

Unlike the cattle sector, where backyard slaughtering occupies a significant portion of total slaughtering, the share of backyard in case of swine slaughtering fell every year (Table 8). The commercial sector kept consolidating and expanding, so that in 2014 about 84 percent of pigs originated from commercial growers as compared to 60 percent in 2010, in the context of a stable slaughtering number.

Table 8 - Swine Slaughtering, Romania

Slaughtering (number of heads)	2010	2011	2012	2013	2014
Slaughterhouses	2,900,927	3,256,832	3,481,453	3,756,917	3,980,381
Backyards (non-commercial)	1,886,620	1,619,612	1,297,649	939,931	778,332
Total slaughtering	4,787,547	4,876,444	4,779,102	4,696,848	4,758,713
Percentage of non-commercial slaughtering in total (%)	*39.41*	*33.21*	*27.15*	*20.01*	*16.36*

Source: Romanian Statistical Institute

PORK

Pork meat production has grown gradually every year, due to investment in commercial operations (Table 9). The statistical data available for the first 9 months of 2015 shows an increase of 6 percent in slaughtering, indicating that the positive trend will continue in 2015. The same tendency is anticipated for the pork meat imports given the rising domestic demand and the EU abundant supply. Considering the current trends, pork meat consumption is anticipated to continue growing. Fresh/chilled and frozen pork parts have the largest shares in total pork meat imports, mainly imported from Germany, the Netherlands, Hungary, Spain, and Poland.

Table 9 - Romania, Pork meat Production, Trade and Consumption (MT)

Carcass Weight (CWE), MT	**2013**	**2014**	**2015 ***
Pork Production	420,000	430,000	440,000
Imports intra-EU	200,000	222,000	238,000
Imports extra-EU	0	0	0
TOTAL SUPPLY	**622,000**	**652,000**	**678,000**
Exports intra-EU	27,000	27,000	27,000
Exports extra-EU	1,000	4,000	5,000
Available for Domestic Consumption	594,000	621,000	646,000
TOTAL DISTRIBUTION	**622,000**	**652,000**	**678,000**

Source: Global Trade Atlas, Romanian Statistical Institute; FAS projections for 2015

In terms of meat consumption, statistical data pertaining to 2014 shows that per capita consumption of pork meat ranks first with 29 kg, while beef ranks third with 5.6 kg after poultry meat which reached 20.1 kg in 2014 (please see Table 10 below).

Table 10 - Romania, Meat per capita Consumption

Meat per capita consumption (kg/year)	**2011**	**2012**	**2013**	**2014**
Beef	5.2	5.0	5.1	5.6
Pork	28.7	29.6	29.1	29
Poultry	16.5	18.2	17.5	20.1
Sheep/Goat	2.2	2.4	2.4	2.3

Source: Romanian Statistical Institute

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