

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Report Highlights:

Romanian bovine inventory grew by 1.13 percent, while swine fell by 2.2 percent in December 2015 as compared to the year before. The commercial segments of the swine and beef sectors are strengthening at the expense of backyard farming. Domestic beef and pork consumption is poised to rise in 2016 based on soaring imports. Lack of eligible farms for EU coupled-support for beef led to disbursement of significant subsidies to a limited number of farmers.

General Information:

CATTLE

The Romanian bovine sector is forecast to continue restructuring. Cattle numbers are steadily growing after a drop in inventory in 2011 (Table 1). Bovine inventory grew by 1.13 percent in December 2015 as compared to the year before indicating inventory continues to build, per the data published by the Romanian Statistical Office. This positive trend carried on during the first part of 2016 signaling recovery.

Table 1- Cattle inventory, Romania

Inventory on December 1st	2010	2011	2012	2013	2014	2015
Cattle (million head)	2.001	1.988	2.009	2.022	2.069	2.092

Source: National Institute of Statistics

In 2015 live cattle imports dropped significantly reflecting a low appetite for herd expansion in the context of a deteriorated dairy market due to the EU dairy quota abolishment. In 2016 the coupled-support allocated to this sector corroborated with an increase in milk price and new prospects for beef and live cattle exports to new markets encouraged farmers to resume investment. Live cattle imports grew during the first 6 months of 2016 by 1.5 times, and most likely continued in the second half of 2016. Hungary is a major live cattle supplier to Romania, followed by Germany and Lithuania (Table 2).

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

Country	Calendar Year			Year To Date		
	2013	2014	2015	06/2015	06/2016	%Change
World, of which	10,443	21,125	7,390	3,739	9,151	144.74
Germany	1,556	2,129	1,727	468	1,362	191.03
Lithuania	200	5,892	1,535	670	1,210	80.6
Hungary	4,564	8,510	1,140	920	5,312	477.39
Spain	-	-	1,098	882	-	-100
France	782	412	616	454	166	-63.44
Netherlands	926	1,455	587	63	66	4.76
Other	2,415	2,727	687	282	1,035	267.02

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 foreign beef markets, hence the orientation towards live cattle exports. Farmers consider exports as an important driver for calf production. Specialized trading companies purchase the calves and young bulls for export purposes. In accordance with expectations, limited market opportunities led to a live cattle export decline in 2015 of 3 percent (Table 3). Exports

recovered in the first half of 2016, increasing by 14 percent and prospects for opening new markets, such as Turkey, are likely to support the upward live bovine export trend.

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

Country	Calendar Year			Year To Date		
	2013	2014	2015	06/2015	06/2016	% Change
Total, of which	277,748	245,239	237,275	118,899	136,115	14.48
Croatia	44,344	34,632	81,330	34,553	33,427	-3.26
Israel	38,970	21,465	31,211	13,565	29,503	117.49
Italy	57,372	52,764	19,898	17,141	9,652	-43.69
Spain	53,311	45,046	14,495	14,495	13,563	-6.43
Greece	8,571	7,385	12,363	7,312	5,241	-28.32
Lebanon	517	-	12,255	6,744	1,802	-73.28
Albania	792	8,556	12,168	7,167	3,778	-47.29
Hungary	7,230	7,407	11,458	5,084	5,676	11.64
Libya	25,437	15,322	10,826	2,381	6,672	180.22
Bosnia & Herzegovina	8,527	9,297	9,134	1,084	3,384	212.18
Jordan	12,285	12,262	8,580	3,345	13,981	317.97
Montenegro	536	3,567	3,966	1,430	1,344	-6.01
Kosovo	-	1,202	2,116	865	1,342	55.14
Slovenia	814	550	1,965	1,260	1,920	52.38
Other	19,042	25,784	5,510	2,473	4,830	95

Source: Global Trade Atlas

BEEF

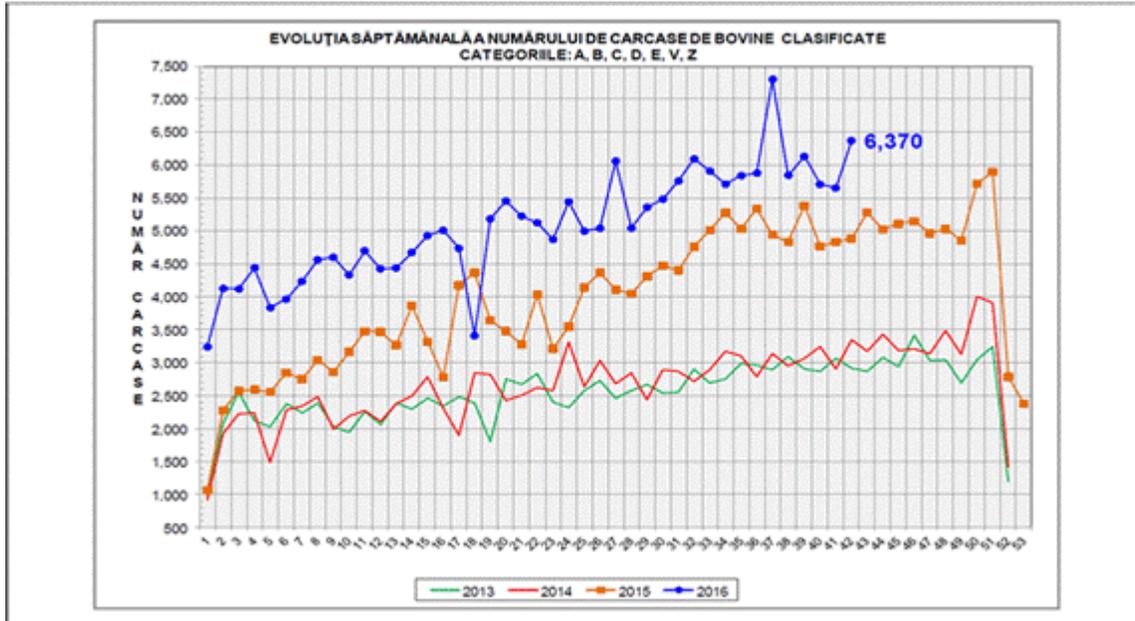
The total number of cattle directed to slaughter has declined every year between 2010 and 2014 (Table 4). Market conditions deteriorated in 2015 because of the EU dairy quota elimination, so three percent more cows were overall slaughtered in 2015. The number of bovine slaughtered in slaughterhouses surged by 52 percent, while the number of slaughtered animals backyard fell by 9 percent in 2015. The declining trend in non-commercial slaughtering is noticeable, as holdings become less engaged in animal production. Nonetheless, the number of animals raised and slaughtered in the backyard remains predominant. Young calves from backyard farming account for a large portion of the total slaughtering, and average carcass weights are relatively low in Romania (130-140 kg/carcass) compared to other EU member states.

Table 4 – Bovine Slaughtering, Romania

Slaughtering (number of head)	2010	2011	2012	2013	2014	2015
Slaughterhouses	129,699	129,087	134,775	139,632	136,351	208,183
Backyards (non-commercial)	648,660	622,086	593,421	576,684	554,325	502,758
Total slaughtering	778,359	751,173	728,196	716,316	690,676	710,941
<i>Percentage of non-commercial slaughtering in total (%)</i>	<i>83.3</i>	<i>82.8</i>	<i>81.5</i>	<i>80.5</i>	<i>80.3</i>	<i>70.7</i>

Source: National Institute of Statistics

The hike in the weekly slaughtering in slaughterhouses (commercial channel) in 2015, and more spectacularly in 2016, may be observed in the graph below. These increases were offset by the drop in the non-commercial slaughter, so that overall total cattle slaughter slightly declined during the first 8 months of 2016 compared to the previous year (by 1.8 percent) showing a sign of market stabilization.



Source: CCC Carcass Grading Commission

In addition to the rising number of slaughtered cattle, data provided by the Romanian Carcass Grading Commission suggests that in the second part of 2015 and 2016 farmers took into consideration measures for increasing farm efficiency by keeping in the herd the most valuable animals. In 2014 the percentage of slaughtered cows varied around 48-51 percent, followed by young bulls at 12 percent. Starting with the third quarter of 2015 the share of slaughtered cows started to grow from 56 percent in 2015 (third quarter) to 60 percent in the first quarter of 2016 and reached 64 percent in the third quarter of 2016. The market measures adopted across the EU to reduce milk production levels and perspectives for increased live cattle export in the last quarter of 2016 and the first half of 2017 may moderate this trend.

As a result of the above factors, the average acquisition price of beef carcasses at the slaughterhouses in 2016 has declined below the price of 2015, which was already lower than the previous year. In general, the domestic beef carcass acquisition price is 36-39 percent lower than the EU average price for all types of carcasses (further information may be read on the website of the Romanian Carcass Grading Commission (www.ccceurop.ro)).

The beef sector is in general driven by developments in the dairy sector and consumer demand. In Romania the number of farms raising solely beef cattle is low. The most predominant breed is the mixed breed (Simmental type) raised for both milk and 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 to beef. Financial resources recently provided by the European Union in the form of coupled-support to this sector supported this development.

In line with the previous forecast, beef production rose in 2015 and is expected to stagnate in 2016 (Table 5). Recent import data show an indication that the upward trend in beef imports will slow down in 2016, forecast to grow by only 11 percent compared to an increase of 38 percent in 2015. The major beef suppliers are Germany and Poland. Romania imports beef from United States through other EU countries. Intra-stat data reveals that the value of U.S. beef exports to Romania grew by 45 percent in 2015 as compared to the year before (from \$452,000 in 2014 to U.S. \$605,000 in 2015).

Table 5 - Romania, Beef Production, Trade and Consumption

Carcass Weight (CWE), MT	2013	2014	2015	2016*
Beef Production	93,000	91,000	99,000	100,000
Imports	17,681	28,123	38,855	43,000
TOTAL SUPPLY	110,681	119,123	137,855	143,000
Exports	7,772	5,404	10,895	16,000
Available for Domestic Consumption	102,909	113,719	126,960	127,000
TOTAL DISTRIBUTION	110,681	119,123	137,855	143,000

Source: Global Trade Atlas, National Institute of Statistics; *FAS projections for 2016

Beef exports are recovering at a steady rate from the drop in 2014, when Russian trade restrictions imposed on EU led to a beef surplus on the market. The major trading partners for Romania are Sweden (fresh/chilled beef), Poland and Bulgaria. This recovery may be attributed to specialized beef farms which began expanding their herd through partnerships with small beef farmers.

Derived from its strategy to open new markets for the Romanian agricultural products, the Romanian Government continued over the past year negotiation with Middle Eastern and Eurasian countries, such as Turkey, Iran, Saudi Arabia. An example is Turkey, whose Veterinary Authority conducted an audit in Romania in October 2016 and approved two Romanian establishments to export beef to Turkey, a market which previously had been closed to Romanian products. This was an opportunity for the Romanian Minister of Agriculture to encourage farmers to fatten the calves up to a certain weight so that farmers' margins would increase.

SWINE

Romanian swine inventories have been on a continuous downward trend since 2010, falling by 8 percent in five years. Inventory data collected for the December 1 2015 survey shows a decrease of 2.2 percent for swine, lower than the rate of decline from 2014 (2.6 percent). Live sows number declined further in 2015, as the backyard segment shrinks and the commercial segment with more productive sows strengthens.

Table 6 - Swine inventory, Romania

Inventory on December 1st	2011	2012	2013	2014	2015
Swine (head)	5,363,800	5,234,300	5,180,200	5,041,800	4,926,900
• of which sows	380,600	398,800	383,700	378,300	374,600

Source: National Institute of Statistics

Swine reproduction is relatively undeveloped in Romania, the level of investment being much higher than the investments required for a fattening operation. In order to satisfy the demand of the fattening facilities, a large number of piglets are imported from other EU member states (Table 7). After a substantial increase in 2014 the pace of piglet import slowed down in 2015 given the strong competition with pork meat imports. The trade data for the first semester of 2016 show a decline of 2.1 percent in swine live imports. More favorable market conditions at the EU level driven by rising demand in China in the second part of 2016 provide opportunities for a cost recovery in in the Romanian swine industry. Live swine exports are in general very low due to animal health concerns and domestic demand. Romania exported 3,700 head in the first semester of 2016 to the neighboring Moldova Republic (490 heads), Georgia (1,240 heads) and Albania (1,900 heads).

**Table 7 - Romania Import Statistics Swine
Live, Number of head**

Country	Calendar Year			Year To Date		
	2013	2014	2015	06/2015	06/2016	%Change
Total, of which	1,094,344	1,365,796	1,389,431	678,979	664,259	-2.17
Germany	324,456	481,434	586,807	282,786	227,852	-19.43
Hungary	422,358	409,047	364,271	169,495	300,524	77.31
Netherlands	277,389	335,323	325,087	164,791	77,663	-52.87
Slovakia	32,442	65,404	57,097	27,056	26,712	-1.27
Denmark	14,748	29,380	24,545	13,510	21,792	61.3
Other	22,951	45,208	31,624	21,341	9,716	-54.5

Source: Global Trade Atlas

Unlike the cattle sector where a significant number of animals are slaughtered and marketed through non-commercial channels, backyard slaughtering accounts for a smaller share of the swine industry (Table 8). The carcass-weight per head in the non-commercial sector is higher than in the commercial sector as traditionally households slaughter pigs later in the year, particularly for Christmas celebrations in December. In 2015 the average carcass weight reached 123 kg/head in the backyard sector compared to 82 kg/head in slaughterhouses.

Table 8 - Swine Slaughtering, Romania

Slaughtering (number of head)	2010	2011	2012	2013	2014	2015
Slaughterhouses	2,900,927	3,256,832	3,481,453	3,756,917	3,980,381	4,037,779
Backyards (non-commercial)	1,886,620	1,619,612	1,297,649	939,931	778,332	832,538
Total slaughtering	4,787,547	4,876,444	4,779,102	4,696,848	4,758,713	4,870,317
Percentage of non-commercial slaughtering in total (%)	39.41	33.21	27.15	20.01	16.36	17.09

Source: National Institute of Statistics

In terms of carcass price, according to the data posted by the Romanian Carcass Grading Commission pork carcass average price in Romania remained above the EU average price in 2015. The domestic price dropped in the first quarter of 2016 leading to a negative gap of 8 percent against the EU average

price, but it recovered over the past 6 months. Currently it exceeds the EU average level stimulating pork meat imports. _

PORK

Pork meat production increased in 2015 by 2.8 percent (Table 9). The statistical data available for the first 8 months of 2016 shows an increase of 1 percent in the number of slaughtered animals and 4 percent in carcass indicating that the positive trend in production continues. On the other hand, pork meat imports rose by 13 percent in 2015 in response to consumer demand and competitive EU supplies. Fresh/chilled and frozen pork parts have the largest shares in total pork meat imports, mainly originating from Germany, the Netherlands, Hungary, Spain, and Poland. Exports on the other hand remained flat in 2015, but grew by 65 percent in the first semester of 2016. This boost resulted from exports to both EU and non-EU countries. Among the non-EU countries China is the most important partner. The veterinary agreement signed between Romanian and Chinese Veterinary Authorities proved fruitful. Domestic pork consumption is anticipated to continue rising in 2016.

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

Carcass Weight (CWE), MT	2013	2014	2015	2016 *
Pork Production	420,000	430,000	442,000	445,000
Imports	199,606	224,485	252,777	275,000
TOTAL SUPPLY	619,606	654,485	694,777	720,000
Exports	28,040	31,204	31,166	46,000
Available for Domestic Consumption	591,566	623,281	663,611	674,000
TOTAL DISTRIBUTION	619,606	654,485	694,777	720,000

*Source: Global Trade Atlas, National Institute of Statistics; *FAS projections for 2016*

Animal health issues

In terms of animal health, over the past year no major animal disease hit the bovine sector, but the risk of contamination with some diseases occurring near Romania became a severe concern for farmers. Lumpy-skin disease outbreaks were reported near the Romanian southern border with Bulgaria during the spring of 2016. Romanian farmers at that time were very concerned with the possible impact on the domestic herd and commercial restrictions. The Bulgarian Veterinary Authority decided to vaccinate against this disease mitigating the risk of spread to Romania, which was a relief for the cattle farmers. So far no Lumpy-skin disease outbreak has been reported in Romania and no vaccination program is in place against this disease.

The African Swine Fever (ASF) outbreak reported in Moldova Republic about 50 km from the Romanian border in September –October 2016 alerted the Romanian Veterinary Authority. The authority intensified the border protection measures, restricted animal movements and meat imports through certain check-points. The outbreak in Moldova followed the one reported in May 2016 in Ukraine. Given the potential dramatic impact, African Swine Fever disease has been subject to debate at Parliament level aiming to activate the border protection measures.

Currently, Romania is banned to export live pigs to other EU countries because of Classical Swine Fever outbreaks. Recently, EU Commission drafted legislation regarding the conditions under which Romanian swine farms would be able to export live pigs to other EU member states. According to industry sources, only 40 percent of the farms would be able to meet the criteria required by the EU legislation. The perspective that EU will allow Romania to regain access to intra-EU trade for live piglets brought some enthusiasm in the market, although the large number of imported piglets reflects a deficit of piglets in the market. It is expected that the EU decision and Animal Health World Organization (OIE) decision will be published in the first part of 2017, so any positive effect will be noticed in the second part of 2017.

Financial Support

Subsidies for the beef sector are sourced from the European Commission and the national budget. In 2015 the Romanian Government projected coupled support to an estimated number of 35,000 head of beef cattle (about 325 U.S. \$/head). Farmers whose cattle were registered into the herd book and had 10-250 head on their farm were eligible for this type of support. Total budget for beef cattle was U.S. \$ 11.5 million. At the end of the application process, only 8,400 beef cattle complied with the requirements, so the total support was distributed to eligible farmers. Consequently, the support reached U.S. \$1,440/head. Since the number of farmers qualified for this support will increase for the same budget in the future, the level per head is projected to drop substantially. Even so, this support remains much higher in Romania as compared to other EU member states.

The coupled support is topped-up by 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. The latter type of support is set to decrease gradually until 2020.

In addition, the Romanian Government recently approved legislation to encourage acquisition of pregnant heifers for beef production and bulls using the *EU minimis-aid* system. The maximum level of support is 1,500 U.S. \$/head for pregnant heifers and the maximum 2,000 U.S. \$/head for bulls.

New retail law

In July 2016 the Romanian Parliament passed Law 150/2016 concerning food product trading. The law made it mandatory for retailers to source through the “short supply chain” at least 51 percent (of the volume of merchandise displayed on the shelves) for each of the following food categories: meat, eggs, fruits, vegetables, honey, dairy products and bakery goods. Currently the Romanian Ministry of Agriculture is working on the draft clarifying the definitions of the products categories to which the 51 percent provision applies, a draft which should be published within 6 months from the law publication date (January 15, 2017).

Apart from general food trade, Law 150/2016 contains provisions on meat and meat products labelling. According to these provisions, the meat label should contain the following information: origin country of the animal, country where the animal was born in, raised, slaughtered, the health stamp /identification and name of the commercial operator, country of the cutting plant. In the case of meat products, the label must indicate the percentage of meat originating from Romania.

In general, regulations that impact foreign suppliers are notified in advance to EU member states and the World Trade Organization. Romania failed to follow this procedure prior to enacting the law, so the new provisions on meat and meat products labelling are unlikely to be enforced soon. As a matter of fact, the entire law 150/2016 is very likely to be amended in 2017 by the new Parliament to be elected in December 2016, in response to criticism expressed by numerous market players.

Useful links:

www.madr.ro

www.ansvsa.ro

www.ccceurop.ro

End of report.