

TENDENCIES AND PERSPECTIVES OF THE MILK MARKET IN ROMANIA

**Tabita Corelia ADAMOV¹,
Mihaela Iosefina IANCU¹**

¹ Banat's University of Agricultural Sciences and
Veterinary Medicine, Timișoara
e-mail: tabitaadamov2003@yahoo.com

Raising dairy cows is a basic occupation in rural and mountain areas ensuring stable employment and periodic income for breeders. It also allows high valuation of fodder obtained on the natural areas (natural fodders). Raising dairy cows has as main objective the achievement of greater quantities of milk from the existing breeds, and in this way obtaining high and steady income for farmers. After the events of December 1989, the milk production has increased continuously. Even in terms of reducing by half the number of dairy cows, the total milk production increased by more than double as a result of the increase average production with a higher rate than the decrease in number of dairy cows. In Romania, the production and consumption of milk and derived products were aligned with the general line that characterizes these products, however, with some differences. During 2002-2008, trade balance is still in deficit. An increase can be noticed in the export of milk and dairy products but also an increase in imports, which makes the trade balance to be still negative.

Key words: offer and demand of milk, milk consumption, price.

Although we are already a member of the European Union, the production and marketing of milk in Romania are not yet properly regulated. Romania's accession to the EU imposes new rules for production and recovery that Romania will have to comply. Raising dairy cows has as main objective the achievement of greater quantities of milk from the existing breeds, and in this way obtaining high and steady income for farmers. After the events of December 1989, the milk production has increased continuously. Even in terms of reducing by half the number of dairy cows, the total milk production increased by more than double as a result of the increase average production with a higher rate than the decrease in number of dairy cows. In Romania, the production and consumption of milk and derived products were aligned with the general line that characterizes these products, however, with some differences. During 2002-2008, trade balance is still in deficit. An increase can be noticed in the export of milk and dairy products but also an increase in imports, which makes the trade balance to be still negative.

MATERIAL AND METHOD

The current situation of Romanian agriculture is characterized by multiple economic and social problems. Between the development of agriculture in Romania and in the European countries there are important gaps caused by multiple factors: the structure of ownership and production, the economic organization, the production, marketing and financial systems, the supportive and protective social methods, the dimension of agricultural exploitations. Raising dairy cows is a basic occupation in rural and mountain areas ensuring stable employment and periodic income for breeders. It also allows high valuation of fodder obtained on the natural areas (natural fodders).

RESULTS AND DISCUSSIONS

The sizing of exploitations for dairy cows. With the change of ownership form and moving the ownership share toward private farms by abolishing the state farms, a large number of animals were removed and slaughtered, which led to a pronounced decrease in number of dairy cows. The decrease in number of cattle and of dairy cows has different intensities during the analyzed period. The situation is presented in *figure 1*.

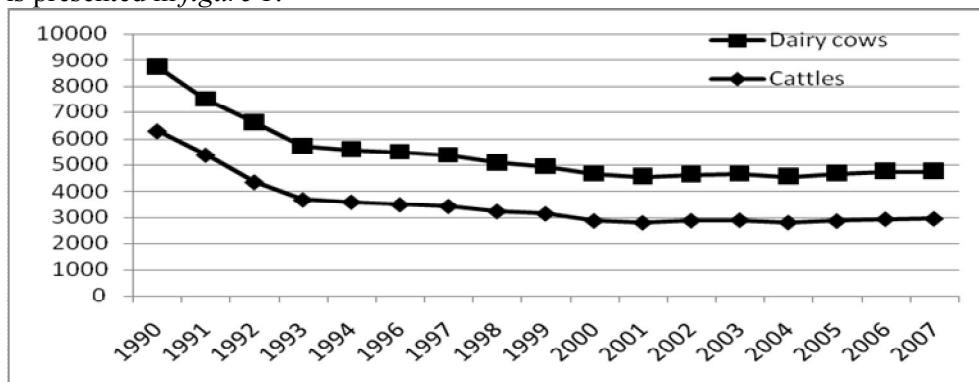


Figure 1 The evolution of the number of cattle and dairy cows in the period 1990 - 2007

The distribution of taurine herds in the development regions is different. The region with the largest number of cattle is the North East region, a region with traditional cattle farming, which holds 23.3% of the total herd of cattle and 22.6% of the herd of dairy cows, in Romania in 2005; then follows the North-West with a total of 481,008 head of cattle and 329,007 head of dairy cows and the Southern Region with a total of 430,520 head of cattle and 289,135 head of dairy cows. The Western Region has a total of cattle, of 225,275 where 146,554 are dairy cows.

To meet the specific performance parameters of the current stage of development of animal husbandry in the European Community, Romania will have to undertake in the coming years some commercial type zoo-technical exploitations. The stimulation of the formation of viable scale farms is a clear conceptual model of agriculture which will provide a high level of Romania's

economic performance, the compatibility with the European model and agricultural policy which should guide these structures in line with the market developments.

Milk production. The transitional period is characterized by two distinct trends of evolution of milk production, a growth trend and a decline one, the last one on short periods and with low intensity. The milk production is done mainly in the private sector, represented mainly by small individual households.

The average yield follows the total production curve (*fig. 2*). During 1989-2007, this increased by 42.7%. The increase of produced milk is a result of the change in the animal feeding and of the improvement of herds of dairy cows by eliminating the infertile and low productivity animals. In general, the average yield obtained in the private sector is roughly equal or even superior to the national production.

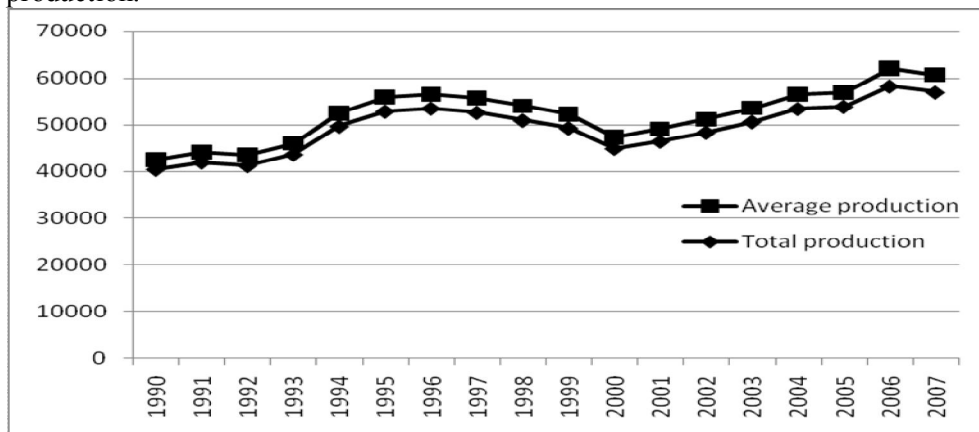


Figure 2 The total and average production of milk: 1990 - 2007

Although the average milk yield registered significant increases compared to 1989, currently it is far below the average of the European Union. With an output of 3600 l/head, Romania represents only 53% of the average milk production recorded in the EU. These low productions per animal are due to low genetic potential of livestock, especially from the farmers who produce for self consumption.

The main feature of the milk production and dairy products is the use of a relatively small proportion of the total quantity of milk for industrialization.

The processed milk represents only a fraction of the total milk produced. Around 80% of total milk is consumed in the household or sold in the markets, mainly in the form of liquid milk, cheese or sour cream. The remaining 20% is delivered to the milk processing factories. In 2007, from the total milk production, less than half arrived in the processing units, while the rest was consumed in households by those who produced it or sold outside the organized trading system. This is mainly due to the fact that many breeders have a very small number of animals and prefer to sell by themselves their own production of milk.

One of the most important characteristics of the local market refers to its fragmentation; most of the players are small and local companies. The multinational companies are few and they are focused on top markets.

Thus, three of the five players on the local dairy are subsidiaries of European companies.

- **Friesland**, number one on the local market, with a turnover of 90 million, is a subsidiary of Friesland Foods from Netherlands.

- **Danone**, leader on the yoghurt market with a turnover of 70 million, is part of the famous French food group, with the same name. Holds a share of about 50% of total sales of yoghurt in Romania.

- The third company, a member of a foreign company, is Hochland, which has two cheese factories in Sighisoara and Sovata. On the market segments where the company acts it has shares ranging between 30% and 80%.

- **LaDorna Group** has a network of organic farms, as a result of concluding partnerships with farmers from Suceava area. The group is present on the domestic market and on the foreign markets.

- **Albalact**, known especially for the Fulga and Zuzu brands, is a national company with a high production capacity. The company could be in the near future a possible take over target.

Another important category of dairy product companies on the market is represented by the medium-size companies, whose turnover exceeds 10 million. In this category can be included the companies such as Covalact, Prodlacta, Remetea, or Rarau Racova Agro Pan-Com.

Consumption of milk and dairy products. The demand for milk and the requirements of increasingly high quality dairy products is generally uniform throughout the year, but noticing unsatisfied demand during the cold season, when the supply of milk is lower.

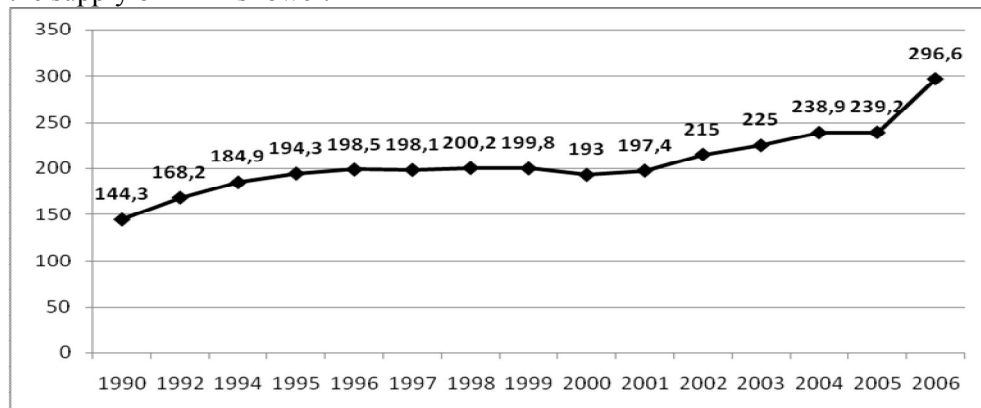


Figure 3 The annual average milk consumption per inhabitant

The average milk consumption per capita per day in Romania, presented in the figure above, has fluctuated from one year to another, reaching in 2005 to 239.2 kilograms compared to 600 kg in Western European countries. Although it

recorded a significant increase (60%) compared with other animal products, the consumption of milk and dairy products is characterized by a qualitative impairment in the sense of permanent decline of processed milk in favor of the increase consumption of unprocessed milk.

Milk price. Purchasing prices for milk as raw material, in our country have experienced a trend of steady increase, from 0.05 RON / l in 1989 to 6.3 RON / l in 2005, with an upward trend and stabilization in the cold season. This increase, however, often could not cover the costs of production.

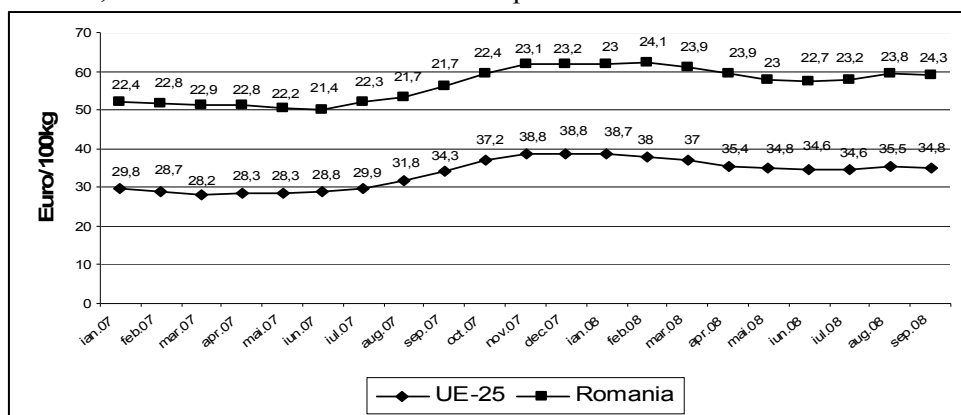


Figure 4 Farmgate milk price in Romania and EU-25, 2007-2008

In Romania farmgate milk price was the lowest in the EU-25, 24.3 Euro/kg in September 2008, far from other Member States and even the EU-25, 34.8 Euro/kg.

Although there is a demand on the market and it is not satisfied, the processing factories can not and are not willing to offer a better price, considering that this would increase the price of milk and its derivatives on the market.

In reality the price is not granted on quality basis, the quantitative aspect is predominant, and the processing factories want to quickly recover the money invested in new technologies and make inadequate and delayed payments to the producers, eliminating them from obtaining profit.

The dairy products trade. The trade with agricultural products has been influenced on one hand, by the crisis of agriculture and agro-food sector as a whole, which has reduced the exportation availabilities and on the other hand by the disappearance of CAER and reorientation of external economic relations to the European Union countries.

During 2002-2008 Romania was a net importer of milk and milk products, the emphasis deficit year after year, after recording the highest value membership, 112,000 thousand euro. Although there is an increased demand for milk and dairy products, outside, there haven't been significant increases in exports, mainly due to the seasonality of production, and on the other hand due to the hardships faced in achieving EU standards.

For the future of trade in milk and dairy products it is expected that:

- for milk for the period 2007-2010, the EU estimates show that the production-consumption will be balanced, so there will not be a significant surplus affecting Romania in terms of imports.
- for cheese during 2007 - 2010 the European Commission forecasts a surplus of 100,000 tons / year in EU-25, but a deficit of 200,000 tons / year in the new Member States. Romania has an export potential estimated at 500 tons / year, provided that the quality standards of community are applied.

CONCLUSIONS

Based on the analysis made concerning the national market for milk and dairy products, the following conclusions can be made:

- In our country the main source of milk is the herds of cattle which provide 95% of the total milk production.
- The decrease in number of cattle and of dairy cows has different intensities during the analyzed period. Thus the greatest reductions were recorded in the period 1990-1997, for cattle, the average decrease was 45.3% and for dairy cows was 21.4%. After 2001, a revival of this sector of farming can be noticed, but not very intensive one.
- Milk is the only food where the domestic production has increased steadily, although by 2002 herds decreased, the increase is due to the pronounced growth, with almost 60%, of the average production.
- Milk production for industrialization fell considerably after 1990. Thus, if in 1990 there were 52,200 thousand hl processed, it fell disastrously and in 2007 there were only 11,000 thousand hl processed.
- In Romania, the production and consumption of milk and derived products were aligned with the general line that characterizes these products, however, with some differences. Thus, we can notice that the milk did not have the share that it should have had in the structure of food ratios during the interwar period and during the communist period and even after December 1989.
- Average milk consumption per capita per day in Romania, has fluctuated from one year to another, since 1990, amounting in 2006 to 296.6 kilograms compared to 600 kg in the Western European countries.

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