

COMPETITIVE PRESSURES UPON MILK AND DAIRY PRODUCTS IN ROMANIA

Iuliana IONEL¹, Lucian LUCA¹

¹ Institute of Agricultural Economics - Romanian Academy, Bucharest

Abstract

The present paper investigates the competitive pressures of the milk and dairy imports upon the domestic market and market niches of Romanian dairy products. The deficiencies of the milk production and processing system create favourable conditions for imports. Romania is a net milk and dairy importer, yet it succeeds in exporting organic dairy products or dairy products based on ewe, goat or buffalo cow milk. Although the exported quantities are small, the values per product unit are significant. The competitive pressures will continue as long as there are deficiencies in the raw milk production and collection.

Key words: milk and dairy products, domestic production, import, export

Romania's accession to the European Union in January 2007 represented a new competitive challenge for the milk and dairy sector. In this context, many dairy factories that were not able to get in line with the sanitary-veterinary and food safety norms had to close down. The raw milk quota allocated to Romania by the accession treaty was not used mainly due to the non-conformity of the raw milk quality with the EU requirements or to the high costs of raw milk collection. In these conditions, the raw milk, milk and dairy imports increased both in value and in quantity in the period 2007-2009.

Although Romania has large land areas under pastures and natural hayfields (33% of the agricultural land), raw milk production features high oscillations, with relatively great variations between the quantities delivered in summer and in winter time.

The traditional areas where milk is produced are the hilly and mountain areas. The low average milk yields per fed cow head reflect the extensive character of this sector in our country. About 97% of the cow herds, 98% of buffalo cows and 99% of sheep and goats are raised on the individual holdings. Thus, the raw milk production is highly fragmented, which results in deficiencies with regard to its quality and its collection.

MATERIAL AND METHODS

On the basis of the foreign trade and Romanian milk and dairy production data, we investigated the competitive pressures exercised by the foreign trade upon the domestic market. In our analysis we took into consideration the

characteristics of the Romanian milk and dairy market.

RESULTS AND DISCUSSION

In the last 3 years, Romania had a deficient trade balance in milk and dairy products. The deficit of the trade balance ranged from 112,869 thousand euro in 2007 to 157,134 thousand euro, in 2009. Thus, the balance of trade was down by 33 % in 2008, compared to 2007, while in the year 2009 it was by only 4% lower compared to 2008.

Thus we can say that Romania is a net importer of milk and dairy products.

The whey (combined nomenclature 0404) was the only product in which imports decreased in the investigated period. The concentrated milk and cream (combined nomenclature 0402) experienced a decrease of the trade deficit in 2008, compared to 2007, while in 2009 the imports of concentrated milk and cream increased compared to 2008. Under the chapter cheeses and curds (combined nomenclature 0406), the deficit was down by 12% in the year 2009.

In all the categories of imported milk and dairy products, the average prices increased in the investigated period. The greatest price increases were found in the case of cheeses and curds, while the lowest increase was found in the non-concentrated milk and cream.

In general, the average values of the Romanian milk and dairy exports are higher than those of imports, however in the case of butter (for all three years), of the concentrated milk and cream (for the years 2008 and 2009), as well as for the

whey (in 2007 and 2009) the import prices were higher than the export prices, which reveals the fact that for these products the imports are of a higher quality than the exports.

For the year 2009, the average prices of the exported dairy products increased as compared to the average prices of the imported products, which decreased.

The Romanian imports of milk and dairy products constantly increased in the investigated period, the cheese and curd having the most

significant share, followed by the non-concentrated milk and cream.

Although the Romanian milk and dairy exports increased by 24% in value in the investigated period, they continued to be 6 times lower than the imported value in 2007 and 8 times lower than the value of imports in the years 2008 and 2009. This makes us reach the conclusion that Romania is not competitive yet on the European milk and dairy market.

Table 1

Romania's trade balance deficit from the trade with milk and dairy products, 2007-2009

Specification	2007 (thou euro)	2008 (thou euro)	2009 (thou euro)
Total	-112869	-150551	-157134
Non-concentrated milk and cream (combined nomenclature 0401)	-19698	-30088	-37039
Concentrated milk and cream (combined nomenclature 0402)	-5805	-4048	-7598
Curdled milk, sour milk, yoghurt, kephir (combined nomenclature 0403)	-9383	-11711	-15659
Whey (combined nomenclature 0404)	-8238	-7443	-6195
Butter (combined nomenclature 0405)	-15807	-18861	-21470
Cheeses and curds (combined nomenclature 0406)	-53937	-78400	-69175

The cheeses and curds (combined nomenclature **0406**) have the largest share both in the value of imports and in the value of exports. Cheeses and curds are the dairy products mostly preferred by the Romanian consumers.

Unfortunately, Romania exports only 1- 4 % of the yearly cheese production, yet it imports 25 – 45% of the quantity of cheese produced in the country.

The European Union is the main cheese and curd supplier for Romania. In EU-27 the main supplier is Germany, followed by Poland (9%), Italy (5%) and Hungary that constantly increased its market share to 10% in the last 2 years.

The largest quantities of cheese and curd are imported in the period July-October. The monthly values of the cheese and curd imports have the tendency to get equalized throughout the year, which means that in the second half of the year cheaper cheeses and curds are imported, while in the first half of the year cheeses and curds with a higher processing level are imported.

It was noticed that in the year 2009 the imported cheese and curd quantities increased, but their values were lower compared to 2008.

The Romanian cheese and curd exports reached a maximum level in the months of February and September 2009 when the exported amounts and their values significantly increased.

The Romanian cheese and curd exports constantly increased, almost tripling in the investigated period. The main export market for cheese is the US market. Ewe and buffalo cow

cheese specially matured in the small caverns from the Apuseni Mountains are mainly exported. The exports to the United States began 10 years ago under a program funded by the United States Agency for International Development implemented in Romania by the company Land O'Lakes.

Non-concentrated milk and cream (combined nomenclature **0401**), the fresh milk is consumed as such, for breakfast in general, while the cream is consumed as such or in combination with different cheese types or it is used with other meals or sweets and it is used in the preparation of different products.

In early '90s, the non-concentrated milk and cream held an important place in the milk and dairy imports, as in the Romanian dairy factories there was no ultra-high temperature treatment technology, which should provide a longer shelf-life for these products. With the modernization of the dairy factories, and by adopting this technology, the imports were significantly down.

Although there is no distinct combined nomenclature for the raw milk, it was noticed that in the year 2009, significant amounts entered the Romanian market from Hungary, mainly due to its conformity with the EU norms.

In the year 2009, in the monthly imports of non-concentrated milk and cream, the raw milk for processing accounted for 50 – 90%. However, the raw milk imports represented only about 7 % of total domestic production.

Table 2

Domestic production, imports and exports of dairy products in the period 2007-2009 (tons)

	2007	2008	2009
Cheeses and curds (combined nomenclature 0406)			
Production	67,304	69,618	68,854
Imports	18,539	27,360	29,423
Exports	807	1,050	2,459
Non-concentrated milk and cream (combined nomenclature 0401)			
Production	230,214	245,822	268,336
Imports	48,059	64,723	100,590
Exports	1,008	967	1,010
Butter (combined nomenclature 0405)			
Production	8,216	8,484	10,486
Imports	4,764	6,616	8,527
Exports	49	44	107
Concentrated milk and cream (combined nomenclature 0402)			
Production	9,071	6,086	12,382
Imports	18,968	11,684	13,524
Exports	9,638	11,941	13,177
Curdled milk, sour milk, yoghurt, kephir (combined nomenclature 0403)			
Production	129,951	143,121	143,274
Imports	11,543	13,100	17,630
Exports	1,490	1,831	2,101

The imports of non-concentrated milk and cream increased in the investigated period owing to the increase of raw milk imports.

The imports of non-concentrated milk and cream follow the lactation curb, i.e. larger quantities are imported in the cold season and the imports decrease in the hot season, when the raw milk production is also lower.

While Hungary is the main raw milk supplier for Romania (54%), for the imported processed milk and cream under combined nomenclature 0401 the main supplier is Germany (12%).

The Romanian exports of non-concentrated milk and cream were quite sporadic and distributed into small amounts to Greece and Italy.

Butter (combined nomenclature **0405**), the imported butter amounts account for 58-81% of the domestic production, while the exported butter only about 1% of the domestic production.

Romania is a net butter importer. The monthly distribution of the butter imports experienced an uniformization trend in the year 2009, although in previous years the butter imports were significantly down in the summer period.

The main butter suppliers for the Romanian market are the following: Poland (24%), the Czech Republic (14%), Germany (12%) and France (8%).

The yearly butter exports account for 1% of the value of Romanian milk and dairy exports. Butter is exported only sporadically, during a few months, mainly in the month of December.

The main outlet for the Romanian butter was the Czech Republic and Germany for the period 2007-2008, while in 2009 the butter exports were mainly oriented to Hungary and Poland.

The concentrated milk and cream (combined nomenclature 0402). The trade with these products is more balanced than the trade with other categories of dairy products, the trade balance deficit being lower.

However, Romania is a net concentrated milk and cream importer (mainly skimmed or whole milk powder) as the raw milk is not sufficient to supply the domestic market with the necessary processed dairy products and there is no surplus raw milk production to be processed into milk powder.

The main powder milk supplier for Romania is Poland. The market share of Hungary and the

Czech Republic was significantly down in favour of Poland in the year 2009.

The imports are distributed throughout the year. In 2009, we could notice an uniformization trend in the quantities imported each month.

While in the year 2007 the exported butter amounts represented half of the imports, in the last two years the exported quantities tend to be equal to the imported quantities.

The main outlets for concentrated milk and cream are Greece and Bulgaria. The exports reach a maximum level in the summer months.

Curdled milk, sour milk, yoghurt, kephir (combined nomenclature **0403**), in the investigated period the imports were equivalent to 9 - 12% of the domestic acidulated milk production, while exports represented only 1 % of the domestic production.

The most important acidulated milk supplier continued to be Germany, followed by Hungary and Poland.

The acidulated milk imports are relatively constant throughout the year, while their prices were also relatively constant in the investigated period.

The destinations of the Romanian acidulated milk exports were several countries outside the EU area, the Republic of Moldova and Croatia.

In the investigated period, the exports slightly increased both in quantity and in value in the months November and December.

Whey (combined nomenclature **0404**), as no data were available on the Romanian whey production, we can only mention that Romania is a net importer for this product as well. The main whey suppliers are the following: Hungary, Germany, the Czech Republic and Austria, which have a long tradition in milk production and processing.

Romania's imports ranged from 6 to 10 thousand tons of whey and the exports ranged from 500 to 1000 tons.

The imported quantities by months in the investigated period followed different trends. Yet, in all years, imports were down in the month of December. In the second part of the year, the monthly imports had a decreasing trend.

CONCLUSIONS

Romania is a net milk and dairy importer. There is a uniformization trend of the milk and dairy products throughout the year. The Romanian exports are not significant, however organic dairy products or products based on ewe, goat or buffalo cow milk are largely exported.

Due to the lack of efficiency of its dairy farms, Romania also imports raw milk and it is expected that it will import this product in the next period as well, until the livestock and milk collection sector will be re-organized so as to become more efficient.

BIBLIOGRAPHY

- Alexandri, C. (coord.), 2006** - *Integrarea Europeană a piețelor agricole românești*, Ed. Terra Nostra, Iași.
- Giurca, D., (coord), Rusu, M., Grodea, M., Steriu, V., 2008** - *Impactul generat de dinamica cotei de lapte asupra producătorilor agricoli din România în contextul reformei Politicii Agricole Comune*, Institutul European din România.
- Grodea, M. 2005** - *Piața laptelui*, Editura Expert București.
- Turek Rahoveanu, A. (coord), 2009** - *Analiza filierei sectorului lapte în România*, Editura ARS Academica, București.
- Zahiu, L., Toma, E., Alexandri, C., Dachin, A., 2010** - *Agricultura în economia românească – între așteptări și realități*, Editura CERES, București.
- Zahiu, L., (coord.), 2005** - *Politici și piețe agricole – reformă și integrare europeană*, Editura CERES, București.