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CONTENT

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1 General review

1.1 General overview of agricultural and national economy developments

The GDP in Purchasing Power Parities per inhabitant for the period 1999-2003 has a low value in absolute terms but shows a continual increase being 4757 euro in 1999 and 6058 euro in 2002. Since 2000 the real GDP growth rate has been higher than that of the EU-15 average: in 2000 the growth rate was 2.1% and thereafter it even higher being above 5% (2001, 2002) and reaching 8.3% in 2004. Inflation rate was very high at the end of the 1990's (45.8% in 1999) but then decreased continually to 11.9% in 2004. However, the employment rate for the population between 15 and 64 years fell over the period 1999-2003 from 63.2% (1999) to 57.6% (2003).

The total number of unemployed was 1130296 in 1999. For this year the unemployment rate was 11.8%. The rate of unemployment constantly decreased in the period 1999-2003. By the end of 2003 the number of unemployed fell to 658891 and the rate of unemployment was 7.4%. In the second quarter of 2005 the unemployment rate remained on about the same level, being 7.1% at the level of the total Romanian economy. In the rural areas at quarterly levels the unemployment rate has been between 2.3%-5.4% in 1999 and 3.4%-5.5% in 2003. In the second quarter of 2005 in rural areas the average level of unemployment rate has been 4.8%. These relatively low levels of unemployment rate in the rural areas do not reflect the real situation; hidden unemployment exists at the level of subsistence households.

In comparison with the member countries of the EU the Romanian economy is largely dominated by agriculture, whose predominant feature is the high share of subsistence farms. These farms mainly produce for their own consumption and only marginally supply the market. In 2002, agriculture accounted 13.4% out of Romania's GDP. The rate of agricultural employment was of 36.4% of the active population and around 69% of the rural labour force in 2002. In comparison with other CEE countries, Romanian agriculture did not experience a dramatic collapse of output after 1989. The output of agriculture fluctuated moderately during the transition so that in 2001 it was at the level of 1989-1990. Agricultural output's overall change since the beginning of the 1990's has largely paralleled that of the economy as a whole, but still barely exceeds the level of 1989.

1.2 Overview of agricultural and rural sector development

1.2.1 Production

The total agricultural area was 14.7 million hectares in 2003, of which the arable area accounted for 64% (9.4 million ha), pastures 22%, hayfields 10%, vineyards and nurseries 1.6%, and orchards and nurseries 1.5%.

Over recent years, the volume of production of most major agricultural products has declined. Cereal production was 17 million tonnes in 1999 but dropped to 13 million tonnes in 2003. Fibre crops production halved from 8000 tonnes in 1999 to 4000 in 2003. In the category of "crops for other industrial purposes" are included the sugar beet and tobacco. The production of sugar beet fell from 1.41 million tonnes in 1999 to 0.76 million tonnes in 2003 and so did the production for tobacco in 1999-2003 also, when the production decreased from 0.0148 million tonnes to 0.0079 million tonnes. Only oilseed crops and vegetables were higher in 2003 than in 1999: oilseeds 1.61 million tonnes (1999), 1.76 million tonnes (2003); vegetables 3.05 million tonnes (1999), 3.36 million tonnes (2003).

Although the cultivated area for cereal grains grew in 1999-2003 (from 5370 thousand hectares to 5541 thousand hectares) the low level for cereal production was due to the reduced efficiency. The comparisons of 1999 and 2003 for fibre crops and crops grown for industrial purposes reflect also reduced efficiency but the unfavourable weather conditions explain these results as well. The reduced yield for crops grown for industrial purposes is due to a fall in area also.

In the period 1999-2003 in 2000 have been the most unfavourable weather conditions. As a consequence 2000 has been a bad year which is shown by the fact that the lowest production levels of the period for agricultural products resulted in this year. For 2003 the negative impact of weather influenced as well the production which is reflected by lower production values than for the previous years (2001, 2002).

For oilseed crops and vegetables the higher production is mostly due to a rise in the cultivated area (in 1999-2003 for oilseed crops the cultivated area grew from 1 228 000 hectares to 1 335 000 hectares; for vegetables from 233 000 hectares to 241 000 hectares).

The average yield per hectare had as well a decreasing tendency. For wheat and rye was 1.43 tonnes per hectare in 2003 (2.78 t/ha in 1999), for sunflower 1.27 tonnes per hectare in 2003 (1.24 t/ha in 1999) and for potatoes 13.99 tonnes per hectare in 2003 (14.43 t/ha in 1999). The production per inhabitant declined also in 1999-2003 from 759 kg to 596 kg for cereal grains, from 63.0 kg to 35.2 kg for sugar beet but increased for sunflower, potatoes, vegetable and fruit.

Between 1999 and 2003 major livestock populations fell: cattle from 3.14 million to 2.9 million; pigs from 7.2 to 5.1 million; sheep from 8.4 to 7.5 million. On the other hand the number of goats rose from 0.585 million to 0.678, and numbers of horses and poultry also rose from 1999 to 2003.

1.2.2 Prices

The price of food goods increased (in current prices) annually with 27.9 % in 1999, 43.7% in 2000, 35.7% in 2001, 18.3% in 2002, 14.7% in 2003. For a better understanding of the next figures we have to take into consideration the level of annually consumer price indices: 45.8% in 1999, 45.7% in 2000, 34.5% in 2001, 22.5% in 2002 and 15.3% in 2003.

The average prices for main agricultural products taken over by economic units, for trading and manufacturing changed against the previous year with 16.1 % in 2002 and with 18.7% in 2003 in current prices. In 2003 prices grew in comparison with the previous year in the case of wheat (66.1%), barley (80.4%), maize (66.8%), potatoes (54.8%), grapes (32.3%) while in the case of sunflower, sugar beet and for some fruits and vegetables prices decreased. In the case of animal products price growth has been significant only in the case of honey (42.5%).

The prices increased for eggs (21.6%), cow milk (21.1%) and sheep and goat milk (29.5%) as well, while they decreased for meat of beef and meat of pork.

If we take in consideration the evolution of the internal prices on the national market of the agricultural commodities in 2004 and in the first two quarters of 2005 there was no significant change concerning the development of prices in local currency. In 2005 the prices in local currency for wheat, barley, maize and sunflower have fallen slightly in comparison to 2004. But the prices in euro developed differently because there has been an appreciation of the local currency.

According to the Romanian National Bank the annual average value of the exchange rate for 2004 was 1 EUR = 4.0532 RON, while for the first three quarters for 2005 was 1 EUR = 3.6157 RON. Decrease was registered only for maize (543 RON -around 134 euro- per tonne in 2004 and 321 RON -around 88.97 euro- per tonne in the end of the second quarter of 2005) and barley (from 556 RON -137 euro- per tonne to 418 RON -115 euro- per tonne). The prices decreased for wheat in 2005 in comparison to 2004 for RON, but increased in euro: from 431 RON -106 euro- per tonne to 410 RON -113 euro- per tonne. The price in local currency for beef and pork meat reflects significant changes (in local currency this means a growth of 26% for beef meat and 42% for pork meat). The beef meat was 5567 RON -1373 euro- per tonne in 2004 and increased to 7038 RON -1946 euro- per tonne in the first two quarters of 2005, while the price of pork meat grew from 5323 RON -1313 euro- per tonne to 7586 RON -2098 euro- per tonne.

1.2.3 Agricultural Trade

Between January and November 2004 the total exports of agrifood products amounted to 532 million euro 22.7% high than the same period in the previous year. In the first quarter of 2005 agrifood exports were 4% higher than the same period of 2004, from 110.5 to 114.7 million euro. In the first half of 2005 in comparison with the same period of 2004 the export value changes have been determined by a volume increase in the case of fresh, refrigerated or frozen beef (with 63.5%), mutton or goat (26.8%), maize (436.3%), vegetable fats or oils (86.9%). For other agricultural and food products the volume of export decreased.

The main exports are live animals, maize, sunflower and soybean oil, and barley which together comprise 50% of total agricultural exports. Live animals represented 16.4% of the total value of exports, followed by maize (15.2%), sunflower and soybean oil (10.3%), barley (8%), nuts (5.3%).

In the first quarter of 2005, imports decreased 0.4%, from 422.3 million euro to 420.8 million euro. The main imported products were tobacco, pork meat, citrus fruit and bananas, sugar and alimentary products. There were also significant imports of poultrymeat, coffee, sunflower beans, deep-frozen fish and cereals.

The European Union is Romania’s main agricultural trading partner with exports being 55% and imports 57% of the value of all agrifood exports and imports respectively.

1.3 Agricultural and rural policy developments

One of the main long-term objectives is to modernise and raise the efficiency of the existing farms to EU standards. Policy programmes also include the establishment of rural credit cooperatives to help finance to the transformation process of the traditional farms into family farms. Another objective is to increase the number of farms and agrifood units eligible for SAPARD funds. Price support, input subsidies and area based direct payments to agricultural households with less than 5 hectares form part of the policy measures.

Rural area development and land consolidation could be aided by a pension supplement for those above retirement age, who agree to release their land to allow an accelerated restructuring of the sector. The development of infrastructure, training programmes, development of human resources, improving the access to markets and competitiveness of products are other key elements in rural area development. An important aim is also encouraging the internal investments in small and medium sized processing firms situated in rural areas.

1.4 Issues related to the enlargement

Romanian arable production is not well diversified. Cereals are cultivated on 66% of the total agricultural area, fodder crops on 14% and technical plants on 13%. Technical crops include: fibre crops (flax for fibre, hemp for fibre), oilseed crops (sunflower, rape, soyabean, flax for oli, castor plant), crops for other industrial purposes (sugar beet, tobacco), medicinal and aromatic plants.

In comparison with the countries of the European Union in Romania the cultivated area with cereals is rather high. Nevertheless the average yield by hectare is two-three time lower than in the west European countries. At the level of big commercial farms the specialisation of agricultural production is characteristic, but on level of households the diversification of the agricultural production is more common, some times contrary with the natural conditions.

There are concerns at the declining livestock populations and with the extent to which Romania lags behind the EU-15 in output per livestock unit and in genetic and technological progress. The need is for more capital, more specialist consultants and advisory services. A particular difficulty is the lack of modernization of the processing sector.

2 Assessment and Outlook

2.1 Wine sector

As a net exporting country, winegrowing represents a traditional Romanian activity of great economic importance. Romania is for wine on the international market.

2.1.1 Wine consumption

Wine consumption has grown steadily in recent years to some 26.6 litres/ head/year, in 2004. Consumption still mainly comprises table wine, with white wine accounting for 67% sales, red wine 26% and rose wine only 7%. Producers' own-consumption represents an important proportion of total wine consumption, especially in the rural areas.

2.1.2 Wine imports

The volume of wine imported fluctuates from year to year and in 2004 was 10000 HL at a value of €2.7 million. Romania imports small quantities of wine mainly from Italy, France and Germany, but imports are made from Spain, Austria and Hungary too.

2.1.3 Vine production

Among the wine grape varieties produced are: Pinot Noir, Cabernet Sauvignon, Chardonnay, Sauvignon Blanc, Muscat Ottonel, Traminer, Pinot Gris, Oporto, Sylvaner, Ezerfrut which are cultivated on a limited area; Feteasca regala and Italian Riesling are cultivated on the more extensive areas; and among the hybrid varieties, which constitute almost 50% of the total vine area, are Noah, Othello, Isabelle. The total area of producing vineyards in 2004 was 191800 hectares out of which noble varieties accounted for 89430 hectares, hybrids 89020 hectares and the remaining 13360 hectares were tablegrape varieties.

2.1.4 Vineyard area

The Romanian vineyard area covers about 215000 ha (around 190000 producing vineyards) being the 9th largest in the world. In Europe, in terms of area, Romania is in 5th place. Over 90% of the vineyard area belongs to the private sector. The area under vine shares 1.6% out of the utilized agricultural area and 2.4% out of the arable area of Romania. Wine-growing represent 14% out of the vegetal production value. The area under vine intended for wine production fell from 232500 hectares in 1999 to 178400 hectares in 2004. A similar decline occurred in the tablegrape area which fell from 18600 hectares (1999) to 13300 hectares (2004).

There is made a differentiation between vineyard for quality wine and for table wine production. Area under producing noble vines intended to wine making in 2004 had a total area of 89400 hectares, out of which for table wine production 48300 hectares, for quality wine production with geographical indication 27400 hectares and for quality wine produced in specified regions (QWPSR) 13600 hectares.

2.1.5 Structure of production

According to the general agricultural census from 2002 the total number of individual farms, cooperatives and trading companies growing wine grapes and producing wine was 1,125,324. Of this the number of farms growing wine grapes was 1,124,494 and the number of farms, co-operatives and Agrokombinats producing wine was of 830.

334 cooperatives and trading companies who have the average size of the holdings over 100 hectares are totalising 43046.41 hectares of vineyards. This means that 25% of the cultivated area is owned by bigger companies and the rest of the cultivated area by small and medium sized producers. Among this 25% there are 5-6 big producers, such as Murfatlar with more than 2 000 hectares, Jidvei with about 1 000 hectares. The others have around 500 hectares or above.

Table 1. Number of individual agricultural holdings and cultivated area by size classes of utilised agricultural area, by categories of vineyards

	0.1ha	0.1-0.3ha	0.3-0.5ha	0.5-1ha	1ha - 2ha	2ha-5ha	5ha-10ha	10ha-20ha	20-30ha	30-50ha	50-100ha	over 100ha	total
Noble vineyards	4531	16496	12851	29639	44313	50722	9708	1244	177	133	93	98	170005
Hybrid vineyards	38978	117170	64790	137826	222408	302942	60730	6927	1003	711	511	493	954489
Total number of farms	43509	133666	77641	167465	266721	353664	70438	8171	1180	844	604	591	1124494

Source: General Agricultural Census, 2002

Table 2. Number of legal units and cultivated area by size classes of utilised agricultural area, by categories of vineyards

	0.1ha	0.1-0.3ha	0.3-0.5ha	0.5-1ha	1ha - 2ha	2ha-5ha	5ha-10ha	10ha-20ha	20-30ha	30-50ha	50-100ha	over 100ha	total
Noble vineyards	1	3	8	18	18	62	51	25	13	19	37	237	492
Hybrid vineyards	4	16	13	14	20	63	63	26	4	8	10	97	338
Total cooperatives and trading companies	5	19	21	32	38	125	114	51	17	27	47	334	830

Source: General Agricultural Census, 2002

Table 3. Number of individual agricultural holdings and of legal units, and cultivated area by size classes of utilised agricultural area, by categories of vineyards (Table 1. + Table 2.)

	0.1ha	0.1-0.3ha	0.3-0.5ha	0.5-1ha	1ha - 2ha	2ha-5ha	5ha-10ha	10ha-20ha	20-30ha	30-50ha	50-100ha	over 100ha	total
Noble vineyards	4532	16499	12859	29657	44331	50784	9759	1269	190	152	130	335	170497
Hybrid vineyards	38982	117186	64803	137840	222428	303005	60793	6953	1007	719	521	590	954827
TOTAL	43514	133685	77662	167497	266759	353789	70552	8222	1197	871	651	925	1125324

Source: General Agricultural Census, 2002

2.1.6 Wine yields

Average yields have fluctuated according to the weather conditions. Recent years have seen a low of 4.32 tonnes per hectare in 2000 and a high of 5.39 tonnes per hectare in 2004. In 2004 the average yield in tonnes of grapes for table wine per hectare was 5.00 tonnes per hectare and 7.41 tonnes per hectare for QWPSR.

The HL of wine per hectare for QWPSR was rather changing for 2000-2004. After a growth in 2001 the production fell to 25.15 HL per hectare in 2002 after which started to grow again continuously to 41.07 HL per hectare 2004.

Table grapes yield more per hectare than quality wine grapes. In the period 2000-2004 the HL per hectare for table wine decreased to 75.35 in 2001. Starting with 2002 there was a continuous growth reaching 97.90 HL per hectare in 2004.

The yields for wines with geographical indication continuously fell in 2000-2004 from 42.56 HL per hectare (2000) to 31.76 HL per hectare (2003).

2.1.7 Wine production

Within Europe, Romania is the 6th largest producer of grapes and wine. Total wine production decreased from 1999 until 2002, but then grew to 5.65million HL in 2003 and 6.2 million HL in 2004.

The production of QWPSR wine shows a slight growth for 1999-2004 varying between 343.1 000 HL (2002) and 560.2 000 HL (2004). In 2000 and 2001 the production was higher than in 2002. Then for 2003 and 2004 the level of production started to grow again.

The production of table wine had a rising tendency with a slight decrease for 2001 varying between 3644 000 HL (2001) and 4734.5 000 HL (2004).

The production of quality wines bearing a GI was very changing having a yearly up and down fluctuation. After all the 871.6 000 HL for 2004 are far behind the level of production realised in 2000 of 1168 000 HL which was the highest for 2000-2004.

2.1.8 Production cost and competitiveness

For 2003 the planting costs per hectare were around 10 000 euro. The exploitation costs per hectare for one year were about 1200 euro. The profit realised from the exploitation of one hectare of vineyard was estimated to 1200 euro which is six times lower than in EU countries (which is approx. 8000 euro).

Table 4. Cost and Price examples at a company from Buzau (2003)

Wine varieties	Unitary cost/750 ml (RON)	Unitary price (RON)	Unitary profit (RON)
Feteasca Regala	4,14	4,97	0,82
Tamâioasa Românească	7,28	8,65	1,37
Muscat Ottonel	5,50	6,47	0,97
Italian Riesling	4,85	5,94	1,08

Note: According to the Romanian National Bank the annual average value of the exchange rate for 2003 was: 1 EUR = 3.7555 RON

The price for 2005 for a grapevine was between 0.82-1.10 euro, while the acquisition price of wine grapes was between 0.33-0.35 euro per kilogram. The production costs for a 750 millilitre bottle of wine varied between 1.52 and 4.14 euro. There are wines for which the costs of production reaches 13.82 euro as well.

2.1.9 Wine exports

Romania is a net wine exporting country. Both the volume and value of exports vary considerably form year to year. The figures for 2004 show a quantity of 375800 HL exported, valued at €21.1 million. The main countries where Romania exports wine are Rep. Moldova and Germany.

2.1.10 Policy issues

EU Accession requires changes and improvements within the Romanian wine growing sector particularly over quality wines in order to face the challenges from European and international competitors. One of the major problems is the low share of QWPSR wines in the total production, which is below 10%. The main objectives are to improve the vineyards structure through planting superior quality vines, to improve vine-growing technology to increase productivity and to improve wine-making techniques in order to increase the quality of wines produced in specified regions and wines bearing a geographical indication. Other important objectives are to increase the share of quality wine production against table wines, as well to support the establishment of associations, co-operatives and producers groups.
Romania has requested a transition period of 8 years, until December 31st 2014, for the removal of hybrid vineyards from the actual 15 000 hectares to minimum 30 000 hectares. The vineyards inventory and register has already been implemented. Nevertheless the register is not obligatory.

2.2 Sugar sector

2.2.1 Sugar consumption
Sugar consumption has been fairly stable since 2000, varying between 23 and 24.7 kg/capita/year.

2.2.2 Sugar import
Romania is a net importing country, with the volume of imports varying from year to year. The main trading partners are Brazil, Cuba, Thailand, Moldova, Hungary, Turkey, Germany, Austria, and Czech Republic.

2.2.3 Sugar beet area
Sugar beet is cultivated on very limited areas. The sugar beet area has continually fallen since the beginning of the 1990s. In recent years the area has declined from 65500 hectares in 1999 to 18800 hectares in 2004 and is now only 12% of the area cultivated in 1990.

2.2.4 Structure of production
At present 80% of the sugar beet is produced on individual farms and family associations and only 20% by agricultural commercial firms. The average size of the 16000 holdings currently growing sugar beet is estimated to be 6 hectares.

The number of processing plants has fallen from 33 factories in 1989 to 10 in 2004. The number of firms processing sugar beet is now only the next: Oradea, Ludus, Bod, Roman, Corabia and processing capacities have also Pascani, Buzau, and Liesti.

The last three named areas are utilised more for processing the raw sugar imported, while the others are processing primarly sugar beet.

2.2.5 Yields
The average yield of sugar beet varied between 13.78 (2000) and 29.37 (2004) tonnes per hectare. In the first two years of the period 1999-2004 there was a decreasing tendency to 13.78 tonnes per hectare then the values grew to more than 22 tonnes per hectare remaining stable for the next two years, when in 2003 resulted again a sharp decrease which was due to the weather conditions (16.91 tonnes per hectare). For the next year (2004) the yields doubled.

The yield of sugar varied between 3.76 (1999) and 24.024 (2004) tonnes per hectare. For 2000, 2001 and 2004 the yields had a rising tendency while for the 2002 and 2003 the yields per hectare fell. After 1999, the production doubled for 2000-2003. At the beginning of the 1990's Romania had 300 000 hectares of area for cultivating sugar beet which gradually declined until 2004. The lack of market protection accentuated this evolution which led to that sugar was and still is produced mainly from raw imported sugar (although sugar beet was/is cultivated). In the last two years the sugar beet production decreased in spite of introducing a support program. We can not give a proper answer if there was a rise or fall in efficiency.

2.2.6 Sugar and isoglucose production

The evolution of sugar production in 1999-2002 grew from 246 000 to 514 000 tonnes, but then declined to 452 000 tonnes in 2004. For 2005 a growth is estimated, but this reaches only the level of the year 2000 (477 000 tonnes).
The efficiency of sugar beet processing remained low.

2.2.7 Production cost and competitiveness

The production cost of sugar beet in 2005 was 23 € per tonne. The labour costs per hectare were around 860 €. The costs for sugar were 380 € per tonne and the subsidy was of 14.2 € per tonne of sugar beet. The farmers obtain from the processing factory 50 kilogram of sugar for one tonne of sugar beet, which is around 20 € per one tonne of sugar beet.

2.2.8 Exports

Being a net importing country, Romania exports only very low quantities of sugar. For the period of 1999-2004 the exported volume of sugar varied between 600 (1999) and 7100 tonnes (2002).

2.2.9 Policy issues

Having in regard the current low level of beet and sugar production, one of the objectives is to increase the sugar beet area prior to Accession to more than 130000 hectares. The other objectives are to reach a sugar yield equivalent to that of the EU average and to improve the productivity for the sugar sector.

The sugar quota for sugar obtained by Romania as a result of the negotiations is less than 25% of the necessary for consumption. As a consequence to cover the needs Romania will depend on imports of sugar from the global market until Accession and from the EU after Accession – this will raise sugar prices to consumers.