IMPACT OF MILK AND DAIRY IMPORTS UPON THE ROMANIAN MARKET

IMPACTUL IMPORTURILOR DE LAPTE SI PRODUSE LACTATE ASUPRA PIETEI ROMANESTI

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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 in 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 sector.*

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

INTRODUCTION

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

Although Romania has significant areas under natural pastures and hayfields (33% of the agricultural land), the Romanian raw milk production has great fluctuations, with relatively great differences between the milk quantities delivered in summer and in winter.

The traditional areas where milk is produced are the hilly and mountain areas. The low average yields per fed cow head reflect the extensive operation in our country. 97% of the cow herds, 98% of the buffalo cow heads and 99% of sheep and goats are raised on individual holdings. Thus, raw milk production is dispersed into small quantities, which implies difficulties as regards its quality and its collection.

MATERIAL AND METHOD

On the basis of foreign trade data and of the Romanian milk and dairy production we investigated the competition pressures exercised by the foreign trade upon the domestic market. The investigation took into consideration the characteristics of the Romanian milk and dairy market.

RESULTS AND DISCUSSIONS

In the last three years Romania constantly had a deficient balance of trade in milk and dairy products. The deficit of the balance of trade ranged from 112,869 thousand euro in 2007 to 157,134 thousand euro in 2009. Thus, the decline of the balance of trade was -33 % in 2008, compared to 2007, while in 2009 this was by only -4% lower than in 2008. Hence we can say that Romania is a net importer of milk and dairy products.

Whey (CN code 0404) was the only product in which imports decreased in the investigated period. In concentrated milk and cream (CN code 0402) the trade deficit decreased in 2008, as compared to 2007, while in 2009 the imports of concentrated milk and cream increased compared to 2008. In cheeses and curds (CN code 0406) the trade deficit diminished by 12 % in the year 2009. For all the categories of imported milk and dairy products, the average prices increased in the investigated period. The highest average price increase was in the case of cheeses and curds, while the lowest increase was in non-concentrated milk and cream.

In general, the values of average prices of Romanian milk and dairy exports are higher than those of imports; however, in the case of butter (for all the three years), for concentrated milk and cream (for the years 2008 and 2009), as well as for whey (in 2007 and 2009) the import prices were higher than the export prices, which reveals that for these

products Romania's imports are of higher quality than the quality of exports.

For the year 2009, the average prices of the exported dairy products increased, compared to the average prices of the imported products, which decreased. The Romanian milk and dairy imports constantly increased in the investigated period, the most important share being held by cheeses and curds as well as by non-concentrated milk and cream.

Although the value of Romanian milk and dairy exports increased by 24% 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 conclude that Romania is not competitive yet on the European milk and dairy market.

Table 1: Deficit of Romania's balance of trade from the milk and dairy trade, 2007-2009

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

Source of data: Romanian General Customs Directorate

Cheeses and curds (CN code 0406) hold the most important share both in the value of imports and in the value of exports. Cheeses and curds are on top of the list in Romanian consumers' preferences. Unfortunately, Romania exports only 1 - 4 % of the yearly cheese production, and it imports from 25 to 45% of the cheese production produced in Romania. The main supplier of cheeses and curds for

Romania is the European Union. In EU-27 the main supplier is Germany (43%), followed by Poland (9%), Italy (5%) and Hungary that constantly increased its market share in the last 2 years to 10%.

The largest amounts of cheeses and curds are imported in the period July-October. The monthly values of the cheese and curd imports tend 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 quantities of cheeses and curds increased, yet their values were lower than in 2008.

The Romanian cheese and curd exports reached a peak level in the months February and September 2009 when the exported quantities and their values significantly increased. The Romanian cheese and curd exports constantly increased, increasing almost three times in the investigated period. The main export market for cheese is the US market. Here ewe cheese and buffalo cow cheese maturated in the caves from the Apuseni Mountains are exported. The exports to the United States began about 10 years ago under a program funded by the United State Agency for International Development and implemented by the firm Land O′Lakes in Romania.

Non-concentrated milk and cream (CN code 0401). Fresh drinking milk is consumed as such, for breakfast in general, while cream is consumed either I combination with different cheeses or it accompanies different food preparations or sweets or it is used for the preparation of different products.

In early ’90s, non-concentrated milk and cream had a significant position in the milk and dairy imports, as in the Romanian factories at that time there was no UHT technology in place to provide a longer shelf life for those products. With the modernization of the milk and dairy factories and the adoption of these technologies, the imports considerably decreased.

Although there is no distinct CN code for raw milk, in the year 2009 significant quantities of raw milk came to the Romanian market from Hungary, due to its conformity with the EU standards.

In the year 2009, it can be noticed that 50 – 90% of the total monthly imports of non-concentrated milk and cream was represented by

the raw milk for processing. And yet the raw milk imports represent only about 7 % of total national production.

Table 2: Domestic production, imports and exports of dairy products, in the period 2007-2009 (tons)

	2007	2008	2009
Cheeses and curds (CN code 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 (CN code 0401)			
Production	230,214	245,822	268,336
Imports	48,059	64,723	100,590
Exports	1,008	967	1,010
Butter (CN code 0405)			
Production	8,216	8,484	10,486
Imports	4,764	6,616	8,527
Exports	49	44	107
Concentrated milk and cream (CN code 0402)			
Production	9,071	6,086	12,382
Imports	18,968	11,684	13,524
Exports	9,638	11,941	13,177
Curdled milk, acidified milk, yoghurt, kephir (CN code 0403)			
Production	129,951	143,121	143,274
Imports	11,543	13,100	17,630
Exports	1,490	1,831	2,101

Source of data: Romanian General Customs Directorate

The non-concentrated milk and cream imports increased in the period under investigation due to the increase of raw milk imports. Non-concentrated milk and cream imports follow the lactation curb, i.e. larger

quantities are imported in the cold season and the imports decrease in the warm season, when raw milk production is also lower.

While for raw milk the main supplier is Hungary (54%), for the processed milk and sour cream imported under the CN code 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.

As regards butter (CN code 0405), the imported quantities represent the equivalent of 58-81% of the domestic production, while the exported quantities only 1% of production. Romania is a net butter importer. The monthly distribution of butter imports followed an uniformization trend in 2009, although in the previous years in the summer period the butter imports were much smaller. The main butter suppliers to the Romanian market are the following: Poland (24%), the Czech Republic (14%), Germany (12%) and France (8%).

The annual butter exports accounted for 1% of the value of Romanian milk and dairy exports. Butter is exported on a sporadic basis over a few months of the year, and mainly in December. The main outlet for the Romanian butter was the Czech Republic and Germany for the period 2007-2008, while in 2009 exports were mainly oriented to Hungary and Poland.

Concentrated milk and cream (CN code 0402). The trade in these products is more balanced than the trade in other categories of dairy products, the trade balance deficit being lower in this case. And yet, Romania is a net importer of concentrated milk and cream (mainly skimmed or whole milk powder) as the raw milk is not sufficient for meeting the demand on the domestic market and to create a surplus to be processed into milk powder.

The main milk powder supplier for Romania is Poland. Hungary and the Czech Republic significantly diminished their market share to the benefit of Poland in the year 2009.

Imports are distributed throughout the year. In the year 2009, the monthly imported quantities tended to uniformization. While in the year 2007 the exported butter quantities represented half of the imports, in the last two years the exported quantities had the tendency to equalize imports. The main outlets for concentrated milk and cream are Greece and Bulgaria. Exports reached a peak level in the summer months.

Curdled milk, acidified milk, yoghurt, kephir (CN code 0403). In the investigated period, the equivalent quantity of 9 - 12% of the domestic acidified milk production was imported, while exports represented only 1 % of domestic production. The most important supplier of acidulated milk continued to be Germany, followed by Hungary and Poland.

The acidulated milk imports are relatively constant throughout the year, and their prices were relatively constant in the period under investigation. The Romanian acidulated milk destinations were oriented to non-EU countries, Republic of Moldova and Croatia. In the investigated period, exports slightly increased in both quantity and value in the months November and December.

Whey (CN code 0404). As we had no available data for the Romanian whey production, all we can say is that Romania is a net importer in the case of this product, too. The main whey suppliers are the following: Hungary, Germany, the Czech Republic and Austria, countries with tradition in milk production and processing. Romania imported from 6 to 10 thousand tons of whey and exported 500 - 1000 tons. The monthly imported quantities in the investigated period followed different trends. Anyhow, in all years, the month of December was characterized by lower imports. In the second half of the year, the monthly imports had an increasing trend.

CONCLUSIONS

Romania is a net importer of milk and dairy products. There is an uniformization trend of milk and dairy imports throughout the year. Although the Romanian exports are not significant, it is worth mentioning that mainly ecologic dairy products or dairy products based on ewe, goat or buffalo cow milk are exported.

Due to the lack of efficiency on its dairy farms, Romania also imports raw milk and probably it will continue to import this product until the livestock and milk collection sector get reorganized so as to become efficient.

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