MILK CHAIN IN ROMANIA – REGIONAL ASSESSMENT

FILIERA LAPTELUI IN ROMANIA – EVALUARE REGIONALA

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Abstract: *The paper includes an analysis of the milk market situation in Romania both at national level and across regions for the period 2008-2010. In order to identify the causes that led to the permanent decline of domestic milk supply in Romania, the paper presents an evolution of dairy livestock herds (cows, buffalo cows, sheep and goats) and the production by regions, as well as the farm structure. Raw milk collection for processing was described both by origin sources (from domestic production and from imports), by the number of milk collection centers across regions as well as by the EU conformity standards with regard to the quality of raw milk for processing. The economic crisis affected the consumers' incomes, so that, in this context, the consumption of agri-food products was affected, and the milk and dairy consumption implicitly. Romania's foreign trade with milk has constantly had a negative balance of trade, and the distribution and sales on the domestic market reveal significantly great differences between the raw milk price and the price of processed products favouring the latter. The conclusions drawn following the regional analysis of specific indicators reflect competitiveness differences across regions.*

Keywords: *livestock herds, milk production, milk collection, consumption, prices, trade*

INTRODUCTION

The specific aspect of the milk production and processing sector in Romania is the strong fragmentation existing at producer level, as Romania has the largest number of dairy farms in Europe (761528), as well as the

very high share of family household farms (about 90% of the total number of farms have 1-2 cows).
Out of this reason, 39% of the milk production at national level goes to self-consumption, 27% goes to direct sales, and only 23% of production is delivered to processing.
At the same time, due to the very high share of family household farms, there is no efficient farm management in place, and the raw milk production collected for processing has a strong seasonal character, with higher values in summer and by about 30% lower in the cold season.
The production sector fragmentation obviously leads to the diminution of farmers' bargaining power, and these are obliged to accept the prices offered by the processors.

MATERIAL AND METHOD

The method used in the paper was the analysis of certain sets of specific indicators for each link in the chain, both at national and zonal level, by the 8 development regions of Romania. The indicators taken into consideration were the dairy herds by species (cow and buffalo cow, ewe and goat), the collected raw milk production, the producer milk price, the processed milk quantity and the resulting products and the dairy products consumption.
In order to capture the main aspects with regard to the national milk market, the data supplied by the National Institute for Statistics (NIS) were used, through the intermediary of the official publication "Romania's Statistical Yearbook", as well as of the Tempo-online database, by the Ministry of Agriculture and Rural Development (MARD) and the National Sanitary-Veterinary and Food Safety Authority (NSVFSA). The information supplied by the above-mentioned institutions enable comparisons at national and level and across regions.

RESULTS AND DISCUSSIONS

The analysis of the above-mentioned indicators at national level and by regions reflects significant competitiveness differences across regions, at

the level of primary production, processed production and consumption, the results of which will be presented below:

At primary production level

- The highest share in the domestic supply of ***cow and buffalo cow milk***, as regards both the livestock herds and production (23%), was found in the Region ***Nord-East,*** in the counties Botoşani, Iaşi, Suceava, Neamț, Bacău, Vaslui;
- The Region ***North-East*** also has the largest number (29%) of dairy farms;
- The highest concentration of the herds of ***ewes and ewe lambs*** is found in the Region ***Center*** (22%), this region being the only region where the sheep herds increased each year;
- Unlike the cow, buffalo cow and sheep herds, which permanently decreased in the investigated period, the goat species experienced a positive evolution; a significant increase of the number of animals from this species was found in all the regions of Romania, yet the most significant increase was in the Region North-East and South-Muntenia, where the number of goats was up by over 50% in 2010 compared to 2009;
- The regions where almost half of the total ***goat*** herds from Romania is concentrated are ***South-East*** (25%) and ***South-West Oltenia*** (20%); in these regions we also noticed the lowest number of cow herds;

This proves that **very few producers can play an active role on the market**, can negotiate conditions when concluding commercial contracts with processors. The producers who have large and medium-sized farms have the necessary bargaining power also in the context of the processors' objective need to buy larger amounts of milk from a single supplier.

In these conditions, there is no efficient farm management and the raw milk production collected for processing has a strong seasonal character, with higher values in summer and by about 30% lower in the cold season.

At milk collection level

- More than half (53%) of the raw milk collected from the agricultural holdings and the milk collection centers is supplied by 2 regions, the Region ***Center*** (31%) and ***North-West*** (22%);

- The imported raw milk doubled its share in total processed milk from 4.6% in 2008 to 8.6% in 2010;
- The area with the largest number of milk collection centers is the Region ***Center*** (797), followed by the Region ***North-West*** (731).

At processing level

- The greatest concentration of processing units (milk buyers) is found in the Region ***Center*** (121) (counties Mureş, Covasna, Braşov, Alba); the main dairy factories are in this region: "Albalact", "Covalact", "ProdLacta";
- The Region ***North-East*** is on the second place as regards the number of processing units (91), mainly the counties Suceava, Botoşani and Neamț, where the French group "Lactilis" operates, which took over the company "La Dorna";
- The fresh milk for consumption was mainly produced in the regions ***Center*** (39% and ***North-East*** (21%) in the year 2010;
- The regions ***Bucharest-Ilfov, Center*** and ***South-Muntenia*** produce more than 70% of the fresh dairy production (sour cream and acidulated milk);
- Cheese was mainly produced in the regions ***North-West*** (26%), ***Center*** (25%) and ***North-East*** (21%)

At consumption level

- The highest milk consumption, over the national average, is found in the macro-region 1 (6.715 liters/person/month), i.e. in the regions ***North-West*** and ***Center***, where 36% of the number of dairy cows is found and 40% of the number of milk processors from Romania;
- A low milk consumption is found in macro-region 3 (5.690 liters/person/month), i.e. in the regions ***South-Muntenia*** and ***Bucharest-Ilfov***, regions with a lower number of animals and a low level of processors' concentration;
- In the case of cheese, the situation is more balanced, the highest consumption being signaled out in ***North-East*** and ***South-East*** (1.419 kg/person/month;
- The highest average monthly expenses for the category of "dairy products" are for milk and cheese, in all the investigated areas.

At the level of distribution and marketing

- More than half of processors' turnover is represented by the category "cheeses" (62%), followed by the category "yoghurts" (13%); this distribution reveals the structure of processors' sales;
- 48% of processors sell the products at national level, throughout the national market, 41% sell the products in the development region where they operate, and only a small percentage, i.e. 11% sell their products locally, in the county where they operate;
- about 34% of processors sell their products, at least partially, through their own stores;
- Romania is not competitive in the trade with dairy products, with a permanent deficient balance of trade;
- As regards prices, there is a frequent situation when the price of fresh milk on the shelves of the great super/hypermarkets is by 3-4 times higher than that of the raw milk farm gate price, due to the asymmetric influence with regard to the bargaining power along the chain.

CONCLUSIONS

Compared to the farmers from other sectors, the farmers from the milk sector have a less flexible behaviour with regard to production adjustment to the changes on the market: production remains constant, it cannot be reduced or re-oriented on short term, while the high investment costs for equipment and high-yielding animals make it difficult to change the production profile.

Taking into consideration the fact that milk is an organic product with a high standardization level, the farmers in the sector have limited possibilities to improve their competitiveness on the market, through supply diversification, the only existing variant being the orientation toward organic production.

The structural measures and other support forms focusing on individual farms cannot sufficiently help dairy farmers to face the challenges of the EU market that is increasingly liberalized and competitive or the challenges of the world market; that is why, for an increased efficiency, these farms will have to improve their cooperation, in the direction of association. These cooperation forms, more complex than joint

collection of raw milk, imply a stronger integration of production capacities. A typical example is that of farmers supplying their raw milk production to the upstream sector, on an organized basis, for the production of dairy products with a longer shelf-life (for instance cashkaval, cheese), which are sold at a price established by the cooperative and imply a uniform price for the farmers who supply comparable products. These forms of association can be considered competitive structures encouraging the modernization of the sector, which improve the marketing of agricultural products, as they enable a large number of small farmers to participate to the economic process that takes place in a larger geographic area.

At the same time, it is also worth mentioning that farmers have the possibility to negotiate the contractual terms on a collective basis, through the cooperative organizations, in a way that equilibrates the milk producers' bargaining power in relation to the large processors.

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