

## INFLUENCE OF EUROPEAN FUNDS ON THE SECTOR OF BOVINE MILK AND MEAT IN ROMANIA IN THE PERIOD 2007-2013

Andrei-Marius SANDU

<sup>1</sup>Academy of Economic Studies of Bucharest, 22 Jean Steriadi, District 3, Bucharest, Phone/Fax: 0722523961, E-mail: sandu\_andrey@yahoo.com

*Corresponding author:* sandu\_andrey@yahoo.com

### Abstract

*This study aims to analyze the bovine meat and milk sector for the period 2007-2013. In the analyzed period, Romania has benefited from EU funding through the National Rural Development Programme 2007-2013. In this programme there were measures that addressed exclusively to the animal husbandry sector in Romania. This paper presents the results of the analysis on bovine production of meat, milk and livestock in Romania, but also on the price and impact that the European Funds implementation had on them.*

**Key words:** *European Funds, measures, bovine milk and meat sector, price, National Rural Development Programme*

### INTRODUCTION

European funds have become a significant aid to the economy and development of the member states of the European Union. Agriculture was one of the economic sectors that have directly benefited from these funds. It was supported by the European Agricultural Fund For Rural-Development (EAFRD). EAFRD for 2007-2013 received a budget of Euro Billion 96.3. Thus, through the allocation of these funds for the period 2007-2013 for agriculture, it was targeted, that - following their implementation - the member states will benefit of a significant rural development which has a positive social and economic impact. [6]

The Romanian agriculture benefited from European Funds through the National Rural Development Programme 2007-2013. Measures were created both for vegetal and animal husbandry sectors.

Globally, livestock production (and specifically beef production) plays an important role in maintaining food supply, especially supply of high-quality protein. [5]

### MATERIALS AND METHODS

In this paper, time series have been used with regard to the evolution of bovine meat and

milk sector for the period 2007-2013 provided by Ministry of Agriculture Rural Development of Romania, Funding Agency for Rural Investment in Romania and National Institute for Statistics. The study analyzes data on milk and beef production in Romania. The research shows briefly the measures of the National Rural Development Programme 2007-2013 which influenced the evolution of the sector bovine meat and milk. The analyses have been focused at regional level and national level comparative with The European Union. They have the purpose to present the level of production in Romania compared to the European Union. Livestock and both milk and meat bovine production are analyzed in the period 2007-2013.

### RESULTS AND DISCUSSIONS

#### *I. Measures of National Rural Development Programme 2007-2013*

Measures were set up for the animal husbandry sector under Axis 1 - "Improving the competitiveness of agriculture and forestry" and Axis 2 - "Improving the environment and the countryside" of the National Rural Development Programme 2007-2013. Among these measures, the measure 121 - "Modernization of agricultural holdings", measure 123 - "Adding value to

agricultural and forestry products" and measure 215 - "Animal welfare payments" addressed the animal husbandry sector.[6]

The general objective of measure 121 was to increase the competitiveness of the agricultural sector through a better use of human resources and production factors. This measure supported investments oriented towards endowment with machineries and performing equipment in relation to current agricultural structure, as well as investments on the adaptation of agricultural buildings in order to meet community standards and increase of agricultural holdings competitiveness. Under this measure, 2,092 projects were approved, of which 61.28% addressed "crop fields" with a public contribution of Euro thousand 289,918.188 and a total investment volume of Euro thousand 655,498.911. The difference of 38.72% addresses investments from other agricultural branches. The animal husbandry sector represented 23.05% of the total of 2,092 approved projects with a total investment volume of Euro thousand 835,919.853 Euros and a public contribution of Euro thousand 325,768.853. Of these approved projects, the animal husbandry sector holds the highest share of milk and dairy products sector with a public contribution of Euro thousand 65,598.755 [11]

The main objective of measure 123 was to increase the competitiveness of the agri-food and forestry processing enterprises by improving the overall performance of the enterprises in the processing and marketing sector of agricultural and forestry products through a better use of human resources and other inputs.

Under this measure were approved many projects, of which 82.8%, that is 833 projects were addressed the "food industry" sector. The total volume of investments reached a threshold of Euro thousand 160,987.672, of which Euro thousand 61,061.346 was public contribution. Of the 833 projects for the 'food industry' sector, 127 addressed milk and dairy products, meat and meat products, eggs.

These 127 projects accounted for Euro thousand 108,654. [11]

From the two measures presented it can be seen that the animal husbandry sector is very important for the gross agricultural product, but also for the food market. The animal husbandry sector has a vital contribution in generating cash flow and economic benefits. [1]

The bovine meat and milk branch contributes specifically to the growth of the agricultural sector in Romania. It is known that globally the beef meat production covers a quarter of the meat consumption. This is why one of FAO objectives is to increase cow milk and beef meat production. [9]

European funds that have directly contributed to the adaptation of the bovine meat and milk sector targeted to strengthen production and quality. The implemented measures targeted a medium and long rehabilitation and recovery meeting rural development principles. These measures comprised the following objectives for the bovine meat and milk sector:

- to cover the quantitative and qualitative meat requirement for population consumption increasing of bovine meat and milk production;

- to compile with the European Community standards based on the granting method of subsidies standards and capitalization according to quality classes regulated by EUROP classification system for carcasses;

- to offer financial support for balancing producer selling price with the EU price;

- to launch again the bovine breeding sector in order to foster cow milk production;

- to support milk production sector for its quantitative and qualitative increase, to align it with the European Community standards for quotas;

- to provide food security of milk and dairy products for the population;

- to provide financial support for milk production, for balancing producer selling price on the same criteria as those used in the EU.

These objectives could not be achieved if it is not taken into account the fact that in Romania the activity in the bovine meat and

milk sector is traditional, mainly in the mountain area.

## II. Livestock and meat production in the period 2007-2013

Table 1. Livestock and meat production in the period 2007-2013 –

Specification	Total actual bovine (thousand heads)	Total beef production (thousand tons)	The average weight at slaughter (kilogram/head)
2007	2,819	333	280
2008	2684	306	285
2009	2512	264	287
2010	1985	205	264
2011	2130	289.3	333
2012	2164	198.5	332
2013	2197	232.6	327

Source: Ministry of Agriculture and Rural Development of Romania [7]

The period shown in Table 1 coincides with the implementation period of the National Rural Development Programme 2007-2013. The bovine meat sector is dominated by small farms. This sector is fragmented and less visible. Beef represents only 10% of meat consumption in Romania, compared to 40% the average of the European Union. [10]

The statistical data of Table 1 shows that there were 2,819 million bovines in 2007 in Romania. Since 2008 there has been an ongoing increase in the total bovine livestock until 2010. After 2010, the livestock decreased by 29.59% compared to 2007. Although EU funds were absorbed in this period, the measures that would have had an immediate impact were absorbed only by large enterprises. This did not lead to the expected increase, because the livestock is grown mainly in small farms which are not affiliated to the market and do not meet the market rules. However, this is not beneficial because the decrease is quite large, being caused by animal slaughter which were not replaced.

However, starting with 2011, it can be seen a slight increase, which lasted until 2013

included. Compared to 2007, the year 2013 recorded a decrease by 22.06% against 2007. This is due to EU funds and the measures implemented in small farms which were helped to join and enter the local market and even the EU market. The total beef production, in terms of live weight, as in the case of total livestock, decreased by 38.43% in 2010 compared to 2007. In 2013, this decrease was 30.15 % against 2007, in terms of live weight meat production of 232,6 thousand tons.

The decrease of livestock and production occurred as a result of the change of rules that had to align to the regulations imposed by the European Union. This process was not easy, but it began to show its influence since 2011 when an increase was registered which lasted until 2013 inclusively, and showed a recover of this sector.

Regarding the average weight at slaughter, it can be seen that during the analyzed period there were fluctuations, but the average slaughter weight was maintained at a similar level. In 2007, the average slaughter weight was 280 kg/head, while in 2013 it was 327 kg/head, thus registering an increase by 16.78% compared to 2007. We can say that this increase was directly influenced by EU funds that have been accessed for field crops. The improvement of the cultivation process of fodder and animal food led to this increase. Basically, the funds lead to rich cultures in terms of nutritional value. Thus, the increase of slaughter weight will result in a high yield of meat in the carcass.

At European level, beef meat production in slaughtering houses reached a threshold of 7,224.38 tons in 2013, the quantity gathered from all the 27 Member States.

In Fig. 1 given below we can see that in 2013 the highest production was recorded in France, 1,477.17 thousand tons, representing 19.48% of the European Union, followed by Germany with 15.30 %. Romania accounted for 0.40% of the 27 Member States.

In our country there has been a significant decrease in terms of beef production for slaughterhouses. If in 2007, it was a production of 211,2 thousand tons, in 2013

beef production was 29,28 thousand tons. Thus, one can observe a decrease of 86% in a relatively short period of time. This decrease is due to the fact that this sector is not financially supported by State institutions; many companies were closed and there were massive slaughters and but business man have not bought new animals for slaughter. Another reason was that the production did not meet the EU standards and large part of the merchandise could not be sold. Another equally important decrease was recorded in Bulgaria where the production was by 73% lower in 2013 compared to 2007.

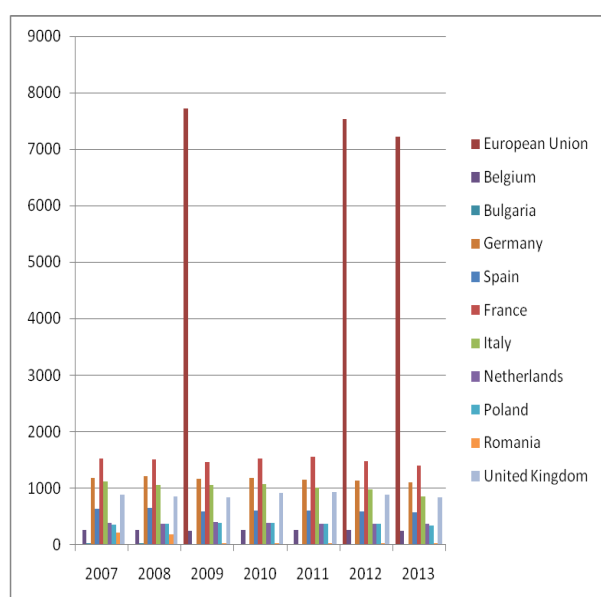


Fig.1. Slaughtering in slaughterhouses - annual data based on National Institute for Statistics, 2013 [8]

### III. Reproduction livestock and milk production

The milk sector in Romania features significant discrepancies in terms of productivity compared to EU-27. This can be explained both by the internal structure of the Romanian dairy farms (small size, high fragmentation), inadequate or defective use of production factors (human resources included), and by the current deficient institutional framework and infrastructure.[4] Similar to the meat sector, it was directly influenced by European measures. Cow milk is important because:

- it is a strategic product with special impact on children, elderly as well as on people with

various diseases rearing dairy cows, the basic occupation in the countryside and mountain areas, provides rhythmic and stable income to animal breeders;

- the support for the efficient selling of raw milk will allow investments in upgrading the technology of the activity needed to achieve verifiable high quality and high guarantee terms dairy products;

- it provides employment stability in rural and mountain areas;

- it is a certain source for trade;

- it provides for the high capitalization of fodder carried out on fodder areas in natural system (natural pastures).

Analyzing the data in Table 2, one can observe that the years analyzed resemble very much in terms of progress with the one recorded of the bovine meat sector.

The reproduction livestock recorded in 2013 a total of 1,369 thousand heads, which is actually by 20.95% smaller compared to 2007. Nevertheless, compared to 2010 a progress by 6% was recorded.

Table 2. Livestock and milk production in the period 2007-2013

SPECIFICATIO N	Unit	2007	2008	2009	2010	2011	2012	2013
Total livestock	Thousand heads	2.819	2.684	2.512	1.985	2.130	2.164	2197
Livestock birth rate		1.732	1.639	1.569	1.282	1.312	1.352	1.369
Average milk production	liters/head	3.564	3.653	3.807	2.595	3.529	3.417	3.385
Total Milk Production	thousand hectoliter	54.875	53.089	50.570	42.824	43.807	42.036	42.600
Merchandise Production	s	26.868	28.197	25.310	17.433	22.321	21.462	21.894

Source: Funding Agency for Rural Investment in Romania [3]

Regarding the average milk production, it varied from one year to another in the period 2007-2013. However, as in this case, there is an increase in the last three years, reaching in 2013 a total of 3,385 thousand liters per head and a decrease by only 5% compared to 2007, which means that the policies for milk production were assimilated more easily than compared to bovine meat.

In 2007, the total milk production was 54,875 thousand hectolitres, this year representing the maximum threshold for the period analyzed. However, in the year 2013, it decreased compared to 2007 mainly due to the decrease of total bovine livestock in Romania.

The milk price in Romania, it was quite low in 2012, the year when Eurostat identified the lowest values for our country. In the year 2012, Euro 24.89 were paid for 100 liters of milk bought from the producer, while during the same period, in Germany, the price was Euro 35.19 for 100 liters. In 2012, Romania had the lowest price in the EU.

The low price cannot bring profit to producers, moreover it hinders their ability to expand and invest in a more performing processing.[2]

## CONCLUSIONS

After Romania's accession to the European Union, it applied the market policies of the European area. At the same time, Romania benefited from EU funds through the National Rural Development Programme 2007-2013. The animal husbandry sector underwent changes that had a positive impact on the Romanian agriculture. In terms of bovine meat and milk, the effect of EU funds had no immediate impact. Only after 2010, it was noticed an increase in this sector. It was influenced by the restructuring that took place in the bovine meat and milk sector and tried to align to EU market and production standards. By implementing EU funds, Romania has tried to reduce the gap in price and production both at national level and at the EU level. In order as the funds to have even a greater impact in the bovine sector, Romania should try to make the following proposals:

- foster the organization of holdings in associations, to represent their interests in relation to input suppliers and finished goods beneficiaries;
- foster the organization of competitive and efficient holdings in the rural and mountain areas;
- increase own income and shift from self-consumption to commercial production;

- increase the reproduction livestock and birth rate in order to grow young bovine livestock for fattening and slaughter at optimal weights;
- improve heifer livestock for meat production;
- support, encourage and protect domestic product by applying the mechanisms used in the EU;

- support the balance between the processing and production sectors;

- there is the risk of livestock decrease if there is no balanced adjustment of the price ratio between the processing and production sectors;

- need for financial support in order to offset the selling price of the domestic manufacturer with the EU price;

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