MILK AND MEAT MARKET BETWEEN 2015-2020 - A SWOT ANALYSIS

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Summary

Market information is an important tool to respond to changes in the economic environment and to identify potential domestic and export market opportunities, helping producers, traders and processors to know market requirements and consumer preferences. The SWOT analysis used in the paper as a research method is based on the results of a series of technical-economic analysis, statistics and market information, which led to highlighting the strengths, weaknesses, opportunities and risks of the cow's milk market and of beef, sheep, pork and poultry market from Romania. Thus, the Romanian agri-food sector was characterized by a low integration of participants in the agri-food supply chains. The Romanian animal products market is dominated by imported products, at lower sales prices, which makes that the products of Romanian farmers do no longer find their place in the stores, as higher domestic costs lead to higher prices, discouraging autochthonous producer. But the recovery of trust in Romanian products has already taken place by consumer. There is now a need to regain trust between producers, to create production, distribution and marketing chains, to create markets that will also receive quality products from Romanian farmers.

Keywords: *market, SWOT analysis, milk, meat, import, export*
JEL: *Q02, Q11, Q13, Q17*
UDC: *338.439.5: [637.1+637.5]*

Introduction.

Literature review. Increasing population and income levels are a challenge for the dynamics of dairy and meat markets (Delgado, C., 2005). These developments indicate a need to increase production, optimize the use of food resources, and adapting of market levels (Saadullah, M., 2002). The supply of markets with high-quality milk and meat products must be a constant concern of the economic agents involved in this field (Ilie, D. M., Marin A., Turek-Rahoveanu P., Voicilă D.N., 2021).

Market strategies must take into account the potential market of the product in question, the amount of agri-food products that can be absorbed in the market under the existing economic-financial and socio-political conditions (purchasing power, prices, regulations and restrictions). The penetration of the product on an existing market must rely on the sales opportunities, especially when that market is insufficiently saturated and the products are in the growth phase. The sale of the product in new markets must take into account the identification of new consumers who can use the product (Constantin M., 2007).

The organization of the dairy and meat supply chains is based on a legislative and institutional framework, according to which it can adapt to new situations and ensure regulations designed to maintain market balance, avoid crises, facilitate trade liberalization in conditions of increasing competitiveness and efficiency (Zahiu, L., 2005).

In the case of milk and meat supply, there are a multitude of influencing factors, among which can be mentioned: the number of milk / meat producing animals, per capita yield (which, in turn, depends on biological potential, production system, technology used), the workforce involved in the production sector concerned, the means of financing and credit facilities, the access and market stability of milk / meat producers, climatic factors that may influence feed production, milk / meat price offered on the market, the price of resources used in the production process, etc. (Alexandri, C., 2006).

Romanian milk and meat producers have to face the competition that manifests both at national and European level, in order to adapt to market fluctuations. Thus, the level of their professional training, technical equipment, applied technologies and farm management are the premises of ensuring economic efficiency and competitiveness on market (Popescu, A., 2017).

Research methodology. The SWOT analysis used as a research method in this study aims to assess the performance, competition, risks and potential of the Romanian milk and meat markets, over a period of time under the impact of a multitude of economic and social challenges, and we can mention here the African swine fever and the COVID-19 pandemic.

This type of analysis is the basis for assessing the potential of the milk and meat market, internal limitations, opportunities and probable / possible threats from the external environment. It visualizes the positive and negative factors in the market and highlights its trends, which can underpin the decision-making process.

Main results.

SWOT analysis of the cow's milk market

Strengths

- ❖ Romanian consumers have again started looking for and buying domestic products, to the detriment of those imported from abroad. There is an increase in consumer confidence in Romanian products, given the unfavorable experiences over the years on the questionable quality of some imported dairy products. The development of online sales networks of dairy products, directly from the producer, also contributed to this trend, the information on the origin and processing of the products being presented in a convincing way and then verified by consuming the products delivered to consumers. Thus, even through these short chains of delivery, it was possible to rebuild trust in local products.

- Potential for certification of geographical indication of products. There is already a wide range of dairy products for which the certification of geographical indication can be an advantage for increasing market competitiveness and attracting new customers, both domestically and internationally.
- The supply of cow's milk on the market increased by 9.5% in 2020 compared to 2015. This can be seen as a strong point, but the growth was based not on the increase in domestic production, but on doubling of imports (*Figure 1*).

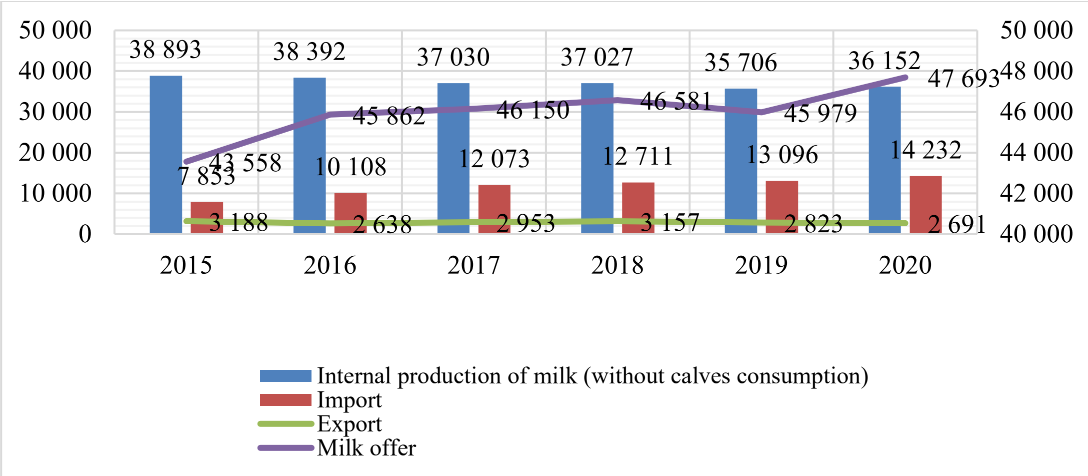
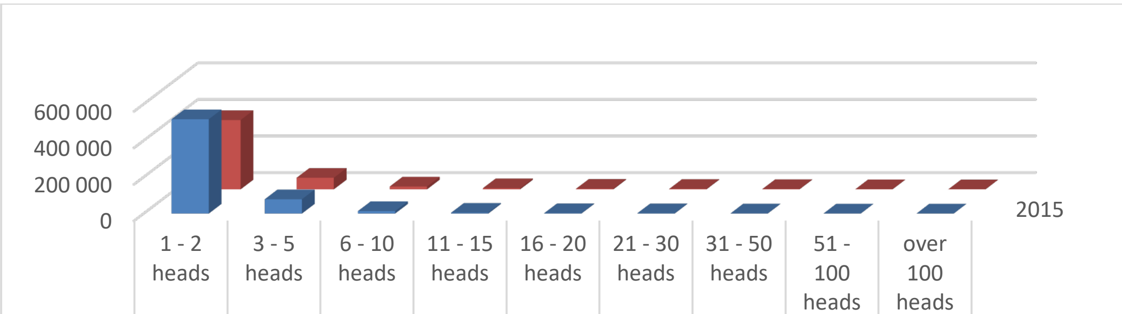


Figure 1. **Milk offer** (thousand hectoliters)
Source: NIS; MARD - operative data; own calculations

- Tendency to increase the share of commercial farms, which sell their production on the market. This trend is being constant for a number of years, with a decrease in the number of individual households producing for self-consumption and a simultaneous increase in the number of large farms selling their products on the market (*Figure 2)*.



	1 - 2 heads	3 - 5 heads	6 - 10 heads	11 - 15 heads	16 - 20 heads	21 - 30 heads	31 - 50 heads	51 - 100 heads	over 100 heads
2015	517 246	78 408	13 563	4 435	2 269	1 727	1 120	684	412
2020	380 064	63 450	15 573	6 488	3 644	2 669	1 725	952	556

Figure 2. **Number of farms, on categories of size**
Source: MARD - operative data

Weaknesses

❖ During 2015-2020, the evolution of cattle herds shows a constant decreasing trend, from 2,092 thousand heads to 1,875 thousand heads (-10.4%); also, the number of cows, buffaloes and heifers decreased from 1,311 thousand heads to 1,231 thousand heads (-6.1%); these evolutions are due to the decrease in number of animals in households, which, from a statistical point of view, were included in the category of holdings of 1-2 heads (*Figure 3*).

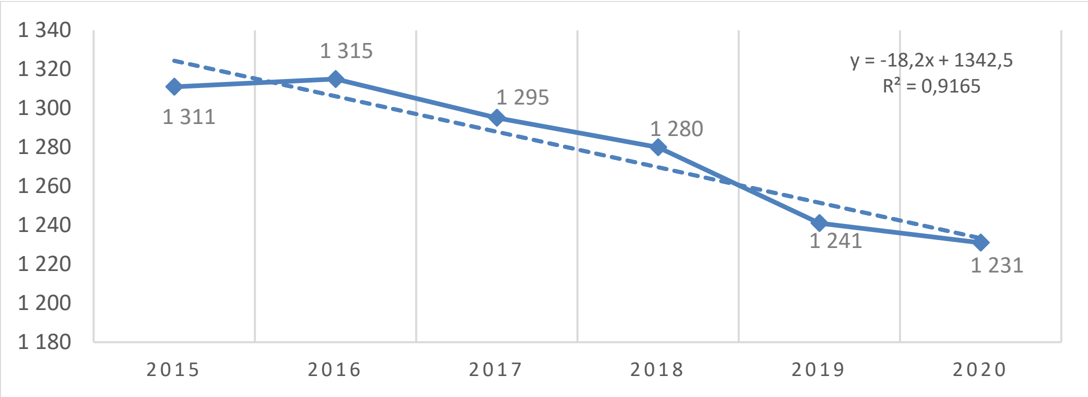


Figure 3. **Cows, buffaloes and heifers (thousand heads)**
Source: NIS

❖ In paralel, domestic cow's milk production had a generally downward trend since 2015, reaching in 2020 a quantity of 40,234 thousand hl (-5.7%). Only in the year 2020, there is a slight increase of 1.2% compared to 2019 (*Figure 4*).

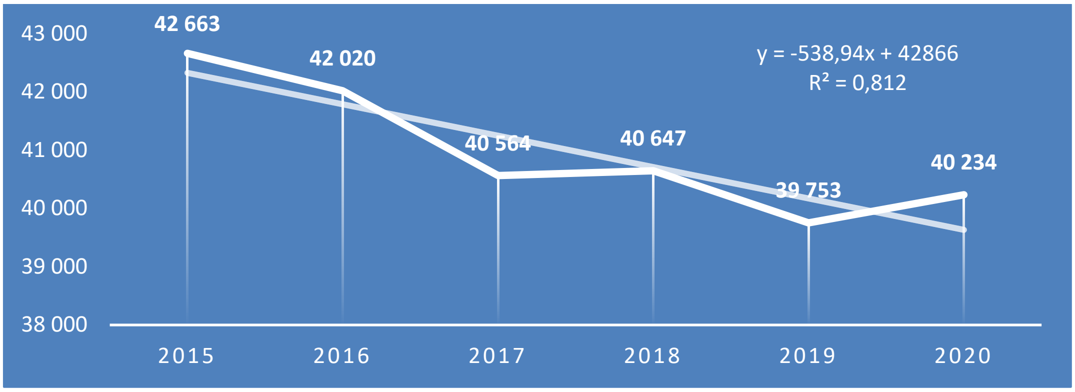


Figure 4. **Milk production (thousand hectoliters)**
Source: NIS

❖ 80% of farms are in fact households, which have 1-2 heads, meaning that most of the milk production is for self-consumption.

❖ In these households, the average milk production is low, a more modern technology cannot be applied, like in developed commercial farms; inadequate

maintenance and operation conditions and, mainly, poor nutrition, are some of the causes of low performance in dairy cows in Romania.
- During the years 2010-2019, Romania has maintained the last position in the EU-28 in terms of average milk production.
- In the trade in milk and dairy products, during 2010-2020, Romania constantly had a negative trade balance.
- As labor force is often made up of day laborers, they are largely an unskilled labor force.
- Low level of traceability of products, which does not ensure the correct information of the final consumer.
- Reluctance of small producers to associate.

Opportunities

- The association of small producers remains one of the most effective solutions to support the dairy sector, in order to negotiate, plan and adapt production to market demand, optimize production costs, provide inputs and services at affordable prices, negotiate the sale price and contract clauses with processors, etc.
- Breeding programs and facilities for small farmers to access high-performance genetic material with higher production potential.
- Accessing European funds, through which young farmers can focus on livestock breeding that includes investments in farms and even investments in marketing products without intermediaries.
- Accessing European funds for upgrading farms.

Threats

- The abandonment of farmers in this field of production, due to low performance, problems of profitability.
- Imports of milk to the detriment of milk from domestic production are encouraged.
- Massive imports at much lower prices than domestic ones can contribute to discouraging Romanian producers.

SWOT analysis of the beef market

Strengths
- Increasing the tendency of producers to orientate towards beef cow.
- It has been and continues to be a traditional local activity in many regions of Romania.

Weaknesses
- Comparing the year 2020 with 2015, young cattle for fattening numbers are lower by 11.5% (*Figure 5*).

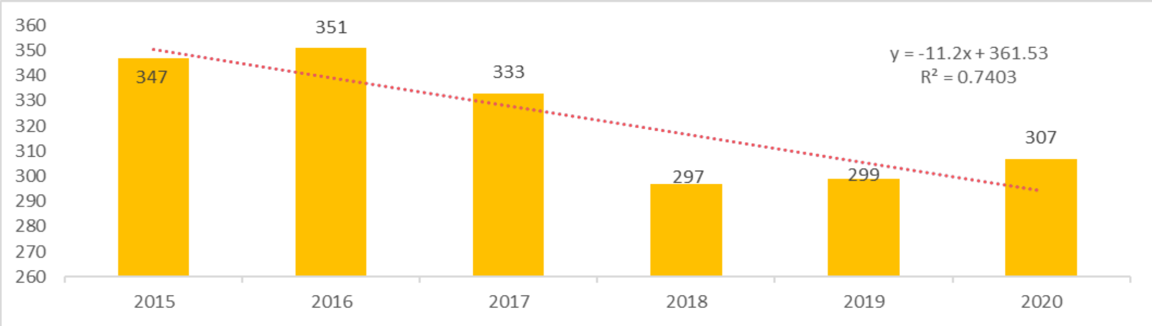


Figure 5. **Young bovine for fattening (thousand heads)**
Source: MARD, operative data

- ❖ Farms with fattening young cattle farms decreased in 2020 compared to 2015 by 34%, meaning a decrease in 2020 by 50,642 heads.
- ❖ The average carcass weight is lower in Romania than in other European countries.
- ❖ There is a lower performance (in daily weight gain, slaughter yield) of the predominant breeds in Romania compared to specialized breeds.
- ❖ Due to insufficient slaughter / processing capacities, Romania mainly exports live animals and fewer carcasses and processed meat products.
- ❖ The prices of cattle carcasses in Romania are lower than in the other countries of the European Union.

Opportunities

- ❖ Like in milk market, the association of producers can be an effective solutions to support the beef sector, in order to improve the power of negotiating, planning and adapting production to market demand, reduce production costs, ensure inputs and services at affordable prices, negotiating price and contracts with processors.
- ❖ Modernization of production technologies, which should lead to the improvement of technical indicators, increase of labor productivity, which can be reflected in the decrease of production costs.
- ❖ Supporting breed improvement programs and providing facilities to small farmers for access to high-performance genetic material with superior production potential and specialized in the direction of beef production.

Threats

- ❖ Imports at lower prices may discourage domestic beef farmers.
- ❖ The risk of a continuous decline in numbers due to problems in the sector, rising input prices, as well as the new context of opinions that would negatively contribute to climate change through GHG emissions.

SWOT analysis of the sheep market

Strengths

- Sheep breeding is a long-standing tradition in Romania.
- According to World Bank studies, Romania ranks first in the EU-28 in the export of live sheep.
- The trade balance of live sheep has been consistently positive in recent years, the exports being superior to imports. In *Figure 6,* it is illustrated in thousand tons cut meat.

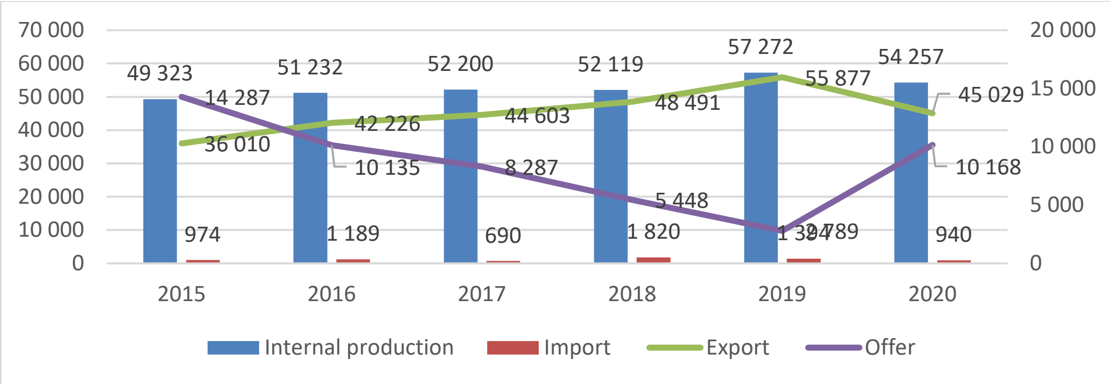


Figure 6. **Trade balance of sheep (thousand tons)**

Source: MARD - operative data, NIS, own calculations

Weaknesses

- Lack of investment, especially in basic infrastructure.
- Small productions, poor sales of the productions obtained, due to the lack of small capacity slaughterhouses, in order to increase domestic consumption of sheep meat.
- Low consumption of mutton in Romania.
- Farm gate prices for live sheep and carcass prices in Romania are non-competitive with those in other European countries.
- The average weight at slaughter of sheep in Romania is lower compared to other EU member states.
- Profitability faces a certain level of difficulty, mostly for small and medium-sized farms.

Opportunities

- The special interest of the countries from North Africa and the Middle East for young sheep from Romanian farms.
    - Like in other sectors, the association of small producers would be one of the most effective solutions to support the sheepmeat sector.

Threats

- ❖ Given the fact that Arab sheep market is the main destination for Romanian sheep, failure to meet the quality criteria for carcases may constitute a risk of selling production to these important customers.

SWOT analysis of the pork market

Strengths

- ❖ Strong tradition for pork consumption.
- ❖ Most pig herds are fattened on market-oriented farms with more than 500 heads.

Weaknesses

- ❖ Lack of breeding farms, for producing local genetic material for fattening.
- ❖ Swine fever has affected and still affects farms and especially the small producers.
- ❖ The almost continuous increase of imports discouraged domestic producers (*Figure 7*).
- ❖ Exports decreased drastically after 2017, due to the swine fever.

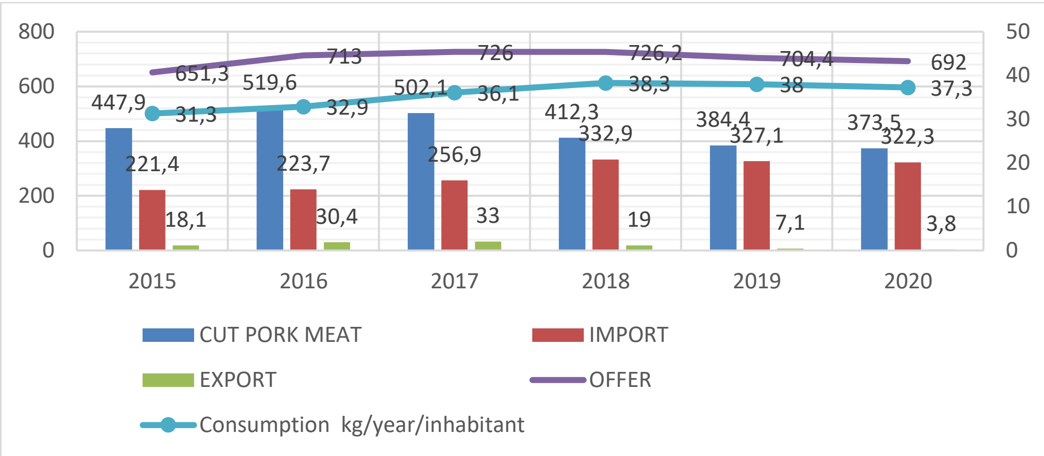


Figure 7. **Trade balance of pork (thousand tons)**
Source: MARD - operative data, NIS, own calculations

Opportunities

- ❖ Increasing consumer interest in meat from native breeds (Mangalita), with dietary qualities.
- ❖ Providing financial support to breeders who want to turn to the exploitation of these breeds.
- ❖ Accessing European funds, through which young people can orient themselves towards such a business in which they can include investments in the sector.

Threats

- ❖ The increased risk of swine fever may still seriously affect the entire pig farming sector.
- ❖ The volume of imports at low prices may discourage domestic pig farmers.

❖ The risk of drastic reduction of production activities in the sector.

SWOT analysis of the poultry market

Strengths

❖ Significant, modern, EU-class manufacturing capabilities.
❖ High-performance slaughterhouses, representing strong brands on the Romanian market, but also on other markets in the European Union.
❖ Tradition for eating poultry meat (*Figure 8*).
❖ The low selling price of poultry meat compared to pork or beef.

Weaknesses

❖ Unfair competition from large producers in the European Union.
❖ The pressure exerted by Romanian retailers, who import cheap, low-quality meat, seriously affecting Romanian good quality production.
❖ Negative media campaigns, related to the use of hormones and prohibited proteins in poultry breeding.

Opportunities

❖ Increasing consumer interest in organic products can be an opportunity for increased orientation of poultry farms towards this field.

Threats

❖ Imported poultry meat is sold in the big stores at much lower prices than domestic one, which contributes to the discouragement of Romanian producers, who are no longer able to cover production costs due to unfair competition.
❖ Imports from third countries or other European countries do not bear controls and may at some point be a point of risk.

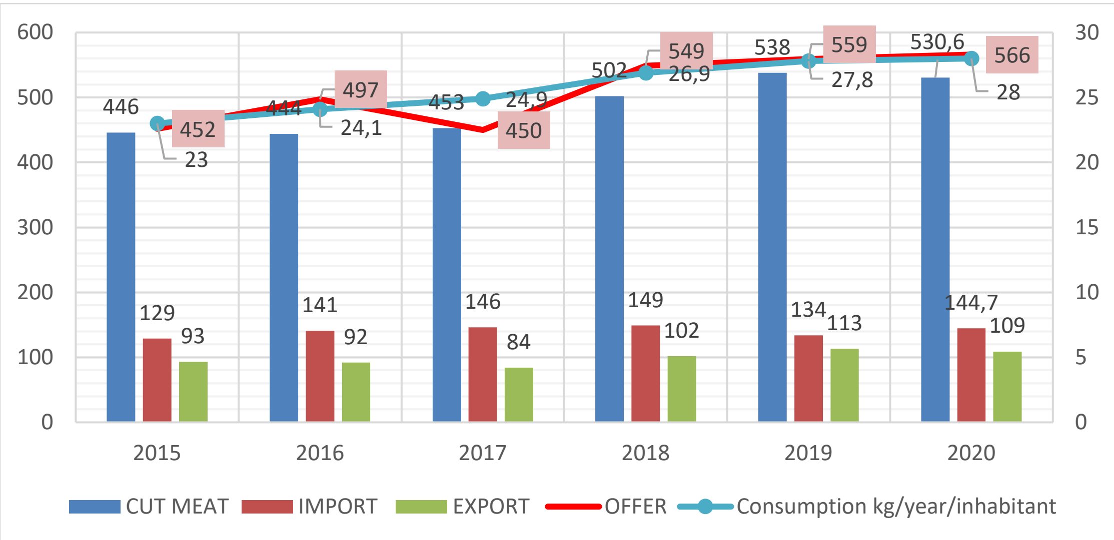


Figure 8. **Trade balance of poultry (thousand tons)**
Source: MARD - operative data, NIS, own calculations

DISCUSSION AND CONCLUSIONS

Domestic animal products market, although with a long tradition and great potential, is in an unfavorable context and therefore faces major risks of loss, as a result of internal and external factors:

- (unfair) competition of some large producers from the European Union;
- poor absorption of European funds in Romania compared to other member states;
- pressure exerted by Romanian retailers, who import cheap products, seriously affecting Romanian production;
- fragmentation of support programs from one administration to another;
- weak association initiative shown at national level, due to general lack of trust between the actors on the value chain;
- not prioritizing the interests regarding promotion of products and markets with local products, compared to the big international brands;
- continued decrease in the purchasing power of consumers, affected by a long series of economic, health, political, etc. crises.

Romanian agri-food market is still far from the performances of the other member states, which makes the productivity gaps even more pronounced. However, the place occupied by our country in many of the products of animal origin reinforces the conclusion of the existence of a significant production potential of Romanian agri-food sector. By now, Romanian agri-food sector has been characterized by a low integration of participants in the agri-food chains. In the absence of market information, farmers, especially medium and small operators, act in ignorance when making decisions, resulting in losses at all levels and substantially diminishing competitiveness.

In addition, animal products market in Romania is dominated by imported products, often of questionable quality, heavily subsidized in the country of origin, at lower selling prices, which means that products of Romanian farmers cannot find their place anymore on the shelf, as higher domestic costs lead to higher prices, discouraging domestic producer. There is a need to regain trust between producers, to create production, distribution and sales channels on the market, to create commercial centers that can also receive the quality products of Romanian farmer. There is a need for a management within the producers to act for their interests. Balancing the animal products market with domestic products is an achievable goal. Being participants in an open market, it is necessary to apply its rules, but we must earn our own position, which is not yet lost.

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