

SWOT analysis of poultry meat chain in Romania

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Abstract: *The analysis of the poultry meat sector in Romania consists of a detailed description of the chain, which implies both the identification of relations between the players in this chain and the estimation of the quantities of products - live animals, carcass meat and processed products - that circulate among these. When describing the poultry chain in Romania the advantages and disadvantages of the bipolar structure of the livestock sector is presented. The paper tries to identify certain answers to the challenges of maintain the competitiveness of poultry farming sector and to formulate certain agricultural and food policy recommendation that results in reaching the desideration to rise poultry meat export.*

Keywords: *poultry meat chain, poultry farming, poultry meat export*

JEL Classification: Q11; Q13

Poultry farming in Romania takes place in an extremely large number of holdings with less than 100 poultry heads (more than 1.5 million holdings in 2010, see Table 1). Yet a positive aspect is represented by the increase in the number of farms with over 100 000 poultry heads each, together with the emergence of medium-sized farms (from 5 to 10 thousand heads), in the period 2007 – 2010.

The poultry farm structure is also reflected in the polarized structure of the poultry numbers in Romania (INS, 2014), a contrasting situation compared to the structures existing in the EU member states that are great poultry meat producers (Jez et al., 2010). Production concentration in the highest economic size category provides certain opportunities for the development of a strong

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commercial sector in Romania: 34% of the poultry numbers in 2010, the same direction with the evolutions at EU level (DG Agri, 2014).

Table 1. Structure of poultry farms by size classes in Romania

	2007	2010
TOTAL, out of which:	2 177 317	1 534 560
1 to 99 heads	2 174 110	1 531 290
100 to 999 heads	1 120	1 120
1000 to 2999 heads	0	20
3000 to 4999 heads	0	0
5000 to 9999 heads	0	10
10000 to 49999 heads	30	30
50000 to 99999 heads	10	20
100000 heads and over	40	60

Source: Eurostat database.

According to the records from the structural farm surveys (2005, 2007, 2010), the characteristics of the holdings specialized in poultry raising (Table 2) had both positive evolutions (increase in the number of holdings with legal status) and negative evolutions (great share of semi-subsistence farms and utilized agricultural areas that cannot provide for the necessary feedstuff).

Table 2. Administrative, physical and economic size of holdings specialized in poultry farming

	2005	2007	2010
Number of holdings	465 800	355 600	407 020
Holdings with legal status	230	190	330
Utilized agricultural area (ha)	69 190	117 120	114 380
Livestock units equivalent (LSU)	366 560	282 800	362 500
Employed labour force (AWU)	121 080	81 940	77 710
Standard output (Thou Euro)	274 126	222 822	408 365
Holdings with self-consumption accounting for over 50% of production	423 220	328 490	397 330

Source: Eurostat database.

Poultry meat chain in Romania

In Romania, poultry farming is organized into two parallel systems: an extensive farming system (small-sized individual holdings that raise poultry for self-consumption) and an intensive poultry farming system (large-sized industrial units) (MADR, 2014). The integrated units for meat-producing chickens have their own slaughter houses, which also slaughter the chickens raised on smaller-sized commercial farms (that do not have their own slaughtering units). The integrated poultry meat producers had their slaughter houses modernized in the pre-accession period, which resulted in 36 authorized slaughter houses by the moment of the accession to the EU. The commercial interests of the poultry meat chain, of the industrial system in particular, are represented by the Inter-professional Organization for poultry meat, eggs and preparations (OIPA, 2014) consisting of the Union of Poultry Breeders of Romania, of the Romanian Society of Veterinarian Surgeons in avian pathology and small animals and the National Employers' Association Nutricomb.

Animal feed preparation

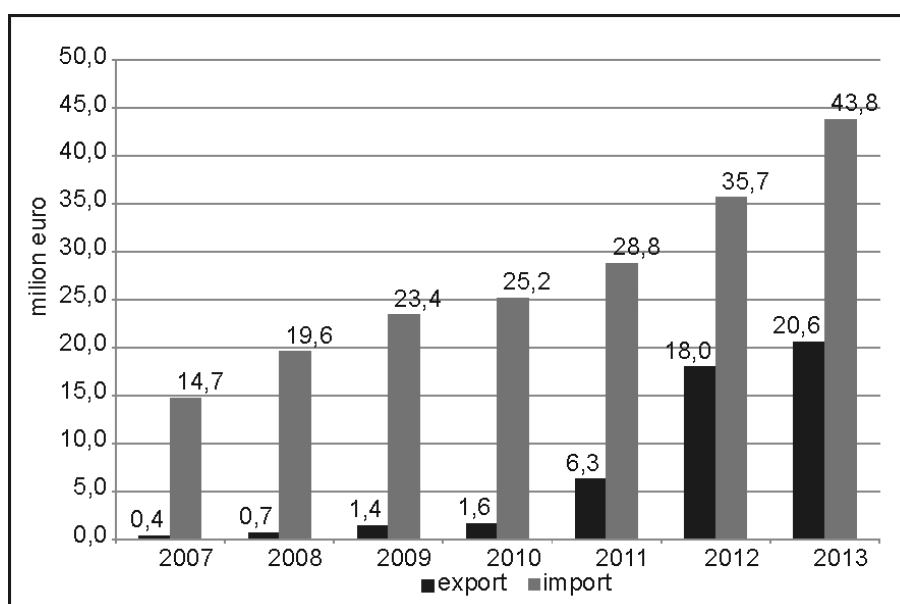
In Romania, combined feed production is estimated to be 2.5-3 million tons; in the year 2013, it was obtained by 122 feed mills for farm animals, out of which 77 feed enterprises had 0-9 employees and one enterprise with more than 250 employees. The main 50 players, the production of which amounted to almost half of the national production, are represented by the Compound Feed Manufacturers' Association, which includes both the pig feed and the poultry feed producers (Mihai, 2014). Most enterprises are integrated into holdings that have livestock farms, estimating that about 70% of production is obtained by integrated system. A vulnerability of this activity is represented by the 85-90 % share of soybean oilcake imports in total quality proteins necessary for the production of combined feed.

Poultry raising

The share of poultry numbers of the individual holdings decreased from 74.6% in the year 2008 to 67.7% in 2013 (from 53 million heads) at a high level compared to other EU member states, mainly due to the holdings with small poultry numbers (from 1 to 99 heads), the production of which is for self-consumption. The share of individual holdings in total meat production was 25.8% in 2013 (out of 456.6 thousand tons live weight). There were 518 poultry raising enterprises in 2013, out of which 362 enterprises with 0-9 employees, and only 13 enterprises with more than 250 employees. The Union of Poultry Breeders from Romania (UPBR) is the main professional organization that represents the interests of

poultry farmers in the industrial system, grouping 242 commercial companies that produced poultry meat and fresh eggs (in the year 2011), whose contribution to the total economic activity of the poultry chain in Romania (production, processing, marketing) was estimated at about 90%. Five companies, members of UPBR, are large-sized (with more than 20 thousand tons of poultry meat measured as weight gain per year), i.e. Transavia, Agricola Internațional Bacău, Avicola Buzău, Agrisol Internațional and Avicarvil (Covașă, 2014). The imports of live poultry (43.8 million euro in 2013) are twice higher than the exports of live poultry (20.6 million euro), as shown in Figure 1.

Figure 1. Evolution of Romania's trade deficit for the commodity group "Cocks, hens, ducks, geese, turkeys, turkey hens and guinea fowls, live, from domestic breeds"



Source: INS Tempo online.

Poultry slaughtering

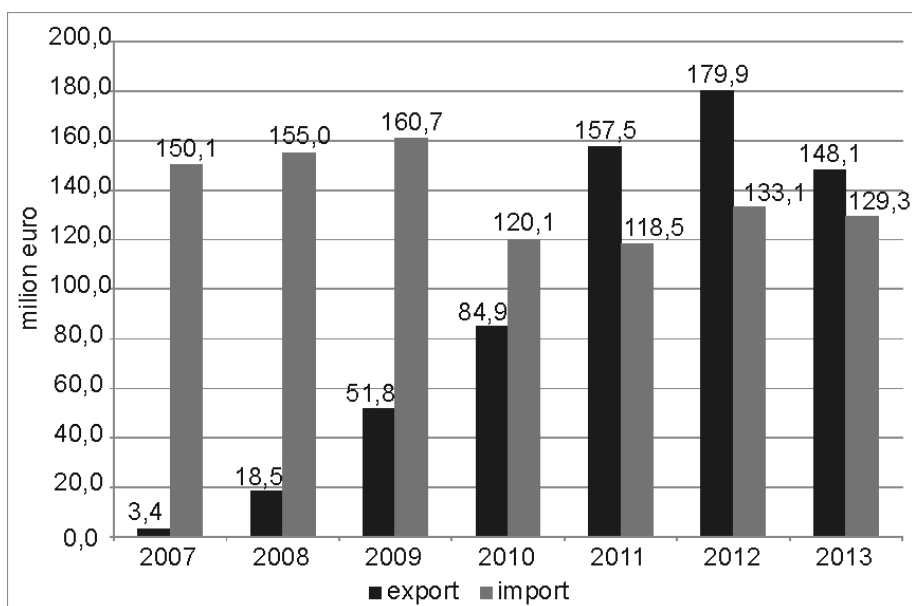
The total meat production from poultry slaughtered in slaughtering units in Romania was 325.5 thousand tons of carcass meat in 2013. The poultry meat production obtained in the specialized units increased more significantly (Coface, 2014) in the period 2012-2013 (from 289.8 thousand tons of carcass in 2009).

There were 49 enterprises specialized in poultry meat production and preservation in 2013, out of which 28 small-sized enterprises (0 – 9 employees) and 5 very large-sized enterprises (over 250 employees). The poultry slaughtered outside the slaughtering units (for which no recent official estimates exist) might amount to 20%, being consumed directly in the population's households under the form of fresh meat.

Poultry meat processing

The meat preparations were obtained in 317 enterprises in 2013 (mainly pork and poultry), out of which 153 were small-sized enterprises (with 0 – 9 employees) and 22 very-large sized enterprises (with more than 250 employees). The raw meat needs for processing are theoretically covered by domestic production (Toma, 2014), while the poultry meat exports exceeded the poultry imports beginning in 2010, in value terms (in 2013 the exports reached 148.1 million euro, and imports 129.3 million euro), as shown in Figure 2.

Figure 2. Romania's trade deficit recovery for the commodity group "Fresh poultry meat and edible offal, refrigerated or frozen"



Source: INS Tempo online.

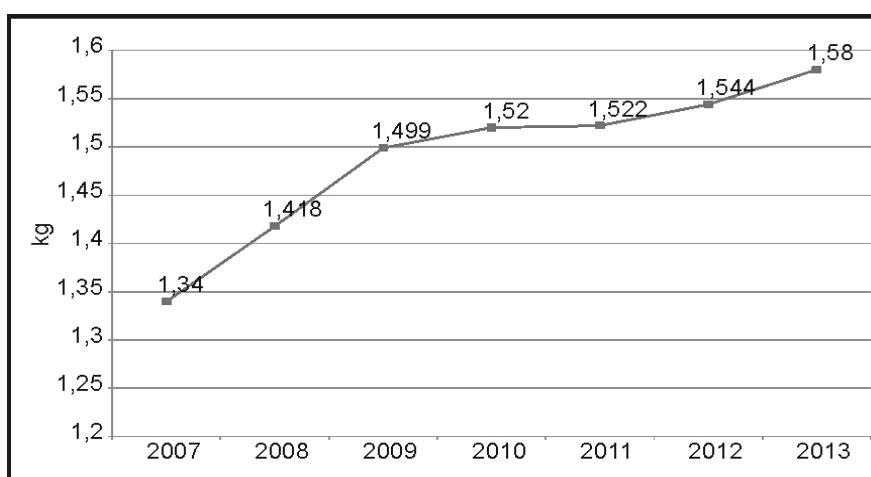
Distribution of meat and meat products

The sale of meat and meat preparations takes place through stores specialized in meat sales (949 retail units in 2012), through food stores that are not specialized in meat (44210 retail units) or by retail trade in stands, kiosks and markets (1404 units in 2012). The large poultry meat producers organized, in many cases, their own distribution system, to directly supply the retailers, as well as their own meat stores. The shift from the consumption of frozen poultry (OECD/FAO, 2014) meat to the consumption of refrigerated poultry was mainly produced before the accession to the EU (from 15% in 1995, the refrigerated chickens reached 92% in 2008); later on, the sale by components (chicken legs and breast) and even of semi-preparations gained ground.

Human poultry meat consumption

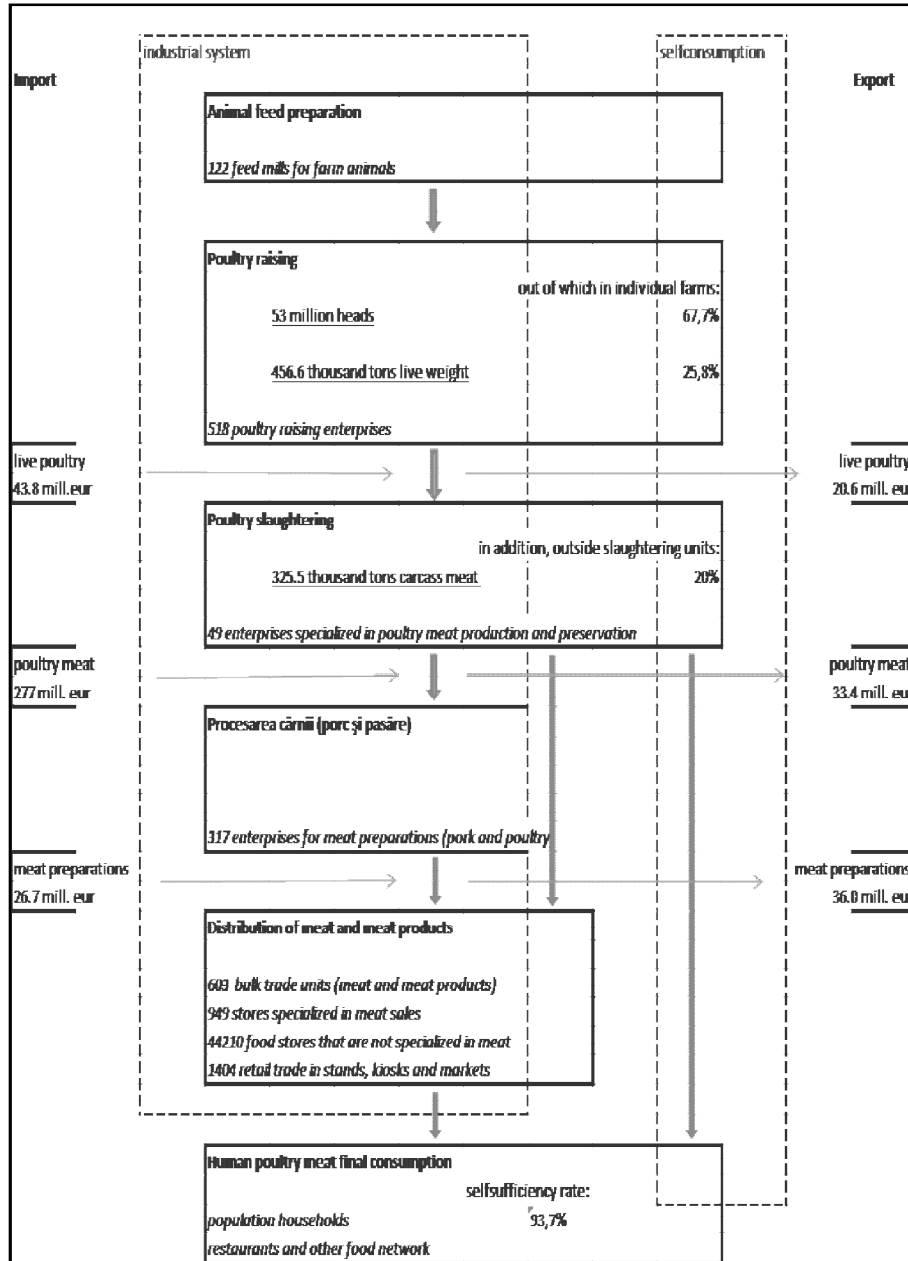
The yearly average consumption of poultry meat and preparations per capita reached a maximum in the year 2009 (22.7 kg fresh meat equivalent); a sharp decrease followed, and the poultry meat consumption stabilized at the level of the year 2012 (18.2 kg fresh meat equivalent). While in the year 2007 the self-sufficiency in poultry meat (coverage of internal consumption needs by domestic production) was 71.6%, in the year 2012 it rose up to 93.7%, which reflected the improvement of domestic poultry industry performance.

Figure 3. The monthly average consumption of fresh poultry meat per capita in Romania



Source: INS Tempo online.

Figure 4. Romanian's poultry production and supply chain



Source: Author's design.

SWOT analysis of the poultry meat sub-sector

A SWOT analysis of the poultry meat sub-sector in Romania was performed in the year 2003, listing the strengths and weaknesses by different stages of the agri-food chain, *i.e.* farmers, processors and distribution of poultry meat and poultry meat preparations (through the great supermarkets, neighbourhood markets and small food shops). A main strength of the poultry meat sub-sector is represented by the high integration of enterprises that supplied products for the organized market. This has remained one of the main strengths of the poultry meat chain in Romania so far. The respective integration enables an accurate control of the quality and hygiene standards of marketed products. The significant size of business in poultry meat represented the premise for building up a very efficient sector, and Romania's poultry sector has been on the upswing after joining the European Union in 2007. Among the weaknesses of this period we can signal out the structural deficiency of the poultry meat sub-sector, represented by the production in the small-sized holdings and its important role in reaching self-sufficiency at national level. This structural weakness added to the financial constraints specific to the pre-accession period (high level of debt, low profitability, difficulties in finding the necessary capital for investments), as well as technical constraints (low standard of the genetic material available in Romania, low feed conversion rate), these difficulties being eventually surmounted with technical support provided by the Union of Poultry Breeders from Romania (UPBR).

In NRDP 2007-2013, the poultry meat sub-sector is mentioned for the availability of professional commercial farms (274 meat poultry units authorized by NSVFSA on March 1, 2012), the sector implementing animal welfare measures, through the voluntary introduction of higher welfare standards. As regards animal welfare, one of the weaknesses is the existence of a very large number of non-professional holdings with a large number of poultry heads that are not the object of authorizations issued by NSVFSA.

In the NRDP 2014-2020 draft, among the strengths applicable to the poultry meat sub-sector we can mention: good assimilation of innovative technologies by large commercial farms; the increasing interest of investors in the agri-food sector; a legal food safety system in place that contributes to meeting the minimum compulsory food standards. Among the weaknesses, in relation to the poultry farming activity on non-commercial farms, we notice the weak cooperation between farmers, resulting in a low association level with implications on farm viability. The opportunities identified for the programming period 2014-2020 are the following: a market in full development, both in Romania and worldwide, which could be exploited; world food demand determined by population growth, economic growth and urbanization; growth in demand for quality agri-food products and for traditional animal products; local chains to supply agri-food products and outlet networks, which should connect producers and consumers and ensure a better linkage between the rural and urban areas. The threats are, in the non-industrial sector, the failure to adapt the capacity of advisory services to farmers' needs, both in quantitative and qualitative terms.

Figure 4. SWOT analysis of the poultry meat chain in Romania

Strengths	Weaknesses
<ul style="list-style-type: none"> • A competitive domestic grain production • Vertical integration of most large enterprises and coordination by UPBR • Possibility to maintain low producer prices • Very good technical performance on the industrial farms 	<ul style="list-style-type: none"> • High cost of crediting the poultry raising activity • Difficulty to place and maintain the Romanian products on the sophisticated European markets • Absence of a national research structure in aviculture
Opportunities	Threats
<ul style="list-style-type: none"> • EU funds (rural development program) for the animal welfare measure • Consumers oriented towards the high value-added products, after surmounting the economic crisis 	<ul style="list-style-type: none"> • Competition of low quality poultry meat imports, coming from EU and outside the EU • Volatility of the price of the feed necessary to the industrial poultry farms

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