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International Dairy Arrangement

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INTERNATIONAL DAIRY PRODUCTS COUNCIL

Reply to Questionnaire 5 Regarding Information on Domestic Policies and Trade Measures

ROMANIA

After the December 1989 Revolution, Romania has embarked upon a wide process of openness and democratization of the entire social, economic and political life. The main overall objectives are the rapid economic changes aimed at moving to a market economy, a definite and irreversible choice having the political and social support of all forces in the country. The many legislative and radical measures adopted in a very short space of time are evidence of this.

In Romanian agriculture, found at the time of deep changes, requested by the transition period to the market economy, the Government has taken measures aimed at dismantling the bureaucratic and administrative methods of the centralized management of agriculture and implementing the mechanisms based on economic criteria.

1. Measures of agricultural policy applied in 1990

These measures consisted of:

- (a) Abolishing the rigid and supercentralized planning system, which also affected the imports of dairy and meat products of the country and replacing it with indicative economic programmes. The peasants are free to decide upon the structure of cultures, livestock and dairy products as well as their turning to account.
- (b) The expansion of private sector in agriculture by the gradual privatization of land and livestock, even through the setting up of new enterprises on the basis of free initiative.

By the end of 1990 the agricultural area of the country was of 14.8 million ha., of which arable land 9.5 million ha., natural lawns 4.7 million ha. and 0.6 million ha. of vineyards and orchards. In comparison with the situation at the beginning of the year, the agricultural area was enlarged by 10 thousand ha., the natural lawns being enlarged by 22.7 thousand ha., while the arable land was diminished by 8.0 thousand ha. and the vineyards and orchards by 4.7 thousand ha.

At the beginning of 1990, the agricultural area was distributed, by the form of property, as follows: state property 28.7 per cent, co-operative property 57.1 per cent and private property 14.2 per cent. As a consequence of the application of Decree - Law No. 42/1990, on the assignment of agricultural land to the population use, the area held by the State and co-operative agricultural units were diminished. Under these conditions, the private sector already cultivated an arable area of 2.7 million ha. (28.3 per cent of the total arable land of the country), with 1.5 million ha. more than in the previous year. The number of new agricultural enterprises raised from 4,380 in 1989 to 5,460 in 1990.

- (c) Full autonomous management of agricultural enterprises. Once the Laws No. 15/1990 on the reorganization of State enterprises as "régies autonomes" and commercial companies and No. 31/1990 on trading companies were promulgated, nineteen State enterprises and centrals were closed down and 650 stock companies have been set up not only in agriculture but also in the food industry.

2. Agricultural legislative measures in 1991

The development of private property in agriculture has been re-established recently by the adoption and the application of the Law No. 18/1991 on land ownership (published in Monitorul Oficial - the Official Gazette No. 37/20 February 1991). The Law provides for the return of the land to its former owners or their inheritants and the allocation of land to the other peasants, through the liquidation of the existing co-operatives.

The area returned or allocated as private property shall not exceed 0.5 ha. arable land per person or 10 ha. in arable land equivalent per family.

The land which is private property will remain under the jurisdiction of civil law and it can be alienated in any way allowed by law (selling, donation, heritence), but one family cannot own more than 100 hectares of farmland in arable equivalent.

The Law provides that the State backs the achievement of soil protection and melioration works, partially or completely bearing the costs, within the limits of the approved budget allowance, on the basis of justifying reports approved by the Ministry of Agriculture and Food.

By the effect of this Law, about 75 per cent of the country's agricultural land (cca. 7 million ha. arable land) will become private property.

The Law grants the right of private owners to associate with a view to setting up agricultural production and/or trading companies.

With a view to detail the association forms, the Law No. 36/6 May 1991, on agricultural companies and other association forms in agriculture, was passed by the Parliament. In accordance with this Law the land owners may join or not, at choice, the following association forms:

- simple association, by oral or written agreement, among families, without legal personality, having as objectives agricultural land exploitation, animal breeding, supply, warehousing, conditioning, manufacture and goods sale, services performance, etc.
- trading companies according to Law 31/1990;
- agricultural companies, having legal personality, according to Law 36/1991.

The agricultural company is a private company, with variable capital and an unlimited number of associates, whose object is the agricultural exploitation of land, implements, animals, as well as the achievement of agricultural investments.

The implements and other equipments, assets in kind and/or in cash, as well as animals may be brought in the company, as its property or for its use, as the case may be. The agricultural lands can be brought only in the company's use, the property right of the associates being kept.

The State encourages and supports the land owners through a complex system of assistance such as: pluralism observance of agricultural association forms, improvement of the acquisition prices régime and the credits system, organization of service activities with a view to mechanizing the agricultural works, introduction of chemical procedures for agricultural output improvement, protection of plants and animals, phytosanitary assistance, accounting assistance and computer financial administration, development of rural trade, etc.

The independence given, in 1990, to the co-operative farms, led to essential changes regarding the destination and the means of turning to good account of the output, the weight of remuneration in nature raised, as well as the sellings to the co-operative farmers, on the market and other destinations and the quantities sold to the State being diminished.

Significant changes took place in the dairy products.

3. Production of dairy products

Cows' milk and buffalo cows' milk production dropped from 41,194 thousand hl. in 1989 to 40,311 thousand hl. in 1990, while the average productions per animal obtained in the private farms reached 2,073 litres (Table 1).

Milk powder, butter and cheese production amounted, in 1990, to 27 thousand tons, 33.3 thousand tons and 95.0 thousand tons respectively.

In 1990, an alarming phenomenon was the reduction of all kinds of mother-females by 345.9 thousand cattle, 72.0 thousand pigs and 241.7 thousand sheep, a fact that may negatively influence the animal reproduction and milk production in the following years.

Although agriculture disposes of a proper veterinary medical network and competent staff, the shortage of medicines to prevent and fight diseases was felt in 1990 also.

All these, as well as the organization deficiencies in the co-operative farms were the reasons for a high death rate, of young animals in particular.

In the first quarter of 1991 compared to the first quarter of 1990, the production of cheese increased by 14.3 per cent, while the production of butter dropped by 21.5 per cent.

4. Consumptions and prices

In 1990, consumption amounted to 48.4 thousand tons of butter, 107.7 thousand tons of cheese and 32.3 thousand tons of milk powder.

In the first quarter of 1991 compared to the first quarter of 1990, the deliveries to the domestic market represented 77.0 per cent for milk for consumption, 121.1 per cent for fresh milk products and 84.4 per cent for milk powder. The consumption per inhabitant increased in 1990 compared to 1989 by 3.2 per cent for milk and milk products in equivalent fresh milk, 3.5 per cent fat and by 124.7 per cent for butter (Table 2).

In 1990, the prices evolution has been mainly influenced by the fact that up to 31 October 1990 it was in force and the prices formation system based on the administrative intervention and subsidies, without taking into consideration the action of supply and demand.

On 1 November 1990 the first stage of the price liberalization process, accompanied by adequate social protection, was launched through the adoption of a number of measures to that effect (Government Resolution No. 1109/1990 published in Monitorul Oficial - the Official Gazette - No. 115/23 October 1990). During this stage of price reform, for a limited number of products of special importance for the consumption of population (including milk) the prices remained practically unchanged on State markets (Table 3), while on free markets the prices of dairy products increased consistently (Table 4).

The second stage of this process of price liberalization was launched on 1 April 1991 (Government Resolution No. 239/29 March 1991).

Prices provisionally maintained at fixed levels after 1 November 1990 have also been liberalized; in order to contain strong inflationary pressures, maximum ceilings or increase indexes have been provisionally established (Table 5). For example: the maximum limit of the cow's milk, pasteurized, 1.8 per cent fat is 10 leu/litre.

According to Government Resolution No. 243/3 April 1991, enacting 1 April 1991, the contracting and acquisition prices guaranteed by the State have increased (Table 6), thus the private and co-operative animal breeders being stimulated to increase the deliveries to the State.

5. Export and import régime in 1990 and 1991

In 1990, exports of food products, including dairy products, were forbidden due to the domestic market shortage.

The imports of dairy products amounted to 12.7 thousand tons of cheese, 6.9 thousand tons of milk powder and 23.8 thousand tons of butter, out of which 12.5 thousand tons of butter within the food aid programme, increased the total dairy products quantity for domestic market.

In 1991, the export ban of dairy products has been eliminated, such operations being subject to the notice of the Agriculture and Food Ministry.

No surcharges and no quantitative restrictions for imports of dairy products have been introduced so far.

6. Tariff liberalization measures

The customs tariff has become the most important and effective trade policy instrument.

A number of tariff liberalization measures have been promoted. Thus by Government Resolution No. 1274/1990, enacted 1 January 1991, temporary reductions of customs duties are granted on imports of products which are in short supply on the domestic market.

Products under eighty-two tariff headings of BTN (Bruxelles Tariff Nomenclature), including four for dairy products, benefit from such reductions, which remain in effect until a new customs tariff is introduced (Table 7). For example: the customs duty for butter is reduced from 80 per cent to 20 per cent, for milk powder, skimmed from 30 per cent to 10 per cent and for milk and cream, preserved, concentrated or sweetened from 50 per cent to 20 per cent.

Work is currently being carried out on a new tariff, based on the Harmonized Commodity Code Nomenclature (HS). The new customs tariff is to be finalized in the second half of 1991.

APPENDIX

TABLE 1

Production

('000 hl.)

	1986	1987	1988	1989	1990
Milk - total	50,726	50,086	52,331	45,254	44,229
- cows' milk and buffalo cows' milk (inclusive for the calves and heifers consumption)	46,758	46,059	48,099	41,194	40,311

TABLE 2

Consumption

(kg./inhabitant)

	1989	1990	1990/1989 %
Milk and milk products in equivalent fresh milk 3.5% fat (butter excluded)	135.9	140.3	103.2
Butter	0.93	2.09	224.7

TABLE 3

Average Prices on State Markets

(leu/m.u.)

	MU	1990			1991		
		Oct.	Nov.	Dec.	Jan.	Febr.	March
Cows' milk, pasteurized	l	4.50	4.50	4.50	4.50	4.50	4.50
Cheese of cows' milk	kg.	30.91	31.74	31.63	31.53	31.25	32.39

Note: Official rate: US\$1 = 60 leu

TABLE 4

Average Prices in the First Quarter of 1990
and 1991 on Free Markets from Main Centres

(leu/m.u.)

	MU	First quarter		
		1990	1991	1991/1990 %
Cream	kg.	62.58	75.36	120.43
Milk	l	12.00	15.47	128.92
Ewes' milk cheese	kg.	78.66	112.52	143.03
"Feta" cows' milk cheese	kg.	66.35	91.41	137.76
Fresh cows' milk cheese	kg.	45.76	66.45	145.23

¹Average prices in the 95 most important towns in Romania

Official rate: US\$1 = 60 leu

TABLE 5

Retail Prices of Certain Basic Food Products
of the Population Consumption and the Maximum
Index for Wholesale Price Modifications

Goods description	MU	Retail price in 1990 and 1st quarter 1991 leu/m.u.	Retail price, maximum limit applicable from 1 April 1991 leu/m.u.	Maximum index of wholesale prices modifi- cations as against the prices in force on 31 October 1990 z
Cow' milk, pasteurized, 1.8% fat	l	4.50	10	222
Butter, 80% fat, 200 gr. packs	pack	12.50	25	200
"Feta" cows' milk cheese, 1st quality (minimum 42% fat)	kg.	28.00	60	214
Ewes' milk cheese, 50% fat	kg.	42.00	100	238

Note: The above prices and index are stipulated under the Government Decision
No. 239/29 March 1991 on the second stage of tariffs and price liberalization, enacting
on 1 April 1991.

Official rate: 1US\$ = 60 leu

TABLE 6

Contracting and Acquisition Prices Guaranteed
by the State According to Government
Decision No. 243/3 April 1991

(leu/m.u.)

Goods description	MU	Contracting and acquisition price
Milk and cream:		
- cows' milk, 3.5% fat	hl.	1,100.00
- ewes' milk, 7.0% fat	hl.	2,200.00
- buffalo cows' milk, 7.0% fat	hl.	1,800.00
- goats' milk, 4.0% fat	hl.	1,300.00
- cream of cows' milk and buffalo cows' milk, 35.0% fat	kg.	90.00

- Individual animal breeders who contract and deliver animals and animal products to the State are exempted from animal tax payment and benefit from free-of-charge vaccination for such animals. They can receive, against payment, at the retail price, 0.300 kg. husk for each litre of cows' milk or buffalo cows' milk, 3.5% fat and 0.300 kg. husk for each litre of ewes' milk or goats' milk, 7.0% fat and 4.0% fat respectively, delivered on the basis of a contract.
- Official rate: US\$1 = 60 leu

TABLE 7
Customs Duties for Dairy Products

Heading No.	Description of goods	Customs duties according to customs tariff	Reduced customs duties ¹
1	2	3	4
04.01	Milk and cream, fresh, not concentrated or sweetened	25	
04.02	Milk and cream, preserved, concentrated or sweetened	50	20
	ex.0402 Milk and cream, preserved, concentrated or sweetened - Milk powder, skimmed	30	10
04.03	Butter	80	20
04.04	Cheese and curd	32	30

¹According to the "Government Decision No. 1274/8 December 1990 on some import tariff reductions and the introduction of the drawback régime", Article 1, the reduced levels of import duties, as indicated under column 4 above, shall be applied temporarily until a new import tariff comes into effect.

Notes: The expression "milk" means full cream or skimmed milk, butter milk, whey, kephir, yoghurt and similar fermented milk.

Customs duties are ad valorem. The customs value of the imported goods is the c.i.f. transaction value expressed in foreign currency, converted into Romanian currency ("leu") at the official rate of exchange.