Study on the Evolution of the Meat Price Following the Russian Embargo

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ABSTRACT

This article assesses how and the extent to which EU meat prices are influenced by Russia’s embargo. The first part assesses the meat market in the European Union, so it will analyse data on livestock, production and average prices. In the second part, the analysis is reflected on the Russian Federation in order to determine the relationship between consumption and production, then between demand and supply. Using trade data between the two regions, the level of Russian meat import reduction is set. At the end of the article, the link between the average price of meat and the value of Russian imports taken from the European Union is analysed.

KEYWORDS

Average Price, European Union, Meat Market, Russian Embargo

INTRODUCTION

After World War II, the European space was designed, especially for countries where the economy was dominated by the agricultural sector. Therefore, the Common Agricultural Policy has become the cornerstone of this community. (Popescu, 2007, p. 10)

Agriculture has a strong role in assuring the agri-food products. Over the past six decades in Europe, annual meat consumption has grown from 30 kilograms per capita to over 70 kilograms per capita (Pintea, 2013), reflecting the development of emerging countries and the importance of the meat market and its price in European Union.

Meat is an important food for human consumption, and meat consumption is an essential indicator of living standards. Trade has led to a strong link between nations, contributing to the development of economies and societies, taking into account the fact that this sector is based on strong competition. (Atkinson, 2013).

Depending on the comparative export advantage (RCA), Bojnec (et al., 2014) has classified some of the 27 member states into two categories with strong competitiveness: Belgium, Denmark, France, Ireland, the Netherlands, Spain, Bulgaria, Cyprus, Hungary and Poland; and those with low export competitiveness of meat: Finland, Germany, Luxembourg, Portugal, Sweden, Estonia, Malta, Romania and Slovenia.

“The main finding is that, in line with local traditions, and similarly to developments in other EU Member States, a tendency towards territorial concentration of pork and poultry meat production can be observed in Romania, in the case of pig meat in the western part of the country, and in the case of poultry meat around Bărăgan in the south of the country, an area near Bucharest…” (Luca, 2015).
In 2014, the Russian Federation imposed an embargo on European Union member states on their exports of food products to Russia. With this intervention, meat supply on the EU market has increased as imports to Russia have ceased.

_The prolonged geopolitical crisis between the Russian Federation and Ukraine and the next Russian economic embargo have obvious consequences at both political and economic levels…_ (Venkuviene et al., 2015).

These consequences are not only at the level of the European Union, so according to Dmitriev (2015), “Russian importers cannot replace the losses associated with introducing the government’s embargo on pork imports…”

According to Stratan (et al., 2014), a poorly developed country in storage and processing will be affected by the effects of the embargo, and farmers will soon be affected as well. Restrictions imposed by the Russian Federation on meat exports will force producers (farmers) to re-orient themselves on other markets, but this will be more difficult for this category of food because perishability and quality conditions are higher.

Producer’s prices, especially for food, are less volatile than those of the energy industry, while the behaviour of the respective consumer prices is not equivalent (Zafeiriou et al., 2013), so the difference in recent years on the price of meat is given by a strong external factor.

In recent years, prices for this product have fallen in member countries, both at the farm gate and at the consumer level. The objective of research is the answer to the following question: are meat prices influenced by the increase in market supply following the Russian embargo?

**MATERIALS AND METHODS**

This study will analyse, with the help of statistical data, from national, European and international databases, developments in meat production, consumption, external trade and meat prices. These will be presented as the two components of this market, namely demand and supply. It will determine the influence they have on price, but also the influence of other external factors (the embargo). The type of connection between these relationships and their degree of intensity will be measured by the correlation coefficient (Dobre et al., 2015):

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r_{xy} = \frac{\sum (x_i - \bar{X})(y_i - \bar{Y})}{\sqrt{\sum (x_i - \bar{X})^2 \sum (y_i - \bar{Y})^2}}
\]

**RESULTS AND DISCUSSIONS**

In the first part it was decided to analyse the meat market at the level of the European Union, implicitly its components, in order to synthesize its situation through an overview. For this we have analysed livestock, production, and price.

Figure 1 analyses the cattle herds during 2010-2016 from the European Union and Romania. As can be seen, the cattle population increased during the analysed period, on average by 0.25% each year, from 87.8 million heads to 89.15 million heads, it is worth mentioning that in 2011 and 2014 there were decreases compared to the previous year and in the last two years this value has stabilized.

The evolution of the Romanian cattle population followed the general trend, on a much smaller scale, so the total number of cattle in the country represented, on average over the entire period, about
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