Matching Supply and Demand on Agricultural Market in Romania

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ABSTRACT

This paper identifies the relationships among different components of supply and demand on the market of agricultural and food products in Romania. Statistical data regarding the levels of production, internal availabilities for consumption, exports, and imports have been analyzed. The hypothesis whether domestic agricultural output satisfy demand has been verified and the results show that, in order to satisfy demand, imports supplement internal production of agro-food products. The share of imports varies from 4.5% for potatoes to 85% for fish and fish products. Trade balances are negative for all agricultural products, except cereals. These findings have significant implications for the work of policy makers and businesses, as it calls for changing the strategies and practices in this area.

Keywords: Agricultural Market, Agricultural Marketing, Food Supply and Demand, Romania, Trade Balance

INTRODUCTION

The market of agricultural products differentiates itself through a set of characteristics: products’ biological nature, bulk, seasonality and perishability (Manole, Stoian, & Andreea, 2003). Siskos, Matsatsinis, and Baourakis (2001) consider that “while other industries processed and adapted their products to consumer wants and needs, agricultural output was considered finalized and ready to be processed for consumption. External factors such as weather and susceptibility to diseases and pests have significant effects on the output and quality of agricultural produce.” Thus, the level of production is strongly affected by external, unpredictable factors and this is the reason why, while demand is relatively constant, production, as part of the supply, is oscillatory. In order to prevent such disequilibrium on agricultural markets, countries make up strategic stocks and / or import agricultural products.

Senauer (1989) argues that “a competitive disadvantage is often created in domestic markets with respect to the supply of similar agricultural products from abroad, which can mainly be attributed to limited production capability and quality deterioration.” Discussions can be detailed in those regarding prices, considering the fact that, in many cases, agricultural products are imported because they have lower prices than within domestic market.

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The objectives of this piece of research relate to identifying: relationships between structural components of supply and demand on the market of agricultural products, the share of imports in total supply of the market, the trade balance for agricultural products in Romania.

This article aims to investigate the agricultural products’ market in Romania. It focuses on establishing whether production, as part of the supply, and internal availabilities for consumption, as part of the demand, are balanced or not, for the main agricultural products.

In order to answer this question, an analysis of statistical data regarding production, imports, exports and internal availabilities for consumption of agricultural products in Romania is carried out.

Various papers discuss about agricultural and food system in Romania (Rizov, Gavrilescu, Gow, Mathijs, & Swinnen, 2001; Rahoveanu, Constantin, Turek, & Beciu, 2009; Rahoveanu, Constantin, Beciu, Turek, & Turek, 2009), analyzing not only the agents and relationships among them, but also the trade flows and the conjuncture of the market of agricultural products. In this paper we continue the research carried out, adding the new statistical data of the last years.

MATERIALS AND METHODS

To capture the main changes and trends in the agro-food system in Romania, supply and demand, in longitudinal section, in the medium term, are analyzed. Statistics on supply and demand for the main categories of products: cereals and cereal products, potatoes, grain legumes, vegetables and vegetable products, fruit and fruit products, sugar and sugar products, milk and milk products, meat and meat products, eggs, fish and fish products, vegetable and animal fats and refined vegetable oils have been collected and analyzed.

On the food products’ market, demand is made up of exports, human consumption and intermediate consumption (consumption of seed, feed consumption, process or industrial), and supply is made up of internal production and imports. To capture whether supply and demand is balanced on the market of food products, these indicators are analyzed structurally.

Romania’s agricultural potential, reviewed in a various literature, would allow food independence. This means that consumer demand could be satisfied by internal production, without resorting to imports.

This hypothesis must be verified, thus, in Table 1 and Table 2, production and internal availabilities for consumption are presented. The latter include: intermediate consumption, human consumption, losses and stock variation.

RESULTS AND DISCUSSIONS

Cereals and cereal products are the only category analyzed where domestic production covers the needs of internal consumption. Cereals are cultivated, generally, on a total area of 5.2 million hectares. With an average yield of 3.2 tones / ha, domestic production covers internal human consumption, feed and seed. Imports of cereals are, on average, 10% of total supply, with large variations from year to year depending on the production and formation of strategic stocks. The main uses of the supply are feed consumption (35%), export (30%), human consumption (23%), seed consumption (4.5%) and industrial processing (3.6%). Trade balance for cereals and cereal products is positive, the difference between exports and imports being 3777018 tons.

Internal production of potatoes of 3.2 million tones does not fully satisfy domestic consumption needs of 3.4 million tons. In Romania, about 300,000 hectares are cultivated with potatoes (the average yield is 10 t/ha). The main uses of the potato supply are: human consumption (60%), seed consumption (28%) and feed consumption (5.7%). Import has a relatively low contribution to total supply: 4.5% on average, in the period. Trade balance for potatoes is negative; the difference between exports and imports is 134 thousand tons.

The production of 61,344 tones of dried pulses does not cover internal consumption needs of 85,510 tons. Imports account for 30%
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