

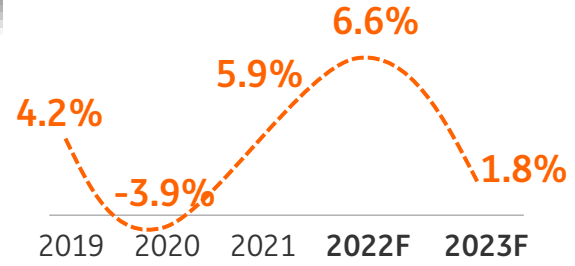
Romania: Agribusiness developments & perspectives

Marius Gavrea, ING Bank Romania

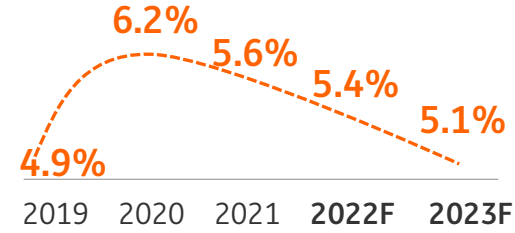
October 2022

A bird eye view

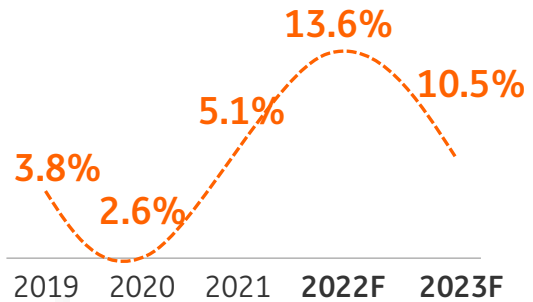
Economic growth



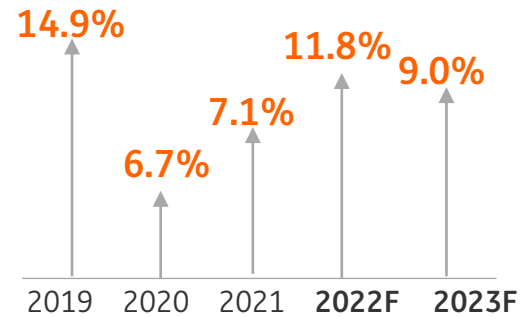
Unemployment rate



Average inflation rate

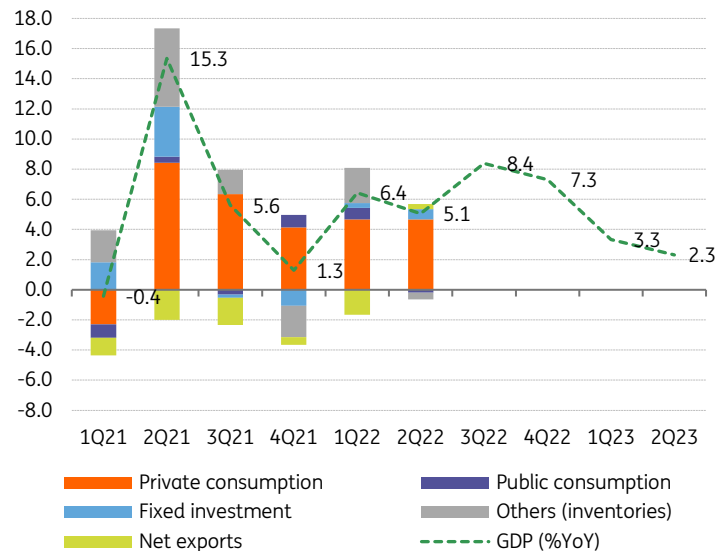


Average net wage



A bird eye view

GDP: above expectations but with a weak structure. Slowdown to follow

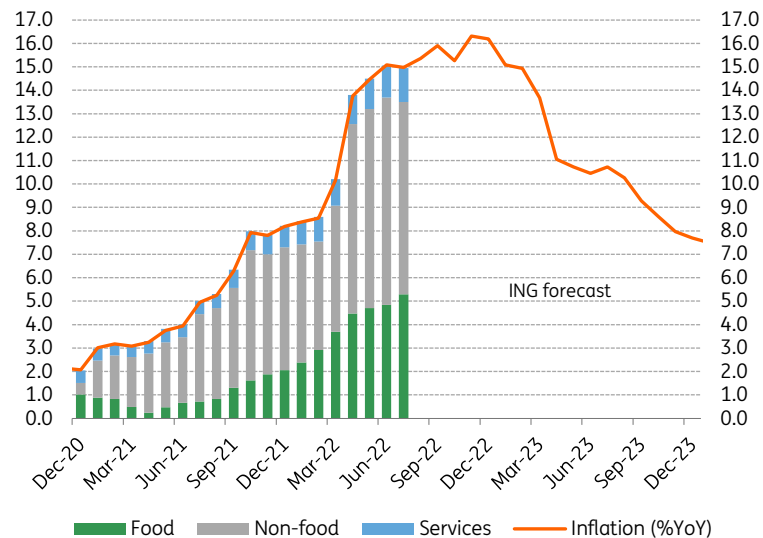


➤ A very strong 1H22 should bring full 2022 growth to around 6.6%

➤ **Public investments** are set to reach record levels (c.7% off GDP), but consumers are likely to turn more cautious

➤ A large reliance on inventories in 1H22 could deduct some growth from 2H22

Inflation: close to the peak

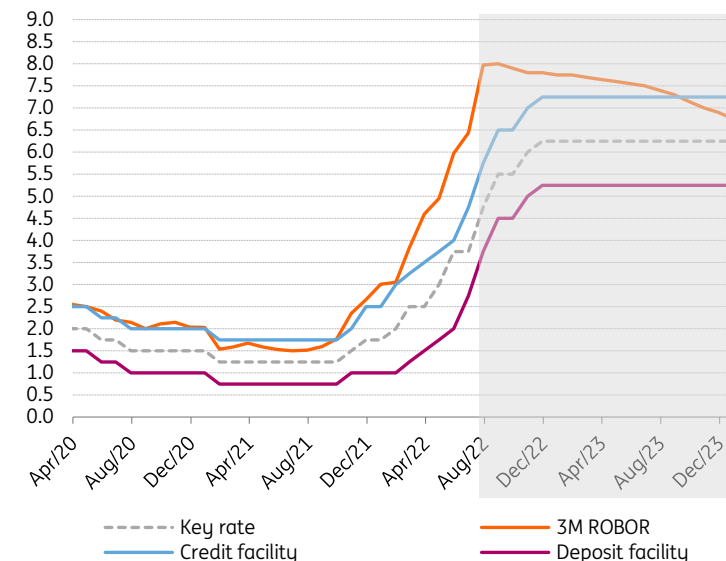


➤ **Inflation** will stay in double-digits at least until 2Q23. Food inflation is now the main issue

➤ We see the year-end inflation at **16.0% in 2022** and **8.0% in 2023**

➤ Energy price caps in place for households is helping to lower inflation by around 5pp!

Interest rates: still some upward potential for policy rates



➤ Persistent **liquidity shortage** has pushed market rates sensibly above policy rates. The gap should narrow gradually

➤ We believe that NBR will increase the **key rate to 6.75%** by end-2022

➤ **EUR/RON** should remain below 4.95 in 2022 and marginally above 5.00 in 2023 and beyond

Romanian agriculture at a glance (2021 figures)



4,4% share of agriculture in GDP

9 million ha arable land

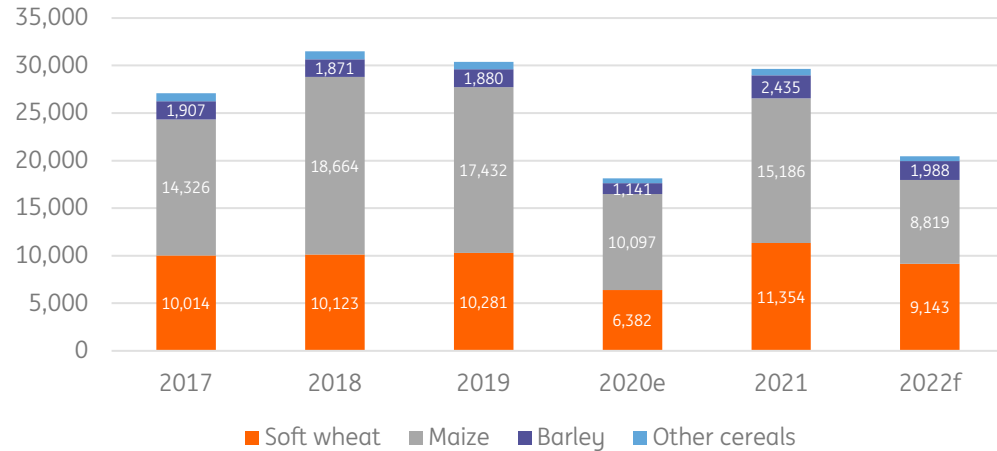
EUR 14,9 bln grain production

EUR 5,7 bln animal production

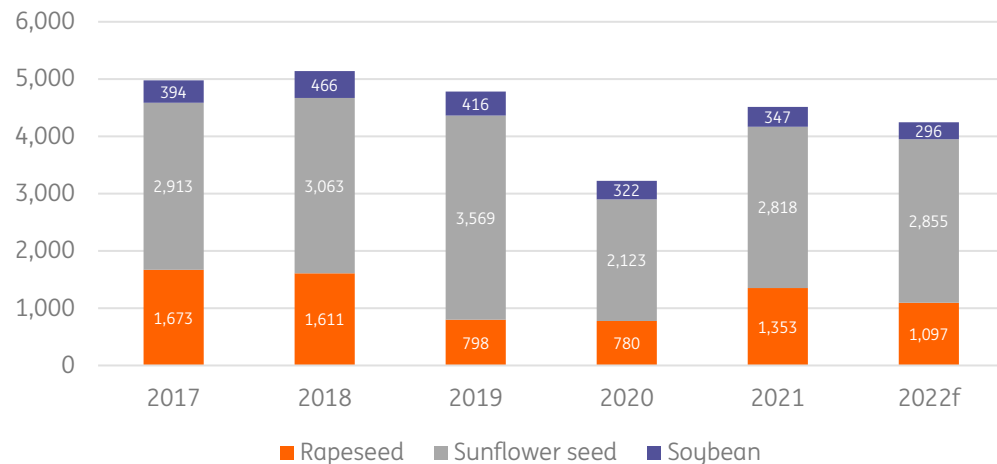
...but still EUR 1,88 bln trade deficit in the agri-food sector

Grains – production and perspectives

Cereals production (kmt)



Oilseed production (kmt)



2021 YE actuals

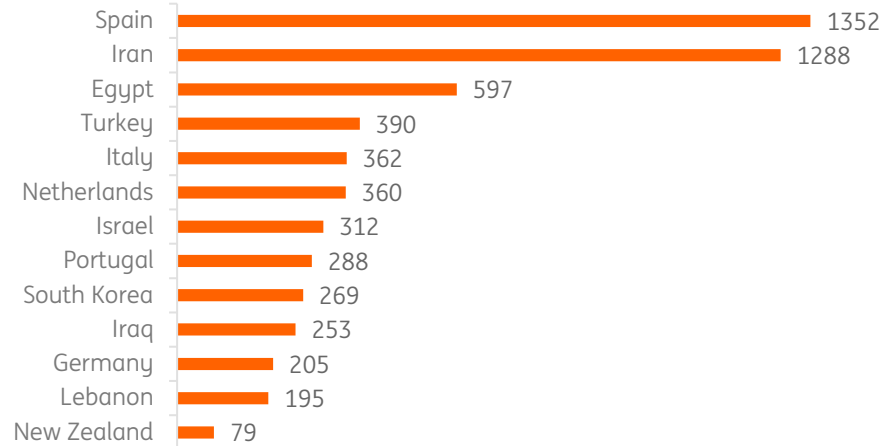
- ✓ very good year, both in terms of production and prices
- ✓ 29.7m tons of cereals obtained in 2021 (+53% year/year)
- ✓ 4.7m tons of oilseeds (+42% year/year)
- ✓ ~15% of the total production of oilseeds in the EU

2022 – MY forecast

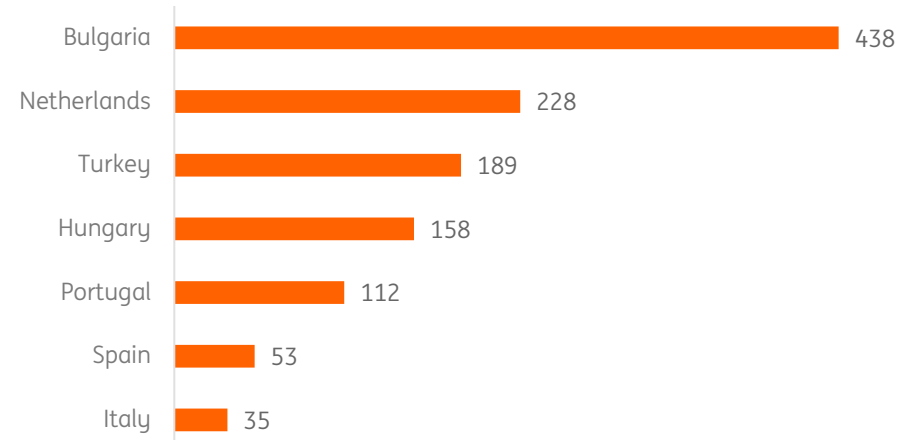
- ✓ difficult year for spring crops (especially corn) → severe drought affected ~ 1 mil ha
- ✓ good production of wheat and rapeseed
- ✓ enough room to satisfy internal consumption and remain an important quantity for export
- ✓ good start of 2022/23 sowing campaign; wheat and rapeseed in very good conditions

Grains trading – export by partners

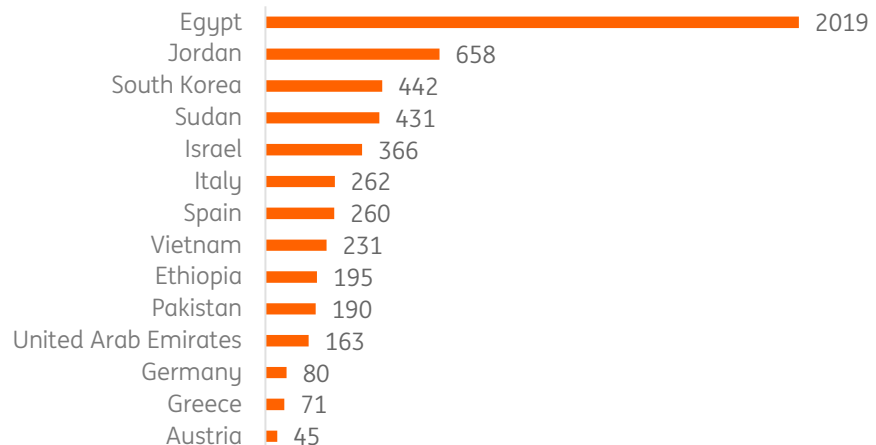
Corn export - 2021 (k mt)



Sun flower seeds - 2021 (k to)



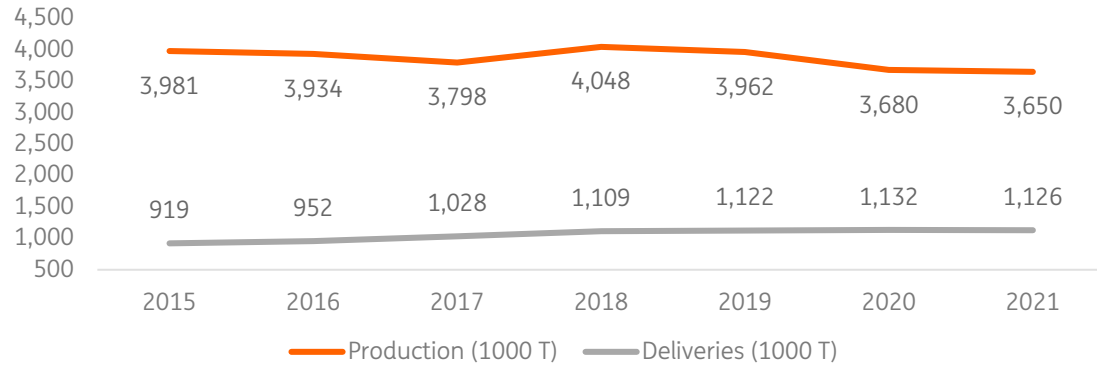
Wheat export -2021 (k to)



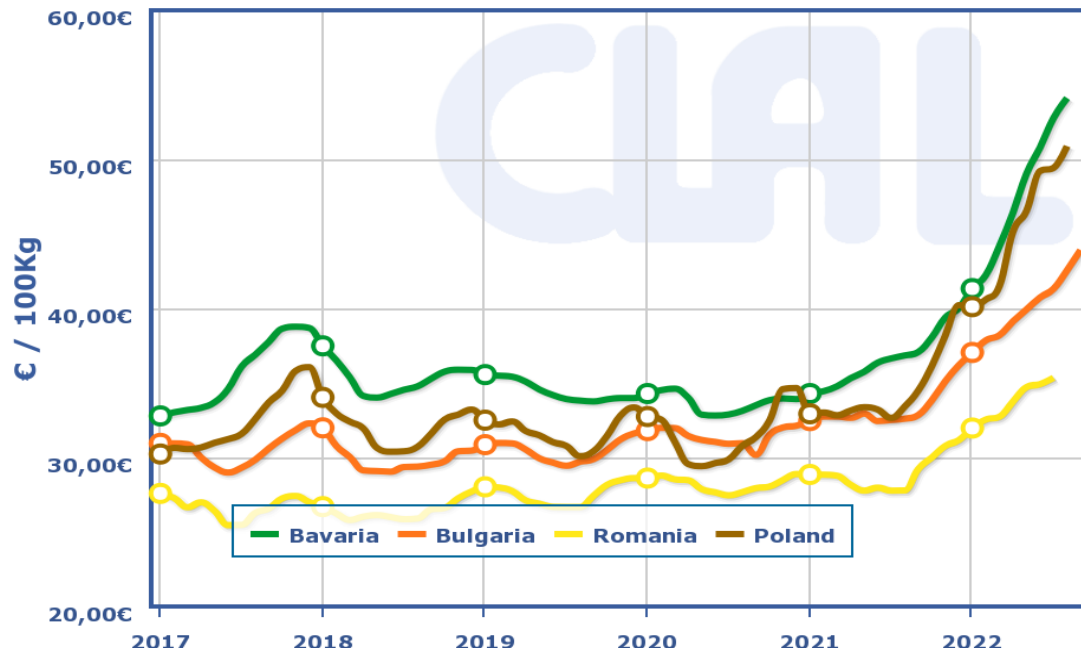
- ✓ favorable evolution of exports in 2021: corn 6.9 mil to, wheat 6.8 mio to, sunflower seeds 1.45 mio to.
- ✓ strong start of export in 2022: corn 4,1 mio to, wheat 3.9 mio to, sunflower seeds 0,6 mio to.
- ✓ trading influenced by the conflict from Ukraine:
 - 1) > 2 mil to of cereals were imported from this country;
 - 2) difficulties in transport and storage for Romanian farmers

Milk and dairy farms

Production & deliveries of raw milk

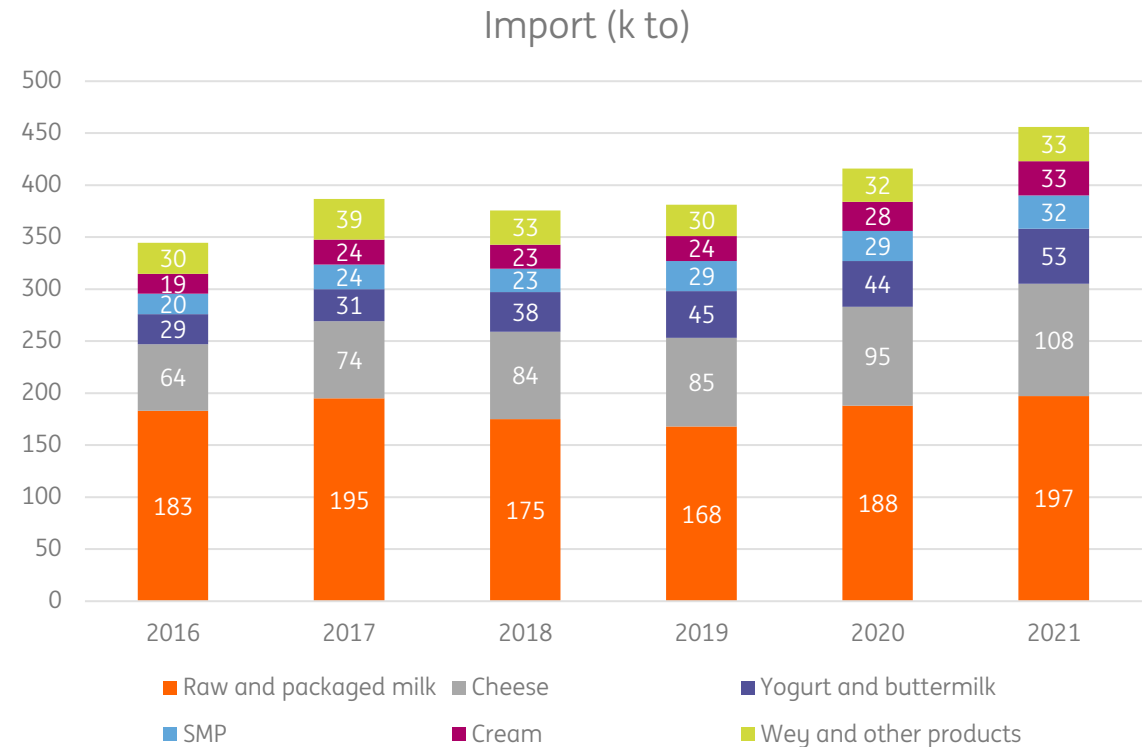
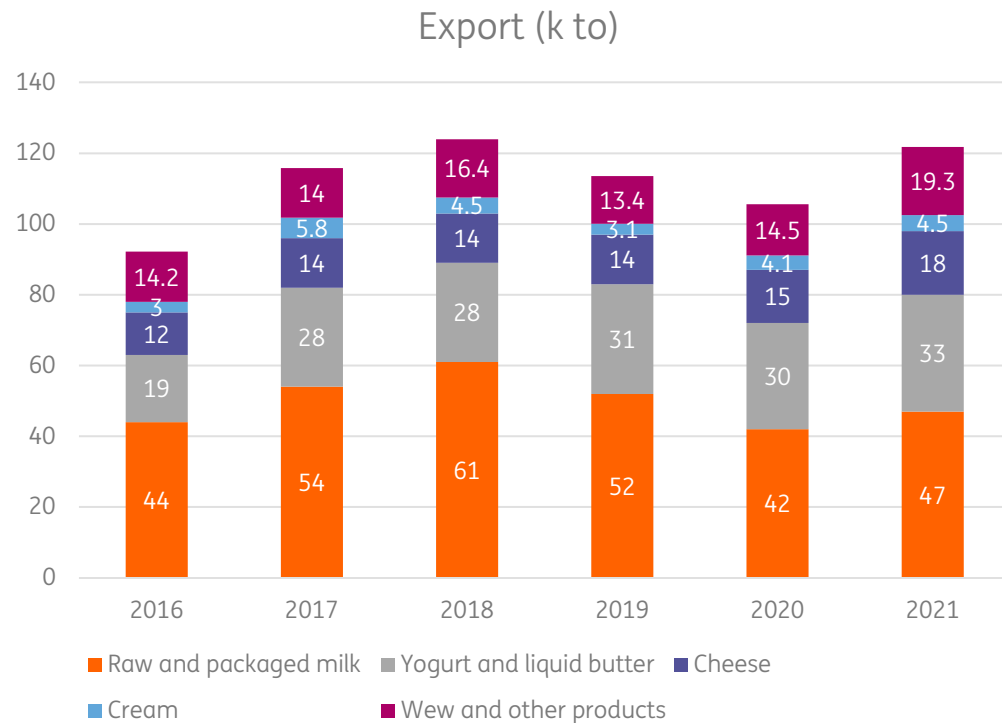


Raw milk price evolution RO vs others EU



- ✓ downward trend in production due to the decrease in the number of cows
...but slightly increasing trend in deliveries from farms to processing units
- ✓ consolidation of the sector into larger, commercial farms that produce superior quality milk.
- ✓ constant price of 26-28 euro/100kg, over the last years, but in 2021 and 2022 it increased to over 33 euros/100kg at YE'21 and ~36-38 euros/100 kg in Aug. '22
- ✓ in 2022 cost of feed and crop inputs created real difficulties for small farmers, so many of them could not continue their activity
- ✓ average price in RO lower than in other EU regions;
...but if the quality of the milk will be improved, there is room to have a higher price

Milk and dairy products – trade balance

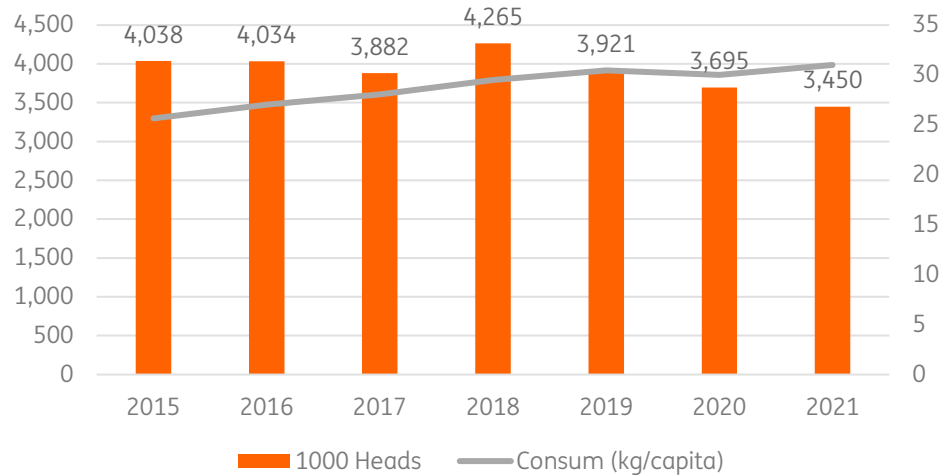


- ✓ Net importer of dairy products in 2021: the supply rate from domestic production is 51.3% despite the high potential of this segment:
 - ✓ there is room to improve productivity / cow: 3.3 tons/year in RO vs PL 5.4 tons or HU 8.4 tons
 - ✓ high availability of land: 15 cows/ha in RO, compared to 44 cows/ha in PL or 208 cows/ha in the Netherlands.

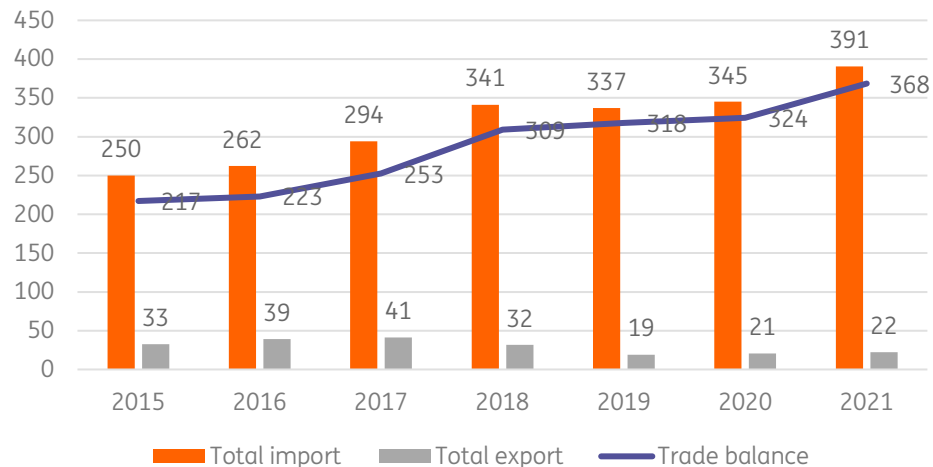
- ✓ In 2021, imports of all processed products increased: cheeses, butter, milk powder, but also raw milk → total deficit in dairy trade was 864 k to ME (standard milk equivalent) and the downward trend is maintaining in 2022 also

Pig farms – production and trading

Production and consumption



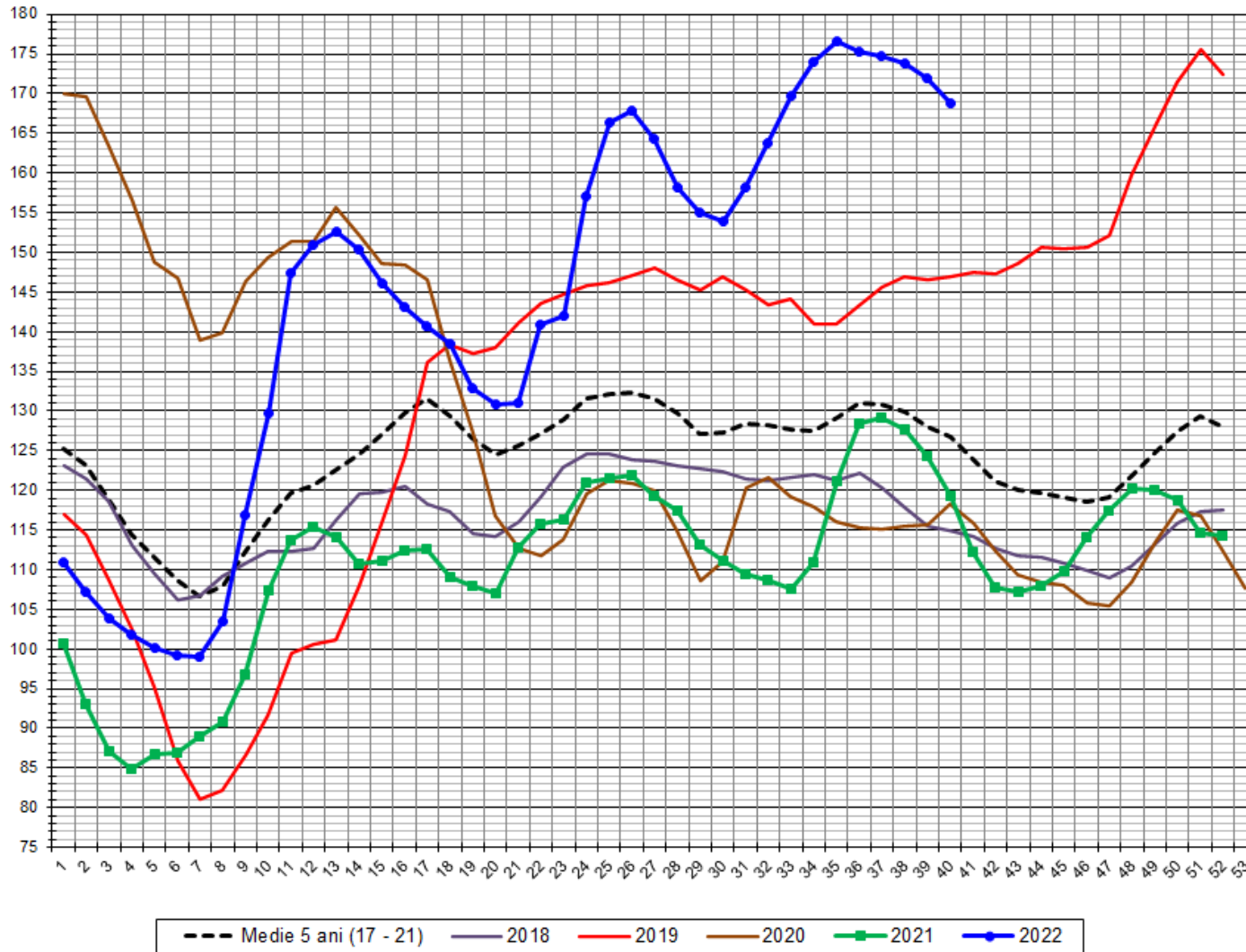
Trade balance (1000 to)



- ✓ the number of pigs has been continuously decreasing since 2018, by 19.5% due to African Swine Fever (ASF)
- ✓ consumption increased to a record of 31 kg/capita, but mostly supported by imports.
- ✓ 391 k tons of imported carcass vs insignificant exports of 20k tons
- ✓ ASF continues with low intensity compared to 2018, but still affects the country.
- ✓ despite a low supply rate from domestic production and still high demand, we do not estimate an increase in production this year due to rising costs with feed and ASF
- ✓ there is room for growth in this sector, especially in integrated farms with reproduction business line

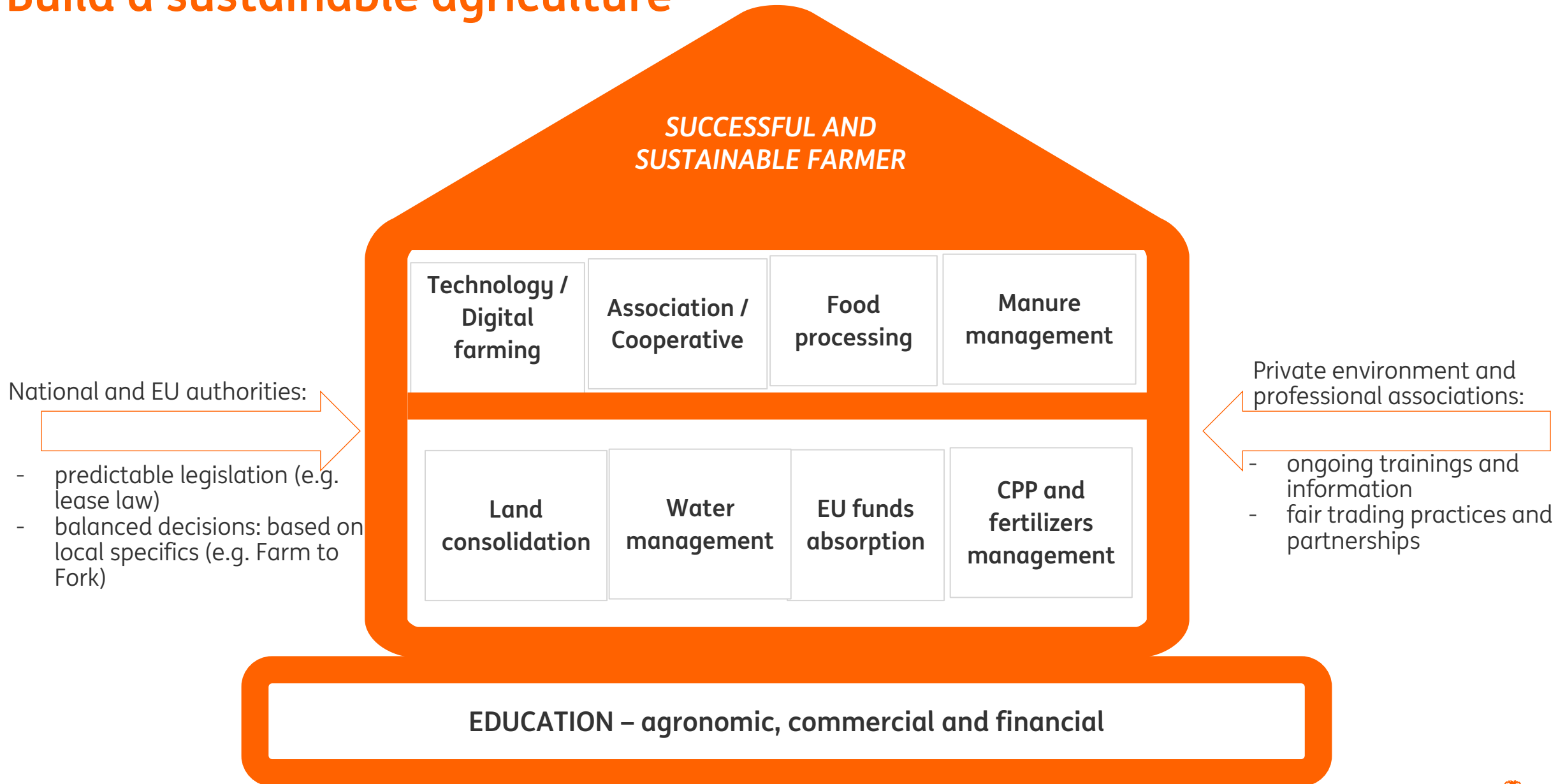
Pig farms – price consideration

Weekly price for fat pigs – EUR/100KG



- ✓ in 2019 we had a return on upward trend, but in 2020 there was again a major decline amplified by the Covid -19 epidemic,
- ✓ 2021 - another wave of crisis generated by the surplus of meat in Germany, banned for export due to the emergence of PPA in this country.
- ✓ In 2022, the price rises again to the level of 1.7 - 1.8 euro/kg of live pig, → reflect the increased price of feed

Build a sustainable agriculture





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