Management Behavior and Key Issues on Cereal Market

Dan-Marius VOICILAŞ[1]

ABSTRACT

The paper analyses the evolution of the Romanian cereal sector, with special focus on the management behavior under the influence of the institutional and legislative framework. We concentrate our analysis on the main regions of cereal production. We look to put in evidence the transformations of the sector, challenges and tendencies by the analysis of the statistical data available, with examples from practice. In the same time, we intend to identify the key issues in the field. The results show a general positive evolution of the cereal market, both at national and regional level, but also the negative factors of influence on the development of the sector. The analysis opens new discussions about the role of the legislation, institutions and management of the business. We highlight the role of the cereal market and regions in Romanian economy and the ways of development in the context of high level of competitiveness among European Union countries and other countries in the world.

KEYWORDS: *cereal market, key issues, Romania.*

JEL CLASSIFICATION *M21, Q13, Q18*

INTRODUCTION

The national territory is split into eight economic regions (NUTS2), as it is represented in Annex 1. They are not territorial administrative structure but rather informal organizational structures made up of an average of 4-6 counties (NUTS III) each, except region Sud-Muntenia and Bucuresti-Ilfov. Among Romanian regions, Sud-Muntenia (SM) is the most important in terms of cereal production. That is the reason why we focus on the mentioned region in our analysis.

The Region Sud-Muntenia is situated in South of Romania, at the border with Bulgaria (separated by Danube river), surrounds the Region Bucuresti-Ilfov (the capital of Romania), has 14.45 % from Romanian territory and 7 counties (NUTS III - Arges, Calarasi, Dambovita, Giurgiu, Ialomita, Prahova, Teleorman) (see also Annex 1). It has about 15% from the Romanian population, 35% occupied population, 40% population occupied in agriculture. The total population is about 16.2% from Romanian population, with the density 101.2 inhabitants/km^2. The region is on the first place among the Romanian regions in terms of the contribution of the agriculture and industry on Gross Domestic Product (GDP) at national level, about 30% from the Romanian GDP in industry and about 15% from the Romanian GDP in agriculture. We underline that the agriculture represents 43.40% of regional economy, based on the surface of 71.1% agricultural land, out of which 80.3% arable land (The Agency for Regional Development Sud-Muntenia-http://www.adrmuntenia.ro/). The southern part of the region (Călăraşi, Giurgiu, Ialomiţa

[1] Romanian Academy-Institute of Agricultural Economics, Romania, dmvoici@yahoo.com

and Teleorman) is traditionally underdeveloped. This area is characterized by the predominance of the population occupied in agriculture. It has vast farms which cultivate crops and includes ones of the main Romanian producers of cereals. About 96% from the agricultural land is private. The productions of the cereals represent 20-30% from the total cereals production at national level. The agricultural potential of the region is high and one of the main factors is the quality of soil. All these characteristics recommend the region for deeper analysis regarding the agricultural potential, challenges of the cereal sector and tendencies in frame of globalization and European Union (EU) accession/integration, or competitiveness of the sector. In the article, we intend to analyse the changes and challenges of the Romanian cereal sector before and after EU accession and identify the key issues in the field, which define the main trends under the influence of present legislation and institutional framework. The legislation and institutions on the market are decisive to regulate the relations among partners of business and among firms and state. A fair partnership will always stimulate the business environment and management behavior. Not all these characteristics are present on Romanian market, but also on other markets in Europe. That is the reason why we would like to analyse the cereal market, commercial relations, aspects related to legislative and institutional frame and determine the key issues of the sector based on official data available and different interviews or articles from newspapers.

1. METHODOLOGY

For our analysis we use data provided by the National Institute of Statistics (NIS) and Ministry of Agriculture and Rural Development (MADR). Also, we use information from media, declaration or interviews published in press, by officials from administration or business.

We work is the result of the research done under FP 7 COMPETE (Project "International comparisons of product supply chains in the agro-food sectors: determinants of their competitiveness and performance on EU and international markets"-http://compete-project.eu) and European Commission-LMC International project "Evaluation of measures applied under the CAP to the cereals sector".

2. OVERVIEW ON CEREAL MARKET

Structural changes are important for our analysis, because they influence the contractual relations between operators on the agrifood chain, policies and strategies at micro or national level, with direct impact on trade, competitiveness and efficiency.

Having in view the period 2000-2010, we can describe the evolution of the agricultural holdings (AH) as follows, in this paragraph, with special attention on 2000, 2002, 2005, 2007, 2010, years when were agricultural census or structural surveys in Romania. Moreover, 2000 represents the year when Romania started the negotiation process with EU, in 2005 Romania signed the Accession Treaty, and in 2007 Romania joined EU. The total AH in the region Sud-Muntenia had an oscillated evolution without big amplitudes. The similar was for individual farms, in 2000 the no. was 718261 and in 2010 were 793718. Instead, the no. of legal units increased 100%, as a result of structural changes.

The same like in the case of the associations at national level, in Sud-Muntenia region this category known a rebuff of about 85% and the cooperation is almost inexistent with only 5 cooperatives in 2010 or 3 cooperatives in 2007. We must notice that the no. of commercial companies increased of 3.4 times in 2010 compared with 2000.

For a better comparison between years and better understanding of the place of the region in the national economy we present, in the table 1, for the chosen period, the share of the AH from Sud-Muntenia in Romania. The data from the table highlight again the importance of the region in the Romanian economy and agriculture. Special remarks we have for the commercial companies which have a large distribution, big size plots, an important proportion among all Romanian regions.

Table 1. Evolution and share of AH from Sud-Muntenia in Romania (%)

Specification	2000	2002	2005	2007	2010
Total AH	16.9	19.9	19.9	19.4	20.7
Individual AH	16.7	19.9	19.9	19.4	20.7
Legal status units	24.4	16.5	17.2	18.5	18.1
Commercial companies	30.9	20.9	22.5	25.7	23.8

Source: Own calculations based on NIS Database

The arable land in Sud-Muntenia is cultivated with cereals, among them wheat and maize are favorite (Table 2). There is no significant area cultivated with durum wheat, traditionally, Romania used common wheat. The area cultivated with cereals slowly decreased, at national and regional level. The biggest change was only observed in case of maize, the rest of the cereal's area fluctuated from year to year under the "pressure" of the market prices and taking into account the rotation of the crops. We must have in view that the region is also a good area for oilseeds plants due to soil characteristics and sun exposure, between both crops being a regular competition.

Table 2. Area cultivated with cereals in Sud-Muntenia region and Romania

Cereals (%)	NUTS	2000	2002	2005	2006	2007	2008	2009	2010
Wheat (total)	RO	34.3	38.1	42.2	39.4	38.5	40.5	40.7	42.9
	SM	43.5	48.1	55.0	50.5	48.5	50.2	50.7	53.1
Barley	RO	7.3	9.6	8.3	6.5	7.1	7.6	9.8	10.2
	SM	6.0	11.2	8.5	5.3	6.2	8.0	11.8	11.3
Oats	RO	4.1	4.0	3.7	3.8	4.1	3.8	3.8	3.6
	SM	2.0	1.6	1.6	2.1	2.4	2.1	2.1	1.5
Maize	RO	53.9	47.9	44.8	49.3	49.2	46.9	44.3	41.6
	SM	48.3	38.7	34.5	41.7	42.4	39.2	34.7	33.1

Source: Own calculations based on NIS Database

The production of the cereals is close connected with the weather conditions, especially the precipitations. The productions and yields can be compared with other EU countries, but the maximum yields were only in the years when the climate was favorable. For instance, the maximum yield for wheat at national level was below the maximum level in Sud-Muntenia region. In many years (only a few exceptions), the yields for all cereals were bigger than national average (Figure 1) and comparable in a few years with yields from the main EU grain producers.

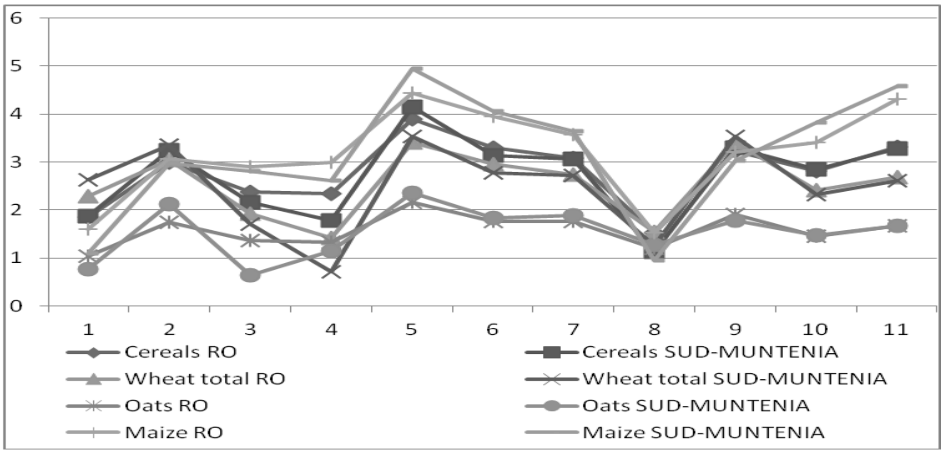

Figure 1. Yields in Sud-Muntenia and Romania (2000-2010)
Note: 1=2000, 11=2010
Source: Own calculations based on NIS Database

3. KEY ISSUES ON CEREAL MARKET

Since the year 2000, the agricultural markets have been influenced by a great number of factors. Among these, the increase of the agricultural produce demand as well as the limitation of supply due to weather influences or changes in the agricultural policy approach have had a great impact upon the agricultural markets, upon the cereal market from Romania inclusively.

We shall next present some of the important aspects noticed on Romania's cereal market in the last 10 years, which, in our opinion, influenced both the supply and the demand.

Romania's agricultural production increased in recent years, mainly as a result of favorable weather conditions that had a direct influence upon cereal production, as well. The region Sud-Muntenia is the best example of the development of the cereal sector, among Romanian regions. The increasing of the production made the business in the sector very attractive for investors. According to the statistical data (National Institute of Statistics, n.d.), the best money from agriculture was obtained in the region Sud-Muntenia mainly from crop production. For instance, if we consider the structure of the gross agricultural output in the year 2010 (RON-current prices) which is similar to that from previous years, the region Sud-Muntenia has the largest share in crop production (about 18%).

But, the increasing of the attractiveness of the business, in cereal sector, in Sud-Muntenia region, is not the only face of the coin. Where money is, many troubles appear. There are many aspects which we must have in view when the sector and its trends is analysed. In the end, all these put pressure on consumers. Since the year 2000, the agricultural (cereal) markets have been influenced by a great number of factors. Among these, the increase of the agricultural demand, as well as the limitation of supply due to weather influences or changes in the agricultural policy approach have had a great impact upon the agricultural markets, upon the cereal market from Romania inclusively. We shall next present some of the important aspects noticed on Romania's cereal market in the period analysed, which, in our opinion, influence both the supply and the demand in Sud-Muntenia region, as well.

3.1 Dualism and polarization of structures in agriculture

The distribution of agricultural holdings has a strong dual character. The average agricultural area of an agricultural holding from Romania is much under the average size of a EU farm. This low average masks the disparity between the agricultural holdings with regard to their size, and a bipolar or dual distribution emerges. Almost 80% of the utilized agricultural area (UAA) is divided almost equally between two categories: a very large group (80% of total holdings), consisting of small-sized holdings, under 5 ha and a very small group of holdings with over 50 ha (13,830) that operate 40% of UAA. The remaining 20% of UAA is operated by an intermediary segment, represented by holdings with 5-50 ha; this segment is small compared to other EU countries and needs to be further developed.

The small farms are mainly represented by the individual holdings. The individual holdings operate about 65% of the UAA of small farms. The individual holdings have 2.5 ha on the average, divided into 3.7 parcels, while the legal entity farms operate 269 ha on the average, divided into 9 parcels. Most legal entity farms are large-sized farms: 43% of these operate more than 50 ha, while only 30% operate less than 5 ha.

3.2 Unused (abandoned) land

An alarming phenomenon can be noticed in Romania's agriculture, i.e. the size of abandoned land areas, which are not farmed. We must mention that there are several situations in which the land is taken out of the agricultural circuit. In the first place, the land is legally taken out of the agricultural circuit as a result of the development of localities, of the industrial platforms or spaces for services. Secondly, there are land areas that are legally set aside, in conformity with the EU regulations, for regeneration. There is also a third category of land areas, which are set aside following their abandonment by the owners, as these do not farm the respective land out of different reasons, other than those mentioned above. The increase of the land areas from the third category is quite alarming and this made the authorities to take into consideration certain punitive measures (penalties) that can be applied to the owners with such an attitude. We have in view here the introduction of a special fine for those who do not farm their land, without the land being included in the other 2 categories.

From the MADR data and from the data of the Agricultural Census of 2010, it results that the non-utilized agricultural area (including the area of units that did not comply with the conditions for being considered agricultural holdings) totaled 888.52 thousand ha; the idle agricultural area registered in the statistical survey "Crop production in the main crops 2010" was about 1350 thousand ha. Summing up these two areas it results about 2238 thousand ha of unused farm land, i.e. about approx. 14% of Romania's total agricultural area.

3.3 Competitiveness of the cereals from the Black Sea market

In the last years, the cereal market from Romania was confronted with a tough competition from the part of products originating in the main cereal producing countries from the Black Sea area. The main producers from this area are: Russia, Ukraine and Kazakhstan.

For example, if we refer only to the years 2010-2011, as a result of the favourable weather conditions, the cereal harvests from Russia and Ukraine were very good, which led to a competitive level of prices and created the premises for recapturing the traditional export markets from Middle East and North Africa, putting pressure on the markets from the EU Member States. The statistical data revealed that Russia exported about 20 million tons in the season 2011/2012, although officially Russia's Prime Minister declared that (Ghişe, 2012): the total cereal export can be higher than 23 million tons, and the Russian Minister of Agriculture declared that by mid-September 2011, one-third of the obtained production had been already exported. At the same time, in Ukraine, the data on the cereal exports in the season 2011/2012 showed that the cereal exports increased by about 17% compared to the initial estimation. At the same time, maize production was higher by about 40% than in the year 2011. In Kazakhstan, officials from the Ministry of Agriculture declared that the harvest in the year 2012 reached 25 million tons, i.e. higher than that in the previous year, which was a good year, as well. In the same time, the exports will continue to be subsidized, in order to compensate the high transport costs and in an attempt to stimulate exports and to regain the traditional markets, which will be a significant advantage in the competition with the other exporting countries. An example is Ukraine, where the Cereal Growers' Association considers that the increase of taxes on cereal exports will lead to exports diminution and to the decrease of future production. After the annulment of restrictions on the cereal exports, in the last years, their price on the domestic market was 100% correlated with the world market prices. The difference that emerged was due only to the necessary transport logistics. Yet at the same time, we must mention that these countries' forecasts for the next year harvest are optimistic, in Kazakhstan, for instance, where the land area under wheat increased, and this increase can lead to production increase by about 4 million tons (Ghișe, 2011), which means a great available quantity for export, taking into consideration that the domestic consumption of this country is only 7 million tons.

The export difficulties that appear in these countries and that could represent an advantage for Romania have rather a logistical nature, as it is the case in Kazakhstan and Russia, where there is either a deficit of railway carriages or there are infrastructure and logistics destructions following the very harsh winter. At the same time, another impediment of the cereal exporting countries from the Black Sea area is the overcrowding of harbours on the Black Sea coast, in certain months of the year. The Romanian exporters can take full advantage of this situation, as they can use the Romanian harbour Constanța, which is also connected to the region Sud-Muntenia, investigated by us, through the Danube-Black Sea Canal.

The large productions and low prices from these countries generally make it difficult for Romania to face competition at export, under the hypothesis in which Romania has good agricultural years and available resources for export. At the same time, the prices from these countries put pressure on the domestic prices, generally the Romanian producers not having the necessary resources to face this competition.

As the region Sud-Muntenia is a great cereal producer and it is directly connected to the international cereal export routes, by land or water, both through the good railway network and by the Danube river and by sea through the Danube-Black Sea Canal, with direct access to the harbour Constanța from the Black Sea, it is directly influenced by and at the same time interested in the situation of cereal markets from the Black Sea area.

3.4 The "black" market, tax evasion and the tax evasion "export"

In June 2011, the Romanian Government issued the Emergency Ordinance (OUG) no. 93 that stipulates that the cereal shipments that are not accompanied by all the necessary legal documents are confiscated together with their transport means. The same ordinance stipulates that the bakery products (i.e. bread) are confiscated if the shipment is not accompanied by the necessary documents. The Government argued this decision mentioning that the sale of cereals on the black market increased. Officially, the smugglers on the wheat market have 40%; non-officially, the black market exceeds 50%.

The black market of cereal transactions, mainly wheat, accounts for about half of the market in Romania. In a preliminary report produced by the Competition Council in early 2009, it is shown that the illicit wheat sales from Romania represent 40% of total transactions. "From the information received from the participants to the market, it results the existence of a black market, i.e. of non-fiscalized transactions (for which no VAT or other taxes and fees are paid). The same participants estimate this market at about 40% of total transactions, which leads to significant losses to the state budget and to competitive disadvantages created to the fair participants", as it is shown in the report by the Competition Council: Report on the useful investigation for bakery cereals market knowledge, launched by Order of the Competition Council President no. 264/06.09.2007 (Competition Council, 2009). The practitioners in this field also reached the same conclusions, as they are confronted with this phenomenon each year. For example, the president of the National Federation of Trade Unions from Agriculture (Agrostar) declared that black market represents even 50% and that this phenomenon has been maintained for years. One of the factors favouring this phenomenon is the fact that in Romania, VAT level is high for the individual sellers. This also explains the operation mechanism: "Let us suppose I have an apartment firm. I go directly to the small producers. I take 39 trucks and I call the peasants and ask them: How many tons? On the market one kilogram is 0.50 or 0.60 RON, let's say. I tell the peasant that I buy all his merchandise, 10 thousand tons. Many of these wheat smugglers come with cash. When he sees the money, the peasant does not ask for receipts, he is glad that he can sell his production, even though he is a loser in the end." (Biro, 2009). After the wheat was bought with no documents, it is either stored and the intermediary waits for the price to increase, or it is sold to a processor. Here also a black market emerged and developed, as the processors, i.e. the operators from the bakery sector do not buy with documents either, they buy on the black market. The market in this case also accounts for about 50%.

In this respect, we also want to refer to a phenomenon that lately appeared on Romania's border with Hungary, in the western part of the country, which indirectly affects the Region Sud-Muntenia.

Box 1

The state applied this measure so as not to be frauded with the false VAT recovery. Companies would buy wheat without documents from peasants, sold it with VAT and eventually asked for VAT recovery from the state. VAT payment/collection is at the trader of the finished product, at the end of the chain, and not on each segment of the chain, as in the past, regulation which "encouraged" tax evasion. Thus, the sales of cereals on the non-fiscalized market decreased by 70%-80% after the reverse taxation was introduced, according to the declaration of Nicuşor Şerban, LAPAR Vice-president, *immediately after the reverse taxation introduction (Ungurii dictează preţul cerealelor. Comercianţii maghiari fac evaziune fiscală cu grâul şi porumbul românesc, 2012, http://www.jurnalul.ro/economia/ungurii-dicteaza-pretul-cerealelor-comerciantii-maghiari-fac-evaziune-fiscala-cu-graul-si-porumbul-romanesc-604056.htm). At the same time, the Ministry of Finance expected (2012) that the reverse taxation on cereals would generate additional incomes to the budget of 100 million euro in the next years.*

Since the summer of 2011 (June 1), when the reverse taxation came into effect in Romania (Box 1), an increase of the cereal trade with Hungary has been noticed. However, this also has effects that are not expected by the Romanian authorities. "Tax evasion, after the introduction of reverse taxation on cereals, moved to the milling and baking sector and at present reached huge proportions, of over 65% of total market. While in the last year the value of the milling and bakery market was about 2 billion euro, in the last year this value decreased only on the milling side, by about 200 million euro, to reach 1.8 billion euro", as the president of the Romanian Employers' Organization from the Milling and Bakery Industry (ROMPAN) declared.

The application of reverse taxation on cereals in Romania proves to be also beneficial for the Hungarian traders with cereals. In Hungary, the VAT on cereals was paid at that time at a level of 27%, the highest value in the EU. In a short time, the Hungarian traders came to get the monopoly in cereals acquisition from Romania, where they offer higher prices than the Romanian traders. So far everything seems a legal business and both parts are advantaged, yet the generosity of foreign businessmen has unexpected explanations. The cereals imported from Romania without VAT are sold on the Hungarian market with VAT, and the price difference remains with the intermediaries.

Cereals circuit

Until the end of 2011, tax evasion in the trade with cereals was through the intermediary of certain Slovak firms that drew up the export documents in order to cross the Hungarian border with no problems. When the truck with cereals reached the customs house with the destination Slovakia, a superficial control of documents was made, as the shipment was considered in transit, and the detailed control was supposed to be made on the Hungarian border with Slovakia. In reality, these shipments never left Hungary, the merchandise was discharged, and the documents on the name of the Slovak firm were destroyed. Another Hungarian firm took over the merchandise, and the Romanian cereals became Hungarian products in documents, and entered the intermediaries' circuit with 27% VAT.

Starting with 2011, Romanian firms emerged that buy the merchandise from physical entities on the basis of a summary acquisition note and export it to Hungarian firms. These firms are also owned by the people who manage the Hungarian company. For a smooth business operation, the Romanian producer as physical entity receives a much higher price than that in the documents. In Hungary, the maize price was at that time 700 TON/ton + VAT (about 161 euro/ton + VAT), i.e. about 199 euro VAT included, while in Romania the producer sells the maize with 172 euro/ton. In the accompanying note of the merchandise, the displayed price is only 138 euro/ton in order to cover the evasion. If the real acquisition price of 172 euro/ton had been displayed, without including any commercial margin of the transport costs, this would have meant that the Hungarian firm buys maize from Romania at 172 euro/ton to sell it on the domestic market at 161 euro/ton.

What do Romanian producers gain from the business?

This business is also prosperous for the Romanian producers, who declare a much lower production, that the real one and sell the harvested crop on the black market; if they sell the production with an accompanying summary note, they do not declare their incomes and avoid the tax payment of 2% at source and 16% income tax. The acquisition summary note is issued by the firm that buys the cereals, and the payment is in cash. The price differences on the cereal market are high, depending on the origin area of the merchandise.

Finally, we would like to mention that there have always been a tough competition between the Hungarian and Romanian cereal markets for getting the supremacy in this region of Europe, and the influences had a double sense, i.e. there were years when the measures on Hungary's domestic market disadvantaged the Romanian market, or the measures taken by the Romanian government were favourable for the domestic market. But, in the same time, beside competition, we also can identify a strong "cooperation on black market".

As a result, we can conclude that Romania lies at the confluence of several influence spheres of cereal producers, on one hand the countries from the Black Sea area, and on the other hand the Western countries, great producers of cereals (France, Germany, Netherlands), as well as Hungary.

3.5 Pressures upon the agricultural land price

The European Commissioner for Agriculture, Dacian Cioloş, declared in 2012, on a TV interview (ProTV-Romania) that there is a "land-related pressure that determines the increase of agricultural land prices" in the next future. "It is obvious that the agricultural land prices will increase, the investment in food is a strategic investment and there is sufficient land pressure. There were also real estate speculations with such land areas, but the trend is increasing".

This phenomenon has been constantly manifested in recent years, mainly after 2004, when Romania's accession to the EU was already certain, out of two reasons:

- In the first place, there was a period of economic "boom", when massive acquisitions of agricultural land were made, land outside the localities included, mainly close to towns, where there was development potential for constructions and tourism (speculations included);
- In the second place, as Romania's future accession to EU was a reality, the investors considered that their investments on the territory of a Member State were safe. Even though at the moment (end of 2013) the legislation did not allow the direct acquisition of agricultural land by foreigners, there were different modalities by which these could acquire land. The direct acquisition is not possible both at present, but beginning with the year 2014, the transactions will be liberalized and this again puts the agricultural land price under pressure, the agricultural land having a high natural potential and a low price in Romania.

With regard to the agricultural land price in Romania, the Minister of Agriculture declared, in the year 2011, that, although prices doubled in the last year, they are still much lower than in other EU countries (*Străinii care împart terenul românesc,* 2011, http://www.revista-ferma.ro/articole-actualitate/Strainii-care-impart-terenul-romanesc.html). In the year 2010, the price of one hectare ranged from 1,500 to 2,500 euro, while in 2011, in the favourable areas, land was sold at 4,000 up to 5,000 euro per hectare.

Many countries, among which Romania, are investment targets for the multinational corporations in the field of land market, the great giants considering that the investments in land are the safest investments at the moment, and countries like Italy, Netherlands or Denmark have national policies to foster investments in land in the zones with potential.

At the end of 2011, MADR data on the agricultural land areas owned by the nationals from foreign countries reveal that more than 700000 ha arable land (8.5% of total arable land in Romania) is in this situation (*Străinii care împart terenul românesc,* 2011, http://www.revista-ferma.ro/articole-actualitate/Strainii-care-impart-terenul-romanesc.html). According to statistical data, the largest areas are owned by investors from Italy – 24.29% of the agricultural land operated by foreigners, Germany 15.48%, the Arab countries (Iraq, Lebanon, Syria and Iran) – 9.98%, Hungary – 8.17%, Austria – 6.13%, Spain – 6.22%, Denmark – 4.52%, Netherlands – 2.4%, Greece – 2.4% and Turkey – 0.78%, and by the off-shore system land is bought by investors from Malta, Cyprus, Monaco, San Marino and Luxembourg – 5.91%; the investors from Middle East are also very interested in buying agricultural land in Romania at present, mainly those from the United Arab Emirates.

The total number of holdings owned by foreign entities reached 709 in 2011, compared to 635 in 2010. The most numerous are in the western part of Romania (Vest region).

CONCLUSIONS

In the end, we would like to summarize our analysis in a few comprehensive words: the cereal sector in Romania and Sud-Muntenia region is less developed, compared with similar sector in other EU countries, direct influenced by domestic and foreign factors, but one of the most Romanian competitive sectors at national level. It is at the confluence between East and West structures, influences and practices.

On the other hand, the lack of the stable and rigorous legislation and the weaknesses of the national institutions determined the present state of the Romanian cereal market, which cannot compete with other markets in EU or other regions in Europe. The only region which is closer to the international level competitiveness is Sud-Muntenia region (besides Vest region, which was not the subject of our analysis), with a great potential, favorable climate conditions, but influenced by "national practices" described and, in the same time, under the international pressure of the Black Sea market.

The key issues analysed in the present paper are only a part from the problems identified in the sector in the years of transition and even after EU accession, both by authorities or investors.

ACKNOWLEDGEMENTS

The work was done under FP 7 COMPETE Project "International comparisons of product supply chains in the agro-food sectors: determinants of their competitiveness and performance on EU and international markets", Grant Agreement No. 312029 (http://compete-project.eu/), with funding from the European Community and the Ministry of National Education from Romania through the Executive Unit for Funding Higher Education, Research, Development and Innovation, project coordinated by IAMO

(Halle/Saale-Germany), partner Institute of Agricultural Economics-Romanian Academy (Team leader: D.M.Voicilas). The results were completed by the research under European Commission-LMC International project 2011-2011 “Evaluation of measures applied under the CAP to the cereals sector”.

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Annex 1

Regions in Romania
Legend: 1=Nord-Est, 2=Sud-Est, 3=Sud-Muntenia, 4=Sud-Vest, 5=Vest, 6=Nord-Vest, 7=Centru, 8=Bucuresti-Ilfov
Source: Ministry of Regional Development and Tourism (2014)