In 1992, Romania had parliamentary, presidential and local elections. The Government of Romania appointed after the general elections which took place on 27 September 1992 has, as a main objective, to continue the structural reforms and to take steps for consolidating the democratic process for the transition to the market economy, while maintaining, at the same time, a rational level of social costs, which are unavoidable during transition.

The main objective of the economic policy of the Government for 1993 will consist of considerably decreasing the production decline and stopping it during the second half of the year, by harmonizing the macroeconomic stabilization steps with the structural adjustment policy. At the same time, actions will be taken in order to prepare the necessary conditions for relaunching the economic growth from 1994 onwards. The Government is convinced that the only viable way to get out of this crisis is to increase output.

In agriculture, the Government intends to insure conditions for more effectively exploiting the potential productivity in this sector. By the use of specific means - preferential financing, granting advantageous credits, regulating the agricultural credit and the lease, the Government will support the new ownership structures in agriculture, the increase in the production of vegetables and the development of zootechnology. Steps will be taken for speeding up the process of granting land ownership certificates, which is considered a main prerequisite for enhancing the farmers interests in the growth and efficiency of production.

For 1992, the Government has allocated leu 80 billion in concessional credits (15 per cent annual interest). The authorities also subsidized inputs such as veterinary medicines, chemical fertilizers, imported feedstuffs, diesel oil, seeds and pest control substances. In addition, funds are provided for land reclamation, acid soil improvement and general support services (research, veterinary, stations, etc.).

Price support took the form of contractual deliveries of products in reimbursements of credits. According to the Government Decision No. 54/1992 so-called integrators are granted credits at 15 per cent interest. These economic operators may further give credits free of
interest to farmers. The maximum amount for credits is 50 per cent from the value of the contracted production.

* * *

The changes in the domestic output affect processing industries. The dairy sector is working well below capacity. In 1992, the capacity utilization is 57 per cent for milk, 56 per cent for cheese, 30 per cent for milk powder and 28 per cent for butter.

Imports of dairy products amounted to US$27 million in 1991, while exports were insignificant. In 1992, fresh milk, milk powder and butter were under export prohibition due to shortages on the domestic market.

Statutory tariffs are 20 per cent or 25 per cent.

From 1 January 1992, temporary reductions or exemptions were introduced, i.e.: 10 per cent on fresh milk, cream and certain cheeses; 5 per cent on butter; exemption on milk powder.

The exemption on milk powder is extended until 15 March 1993.

For fresh milk, cream, certain cheeses and butter, exemption on customs duty will also be applied until 15 March 1993.

No quantitative restrictions or surcharges have been applied for dairy products.

General data concerning the Romanian economy in 1992

In 1992, estimated GDP will be by more than 16 per cent smaller than in 1991, representing less 67 per cent of the value registered in 1989.

In agriculture, this year's production is smaller than 1989 production, by almost 60 per cent for wheat and rye, around 18 per cent for maize, 61 per cent for sugar beet and more than 37 per cent for potatoes; the livestock and the production values in the zootechnic sector have greatly diminished. All these decreased values entailed unfavourable effects upon the supplying of agricultural food products for the population.

The decrease of output and of productivity and the important devaluation of the national currency resulted in a strong inflationary process. As compared to October 1990, the retail prices were 9.4 times higher in September 1992. During the first nine months of 1992, mainly as an effect of the continuous devaluation of the national currency and of the partial elimination of the grant-in-aid for population consumption, the inflation rate ranged between 19.5 per cent in January and 3.2 per cent in July and 10.1 per cent in September.

By the end of October, the number of unemployed people was about 940,000, representing 8.5 per cent of the civil population.
Despite many difficulties, during the first nine months of 1992, total exports in hard currency increased by 25.9 percent as compared with the same period last year, while the import level remained the same; the hard currency trade balance continued to feature negative values (about US$560 million during the first nine months).

By the end of September 1992, Romania's foreign public debt was US$3.8 billion.

**DAIRY SECTOR**

**Third Quarter 1992 Compared to Second Quarter 1992**

<table>
<thead>
<tr>
<th></th>
<th>Whole milk powder</th>
<th>Butter</th>
<th>Cheeses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production - decreases</td>
<td>by 3%</td>
<td>by 16%</td>
<td>by 14%</td>
</tr>
<tr>
<td>Imports - decreases</td>
<td>by 72%</td>
<td>-</td>
<td>by 82%</td>
</tr>
<tr>
<td>Exports - negligible increase</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic consumption - decrease by 38%</td>
<td>by 56% increase by 7%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>