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## Romania

**Post:** Bucharest

### Romania Set to Strengthen its Export Success

**Report Categories:**

Grain and Feed

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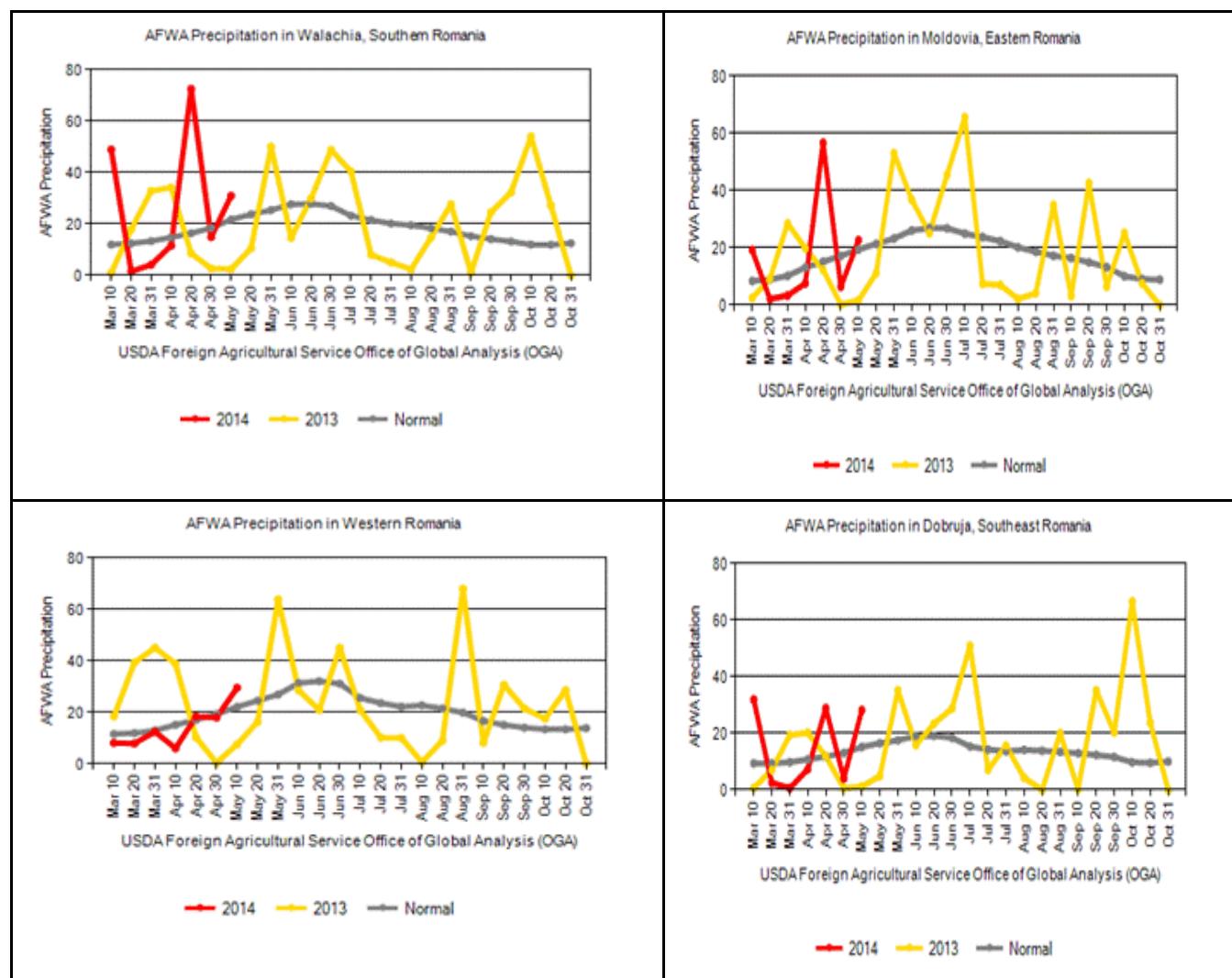
**Report Highlights:**

Based on current development of the winter wheat and barley crops Romania can expect a second consecutive good harvest, although overall production is anticipated will drop slightly. Wheat and barley exports continue their upward trend with wheat now forecasted to reach 4.8 Million Metric Tons (MMT), a record. The early spring's effect advancing development of winter wheat and barley may result in harvest operations overlapping with rapeseeds. Field access issues due to heavy rainfall delayed corn plantings, but the increased soil moisture has proven beneficial for plant emergence and development.

## General Information:

Romanian farmers have made important steps towards agricultural equipment endowment, share of high-quality seeds usage, application of modern technologies, elements which have been reflected in the growing average yields. Over the past year, weather played a positive role in the Romanian agriculture production with performances expected to repeat this year.

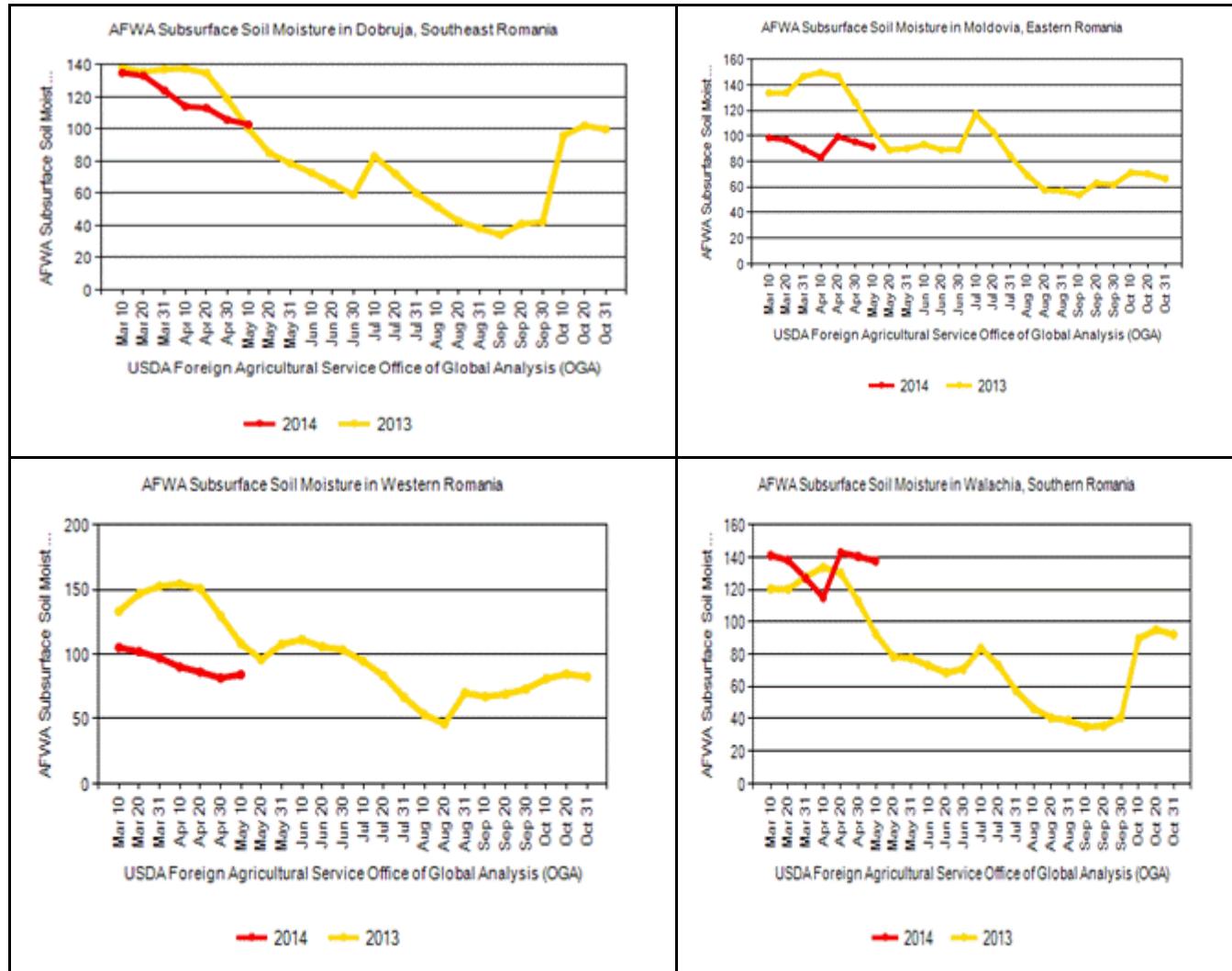
As can be observed in the diagrams below (data for the timeframe May 1-10, 2014), rains were scarce in the western part of Romania and the south-east, but abundant in the south and to the eastern side. Consequently, cumulative precipitation is above the 2013 level in the Southern region, and very close to the level recorded last year in the south-east and eastern regions. Western and Central Romania remain dry.



Source: USDA/PECAD

As a result of the rainy days, the surface and subsurface moisture improved, with the gap between the

level of the current year and last year narrowing in the eastern and western Romania, but widening in the southern where the level of this year is much higher than 2013 (please see the images below).



Source: USDA/PECAD

Despite delays in spring plantings and excess moisture in the country's southern region, improved soil moisture has created good conditions for development of both winter and spring crops.

### **Wheat – good prospects; export availability likely to continue**

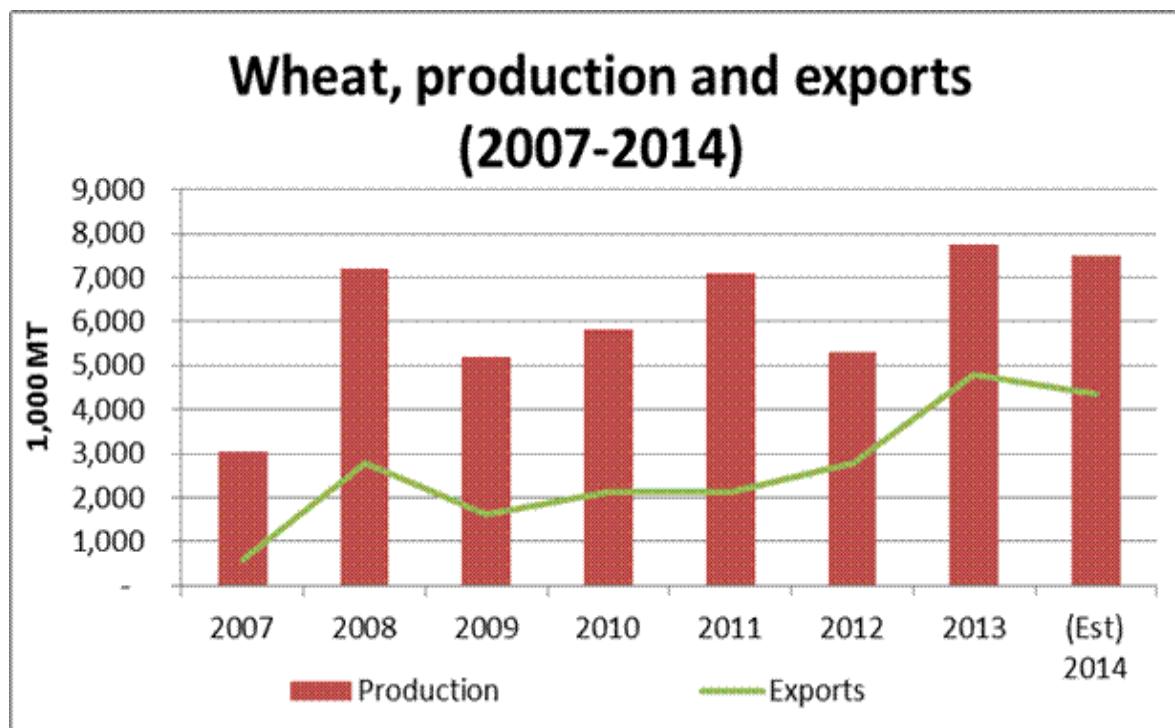
In the fall of 2013, farmers had proper conditions for wheat planting. Over the winter, the snow blanket offered a good shield for winter wheat from frosts throughout Romania. The mild winter, rainfall and gradual snow melt allowed soil moisture levels to recover (noted in images above). Nevertheless, excess moisture in some parts of the country may favor pest development, which would impact wheat both on quality and on quantity, thus farmers are closely monitor crops.

Overall wheat development is considered good with vegetation growth estimated 2-3 weeks in advance

compared to normal patterns. Apart from a few storms with heavy rains, spring weather has been favorable for crop development. Acreage sown to wheat this year declined slightly, as both rapeseed and barley acreage expanded. Wheat production is expected to reach 7.5 MMT in 2014, compared to 7.75 MMT in 2013.

In terms of wheat quality, the percentage of milling wheat versus feed wheat has shifted to the detriment of feed wheat. Favorable weather conditions over the past couple of years, with no excess moisture prior to or during the harvest operation, contributed to this positive development for the Romanian farmers helping them to increase their regional competitiveness through supply of higher quality wheat.

In the absence of bank credit for agriculture in general grain traders consolidate their relationship with farmers through providing advance financing for crop production. Grains traders proved to be reliable partners thus mutual interest partnerships generated positive results as measured by increased delivery of commodities to grain operators. The post-harvesting sequence though does not entirely satisfy farmers, as they lack flexibility with regards to when to market crops since there is a deficit in storage capacity in country. The total storage capacity grew over the past three years by 12 percent to an estimated 18.5 MMT. Despite the upgrading and expansion of storage facilities in recent years, abundant supply in some years creates logistics hurdles for all parties. The rhythm of grains moving into export channels in the first half of the marketing year is very irregular as farmers are caught between an abundance of grains after harvest with limited storage capacity. The trends in wheat production and exports are depicted below.

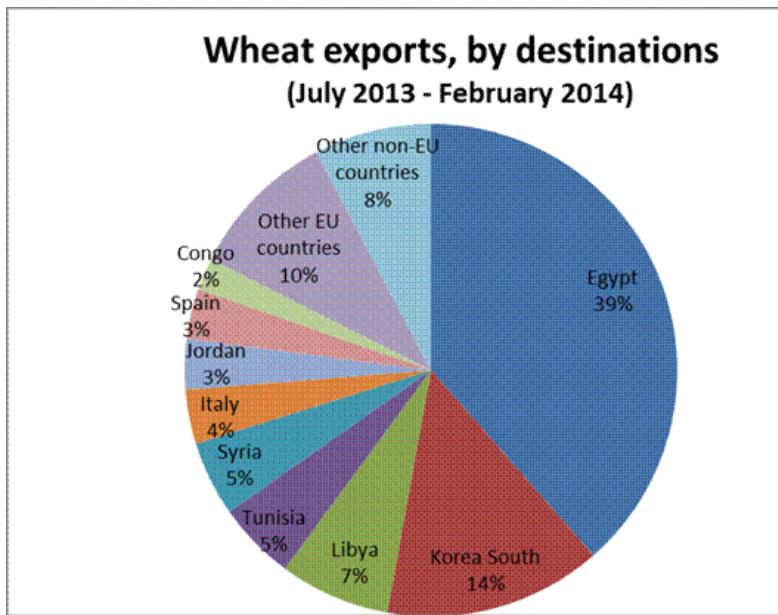


*Source: National Statistics Office, GTA, FAS estimates*

Despite stiff competition from other Black Sea countries Romania is moving stocks into export channels. The structure of wheat exports is diverse with exports going to 38 countries (Diagram

below). The uncertainty of the political situation in Ukraine supported local wheat price and maintained buyers' preference for originating wheat from more predictable sources. Although Romanian exports to Egypt are expected to slow in the second half of the MY 2013/14, additional stocks continue to be found as Romania is price competitive and able to comply with the standards imposed by the Egyptian buying authority.

Consequently, wheat exports exceeded initial forecasts and are now estimated to reach about 4.8 million MT in MY 2013/14. Egypt has been the major market for the Romanian wheat. The non-EU exports are dominated by Egypt over the first eight months of MY 2013/2014 (July 2013–February 2014) capturing about 37 percent of exported wheat (1.6 MMT). South Korea is the second major wheat destination (607,910 MT). Middle East states remain an important market for Romanian wheat, namely Syria (209,224 MT), Jordan (140,596 MT), Turkey (88,764 MT), Israel (88,115 MT), Lebanon (57,560 MT). Apart from South Korea, Romania exported to other Asia countries as well, such as Sri Lanka (88,000 MT), Vietnam (49,438 MT), Philippines (47,662 MT), Japan (40,851 MT), Bangladesh (43,973 MT). The demand from EU countries was satisfied through exports to Spain (140,090 MT), Italy (151,199 MT) and Greece (79,164 MT).



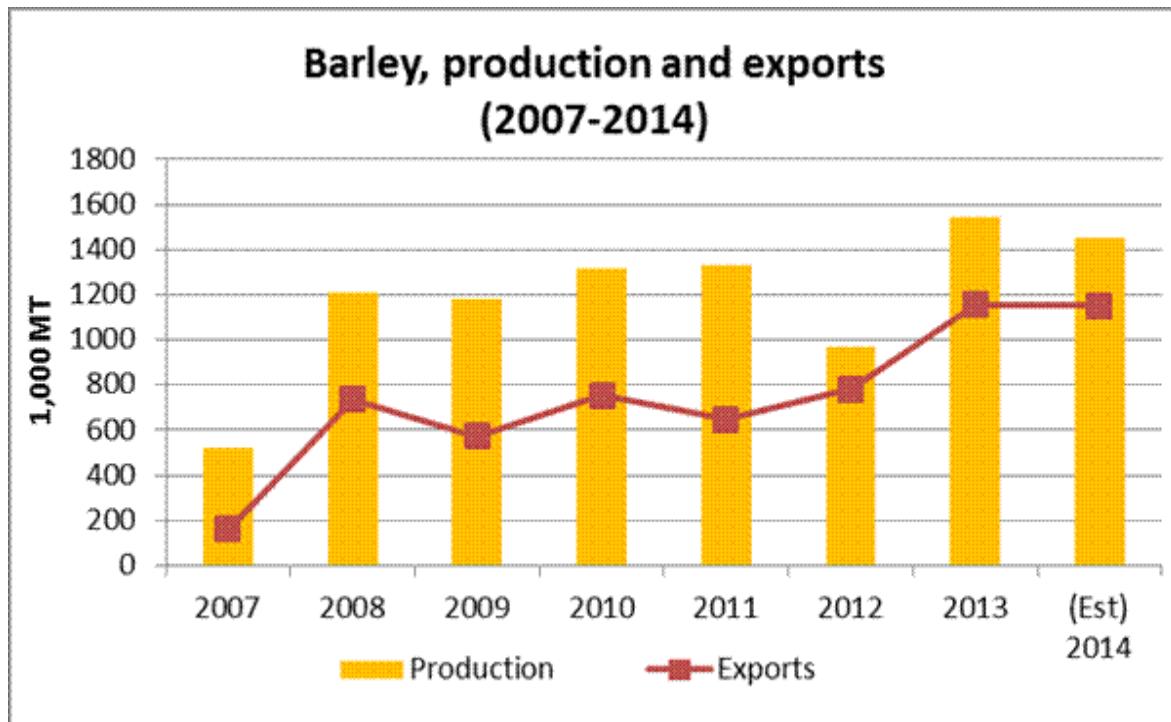
Source: Global Trade Atlas (GTA)

### **Barley – an export-driven crop**

Similar to wheat, barley and winter two-row barley developed well. Based on farmers' intentions to cultivate 520,000 hectares, Post estimates that 2014 production will increase nine percent as compared to the previous year. Post expects slightly lower yields, but above the five-year average, with barley exports remaining at the previous year level of 1.1 million MT in MY 2014/15. It is notable the narrowing gap between the production level and export level, which reflects a declining domestic demand for barley by the beer and livestock industries.

In terms of export markets, Saudi Arabia remains a steady destination for Romanian barley. Sustained by large harvest, exports are projected to reach record levels in MY 2013/14, three quarters of barley

being already exported to Saudi Arabia (751,624 MT), followed by Jordan (88,334 MT), Tunisia (79,406 MT), and Syria (49,834 MT) during July 2013-February 2014.



*Source: National Statistics Office, GTA, FAS estimates*

### Corn – delayed planting, but good development prospects

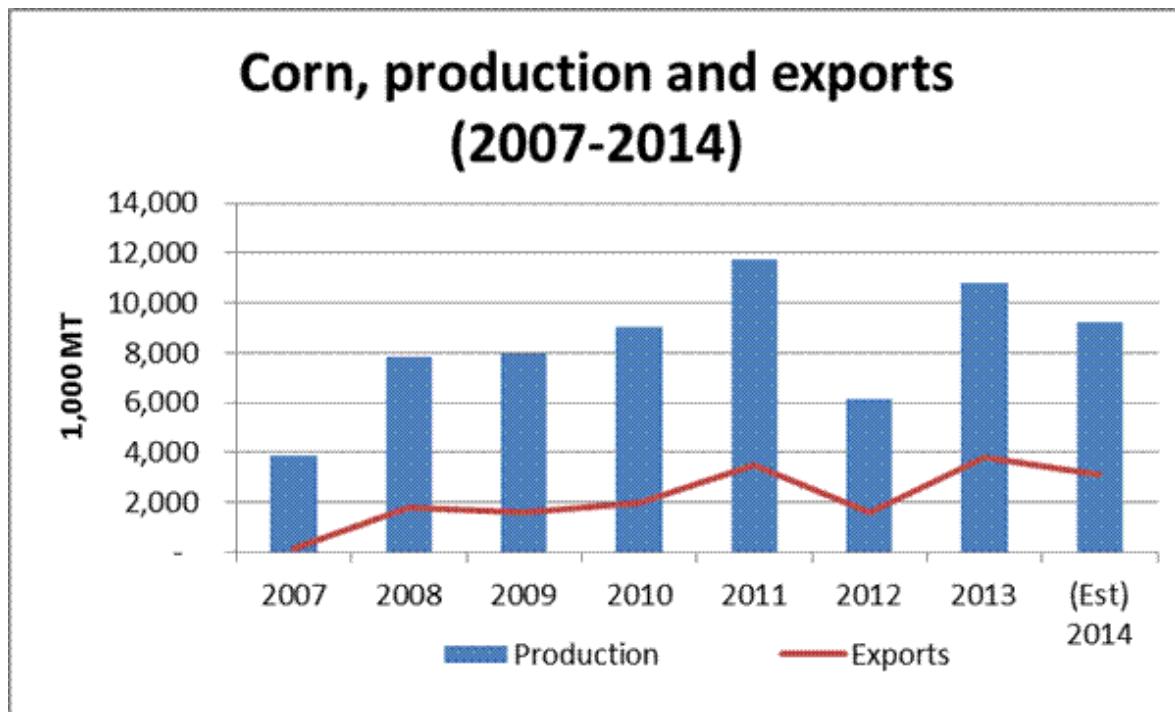
As a result of expanded planting area of rapeseed and barley in the fall and the lower corn prices, area planted to corn is expected to fall slightly in 2014. Heavy and continuous rains between end of March and end of April prevented farmers from accessing fields, especially in the southern and western areas. By contrast, in eastern areas, soil is dry. In isolated areas, farmers are considering replanting corn and sunflower seeds given poor plant emergence. As of mid-May almost 90 percent of the estimated area to be sown had been planted. In terms of productivity, yields are expected to be slightly lower, as the favorable conditions of last year which led to a relatively good average being considered exceptional.

In MY 2014/15 corn production is projected to reach 9.25 MMT, barring a scorching July during the corn pollination period (please see graph below). The production estimate is about 15 percent lower compared to MY 2013/14, when it reached 10.8 MMT with a productivity yield of 4.15 MT/HA.

At the beginning of the planting season, Romanian farmers were concerned about the effect that the EU prohibition of the seeds treatment (neonicotinoides) might have on crops. Nonetheless, Ministry of Agriculture was able to temporarily authorize the utilization of these three insecticides for a limited timeframe and subject to conditions agreed with the seeds companies.

In terms of trade, total corn exports reached 2.5 MMT during the first 5 months of the MY 2013/14 (October 2013-February 2014), split in 60 percent to EU countries and 40 percent to non-EU. The

Netherlands has been a major corn buyer this season (446,375 MT), followed by Egypt (291,511 MT), Italy (248,799 MT), Spain (210,683 MT). South Korea, Israel, Portugal, Hungary, Lebanon, and Morocco are listed as corn destinations.



*Source: National Statistics Office, GTA, FAS estimates*

Higher corn availability for foreign markets is partially due to the declining internal demand by the livestock sector. This is valid not only in case of corn, but also other feed grains, such as barley and feed wheat. According to recent data published by the National Institute of Statistics, the nations' swine inventory dropped in December 2013 by 24 percent compared to 2006, the year before Romania's EU membership. This translates into a reduction of 1.6 million swine over the past seven years, which is reflected in lower corn demand for feeding. The declining trend is observed also in the poultry sector, where the inventory plummeted 6.5 percent over the past seven years, from 85 million birds in 2006 to 79.4 million birds in 2013. After initially experiencing contraction of the national cattle herd after accession, numbers have stabilized in recent years.

#### Minor crops

Areas planted with other crops, such as rye, oats, sorghum, mixed grains, are predicted to remain steady. In MY 2014/15, oat is expected to cover about 180,000 HA (360,000 MT), sorghum about 20,000 HA (45,000 MT) and mixed grains about 65,000 HA (230,000 MT).

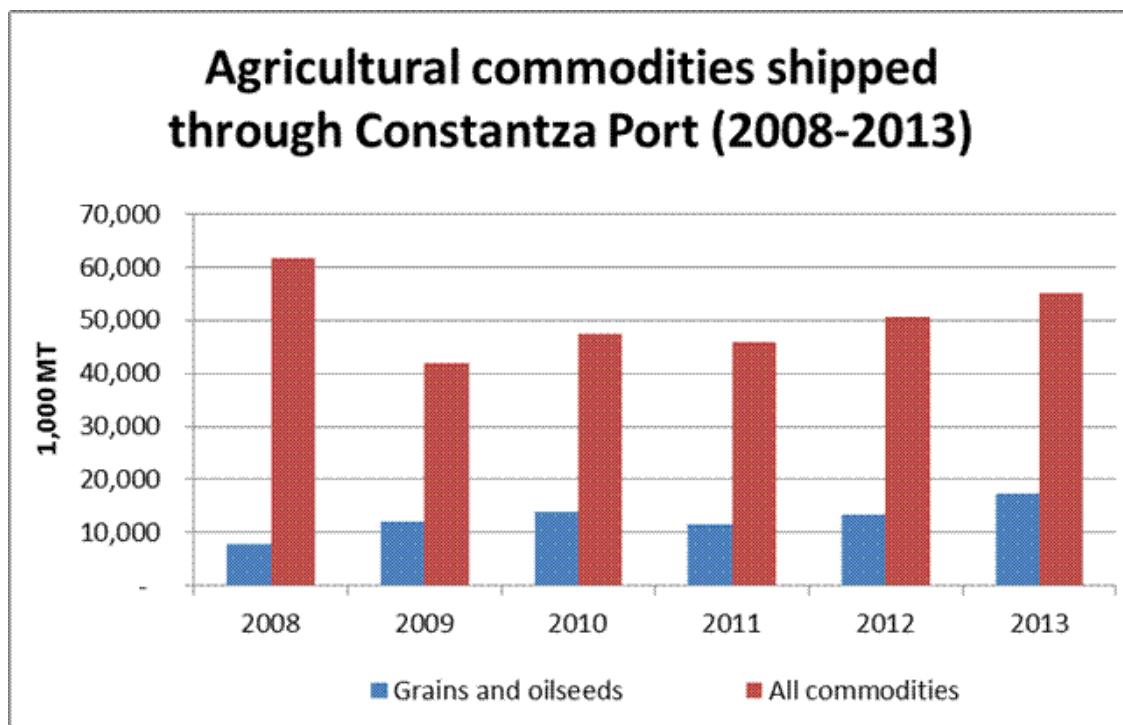
#### Rising grains volumes transiting Constantza Port

Romania's strategic advantage, Constantza Port, has seen a series of positive developments in terms of investments. In parallel with expansion of grains storage and handling in the southern part and the

grains elevators along the Danube River, Constantza Port capacity to handle an increasing grains and oilseeds volume has significantly increased recently.

According to the Port of Constantza authority, the total volume of commodities handled by Constantza Port grew by 4.6 percent in 2013 versus the previous year. Grains and oilseeds volume transiting the Port in 2013 reached 17.2 MMT, reflecting the large harvest not only in Romania but also the neighboring countries shipping via the port (Hungary, Serbia and Bulgaria). Total grains and oilseeds accounted for 31 percent in total commerce volume compared to 27 percent the previous year (Table below).

Agricultural Commodities transit in Constantza Port (2008-2013)						
	2008	2009	2010	2011	2012	2013
<b>Grains and oilseeds (MT)</b>	7,801,831	11,985,738	13,821,815	11,467,220	13,364,640	17,194,664
<b>All commodities (MT)</b>	61,837,716	42,014,178	47,563,879	45,972,095	50,584,662	55,138,057
<b>Grains and oilseeds in total traffic (%)</b>	13	29	29	25	27	31



Source: Port of Constantza Authority