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Oilseed production expected to rebound in Romania

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Report Highlights:

Oilseed planted area is forecast to surge in Marketing Year (MY) 2016/17. Rapeseed area planted in the fall substantially increased and a large output is forecast. In the context of low corn profitability last year, farmers may choose to reduce corn area and replace it with sunflower. Financial incentives in the form of EU coupled support may stimulate farmers to expand further soybean area. Under the assumption of higher yields, Romanian oilseed exports are forecast to climb by 18 percent in MY 2016/17, but remain below the exceptional level of two years ago.

Please Note: This report is to be read in conjunction with the Annual 2016 EU28 Consolidated Report on Oilseeds and Products and provides further information on Romanian market of oilseeds.

General Information:
Executive Summary

The sunflower crop remains the most important oilseed crop in terms of area and production in Romania. Rapeseed crop ranks second followed by soybean in third place. Romanian oilseed crop area is forecast to total 1.65 million HA in Marketing Year (MY) 2016/17, which is almost 8 percent more than last year. Most of the increase is attributed to rapeseed crop expansion. Oilseed production estimate for MY 2016/17 exceeds 3.5 million MT, a 16 percent increase as compared to previous year. As a result of higher seed availability, total meal production is projected at 930,000 MT for MY 2016/17, a 7 percent year-on-year increase. Soybean meal remains at the top of protein meals used by the livestock industry, followed by sunflower meal and rape meal. A higher oilseed crush will generate a boost in oil production whereas oil consumption is predicted to marginally grow in MY 2016/17.

Sunflower seeds

<u>MY 2016/17</u>

A slight increase in the planted area is forecast for MY 2016/17 in response to low corn profitability in the previous year and attractive sunflower grower returns. The area is expected to reach 1.020 million HA which is 2 percent higher than the previous year. Yields are estimated to increase under the assumption of normal weather conditions, leading to a total sunflower seed production estimate of 1.85 million MT. That is a boost of 9 percent in comparison to the previous year, when the crop was impacted by unfavorable weather conditions.

High-oleic sunflower seeds grow in importance as input suppliers stimulate the switching through premiums. Based on industry sources, the area covered with high-oleic hybrids is anticipated to reach 130,000 – 140,000 HA in MY 2016/17.

Crush volume is projected to recover in MY 2016/17 as a result of a higher sunflower seed production. The abundance is estimated to lead to sunflower seed exports close to 1 million MT (5 percent more than the previous season). Sunflower seed utilization for snacks and food industry is expected to continue the upward trend, due to rising consumption of snacks and bakery products containing sunflower seeds.

<u>MY 2015/16</u>

Harvested output is estimated to have been about 15 percent lower than the previous year due to a lack of water and high temperatures in the summer. The crush volume is pegged at 870,000 MT, about 50,000 MT lower than the previous year. Exports are likely to drop by 20 percent, reflecting the reduced supply. Despite existing crushing capacities, strong competition from the Black Sea region puts pressure on the local oilseed processors, limiting the crush. Therefore, a large portion of sunflower seed is exported. According to the trade data available for the first three months of the MY 2015/16, exports declined by 11 percent, with a clear preference for EU countries, such as the Netherlands (172,000 MT), France (81,000 MT), Portugal (74,000 MT) and Spain (53,000 MT) (please see Annex 1 for more specific export data). The major buyers outside European Union were Turkey (32,000 MT) and South Africa (19,800 MT).

Sunflower Meal

Sunflower meal production is foreseen to rise by 8 percent in MY 2016/17 in response to the higher crush. More than half of the sunflower meal production (64 percent) is projected to be exported. During MY 2015/16 the domestic utilization is projected to slightly rise compared to the previous year due to sunflower meal's increasing competitiveness. Trade data available for the first three months of MY 2015/16 show a decline in exports of 17 percent as compared to the same timeframe of last year with the same preference in Romanian sunflower meal exports for non-EU market.

In MY 2014/15 sunflower meal exports reached 308,000 MT, similar to the previous year. Saudi Arabia (53,000 MT), Israel (28,000 MT), Morocco (34,000 MT) and Turkey (13,000 MT) were the major buyers outside European Union. France (57,000 MT), Hungary (40,000 MT) and Italy (27,000 MT) imported sunflower meal from Romania.

Sunflower Oil

Sunflower oil production is directly linked to the crush, so in MY 2015/16 sunflower oil is expected to drop to 373,000 MT, but recover in MY 2016/17 (402,000 MT). Sunflower oil remains the preferred type of oil used for food purpose with over a 90 percent share of all oils. Half of sunflower oil production is used for domestic consumption while the other half is exported.

As a result of the lower sunflower oil production and strong regional competition, exports dropped by 48 percent during the first quarter of the MY 2015/16. During MY 2014/15 Romanian sun oil exports reached a peak of 221,000 MT, the highest level in the past 5 years. Spain (37,000 MT), South Africa (33,000 MT), Italy (32,000 MT) and Turkey (24,000 MT) were the notable buyers.

Rapeseed

<u>MY 2016/17</u>

Grower returns raised interest in the rapeseed crop in the fall. Industry reports suggest an increase in the planted figure of 22 percent as compared to the previous year. Planting conditions for rapeseed were favorable in most regions. Weather conditions allowed plants to develop well and enter the winter in very good condition. The mild winter created the expectation that winter kill remains limited. Similar to previous years, in response to farmers' request, the Romanian Ministry of Agriculture renewed the authorization for neonicotinoides utilization in rapeseed production. FAS Bucharest projects that rapeseed production will reach 1.4 Million MT, 27 percent more than in MY 2015/16, based on current plant development status and the rapeseed planted area of nearly 500,000 HA.

Rapeseed exports are projected to increase by a third, while the crush is expected to grow again driven by the higher biofuel demand. Starting with 2016, the biofuel mandate rose to 6.5 percent from 5 percent encouraging biofuel production.

<u>MY 2015/16</u>

Rapeseed production exceeded the initial estimates of 0.97 million MT for MY 2015/16 so the estimate is revised up to 1.1 million MT. The crush is likely to reach 380,000 MT and exports 750,000 MT. The trade figures available for the first six months of MY 2015/16 (July – December 2015) indicate a drop of 29 percent in rapeseed exports compared to the previous year, reflecting a lower rapeseed supply. The major buyers were Belgium (225,000 MT) and the Netherlands (142,000 MT) which are significant crushers at EU level. Outside the European Union, the main trading partners for rapeseed were Turkey (117,000 MT) and the United Arab Emirates (26,000 MT) (please see Annex for details).

Rapeseed meal

A higher crush will result in higher rapeseed meal production, which is expected to reach 245,000 MT in MY 2016/17, about 10 percent more than MY 2015/16. The export market remains the major goal for rapeseed crushers, the meal remaining underutilized by the livestock industry. Exports are anticipated to increase by 8 percent in MY 2016/17. Trade figures available for the first 6 months in MY 2015/16 show Spain (39,600 MT) as a major buyer within the European Union, while Israel (52,000 MT), Morocco (11,000 MT, Turkey (11,000 MT) and, most recently, Iran (9,000 MT) remain the main destinations for rape meal outside EU.

Rapeseed oil

A larger crush is anticipated to result in a 10 percent higher amount of rape oil. Trade figures for the first six months of the MY 2015/16 show a boost of 11 percent in rapeseed oil exports due to Germany (11,000 MT) and India (10,000 MT). Biodiesel remains the main utilization for rapeseed oil in Romania.

Soybean

<u>MY 2016/17</u>

At the EU level protein crop production only covers 30 percent of the protein consumed as animal feed in the EU, the remaining 70 percent of the protein crops imported. Soybean and soybean products cover the majority of protein needs. In order to stimulate an increase in protein crops, the EU Commission gave Member States the opportunity to support the production of protein crops through coupled support as part of the new Common Agricultural Policy (2014-2020).

Romania has chosen to stimulate farmers’ interest in soybean production through coupled support per hectare which is expected to reach this year 335 Euro/HA (U.S. $368/MT) from 325 Euro/HA (U.S. $358/MT) in MY 2015/16. In order to be eligible for the coupled support, farmers must comply with several requirements: they have to show authorities proof that they own soybean crushing capacity or have signed a contract with a crusher or trader for soybean deliveries. In addition, soybean yield must exceed 1.3 MT/HA. Starting with 2016, only certified seeds can be used for planting in order to be eligible for coupled support. In regard to GM contamination, starting back in June 2015 seeds exceeding the approved contamination level with GM will be denied acceptance for planting.

Soybean area is likely to exceed 130,000 HA compared to 120,000 HA in the previous year. Under the assumption of higher yields, total soybean production is anticipated to grow to 260,000 MT. Soybean import for crush is anticipated to marginally decline in response to higher domestic availability, while the crush will slightly increase to 230,000 MT.

MY 2015/16

As expected soybean area grew to an estimated 120,000 HA from 86,000 HA as a result of including soybeans among the crops eligible for EU coupled support. The level of support is estimated at 325 Euro/HA (U.S. $358/MT), but the final figure depends on the total eligible reported area. About 40 percent of the soybean production is anticipated to be exported, mostly to other EU countries. Trade data for MY 2014/15 show that Italy (2,500 MT), Serbia (2,350 MT) and United States (1,817 MT) were the major soybean planting seeds suppliers to Romania. It is notable for the first quarter of MY 2015/16 soybean imports from the United States in December 2015 reached 67,000 MT, as in general crushers procure soybeans from Brazil or Ukraine (see Annex).

Soybean meal

Soybean meal remains the favorite meal used in the feed ratio in Romania by all livestock sectors. In MY 2016/17 domestic soybean meal production is expected to continue its upward trend as a result of a higher crush. No major changes are expected in regard to soybean meal incorporation into feed ratios given its price competitiveness but temporary replacements might occur with other feeding ingredients, such as wheat, which currently is more competitive in comparison with corn. Soybean meal utilization is projected to marginally decline in MY 2015/16, but recover in MY 2016/17 if it maintains its price competitiveness.

In terms of soybean meal imports, South America remains the major source. Brazil (273,000 MT), Argentina (136,000 MT) and Paraguay (12,000 MT) supplied notable volumes to Romania in MY 2014/15. In MY 2014/15 Romania exported soymeal to other EU member states, such as Bulgaria (96,000 MT) and Netherlands (11,000 MT). Outside European Union, the main destinations for soy meal were Azerbaijan (9,600 MT), Moldova (6,800 MT) and Turkey (6,300 MT). Trade date available for the first quarter of MY 2015/16 reveals Romania imported 14 percent more soybean meal, mainly from Brazil (50,000 MT), Argentina (36,000 MT), Bolivia (25,000 MT), Paraguay (21,000 MT).

Trade Tables

Annex

Romania Export Statistics **Commodity: 1206, Sunflower Seeds, Whether Or Not Broken**

Year Ending September: 2013 - 2015, Year To Date: 10/14 - 12/14 & 10/15 - 12/15							
Partner Country	**Unit**				**Year To Date**		
		2013	**2014**	**2015**	**10/14 - 12/14**	**10/15 - 12/15**	**%Change**
World	T	916,443	1,380,078	1,170,697	628,221	556,872	(11)
Pakistan	T	-	195,485	176,217	176,217	10,000	(94)
Netherlands	T	183,939	151,021	172,304	73,528	171,539	133
France	T	86,061	256,132	158,201	37,305	81,347	118
Hungary	T	60,870	168,919	143,137	72,132	31,133	(57)
Turkey	T	185,205	124,678	103,487	81,118	32,352	(60)
Spain	T	122,954	104,856	98,938	56,505	52,592	(7)
Portugal	T	91,195	108,039	91,105	34,400	74,358	116
Italy	T	78,306	110,756	78,181	29,859	16,894	(43)
Bulgaria	T	6,340	16,923	52,114	12,800	24,377	90
South Africa	T	31,655	90,210	40,523	29,523	19,800	(33)
Other		69,918	53,059	56,490	24,834	42,480	71

Source: Global Trade Atlas

Romania Export Statistics **Commodity: 1205, Rape Or Colza Seeds, Whether Or Not Broken**							
Year Ending June: 2013 - 2015, Year To Date: 07/14 - 12/14 & 07/15 - 12/15							
Partner Country	**Unit**				**Year To Date**		
		2013	**2014**	**2015**	**07/14 - 12/14**	**07/15 - 12/15**	**%Change**
World	T	33,469	486,172	1,047,804	959,484	685,174	(29)
Belgium	T	-	183,722	203,027	203,027	225,728	11
Netherlands	T	18,582	139,253	172,337	170,447	141,608	(17)
Pakistan	T	-	-	142,050	142,050	-	(100)
Turkey	T	24	15,140	121,852	100,764	117,168	16
United Arab Emirates	T	-	-	86,229	86,229	25,874	(70)
Germany	T	5,474	26,145	77,716	52,791	36,018	(32)
Hungary	T	4,807	29,395	68,452	57,191	32,299	(44)
France	T	1,571	34,741	38,955	38,954	83,715	115
Portugal	T	-	-	36,145	36,145	-	(100)
Israel	T	-	5,250	32,239	21,807	-	(100)
Other	T	3,011	52,526	68,802	50,079	22,764	(54.54)

Source: Global Trade Atlas

Romania Export Statistics **Commodity: 1201, Soybeans, Whether Or Not Broken**							
Year Ending September: 2013 - 2015, Year To Date: 10/14 - 12/14 & 10/15 - 12/15							
Partner Country	**Unit**				**Year To Date**		
		2013	**2014**	**2015**	**10/14 - 12/14**	**10/15 - 12/15**	**%Change**
World	T	48,731	37,120	84,155	28,187	36,975	31.18
Turkey	T	-	-	29,452	-	2,386	n/a
Germany	T	3,944	11,490	17,178	10,770	9,478	-12
Italy	T	7,069	4,079	13,800	5,076	3,903	-23.12
Hungary	T	1,619	1,882	8,535	6,049	296	-95.11
Bulgaria	T	1	2	7,049	328	14,725	4393.53
Austria	T	4,386	4,451	2,990	1,773	862	-51.38
Serbia	T	27,748	1,890	-	-	4,500	n/a
Other	T	3,964	13,326	5,151	4,191	825	-80

Source: Global Trade Atlas

Romania Import Statistics Commodity: 1201, Soybeans, Whether Or Not Broken							
Year Ending September: 2013 - 2015, Year To Date: 10/14 - 12/14 & 10/15 - 12/15							
Partner Country	**Unit**				**Year To Date**		
		2013	**2014**	**2015**	**10/14 - 12/14**	**10/15 - 12/15**	**%Change**
World	T	134,500	89,397	109,693	25,831	84,520	227.2
Brazil	T	73,261	9,551	43,222	-	-	n/a
Ukraine	T	38,975	10,315	43,544	21,563	15,561	-27.83
Moldova	T	14,400	14,452	6,438	2,106	655	-68.9
Hungary	T	3,506	2,630	2,555	172	330	91.18
Italy	T	1,598	1,562	2,654	3	27	800
United States	T	1,555	1,502	1,855	-	67,784	n/a
Bulgaria	T	365	1,514	4,772	1,871	53	-97.18
Serbia	T	199	589	2,350	-	-	n/a
Bolivia	T	-	15,512	-	-	-	n/a
Paraguay	T	-	29,920	-	-	-	n/a
Other	T	641	1,850	2,303	116	110	(5)

Source: Global Trade Atlas

End of report