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GAIN Report

Global Agricultural Information Network

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Romania

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Positive prospects for Romanian grain production

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Report Highlights:

Planting conditions for wheat and barley were very good in most regions. The current crop status indicates excellent prospects for the winter crops. Plummeting prices and increasing storage capabilities induced a slow pace of grain acquisitions and exports in the beginning of Marketing Year 2015/16. Grain exports are forecast to rebound in Marketing Year 2016/17 as a result of a 13 percent surge in total grain production. Note: This report is to be read in conjunction with the [Annual 2016 EU28 Consolidated Report on Grains](#) and provides further information on Romanian market of grains.

General Information:

General Information

Romania is an important player in the European Union in terms of planted area with a share of 9 percent. In terms of harvested production, the share is only about 5 percent due to low yields. During Marketing Year (MY) 2015/16 Romanian grain production declined by 16 percent as compared to the previous marketing year mainly because of trimmed corn production. In MY 2016/17 production is forecast to boost by 12 percent to 21 million MT, 1 million MT lower than the peak of 22 million MT recorded two years ago. Higher grain production will translate into higher local supplies available for export, which are estimated to grow in MY 2016/17 by 30 percent.

In terms of crop structure, the corn area is forecast to decline by 4-5 percent in MY 2016/17 in response to a depressed market, while wheat and barley are projected to marginally rise. Other minor crops, such as oats, rye, mixed grains (mostly triticale) and rice are predicted to stagnate. Similar to corn, interest for sorghum is expected to continue fading. Soil moisture level varies across the country. In the absence of adequate precipitation or snow layer during the winter, the moisture deficit deepens in the eastern and north-eastern sides of Romania. Moisture levels in the western, southern and south-eastern areas are adequate. Some areas needed drainage due to excessive soil moisture.

MY 2016/17 starts under the threat of worldwide abundant supply and deteriorating market conditions. Farmers' willingness to sell MY 2015/16 crop at current market prices and grain traders' appetite for grain purchasing remain low, which leads to further stock accumulation.

Weakened farmers' financial capacity to purchase adequate inputs may affect both crop quality and quantity. Current market conditions dominated by low grain prices, along with other factors such as delays in receiving EU subsidies, are likely to play an important role in farmers' buying decisions when it comes to types of fertilizers, planting seeds, pesticides, irrigation or equipment renewal.

In order to finance their operations, farmers have bank loans and supplier credit at their disposal. The share of credit in agriculture in total credits gradually increased from 2.23 percent in 2006 to 2.65 percent in 2009 and reached almost 4 percent in 2015. Given the particularities of the sector, banks attempted to develop special credit programs for farmers in trying to expand their portfolio when opportunities in other sectors fell dramatically, but their efforts were clearly not attractive enough for farmers.

Apart from investment loans, farmers could apply for operational loans until the date of disbursing EU subsidies (which varies from one year to another) based on letters of guarantee issued by the Romanian Agency for Payments and Intervention in Agriculture (APIA). Through these letters, APIA certifies the eligible area for which farmers are entitled to receive subsidies as part of the EU direct payments.

Farmers have also the option of supplier credit, a tool giving farmers access to resources in time to commence the agricultural season, such as planting seeds, pesticides, or fertilizers. Over time this option proved to be a valuable financing method for farmers. This year the depressed market eroded the

financial situation of many farmers making the operating environment for all parties less predictable. This development will make input suppliers reduce their market exposure.

As a solution to compensate the low interest in financing the agricultural sector, Ministry of Agriculture recently announced a plan for establishing a credit fund that would ease farmers' access to financial resources, especially applicants for EU funds. The Ministry of Agriculture is planning to propose legislation in this regard, the fund being expected to become functional before the end of this year. This road is being pursued as a result of Romania's failure to absorb EU funds pertaining to the financial framework (2007-2013) and returning more than U.S. \$1 billion to the European Union due to the lack of co-financing for agricultural projects.

In the context of a dry summer affecting the spring crops, Romania's request to disburse compensations was approved by the EU Commission in late fall. The measure revitalized the discussion regarding the need to establish a Mutual Fund and the need to improve the current irrigation system. According to the farmer community, the current legal framework does not allow them to establish Mutual Funds in the manner they would want. The latest proposal consists of a single Mutual Fund where farmers' participation would be compulsory. This way the budgetary efforts would decrease as compensation for crop damages would be covered from funds collected during years with favorable production conditions.

Concerning irrigation, there are plans to modernize the main irrigation infrastructure. In Romania the irrigation system is operational on 800,000 hectares, which is less than 10 percent of total arable land. According to recent data published by the Ministry of Agriculture, irrigated area dropped in 2015 to about 100,000 HA of the total of 330,000 HA contracted for irrigation. In regions where irrigation is available, high water and energy prices remain the main factors preventing farmers from actually irrigating.

WHEAT

MY 2016/17

The area sown with winter wheat in the fall of 2015 is estimated almost 1 percent higher than the previous year at 2.1 million HA. In some regions, farmers had difficulties in planting wheat during the most favorable window due to either lack of rainfall or high moisture and farmers feared they would be unable to plant in time so that the plants would grow strong enough to survive the winter. Nevertheless, conditions changed allowing farmers to finalize the soil preparation and wheat sowing in time. Spring wheat only covers a very small share of total wheat area.

Wheat and barley plantings were encouraged by the good planting conditions and previous year's yields. Winter conditions have not been a concern for farmers although the final winter days brought temperatures above the normal level placing a certain degree of risk on the winter crops in case of a late frost. Except the north-eastern part of Romania where the rainfall was less satisfactory deepening the already existing moisture deficit, farmers assess wheat development status as being very promising. FAS Bucharest pegs wheat production at 7.9 million MT in MY 2016/17, about 4 percent more than the previous marketing year.

In terms of exports, the volume is set to rise in accordance with the rise in production growth. Romania exports a large proportion of wheat outside the European Union. Only in cases when northern Europe has a wheat deficit does Romania become a source. Wheat exports are forecast to increase year-on-year by 25 percent in MY 2016/17.

Feed consumption is predicted to fall compared to MY 2015/16, when feed-compound producers found wheat more competitive than corn. Food consumption is to remain stable.

MY 2015/16

Despite general market expectations for lower yields due to the dry sowing conditions in the fall and wetness in the spring, wheat harvested production was higher than initially estimated. Consequently the estimate was revised up to 7.6 million MT.

The export pace is normally very good after harvesting as farmers need the storage capacity for spring crops, but this year’s rhythm of wheat exports was very low. Disappointed with the price level, farmers were reluctant to sell hoping for an improvement in market conditions. In addition, there was no pressure to sell as prospects for lower corn and sunflower seeds production were looming.

According to the trade data available for July – December 2015, wheat exports to the European Union reached a similar level to the previous year. The large drop in wheat exports occurred for destinations outside European Union, wheat exports falling by 46 percent from 2.87 million MT during the previous year framework to 1.56 million MT. The fall may be attributable to strong competition from Black Sea region (Ukraine and Russian Federation) and abundant supply in the EU. Wheat exports to Egypt fell by 32 percent, to Jordan by 41 percent, to Libya by 78 percent, to Turkey by 100 percent (see Annex 1). Although farmers are expected to accelerate the rhythm of selling during March and April, it is unlikely year-on-year export volume will reach the same level as the previous year. FAS Bucharest estimates wheat exports will not exceed 3.8 million MT, a drop of 23 percent year-on-year.

Wheat’s strong competitiveness in relation with corn favors more wheat utilization in the animal feed ratio, leading to a higher than estimated feed consumption. The reduced wheat export level is not being offset by higher domestic utilization and will reflect into a higher carryout level at the end of MY 2015/16. The table 1 below provides wheat production, trade and consumption (food, seeds, industrial, feed) figures for the past MY three years.

Table 1 - Romania, Wheat Production, Trade, Consumption

Romania	2013/14	2014/15	2015/16	
Marketing Year (MY) Begin	July, 2013	July, 2014	July, 2015	

Area	2,100	2,109	2,080	(000) HA
Production	7,850	7,700	7,600	(000) MT
MY Imports	854	896	765	(000) MT
MY Exports	5,037	4,896	3,650	(000) MT
Total Consumption	3,670	3,780	4,230	(000) MT

Source: National Institute of Statistics, Global Trade Atlas, FAS estimates

CORN

MY 2016/17

In response to low profitability and reduced yields in MY 2015/16 because of a lack of rainfall and high temperatures during the critical development phase, planted corn area is foreseen to drop by 4-5 percent in favor of sunflower and rapeseed plantings.

Given corn's sensitivity to insect attacks, derogation to use neonicotinoid pesticides remains an important factor in planting decisions. As neonicotinoids remain prohibited EU-wide, Romanian farmers appealed again to the Ministry of Agriculture for approving another derogation for neonicotinoid utilization for corn and sunflower. The previous derogation had been granted last July for the rapeseeds crop. Ministry of Agriculture consulted with seed companies, farm leaders and honey producers regarding neonicotinoid utilization and in the beginning of February the derogation was granted. In the farmers' opinion, such a derogation is crucial for sustaining farmers' efforts in fighting the insect attacks, while bee keepers oppose such a measure claiming they suffered massive bee colony depopulation as a result of these pesticides' utilization.

According to the provision for neonicotinoid utilization, the substances will only be used in areas with high potential for infestation. Only companies endowed with adequate machinery that minimize the dust spreading are allowed to use the approved chemicals. All treated areas are to be properly marked with the sign "Corn/Sunflower crops treated with... (name of the neonicotinoid)". In addition, it is mandatory that farmers notify in time the city halls as well as the bee growers in the area about crops to be treated. Companies marketing these products must regularly update the Ministry of Agriculture regarding the sold amount.

Based on the forecast for a lower planted area but higher yields, FAS Bucharest anticipates that corn production will increase by 23 percent in MY 2016/17 against the previous year. This level remains below the excellent output recorded two years ago. Corn exports are predicted to expand by 60 percent while stocks are expected to continue to accumulate.

MY 2015/16

Weather conditions have significantly affected the corn crop in MY 2015/16. Prolonged heat waves negatively impacted the pollination process reducing yield potential while a lack of rainfall led to plant dryness. Farmers claimed yield losses ranging from 10 to 50 percent. Areas in the west, north-west and north-east were more affected than areas in the south, the largest corn producing area. Corn harvesting started much earlier than usual in some regions, overlapping with sunflower crop harvesting. In other

regions the harvesting process finished late because of continuous rainfall. Farmers had difficulties in ensuring the needed machinery for all works, as this process coincided with soybean harvesting and wheat sowing.

FAS Bucharest pegs corn production at 8.5 million MT, 27 percent lower than the previous season. Lower corn production led to reduced export availabilities and exports are projected not to exceed 2.5 million MT, compared to 6.1 million MT in the previous MY. Farmers expected a higher corn price at the moment of harvesting due to the limited supply, but strong competition from Black Sea neighbors and the worldwide market situation prevented prices from going up. As a consequence, farmers placed corn in storage hoping for improved market conditions.

Trade data available for October – December 2015 indicates a drop of 43 percent in total exports (Annex 2). The decline is equally distributed between EU and non-EU destinations. Exports to Spain dropped by 52 percent, Egypt by 61 percent, Netherlands by 56 percent.

Animal feed use is anticipated to decline in response to wheat competitiveness, while biofuel utilization will drop to half as a result of financial difficulties encountered by the major bioethanol producer in Romania. Stocks are expected to climb by 10 percent at the end of MY 2015/16. The table below provides corn production, trade and consumption (food, seeds, industrial, feed) figures for the past three MY years.

Table 2 - Romania, Corn Production, Trade, Consumption

Romania	2013/14	2014/15	2015/16	
Marketing Year (MY) Begin	October, 2013	October, 2014	October, 2015	
Area	2,526	2,550	2,625	(000) HA
Production	10,800	11,600	8,500	(000) MT
MY Imports	240	1,756	1,240	(000) MT
MY Exports	3,481	6,100	2,500	(000) MT
Total Consumption	6,875	7,365	7,015	(000) MT

Source: National Institute of Statistics, Global Trade Atlas, FAS estimates

BARLEY

MY 2016/17

Barley area is foreseen to rise by nearly 4 percent due to high profitability and good yields recorded during MY 2015/16. Barley is a commodity produced mostly for export, the internal demand absorbing less than 25 percent of the local production. Beer-industry demand is covered from two-row barley. The barley crop passed through similar developments as wheat did in the fall of 2015 with good planting conditions and a low risk of winter kill due to mild winter. Farmers reported barley being in a very good shape. FAS Bucharest estimates barley production will reach almost 1.8 million MT (7 percent increase). The foreign market – especially Saudi Arabia for feed- is the main driver for barley production.

MY 2015/16

Similar to wheat, barley production was not significantly affected by spring wetness. Harvested production is estimated to have reached 1.65 million MT. Exports started at a rapid pace after harvesting, about half million MT of barley being exported in the month of July, mainly to non-EU countries. The trade data available for the first semester of the MY 2015/16 indicate that Saudi Arabia remains the preferred market (601,000 MT), followed by Jordan (173,000 MT), Lybia (153,000 MT), Japan (130,000 MT) and Tunisia (79,000 MT). Export figure is expected to remain at a similar level to the previous year.

Table 3 - Romania, Barley Production, Trade, Consumption

Romania	2013/14	2014/15	2015/16	
Marketing Year (MY) Begin	July, 2013	July, 2014	July, 2015	
Area	500	512	480	(000) HA
Production	1,550	1,800	1,650	(000) MT
MY Imports	177	184	458	(000) MT
MY Exports	1,055	1,709	1,670	(000) MT
Total Consumption	550	375	415	(000) MT

Source: National Institute of Statistics, Global Trade Atlas, FAS estimates

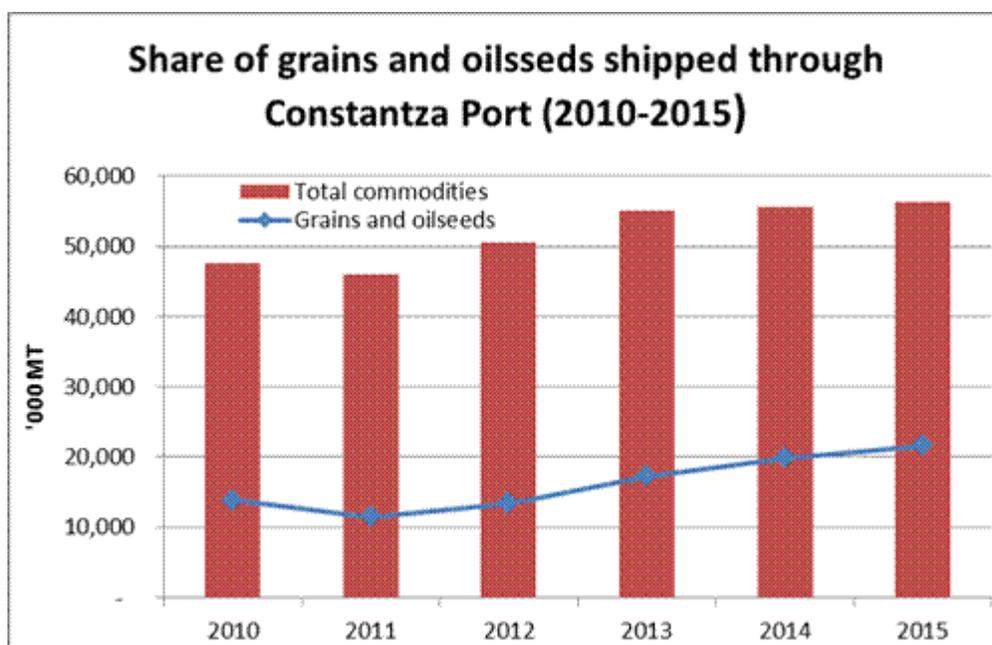
Minor crops

The area planted with minor crops is anticipated to stagnate. Oats is predicted to cover in MY 2016/17 around 160,000 HA, rye 9,000 HA, mixed grains (mostly triticale) 82,000 HA, rice 11,000 HA, while sorghum is expected to continue declining to 14,000 HA. Given the small volumes, these crops are traded internationally only occasionally.

Constantza Port strengthens its position as a main gate for grain exports

Storage capacity in Constanta Port is continuously under expansion. Current storage capacity is estimated at 1 – 1.5 million MT of grains. Several large grain traders announced plans to develop new capacities or upgrade the existent ones, in the context of positive perspectives on agricultural commodities in Romania and the region. Constantza Port is the main gate for exports not only sourced from Romania, but its neighbors Bulgaria, Hungary, and Serbia.

According to the data published recently by Constantza Port Authority, grain and oilseed volume shipped through the port increased in 2015 by 8 percent (by 1.7 million MT), the share in total commodities growing from 36 percent in 2014 to 38 percent in 2015 (please see the graph below).



Source: Constantza Port Administration

Trade tables

Annex 1

Romania Wheat Export Statistics Commodity: 1001, Wheat And Meslin							
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	2,750,336	5,005,970	4,875,842	3,580,174	2,259,612	-36.89
Egypt	T	595,139	1,947,958	1,489,812	1,017,792	687,562	-32.45
Spain	T	242,864	161,498	337,787	317,479	356,058	12.15
Jordan	T	221,654	140,596	654,708	561,538	328,542	-41.49
Libya	T	217,160	409,289	247,605	93,009	20,559	-77.9
Italy	T	194,711	194,291	202,384	158,681	128,781	-18.84
Syria	T	133,003	209,224	27,500	27,500	24,435	-11.15
Lebanon	T	112,459	69,468	54,265	34,022	-	-100
Greece	T	102,130	110,358	87,943	61,779	68,868	11.47
Turkey	T	93,413	97,116	176,919	122,544	97	-99.92
Netherlands	T	53,814	22,312	55,302	46,314	39,105	-15.57
United Kingdom	T	42,093	30,267	22,089	15,265	37,608	146.36
Germany	T	41,865	48,100	23,501	20,405	10,584	-48.13
Nigeria	T	30,200	22,000	27,403	27,403	-	-100
Tunisia	T	15,976	240,244	174,675	53,092	62,566	17.85
France	T	14,405	22,212	28,602	22,543	37,227	65.14
Israel	T	10,456	88,115	163,027	117,272	32,897	-71.95
Bangladesh	T	0	43,973	153,996	52,500	-	-100
Djibouti	T	0	-	181,841	162,141	63,411	-60.89
Indonesia	T	0	-	54,497	54,497	-	-100

Ethiopia	T	0	46,686	98,163	98,163	115,852	18.02
Japan	T	0	40,851	21,567	21,567	7,975	-63.02
Korea, South	T	0	607,910	80,533	80,533	-	-100
Qatar	T	0	-	20,990	-	-	n/a
Philippines	T	0	47,662	103,387	103,387	-	-100
Sudan	T	0	-	195,750	142,600	-	-100
Vietnam	T	0	49,437	105,488	105,488	62,613	-40.64
Others	T	628,994	356,403	86,108	62,660	174,872	179.08

Source: Global Trade Atlas

Romania Corn Export Statistics							
Commodity: 1005, Corn (Maize)							
Year Ending September: 2011 - 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	1,596,010	3,484,256	6,071,388	2,203,042	1,256,929	(43)
Korea, South	T	221,879	117,656	599,877	126,582	-	(100)
Iran	T	182,313	43,932	251,072	-	-	n/a
Netherlands	T	155,260	555,242	782,927	361,091	160,404	(56)
Egypt	T	131,882	311,834	466,160	160,797	62,638	(61)
Spain	T	128,316	229,364	1,047,956	522,792	253,004	(52)
Lebanon	T	116,869	128,226	158,540	62,810	72,494	15
Italy	T	92,213	398,849	410,549	245,358	158,152	(36)
Turkey	T	77,847	209,644	652,975	176,256	104,585	(41)
Belgium	T	74,607	47,250	129,595	-	38,272	n/a
Libya	T	64,058	66,352	143,177	58,604	3,350	(94)
Israel	T	61,875	157,853	191,323	8,200	58,996	619
Hungary	T	53,451	131,303	69,249	44,728	7,897	(82)
Germany	T	33,372	71,757	66,863	40,729	5,088	(88)
Cyprus	T	32,925	36,535	69,758	31,226	35,497	14
Greece	T	12,817	89,918	146,266	88,330	40,464	(54)
Tunisia	T	11,000	51,747	94,316	-	-	n/a
Syria	T	3,056	88,742	95,947	24,050	5,042	(79)
Portugal	T	6	126,771	271,668	140,082	37,143	(73)
Ireland	T	-	34,718	131,632	27,304	75,276	176
Others	T	142,264	586,563	291,538	84,103	138,627	64.83

Source: Global Trade Atlas

End of report