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Romania's grains export availability set to fall

Report Categories:

Grain and Feed

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Report Highlights:

Excessive dryness in some areas or substantial rainfall in others prevented farmers from planting winter crops in optimal conditions, which resulted in wheat and barley area declines. Spring heavy and continuous rainfall delayed agricultural work reducing the growth potential for winter crops. Low temperatures and rainfall are delaying corn plantings. Prospects for lower yields are expected to reduce Romania's export capacity for wheat, corn and barley by 12 percent in MY 2015/16. Abundant grains in MY 2014/15 generated another boost of Romanian grain exports.

General Information:

Romania ranks fifth in terms of area planted under grains among the EU member states. In the same time, Romania registers one of the lowest crop yields in grain production in the EU. Highly fragmented land and limited access to credit contribute to preventing farmers from applying improved technologies with valuable inputs, with impact on farm productivity.

The latest statistical information (December 2014) reveals that in terms of farm size, some progress has been achieved. The total number of agricultural operations declined over the past 3 years by 6 percent, which reflects a consolidation trend. Although the average agricultural area per holding grew from 3.45 hectares/holding in 2010 to 3.6 hectares/holding in 2013, it remains low in comparison to other EU member states. The total number of commercial holdings had the same downward trend, declining from 31,000 to 28,000 (by 11 percent).

In general, banks' appetite for agricultural credit has been lower in comparison to other sectors. In the past few years, a positive movement was observed as banks developed special credit programs for farmers in trying to expand their portfolio when opportunities in other sectors have fell dramatically. In getting credits, farmers may use as collateral letters of guarantee issued by the Paying Agency certifying the amounts farmers would be entitled to receive as part of the EU support. As part of the National Rural Development Plan, the Ministry of Agriculture is considering making this facility available also to non-financial institutions. In general, such institutions are more flexible and adapted to farmers' needs in terms of credit. This move may increase the access to credit and enlarge the number of borrowers.

Another factor playing a role in crop productivity is the low level of fertilizer use. According to recent estimates, Romanian farmers used only about half of the EU average amount of fertilizers in grain and oilseed production. Therefore, in the future this may be another factor contributing to reducing the gap between Romanian crop yields and EU average.

In terms of seed quality, Romanian farmers use in a significant extent saved seeds, which impacts the crop productivity. Recently approved regulations on EU coupled support makes the utilization of certified seeds mandatory for farmers applying to this type of support. The crops which are eligible for coupled support are the following: soybeans, alfalfa, peas and beans for processing, hemp, rice, potato seeds, hops, sugar beet, along with a range of fruits and vegetables. In some cases, the Ministry of Agriculture went even further imposing a minimum percentage of domestically produced seeds (for instance 5 percent for vegetables). In addition, starting with this year, the Ministry of Agriculture is encouraging local farmers seeking EU funding to use domestic seeds, by granting higher points in the process of project assessment. This initiative is driven by the aim to stimulate the utilization of locally produced seeds and improve the activity of local research institutions, which remain underfunded and inadequately equipped for undertaking major research projects.

In MY 2014/2015 total grain production exceeded the amount of 21.7 million MT, a surge of 4 percent compared to the previous year, but it is predicted to fall by 8 percent in MY 2015 /16 due to weather concerns.

WHEAT

<u>MY 2015/16</u>

In the fall of 2014, excessive dryness in some areas or substantial rainfall in others prevented farmers from planting wheat in optimal conditions, which resulted in wheat planted area decline. Further on, inadequate planting conditions led to deficient plant emergence and lack of uniformity. Over the winter, the snow blanket offered a good shield from frosts to winter wheat in most regions. Springtime was very rich in rainfall leading to flooding in isolated areas in the southern and eastern parts of Romania. Excessive moisture prevented farmers from applying the needed plant treatments, increasing the risk of disease development. In areas confronted last year by field rat invasions, rainfall decreased the intensity of attacks. Overall wheat fields are in good shape. Nevertheless, wheat production is predicted to drop by 12 percent (please see graph below), based on area reduction and the expectation for lower yields due to weather conditions and insufficient capital resources. Export availability is forecast to decline accordingly. Food consumption is to remain stable, while feed use is predicted to fall again in favor of other feed ingredients.

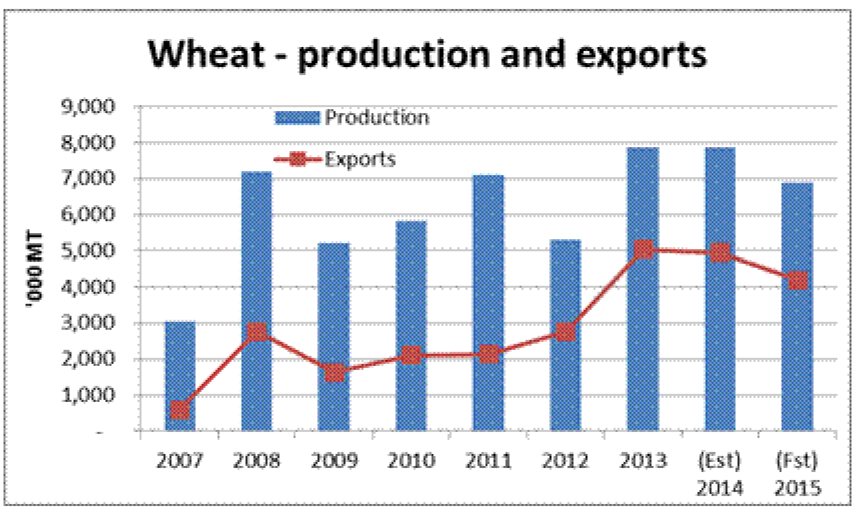
MY 2014/15

In 2014, Romania ranked fifth among EU members states in terms of wheat area and production, with one of the lowest yields although a slight increase was observed the past couple of years. Applied technology, access to good-quality inputs along with weather conditions are the major factors impacting the production level.

Spring weather conditions had been very favorable to wheat development. Harvesting conditions were less favorable though due to continuing rainfall which generated some quality issues. In terms of volume, the wheat production estimate is lower than projected earlier (please see graph below). In terms of quality, despite the expectations of lower wheat quality issues to large extent, tests conducted by the Institute for Food Bio resources on wheat samples revealed that about 72 percent of the wheat samples had gluten percentage above 22, about 35 percent of the samples had test weight above 78 percent while about 56 percent of the samples showed a protein level of above 13 percent.

Confronted with a high abundance of grain and a limited storage capacity (despite the investments made into this field), the rhythm of exports was rapid in the first part of the year. According to some Romanian analysts, only 20 percent of the crop production is sold before the harvesting time, compared to western countries (Germany, France) where the percentage is close to 50 percent. In general, the peak sale in Romania is the harvesting time.

Year-on-year level, wheat exports are projected to reach 4.95 MMT, slightly lower compared to the previous year. The preference for supplying non-EU countries is maintained. According to the seven-month available trade date Egypt was the leading destination with 1.14 MMT (1.28 MMT in the previous year), followed by Jordan with 602,000 MT (140,000 MT the previous year). Other significant export markets were Spain, Italy, Djibouti, Sudan, Turkey (please see Annex 1 for more details).



Source: National Statistics Office, Global Trade Atlas, FAS estimates

CORN

MY 2015/16

The gap left by a lower wheat area and winter barley in the fall is likely to be partially taken by corn, thus corn area is forecast to increase from 2.5 million HA to 2.7 million HA. Farmers' fears of not being allowed to use corn seeds treated with insecticides from the class of neonicotinoides vanished in the beginning of March, when Romania notified the European Commission about their use. This is the second year Romanian farmers are allowed to use the EU-wide prohibited chemicals, as some regions are very prone to strong insects attacks.

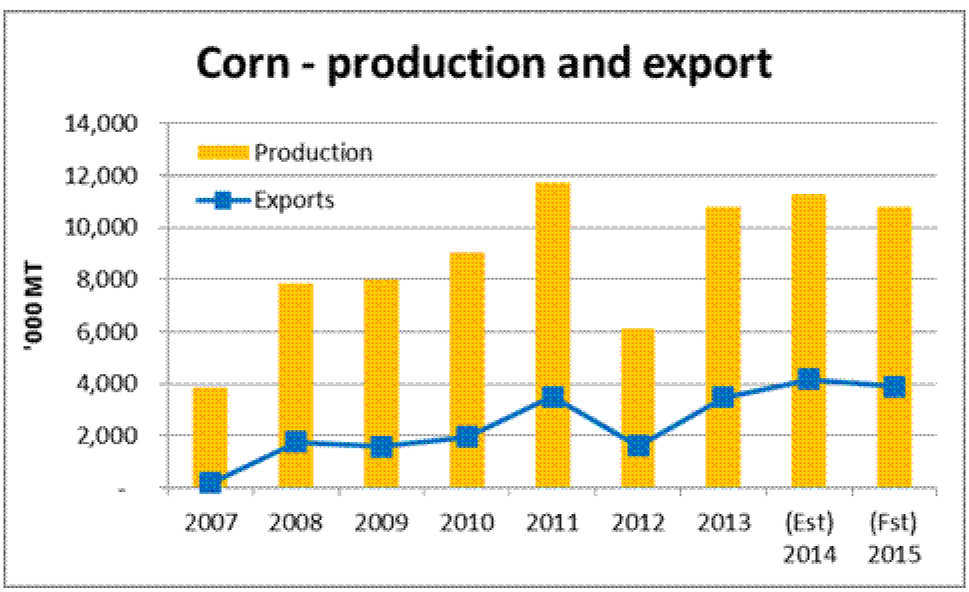
The wet spring is delaying the corn plantings, with some area seeing farmers unable to access the fields until the beginning of April. Dry weather in April and warm temperatures allowed farmers to commence corn planting. Romania remains by far the leader among EU-28 countries in terms of corn planted area and ranks second in terms of corn production. Despite tremendous progress recorded at the level of commercial farms, average corn yield remains at the lowest level among the EU corn producing countries. One of the factors which keeps productivity low is the utilization in large extent of non-certified seeds in the back-yard sector. Total output is predicted to fall in MY 2015/16 by 4 percent due to expected lower yields.

MY 2014/15

In 2014 corn production estimate was revised up to 11.3 MMT, which is 2.5 percent higher than the previous estimate. Temperate climate with no episodes of very hot temperatures during the pollination time and good rainfall allowed plants to develop well. Delayed ripening in some cases corroborated with unfavorable harvesting conditions (excessive moisture) at the time of harvesting, causing some farmers to leave the corn in the field over the winter. Low market prices and high kernel moisture were additional factors to contribute to this decision. Harvesting delays allowed for some cost saving in terms of drying, transportation and storage. In the fall the moisture level was 22-24 percent or even 30 percent in some isolated areas, while in late winter the percentage went down to 19 percent.

Corn exports are anticipated to continue rising at year-on-year level, trade data available for the first four months of the current MY 14/15 indicating that corn exports rose by 18 percent. Unlike wheat which is less competitive on the European Union market, corn has been exported mainly to European countries due to its competitiveness. Spain (616,000 MT), Netherlands (409,000 MT), Italy (283,000 MT) and Portugal (147,000 MT) were the major EU buyers, but Romanian corn reached also Turkey (270,000 MT), Egypt (200,000 MT), South Korea (190,000 MT), Libya (69,000 MT) and Lebanon (68,000 MT).

Domestic animal feeding is expected to improve considering the low corn prices, although the current context of dairy and meat market (Russian Federation trade restrictions, EU milk quota elimination) does not favor inventory expansion, putting additional pressure on stocks.



Source: National Statistics Office, Global Trade Atlas, FAS estimates

Romania has preserved its position among the EU countries adopting modern agricultural biotechnology. Biotech corn planted area reached 771 hectares in 2014, slightly lower than 834 hectares recorded in 2013.

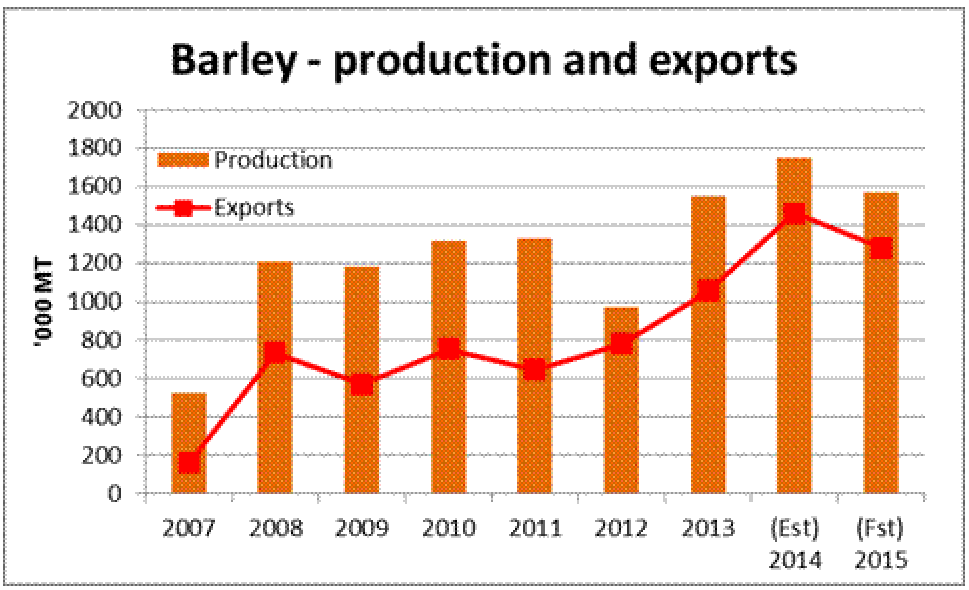
BARLEY

<u>MY 2015/16</u>

The barley crop passed through similar challenges as wheat did in the fall of 2014, thus winter barley was planted on a smaller area. Part of the gap is expected to be covered by spring two-row barley but overall, the area will marginally fall. Farmers reported barley being in good shape, with no severe winter kill. Similar to other crops, yields are projected to decline this year, leading barley production to fall by 10 percent. The foreign market – especially Saudi Arabia - is the main driver for barley production.

<u>MY 2014/15</u>

Barley yields increased by 3.2 percent reaching 3.2 MT/Ha in 2014 compared to 3.1 MT/HA last year. Total output is estimated to reach the record level of 1.75 MMT. During the first 7 months of trade, more than three quarters of barley was exported to Middle East countries and Northern Africa. Saudi Arabia is the top market for Romanian barley (485,000 MT), followed by Jordan (312,000 MT), Libya (105,000 MT) and Tunisia (79,000 MT). In terms of internal utilization, feed use is expected to fall as barley price remains high in comparison to other feed ingredients for livestock producers.



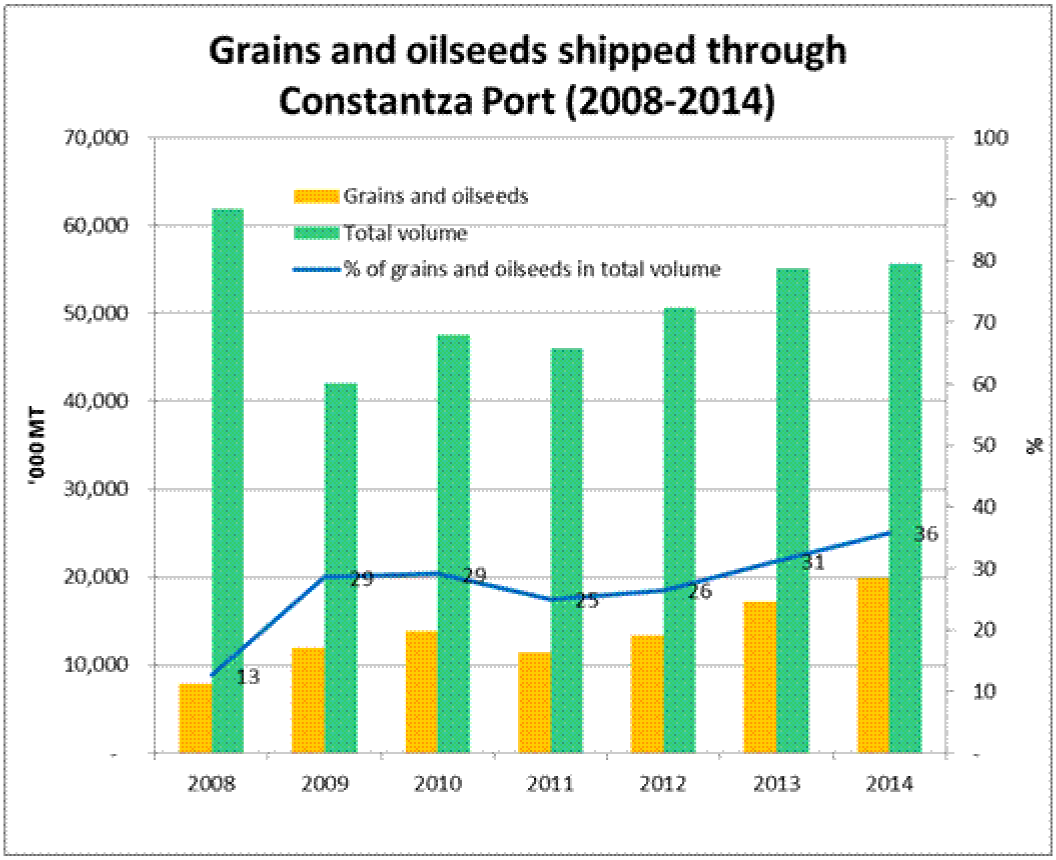
Source: National Statistics Office, Global Trade Atlas, FAS estimates

Minor Crops

The area covered with minor crops is expected to stagnate. Production is mostly used domestically, being subject to trade only in a small extent. The oat crops is estimated to cover in 2015/16 an area of 185,000 HA (350,000 MT), mixed grains 72,000 HA (250,000 MT), sorghum 19,000 HA (50,000 MT) and rye 10,000 HA (24,000 MT).

Port Constantza benefits from another boost in grains exports

Positive medium and long-term perspectives for Romanian agriculture and the increasing volumes exported through Constantza Port attracted the most important players in the market. Abundant supply of grains and oilseeds in Romania and other countries, such as Bulgaria, Hungary, and Serbia, is reflected in the increasing volumes shipped on the Danube River up to Constanta Port for export. According to the data published by the Constantza Port Authority, grains and oilseeds shipped through the port increased in 2014 by 16 percent (2.7 million MT), the share in total commodities growing from 31 percent in 2013 to 36 percent in 2014 (please see the graph below).



Source: Constantza Port Administration

Annex 1

Wheat major export destinations, Romania
(July 2014 – Jan 2015)

Partner Country	Unit	Quantity			% Change
		2013	2014	2015	2015/2014
World, of which	T	1,686,284	3,914,276	3,815,119	- 2.53
Egypt	T	488,498	1,281,897	1,143,792	- 10.77
Jordan	T	47,500	140,596	602,208	328.33
Spain	T	236,329	140,088	317,481	126.63
Italy	T	144,802	148,186	164,675	11.13
Djibouti	T	-	-	162,141	0.00
Sudan	T	-	-	142,600	0.00
Turkey	T	45,033	88,764	136,944	54.28
Israel	T	10,456	83,308	132,628	59.20
Libya	T	38,090	259,964	116,116	- 55.33
Vietnam	T	-	49,437	105,488	113.38
Philippines	T	-	47,662	103,387	116.92

Ethiopia	T	-	46,686	98,163	110.26
Korea South	T	-	607,910	80,533	- 86.75

Source of Data: Global Trade Atlas