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Romania

Grain and Feed

Annual

2005

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Report Highlights:
Although anticipated to export over 1 million MT of corn and about the same amount of wheat by the end of the MY 2004/05, Romania's grain exports remained disappointingly modest until the end of January 2005. For wheat, high domestic bids compared to the international prices made the Romanian product practically non-tradeable internationally. For a second consecutive year, perspectives for Romania's cereal production are very optimistic in the major growing regions, but it is clear that the agricultural sector is required to rapidly adapt itself to the new regulatory framework of EU, to thus ensure the sustainability of trade performance and economic growth.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
Sofia [BU1]
[RO]

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PRODUCTION

After last year's bumper crops in all grains and oilseeds, perspectives for Romania's cereal production are again very optimistic in the major growing regions. According to GOR Ministry of Agriculture's official estimates, area planted to wheat in the fall of 2004 reached 2.4 million HA, while winter barley was sown on almost 234 thousand HA and two-raw barley on 60 thousand HA, most of the works being performed under normal moisture and temperature conditions. A long fall with high temperatures and below average rainfalls increased the mice population, although the Ministry of Agriculture, which took measures to reduce the pest pressure, states that damages in grain fields are below 10 percent. Such weather allowed farmers to perform late wheat and barley sowing, which resulted in increases in areas planted to these crops compared to the fall of 2003 (for wheat, by 20 percent). Soil moisture in fall/early winter just was enough to secure early plant emergence, while warm weather aided tillering before winter.

The month of December and the first half of January were unusually warm, but with limited rainfalls (5-25 liters/sqm) in Moldova, northern Walachia, Oltenia, parts of Transylvania. In the remaining regions, precipitation levels stood close to the multi-annual averages, i.e. 25-75 liters/sqm. Overall, the temperature and moisture regime was favorable to crop growth and hardening, mainly in the fields sown until the end of October. Cereal crops are currently assessed to have vigorously come out from a generally mild winter, although extreme, artic weather hit between mid-January – mid-February much of Western Europe through the Balkans and Ukraine. Fortunately, although temperatures went down to values below the critical biological resistance threshold (minus 10 to minus 15 degrees C), most fields were at the time protected by a snow cover of 10-50 cm, which made winterkill minor, except for parts of the eastern plain (Neamt, Bacau), where extremely strong blizzards left the soil uncovered.

Currently, due to February and March rainfalls, the soil (at 0-100 cm depth) moisture reserves were replenished in all growing regions and, moreover, those fields with high water table and deficient drainage (the Big Islands of Braila and Ialomita, for instance) are affected by excess moisture in the topsoil (0-20 cm). Winter wheat and barley have consistently developed well countrywide, have a good density (more than 350-500 plants/square meter) and are tillered, which open bright perspectives for yields at harvest time, especially if all nutrients, especially phosphorus and nitrogen, are timely provided in soil.

The Ministry of Agriculture has not released yet any production forecasts, but average yields of 3 MT/HA seem quite realistic, resulting, on a total of 2.1 million HA, in a total production of 6.3 MMT of wheat. For winter barley, expected yields are around 3.5 MT/HA, and just below 3 MMT on the 150-175 thousand HA to be planted to spring two-raw barley, while corn is again expected to be the top crop (in terms of acreage) in Romania, reaching 3 million HA. This is due both to the propensity of small scale farms to plant a low-risk, low-return crop and the fact that, under the agricultural negotiations closed with EU in mid-2004, 2.8 million HA planted to corn will be eligible for direct payments after Romania's accession. For wheat and rye, the reference planted area and production eligible for direct payments were set up at respectively 2.27 million HA and 6.02 MMT, while for barley these levels are 578,800 HA and 1.76 MMT respectively.

Production, Supply and Demand Table

Romania							
Wheat							
	2003	**Revised**	**2004**	**Estimate**	**2005**	**Forecast**	**UOM**
	USDA Official [Old]	**Post Estimate [New]**	**USDA Official [Old]**	**Post Estimate [New]**	**USDA Official [Old]**	**Post Estimate [New]**	
Market Year Begin		07/2003		07/2004		07/2005	MM/YYYY
Area Harvested	1500	1500	1800	1800	0	2100	(1000 HA)
Beginning Stocks	1431	951	843	250	2043	1300	(1000 MT)
Production	2000	2000	6500	6500	0	6300	(1000 MT)
TOTAL Mkt. Yr. Imports	2529	2092	300	200	0	50	(1000 MT)
Jul-Jun Imports	2529	2092	300	200	0	50	(1000 MT)
Jul-Jun Import U.S.	533	200	0	30	0	0	(1000 MT)
TOTAL SUPPLY	5960	5043	7643	6950	2043	7650	(1000 MT)
TOTAL Mkt. Yr. Exports	17	3	200	150	0	650	(1000 MT)
Jul-Jun Exports	17	3	200	150	0	650	(1000 MT)
Feed Dom. Consumption	1550	1100	1850	1700	0	1800	(1000 MT)
TOTAL Dom. Consumption	5100	4790	5400	5500	0	5600	(1000 MT)
Ending Stocks	843	250	2043	1300	0	1400	(1000 MT)
TOTAL DISTRIBUTION	5960	5043	7643	6950	0	7650	(1000 MT)

Production, Supply and Demand Table

Romania							
Barley							
	2003	**Revised**	**2004**	**Estimate**	**2005**	**Forecast**	**UOM**
	USDA Official [Old]	**Post Estimate [New]**	**USDA Official [Old]**	**Post Estimate [New]**	**USDA Official [Old]**	**Post Estimate [New]**	
Market Year Begin		07/2003		07/2004		07/2005	MM/YYYY
Area Harvested	317	317	400	400	0	450	(1000 HA)
Beginning Stocks	114	9	154	48	204	78	(1000 MT)
Production	540	540	1400	1400	0	1500	(1000 MT)
TOTAL Mkt. Yr. Imports	150	170	50	30	0	20	(1000 MT)
Oct-Sep Imports	150	164	50	30	0	20	(1000 MT)
Oct-Sep Import U.S.	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	804	719	1604	1478	204	1598	(1000 MT)
TOTAL Mkt. Yr. Exports	0	1	400	300	0	450	(1000 MT)
Oct-Sep Exports	0	70	400	300	0	450	(1000 MT)
Feed Dom. Consumption	450	230	600	600	0	500	(1000 MT)
TOTAL Dom. Consumption	650	670	1000	1100	0	1100	(1000 MT)
Ending Stocks	154	48	204	78	0	48	(1000 MT)
TOTAL DISTRIBUTION	804	719	1604	1478	0	1598	(1000 MT)

Production, Supply and Demand Table

Romania							
Corn							
	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		10/2003		10/2004		10/2005	MM/YYYY
Area Harvested	2600	2700	3000	3000	0	2950	(1000 HA)
Beginning Stocks	843	974	293	341	1993	2251	(1000 MT)
Production	6500	7020	12000	12000	0	12000	(1000 MT)
TOTAL Mkt. Yr. Imports	250	340	0	10	0	20	(1000 MT)
Oct-Sep Imports	250	340	0	10	0	20	(1000 MT)
Oct-Sep Import U.S.	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	7593	8334	12293	12351	1993	14271	(1000 MT)
TOTAL Mkt. Yr. Exports	100	93	1000	700	0	1000	(1000 MT)
Oct-Sep Exports	100	93	1000	700	0	1000	(1000 MT)
Feed Dom. Consumption	5800	6700	6800	6800	0	6500	(1000 MT)
TOTAL Dom. Consumption	7200	7900	9300	9400	0	10500	(1000 MT)
Ending Stocks	293	341	1993	2251	0	2771	(1000 MT)
TOTAL DISTRIBUTION	7593	8334	12293	12351	0	14271	(1000 MT)

CONSUMPTION

Food grains

Wheat from the MY 2004/2005 harvest generally met local baking standards (20 – 26 percent for gluten content and 11 – 13 percent for protein).

Albeit slightly shrinking lately, in accordance with income expansion that made consumers substitute cereal-based products with more expensive products, the share held by these products is still considerable in the human consumption pattern in Romania. About 3 MMT of wheat are devoted every year to cover the domestic human consumption.

Important amounts of corn (about 800,000 – 1 million MT) are also consumed as food in households.

Food industry absorbs some 150-200 thousand MT of corn, while starch production and the alcohol industry, over 1 MMT of corn.

An expanding beer industry currently processes over 300,000 MT of malt barley, in the MY 2004/05 almost entirely from local production. Sales, however, were negatively affected by a very cool and rainy 2004 summer. The industry continues to consolidate and the large players still bet on the market potential growth, given the large gap in local beer consumption vis-à-vis the EU average. Annual domestic consumption per capita was estimated at 58 liters, in comparison with over 100 liters in Central Europe. Market growth in 2004 was, in value terms, 12 percent, reaching EURO 600 million. In volume terms, the surge represented only 9 percent, from 12.5 to 14 million HL. The top five largest players in the market: the Austrian Brau Union group, SABMiller, Interbrew, Carlsberg (via Tuborg), and Bere Mures currently hold together 87 percent of the total Romanian beer market. Despite its steady upward development, this market is considered still immature from product diversification perspective, overwhelmingly being dominated by blonde beer bottled in 0.5

liter, while specialties are almost non-existent (estimated at just about 0.2 percent of the total sales).

Feed Grains

The livestock sector struggled to recover in 2004 from the previous year's scarce feed grain inventories, which resulted in reductions of swine population especially. High productions in all crops made grains for feed abundant and led to dramatic price depreciation.

As of end of March, a large portion (about 4.7 MMT) of last October's corn production is still stored on-farm, because of bids considered unacceptably low by corn holders, expecting further price rise. In spring, domestic prices continued to further decline, as farmers began selling for financing the on-going planting campaign.

For wheat, reportedly there are still 1.1 MMT stored off-farm (in commercial silos) and about the same amount on-farm. Total (urban) domestic consumption of wheat is estimated at 120,000 MT/month, i.e. 360,000 MT are needed for the following three months of 2005, to which household self-consumption and feed consumption adds.

FAS Bucharest estimates that about 1.7 MMT of wheat, 600,000 MT of barley and about 6.8 MMT of corn will be used as feed by the MY 2004/05, with similar consumption levels in the coming crop year.

End-year inventories are high in wheat and corn, as exportable surpluses did not ultimately find a market. These figures will need, nonetheless, to be quite significantly adjusted with the volume of losses, caused by improper storage conditions. A recent study published in the local press shows that most of Romania's grain storage facilities (totaling about 10 million MT) do not comply with the EU requirements and, consequently, if investments in the sector not made by the end of the pre-accession period, from 2007 wheat coming from such silos will not be allowed any longer for human consumption, even on the domestic market. Industry representatives show that investments made in revamping local warehouses would be recovered in roughly three years, if the average facility were used at minimum 60 percent of its capacity. Nonetheless, in the absence of storage subsidies (currently cancelled), small farmers cannot afford to pay a monthly cost of some $2.14 (as it currently stands for wheat, for instance) for storage (to which additional expenditures add for conditioning, drying, loading and unloading) and prefer to deposit their crop on-farm, under very precarious conditions.

TRADE

Although anticipated to end up with over 1 million MT of corn and about the same amount of wheat shipped to its traditional destinations by the end of the MY 2004/05, Romania's grain exports remained disappointingly modest until the end of January 2005. For wheat, high domestic bids compared to the international reference prices made the Romanian product practically non-tradeable internationally. Between July 2004-January 2005 only 25,000 MT were exported, mainly to Lebanon and some to Germany and Italy. The situation was aggravated by the fact that, from February 2005, EU signed export rebates varying between $7.3 and 13.3/MT for 1.3 MMT of wheat, which contributed to an already tense dynamics in the cereal world market. Wheat originating from Argentina remains competitive in the Mediterranean region.

For corn, 334 thousand MT were shipped (to Spain, Egypt, Turkey, Italy, Israel) between October 2004-January 2005 and opportunities for about a similar amount are expected by traders until the new harvest, although quality of local corn may limit exports.

Barley for feed found some market outlets in Saudi Arabia, Morocco, Italy, Spain, Israel, Libya, countries to which roughly 107,000 MT were exported between July 2004-January 2005, with good perspectives for more than doubling this amount until the end of the marketing year.

By calendar year, trade matrixes below illustrate a situation rather atypical for Romania, which became a very large importer of wheat in 2003 and 2004, the latter being the year when the US top agricultural export to Romania was wheat (over 300 thousand MT).

Import Trade Matrix

Country	Romania		
Commodity	Wheat		
Time Period	CY	Units:	MT
Imports for:	2003		**2004**
U.S.	21	U.S.	315712
Others		Others	
Hungary	516000	Hungary	172981
Russia	390000	Brazil	163004
France	390000	Canada	57088
Canada	170000	France	34062
Bulgaria	123000	Kazakhstan	21535
		Sweden	16509
		Argentina	14816
		Iraq	13289
		Russia	10000
Total for Others	1589000		503284
Others not Listed	135000		22173
Grand Total	1724021		841169

For corn, the trade situation in 2004 is quite interesting, the high imports from the first half of the year being just offset by the exports made in the last three months of the year.

Import Trade Matrix

Country	Romania		
Commodity	Corn		
Time Period	CY	Units:	MT
Imports for:	2003		**2004**
U.S.	0	U.S.	
Others		Others	
Hungary	176000	Ukraine	189475
Rep. of Moldova	50000	Rep. of Moldova	47113
Slovakia	16500	Brazil	36320
Czech Rep.	13000	Hungary	27105
Brazil	11000	Argentina	1950

Austria	2600		
Argentina	1700		
Total for Others	270800		301963
Others not Listed	4000		1600
Grand Total	274800		303563

Export Trade Matrix

Country	Romania		
Commodity	Corn		
Time Period	CY	Units:	MT
Exports for:	2003		**2004**
U.S.	0	U.S.	
Others		Others	
Turkey	25000	Spain	80480
Morocco	20750	Italy	54772
Italy	15900	Turkey	49696
Spain	11600	Egypt	32996
Greece	11200	Israel	24731
Bulgaria	10300	Portugal	19684
		Lybia	19340
		Cyprus	8400
		Greece	6478
		Serbia & Montenegro	3572
Total for Others	94750		300149
Others not Listed	5950		10687
Grand Total	100700		310836

Despite a very good crop harvested in June, barley exports in the second half of the calendar year were just half of the amount imported by Romania in the first part of the year, (almost all for malt, the major suppliers being France, the Russian Federation, the Czech Republic, Hungary, and Ukraine), which made the country a net importer of barley in 2004.

Import Trade Matrix

Country Romania

Commodity Barley

Time Period	CY	Units:	MT
Imports for:	2003		**2004**
U.S.		U.S.	
Others		Others	
France	48000	France	51971
Russian Federation	22000	Ukraine	23235
Hungary	18000	Czech Rep.	16160
Czech Rep.	10000	Moldova	13800
		Russian Federation	10109
		Austria	5073
		Slovakia	3434
		Denmark	2594
Total for Others	98000		126376
Others not Listed			511
Grand Total	98000		126887

Export Trade Matrix

Country Romania

Commodity Barley

Time Period	CY	Units:	MT
Exports for:	2004		
U.S.			
Others			
Saudi Arabia	50428		
Libya	5221		
Israel	3900		
Italy	2905		
Serbia & Montenegro	683		
Total for Others	63137		
Others not Listed			
Grand Total	63137		

For the MY 2005/06, despite the optimistic auspices under which grain crops are currently developing, some 50-100 thousand MT of wheat (especially with good milling parameters, for blending) will be likely imported to augment the domestic supplies.

Exportable surpluses are anticipated to be significant in the MY 2005/06, in all grain and feed crops. Actual exports may surge at about 1 MMT of corn, over 500-600 thousand MT of wheat and about 450 thousand MT of barley.

Romania's trade regime with grains is moderately protective, with no licensing system in place, except for the commodities under preferential quotas (Table 1 and 2).

Table 1. Import Duties in CY2004 on Selected Grain Products

HS	Product	MFN Tariff	Special EU Preference
1001	Wheat		
1001.1000	Durum what	Ex	Ex
1001.9091	For sowing	25	0 for TRQ (1)
1001.9099	Common wheat, other	25	0 for TRQ (1)
1003	Barley		
1003.0010	For sowing	25	18.8 for 1,118 MT
1003.0090	Other	25	18.8 for 55,882 MT
1005.10	Corn seeds for sowing	3	0 for 1,000 MT
1005.9000	Other	30	0 for 49,000 MT
1006.10	Rice, paddy rice		
1006.10.21, 23, 25, 27, 92, 94, 96,98	Other	10	0 for TRQ (2)
1006.20	Cargo or brown rice	10	0 for TRQ (2)
1006.24	White rice	25	0 for TRQ (2)
1101.00	Wheat flour	40	0 for 3,000 MT

(1) TRQ FOR WHEAT IS 125,000 MT.
(2) TRQ for rice is 10,000 MT.
(3) TRQ for wheat flour is 3,000 MT.

Reciprocally, Romania was granted TRQs for the following grain products for which the "double zero" or the "double profit" concept operates (respectively customs duties are eliminated for mutually agreed quotas). An additional concession is that for these products none of the two parties can grant export subsidies.

Table 2. Romania's export duty free quota (MT) to EU

Product	TRQ
Wheat	230,000
Wheat flour	3,000
Corn for consumption	149,000
Corn for sowing	1,000
Other grains	Unlimited
Rice	-
Malt	10,000

DOMESTIC SUPPORT

Benefiting from its developing country status (the *de minimis* clause), Romania can provide trade-distorting support up 10 percent of the value of output of each product.

Currently, the GOR is considering the imminent enactment of a set of measures meant to address the main issue of the Romanian agriculture, that is, the extreme land fragmentation. In 2005, the total state budget at the disposal of the Ministry of Agriculture, Forests and Rural Development currently stands at lei 23.399 billion ($866 million)[1], of which roughly 12,000 billion in measures exempted from the reduction commitment (Table 3).

Table 3. "Green Box"-type measures of support, budgetary allocations in 2005

Measure type	Description of measure	Monetary value (billion lei)
Direct payments to producers	Budgetary allocations in order to stimulate increase in livestock numbers.	431.0
Subsidies for agricultural inputs	Price reductions granted to producers in order to stimulate the use of certified seeds.	610.20
Structural and infra-structural services	Expenditures for land reclamation; maintenance of irrigation and drainage system; expenditures to provide electric power	1,730.00
Research and development of infrastructure services	Acid and alkaline soils amendment	50.30
Crop pest and disease prevention and control	Pest and disease prevention and control in the crop sector.	635.00
Animal disease control	Payments for slaughtering ill animals	70.00
Research and development	Budgetary expenditures for selection and reproduction in animal sector.	117.00
Agricultural insurance matching funds	Budgetary allocations in order to stimulate the use of crop insurance schemes	50.00
Payments in case of natural disasters	Budgetary payments in case of natural disasters	5.00
Support to small farmers	Payments decoupled from production granted to farms holding up to 5 ha of cultivated land	7,472.00
Market development support	Wheat storage	200.00
Support for investments in agricultural equipment		700.00
Total		12,070.50

[1] At an exchange rate of 27,000 RO lei for 1 US$.

The total amount budgeted for product-specific measures (market price support) for crop production stands at lei 1,376.6 and is meant primarily to increase domestic production to the quota levels eligible for market support agreed with EU. A breakdown of these support measures is as follows (Table 4):

Table 4. Product-Specific Aggregate Measurement of Support: Market Price Support, 2005

Product	Eligible production	Total market price support (billion lei)
Wheat and rye	800,000 MT	400
Sugarbeet	1,000,000 MT	500
Rice	2,000 MT	10
Flax and hemp for fiber	10,000 MT	20
Greenhouse vegetables	80,000 MT	240
Grapes for wine production, Controlled Origin Designation	95,000 MT	95
Tobacco	10,000 MT	55
Hops	1,000	0.1
Ecological products		56.5
Total		1,376.6

Average exchange rate in 2003: 1 $ = 27,000 lei.
Source: Calculations using data from the Ministry of Agriculture, Forestry and Rural Development

Under the price reduction scheme for the use of certified seeds, disbursements in the amount of lei 752.2 billion were made for 360,000 MT of seed wheat for sowing for the 2004 fall agricultural campaign.

PRICES

After last year's extremely tight situation, which led to spectacular appreciation of wheat, barley and corn domestic prices, over the MY 2004/05 domestic bids have crept down bit by bit.

Nonetheless, local wheat (either for milling or for feed) enjoyed no demand by exporters in the context of an abundant regional supply, which made inventories from neighboring countries more affordable.

This situation pushed farmers for price lessening towards the end of CY2004. In-silo prices for milling wheat reached $150-160/ton in November-December 2004, 33 percent down from the corresponding 2003 period. The beginning of the year 2005 brought some price appreciation (to $170/MT), as many market operators revived their activity with the upcoming new crop on the horizon.

Barley prices dropped immediately after harvest to levels around $100/MT (in-silo) and were steady in the following months, making this commodity the best seller in the market, both domestically and for export purposes.

Farmers have been quite displeased with the bids offered for domestic corn, which have constantly depreciated after the October harvest. The tremendous carryover seems to be giving the buyer extra bargaining power, although an additional reason for the current downward scenario seems to be related to product quality, which led farmers to try to sell as soon as possible and avoid paying additional storage for a low grade corn.

Prices Table

Country	Romania		
Commodity	Corn		
Prices in	US$	per uom	MT
Year	2003	2004	% Change
Jan	105.6	214.9	103%
Feb	114.6	212.0	85%
Mar	135.6	193.0	42%
Apr	141.6	191.7	35%
May	163.1	192.6	18%
Jun	163.6	184.7	13%
Jul	173.8	179.7	3%
Aug	169.9	148.8	-12%
Sep	147.9	178.5	21%
Oct	135.7	182.5	34%
Nov	161.3	179.3	11%
Dec	196.9	121.1	-39%
Exchange Rate	monthly ave	Local Currency/US $	

In-silo prices (no VAT added)

Prices Table

Country	Romania		
Commodity	Wheat		
Prices in	US$	per uom	MT
Year	2003	2004	% Change
Jan	114.7	236.4	106%
Feb	120.7	240.1	99%
Mar	129.6	229.7	77%
Apr	135.5	224.2	65%
May	150.8	219.2	45%
Jun	160.5	208.5	30%
Jul	167.7	149.7	-11%
Aug	164.0	148.8	-9%
Sep	171.6	133.8	-22%
Oct	190.0	167.3	-12%
Nov	199.4	163.0	-18%
Dec	227.2	152.2	-33%

Exchange Rate monthly ave Local Currency/US $

Farmgate selling prices (no VAT included).

Prices Table

Country Romania

Commodity Barley

Prices in US$ per uom MT

Year	2003	2004	% Change
Jan	84.5	199.6	136%
Feb	87.5	202.7	132%
Mar	93.4	202.2	116%
Apr	108.4	194.7	80%
May	138.5	198.5	43%
Jun	166.6	178.7	7%
Jul	137.2	98.8	-28%
Aug	152.3	98.2	-36%
Sep	168.6	104.1	-38%
Oct	181.0	91.2	-50%
Nov	178.8	110.8	-38%
Dec	184.8	103.8	-44%

Exchange Rate monthly ave Local Currency/US $

In-silo prices (no VAT added)