



Foreign Agricultural Service

**GAIN Report**

Global Agriculture Information Network

Required Report - public distribution

Date: 7/26/2001

GAIN Report #RO1012

## Romania

## Cotton and Products

## Annual

## 2001

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### Report Highlights:

**AgBucharest estimates Romanian cotton imports from the world will total 24,000 MT for MY 2001 --a decrease of four percent over the previous year. Financial difficulties among cotton millers and lack of available credit have contributed to a decline in Romanian cotton imports. Romania has not imported any cotton from United States since 1997 (\$1.2 million). Romanian traders view U.S. cotton as expensive and have a lack of knowledge about the benefits and quality of the product.**

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Includes PSD changes: Yes

Includes Trade Matrix: Yes

Annual Report

Sofia [BU1], RO

**Cotton PSD Table**

PSD Table						
Country	Romania					
Commodity	Cotton				(HECTARES)(MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		08/1999		08/2000		08/2001
Area Planted	0	0	0	0	0	0
Area Harvested	0	0	0	0	0	0
Beginning Stocks	20031	8000	15676	7000	12410	6500
Production	0	0	0	0	0	0
Imports	28304	28000	23950	25700	23950	24000
TOTAL SUPPLY	48335	36000	39626	32700	36360	30500
Exports	0	0	0	0	0	0
USE Dom. Consumption	32659	29000	27216	26200	27216	24500
Loss Dom. Consumption	0	0	0	0	0	0
TOTAL Dom. Consumption	32659	29000	27216	26200	27216	24500
Ending Stocks	15676	7000	12410	6500	9145	6000
TOTAL DISTRIBUTION	48335	36000	39626	32700	36361	30500

**Cotton Import Trade Matrix**

Import Trade Matrix			
Country	Romania		
Commodity	Cotton		
Time period	Aug-Jul	Units:	Metric Tons
Imports for:	1999		2000
U.S.	0	U.S.	0
Others		Others	
Uzbekistan	11,300		10,200
Greece	4,400		4,520
Syria	3,800		3,620
Turkey	2,950		2,800
Tadjikistan	1,250		1,070
Kazakhstan	650		620
Kirgistan	600		570
Turkmenistan	400		280
Bourkina-Fasso	350		210
Camerun	300		120
Total for Others	26,000		24,010
Others not Listed	2,000		1,690
Grand Total	28,000		25,700

## **Consumption**

In the 1980s, Romania's capacity for cotton fibers was 100,000 MT. The textile and cotton sectors were export oriented and received strong financial support from the GOR. This was a period when cotton represented one of the most important hard currency earners of Romania's economy.

Since 1990, restructuring and privatization have brought significant changes to Romania's cotton sector. The GOR halted financial assistance to the industry, forcing individual companies to adapt to the market economy. Inefficient cotton mills and garment operations closed and the ones remaining were privatized. Companies particularly located in the western region of Transylvania have attracted the attention of German investors. In an effort to make milling operations more efficient, new owners cut back staff and reduced capacities. To date, the capacity of local cotton mills in Romania has declined by 70 percent to roughly 30,000 MT.

Cotton products produced locally compete mostly with imported second-hand clothing and less with products produced with synthetic fibers. The price of synthetic yarns on domestic market is similar with that of cotton yarns: \$2.5/kilogram. The share of the cotton fibers in the local fiber market is about 80 percent, while the other 20 percent is represented by synthetic fibers.

AgBucharest estimates that domestic cotton mill utilization in MY 2001 will total about 26,200 MT, a 6 percent decline over 2000.

## **Trade**

Financial difficulties faced by Romania's textile industry and high interest rates charged by banks have contributed towards a steady decline in Romanian cotton imports. Most cotton mills operate on a "hand-to-mouth" basis, because they do not have sufficient financial resources to order more cotton. In general, mills order 20-50 MT at a given time after each production cycle. This keeps stocks held by mills at relatively low levels.

Romania imported 15,000 MT of cotton yarn from Turkey, India and Pakistan in MY 2000, which negatively impacted the amount of raw cotton imported. Utilization of the "lohn" or commission processing, whereby local garment operations receive fibers, yarns or fabrics and other inputs, such as thread and buttons, are at not cost from a foreign partner, which enable Romania's textile industry to keep on working. Textile companies deliver garments according to designs supplied by foreign partners and are paid to cover their expenses with labor, utilities and equipment. The lohn system generates about 80 percent of Romanian textile production.

Romanian cotton imports during 2000 totaled 25,700 MT and were valued at \$33.3 million. Thus, the average price of Romanian cotton imports was about \$1,300. An estimated 50 percent of Romanian cotton imports originate from Central Asian countries, of which Uzbekistan shipped about 40 percent of total Romanian imports (see trade matrix).

Although Romania has been eligible for GSM-102 export credits in both 2000 and 2001, the Romanian cotton industry has not taken advantage of the opportunity to import U.S. cotton. The cotton industry feels that U.S. cotton is expensive along with high transportation costs which represent an additional constraint that prevents Romania from importing U.S. cotton.

Since Romania does not produce any cotton, the GOR has waived all duties for imports of raw cotton (HTS Code 5201.00)