

Voluntary Report – Voluntary - Public Distribution

Date: July 22,2020

Report Number: RO2020-0018

Report Name: Persistent Drought Curbs Romanian Wheat Production and Corn Development

Country: Romania

Post: Bucharest

Report Category: Agricultural Situation, Grain and Feed

Prepared By: Monica Dobrescu

Approved By: Jonn Slette

Report Highlights:

Late spring and early summer precipitation marginally improved Romanian winter grains development, but provided spring crops a good start. Despite fairly regular, but inconsistent rainfall since May, drought conditions persist in Romania's southeastern and eastern regions. Post revises its grains production estimates downward as a result. The Government of Romania (GOR) plans to allocate support payments to partially offset farmer losses.

Wheat

MY 2020/21

May and June rains provided partial relief from Romania's spring drought, but the rainfall was not uniformly distributed throughout the country. Some areas remained excessively dry, while others received abundant rain. In some production regions, particularly the eastern and southeastern areas, long-awaited precipitation did not significantly improve the wheat crop. Conversely, those areas that did receive adequate levels of June rainfall were negatively affected by resulting plant disease and pests.

Initial reports from the ongoing wheat harvesting indicate inconsistent yield averages, from under one metric ton (MT) per hectare (HA) to over six MT/HA, depending on the location. Average wheat yields are expected to decline by 22 percent in MY 2020/21 from the previous year. Post revises its MY 2020/21 wheat production estimate down to 7.0 million metric tons (MMT), a 19-percent decline from last year's 8.6 MMT. The biggest production drops are in the southeastern and eastern regions, which were particularly hard-hit by dry weather conditions.

The reduced wheat harvest will incentivize those farmers who can afford to store to hang on to their wheat and wait for higher price towards the end of the year. The persistent drought also negatively affected both quantity and quality of wheat seed production, raising concerns about good seeds availability for next year's crop.

MY 2019/20

Nine-month export data indicates a 54 percent year-on-year increase in wheat exports to non-EU markets, from 2.9 MMT to 4.5 MMT, per data published by Trade Data Monitor (TDM). The leading non-EU export market was Egypt (1.2 MMT), followed by Jordan (682,000 MT), and Sudan (488,000 MT). This increase comes at the expense of exports within the EU, which declined by 53 percent, from 2.1 MMT to 984,000 MT. Spain (451,000 MT) and Italy (226,000 MT) were the major EU markets from July 2019 to March 2020.

Corn

MY 2020/21

Unlike winter crops, Romania's spring crops enjoyed a more promising start following the late spring rainfall. The corn crop generally developed well, although in some regions saw continued dry weather and poor growing conditions, particularly in the southeastern and eastern regions. Potentially good yields in the areas with adequate precipitation amount are expected to only partially offset the losses from the drought-affected areas. As a result, FAS Bucharest revises its corn production forecast down by 1.2 MMT to reach 12.8 MMT in MY 2020/21, which is 10 percent below last year's harvest. That corresponds to an average yield of 4.83 MT/HA as opposed to 5.4 MT/HA last year. This estimate may be adjusted further, if fields located in the southeast and east continue to go without rain. Those areas normally produce about one-third of Romania's national corn crop.

MY 2019/20

Six-month corn export data shows a 46 percent year-on-year increase (October 2019-March 2020). While corn shipments to other EU member states grew from 1.9 MMT to 2.4 MMT, a 25-percent increase, corn exports to non-EU countries expanded by 75 percent, from 1.48 MMT to 2.6 MMT. Egypt (764,000 MT) and Turkey (736,000 MT) are the major markets. In terms of other destinations,

USDA's Global Agricultural Trade System (GATS) trade data shows that Romania also exported around 42,000 MT of organic corn to the United States from October 2019 to May 2020 (33 percent above the previous year).

Barley

MY 2020/21

Similar to wheat, the barley crop looked good until early spring when drought conditions negatively affected the crop, especially in the southeastern and eastern areas. Also, like wheat, the late spring rains had little discernable effect on the crop. Based on an estimated average yield of 3.1 MT/HA, the total barley production is projected now at 1.35 MMT, down from the earlier estimate of 1.55 MMT, a 16-percent decline from last year.

MY 2019/20

Barley exports from July 2019 to March 2020 reached 1.17 MMT, a 32-percent increase over the same period last year. About 40 percent of this was shipped to Saudi Arabia (443,000 MT), Romania's top barley market, and 13 percent to Libya (147,000 MT).

Policy Developments

The GOR plans to allocate support funds to partially compensate weather-affected farmers. According to the most recent data published by the Ministry of Agriculture, about 35,000 farmers with about 1.17 million HA (out of 2.9 million HA) of winter crops are eligible for subsidies. The level of compensation depends on the crop and varies from \$179/HA for oats, \$187/HA for triticale, \$215/HA for wheat and rye, and \$221/HA for two-row barley. The total support budget for both grains and oilseeds is estimated at \$267 million. The funding comes in the form of a state-aid scheme and requires several steps before disbursement, thus farmers are likely to be compensated in late summer/early fall. Since most payouts would arrive later than payment deadlines set between farmers and input suppliers, farmers are seeking payment deferrals. In the context of a reduced harvest, the GOR is exploring tools, such as state guarantees, to encourage millers to purchase wheat in advance and reduce concerns about supply, which led to a temporary GOR grain export ban to non-EU countries in April 2020. Additionally, in May the State Reserve launched a tender process for purchasing 600,000 MT of wheat, which was available to interested wheat suppliers until end of June.

Attachments:

No Attachments.