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## Romania

### Cotton and Products

### Annual

### 2002

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#### Report Highlights:

**Romania's cotton spinning industry started to recover the last two years--albiet slowly--after almost ten years of continual declines. Most of the raw cotton is imported from Central Asian republics, Greece, and Sudan. Since 1997, Romania has not imported any cotton from the USA, though the country was eligible for GSM credit guarantee programs.**

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

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## Consumption

There are no official data on cotton consumption published by Romania, but domestic mill purchases in 2001 were estimated to have reached 26,200 MTs by the Ministry of Industry and Resources, the first increase in ten years. For the current marketing year, total consumption is forecast at 27,900 MTs, and increase of 4 percent. The upward trend is likely to continue into the year 2003, reaching 29,000 MTs of cotton processed in Romanian mills.

The cotton industry in Romania has restructured, privatized and liquidated hundreds of spinning mills for more than 10 years. Its former commercial ties within the COMECON were cut almost overnight, while domestic retail sales shrank as consumers, with incomes drastically eroded by inflation, reduced their durable goods purchases. The macroeconomic environment, especially interest rates, added financial constraints on the producers (many of them integrated units), which had to become increasingly self-sufficient. Many state-owned enterprises became insolvent and were unable to compete in a newly opened economy. Burdened by low productivity and inefficient plant configurations, most have been liquidated or are awaiting liquidation. Management-employee buyout organizations showed little interest and so did other investors. Some Italian, German and Turkish companies, however, acquired a number of spinning mills or integrated operations, which became increasingly modernized and efficient.

Currently, the annual processing capacity of local cotton mills stands at roughly 30,000 MTs (of which only 30% is estimated to be cost efficient by international standards), compared to nearly 73,000 MTs in 1989. It is quite unlikely that new equipment will be put in place. However, there is evidence that cotton producing countries are interested in teaming up with local companies to take advantage of the existing production capacity, and the quotas granted to Romania for different products (not always fulfilled) by its trading partners (especially the USA and EU).

Romania's trade regime is regulated within the framework of several international agreements. Relevant to the textile industry are:

- the textile and garment agreements with the United States and Canada within the Multi-fibre Agreement of the WTO;
- the EU Association Agreement, which sets out certain maximum rates and schedule for customs legislation, providing for complete customs duty elimination by 2002 on all goods imported into Romanian territory (and of course into that of EU);
- the Central European Free Trade Agreement (CEFTA) - providing a gradual reduction of customs duty, while a complete elimination was targeted by 2002;
- bilateral Agreements with Turkey, the Republic of Moldova, the Russian Federation, Kazakhstan, Uzbekistan, Vietnam, China, Peru - that provide low or no duty for some imported goods (including agricultural commodities);
- the European Free Trade Agreement (EFTA).

The domestic market shrunk as the purchasing power of the population has deteriorated and used (second hand) clothing imports have constantly gained ground (from \$4 million in 1994 to \$28.6 million in 1999 and even more lately). Despite the Ministry of Agriculture's efforts to set up priority programs addressing linen and hemp, in the year 2002, these crops did not progress, since only 357 Hectares and respectively 928 Hectates were sown during the spring campaign.

## Trade

Cotton imports steadily declined in the '90s, together with the operated spinning capacity of the industry. A large part (40-50%) of these cotton imports are processed in "lohn" (whereby the local company is supplied with everything, from design to buttons, by its foreign partner, while the Romanian mill provides only the labor and equipment).

There is currently no customs in Romania. Cotton is purchased free of duties.

Cotton stocks have been held low, as spinners cannot afford to buy in large lots. In most cases, the mills buy from traders rather than directly getting involved in import operations. At the end of the current marketing year, stocks will likely total 6,700 MTs and, further, will exceed 7,000 MTs by the end of 2002/03, as operators with stronger financial positions have entered the market. In this regard, a 30,000 MT warehouse for cotton is seeking financing to be built in the port of Constanta.

In the calendar year 2001, according to the official customs data, Romania imported over 28,000 MTs of cotton fiber ("not combed cotton", HS 5201), the main suppliers being Uzbekistan, Greece, Sudan, Turkey, Syria, Argentina, at CIF prices varying as follows (US\$/MT):

	HS 52010010	HS 52010090
January	1355	1361
February	1355	1518
March	1410	1448
April	1346	1299
May	1247	1294
June	1281	1319
July	1181	1309
August	1059	1325
September	1051	1244
October	1102	1310
November	1105	1123
December	1042	1116

Source: Romanian Customs Database

During the first 4 months of the year 2002, imports exceeded 9000 MTs, while prices averaged \$1100/MT.

Romania also imports significant amounts of cotton yarns from Turkey and India.

Since 1997, Romania has not imported any cotton from the United States, though it has been eligible for GSM – 102 export credit guarantees. The main challenge for US cotton to penetrate this market are high prices, which with the addition of transportation costs, make it unaffordable to local spinners.

## PSD Table Cotton

PSD Table						
Country	Romania					
Commodity	Cotton				(HECTARES)(MT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		08/2000		08/2001		08/2002
Area Planted	0	0	0	0	0	0
Area Harvested	0	0	0	0	0	0
Beginning Stocks	15676	7000	12410	6500	9144	6700
Production	0	0	0	0	0	0
Imports	22861	25700	23950	28100	0	29300
TOTAL SUPPLY	38537	32700	36360	34600	9144	36000
Exports	0	0	0	0	0	0
USE Dom. Consumption	26127	26200	27216	27900	0	29000
Loss Dom. Consumption	0	0	0	0	0	0
TOTAL Dom. Consumption	26127	26200	27216	27900	0	29000
Ending Stocks	12410	6500	9144	6700	0	7000
TOTAL DISTRIBUTION	38537	32700	36360	34600	0	36000

## Import Trade Matrix Cotton

Import Trade Matrix			
Country	Romania		
Commodity	Cotton		
Time period	CY 2001	Units:	Jan-Apr 02
Imports for:		MT	1
U.S.	0	U.S.	0
Others		Others	
Uzbekistan	9850		3320
Greece	4814		1335
Sudan	2960		
Turkey	2858		862
Syria	2260		1548
Argentina	1172		
Kirgistan	871		1015
Tadjikistan	575		
Kazakstan	532		
Ukraine	247		
Total for Others	26139		8080
Others not Listed	1990		1032
Grand Total	28129		9112