



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Voluntary Report - public distribution

Date: 2/4/2003

GAIN Report #RO3004

Romania

Grain and Feed

Wheat Market Update

2003

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Report Highlights:

Local prices for milling wheat continue to go up due to short supplies. The GOR recently adopted measures aimed at stabilizing domestic prices in an attempt to maintain "reasonable" prices for urban bread consumption. Current wheat supplies are not sufficient for milling needs over the next 6 months due to poor quality.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Sofia [BU1], RO

Currently, Romania's domestic wheat supply is estimated at 5.8 MMT (derived from a total production of 4.3 MMT and beginning stocks of almost 1.5 MMT in MY 2002/03). Normally, this tonnage would suffice to cover domestic consumption (estimated at 5-5.5 MMT). However, current crop wheat is very inconsistent in terms of quality. In January 2003, available local wheat stocks are estimated by milling representatives at 2 MMT, of which only 600,000 MT is held in warehouses, while the balance is being held on-farm.

Prices for scarce domestic wheat --able to meet milling standards-- rose to \$115/MT in December and further increased to \$125/MT in January. Imported wheat (mainly from Hungary, Moldova, Bulgaria, etc.) registers FOB prices in the same range, with an upward trend. Domestic industry associations claim that an increase in consumer prices has become unavoidable and notes that the GOR refuses to suspend import customs duties until the 2003 harvest begins. Total (urban) domestic consumption of wheat is estimated at 120,000 MT/month, i.e. 720,000 MT are needed for the following six months of 2003. However, this amount can only partially be procured on the domestic market due to poor quality. Cereal based products (bread) are the main calorie source in the diet of the lower income populations in Romania. Thus, officials have been constantly concerned about maintaining "reasonable" retail prices for bread.

This concern resulted in the GOR decision (mid-January 2003) to release 200,000 MT of wheat from the Strategic Reserve in an attempt to stabilize market prices at a lower levels than found outside the border. In addition, to encourage wheat sales, the GOR's storage subsidy (valid until new crop harvest in summer 2003) was suspended as of February 1, 2003.

Despite pressures from the milling industry for a temporary cancellation of import duties for wheat (currently standing at 25 percent MFN, 18.8 percent for EU origin products, and 15 percent for CEFTA), the GOR has decided to first assess the impact of their recent measures.

In CY2002 Romania imported only 60,000 MT of wheat and some 30,000 MT of flour.