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Grain trade limited by paralyzed water traffic on Danube

Report Categories:

Agricultural Situation

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Report Highlights:

Hungary, like other countries in central and eastern Europe, relies on the Danube river to transport bulk materials such as grains, fertilizers and other essentials. Port infrastructure, the crop situation, and competition with surface transportation all affect the barge trade but this year a regional drought has hit shipping hard. Hundreds of barges are currently stranded due to low water levels, stopping the movement of hundreds of thousands of tons of grain in Hungary, Serbia, Romania, and Bulgaria. Traffic limitations are affecting the whole Rhine-Main-Danube river transport system. The only short term solution is more rain along the 1,777 mile long international waterway. Longer term, recent budgeting decisions are working against the resolution of “bottleneck” shallows in the Hungarian stretch of the river, which even in normal years limits navigable days at a mere 170-180 per year.

General Information:

In an average marketing year, Hungary exports about 5-5.5 million MT of grains, and an additional 500,000 MT of oilseeds (sunflower and rape seed). Hungary imports about 500,000 MT in soybean meal for use as animal feed. This season, wheat exports were unusually low following the harvest. This meant that silos and grain elevators were full with wheat when the corn harvest started. Peak demand for export shipping of grain following the harvest was further exasperated by low water in the Danube at the end of a drought filled summer. Exports of wheat from July – October, 2011, were only 660,000 MT, 33% less than 2010. Deliveries for all grains were off by 24% for the same period.

According to data collected by the Association of Grain Processors and Traders and from transport industry sources, in CY 2010 about 43% of grain was moved by truck, 34% by barge and 23% by rail. Since we last detailed grain logistics in Hungary (see HU8006; <http://www.fas.usda.gov/gainfiles/200812/146306904.pdf>) additional port, storage, and processing facilities have been built along the Danube. Unfortunately, grain warehouses mainly serve trucks and there is limited loading/discharging capacity for rail and barge traffic. This forms a trade bottleneck in itself. Water transport is generally cheaper than rail or truck. Moreover, highway systems in central Europe tend to be congested and shortages of rail wagons can occur during the main transport seasons. High grain prices have papered over the use of more expensive transport alternatives so far. However, it may soon be that the availability of barge transport will increasingly become a grain trade competitiveness issue for landlocked grain exporter countries in the region.

Shallows in the Hungarian stretch of Danube limit the draft of barges and force ships to wait at one way stretches. The river is navigable with full cargo only 170-180 days out of any given a year. Hungary has been requested by the other countries using this important international waterway to resolve the technical obstacles. An EU agreement also directs Hungary to guarantee by 2014 unrestricted navigability of Danube for 300-310 days a year.

Constructing dams or other structures to regulate the water level became a political issue in 1989 when demonstrations against a dam on the Danube contributed to the removal of the old socialist regime. Since then, Hungary has been in lengthy litigation with Slovakia about the utilization of the river. The Hungarian government allocated HUF 20.7 billion (about USD 96 million) in its 2007-2013 budget plan for an EU project to develop the navigability of Danube. But during recent debates over the 2012 budget, environmentalists argued that the project would ruin the habitat of endangered plant and animal species. The National Development Agency re-directed the fund earmarked for waterway management for another project expanding the bicycle road system of the country (however the document admits that water transport is a good alternative to the problems associated with road traffic). Should above budget cut be approved, barge transport costs could increase 20-30 percent next year, according to the President of the Hungarian Inland Water Shippers Federation. Without adequate water management, 1,400-1,500 tons barges can only be loaded with 300-400 tons of goods for half of the year.

Note: Other USDA/FAS offices in the region have also recently reported on transportation on the Danube. Please see:

Low Danube level impedes regional grains trade, [RO1021](#)

Historically low level of Danube River is stopping grain exports, [RB1118](#)