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Date: 12/8/2011

GAIN Report Number: RO1021

Romania

Post: Bucharest

Low Danube level impedes regional grains trade

Report Categories:

Agricultural Situation

Grain and Feed

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Report Highlights:

The low rainfall in the western European countries crossed by Danube River led to a lower than normal water level in Romania, affecting grains shipping by barges. Traders switched to other more expensive means of transportations, road and in a lesser extent railway. Serbia and Hungary grains exports are mostly affected as the Danube River is one of the most accessible and efficient means of shipping for these two countries.

General Information:

The Danube River has a length of 2,860 km, of which the last 1,075 km across Romania. About a third of the water volume reaching the Black Sea is coming from the Romanian domestic rivers. The major port is Constantza, which is both a maritime and a river port. Daily, under regular conditions more than 200 river vessels are in the port for cargo loading or unloading or waiting to be operated. Danube River has been one of the most advantageous means of transportation, due to the low costs and large cargo volumes that may be carried from up-river countries towards Black Sea.

Nevertheless, the low rainfall in the western European countries which are crossed by the Danube led to an extremely low water level in Romania. In the end of November, the Danube speed flow when entering Romanian border was about 2,000 cubic meters/second, which is 50 percent lower than the multiannual average, but still above the lowest level recorded in 50 years (1,600 cub meters/second in 2003). The latest forecast issued by the National Institute for Hydrology in Romania shows that Danube speed flow when entering Romania will remain under the multi-annual average for the next three months, about 2,700 cubic meters/sec in December (51 percent of the average), 3,000 cubic meters/sec in January (60 percent of the average) and slightly higher in February 2012. Concerning the domestic rivers, including the domestic rivers pouring into the Danube, they are expected to remain lower than normal, at levels of 30-50 percent of the multi-annual average during the same timeframe.

The difficulties experienced by shipping companies and grains traders started in the summer and continued through autumn. Currently the Danube shipping is blocked, thus traders had to identify other alternatives for transportation, which are railway and road, but the cost per unit is significantly higher. For comparison, if barge shipping costs about 10-15 Euro/MT of grains sourced from Romania (south-west), Serbia or Hungary, the railway cost per unit is 23-25 Euro/MT (about 50 percent more expensive) while the truck transportation can reach 28-35 Euro/MT or even more (130 percent more expensive), eroding the margins in grains trading business.

In Romania, most of the grains are transported by trucks (about two thirds) and in a limited extent by railway (about 10 percent). However, barges are the preferred means of transportation for the grains harvested in the south-western part of Romania (about 25-30 percent).

Concerning neighboring countries affected by Danube level, according to local grains traders, out of the total corn volume anticipated to be exported from Serbia through Constantza by the end of December (about 800,000 MT), only about 30-40 percent has been shipped so far. In case of volume scheduled to be shipped from Hungary to Constantza port, figures are similar, with about 35 percent rate of execution. Reportedly, Serbian corn supposed to be loaded in the vessels in Constantza Port is partially replaced by Romanian origin corn, although this is about 10 percent more expensive. Traders expect an improvement on the Danube transportation in February when the river shipping is expected to resume.

Assuming the same export opportunities exist in the spring, no significant changes are anticipated in the grains export forecast for Romania caused by the low Danube level. Nevertheless, apart from the shipping cost, there is another factor which may affect the export forecast, especially for wheat, and that is the new crop perspectives. The drought experienced by Romanian farmers during the last several months may reduce their optimism, making them express more precaution regarding the grains volume sold before the new harvest in 2012.

