

CBI MARKET SURVEY

THE VEGETABLE OILS & FATS (INCLUDING OIL SEEDS)
MARKET IN ROMANIA

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Introduction

This CBI market survey gives exporters in developing countries information on some main developments in the vegetable oils and fats market in Romania. The information is complementary to the information provided in the CBI market survey 'The vegetable oils and fats (including oil seeds) market in the EU', which covers the EU in general. That survey also contains an overview and explanation of the selected products dealt with, some general remarks on the statistics used, as well as information on other available documents for this sector. It can be downloaded from <http://www.cbi.eu/marketinfo>.

1 Market description: consumption and production**Consumption*****Vegetable oils and fats***

- No information about vegetable oil consumption in Romania is available. However, it can be stated that sunflower oil is the main oil consumed in this country.
- Trends influencing the market for vegetable oils and fats, including oil seeds, are health concerns (causing, among others, a shift away from fatty acids and hydrogenated fats towards more unsaturated fats), increasing demand for bio fuels and a growing interest in sustainably produced (i.e. organic) vegetable oils and fats. All these factors are expected to further boost future demand for the discussed products. For more information on trends in vegetable oils & fats and oil seeds, please refer to the CBI survey covering the EU market.

Oil seeds

- According to FAOSTAT (2007), in 2005, Romania consumed 590.4 thousand tonnes of sunflower seed, sesame seed and palm kernel together, representing an average annual increase of 2% since 2001.
- Sunflower seed is, by far, the most favourite oil seed consumed in Romania, reaching 541.3 thousand tonnes in 2005. Between 2001 and 2005, consumption of this product remained fairly stable.
- Palm kernels and sesame seed are less important products, amounting to 47.6 thousand tonnes and 1.5 thousand tonnes respectively in 2005. Whereas consumption of sesame seed decreased by 9% annually between 2001 and 2005, consumption of palm kernels increased significantly by an average annual rate of almost 50% since 2001.

Production***Vegetable oils and fats***

- According to the Romanian Food Industry Federation (2007), Romania produced a total of about 253 thousand tonnes of edible oil in 2006, representing an increase of 8% compared to the preceding year.
- Of the selected vegetable oils, sunflower oil is the main oil produced in Romania.

Oil seeds

- According to FAOSTAT data, a significant production of oil seeds takes place in Romania. After France, Romania represents the second leading EU27 producer of sunflower seeds, accounting for 22% of total EU27 sunflower seed production in 2005.
- In the same year, Romanian production amounted to 1,341 thousand tonnes, representing an average annual increase of 13% since 2001.

Opportunities and threats

- Due to limited data availability, particularly with respect to vegetable oil seed consumption, not much can be said about opportunities and threats for developing country suppliers to Romania.
- It is, however, clear that production of sunflower seeds is substantial in Romania, which is a threat to developing country producers.
- Please refer to Chapter 7 of the survey covering the EU market for general opportunities and threats in the EU.

2 Trade channels for market entry

The distribution of vegetable oils & fats and oil seeds in Romania does not differ substantially from the distribution as described in the CBI survey covering the EU market for vegetable oil and fats (including oil seeds). However, unlike most of the other new EU member states in Eastern Europe, Romania sources a large part of its imports directly in developing countries. Please refer to the EU survey for a more comprehensive explanation of the main trade channels in the EU.

Vegetable oils and their raw materials can be traded directly from the source to the European processing industry or through one or more traders (agents, exporters, importers etc.). In general, large volumes go straight from producer to processor, while suppliers of smaller volumes may opt to use agents, brokers or importers.

The margins charged by the different intermediaries in the vegetable oil and oil seed trade are influenced by many different factors like the type of product, current and expected prices, cost of refining, availability, processing possibilities, etc. All these factors make it extremely difficult to provide information on typical margins in the trade of vegetable oils and fats and oil seeds.

Interesting (large) companies in Romania involved in vegetable oils and fats are:

- Cargill (manufacturer, <http://www.cargill.com/worldwide/romania.htm>)
- Prutul (manufacturer, <http://prutul.ro/site>)
- Argus SA (<http://www.argus-oil.ro>).

Good sources for finding companies working in the vegetable oils and fats (including oil seeds) market are:

- Food world: <http://www.thefoodworld.com> (an extensive online food business directory, with full EU coverage. Please look under the categories: 'Oilseeds, Oilseed Products,' 'Vegetable Oils and Fats,' and 'Olives, Olive Oil')
- Europages: <http://www.europages.com> (online business directory, with full EU coverage. 'Oils and fats, edible' are a separate product group, falling under the category of 'Food & related products.')

Online market places such as the below are also useful:

- Agronetwork.com: <http://www.agronetwork.com/global>
- Organic Trade Services: <http://www.organictrades.com> (also offering organic industry news)
- Ingridnet: <http://www.ingridnet.com> (for ingredient suppliers)

3 Trade: imports and exports

Eurostat data are used to indicate the trade flows for the EU25 and its individual member states, whereas for Romania, which is one of the two newest EU member states, Comtrade data are used to indicate imports and exports. However, with respect to trade data on *oil seeds*, please note that data for Romania may be overstated compared to the EU25, since Comtrade provides data only up to six-digit codes, whereas Eurostat gives data up to eight-digit codes. This implies that the oil seeds data for Romania contain more aggregated subgroups (i.e. oil seeds for human consumption as well as for sowing) than the data for the

EU25. For Romania, the following CN codes are taken into account: 1203, 120600, 120710, 120740 and 120760.

Imports

Vegetable oils and fats

- Romania is a relatively small importer of vegetable oils and fats compared to the EU25 countries discussed in this survey. Imports are about the same size as the Czech imports: the latter accounted for 0.7% of total EU25 import value in 2005 (Eurostat 2007).
- In 2005, Romania imported € 45 million / 67 thousand tonnes of vegetable oils and fats, representing an average annual increase of 23% in terms of value and 22% in terms of volume since 2001.
- Malaysia is, by far, the leading supplier to Romania, accounting for 34% of the import value in 2005, followed by Germany (18%), Moldova (14%) and Turkey (12%).
- In 2005, developing countries together supplied 63% of all Romanian imports, which is relatively high by EU standards. Imports in value supplied by developing countries increased by an annual average rate of 42% in the period reviewed, amounting to € 28 million in 2005.
- Within the group of vegetable oils and fats, palm oil is by far the leading import product, accounting for 53% of total Romanian imports. Other relatively important products are cocoa butter (14%), sunflower oil (10%), coconut oil (11%) and olive oil (6%). Particularly the imports sunflower oil showed a tremendous increase between 2001 and 2005 (annual average rate of 43%).

Oil seeds

- Romania is a small-to-medium sized importer of oil seeds compared to the EU25 countries discussed in this survey.
- In 2005, Romania imported € 23 million / 54 thousand tonnes of oil seeds, representing an average annual increase of 42% in terms of value and an average annual increase of 35% in terms of volume since 2001.
- In 2005, developing countries supplied 38% of all Romanian imports. Imports from developing countries increased by an annual average rate of 38% in the period reviewed, amounting to 37 thousand tonnes in 2005.
- Within the group of oil seeds, sunflower seed is, by far, the leading import products, representing a market share of 95% in 2005.

Exports

Vegetable oils and fats

- Romania is a relatively small exporter of vegetable oils and fats by EU standards. Imports are about half the size of the Hungarian imports, the latter having accounted for 1.6% of total EU25 export value in 2005 (Eurostat 2007).
- Romanian exports of vegetable oils and fats amounted to € 44.1 million / 83.4 thousand tonnes in 2005, representing an average annual increase of about 20% in both value and volume since 2001.
- The only vegetable oil exported by Romania is sunflower oil.

Oil seeds

- Romanian exports of oil seeds are relatively low.
- In 2005, Romania exported € 44.4 million / 188 thousand tonnes of oil seeds, representing an average annual increase of 12% in terms of value and 10% in terms of volume since 2001.
- Exports of oil seeds consisted almost entirely of sunflower seed (99.9%).

Opportunities and threats

- Romania is a net exporter of vegetable oils & fats and oil seeds. Particularly with respect to sunflower seed and sunflower oil, there seem to be limited opportunities for developing countries' exporters to Romania.
- Palm oil is very popular in Romania, which could offer interesting opportunities for developing country suppliers.
- Other interesting products are coconut oil and cocoa butter oil & fat and sesame seed. Imports of the latter are small, but strongly increasing.
- Please refer to Chapter 7 of the survey covering the EU market for general opportunities and threats in the EU.

Useful sources

- EU Expanding Exports Helpdesk - <http://export-help.cec.eu.int/>
- Eurostat – official statistical office of the EU - <http://epp.eurostat.cec.eu.int>

4 Price developments

The Chicago Board of Trade is the most important market for several vegetable oils and oil seeds. Prices established at this exchange largely determine prices for these and related products all over the world.

Due to improved technology, different vegetable oil products are substitutable; this has a major impact on price settings. For example, as can also be observed when looking at the trade data, palm oil is becoming increasingly popular in the food industry and, consequently the price rises.

Some other factors also influence prices of vegetable oils and oil seeds:

- The climatic conditions.
- Increasing demand for bio-fuels.
- Increased demand for vegetable oils and fats, due to improved welfare world wide.
- Driven by health concerns, the substitution of animal fat to the advantage of vegetable oils and fats.

With regard to oil seeds, in general, the prices of large volumes of oil seeds depend on exchange rates, in which the value of the dollar is a dominant factor. Prices of most products are not fixed and may fluctuate strongly, depending on season and global yields. Furthermore, the price of the oil seeds is heavily dependent on their quality. Oil seeds are traded by standard contracts, in which the price for a particular quality is stated.

For information on prices for vegetable oils & fats and oil seeds, please refer to the CBI survey covering the EU market for vegetable oils and fats (including oil seeds).

5 Market access requirements

As a manufacturer in a developing country preparing to access Romania, you should be aware of the market access requirements of your trading partners and the government of Romania. For information on legislative and non-legislative requirements, go to 'Search CBI database' at <http://www.cbi.eu/marketinfo>, select vegetable oils & fats and Romania in the category search, click on the search button and click on market access requirements.

Detailed information on packaging can be found at the website of ITC on export packaging: <http://www.intracen.org/ep/packaging/packit.htm>

Information on tariffs and quota can be found at <http://export-help.cec.eu.int/>

6 Doing business

Information on doing business like approaching potential business partners, building up a relationship, drawing up an offer, handling the contract (methods of payment, and terms of delivery) and cultural differences can be found in CBI's export manuals 'Export Planner', 'Your image builder' and 'Exporting to the EU'. These can be downloaded from <http://www.cbi.eu/marketinfo> - go to search publications. For more information on doing business in Romania, visit the following websites:

Trade Associations

- The Romanian Food Industry Federation – <http://www.romalimenta.ro/>

Trade fairs

- Eco Agricultura: <http://www.romexpo.org/>

Other

- A possible source of cultural specifics in Romania is <http://www.kwintessential.co.uk/etiquette/doing-business-romania.html>

No trade press of interest was encountered in Romania

This survey was compiled for CBI by ProFound – Advisers In Development

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