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Report Highlights:
The Romanian Retail market has experienced remarkable growth in recent years. In 2011, the retail market evolution was very dynamic, a year of notable market consolidation of existing retail operations. The total number of stores in the Romanian retail market increased 17 percent in 2011 as compared to the previous year. As modern retail systems grow, exports of U.S. processed and high value foods to Romania will continue to expand. The U.S. food exports to Romania resumed the upward trend, expanding by 19 percent in 2011 and reaching USD 77 million compared to USD 65 million the previous year. Although the EU market is almost closed to U.S. meat and meat products, promising export prospects remain. The best of these are tree nuts, distilled spirits, and wines.

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I. MARKET SUMMARY

General Information

Romania is the seventh largest nation among the 27 EU nations, with 19 million inhabitants. More than half of the population (55 percent) lives in urban areas, a steady percentage over the last 15 years.

Total occupied population reached 9 million inhabitants in 2010, of which 6 million are employees (the lowest number in 50 years). Out of the total number, only 4.3 million are bound to a legal contract, while the balance of 1.7 million is admitted as acting on informal and grey market, thus being excluded from social and health contribution system.

Romania started to feel the effects of the global economy recession at the end of 2008, initially impacting the industrial exports, and in 2009, the economic crisis effects spread to all sectors. Facing a high public deficit, the Romanian Government adopted in 2010 several drastic austerity measures such as: decrease in public wages with a quarter, significant job cuts in public institutions, pension reform, and social benefits reduction. In the same time, in order to secure the budgetary resources, the Romanian Government increased the excise duties and VAT from 19 percent to 24 percent.

The economy grew by 2.5 percent in 2011 after two years of economic decline, 7.1 percent in 2009 and 1.3 percent in 2010. Agriculture had a major contribution to the GDP increase, the share of agriculture in the GDP being estimated at over 7 percent in 2011, which is higher than last year and certainly higher than the EU average (1.7 percent). Large contribution from agriculture to GDP growth in 2011 implies risks for a negative contribution in 2012 due to the base effect.

Romania’s arable land for agricultural purposes is 39.5 percent of its total area, which places Romania sixth in the world in terms of potential arable land. In terms of employment, about a third of Romanian population is employed in agricultural activities, compared to the EU average where the percentage is 5.4 percent.

The value of agricultural sector in 2010 reached RON 64.4 billion (USD 19.6 billion), an increase of 1 percent compared to 2009 in comparable prices. The share of crop value in total agriculture grew from 60 percent in 2009 to 67 percent in 2010, mainly as a result of higher yields and acreage. About 32 percent of the agriculture value originated from animal and animal-derived production, a drop from 39 percent the previous year.

Romania continued in 2011 to cooperate with international financial institutions to support implementation of structural reforms, limit the consolidated budget deficit and promote economic growth.

With EU membership, Romania implemented harmonized tariffs, and now offers U.S. firms the opportunity to use Romania as an economically advantageous gateway to the EU market.
Romania has amended legislation regarding import and export regimes, standards and technical regulations, public procurement, competition policy, and intellectual property rights to align its legislation with the EU *acquis communautaire.*
Four government bodies currently regulate the food industry. *The Ministry of Agriculture and Rural Development* regulates imports and exports of planting seeds and planting materials including bio-

engineered crops, pesticides and fertilizers. The *National Sanitary Veterinary and Food Safety Authority* is the main body in charge of sanitary-veterinary and food-safety activities, including imports and exports of food products of animal and non-animal origin. The *Ministry of Health* is responsible for overseeing the production and registration of drugs and food additives. The *Ministry of Environment and Sustainable Development* is the main body conducting environmental risk assessments for genetically modified crops.

Map 1. Agriculture Contribution in GDP (percent) in 2010

Source: National Institute for Statistics

The agricultural trade deficit narrowed over the last two years as a result of both declining imports and rising exports. This is a reflection of the worsening economic conditions which led to demand contraction and more stringent conditions for access to credit for both consumer and corporate segments. In 2011, the agricultural trade deficit declined by 41 percent, mainly as a result of boosting exports by 33 percent. According to the trade data available for 2011, the imports grew by 18 percent. Meat, sugars, grains, seeds and protein meals were the top five commodities which entered Romania, while grains and seeds account for nearly half of Romanian exports (please see Table 1).

Table 1. Agricultural trade in Romania (2009-2011)

	2009	2010	2011
Imports ($)	5,327,839,515	5,209,057,280	6,171,660,410
Exports ($)	3,135,713,909	4,141,023,067	5,544,772,935
Agricultural Trade Deficit ($)	**2,192,125,606**	**1,068,034,213**	**626,887,475**

Source: GTA

The major trading partners for agricultural goods continue to be the European Union member states, about 80 percent of imports originating from the European Union, mainly from Hungary, Germany and Bulgaria. In terms of exports, about two thirds of exports go to the European Union, mainly to Italy, Hungary and Bulgaria.

In 2011, U.S. food exports to Romania resumed the upward trend, expanding by 19 percent reaching USD 77.1 million compared to USD 64.8 million last year. Imports mainly consisted of grains and seeds (USD 19 million), food preparations (USD 14.7 million), rice (USD 12.8 million), beverages (USD 8.7 million).

In general, imported commodities are subject to SPS regulations adopted at EU level. Nevertheless, there are instances when the local authorities require additional import documents as a result of different interpretation of the regulations or lack of knowledge.

Retail Market

The Romanian Retail market has enjoyed noticeable growth in recent years. The expansion of modern retail forms has certainly positively influenced the industry, contributing to its development. Romania scores relatively high on most of the areas analyzed by the European Commission (EC) report. The country managed to reduce previous imbalances and restore confidence among investors in the country, while financing itself both on the domestic and international markets. According to EC report, indicators from the labor force survey show a stable unemployment rate of around 7 percent as job losses level dropped and wages begin to rise.

As a result of the austerity measures, consumer demand contracted in 2010. According to the data released by the Romanian Statistical Office, the retail sales (both food and non-food) continued the downward trend contracting by 5.5 percent in 2010, after a sharp drop of 10.4 percent in 2009. The decline in 2010 was a result of 8.1 percent decline in non-food products sales and 7.5 percent in food products sales. Based on initial data available, we estimate that Romanians spent in 2011 over USD 31 billion on food and non-food products, up by 4.5 percent compared to 2010. An active evolution of e-commerce can be noted, online sales being estimated to grow by 24 percent compared with last year.

It is unlikely that the Romanian retail sector will continue to grow at such rates (23 percent in 2006 and 18 percent in 2007), but a slight increase for the foreseeable future is widely expected. As modern retail systems grow, exports of U.S. processed and high value foods to Romania are anticipated to continue expanding. This growth will likely be fuelled by rising purchasing power, the consumer lending accessibility and rising disposable income.

Retail sector had a dynamic evolution in 2010, when retailers focused on consolidating the existing retail chains. The most active segment was the discounter’s one, which reached in 2010 a number of 385 units, an increase of 38 units compared with the previous year. Hypermarkets will remain the largest segment of the Romanian grocery market in the next few years, followed by the supermarket segment while discounters – even currently expanding at a very fast rate – are forecast to remain a relatively small segment. The cash & carry segment had a constant and linear evolution, opening just one new unit in 2010, reaching a total of 43 locations. The evolution shows an optimistic development for majority of the retail segments, except the traditional, HoReCa and specialized shops which had a sharp decline in 2010. During the past two years, the economic crisis and the modern retail expansion affected the small food shops the most, diminishing significantly their presence on the market. (please see Table 2 and Chart 1)

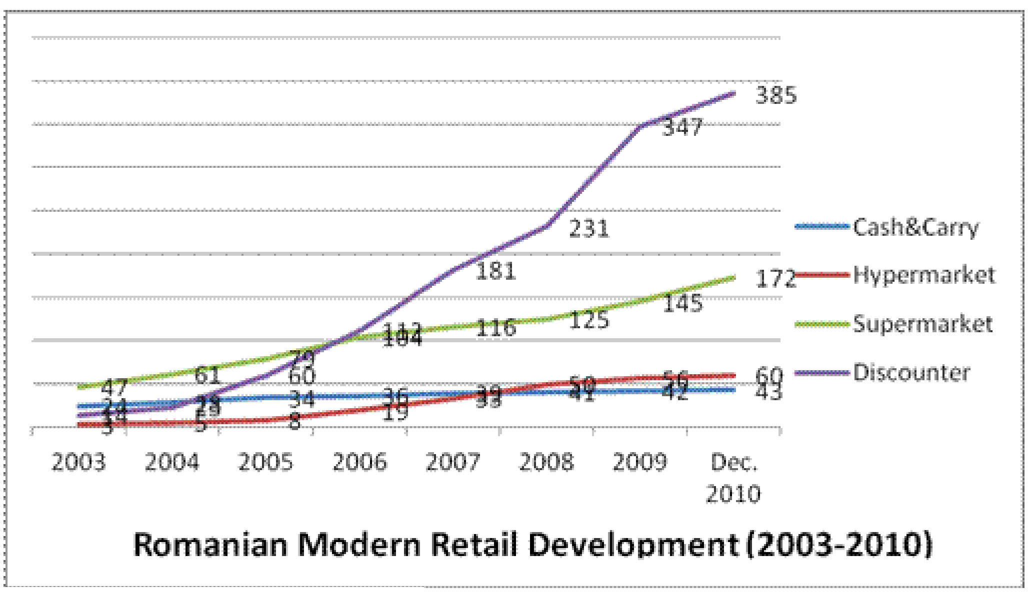
Table 2. Retail market structure, Romania, 2010 versus 2009

(number of stores)

ROMANIA	2008	2009	2010	Dynamics 2009-2010
Supermarkets/Hypermarkets/C&C/ Discounters	731	884	1,003	+119
Large Food Shops	5,458	5,336	5,214	-122
Small Food Shops	34,203	32,079	30,856	-1.223
Kiosks	6,038	5,494	5,198	-296
General Stores/ Gas stations	8,592	8,069	7,722	-347
Pharmacies	4,743	4,903	4,706	-197
Cosmetics Stores	1,286	1,251	1,168	-83
Chemical Products Stores	1,733	1,510	1,358	-152
Pet Shops	1,256	1,364	1,343	-21
HORECA	26,983	25,808	25,283	-525
TOTAL	**91,023**	**86,698**	**83,851**	**-2.847**

Source: MEMRB Research Company

Chart 1. Romanian Modern Retail Development



Source: FAS, Piata and Ziarul Financiar publications

Despite the fast economic growth rate experienced during 2004-2008, the income level and the purchasing power in Romania still remain some of the lowest in EU, especially compared with the Western markets. Due to the discrepancy observed in spending power between the capital and the regional cities being significant, retailers are extremely cautious with their movement into regional cities and are assessing every opportunity carefully. According to the official statistics reports, food & beverage expenditure continues to have a dominant share in the spendable income, reaching 41 percent at national level. Its impact has recorded minor reductions in the last few years as purchasing power has improved. Additional pressure on sales began in the second half of 2010, as a result of the VAT uplift and the public administration salary reductions.

During the second consecutive year of crisis, the retail players seemed more adapted to the market conditions and more prepared for the first signs of recovery seen in 2011. The largest international retailers maintained expansion programs in 2011, although new openings were fewer than planned as a consequence of the limited number of projects delivered on the market. Those in expansions were stimulated by the lower costs seen on the market today. The shopping centre development continued at a low rate, with just a few projects being finalized. As the economy returned to growth in 2011, market confidence is also expected to return.

Analyzing the total retail market number of stores in 2011, we observed an increase of 17 percent compared to the previous year. The low starting point has allowed international retail firms ample opportunities in Romania. However, deeper market penetration in the major cities has resulted in two basic strategies for firms considering additional expansion. The first of these strategies is to replace supermarkets with hypermarkets in the big cities and Bucharest. This strategy allows the hypermarkets to compete with the cash & carry stores with regards to product shelf space, while offering consumers better high end goods at reasonable prices. The second strategy is for hard discount firms to move to smaller cities to compete with cash & carry for rural customers, traditional markets and kiosk owners business.

Bucharest, with a per capita income of more than three times the national average, has seen accelerated growth of modern retail. The latest retail developments in Bucharest have been designed to take increased consumer sophistication and spending power into account. At the end of 2010 the shopping centre stock in Bucharest reached 716,800 sqm Gross Leasable Area (GLA), corresponding to an annual increase of 16 percent. The shopping centre density increased from 369 to 375 sqm GLA/1,000 population (please see Table 3). The CEE capitals comparison shows much higher densities in Bratislava (862), Warsaw (619) and Prague (590), and a similar level in Budapest (370) (please see Table 3).

Table 3. Modern retail density

City	GLA/ 1,000 People 2010	GLA/ 1,000 People 2011
Bucharest	**369**	**375**
Budapest	370	409
Prague	590	590
Warsaw	619	619
Bratislava	862	862

Source: Cushman and Wakefield, March 2011

Table 4. International Retailers in Romania
Number of stores (update July 2011)

Cash&Carry	Metro	26
	Metro Punct	4
	Selgros	18

Hypermarket	Auchan	7
	Carrefour	24
	Cora	8
	Real	25
	Kaufland	65
Supermarket	Carrefour Market	39
	Billa	57
	DM Drogerie Markt	41
	G'Market	6
	Interex	12
	Mega Image	91
	Spar Discount	12
Discounter	Lidl	118
	Penny Market	120
	Profi	102
Proximity	Mega Image - Shop and Go	6
	HDS Inmedio	170
	R-Kiosck	16

Source: Magazinul Progresiv

Economic development and political stability are essential elements that influence the development of local retail market. Also, an important role in modern retail development is played by the efforts of suppliers and traders to improve the quality of infrastructure and distribution chain. The consumer in Romania became knowledgeable, comparing multiple chains, and he is buying more and more on the fair price policy. Consumer habits are changing and more people prefer to shop once a week, than every day at the small neighborhood shops.

Private labels

The development of modern trade forms brought, besides the change of Romanian consumer behavior, the private brands of the stores. Private labels have been developed for all major food and beverages categories.

The private labels are continuously building-on their image in the consumer's mind because some brands are known, but they are not associated with the store that offers them, while others are not known, but it is common knowledge that the store trades private brands.

The main retail chains selling products under private label, both food and non-food products, are: Carrefour (Marca 1), METRO (Aro and METRO Quality), BILLA (Clever), Cora (Winny), Mega Image (365) and KAUFLAND (K-Classic). Other stores such as Auchan, Profi, Penny Market, Interex, Ethos, Spar have private brands too.

Private labels segment will continue to grow in Europe and in Romania as well. The segment has 27 percent market share at the EU level and an estimated 11 percent in Romania. Retail specialists forecast for Romania an increase in market share of 20 percent during the next five years. Since the evolution depends on the new comers and old established retailers, the foreseen coming of Tesco retailer on the Romanian market could have a potential high influence of the segment development as Tesco is the most representative retailer on private brands.

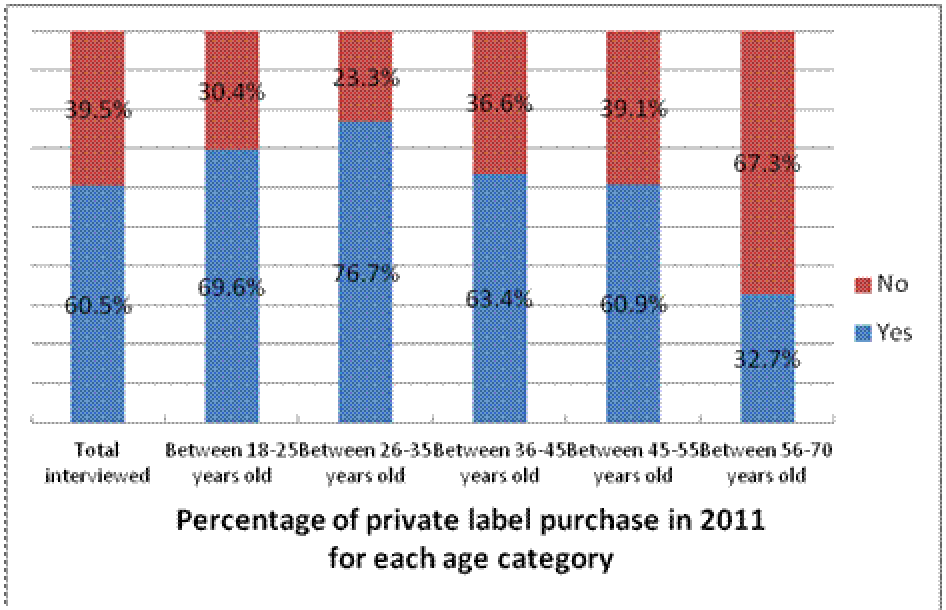
During the last years, the retailers initiated different price segmentation strategies in order to have a better approach to the consumer diverse mode of acquisition. They started from the classical segmentation: economic, mainstream and premium, and developed a five segment price range - old value, value, standard (or mainstream), premium and super-premium.

A widely noticeable trend is the expansion of private labels to other than food sector – electronic equipment and others for food preparation being among the most unexpected launches. In Romania, as in all other countries with a high penetration of private labels, is foreseen that retailers will enter on niche markets offering international products and others specialties such as: organics, gluten free, ethnics, being premium ones with high nutritional benefits to consumers.

Over the last two years, consumers have become more cautious on food safety when they purchase any product. Because there are still skeptical consumers, revealing the product origin and nutritional components reduce their position versus this segment.

Based on a study made in Romania, by Mednet Marketing Research Center, 60 percent of the consumers with age between 18-70 years have purchased private labels products. Among them, the segment of people within the age range of 26-35 years was the greatest one (please see Chart 2).

Chart 2. Percentage of private label purchase in 2011



Source: Mednet Marketing Research Center

Considering the quality-price ratio for private label products, 47 percent of the participants interviewed by Mednet for the study were considering it as similar to the one offered by the well known brands, while 16 percent considered it even better.

Price is a very important criteria for 62 percent of the respondents while purchasing the private label products. However, the conclusions of the study indicate that private labels are addressing all consumers, irrespective of their income level. This is pointed out by the variations in the retailer's portfolio, introducing under private label beside the low-cost products also the premium, organic or high-quality ones.

The challenges and opportunities raised for the private label industry were based on internal and external factors. Among the external influences we can mention: competition strength, economic background, globalization, customers purchasing options and the growing e-commerce technology which influenced the consumer trends. Among the internal factors are: the growing market share in modern retail, cost optimization, innovations and numerous new products launches on the local market.

The private label products have become quite attractive in this unfavorable economic context because of the low price. In addition, latest studies show that private brands are seen in general as good quality similar to the conventional brands. Being supported by the price and gaining notoriety, the private brands products will be more and more present on the Romanian retail market.

Advantages and Challenges facing U.S. Products in Romania

Table 5. Advantages and Challenges facing U.S. Products in Romania

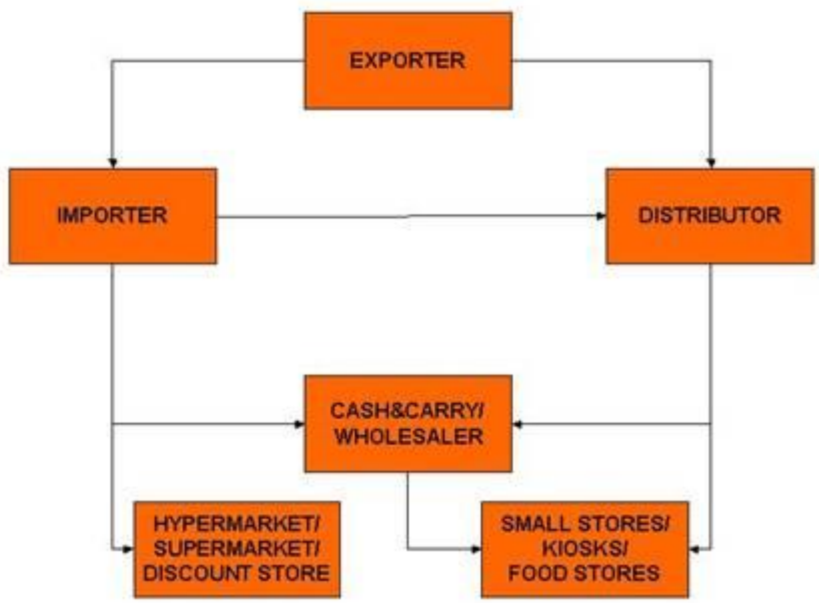
Advantages	Challenges

The growing retail industry is looking to diversify the range of food products	There are very high entry-costs to supermarkets for new product lines as well as additional marketing costs (advertising, discounts)
The retail expansion will allow more Romanians to access modern retail	EU accession imposed new barriers to entry for U.S. products, especially in poultry and red meat products
Increasingly wealthy and sophisticated consumers desire an expanded product range	The relatively low purchasing consumer power, only a small segment of population affording buying novelty or very-good quality products
Weak U.S. dollar makes U.S. products more competitive	EU member states benefit of tariff preferences compared to U.S. when entering the Romanian market

II. ROAD MAP FOR MARKET ENTRY

Retailers source their food and beverages products mostly from local suppliers, either domestic producers or importers. Nevertheless, when dealing with private label products few supermarkets work directly with exporters.

Diagram. How goods flow



Importers and distributors are direct suppliers for retailer stores and are familiar with existing legislation, trading practices and customers. Most importers/distributors have distribution channels with national coverage. One strategy for entering the market is to work directly with them.

Small stores purchase food mostly from wholesalers/Cash & Carries. As the major part of retail structure is still made by the small food stores, it is important that the exported products reach these wholesalers.

Another type of strategy is that the U.S. exporters find an exclusive local representative. In this case, the representative would be totally devoted to one company's segment of products and be responsible for all promotional activities (advertising, sampling).

Given the expansion of modern retail, some supermarkets and hypermarkets started to develop their own logistical centers. However, as the small kiosks and traditional stores are declining in numbers, the distributors will still play an important role in the retail market. In the medium and long run, market concentration and consolidation is expected among distributors, as some of the companies might not have enough resources to fulfill the increasing needs of retailers.

III. MARKET STRUCTURE

A. HYPERMARKETS, SUPERMARKETS, CASH&CARRIES AND DISCOUNT SHOPS

Hypermarkets

Hypermarkets: Stores with more than 2,500 sqm (25,000 sq.ft) selling a wide variety of food and non-food items.

As result of their prudent approach, hypermarket chains experienced a limited expansion activity in 2010. The most important players in hypermarket category remain: Carrefour, Cora, Kaufland, Real and Auchan. Romanian consumers prefer hypermarkets when they are purchasing home, personal care and basic grocery products. However, when purchasing fresh food, coffee, cigarettes or dairy products, the consumers prefer the independent small grocers, food/drink/tobacco specialists, other grocery retailers and traditional outdoor markets.

Carrefour was the first Hypermarket chain to enter the Romanian market. Opening its first store in 2001, its growth has been impressive. In 2007 it entered the supermarket segment by taking over the Artima chain. The retailer now operates 26 hypermarkets and 50 supermarkets. Although in 2010 sales figures declined, Carrefour plans to continue its expansion in Romania and open new units on its already existing hypermarket formats, as well as supermarkets. In addition, in Oct 2011, Carrefour Romania has opened its first local proximity store following a franchise agreement with local meat producer and retailer Angst under the name of Carrefour Express Angst. By the end of 2012, all of the existing 24 Angst stores and the new ones that will be opened meanwhile will be included in the scheme. Presently, Carrefour offers to its customers a variety of more than 50,000 products with a wide range of its own private label ones.

Cora Romania, part of Louis Delhaize group, adapted their expansion strategy becoming more aggressive. As of 2011, Cora operates eight hypermarkets in Romania, three of them being inaugurated this year. The first Cora hypermarket was opened in 2003 and two more units followed in 2005 and 2006. For financing their new stores, Cora hypermarket chain obtained in 2011 a USD 280 million loan from the European Bank for Reconstruction and Development (EBRD). The funds will be used to finance new stores of the Cora hypermarket chain in Romania, most of which will be carried out in regional cities. Overall, Cora will invest around USD 530 million in expanding its local network. Cora representatives confirmed that between 20 and 25 new units will be opened in the next three to four years. For 2012, three new hypermarket openings in Bucharest, Slobozia and Bacau have been announced.

Kaufland, the hypermarket division of Germany's Schwarz Group, has developed one of the most extensive networks in Romania. The first Kaufland outlet in Romania was opened in the summer of 2005 in Bucharest. In 2009, during the pick of financial crisis, Kaufland was among the few which maintained the expansion plans unchanged and in January 2012 they reached 72 units. Kaufland hypermarket offers over 15,000 products to their customers, among them the private label, regional and exclusive brands products. The chain is recognized for their affordable prices, but also for the wide variety of products with high quality and freshness.

After a 5 years presence in Romania, **Real**, hypermarket division of METRO, is currently operating a network of 25 stores in 18 cities of Romania with plans to expand to 26 by the end of 2012. Due to their aggressive expansion, Real Romania didn’t register until end of 2008 a net profit. Real network offers a wide variety of approximately 70,000 products to its customer, out of which only 10 percent is sourced directly by foreign suppliers.

The French retailer **Auchan** is present in Romania since 2006. They currently have a network of 9 stores, with plans to expand to 14 units by the end of 2014. The investment allocated for this expansion is estimated at USD 195 million. Furthermore, the retailer takes into account the possibility of introducing a new supermarket format on the Romanian market - Simply Market. Besides the new concept, the retailer is confident that a new platform for e-commerce will be beneficial to the retailer sales, but not earlier than 2015. Latest opened store is located in south-east Romania, in Constanta city, and has a total surface of 12.000 square meters and sell over 50,000 products.

Supermarkets

<u>Supermarkets</u>: Stores with between 400 sqm. and 2,500 sqm.(4,000 to 25,000 sq ft) selling a wide variety of foods and non-food household goods

Supermarket category is the largest modern retail channel in grocery retailing in Romania and the top players in 2010 were Billa Romania SRL, which maintained its clear lead in value terms with a 33 percent value share while Mega Image leads in terms of the number of outlets. During 2010, Mega Image continued its policy of opening new outlets in highly populated central areas of Romania’s big cities.

Mega Image has expanded aggressively its presence on the market being presently the largest supermarket chain in Romania. Delhaize Group has bought La Fourmi through its Mega Image subsidiary, from Greek investment fund Global Finance, which held around 90 percent of the company's share capital, and from a number of private investors. Mega Image decided to focus on large markets, attempting to attract customers with easiness of access over size and selection. Their average store size is small, approximately 600 sqm. At the end of 2011, their network reached 105 stores, and presently they have 113 stores in the network (101 Mega Image stores and 12 Shop&Go ones), with 8 new locations inaugurated in 2012. The company invested large amounts to renovate and rebrand 14 LaFourmi and 3 G’Market stores acquired in 2011.

The German company Rewe opened its first **Billa** store in 1999 and reached a large store network of 61 outlets. The surface of the stores is 500-2,400 sqm/store, about 5,000 items being displayed. Billa retailer is seeking approval from its shareholders for a major expansion on the Romanian market. As regards the expansion plans for 2012, Billa announced their intention to open 20 new stores in the country in order to have over 80 outlets in Romania. The funding for this expansion is expected to come from the mother company. In addition, in 2011, the retailer invested more than USD 4 million in remodeling two Romanian stores, in Bucharest and Timisoara, increasing the fresh food section. In Romania the Rewe group operates Billa chain and Penny Market discount chain.

Wholesalers / Cash&Carries

Cash & Carry: *Membership style retail/wholesale stores with a varied selection of products sold under a warehouse style format. These stores have a broad product range in the food and non-food area.*

Metro Cash & Carry, the largest player in Romanian retail, entered the Romanian market in 1996, selling about 35,000 items, mostly from local suppliers. In the following years, the company concentrated on expanding the sales network reaching a number of 30 stores (26 METRO Cash & Carry and 4 METRO Punct) with a total selling space of approximately 190,000 sqm. Metro Punct stores have an average surface of 1,700 sqm selling a variety of 3,500 articles. Selling products under own labels, which do not require significant advertising and partnerships with local suppliers, is part of the company's strategy, the group operating the most well-known private label ARO. Metro's own private label products reach shelves at 10-20 percent lower prices than those of established brands, according to the data provided by the retailer. Metro representatives announced the new strategy would double the share of private labels in total sales generated by the cash & carry network by 2012.

As of end of 2011, **Selgros Cash & Carry** Romania network consists of 19 outlets with a product range of 41,000 items each, both food and non-food. The average size of a Selgros Cash & Carry store is 10,000 sqm. Germany-based Selgros Cash & Carry maintains its expansion target at 21 stores by end of 2015 on the Romanian market, but says land price is still an obstacle to expanding the network, considering that one store needs an investment of over USD 26 million .

Hard Discount shops

Hard discounters: Small supermarkets with a limited range of low cost products, often private label.

Food discount was the most active retail sector in Romania in 2010-2011, recording a completion of 73 new units and the takeover of three of the main networks. The number of discount units saw a 27 percent annual growth, up to a total of 347 stores, among them being Penny Market (106), Lidl and Profi. Following the Central European model, many discount shops have begun focusing their expansion in smaller cities. Discounters are the only food retail operators that announced they would further expand in 2012 without cutting the pace against this year, on a market where investments have almost halved as a result of the lending freeze and consumption decline.
At the beginning of 2010, **LIDL** German owned network announced the acquisition of food stores network PLUS in Romania and Bulgaria, from Tengelmann group. The acquisition of Plus Romania by Lidl was approved by the authorities, consequently creating the largest chain in Romania with a current network of 132 stores. The retailer representatives announced the company's intention to reach a total network of 200 stores in Romania. The funding for this expansion is expected to come from World Bank, International Finance Corporation, which recently approved a USD 70 million credit for the group.

Penny Market discounter store network, a brand of the German Group REWE, was established in

Romania in 2005. In addition to Penny Market, the group is currently operating Billa and Penny XXL Mega Discount. The retailer's investment budget stood at USD 63 million, a sum that also covered land acquisitions for the network's expansion in 2010-2011. The retailer ended 2011 with 128 operational stores and recently opened their 129 unit in Brasov city. Penny Market stores have a surface of 750 sqm. and a product range of 1,400 items, of which food products count for about 80 percent. Penny Market targets cities with less than 20,000 inhabitants having most of its suppliers domestic.

The Enterprise Investors acquisition contract for discount retailer **Profi** was finalized in 2010. The transaction amounted to USD 92.4 million marks the return of an investment fund to food retail, less than two years after the exits made by Enterprise Investors and Global Finance in this sector. Profi, currently operating around 108 stores, is the third largest food retailer on the discount store market, after Lidl and Penny Market. Profi targets cities with less than 20,000 inhabitants; the stores have a surface of 500 sqm having most of its suppliers domestic.

B. TRADITIONAL MARKETS

Traditional markets continue to have strength in rural areas, where residents do not have access to modern retail. Although modern retailing is gaining ground, approaching a share of approximately three quarters on the retail markets in Bucharest and other important cities, traditional markets continue to have strong presence. With the current expansion of modern retail into smaller cities, traditional markets are going to be under increasing pressure. These markets have managed to find some niches in Romania where they are able to stay competitive. Even in cities, traditional markets continue to attract more than 50 percent of the market for fruits and vegetable.

C. INTERNET RETAIL

The first online store operated by a local cash & carry retailer was launched at the beginning of 2012 by Metro Cash&Carry under the Metro Office Direct name (www.metro.ro/direct). The store targets companies and will sell a total of about 4,500 office stationery products and various electronic appliances. Delivery is made within 24 hours of ordering.

D. HOME SHOPPING

Home-shopping constitutes a very small proportion of retailing value sales in Romania accounting in 2011 for a value sales of about USD 209 million. Due to lack of warranties or limited ones offered by online shopping networks, as well as products carrying higher prices in home-shopping than products in store-based retailing, Romanians have been very cautious in accessing this channel. However, home-shopping value increased by 24 percent in 2011 compared with the previous year. This boost was due to a very impulsive campaign of discounts and promotions organized by the main players in this segment.

IV. COMPETITION

Product Category / Total Import value 2010 (thousands USD)	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of local suppliers

Pork meat 0203 Import 2011: Th. USD 360,334	Germany (31%) Hungary (18%) Netherlands (10%) Belgium (9%)	Ability to meet EU requirements ; Good quality meat; Consistent supply; Proximity	Insufficient domestic supply; High production prices
Poultry meat 0207 Import 2011: Th. USD 159,746	Hungary (24%) Germany (20%) Netherlands (16%) Bulgaria (15%)	Ability to meet EU requirements; Very competitive prices; Short distance for EU member states	Ability to supply the market with fresh poultry meat; Branded products; High prices for domestic production
Beef (chilled and frozen) 0202 Import 2011: Th. USD 27,731	Italy (31%) Germany (28%) Austria (12%) Spain (9%)	Ability to meet EU requirements; Good quality meat; Few sources in the region	Very few specialized beef farms; Reduced and seasonal supply (during fall)
Frozen fish and seafood 03-all Import 2011: Th. USD 136,465	Italy (14%) Spain (10%) Netherlands (10%) Vietnam (8%)	Competitive prices; Short distance for EU member states	Species in demand are not domestically produced; Domestic species are mainly seasonally available
Meat products 1602 Import 2011: Th. USD 30,930	Hungary (38%) Germany (25%) Poland (8%) Netherlands (8%)	Proximity; Consistent supply; Ability to meet EU requirements	Well-establish meat-processing industry able to supply a large variety of products; Highly protected market
Nuts, peanuts, almonds, pistachio 0802 Import 2011: Th. USD 17,985	Hungary (43%) United States (12%) Netherlands (8%) Germany (7%)	Proximity; Low prices; Favorable currency value; Very good quality products	Products not available on the local market
Processed fish 1604 Import 2011: Th. USD 36,744	Germany (21%) Poland (20%) Thailand (16%) Italy (9%)	Preferential duties; Good quality products for reasonable prices	Underdeveloped fish-processing units; Low production
Pet food	Hungary (46%)	Preferential tariffs for certain	Emerging stage for domestic

2309 Import 2011: Th. USD 170,722	Italy (7%) Germany (7%) France (7%)	types of pet food; Well known brands; Proximity; Low prices	processing units; Prohibition of bone meal usage in commercial animal feeding
Frozen vegetables 0710 Import 2011: Th. USD 32,001	Belgium (30%) Poland (13%) Hungary (12%) Netherlands (9%)	Good quality products at good prices; Attractive packages	Low domestic supply; Absence of competitive processing units
Fruits and vegetables juices 2009 Import 2011: Th. USD 41,347	Netherlands (22%) Italy (16%) Hungary (11%) Germany (11%)	Preferential tariffs for certain types of juices; Very good quality products; Attractive packages	Good local fruits production; Low-value investment in processing-industry
Breakfast cereals 1904 Import 2011: Th. USD 32,962	Poland (53%) Germany (15%) Czech Rep. (13%) France (10%)	Proximity; Reasonable prices; Well known brands; Attractive packages	Domestic supply available in a very narrow range and relatively low quality
Dairy products, eggs & honey 04-all Import 2011: Th. USD 354,565	Germany (26%) Hungary (25%) Poland (17%) Bulgaria (6%)	Free access on the local market for EU member states; Proximity;	Long tradition in milk production; Increasing investment in milk processing
Wines 2204 Import 2011: Th. USD 69,473	Spain (46%) Italy (19%) France (13%) Germany (6%)	Proximity; Competitive prices	Very good local production in a relatively large variety; need to satisfy an increasing taste for foreign wines
Distilled spirits 2208 Import 2011: Th. USD 67,102	United Kingdom(43%) United States (13%) Germany (12%) Netherlands (7%)	Good image for consumers; Free access on the local market for EU member states	Focus on low and middle-income consumers sustained by strong promotional campaigns
Sweetened and flavored water 2202	Austria (28%) Hungary (24%) Poland (10%)	Preferential tariffs; Very good quality products	Very limited investment in this area; Highly protected market

Import 2011: Th. USD 62,092	Greece (6%)		
Beer 2203 Import 2011: Th. USD 24,183	Germany (29%) Poland (17%) Netherlands (16%) Bulgaria (9%)	Free access on the local market for EU member states	Strong local industry; Strong brand awareness supported by heavy publicity campaigns

V. BEST PRODUCT PROSPECTS

Category A: Products Present in the Market Which Have Good Sales Potential

Product Category	2010 Imports	2011 Imports	Key Constraints to market development	Market Attractiveness for USA
Nuts/Peanuts/ Almonds	4,931 MT	5,262 MT	Preferential tariffs for certain competitors	Superior quality products; increasing demand for processed products
Distilled spirits	3,209 LPA	3,318 LPA	High tariffs, high excises	Lower duties after EU accession; very good image for consumers
Wines	224,648 HL	912,812 HL	Strong domestic and foreign competition	Demand for niche wine varieties sold through specialized stores

In 2011, U.S. food exports to Romania resumed the upward trend, expanding by 19 percent reaching USD 77.1 million compared to USD 64.8 million last year. Imports mainly consisted of grains and seeds (USD 19 million), food preparations (USD 14.7 million), rice (USD 12.8 million), beverages (USD 8.7 million).

Snack industry and retail sector have been able to generate import demand for most of edible fruits and nuts in 2011. United States is the leading supplier for almonds with a share of 57 percent in total imports. Pistachios imports declined in total, US exports following the same trend. US Walnuts exports however grew significantly in 2011, mainly driven by the retail sector. Other products, like dried plumes and pecans from United States, are not imported directly on the Romanian market, but through other European countries.
After two years of decline, distilled spirits imports grew in 2011 by 11 percent, indicating a recovery in the consumer demand. We estimate the distilled spirits will slightly grow in 2012. The United States continues to be a significant whiskey supplier on the Romanian market, being the leading provider of Bourbon whiskey.

Category B: Products Not Present in Significant Quantities but Which Have Good Sales Potential

Product Category	2010 Imports	2011 Imports	Constraints over market development	Market Attractiveness for USA
Fruits and vegetables juices	564,425 HL	708,164 HL	High duties; increasing domestic competition	Increasing demand for high-quality natural juices
Dried fruits	360,195 MT	373,722 MT	High duties	Consumers' tastes diversification
Dried and frozen vegetables	28,791 MT	40,296 MT	Strong European competitors; high import duties	Increasing demand for lentils, chickpeas and peas, due to fluctuations in local production
Fish and seafood	72,452 MT	56,904 MT	Seafood consumption is limited; low purchasing power; consumers' preference for species in a lower supply	Good perspectives for fish-processing industry expansion; market access maintained after EU access
Pet food	223,584 MT	202,487 MT	Consumers preference for well-known brands	Increasing demand as people change life style; low interest for domestic investment in manufacturing pet food

Increasing level of convenience and the fluctuating local production created opportunities for US exporters of dried vegetables in general, but especially for lentils, chickpeas and peas. After a drop in 2010, exports resumed the upward trend in 2011, US exports of such products growing from USD 578 to USD 21,493 in 2011.

Category C: Products Not Present Because They Face Significant Barriers

Breakfast cereals: strong European competitors; high import duties
Sweet products and chocolate: relatively low purchasing power, strong domestic competition

Sweetened and Flavored water: high tariffs

Romania imposed trade restrictions for poultry and swine meat of U.S. origin several months prior to its accession to European Union in 2007, by introducing the EU health certificates. As a result of this measure, only pork, beef and poultry meat originating from EU approved establishments are allowed for import into Romania. This diminished and ultimately eliminated an important market for U.S. products, estimated at about USD 60 million.

VI. POST CONTACT AND FURTHER INFORMATION

If you have any questions regarding this report or need assistance exporting to Romania, please contact us at:

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