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Report Highlights:

Over the last three years, Romania has seen strong positive growth, with encouraging developments in the economic and policy areas, becoming one of the most attractive markets in Southeastern Europe. After just a few notable events during 2015, the Romanian retail market experienced remarkable growth in 2016 reaching 2,000 stores operated by international retailers. As modern retail systems grow, exports of U.S. processed and high value foods to Romania will continue to expand. In 2015 U.S. agri-food exports to Romania increased by 45 percent from U.S. \$96 million to U.S. \$139 million over the last year. Romania's food sector is expected to be among the regional best performers during the next five years, with promising market prospects for U.S. exporters such as tree nuts, distilled spirits and wines.

General Information:

I. MARKET SUMMARY

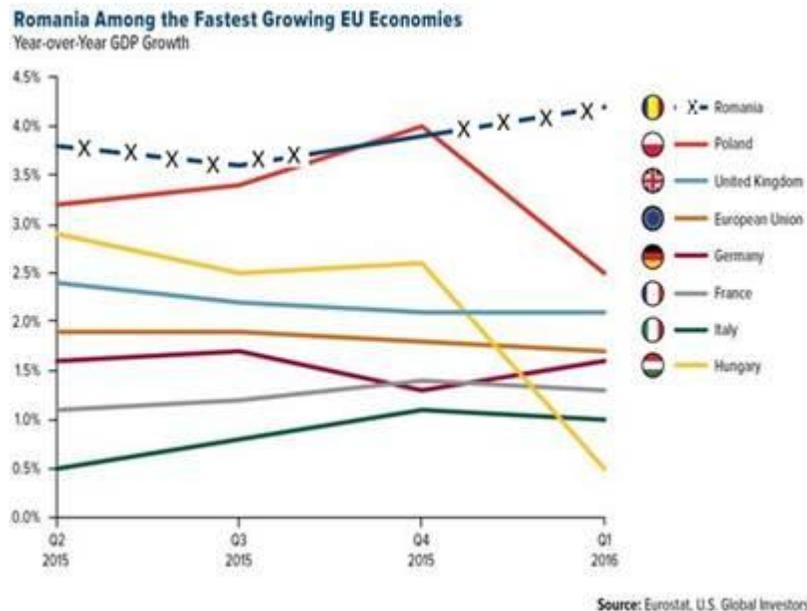
General Information

Romania has been a member of the EU since 2007 and a member of NATO since 2004. Within the 28 EU countries, Romania has the seventh largest population, with 19.5 million inhabitants.

Romania is presently a market with outstanding potential, a strategic location, and an increasingly solid business climate. Although there is the need for an exporter to evaluate the market in order to assess the business opportunities, exporting to Romania is steadily becoming less challenging than in previous years in terms of the predictability of the business environment.

Economic growth in Romania is among the highest in the EU and is forecast to remain strong in 2017. The current macroeconomic outlook is stable. Real GDP growth rate was 3.8 percent in 2015, one of the highest in the EU 28, and is expected to maintain its positive trend. According to European Commission forecasts, GDP is estimated to reach 4.2 percent in 2016 and 3.7 percent in 2017 for Romania.

Chart 1 - EU Economies evolution Q2/2015-Q1/2016



The reduction in value added tax (VAT) from 24 percent to 9 percent for food products as of June 1, 2015, and to 20 percent for all products as of January 1, 2016, encouraged private consumption growth, which proved to be the main driver of the economy last year. Domestic demand is set to remain the driver of growth for 2017. The unemployment rate has been stable, under 7 percent in 2015, and is

expected to slightly decrease for 2016. However, economic growth combined with the more flexible labor legislation should increase hiring. Romania may still experience shortages in skilled-labor, as workers remain attracted by higher paid employment abroad.

Total agricultural imports in Romania reached a total level of U.S. \$6.7 billion in 2015 (see Table 1), and the U.S. had a 1.39 percent share of Romania’s total agricultural imports in 2015.

Table 1 – Total Agricultural trade - Romania (2009-2015)

U.S. \$ (000,000)	2009	2010	2011	2012	2013	2014	2015
Agricultural Imports	5,328	5,200	6,197	6,161	6,579	6,797	6,706
Agricultural Exports	3,136	4,122	5,581	5,193	7,042	7,371	6,574
Agricultural Trade Surplus/Deficit	(2192)	(1,078)	(615)	(967)	463	575	(132)

Source: *Global Trade Atlas*

The major food product import categories are meats, grains, protein meals, dairy, edible fruits, and sugar. Exports consist of grains, seeds, live animals and fats. The major share of exports consists of bulk commodities, while imports are comprised of further processed products.

Following steady growth of 8.9 percent recorded in 2015, retail sales boosted in the first half of 2016, increasing by 16.8 percent. Likewise, retail sales are expected to maintain their record growing trend for the rest of 2016 as well, driven by wage increases and strong consumer confidence.

With EU membership Romania implemented harmonized tariffs and now offers U.S. companies the opportunity to use Romania as an economically advantageous gateway to the EU market. Romania has amended legislation regarding import and export procedures and standards and technical regulations to align its legislation with the EU laws. 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.

Five 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. Under the Ministry of Agriculture, the *National Institute of Research & Development for Food Bio-resources* is the responsible authority for registration and imports of food supplements. 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.

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). Over the last three years, Romania has seen strong growth, with positive developments in the economic and policy areas, becoming one of the most attractive markets in the Southeastern Europe region. All these indicators, together with growing wages, low inflation, falling interest rates and improving labor market conditions are all expected to have a constructive impact on the retail sector.

The country managed to reduce previous economic imbalances and restore confidence among investors in the country, while financing itself both on the domestic and international markets. According to EC country report, indicators from the labor force survey show stable unemployment rate of around 7 percent as job losses level dropped and wages begin to rise.

Modern retail evolution (2012-2016)

After just a few notable events during 2015 and a low expansion rhythm, last year the Romanian retail market renewed its expansion and reached 2,000 stores that were operated by international retailers. Important to mention that two major transactions were completed (Carrefour acquired Billa and Auchan has completed the merger by absorption with Real), and almost 20 percent more new stores were inaugurated.

During 2016 large retailers inaugurated about 250 stores. Although the openings covered all market segments, the convenience and the supermarket stores are the categories recording the highest number of openings: 135 and respectively 65. Discount store projects have been growing steadily in 2016, recording 36 openings. On the opposite side, the lowest number of openings was recorded for the hypermarket and cash & carry segments. Still, the hypermarket segment continues to attract investments on the local market and recorded 8 new stores during 2016, a 15 percent increase compared with the previous year. On the cash & carry segment, after a stable four year period with no openings, Selgros decided to expand its store network with two new stores, under a new store concept named “Compact Store”. The highest number of store openings was registered in 2016 by Profi with almost half of the total number of store opened during the year (134), followed by Mega Image, with 53 units and Penny Market with 25 new stores. Although Profi was considered the most expansive retailer, the Mega Image retailer reached its mile stone of 500 stores operated in Romania. Auchan, Cora and Metro Cash & Carry didn't record any new opening in 2016.

The Romanian retail market has started to adapt and redirect their investments not only in their expansion projects, but also in remodeling old units and developing new store formats that are suited for urban areas and consumer preferences. Retailers started to focus on being able to serve more effectively their core customer base by enhancing store layouts, new concepts, category management projects, premium private label launches, improving product assortments, as well as interesting digital and communication initiatives, and “every day low price” concept. Another expansion opportunity for some retailers is online shopping. However, compared to other mature markets like UK or Germany where e-commerce for food retail exceeds 10 percent level, in our region the average is 2-3 percent, with Romania recording under 1 percent. According to Eurostat data, the entire Romanian e-commerce market is estimated at U.S. \$1.2 billion annually, the lowest in European Union.

According to a recent study performed by Jones Lang LaSalle, after very strong 8.9 percent growth in

2015, retail sales surged in the first half of 2016, increasing by 16.8 percent. Moreover, retail sales are expected to continue their record growing trend for the rest of 2016 as well, fuelled by increase wages and strong consumer confidence. The monthly net average wage as of June 2016 was in the region of 2,078 RON (~U.S. \$500), an increase of 15.1 percent compared to the same period last year, but of only 1.7 percent average increase over the last 7 years.

The expansion of the modern retail format influences the food sector and contributes to its development. Competition in retail food business is expected to remain robust. In 2015 retail food sales expanded by a notable 19 percent due to the VAT rate cut, but the value of total food retail market remains at U.S. \$21 billion, due to local currency depreciation. The share of modern retail at the national level in total retail is estimated to have reached 55 percent in 2015, while traditional trade takes the balance. Retailers focused their investments generally into urban areas, but in the long-run rural areas may become more consistently the retail operators' target.

Romania reached in 2016 a count of 2,000 retail stores, however, available data on specific segments are dated 2015 (Table 2) and include 1,713 stores (hypermarkets, supermarkets, and cash & carry categories). For comparison, the number of outlets was 450 in 2008.

Table 2 - Evolution of number of shops per channel type (2010-2016)

Format store	2010	2011	2012	2013	2014	2015	2016
Hypermarkets	96	115	129	147	176	184	191
Cash & Carry	48	50	50	50	53	54	56
Supermarkets	150	192	257	316	368	407	423
Convenience stores	77	110	205	334	489	617	715
Discounters	218	252	292	316	354	374	396
Specialized stores	23	37	47	59	66	77	85
TOTAL	612	756	980	1,222	1,506	1,713	1,866*

Source: Romanian specialized magazines (*Estimated data is not including express rural stores)

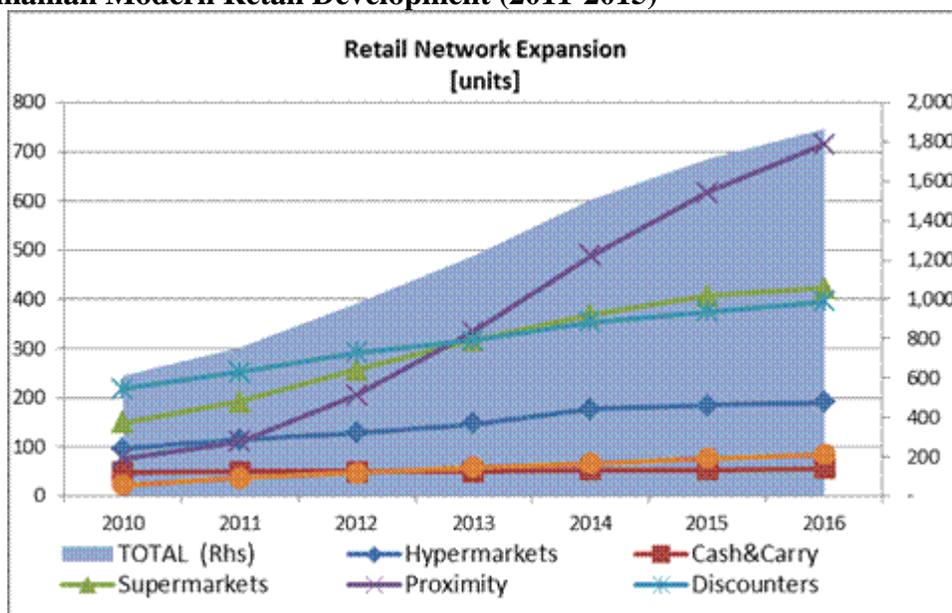
Table 3 - Number of stores and percent from total number of stores format store – Structure 2016

Retail store	Number of stores	Percent from total number of stores
Hypermarkets	191	10%
Cash & Carry	56	3%
Supermarkets	423	23%

Convenience stores	715	38%
Discounters	396	21%
Specialized stores	85	5%
TOTAL	1,866	100%

Source: Romanian specialized magazines

Chart 2 - Romanian Modern Retail Development (2011-2015)



Source: Romanian specialized magazines

As modern retail systems grow, exports of U.S. processed and high value foods to Romania are anticipated to continue expanding. This growth will be fuelled by rising purchasing power, consumer lending accessibility, and rising disposable income. According to Euromonitor, increased consumption as a result of the VAT reduction to 9% for food products and non-alcoholic drinks has been confirmed by official statistics data. Measured against the same periods in 2014, the retail sales of grocery products (food, but also including drinks and tobacco) posted value growth of 9 percent in January-May 2015, which expanded to 18 percent in January-November 2015. Starting June the impact of the new tax rate was a continuous monthly double-digit increase, with values of 22 to 28 percent higher when compared to the same month in the previous year.

Investment into the Romanian retail market reached U.S. \$170 million in the second quarter of 2016 – an increase of 58 percent compared with first quarter, and significantly higher than volumes a year ago. Total modern retail supply in Romania is expected to exceed the 3 million sqm. available at the end of 2016 and a total density of 152 sqm. per 1,000 inhabitants.

Based on data available in the Jones Lang LaSalle study, Bucharest's modern retail supply currently stands at just over 1 million sqm. The largest projects delivered to date in Bucharest are Baneasa Shopping City developed by Baneasa Developments (2008), AFI Palace Cotroceni developed by AFI Europe (2009), Sun Plaza developed by S Immo and EMCT (2010) and more recently Mega Mall

(2015), developed by NEPI, each one with leasable areas of around 80,000 sqm. Outside Bucharest the most dominant shopping centres are Iulius Mall Cluj (2007), Iulius Timisoara (2005) and Palas Iasi (2012) all owned by the Iulius Group, Polus Center Cluj (2007) and Maritimo Constanta (2011) owned by Immofinanz and Sibiu Shopping City owned by NEPI (2006). The latest additions to the market targeted areas which were relatively undersupplied, such as Brasov, where Immochan developed Coresi Shopping Resort, in the eastern part of Bucharest, and Timisoara where NEPI developed Mega Mall and Timisoara Shopping City.

Retail expansion in Bucharest and nearby vicinities has slowed over the last couple of years due to a lack of prime land availability and restrictive zoning laws.

Industry sources consider that retail is reaching its full potential for expansion, and mergers and acquisitions are expected to develop in this market. Following the Billa acquisition by Carrefour in 2015, the next network anticipated to be bought is Cora, having as potential buyers Carrefour and / or Auchan. The retail mergers and acquisitions market will be more closely monitored by the Competition Council as there is a risk of market concentration. Based on the latest available turnover data, the first 5 players have approximately 60 percent of the market.

Romania's food sector will be a regional leader over the next five years, driven by an improving labor market, real wage growth and low levels of inflation. BMI Research foresees a positive outlook for Romania's food and drink sector over this period, on the back of strong private consumption growth. The same study estimates a compound annual growth rate (CAGR) of 5.6 percent over 2014 -2019 period.

Analyzing the total retail market number of stores in 2015, there is an increase of 10% compared to the previous year. 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. Mid-year 2015, Profi announced a new retail concept for rural areas, Profi Loco, with approximately 2,500 sqm. per store. Profi is the first retailer to enter the rural area with its own network store; while Metro, Carrefour and Mega Image are applying more cautious strategy: collaboration with local entrepreneurs that already own stores in the respective areas.

Retail sector trends

According to a Euromonitor study dated January 2017, modern grocery retailers accounted for the leading positions in retailing in 2016. The top five positions in retailing were retained by Kaufland, Carrefour, Lidl, Auchan and Mega Image, reflecting their attraction for consumers due to their wide variety of products, sales promotions and claim to provide everyday low prices. The strong penetration of private label was also a source of their increased popularity among lower-income households. The expansion of non-grocery departments and the offering of low-priced products converted the international grocery retailers into noticeable suppliers of non-grocery products. This consolidated the

position of these modern grocery retailers within overall retailing in Romania.

Economic growth is expected to maintain its upward trend, which anticipates an increase in disposable incomes and the confidence of consumers in the economy and the future. Sales in retailing are also expected to continue to grow over the forecast period, although at a slower pace compared with the review period's average growth. Although at a lower rate, the growth seen over the late review period is unlikely to be sustained over the next period, because of strong competition, promotions and the focus on private label. Additional factors are the high percentage of the rural population with lower disposable incomes and external migration, which will continue to have a negative impact on demand for retail goods, and will affect growth rates.

Economic development and political stability are essential elements that influence the development of the 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. Additionally, the consumer in Romania became knowledgeable, comparing multiple chains, and 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.

Recent retail projects added new concepts to differentiate between retailers, such as concept-corner, wine galleries, or a natural-organic pavilion. One of these is Wine Gallery from Mega Image, which is a shop-in-shop for wines, with a range of 900 wine brands and a dedicated cashier. Another one from the same retailer is Equilibrium Health and Wellness, where about 10 product categories are ready for sale: organic products, spices, seeds and germs, raw-vegan, sport nutrition, food supplements, vitamins, natural cosmetics, spa items, organic cleaning items. Online commerce is another move made by Mega Image in a partnership with the largest on-line retailer (eMag), offering about 7,500 products, with national coverage.

Table 4 - Retailer Categories and their strategies

Strategy	Hypermarket	Cash and Carry	Supermarket	Convenience store	Discounters
Type of products sold	Wide variety, middle to premium quality goods, incl. private label	Wide variety, middle quality goods, incl. private label	Limited variety, premium goods, incl. private label	Limited variety, middle to premium goods	Limited variety, low quality and private label
Targeted customers	Middle to low income customers	Small businesses and HRI for bulk purchases	All income customers	All income customers	Middle to low income customers
Price strategy	Lowest price possible and daily offers	Wholesale price	Higher price, but also daily offers	Higher price, but also daily offers	Lowest price possible
Other benefits	Membership card, frequent discount promotions	Membership card	Daily promotions	Daily expansions	Membership card, daily promotions

Source: FAS study

Another new retail concept for 2015 is the specialized store Gusturi Romanesti (Romanian Tastes) run by Mega Image. Last year Mega Image made a huge investment by opening a new concept store in north Bucharest, Baneasa Shopping City, which has become the most successful retail park in Bucharest. The investment is estimated at U.S. \$10 million. This is Mega Image's largest store, with a sales area of 2,100 sqm, and it includes all dedicated sections / concepts that Mega Image has already tested in the other stores plus a new concept – Fromagerie – that includes bulk cheese.

According to market research companies, foodstuffs account for two thirds of the total yearly shopping basket. Consumers have started recently to pay more attention to premium products. For the first time within the last three years, customers started to shift to more expensive products within the same category. Value added products categories such as fish and seafood, dried fruits, honey, breakfast cereals and cider all increased in 2015. In terms of consumer behavior, when compared to previous years, Romanian people do not visit stores as often but they spend more during each store visit.

Retailers in Romania normally operate every day, including weekends and national holidays. The current legislation has no restrictions imposed on the number of opening days per year, or on hours per day. Opening hours of retailing in Romania do not vary too much from urban to rural areas and outlets stay open from 8:00 am till 10:00 pm, with very limited exceptions. During holidays and festive seasons, many of the outlets extend the opening hours until midnight.

Table 5 – Top international retailers (turnover, profit and number of stores (2014-2016))

NETWORK	TURNOVER 2015			PROFIT 2015			Number of stores		
	Mil. US\$	Mil. RON (local currency)	Evolution versus 2014 (local currency)	Mil. US\$	Mil. RON (local currency)	Evolution versus 2014 (local currency)	2014	2015	2016
Kaufland	2195.55	9173.63	15%	155.31	648.91	58%	107	102	112
Carrefour	1232.44	5149.5	12%	30.56	127.67	9%	29	27	32
Lidl	1130.62	4724.06	21%	41.14	171.9	286%	192	184	203
Metro	1075.64	4494.36	0%	8.49	35.46	on profit	31	31	31
Auchan	1063.63	4444.16	9%	12.66	52.9	on profit	33	32	32
Mega Image (incl. Shop&Go)	852.72	3562.91	26%	24.62	102.84	85%	467	408	522
Selgros	702.31	2934.45	4%	10.34	43.21	284%	19	19	19
Penny Market, XXL Mega Discount (Rewe)	635.65	2655.94	13%	3.08	12.86	13%	181	171	200
Profi	609.81	2547.96	38%	12.59	52.57	92%	367	274	501
Cora	412.47	1723.4	1%	-9.54	-39.82	-59%	11	12	12
Billa	361.32	1509.68	7%	1.25	5.18	221%	86	85	86
Carrefour Market & Express	245.22	1024.57	15%	0.03	0.09	on profit	109	94	172
Supeco	11.75	49.07	637%	-1.95	-8.14	-235%	4	3	3
TOTAL	10529.09	43993.69	13%	300.03	1253.59	131%	1636	1442	1925

Source: Romanian Ministry of Finance, 'Universul de Retail' website

Private labels

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

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 offers private brands.

During the last few years, the retailers initiated different price segmentation strategies in order to have a better approach to diverse consumer modes of acquisition. They started from the classical segmentation: economic, mainstream and premium, and developed the additional segments such as bio or super-premium.

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

Over the last two years consumers have become more cautious about food safety when they purchase any product. Due to lack of manufacturer identification on these products label, the skeptical consumers are resistant versus this segment.

The private label segment will continue to grow as retail specialists forecast for Romania an increase in market share of 20 percent during the next five years for private label products.

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 KAUF LAND (K-Classic). Other stores such as Auchan, Profi, Penny Market have private brands too.

In addition to K-Classic, Kaufland Romania has recently launched two private label brands 'K-Bio' and 'K-take it veggie' which include over 70 organic, vegetarian and vegan products. The 'K-Bio' range includes over 43 organic premium quality products, certificated and corresponds with strict eco-guidelines European Commission regulations. The 'K-take it veggie' category consists of 34 vegetarian and vegan products. The 'K-take it veggie' private label brand was launched in October 2016 in Germany.

The challenges and opportunities facing the private label industry are based on internal and external factors. Among the external influences are competition strength, economic background, globalization, customer purchasing options and growing e-commerce technology. Among the internal factors are the growing market share in modern retail, cost optimization, innovation and numerous new product

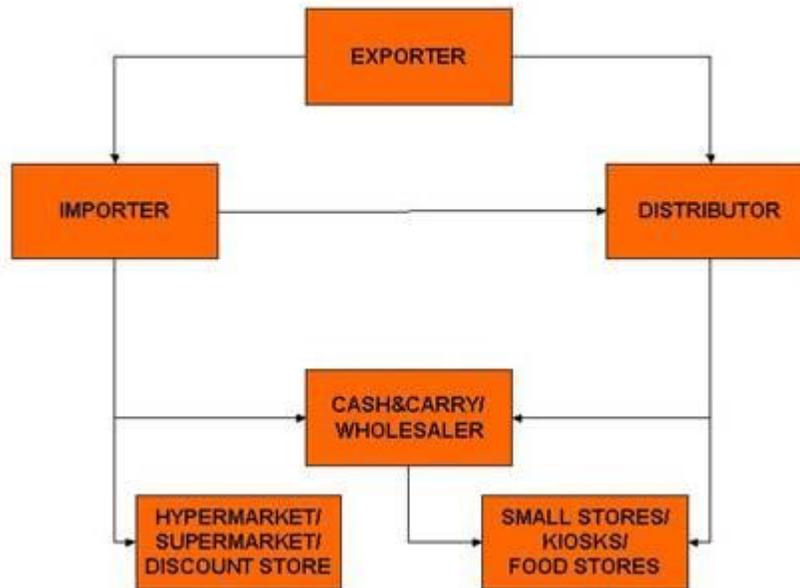
launches on the local market.

The private label products have become quite attractive in this unfavorable economic context because of their low prices. In addition, the 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 acceptance, the private brands products will be more and more present on the Romanian retail market.

II. ROAD MAP FOR MARKET ENTRY

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

Diagram. The flow of goods



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 the retail structure is still made by small food stores, it is important to reach these wholesalers.

Another strategy is to find an exclusive local representative. In this case, the representative would be totally devoted to the exporters' product selection and be responsible for all promotional activities (advertising, sampling).

Given the expansion of modern retail, some supermarkets and hypermarkets have begun to develop their own logistical centers. However, as even small kiosks and traditional stores are declining in numbers, distributors 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 the larger retailers.

Advantages and Challenges facing U.S. Products in Romania

Table 6. 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

III. MARKET STRUCTURE

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

The well-known international retail networks closed 2016 with a balance of 53 new openings, December 2016 being the most productive month in terms of openings.

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 limited expansion activity in 2016. The most important players in hypermarket category remain: Carrefour, Cora, Kaufland and Auchan. Romanian consumers prefer hypermarkets when they are purchasing home, personal care and basic grocery products. Thus, when purchasing fresh food, coffee, cigarettes or dairy products, the consumers still prefer independent small groceries, food/drink/tobacco specialists, other grocery retailers and traditional outdoor markets.

Kaufland, the hypermarket division of Germany's Schwarz Group, has developed one of the most extensive networks in Romania. The first outlet opened in the summer of 2005 in Bucharest and the German retailer remains the biggest retailer in Romania by turnover. The group will continue its expansion policy and will have another six stores opened by the end of the 2017 financial year. The

investment budget for the next year is announced to reach about U.S. \$120 mil. In 2018 the company will open its first store in a shopping center, in the new mall opening in Sibiu. It will be the first store that is not built in the retailer's own location. Kaufland hypermarket offers over more than 15,000 products to their customers, among them 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. The retailer currently has a network of 112 stores, 12 of which are located in Bucharest. Kaufland Romania had sales of over U.S. \$2.2 billion in 2015.

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. At the national level, the retailer now operates 32 hypermarkets, 119 "Market" supermarkets, 43 "Express" proximity stores, 10 "Contact" proximity stores and one online store. In addition, in December 2015, Carrefour Romania become the leading supermarket operator in Romania, by acquiring Billa Romania from the Rewe group. Spread over the entire Romanian territory, the 86 supermarkets of Billa Romania have a total sales area of 83,000 square meters. Through this acquisition, Carrefour strengthens its multiformat offer to better serve its clients. Presently, Carrefour offers to its customers a variety of more than 50,000 products with a wide range of its own private label ones. The French group reached in 2015 a turnover of U.S. \$1.2 billion, with 13.4 percent higher than the previous year and a profit of U.S. \$30 mil, with 9 percent increase for the same period.

Cora Romania, part of Louis Delhaize group, owns a network of 11 hypermarkets in Romania. Cora had a turnover of U.S. \$412 million in 2015, up 1 percent, whereas its losses increased to U.S. \$9.5 million. In June last year, Cora closed their hypermarket within the Galleria shopping center in Arad, western Romania. However, Cora tries to attract more customers by installing charging stations for electric cars in two of its stores, one in Bucharest and one in Constanta, in partnership with EV Connect. Cora is the second retailer that has installed such stations, after Kaufland, which launched its network in April 2016 in partnership with Renovatio.

Auchan has been in Romania since 2006. The French retailer completed the acquisition of the 20 local Real hypermarkets at the end of 2012 as part of a regional deal; business transaction was completed in 2015, when they also rebranded all outlets. Following this takeover, Auchan Romania has a network of 33 stores in Romania with a total sales area of 252,000 sqm and, 3 warehouses, over 10,000 employees and 70 million customers. The combined turnover of the two networks amounts to over U.S. \$1 billion.

Supermarkets

Supermarkets: 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

The supermarket category is the largest modern retail channel in grocery retailing in Romania. The top player in 2016 was Mega Image which continued its policy of opening new outlets in highly populated central areas of Romania's big cities, as well as expanding to rural areas with convenience stores. The second player in this category is Billa Romania, recently acquired by Carrefour Romania (December 2015).

Mega Image has expanded aggressively its presence in the market, as it is the largest supermarket chain

in Romania. The Delhaize Group bought La Fourmi through its Mega Image subsidiary, from the 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 ease by offering access over size and selection. Their average store size is small, approximately 600 sqm. At the end of 2016 their network of stores reached 522 units, with 15 new units added in December. During 2015 Mega Image reached a turnover of U.S. \$852 million, with 26 percent higher than for 2014, almost doubling their profit.

In 2015, the French retailer Carrefour took over in 2015 from Rewe Group the network of 86 Billa supermarkets in a deal estimated at almost U.S. \$120 million. The Billa stores will operate under the Carrefour brand and the retailer representatives announced that the Billa brand will disappear from the market by the end of 2017. This was the third-biggest transaction in the local retail market, after the purchase of 20 Real hypermarkets by the French group Auchan and the takeover of the Plus Discount network by Lidl. In 2015 Billa reached a turnover of U.S. \$360 million and employs 3,000 workers. The Rewe Group will continue to focus on developing their 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 their outlets, with a total of 31 stores (26 METRO Cash & Carry, 5 METRO Punct and an on-line store for office supplies) with 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 store brand 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 reported a minor increase in turnover in 2015, the first time after 2009 when the company recorded growth figures.

After two years of decline, **Selgros Cash & Carry** Romania recorded in 2015 a 4 percent growth in turnover and the net profit tripled. The Selgros network consists of 20 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 plans for 2017 for the Romanian market.

Hard Discount shops

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

Hard discount was the most active retail sector in Romania in 2015-2016, with 275 new units completed by the top three main chains. The total number of discount units saw 44 percent annual growth, up to a total of 904 stores, including Penny Market, Lidl and Profi. Following the Central European model, many discount shops have begun focusing their expansion in smaller cities.

German owned network LIDL entered the local market in 2011 by acquiring the hard discounter Plus, which had 107 units and a turnover of about U.S. \$456 million. The retailer's intention to reach a total of 200 stores in Romania was confirmed in 2016 when they inaugurated store #203. Based on the turnover, Lidl Romania ranks third among Romania's retail sector, after Kaufland and Carrefour, with U.S. \$1.13 billion in 2015, a 21 percent increase compared with the previous year. During 2016 the retailer opened another 19 stores.

The Enterprise Investors acquisition contract for discount retailer **Profi** was finalized in 2010. The transaction amounted to U.S. \$92.4 million and marks the return of an investment fund to food retail, less than two years after the exits made by Enterprise Investors and Global Finance from this sector. Profi currently operates 501 stores and is the second retailer to reach 500 stores after Mega Image. Profi targets cities with less than 20,000 inhabitants; the stores have a surface of 500 sqm. and use mostly local suppliers. Year 2015 proved to be the best year in the history of the company, which convinced the Polish investment fund owners to continue with their expansion plans in Romania.

The 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 Penny XXL Mega Discount. The retailer ended 2016 with 200 operational stores and intends to refurbish all stores in the network by the end of 2018. 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 with mostly local suppliers. The retailer recorded a 13 percent increase in turnover and profit in 2015 compared with the previous year, reaching U.S. \$854 million and U.S. \$3 million respectively.

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 of 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 vegetables.

The biggest traditional market in Bucharest is 'Piata Obor', built on a surface of 26,399 sqm. The municipality which administers the market promotes the place as selling 'direct from producer' goods and categories vary from fruits and vegetables to eggs, traditional processed meat and dairy products.

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). This initiative was followed over the next few years by many of the international retailers, such as Carrefour, Cora, Mega

Image, eMag. This expansion stopped in 2016, when no new retail players opened on-line stores. The only investment in this segment in 2016 came from Cora, which improved their on-line platform, upgrading it to a friendlier form, with tablet and online versions. This new platform includes around 50,000 products.

Lidl entered the Romanian online market by launching their on-line tourism store, excluding for the moment the food and beverage categories.

Auchan experienced as well the internet retail market with their ‘MyAuchan.ro’ project. The platform is only accessible for customers who are physically in their Cotroceni store.

Kaufland has plans to open an internet retail platform in 2017, but no exact date has been communicated and Mega Image intends to enter this market in a partnership with eMag retailer.

The most innovative shopper project is ‘Scan&Pay’, which belongs to Kaufland. The application allows customers to scan products with their smartphone while they are shopping, significantly reducing the waiting time in lines for check-out. This technology is currently working only in one store, but retailer has plans to extend it to all its stores.

Another application developed by Carrefour is ‘CarrefourPay’ which allows for goods payment using smartphones. This service can be used in all their network of stores.

The following are the top 10 most visited online shopping websites in Romania:

1. eMag (electronics, appliances, and as of recently, groceries)
2. Altex (electronics, appliances and similar)
3. PC Garage (PCs and PC components)
4. CEL.ro (electronics, appliances and similar)
5. elefant.ro (books, toys, cosmetics, clothing, shoes, etc)
6. Dedeman (construction materials)
7. Evomag (electronics, appliances and similar)
8. Flanco (electronics, appliances and similar)
9. Fashion Days (clothing)
10. F64 (photo-video store)

IV. COMPETITION

Table 7 – Product categories – import values and competitor countries

Product Category / Total Import value 2015 (000 U.S. \$)	Major Supply	Strengths of Key Supply	Advantages and Disadvantages of
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	Sources	Countries	Local suppliers
Pork meat 0203 U.S. \$333,019 Import 2015:	Germany (30%) Hungary (18%) Spain (17%) Netherlands (12%)	Ability to meet EU requirements Good quality meat Consistent supply Proximity	Insufficient domestic supply; High production prices
Poultry meat 0207 U.S. \$162,375 Import 2015:	Hungary (31%) Poland (20%) Germany (12%) Netherlands (11%)	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 U.S. \$58,449 Import 2015:	Germany (60%) Italy (14%) Poland (12%) Hungary (5%)	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 2015: U.S. \$168,088	Netherlands (15%) Sweden (10%) Spain (10%) Italy (9%)	Competitive prices; Short distance for EU member states	Species in demand are not domestically produced Domestic species are mainly seasonally available
Meat products 1602 U.S. \$53,106 Import 2015:	Hungary (30%) Poland (23%) Germany (17%) Czech Rep. (9%)	Proximity Consistent supply Ability to meet EU requirements	Well-established meat-processing industry able to supply a large variety of products Highly protected market
Nuts, peanuts, almonds, pistachio 0802 U.S. \$37,661 Import 2015:	Ukraine (22%) Hungary (13%)	Proximity Low prices Favorable currency value	Products not available on the local market

		Italy (11%) United States (8%)	Very good quality products	
Processed fish 1604 U.S. \$53,817	Import 2015:	Poland (22%) Germany (21%) Thailand (12%) Italy (11%)	Preferential duties Good quality products for reasonable prices	Underdeveloped fish-processing units Low production
Pet food 2309 U.S. \$199,616	Import 2015:	Hungary (46%) Germany (9%) Poland (8%) Italy (5%)	Preferential tariffs for certain types of pet food Well-known brands Proximity Low prices	Emerging stage for domestic processing units Prohibition of bone meal usage in commercial animal feeding
Frozen vegetables Import 2015: U.S. \$38,960	0710	Belgium (23%) Hungary (15%) Poland (14%) Italy (10%)	Good quality products at good prices Attractive packages	Low domestic supply Absence of competitive processing units
Fruits and vegetables juices 2009 U.S. \$31,582	Import 2015:	Netherlands (18%) Germany (16%) France (13%) Hungary (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 U.S. \$30,770	Import 2015:	Poland (53%) Germany (11%) Czech Rep. (10%) France (6%)	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 2015: U.S. \$357,680		Germany (29%) Poland (20%) Hungary	Free access on the local market for EU member states Proximity	Long tradition in milk production Increasing investment in milk processing

			(19%) Italy (6%)		
Wines 2015: U.S. \$46,995	2204	Import	Spain (24%) France (18%) Italy (18%) Moldova (13%)	Proximity Competitive prices	Very good local production in a relatively large variety Increasing taste for foreign wines
Distilled spirits 2208 U.S. \$66,915		Import 2015:	United Kingdom (32%) Germany (17%) United States (13%) 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 Import 2015: U.S. \$71,141			Hungary (27%) Poland (14%) Austria (12%) Greece (10%)	Preferential tariffs Very good quality products	Very limited investment in this area Highly protected market
Beer 2203 Import 2015: U.S. \$25,098			Germany (32%) Netherlands (17%) Poland (10%) Mexico (6%)	Free access on the local market for EU member states	Strong local industry Strong brand awareness supported by heavy publicity campaigns

Source: Global Trade Atlas

V. BEST PRODUCT PROSPECTS

United States is among the top 15 agricultural trading partners of Romania. U.S. exports flow either directly to Romania, mainly bulk and intermediate, or through the main trade gates in the EU, such as the Netherlands, Italy, Germany and the United Kingdom. In 2015 U.S. agri-food direct exports reached U.S. \$93 million, a 55 percent increase over last year. Regarding indirect exports, based on the trade data provided by Romanian Statistical Office (Intra-Stat data), goods worth an additional U.S. \$46 million were transshipped through these points of entry in 2015. Therefore in total, U.S. agri-food exports to Romania increased by 45 percent from U.S. \$96 million to U.S. \$139 million (see Table 8).

Main U.S. commodities exported to Romania include: planting seeds, food preparations, beverages, fruits and nuts, and seafood. While the bulk and intermediate categories fluctuate from year to year, subject to competition from South America for protein meals, consumer oriented products have been more stable. In 2015, Romania imported U.S. \$13 million in consumer oriented foods from the United States. Within the category of consumer oriented products, tree nuts, dried fruits, seafood, beef, and sauces & condiments are foreseen to have very positive prospects, while within the category of intermediate products planting seeds, soybeans and animal genetics demonstrate growth potential.

Table 8– Romanian agri-food imports from the United States (2012-2015)

<i>U.S. \$</i>	2012	2013	2014	2015
RO Agricultural Imports from United States	117,438,698	131,002,471	95,866,905	139,418,350

Source: Global Trade Atlas and National Institute of Statistics in Romania

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

Table 10 – Products with good sales potential

Product Category	2014 Imports	2015 Imports	Change 2014/2015	Key Constraints to market development	Market Attractiveness for USA
Nuts/Peanuts/ Almonds	641 MT	3,217 MT	402 %	Preferential tariffs for certain competitors	Superior quality products; increasing demand for processed products
Distilled spirits	3,916 LPA	4,881 LPA	25 %	High tariffs, high excises	Lower duties after EU accession; very good image for consumers
Wines	341,168 HL	508,645 HL	49%	Strong domestic and foreign competition	Demand for niche wine varieties sold through specialized stores

Source: Global Trade Atlas

The snack industry and retail sector have been able to generate import demand for most edible fruits and nuts in 2015. United States is the leading supplier for almonds with a share of 26 percent of total imports. Shelled pistachios imports increased by 257 percent in total over 2015 compared with previous year. U.S. Walnuts exports however declined slightly in 2015 (3 percent drop), mainly driven by the entire category’s decline. Other products, like dried plums and pecans from United States, are not imported directly to the Romanian market, but through other European countries.

After a year of decline, distilled spirits imports grew in 2015 by 25 percent, indicating a recovery in consumer demand. We estimate the distilled spirits will slightly grow in 2016. 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

Table 11 – Products with sales potential

Product Category	2014 Imports	2015 Imports	Change 2014/2015	Constraints over market development	Market Attractiveness for USA
Fruits and vegetables juices	24,541 T	26,800 T	9%	High duties; increasing domestic competition	Increasing demand for high-quality natural juices
Dried fruits (Mixtures)	11,022 MT	18,289 MT	66%	High duties	Consumers' tastes diversification
Dried and frozen vegetables	420,226 MT	449,675 MT	7%	Strong European competitors; high import duties	Increasing demand for lentils, chickpeas and peas, due to fluctuations in local production
Fish and seafood	71,248 MT	74,994 MT	5%	Seafood consumption is limited; low purchasing power; consumers' preference for species in a lower supply	Strong prospects for fish-processing industry expansion; market access maintained after EU access
Pet food	279,051 MT	305,055 MT	9%	Consumers preference for well-known brands	Increasing demand as people change life style; low interest for domestic investment in manufacturing pet food

Source: Global Trade Atlas

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 U.S. \$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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End of the report.