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Romanian Wine Production poised to contract in 2014

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Wine

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Report Highlights:

Romanian wine production is predicted to decline by about 30 percent, as a result of diminished grape production brought on by frequent rains and moisture. Per capita consumption for 2013 reached a level of 21.7 liters/person, about 3 percent above the previous year's level. White wines remain the most popular wines in Romania, followed by red wines and rosé wines. The value of U.S. wine exports on the Romanian market exceeds U.S. \$ 120,000.

General Information:

PRODUCTION

Romanian vineyards are geographically distributed in eight regions and total 37 vineyards. At the EU level, Romania is the sixth EU wine producer, after Italy, France, Spain, Germany and Portugal.

In 2013 Romanian vineyards enjoyed very favorable climatic conditions of a mild winter, no late frosts, sunny days, no hail but adequate rainfall that all contributed to an abundant grape production. This situation changed in 2014, when Romanian vineyards encountered many challenges due to adverse weather conditions. Heavy, continuous rains, with hail episodes have been an impediment for the development of the vineyards, as the weather led to the development of diseases in some regions or serious vineyard damage in others. Where weather allowed access to the field for applying the needed plant treatments, these additional plant treatments led to an increased cost of production. Application of the right treatments brought relatively positive results in some cases, but at the national level, grape production fell. The adverse conditions also delayed the harvesting process in many regions.

As a consequence of these factors, grape production is estimated to fall in 2014 by more than 30 percent against record year 2013's, when grape production was exceptional in terms of volume due to favorable climatic conditions. While grape quantity is anticipated to drop, grape quality is expected to be good or even excellent, especially where weather allowed sugar accumulation and diseases did not harm the grapes.

Table 1. Vineyard area and production, Romania

Vineyard – area and production	2011/12	2012/13	2013/14	2014/15*
Total Vineyard area (HA)	176,400	179,200	181,800	181,600
<i>of which Wine Grapes area (HA)</i>	<i>167,200</i>	<i>170,000</i>	<i>173,000</i>	<i>173,000</i>
Grape Production (MT)	879,500	794,600	1,032,000	698,000
<i>of which Wine Grapes (MT)</i>	<i>817,500</i>	<i>737,800</i>	<i>975,000</i>	<i>650,000</i>

Source: Romanian Statistics Office; * estimates

Lower grape volume will lead to a lower wine production, which according to the Wine Producers Organization (OIV), will drop to 4.1 million HL in 2014, down from 5.2 million HL in 2013. Home-made wine production still represents an important part of the market, with a percentage of 50-60 percent. In value terms, the wine market is estimated to vary between 350 and 400 mil Euro. Despite the lower grape quantity harvested in the fall of 2014, it is unlikely that wine makers will import fresh wine grapes for wine making, considering the wine stocks from previous years.

Table 2. Wine production and trade, Romania

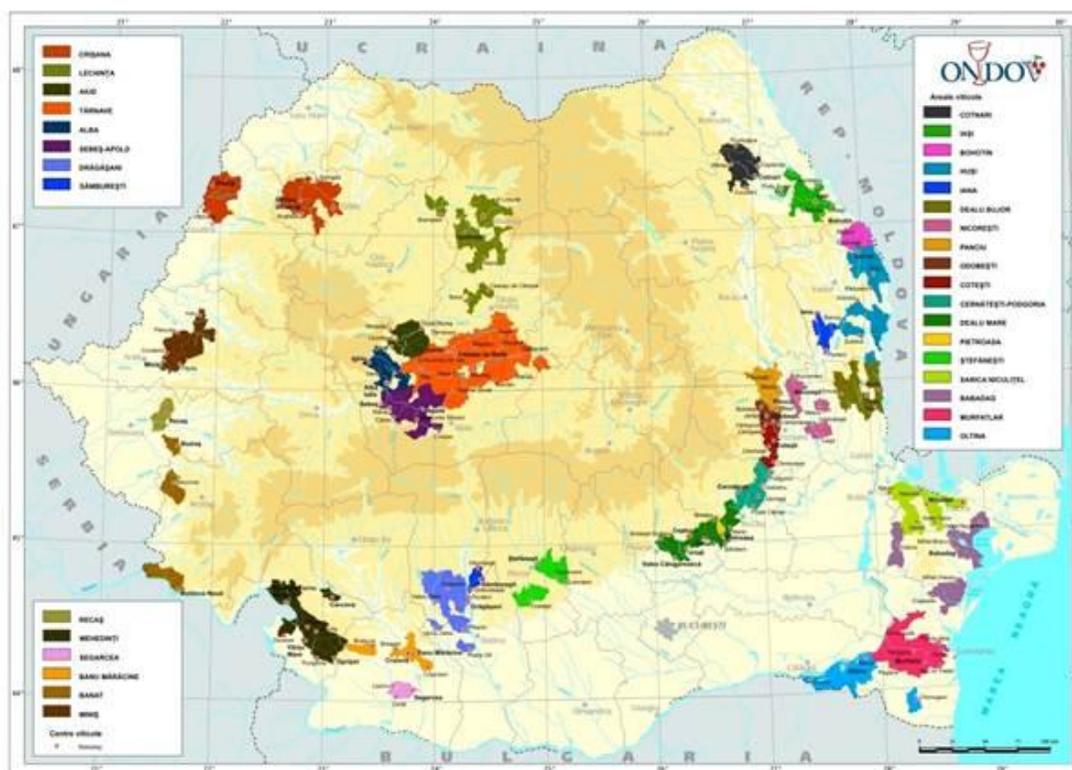
(<i>'000 HL</i>)	CY 2011	CY 2012	CY 2013	CY 2014*
Production	4,700	4,100	5,200	3,700
Imports Intra EU	863	414	235	200
Imports non-EU	50	132	133	85

Total imports	913	546	368	285
Total Supply	5,613	4,646	5,568	3,985
Exports Intra EU	80	86	79	77
Exports non-EU	23	24	23	30
Total Exports	103	110	102	107
Total availability for consumption	5,510	4,536	5,466	3,878
Total Distribution	5,613	4,646	5,568	3,985

Source: Romanian Statistics Office; GTA trade data * FAS Office estimates

In terms of wine quality, the data published by the Ministry of Agriculture reveals that in 2013 about 60 percent of the total wine production was obtained from grapes originating from noble vine varieties, with the balance obtained from vine hybrids. Out of the wine production obtained from noble grape varieties, about 64 percent was produced under Protected Designation of Origin (PDO) (please see the map below), 14 percent under Protected Geographical Indication (PGI) and 21 percent was wine without PDO/PGI. In 2013, about 71 percent were white wines, 27 percent red wines and 2 percent rosé wines.

ROMÂNIA DENUMIRILE DE ORIGINE CONTROLATĂ PENTRU VINURI



Source: National Bureau for Vineyards and Products (ONVPV)

CONSUMPTION

Wine consumption predominantly consists of domestic wines and imported wines hold a small share of wine consumption. According to the latest statistical information, per capita consumption reached in 2013 a level of 21.7 liters/person, an increase of 0.6 liters/person as compared to the previous year. Consumption is predicted to remain stable in 2014, while consumers' orientation towards PDO wines is expected to continue. The same upward trend is anticipated towards premium wine consumption.

Table 3. Per capita consumption for selected alcoholic beverages

Beverage	2010	2011	2012	2013
Beer (liters)	76.8	79.5	90.2	86.8
Wine (liters)	18.5	21.1	21.1	21.7
Distilled spirits (liters)	5.6	4.2	3.9	4.2

Source: Romanian Statistics Office

TRADE

As an EU member state, Romania follows the EU trade regime. Import duties for all products are listed in the customs tariff online database

http://ec.europa.eu/taxation_customs/dds2/taric/taric_consultation.jsp

Upon entry in Romania, wines are subject to an excise, which varies from zero in case of still wines to 38 U.S. \$/hectoliter for sparkling wines.

In 2013, wine imports dropped in volume by 33 percent as compared to the previous year. Spain and Italy were the major exporting countries to Romania during 2013, followed by Moldova, Bulgaria, Macedonia and Chile (please see Table 4 below). Trade data available for the first 10 months of 2014 indicate a decline of about 28 percent in terms of quantity, mainly due to a drop in imports from Chile (-96 percent) and South Africa (-97 percent), but also from major EU wine producers, Italy and Bulgaria. This decline is also the result of the large wine domestic supply.

According to Intra-Stat data, the value of US wine exports on the Romanian market exceeds annually U.S. \$120,000, mostly from exports coming through other EU Member States. It is worthwhile to note that in 2014 direct US exports to the Romanian market grew from zero in 2013 to about \$19,000 (819 liters).

Table 4. Romanian Wine Imports, by trading partner

Partner Country	Quantity (1,000 liters)			Value (1,000 U.S. Dollars)		
	2012	2013	Jan-Oct. 2014	2012	2013	Jan-Oct 2014
Total, of which	54,646	36,741	22,047	53,928	50,606	31,508
Spain	23,740	9,076	7,661	14,527	6,680	5,272
Italy	7,874	5,520	1,835	11,188	11,095	6,541
Moldova	4,739	4,943	3,873	3,942	4,607	3,428
Bulgaria	5,735	4,500	1,997	3,650	4,798	1,413
Macedonia	4,277	4,295	1,773	2,497	3,262	1,288
Chile	137	2,684	92	578	2,695	346

Netherlands	42	30	21	389	438	275
Germany	1,174	1,432	708	2,414	3,041	2,716
France	1,221	992	779	8,782	8,588	5,770
Hungary	509	982	875	966	1,530	1,413
Serbia	2,374	703	770	1,341	437	485
Czech R.	906	622	302	1,327	1,180	658
South Africa	536	466	10	451	429	49
Belgium	53	93	72	201	455	257
Portugal	57	81	80	240	311	280
Argentina	38	46	25	174	235	121
United Kingdom	31	42	40	124	231	206
United States	-	-	1	12	-	19

Source: *Global Trade Atlas*

In 2013 Romanian wine exports declined by 7 percent, with drops in exports to China, Italy, Estonia, Spain not being overcome by increases in United Kingdom or Germany (please see Table 5). Based on the trade data available for the first 10 months of 2014, wine exports are expected to rise in 2014 by 5 percent as compared to the previous year in quantitative terms.

Table 5. Romanian Wine Exports, by trading partner

Partner Country	Quantity (1,000 liters)			Value (1,000 U.S. Dollars)		
	2012	2013	Jan-Oct 2014	2012	2013	Jan - Oct 2014
Total, of which	11,020	10,235	8,508	20,529	22,001	19,708
United Kingdom	2,098	3,011	2,270	3,779	5,932	4,914
Germany	2,363	2,441	1,194	2,816	3,109	1,760
China	1,161	888	957	3,797	2,998	3,111
United States	594	571	654	1,261	1,252	1,457
Italy	709	523	708	1,594	1,426	1,350
Estonia	719	492	541	1,299	958	1,042
Spain	1,348	382	343	1,632	1,013	922
Canada	286	365	240	776	983	708
Czech R.	514	258	227	594	410	248
Netherlands	226	208	378	425	742	1,531
Russia	128	155	227	262	313	453
Japan	63	88	36	234	358	164
Poland	219	86	85	608	200	209
Belgium	33	51	97	73	141	275

Source: *Global Trade Atlas*

MARKETING

The wine industry evolved considerably over the past several years, in terms of wine quality, brands and number of players. This progress is attributed to considerable investments made at the level of vineyards and wineries, performance of reputable wine makers, and innovative marketing strategies. Wineries

have been developing plans for fostering the market and increasing consumers' appetites. Developing side attractions and creating "wine roads" or "biking paths" to attract tourists have been ways to attract more customers. Retailers have reorganized their wine selling space by country of origin and varieties, making them more attractive to consumers.

The progress of the sector may be assessed also by consumers' taste, in terms of sweetness and category. Concerning sweetness level, it is notable that the consumers' increasing orientation is towards dry and semi-dry wines, unlike 10 years ago when consumer preference was clearly for the sweeter wines.

According to recent marketing research conducted by Ipsos Research, white wine remains the most preferred wine among Romanian consumers, because of its versatility. Red and rosé wines are perceived as more powerful, being mostly associated with a romantic meal or family events. Romanian wine is mostly consumed by men, with an average education level, older than 40 years, while imported wines are consumed mostly by young women, of a higher education level, and higher than average income levels.

In terms of packaging, the 0.75 liter bottle is mostly purchased (93 percent of bottled wines), about 6 percent of consumers prefer a volume higher than 0.75 liter, 1 percent prefer plastic bottles and "bag-in-box". Regarding purchasing locations, about 40 percent of consumers choose to purchase wine from hypermarkets which offer a large variety, 34 percent from specialized stores, 28 percent from convenience stores and other traditional trade formats. In terms of pricing, the average price accepted by consumers for a 0.75 liter wine bottle is 15-25 RON/bottle (U.S.\$4-7/bottle), while in restaurants consumers are willing to pay 25-40 RON/bottle (U.S.\$7-11/bottle).

Policy

Romania has applied in past years programs meant to stimulate wine production and exports. These support programs are proposed to continue during the financial framework 2014-2018 in accordance with EU Regulation 1308/2013, with an allocation of about 47.7 million Euro per year, to a total of 238.5 million EURO for the period. There are several areas in which interested parties may apply under the domestic program of this sector: wine promotion in other EU markets or third countries, vineyards restructuring and reconversion, harvest insurance, and investments in enterprises. During the previous financial framework (2007-2013), an area of about 36,000 hectares of vineyards was subject to restructuring and reconversion.

Relevant references

For legislative implementation and regulatory control in the wine sector, the following institutions have relevant roles:

Ministry of Agriculture and Rural Development (MADR)

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Fax: (+40) 21 307 8685

E-mail: comunicare@madr.ro

Website: <http://www.madr.ro>

National Office of Vineyards and Products (ONVPV)

49 Sos.Iancului, sector 2, 021719 Bucharest

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Fax: 0040 21 250 50 98

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Website: www.onvpv.ro

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