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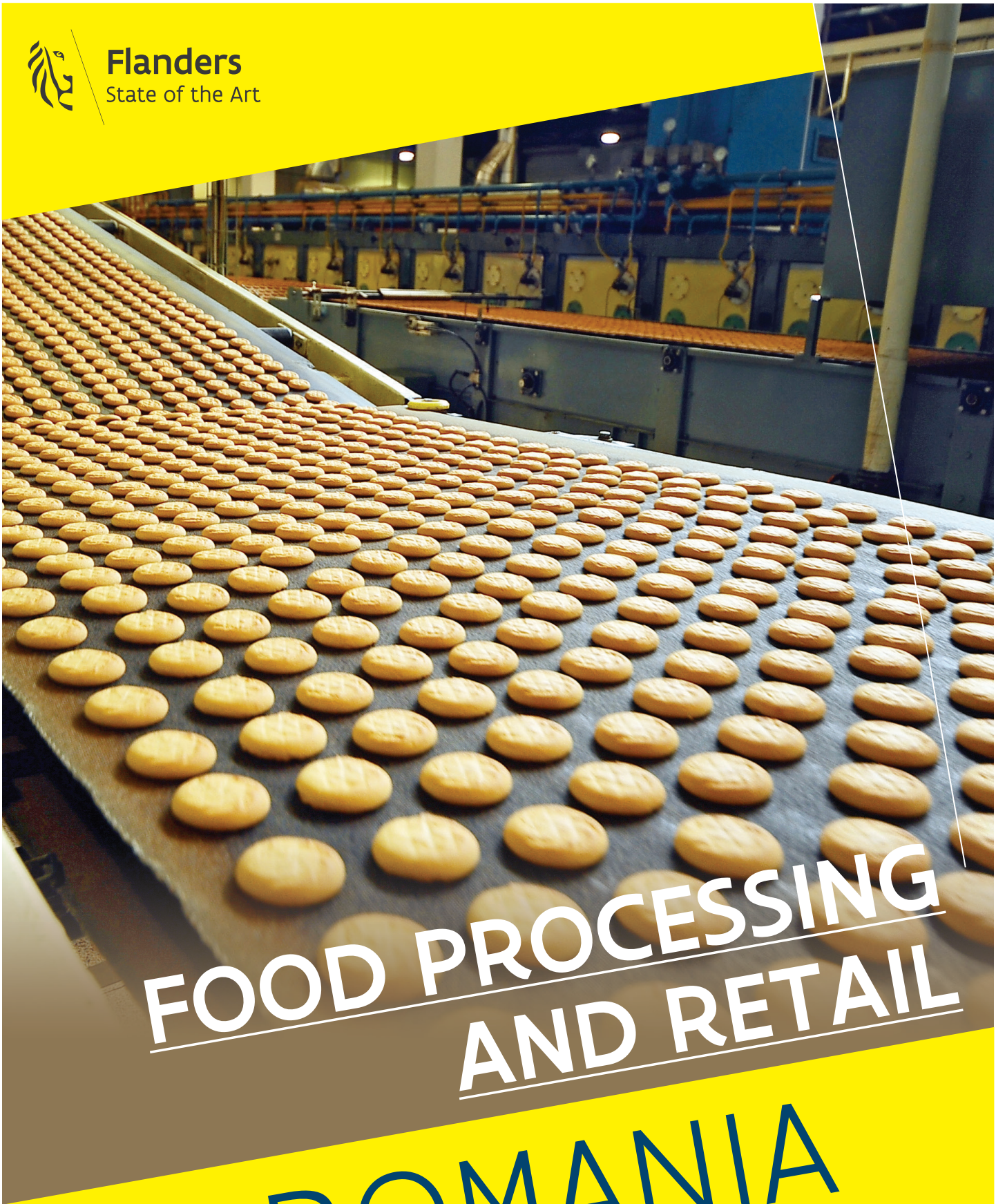

FOOD PROCESSING AND RETAIL IN ROMANIA

FLANDERS INVESTMENT & TRADE MARKET SURVEY

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Paper

FOOD PROCESSING AND RETAIL IN ROMANIA

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TABLE OF CONTENT

1. General economic overview 3
2. Food processing 11
3. Food retail 17
4. Opportunities 22
5. Food organizations and main trade fairs 23
6. References 25

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1. GENERAL ECONOMIC OVERVIEW

Romania is a market with a vast potential, a strategic location and an improving, however still challenging, business climate. Romania joined the European Union in 2007, which was a historical moment that continued a laborious process of positive transformations and opened a stage of ongoing modernization and social and economic development of the country. Located at the crossroads of three great markets: the EU, the CIS and the Middle East, having a surface of 238397 sq km and a population of approximately 20 million, Romania has seen strong positive growth in the last years and has become one of the most dynamic and attractive large market in Europe. The latest official data, Worldbank.org, shows that Romania's economic growth has been one of the highest in the EU since 2010, with an average rate of 3.0% during 2010-2018, ensuring a steady convergence with the EU in GDP per capita. Currently, Romania's GDP per capita is around 65 percent of the EU28 average, considerably up from 25% two decades ago.

According to the National Institute of Statistics, in 2018 the level of the GDP in Romania was LEI 944.2 billion (EUR 202.9 billion), the largest value ever recorded in the country. The GDP per capita was LEI 48.3 billion (EUR 10,400) per inhabitant, however Romania still ranks the second-poorest country in the EU. Considering the evolution of the GDP by activity sector, services had the highest contribution to GDP formation (57,1%), followed by industry (23,6%), construction (5,4%) and agriculture, forestry and fishing (4,3%).

Gross domestic product and gross domestic product per inhabitant

[1] Semi-final data.
[2] Provisional data.

Source: National Institute of Statistics, Romania in figures 2019

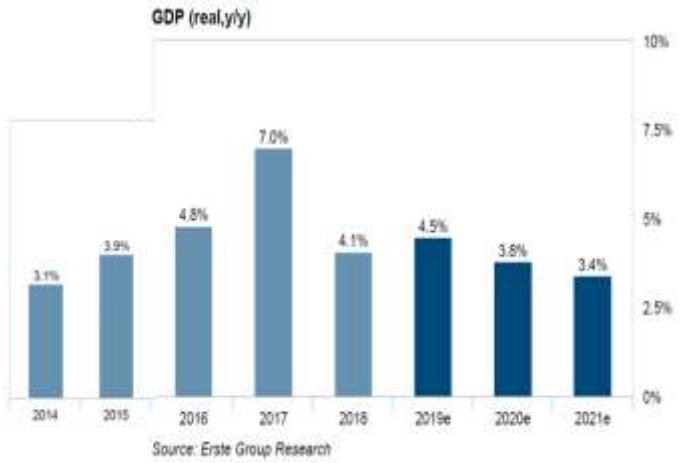
Contribution of the main activities to the gross domestic product (%)

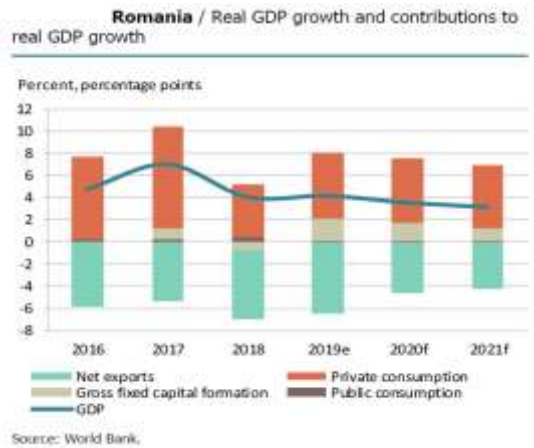
	2015[1]	2016	2017[2]	2018[3]
Agriculture, forestry and fishing	4.2	4.1	4.3	4.3
Industry	24.0	24.0	23.8	23.6
Construction	5.9	6.0	5.6	5.4
Services	53.8	55.6	56.8	57.1
Gross value added	**87.9**	**89.7**	**90.5**	**90.4**
Net taxes on products	12.1	10.3	9.5	9.6
Gross domestic product (GDP)	**100.0**	**100.0**	**100.0**	**100.0**

[1] Revised data.
[2] Semi-final data.
[3] Provisional data.

Source: National Institute of Statistics, Romania in figures 2019

Romania's economy expanded by 4.1% in 2018 and the GDP per capita increased by 4.4%, compared to a growth rate of 7% in 2017. The record rates in 2017, the highest since 2008 and the highest in the EU, were mainly due to an increase in household consumption, which was boosted by wage increases and tax cuts. The contribution of net exports to GDP growth has remained negative, while investments have been rather moderate to make any remarkable progress.





Although Romania has recorded the EU's highest percentage increase in minimum wage over the past 10 years, the country's gross minimum wage - EUR 446 - is still the third lowest in the EU (only Bulgaria – EUR 286 - and Latvia – EUR 430 have lower minimum salaries).

The monthly average wage can differ significantly depending on the industry and regions in the country. The capital and the big cities, where the largest local and multinational companies are operating, as well as industries like IT and telecommunication, oil and gas or banking register the highest salaries. HoReCa, the textile and food industry pay the lowest salaries.

Monthly average nominal earnings (lei[1]/employee) / [1] 1 EUR = 4.6 RON (average)				
	2015	2016	2017	2018
	gross / net	gross / net	gross / net	gross / net
Total	2555 / 1859	2809 / 2046	3223 / 2338	4357 / 2642
Source: National Institute of Statistics				

The growing economy in Romania has generated new working places and the unemployment rate has registered a decreasing trend during recent years, reaching 4.2% in 2018 compared to 4.9% in 2017 and 5.9% in 2016.

Unemployment rate' (%)

2015	2016	2017	2018"
6,8	5,9	4,9	4,2

' according to the ILO (International Labour Office)
" provisional data

Source: National Institute of Statistics, Romania in figures 2019

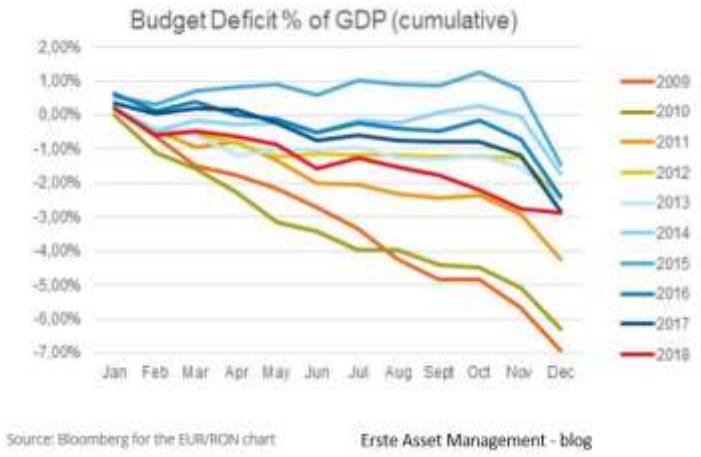
Mainly due to the significant wage raise, inflation started to be on a positive trend at the beginning of 2017, after two years of negative record lows. The downgrade in 2015-2016 was influenced by the evolution of food prices, which declined after June 1st when the VAT rate decreased from 24% to 9%. The inflation rate exceeded 4% in 2018 as the government introduced further public sector wage hikes.

previous year =100

YEAR	CONSUMER PRICE INDICES-%	INFLATION RATE-%
2013	103,98	4,0
2014	101,07	1,1
2015	99,41	-0,6
2016	98,45	-1,5
2017	101,34	1,3
2018	104,63	4,6

Source: National Institute of Statistics

The government strategy of wage-led growth during the last few years have stimulated the household consumption and GDP growth rates, but this model has also generated bigger external deficits, experts having warned on the risk of the country exceeding the EU's 3% budget gap limit.



The National Institute of Statistics data show that household final consumption expenditure rose 10.3% in 2017 compared to the previous year. In 2018 the consumption expenditure decelerated, however it remained significant and continued to act as main GDP growth driver.

During 2015-2018 the agro-food products and non-alcoholic beverages had the highest share in the total consumption expenditure, the year 2018 accounting for 33,3% of the total.

Total household consumption expenditure

	2015	2016	2017	2018[1)]
	- lei , monthly per household -			
Total consumption expenditure	**1702.87**	**1810.75**	**2039.03**	**2272.19**
	- pergentage -			
Agro-food products and non-alcoholic beverages	38.2	36.1	34.3	33.3
Alcoholic beverages, tobacco	7.8	8.0	8.2	8.2
Clothing and footwear	5.7	6.5	7.1	7.4
Housing, water, electricity, gas and other fuels	17.9	17.6	17.1	16.2
Furniture, dwelling equipment and maintenance	4.2	4.8	5.6	5.8
Health	4.9	4.8	4.9	5.0
Transport	6.3	6.1	6.6	7.2
Communications	5.0	5.2	5.0	4.8
Leisure and culture	4.0	4.2	4.0	4.6
Education	0.4	0.4	0.3	0.4
Hotels, cafés and restaurants	1.4	1.6	1.8	1.9
Miscellaneous products and services	4.2	4.7	5.1	5.2

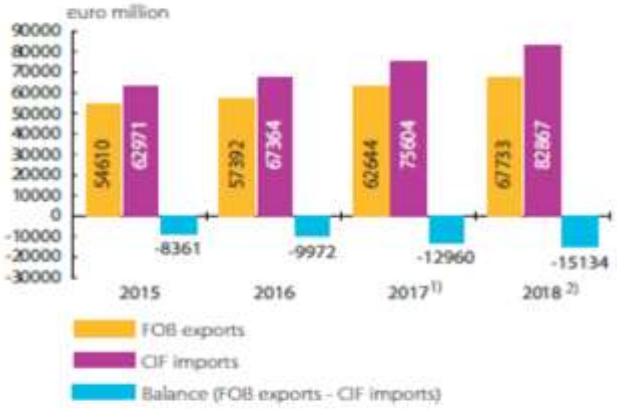
1) Provisional data.
Source: *Family Budget Survey (FBS).*

Source: National Institute of Statistics, Romania in figures 2019

As a EU member state Romania is part of a customs union and European single market.

According to the data released by the National Institute of Statistics, the exports recorded in 2018 registered a value of EUR 67733 million (+8,1% as compared to 2017) and the imports were EUR 82867 million (+9,6% as compared to 2017), resulting in a negative amount for trade balance of EUR – 15134 million. Out of this total amount for 2018, prepared foodstuffs, beverages and tobacco accounted for EUR 1794 million as export and EUR 3377 million as import, the trade balance being EUR – 1583 million.

Exports, imports and balance of international trade in goods operations



***Note**: For **2016**, the data have been revised and are final.*
1) Semi-final data.
2) Provisional data.

International trade in goods by section, according to the Combined Nomenclature

euro million

CN Code	Name of CN code		2015	2016	2017 1)	2018 2)
FOB exports		E	54610	57392	62644	67733
CIF import		I	62971	67364	75604	82867
	Prepared foodstuffs, beverages and tobacco	E	1838	1724	1747	1794
		I	2580	2830	3147	3377

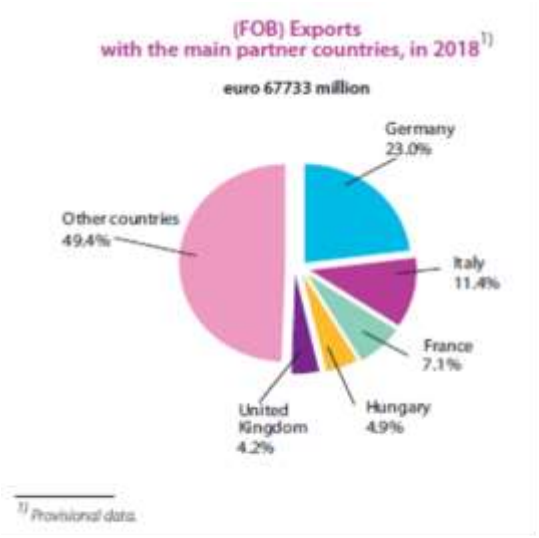
1) Semi-final data.
2) Provisional data.

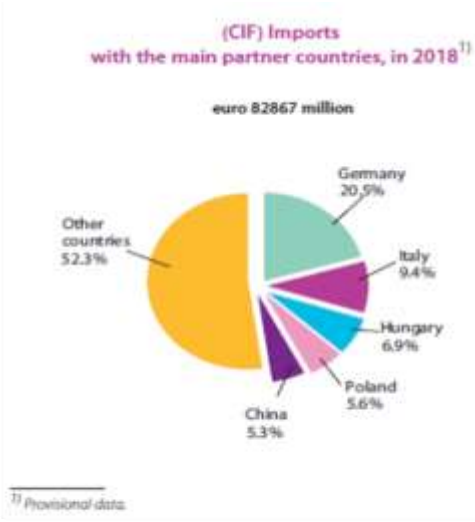
Source: National Institute of Statistics

The main export destinations and the main origin area of the imports are the Member States, which in 2018 accounted for 76,7% of the total value for exports and 74,7% of the total value for imports.

The main partner countries for export in 2018 were Germany (23%), Italy (11,4%), France (7,1%), Hungary (4,9%), UK (4,2%), and for import were Germany (20,5%), Italy (9,4%), Hungary (6,9%), Poland (5,6), China (5,3%)

GlobalEdge 2018 data shows that exports to Belgium accounted for 2% and import from Belgium accounted for 2,34%.





Source: National Institute of Statistics

According to the data from seenews.com based on the prognosis of the European Commission, Romania's economy is expected to expand by 4.1% in 2019, largely in line with its potential, and by 3.6% in 2020.

Private consumption appears to be weakening, but will remain the main growth driver of the Romania's economy.

Investment is projected to remain relatively positive, especially being supported by an acceleration of EU-funded projects towards the end of the current programming period (2014-2020).

Imports are projected to continue rising at a higher pace than exports in 2019 and 2020. Thus the net exports will again make a negative contribution to the real GDP growth.

Due to the continuous high increases to public sector wages, as well as the negative trade balance, the government deficit is at risk to go up to 3.6% of GDP in 2019 and even 4.6% in 2020.

Inflation is expected to stay elevated, reaching 4.2% in 2019 and 3.7% in 2020.

Macro indicators

Forecasts

Annual	2013	2014	2015	2016	2017	2018	2019e	2020e	2021e
Real GDP growth	3.5	3.4	3.9	4.8	7.0	4.1	4.5	3.8	3.4
Inflation (CPI, avg)	4.0	1.1	-0.6	-1.5	1.3	4.6	3.9	3.3	4.2
Unemployment rate (avg)	7.1	6.8	6.8	5.9	4.9	4.2	3.8	4.0	4.2
Retail sales growth	0.5	6.5	9.4	12.4	10.8	5.4	6.4	4.9	4.0
Industrial output growth	7.9	6.0	2.8	3.1	7.9	3.5	-0.5	1.0	3.0
Private consumption growth	2.0	4.2	5.9	8.3	10.1	5.2	5.6	4.7	3.8
Fixed capital formation growth	-5.6	3.3	7.5	-0.2	3.5	-3.2	12.0	4.8	2.5
Percent of GDP									
Trade balance	-4.0	-4.0	-5.2	-5.9	-6.9	-7.5	-7.6	-7.9	-7.6
Current account balance	-1.1	-0.7	-1.2	-2.1	-3.2	-4.5	-4.8	-5.2	-4.6
Foreign direct investment	1.9	1.6	2.2	2.7	2.6	2.4	2.3	1.7	1.4
Budget balance	-2.2	-1.3	-0.7	-2.7	-2.7	-3.0	-3.0	-4.0	-4.7
Public debt	37.6	39.2	37.8	37.3	35.2	35.0	34.5	36.0	38.1
External debt, gross	68.0	63.0	57.4	54.5	51.9	49.0	42.5	36.4	35.0
FX, money market									
USDLCY average	3.33	3.35	4.01	4.06	4.05	3.94	4.24	4.19	4.23
EURLCY average	4.42	4.44	4.45	4.49	4.57	4.65	4.75	4.82	4.99
EURLCY eop	4.48	4.48	4.52	4.54	4.66	4.66	4.77	4.87	n.a.
(percent)									
CB policy rate (avg.)	4.84	3.34	1.75	1.75	1.75	2.34	2.50	2.50	3.50
3m interbank offer rate (avg.)	4.22	2.55	1.34	0.77	1.15	2.80	3.10	3.10	3.90
2Y Yield (average)*	n.a.	2.92	1.64	1.34	1.57	3.40	3.25	3.40	4.10
5Y Yield (average)*	5.00	3.70	2.50	2.40	2.80	4.30	4.00	4.10	4.50
10Y Yield (average)*	5.30	4.60	3.50	3.30	3.90	4.70	4.50	4.50	4.90

Source: Erste Group Research

2. FOOD PROCESSING

Romania's economy is among the EU's fastest growing economies, having recorded a 7% growth in 2017, the highest since 2008, and a 4.1% growth in 2018. The main contributor to the GDP growth in Romania has been the household consumption, as a result of an increase in purchasing power due to higher wages and tax cuts (VAT cut from 24% to 9% for food products). With a population of almost 20 million inhabitants, Romania is a remarkable large country in Eastern Europe (second after Poland) in terms of consumer market potential.

Although increasing year by year, the current level of consumption of various food categories in Romania is at a relatively low level as compared to the standards of other European countries.

For instance, the National Institute of Statistics data shows that the monthly average consumption of fresh meat and meat products in Romania amounted to 4,8 kg/person in 2018, which means a yearly average consumption of 58 kg/person. This amount is rather low compared to Spain, Austria or France, which saw the highest average consumption on the EU market, 94 kg/person, 90 kg/person and 86 kg/person respectively (euronews.com, February 2019). Pork remains the most popular type of meat in the Romanian market, with an average consumption of 29 kg/year, followed by poultry meat at around 20.1 kg/year according to the National Institute of Statistics (globalmeatnews.com). The same goes for dairy consumption or fruit and vegetables or fisheries, which compared to other European countries, the current level of consumption in Romania is rather low. As for bread consumption in Romania, there have been records of about 82 kg/person/year which is above the European average of 78 kg/person/year (data Romanian Employers in the Milling and Bakery Industry 2018).

Monthly average consumption[1)], for the main food products and beverages

	M.U.	2015	2016	2017	2018[2)]
Fresh meat	kg	3.390	3.394	3.544	3.600
Meat products	kg	1.101	1.120	1.202	1.239
Fats	kg	1.225	1.210	1.210	1.199
Milk	litres	5.758	5.813	5.768	5.632
Eggs	pcs.	13	13	14	13
Sugar	kg	0.767	0.746	0.743	0.713
Potatoes	kg	3.196	3.062	3.073	3.018
Vegetables and canned vegetables (equivalent fresh vegetables)	kg	7.553	7.726	7.983	8.077
Fruits	kg	3.693	3.831	3.897	4.028
Mineral water and other non-alcoholic beverages	litres	4.783	5.178	5.891	6.162
Beer	litres	1.292	1.382	1.504	1.540
Wine	litres	0.874	0.893	0.892	0.887
Plum brandy and natural brandies	litres	0.200	0.210	0.212	0.204

1) Monthly average quantities per person (in individual households).
2) Provisional data.
Source: *Family Budget Survey (FBS).*

Source: National Institute of Statistics, Romania in figures 2019

In terms of agricultural production, according to National Institute of Statistics, the biggest production in Romania is determined by crops, which in 2018 accounted for 70.3% of the total agricultural production, being followed by animal production with a share of 28.3%, and agricultural services with 1.4%. The value of Romania's agricultural production reached RON 90.20 billion (EUR 19.6 billion) in 2018, up 7.2% compared to the previous year, all sub-segments (crop, animal and services) having registered growth.

Agricultural production [1]

lei million current prices

	2015	2016	2017	2018[2]
Total	**68749**	**69349**	**78494**	**90206**
Crop production	43574	45155	53217	63390
Animal production	24315	23294	24332	25570
Agricultural services	860	900	945	1246

[1] According to the Eurostat methodology on "Economic Accounts for Agriculture".
[2] Provisional data.

Source: National Institute of Statistics

Agricultural production structure [1]

[1] According to the Eurostat methodology on "Economic Accounts for Agriculture".
[2] Provisional data.

Source: National Institute of Statistics

Main locally produced agricultural products are wheat, corn, barley, sugar beets, sunflower seed, potatoes, grapes for crop production, and pork, poultry, milk, wool and eggs for animal production. In 2018 the production of cereals for grains (wheat, rye, maize) was higher in terms of volume than in the previous year, but lower for leguminous plants for beans, potatoes and sugar beet.

Crop production

thou tonnes

	2015	2016	2017	2018[1]
Cereals for grains	19333	21765	27139	31553
of which:				
Wheat	7962	8431	10035	10144
Rye	24	26	28	29
Barley and two-row barley	1626	1817	1907	1871
Maize grains	9021	10746	14326	18664
Leguminous plants for beans	76	99	302	191
Potatoes	2700	2690	3117	3023
Sugar beet	1041	1012	1175	978
Oilseed crops	2975	3597	4986	5146
of which:				
Sunflower	1786	2032	2913	3063
Vegetables [2]	3674	3358	3638	3797
Fruit [3]	1225	1242	1058	1813
Grapes [3]	799	737	1067	1144

[1] Provisional data.
[2] Including the production of kitchen gardens, greenhouses, solaria, combined and successive crops.
[3] Including the production of kitchen gardens.

Source: National Institute of Statistics

In 2018 the weight of the animals and poultry to be slaughtered for consumption increased for poultry and decreased for pigs and cattle compared to 2017. The total milk production and wool production increased as well while the egg production decreased.

Animal production

	M.U.	2015	2016	2017
Meat	**thou t live weight**	**1431**	**1465**	**1462**
of which: Beef	thou t live weight	200	206	196
Pork	thou t live weight	562	588	583
Mutton and goat	thou t live weight	110	114	116
Poultry	thou t live weight	558	555	566
Milk - total	**thou hl**	**49156**	**48133**	**46615**
of which: Cow and buffalo cow milk	thou hl	42664	42020	40564
Wool	**tonnes**	**22343**	**22277**	**22401**
Eggs	**mill. pcs.**	**6555**	**6182**	**5996**
Extracted honey	**tonnes**	**27893**	**21202**	**30177**
Fish [1]	**tonnes**	**19601**	**23180**	**25943**

Note: *The meat production represents the weight of the animals to be slaughtered for consumption.*
*Data on **2018** will be available in July **2019***

[1] ***Source:*** *National Agency for Fisheries and Aquaculture*

Source: National Institute of Statistics

Animal production in 2018 compared to 2017

	M.U.	2017	2018*	Year 2018* compared to 2017 (±)
Weight of the animals to be slaughtered for consumption (live weight – total)				
- cattle	thou tonnes	196	188	-8
- pigs	thou tonnes	583	551	-32
- sheep and goats	thou tonnes	116	116	-
- poultry	thou tonnes	566	636	+70
Milk – total	**thou hl**	**46614**	**46702**	**+88**
of which: - cow and buffalo cow milk (including calves' consumption)	thou hl	40563	40645	+82
Wool	**tonnes**	**22401**	**23347**	**+946**
Eggs	**mill. pieces**	**5996**	**5713**	**-283**

*Provisional data

Businessreview.ro press release 2018, based on KeysFin data, states that Romanian agriculture operates around 12,727 companies specialized in plant cultivation, which generated over 64% of all agricultural businesses. More than 3,247 companies (29% of total turnover) are engaged in animal husbandry, and 1,272 companies are active in the mixed agricultural activities sector, which provides 7.6% of the total agricultural business.

Agricultural production -> main players (turnover in 2017):

• growers	Turnover 2017 – RON currency
Agro-Chirnogi SA	880.6 million
Promat Comimpex SRL	541.5 million
Plantagro-Com SRL	439.7 million
Agricost SA	359.2 million
Wine Solutions Network SRL	284.2 million
• livestock breeders	
Smithfield Romania SRL	920.1 million
Transavia SA	531.5 million
Agrisol International SRL	291.5 million
Avicola Buzau SA	264.3 million
Avicarvil SRL	159.3 million

The agro-food manufacturing industry is a significant sector in Romania with major contributions to employment and value added in manufacturing.

FRD Center analyses H1 2018, according to the Trade Registry data, shows that companies operating in the Romanian food and beverages industry with production activities in Romania registered a turnover of EUR 12.2 billion in 2016, up 3% compared to 2015.

Main sub-sectors in food processing in Romania and products categories are:

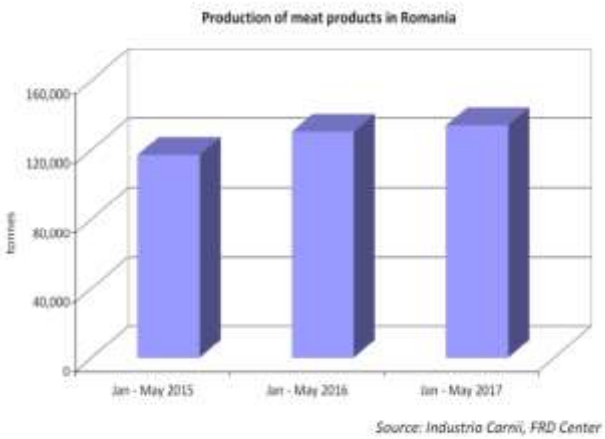
* Meat processing
    - ham, salami, liver pâté and sausages being the main popular
    - canned meat as well however less
* Milk and dairy processing
    - milk for consumption, cream, yoghourt and other acidified products
    - butter and cheese – soft cheese being the most popular together with the traditional 'telemea' (soft cheese similar to feta cheese);
* Fish and fish products
    - canned fish, salads and other fish products (mackerel, herring, sprat, trout etc);
* Fruit and vegetables
    - jams and marmalades, juice, frozen vegetables and mixtures, canned vegetables;
* Bakery
    - bread, pastries, cakes, biscuits, breakfast cereals.

The food processing industry has experienced in the last years a speedy national development.

Significant investments have been made in optimizing the production flows, many of the major players in the food industry having used EU funds for expansion, construction of new facilities, and modernization of their processing capacities and storage spaces.

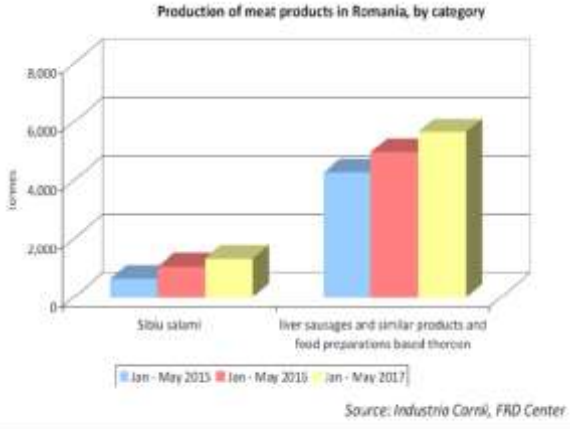
Some players on the food processing market (especially active in meat processing) operate their business as part of an integrated system starting from farm, slaughterhouse, processing unit and own stores, system which assures a sustainable growth of the food market, as well as national and regional economic development.

Over the years Romanian farmers and food processors have evolved very much in productivity and in having the optimal solutions for livestock farming and processing capacities. However due to the increasing market demand and the required quality standards, the food processing sector in Romania needs further development and modernization. As such higher amounts for investments have been announced for 2019 compared to 2018 as per data from the local newspapers.



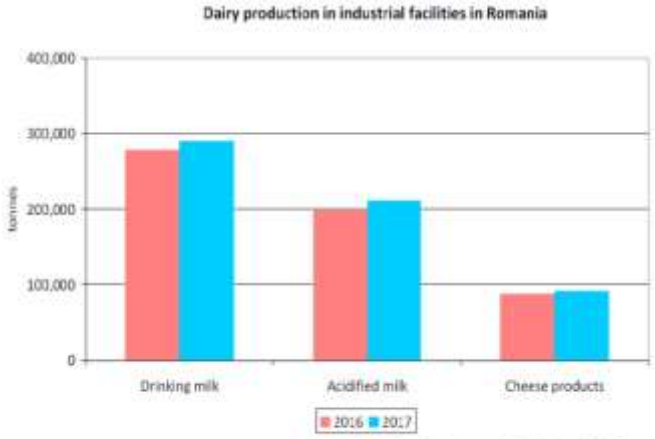
Source: Industria Carnii, FRD Center

FRD Center Market – Trade and Investment Opportunities in Romania H1 2018



Source: Industria Carnii, FRD Center

FRD Center Market – Trade and Investment Opportunities in Romania H1 2018



Source: National Institute of Statistics, FRD Center

Dairy production in industrial facilities	2017 tonnes	2018 tonnes	Growth
Drinking milk	288973	306037	+5.9%
Cream	66470	67051	+0.9%
Acidified milk: yogurt, drinking yogurt, curd and other similar milk products	211658	215573	+1.8%
Butter	12107	10871	-10.2%
Cheese products	91071	96243	+5,7%

Source: National Institute of Statistics, June 2019

FRD Center Market – Trade and Investment Opportunities in Romania H1 2018

Fish production and processing

2017 –> 20170 tonnes produced

- preserved/prepared and frozen whole marine fish = the main product types
- other products = salads, smoked fish, and marinades
- canned fish = canned tuna (over 50%), sardine (17%), herring (13%), mackerel (10%)

Native species = carp, silver carp, bighead carp, bream, catfish, perch, pike, and trout

Imported marine species = salmon, herring, sprat, and mackerel

Source: Eurofish.dk & romaniajournal.ro

Fruit and vegetables processing

The total processing capacity of fruits and vegetables is about **160 000 tonnes / year**

2019 -> the canning production up to 30% less compared to 2018 due to the weather conditions

- canned vegetables
- tomato sauce
- dehydrated fruit
- pasteurized fruit
- jam and marmelade

Source: ProdCom Fruit Vegetables Interprofessional Organization & Romconserv

Bakery

The annual bread production in Romania is of 1.5 million tonnes

- bread
- pastry
- biscuits

The milling and bakery market rose to EUR 3 billion, ranking first in the local food industry

Source: Rompan (Romanian Employers in the Milling and Bakery Industry)

Food processing –> main players & shareholding:

meat	milk / dairy	fish	fruit & vegetables	bakery
Smithfield Prod Com (Smithfield Group - part of WH Group China)	**Danone Productie si Distributie** (part of Danone Group)	**Ocean Fish** (Romanian private capital)	**Contac Foods** (Turkish capital)	**Vel Pitar** (Broadhurst Investment Fund)
Unicarm (Romanian private capital)	**Albalact** **Dorna Lactate** (part of Lactalis Group)	**Negro 2000** (Romanian private capital)	**Anabella Fabrica de Conserve Raureni** (Romanian private capital)	**Goodmills Romania** (Lantmannen Unibake)
Transavia (Romanian private capital)	**Friesland Campina Romania** **Napolact** (part of Friesland Campina Group)	**Pescado Group** (Romanian private capital)	**MIB ProdCom** (Romanian private capital)	**Boromir** (Romanian private capital)
Aaylex Prod (Romanian private capital)	**Hochland Romania** (part of Hochland Group)	**Sabiko Impex** (Romanian private capital)	**MGC International Investment** (Lebanese capital)	**Sapte Spice** (Broadhurst Investment Fund)
Racunostinta Prodcom (part of Cris-Tim Group – Romanian private capital)	**Covalact** (owned by SigmaBleyzer)	**Pestisorul de Aur** (Romanian private capital)	**Frigorifer** (Lebanese capital)	**Pambac** (Romanian private capital)
Agricola International (Romanian individuals – majority shares)	**Delaco** (part of Bongrain Group)		**Mandy Foods International** (Lebanese capital)	**Dobrogea Group** (Romanian private capital)
Caroli Foods (joint venture Campofrio Foods Group)	**Fabrica de Lapte Brasov** (Greek capital)			**Croco** (Romanian private capital)
Ana si Cornel (Romanian private capital)				**Alka Co** (Israeli capital)

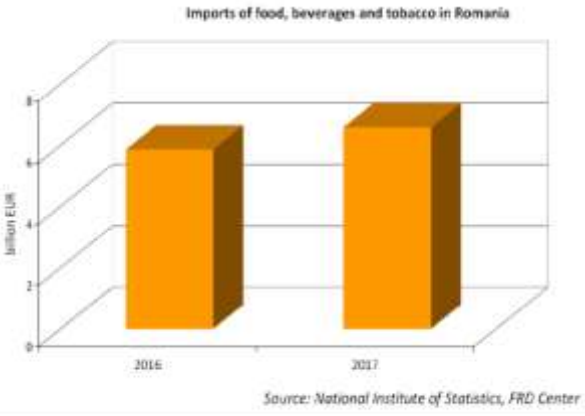
Source: FRD Center Market Entry – Market opportunities H1 2018 & Food Sector in Romania 2016

La Lorraine (Belgium) joint-venture Macromex

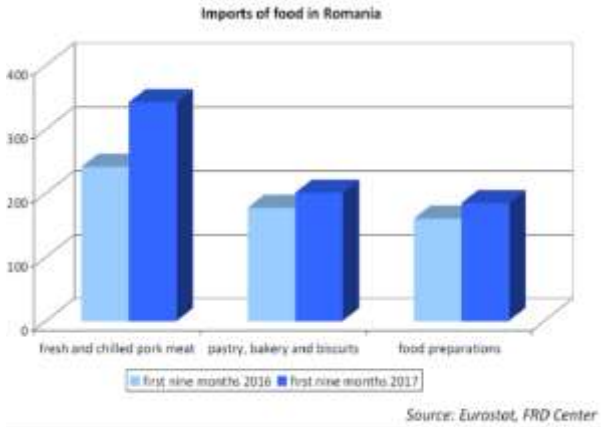
A food segment which is gaining more and more popularity is ready-meal segment.

Ready meals have a good development potential especially in urban areas. People are being more and more active, have a busier professional life and less time available for preparing meals. The Romanian market of ready meals is covered by menus and salads.

The Romanian food industry has not been able to cope with the higher demand in the short term, therefore foreign suppliers covered the gap between demand and supply. As a result, over the years, food and agricultural imports increased while the exports decreased, so the trade deficit in agriculture widened.



Source: FRD Center Market Entry – Trade and Investment opportunities in Romania H1 2018



Source: FRD Center Market Entry – Trade and Investment opportunities in Romania H1 2018

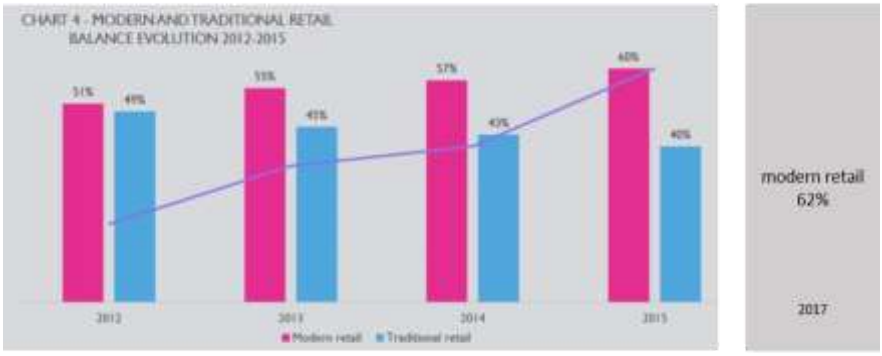
In 2018, Romania imported food and live animals of EUR 6.07 billion, up 2% compared to 2017, while exports rose by 3.6% up to EUR 4.2 billion, according to fresh Eurostat data (business-review.eu).

National Institute of Statistics data shows that for 2018 the amount of prepared foodstuffs, beverages and tobacco accounted for EUR 1794 million in terms of export and EUR 3377 million in terms of import, the trade balance being EUR – 1583 million.

3. FOOD RETAIL

Over the past 20 years, Romania's food retail market has experienced huge transformations. Modern commerce was launched with the first opening stores of few international players (Mega Image – Delhaize, Metro, followed by Carrefour a few years later). The retail expansion moved fast, and by 2012 the modern retail had reached 51%, thus overtaking the traditional retail.

Modern and traditional retail



Source: Romanian Distribution Committee Magazine 2015 & news magazinulprogresiv.ro 2017

The fiscal policy adopted by the Romanian government in the last years, as well as the strong wage growth and higher employment rate have stimulated the private consumption in Romania and therefore the consumer demand. According to the National Institute of Statistics, the retail sales of food, beverages and tobacco in Romania increased by 6.1% in 2018 compared to 2017.

Retail [1], **by group of goods**

lei million current prices

CANE Rev. 2	2015	2016	2017[2]
Total	**212500.6**	**222651.0**	**241415.0**
Food goods	72865.5	79062.2	86717.5
Non-food goods	91393.0	99225.0	108056.2
Retail of fuels	48242.1	44363.8	46641.3

Note: *Data resulting from the Structural Business Survey.*
The differences between the total data and the data obtained by summing up the different structures used are due to rounding.
Data on ***2018*** *will be available in November* ***2019****.*

[1] *Excluding the sale, maintenance and repair of motor vehicles, motorcycles and the retail of fuels.*
[2] *Provisional data.*

Source: National Institute of Statistics, Romania in figures

Turnover volume indices for retail, except motor vehicles and motorcycles, by group of goods

unadjusted series — previous year = 100

CANE Rev. 2	2015	2016	2017	2018
Total	**109.5**	**112.4**	**110.8**	**105.4**
Predominant sales of food goods, beverages and tobacco	119.4	113.7	106.5	106.1
Predominant sales of non-food goods	103.2	113.4	114.0	106.1
Retail of fuels for motor vehicles, in specialised stores	107.3	108.6	112.3	103.2

Note: *Data resulting from infra-annual statistical surveys.*

Source: National Institute of Statistics, Romania in figures

The turnover of the Romanian food trade was estimated for 2018 to reach the record level of RON 100 billion (± EUR 21 billion), according to a KeysFin analysis (actmedia.eu).

In 2017 the international chains ranked top ten among the retail chains in the country and generated over 53% of total turnover. The top 10 retailers had a higher growth in turnover in 2017, the numbers going up 11% to EUR 11.144 billion, compared to EUR 9.96 billion in 2016.

Top 10 retailers 2017 by turnover

*retailer	Turnover 2017
Kaufland	RON 10.09 billion (EUR 2.21 billion) -> 10.4% of the total national turnover
Carrefour	RON 6.75 billion (EUR 1.47 billion) -> 7% of the total national turnover
Lidl Discount	RON 6.51 billion (EUR 1.42 billion) -> 6.7% of the total national turnover
Auchan	RON 5.22 billion (EUR 1.14 billion) -> 5.4% of the total national turnover
Mega Image	RON 4.91 billion (EUR 1.07 billion) -> 5.1% of the total national turnover
Profi	RON 4.73 billion (EUR 1.035 billion)
Metro Cash & Carry	RON 4.36 billion (EUR 954 million) in 2016
Selgros	RON 3.64 billion (EUR 797 million)
Rewe / Penny	RON 2.99 billion (EUR 654 million)
Cora	RON 1.77 billion (EUR 387 million)

Source: KeysFin analyses (actmedia.eu) & BR analyses

The first 10 major retail networks in Romania increased their sales by over RON 6.3 billion in 2018 compared to the previous year.

The cumulative turnover for 2018 for the Top 25 Retailers, including other large local retailers as well, is over RON 63 billion (EUR 13.6 billion), up almost 12% from 2017.

A considerable movement in the retail market last year was the evolution of Profi, which registered the largest sales growth, +25%, reaching RON 5.9 billion (EUR 900 million), but reported losses of RON 90 million (nearly EUR 20 million).

Lidl, Mega Image and Penny also had large increases in turnover in 2018, while Cora was slightly down, -1% in 2018 compared to 2017. In terms of profit, Penny achieved the highest profit growth of 88%. The most profitable retailer remains Kaufland.

TOP 25 retailers – international chains & local chains

Turnover 2018 – RON currency & net profit / loss

TOP 25 RETAILERI după rezultatele din 2018 (final)

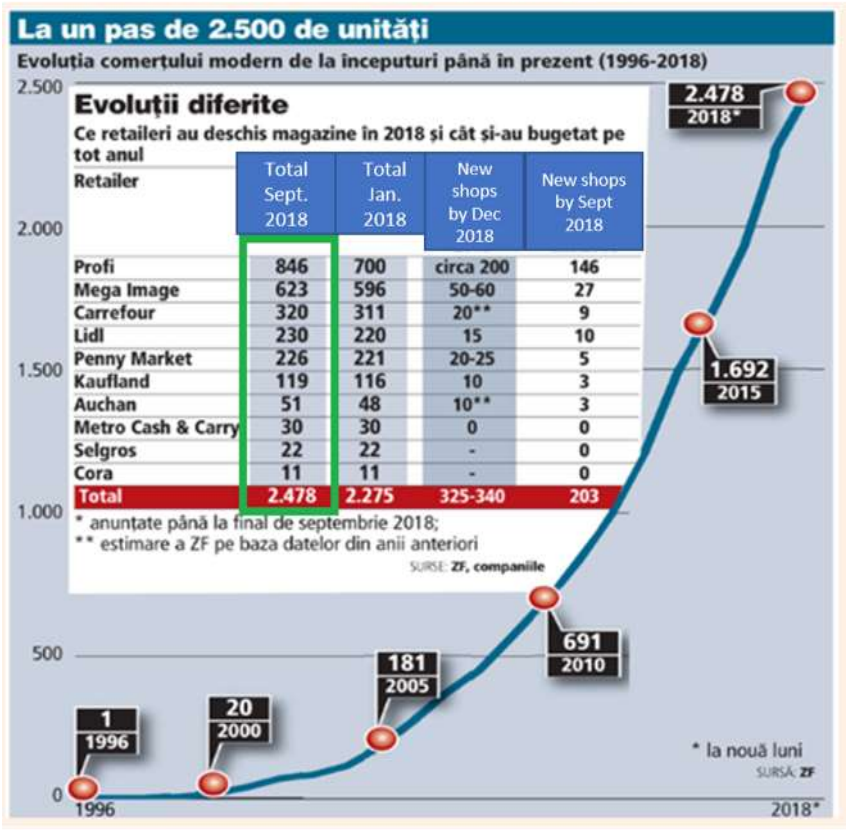
Loc	Operatorul	Cifra de afaceri (lei)		Profit net /pierdere netă (lei)	
		2018	2018/17 (%)	2018	2018/17 (%)
1	Kaufland	10,889,960,330	8.0	788,721,212	17.7
2	Lidl	7,788,918,595	19.6	412,253,463	16.9
3	Carrefour	7,315,834,802	8.4	261,712,438	24.8
4	Profi Rom Food	5,921,486,806	25.2	90,586,945	-169.2
5	Mega Image	5,730,583,935	16.7	254,167,376	26.0
6	Auchan	5,405,479,367	3.5	35,007,660	-53.3
7	Metro	5,303,120,916	12.1	88,631,796	-23.7
8	Selgros	3,719,988,615	2.1	73,140,563	49.8
9	Rewe	3,453,623,213	15.2	35,977,004	88.3
10	Cora	1,753,106,457	-1.1	38,975,086	-1141.7
11	Artima	1,702,076,767	17.1	16,017,612	292.9
12	Columbus	1,285,616,983	2.3	48,129,256	43.3
13	Lagardere	652,510,125	17.0	31,975,869	10.7
14	dm	379,903,669	24.1	6,593,897	94.6
15	Annabella	294,668,688	15.5	9,793,530	-5.5
16	Supeco	264,367,609	80.7	3,292,241	1.5
17	Real	240,437,376	-5.5	10,675,493	-133.9
18	Zanfir	218,672,273	16.1	3,469,808	16.1
19	Elan Trio	203,682,410	9.8	3,476,086	384.5
20	Diana Com	199,121,001	8.3	5,673,662	47.1
21	Bertis	193,178,598	10.3	3,672,068	-18.9
22	Danemar (EuroMarket)	135,650,010	16.3	6,562,679	18.3
23	Barta ATI	116,967,163	5.7	5,238,747	-0.8
24	Ovisim	98,623,543	10.3	4,799,406	16.0
25	Paco	96,683,272	14.5	939,476	-34.7
	TOTAL	63,364,262,523	11.7	1,856,165,331	0.9

Source: revista-piata.ro, June 2019

Over the years the ten international chains have strengthen their networks and geographic expansion and have acquired a combined average market share of 62% in the country. But the market share varies from one region to another, being proportional to the economic development of the region. Moldova registered the lowest share of 54% while the capital, Bucharest, registered the highest share of 80%. The top 10 retailers together have over 2500 shops and will reach a number of 2950 shops by the end of 2019.

Over 2.500 shops end of 2018

Evolution of modern commerce 1996-2018



Source – Ziarul Financiar (Financial Newspaper)

* to reach a number of 2950 shops in 2019

The modern trade represents the most channel of sales in Romania.

Modern retail channel 2018:

- Hypermarkets = the main destination for family shopping
- Supermarkets = the most dynamic growth in market share
- Discount = the 2nd biggest increase in market share
- Cash & carry
- Proximity stores
- Modern convenience stores

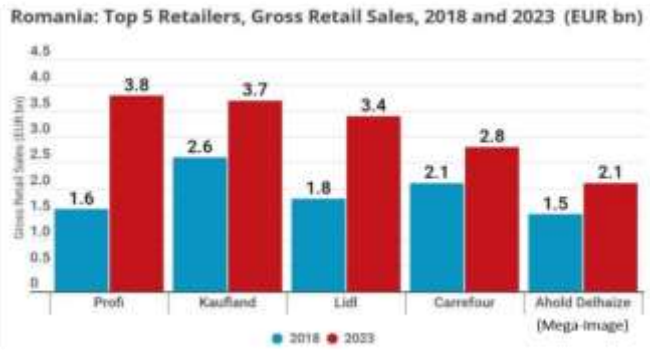
More than 223000 employees in Romania work in retail, the most important employers in the food retail sector are Kaufland (13519 employees), Profi (11662 employees), Carrefour (9939 employees) and Auchan (9290 employees).

The food retail in Romania has great potential for growth. The trend of fast development will continue in the short term, with investments targeting expansion and openings of new stores in small towns and rural areas.

It is expected that the large international retail networks will keep their leader position on the market.

According to prognosis made by LZ Retailytics Profi may become No 1 in the Romanian retail market by 2023 in terms of gross retail sales, followed by kaufland, Lidl, Carrefour and Mega Image.

Prognosis LZ Retailytics



Source – retail-fmcg.cro

4. OPPORTUNITIES

- population of almost 20 million people -> 2nd market after Poland in Eastern Europe in terms of consumer potential
- strategic location at the crossroads of three great markets: the EU, the CIS and the Middle East -> bridge between East and West for 500 M consumers market -> trade
- growing wages -> consistent boost of retail sales

- increase of local market demand as household consumption is high and consistently growing, as well as changes in consumer preferences for more sophisticated type of products -> imports and expand of retail

- modern retail -> strong potential of growth in rural areas and small towns

- modernization trend of the Romanian food processing ->
  ->know-how and technology for producing processed products
  ->machinery and equipment for food processing lines
  ->availability of finance for investments and development for expansion and modernization of processing units -> EU funds for agriculture and rural development to support the agro-food sector through the National Rural Development Programme 2014-2020

- extension of services (financial and consultancy services)

5. FOOD ORGANIZATIONS AND MAIN TRADE FAIRS

- Food and agricultural organizations

Ministry of Agriculture and Rural Development
http://www.madr.ro/en/
2-4 Carol I blvd, sector 3, Bucharest
Rural development directorate +4021-307.85.65 / pndr@madr.ro

Agency for Financing the Rural Investments (AFIR)
http://www.apdrp.ro/
43 Stirbei Voda street, sector 1, Bucharest
+40 31 860 26 65 / relatii.publice@afir.info
Romanian Association of Producers and Importers of Agricultural Machinery
http://apimar.eu/
6 Ion Ionescu de la Brad blvd, sector 1, Bucharest
+40 727 739 308 / office@apimar.eu

League of Agricultural Producers in Romania (LAPAR)
https://lapar.org/
1-3 Walter Maracineanu, sector 1, Bucharest
+40 21 314 70 65 / info@lapar.org

Romanian Federation of Employers in Food Industry (ROMALIMENTA)
http://www.romalimenta.ro/

49 Aviator Petre Cretu street, sector 1, Bucharest
+40 21 312 44 42/ office@romalimenta.ro

Romanian Dairy Industry Association (APRIL)
http://www.april.org.ro/
49 Aviator Petre Creti street, sector 1, Bucharest
+40 21 313 38 67 / office@april.org.ro

Romanian Meat Association (RMA)
http://asociatia-carnii.ro/en/home/
118 Bucurestii Noi street, sector 1, Bucharest
+40 21 667 74 06 / office@rma.ro

ProdCom Fruit & Vegetable Interprofessional Organization (OIPA)
https://www.oipalegumefructe.ro/
oipa.legumefructe@yahoo.ro

Romanian Employers in the Milling and Bakery Industry (ROMPAN)
http://www.rompan.ro/
145 Calea Plevnei, Bucharest
+40 21 312 31 20 / tehnic@rompan.ro

- Trade fairs

Indagra - international trade fair of equipment and products in agriculture, horticulture, viticulture and animal husbandry
http://www.indagra.ro/en/

Indagra Food – international trade fair for the food industry
https://www.indagra-food.ro/

Carnexpo – the largest meat industry exhibition in South-Eastern Europe
https://www.carnexpo.ro/

GastroPan – international exhibition – equipment, ingredients, tools, solutions and technologies for food industry
https://www.gastropan.ro/

Agraria – no 1 agricultural event in Transilvania
http://www.agraria.info.ro/?lang=en

Agriplanta-RomAgroTec
http://www.agriplanta.ro/

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