

Food & Drink Opportunities in Romania

Why Romania?

In a dynamic consumer society, growth of the fast moving consumer goods (FMCG) market comes naturally, particularly in the case of developing countries such as Romania (total population: 21.6 mil). The food & drink sector remains important to the Romanian economy and is one of the largest industries. In 2009, food products represented 26% from the FMCG market in 2009 in traditional channels and 39.9% in modern ones. The food market progressed with 6.3% in value in 2009 over 2008.

Despite the huge agri-food potential, Romania remains a major importer of food products. Agro-food imports represented 9.8% of total imports in 2009. An analysis of exports and imports balance for 2009, indicate a significant deficit in the commercial balance: food exports (EURO 1.3 billion), food imports (EUR 3.03 billion EURO). Main reason: the structure of the Romanian agriculture sector; many of the farms are effectively small, subsistence holdings. Poor marketing of domestic products often leads to favouring imported goods.

Romania remains an attractive market in this particular sector for investment as well given the historical tradition in food products manufacturing (Romania served as breadbasket to Western and Eastern Europe in the 19th century) and maturity of the market (main international players already present in Romania). Another strong point is the availability of raw material. With 9,4 million hectares of arable land (39% of the total country area), a ratio of arable land per capita of 0.41ha/capita - one of the highest in Europe - and a generally favourable Central European climate, Romania's agriculture potential is huge.

EU accession brought significant financial inflows (EUR 19bn to be allocated until 2013 for agri-food production).

The development rate of modern trade in Romania (hyper and supermarkets, cash & carry and discount) grew significantly over the last years. The economic crisis has affected the expansion of new retail centres but there are still over 100 openings announced for 2010, especially in the discount segment.

Private label is increasingly important to retailers, due to the low prices and diversity available. A strong advantage is represented by the selling of imported private label under own hypermarkets brand. Best sales are recorded with product categories such as fresh goods, dairy products, soft drinks, beer, base goods and sweets. The penetration rate of private labels reached 69% in 2009.

Some key characteristics of the Romanian food & drink industry:

- Food & soft drinks consumption was 40.3% of the total household expenditure in QIV 2009;
- Both retail and foodservice segments have been growing fast up until 2009;
- Concentrated retail scene;
- Open market;
- Private label on the increase;
- Growing health consciousness;
- Organic agriculture and organic food market on the increase;

Opportunities

A number of sectors are showing very strong growth and offer opportunities to UK companies. Areas of opportunities include:

- Franchising of retailing outlets – which is experiencing rapid growth, particularly for the sale of fast food and coffee. A number of international players have entered the market in the past couple of years (e.g. Coffee Heaven - partnership with Snack Attack, Coffee Republic, Costa Coffee, Starbucks etc.). There is still room on the market as Bucharest has less than 500 coffee shops, compared to other European capitals: Prague – over 1000, Paris or London – over 3000. Franchises such as Subway not yet present.

- Health conscious and innovative products including drinks e.g. breakfast cereals, yoghurt-based drinks, dietetics (tea), non-carbonated soft drinks, drinks with high fruit content, ready-made teas etc. The local consumption of breakfast cereals stands at 600g (6-7 kg in the UK or Ireland)

- HORECA segment is growing constantly in Romania. This triggered demand in serving ethnic food. Niche segment: specific ingredients and spices. Example of such products: specialty spices (Chinese pepper, Chinese salt, five flavours, coriander, chilli etc.), pasta (rice spaghetti, soy spaghetti, three colours pasta etc.), different sauces, other ingredients: mushrooms, coconut cream, exotic fruit and vegetables, special cheeses etc.

- Due to an increasingly less regular and individual eating pattern (snacking is on the rise), the demand for convenience and easy-to-prepare food is increasing (illustrative of the increasing consumption of ready-made meals).

- There is limited choice for baby cereals, food products and teas. There is still room for new comers on the baby food market in Romania, provided investments are allowed for marketing and educational awareness. A new consumer trend is being formed: the demand for bio-products (e.g. fruit purees).

- Given the fragmented milk collection system in Romania, the development of large dairy farms is a huge opportunity, as well as a priority. Possible acquisition target (Albalact – the only Romanian family run business on the

dairy market, among the major international players). The value of the milk market in 2009 – 1.1 billion EURO.

- Romanian fish production covering only 20% of the market. The rest is covered by imports. A niche opportunity: upmarket fish products (shrimps, baby octopus, sepia, shellfish, rare fish species etc).

- The frozen vegetables market in Romania is becoming increasingly attractive to big retailers. There are very few producers of frozen vegetables operating on the local market, only one of them having local production facilities.

- Although the number of organic food processors is increasing constantly, Romania does not presently have a slaughtering house designed for organic meat production. Even though animals are farmed on organic pastures, they are slaughtered in the conventional meat processing units. The results are marketed as conventional meat products. All animals are farmed for their products (poultry for organic eggs) and cows, buffalos, sheep, goats for their milk. Another sector which needs development is the packaging and the marketing of the organic products. Massive investments are needed in this particular sector.

- Other sectors of opportunity for UK suppliers: confectionery (chocolate), alcoholic drinks (whisky), meat (pork, fish), condiments and spices.

If you have any questions on the opportunities above, contact the UKTI] contacts named in this report. Business opportunities aimed specifically at UK companies are added daily to UKTI's website. These leads are sourced by our staff overseas in British Embassies, High Commissions and Consulates, across all sectors and in over 100 markets.

You can be alerted to business opportunities on a regular basis by registering on the UKTI website. [Find out more on UKTI's business opportunities service on the UKTI website](#)

Major events and activities

TIBCO

International Consumer Fair

www.tibco.ro

Contact: Ileana Buia

Email: Ileana.Buia@fco.gov.uk

Time: June 2010

INDAGRA FOOD

International Food Fair

Contact: Ileana Buia

Email: Ileana.Buia@fco.gov.uk

Time: November 2010

West Midlands Trade Mission

to Romania & Bulgaria

Contact: Shernel Stevenson

Email: ShernelS@hwchamber.co.uk

Time: November 2010

Find full details of all events in this country and sector on the UKTI website.

New export events are added daily to the site and [you can register to be alerted to them](#) on a daily, weekly or monthly basis

UKTI's Tradeshow Access Programme (TAP) provides grant support for eligible Small & Medium Sized Enterprises (SME's) to attend trade shows overseas.

UKTI contacts

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Next steps - How UKTI can help

British companies wishing to develop their business in the **Romanian** market are advised to undertake as much market research and planning as possible in the UK. UKTI's team in **Romania**, with its wide local knowledge and experience, can provide a range of services to British-based companies wishing to grow their business in global markets.

This can include:

- Provision of market information
- Validated lists of agents/distributors
- Key market players or potential customers in the Chinese market
- Establishment of interest of such contacts in working with you

- Arranging appointments
- Organise seminars or other events for you to meet contacts and promote your company in the Chinese market

This work is available via our [Overseas Market Introduction Service \(OMIS\)](#) a chargeable service which assists British-based companies wishing to enter or expand their business in overseas markets.

To find out more about commissioning this work, or accessing other UKTI services and specialist advice, please visit the UKTI website to find [contact details for your local UKTI office](#).

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