

A STUDY REGARDING THE VITIVINICULTURE INDUSTRY OF ROMANIA IN AN INTERNATIONAL CONTEXT

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Abstract

The Romanian vitiviniculture is currently in a new paradigm. Romania's possibility to place its wine products in the EU is doubled by the openness of the market towards the products coming from this region. Amid surplus wine from EU Member States, increasing yields after conversion and extension of areas planted with vineyards for the wine, stagnation or even the decrease in wine consumption worldwide, the identity of wine products Romanian must acquire new contours to meet new economic challenges. This study proposes an analysis of data on the evolution of surfaces with vines, the production of grapes, wine production, wine consumption, exports and imports of wine, obtaining correlations that stand as a basis of the concept of brand umbrella Geographic Romanian wines.

Keywords

wine industry, Romania, grape production, wine consumption

Introduction

For this paper, we processed time series from OIV Statistics related with the inputs from the wine sector, in order to obtain indicators that helped us in elaborating of a point of view concerning evolution of the key characteristics of the international wine market. The indicators were calculated in absolute, relative and average terms.

Also we processed database about Romanian vitiviniculture supplied by APEV Romania (Wine Exporters and Producers Association) and based on the statistical data obtained from MADR (Ministry of Agriculture and Rural Development) and INSSE (The National Statistical Institute).

1. Literature review

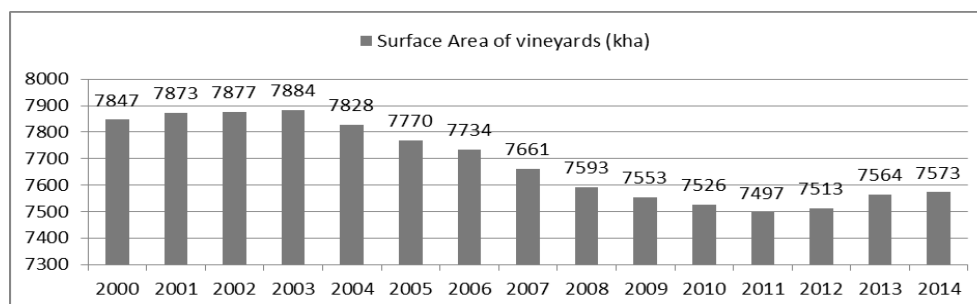
The wine industry is a global industry, whose members are appointed by seniority and geographical location. It includes: producers of the old world (European Union, all countries around Mediterranean sea) and the producers of the New World (United States, Chile, Argentina, South Africa, Australia, China). Top ranking producers, is historic trio countries, namely France, Italy and Spain totaling almost half of world production on their own (Clément, 2014). The wine world has experienced some remarkable swings over the past 20 years. New World producers led by Australia have emerged as major exporters. Traditional European exporters have struggled to adapt to changing market conditions, and face the threat of growing competition from eastern European nations joining the European Union (Glyn, 2007). Knowing international market is a basis for segmentation and making right and timely marketing decisions regarding wine export (Branislav si colab., 2013). The general financial condition of the wine industry is improving slowly. At the end of 2014, wineries said that the year was good, but not great, financially. Gross profit of wineries will be negatively impacted

in 2014 due to higher grape costs from the 2012 vintage year (McMillan, 2015). Romania is considered a tradition wine producing country being member of the International Office of Wine and Vine since 1928. The evolution of the surfaces under vines in Romania followed the EU trends where the production surplus conducted to difficulties in sales on internal and international markets, which also led to measures for ban on planting (OIV Statistics, 2015). As new member state of the EU, Romania benefited of the CMO for wine reform adopted by the EU in 2008 (European Commission, 2008). Romania had in 2014 about 140 wineries in the eight geographic regions of the country (Boboc si colab., 2015).

2. Results and discussions

2.1. Surface area of vineyards

The surface area of vineyards worldwide is of 7.573 kha in 2014, bigger with 9 kha than the one in 2013. The decrease of surface area of vineyards after 2000 has been mainly due to the EU grubbing-up program, which ended in 2011 (Figure 1).



Source: processed by the authors, using OIV Statistics, World Congress of Vine and Wine, Mainz, 6th July, 2015

Fig. 1 The evolution of surface area of vineyards worldwide, during the period 2000 -2014 (kha)

The first 5 countries add-up to 50% of world vineyards. There has also been a strong increase of the areas planted with vineyards in China, but also in the countries situated in South America, Argentina and Chile (Table 1).

Table 1 The evolution of areas of vineyards within the main wine producing countries, during the period 2010-2014 (kha)

Country	2010	2011	2012	2013	2014	2014 - % of global areas of vineyards
Spain	1082	1032	1033	1037	1039	13,7%
China	588	633	709	760	799	10,6%
France	804	796	792	793	792	10,5%
Italy	739	720	713	705	690	9,1%
Turkey	514	508	497	504	502	6,6%
USA	404	413	412	424	425	5,6%
Argentina	218	219	222	224	228	3,0%

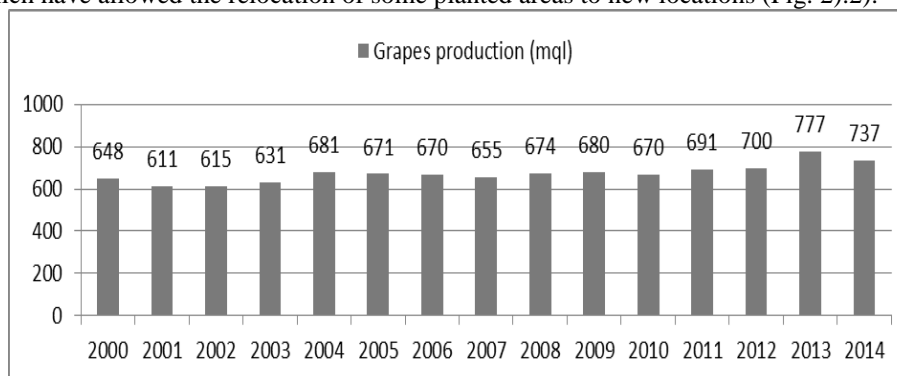
Country	2010	2011	2012	2013	2014	2014 - % of global areas of vineyards
Portugal	236	236	233	229	224	3,0%
Chile	204	206	206	208	211	2,8%
Romania	191	191	192	192	192	2,5%
Australia	171	170	162	157	154	2,0%
South Africa	132	133	135	133	132	1,7%
Greece	112	110	110	110	110	1,5%
Germany	102	102	102	102	102	1,3%
Brazil	92	90	91	90	89	1,2%
Other country	1937	1938	1904	1896	1884	24,9%
OIV World total	7526	7497	7513	7564	7573	100,0%

Source: processed by the authors, using OIV Statistics, World Congress of Vine and Wine, Mainz, 6th July, 2015

During the year 2014, the Romanian area under vines was calculated to a total of 192 kha. This surface represents 2,5% of the global surface of vineyard. The vineyards continue to go through an ample process of restructuring and reconversion, assisted with EU funds from the national support programme allocated to Romania (47,5 milEUR during the budgetary exercise 2014-2020).

2.2. Grape production

Although the worldwide area of vineyard has decreased with 3,6% during the period 2000-2014 (from 7847 kha la 7573 kha), the grape production has increased with 13,7% (from 648 mql to 737mql). This was due to the increase in yields but also due to climatic conditions which have allowed the relocation of some planted areas to new locations (Fig. 2).2).

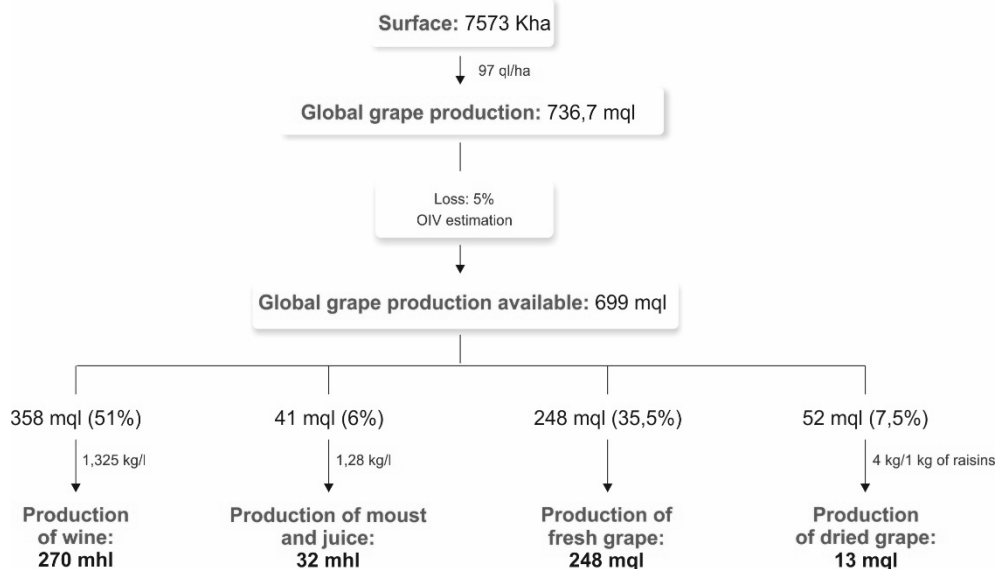


Source: processed by the authors, using OIV Statistics, World Congress of Vine and Wine, Mainz, 6th July, 2015

Fig. 2 The evolution of grape production worldwide, during the period 2000-2014 (mql)

The worldwide production of grapes in 2014 has been of 736,7 mql, of which there remain 699 mql of grapes, after the subtraction of the 5% loss, estimated by the OIV (Fig. 3). The grape production is used for:

- 51% for the production of wine, from which there results 270 mhl of wine;
- 6% for the production of gravy and juice, estimated to 30mhl;
- 35,5% used as fresh grapes, meaning 248 mql;
- 7,5% for the production of raisins, of which there results 13 mql of raisins.

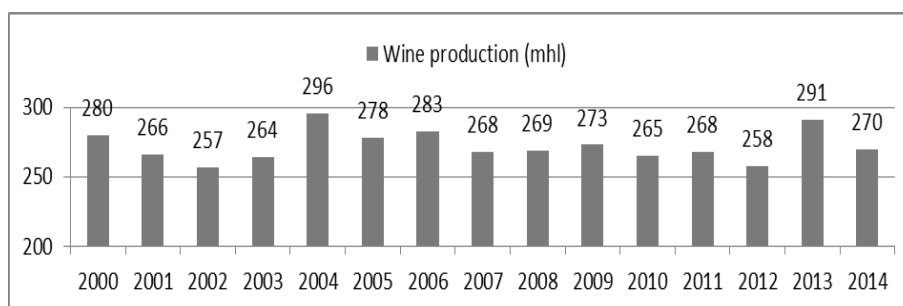


Source: processed by the authors, using OIV Statistics, World Congress of Vine and Wine, Mainz, 6th July, 2015

Fig. 3 The use of grape production worldwide in 2014

2.3. Wine production

The global wine production has decreased with 7% in 2014, compared to 2013, reaching 270 mhl. The OIV states that the global production in 2014 has returned to an average level, after a record level of 291 mhl recorded in 2013 (Fig. 4).



Source: processed by the authors, using OIV Statistics, World Congress of Vine and Wine, Mainz, 6th July, 2015

Fig. 4 The evolution of global wine production during the period 2000-2014

A decrease in wine production has been recorded in countries of Eastern Europe, such as Bulgaria, Romania and Slovakia. This has been due to the unfavorable climatic conditions. France has once again become, in 2014, the biggest global producer of wine, with 47 mhl. This is an increase with 11%, as compared to 2013, outperforming Italy and Spain. Regarding these two formally mentioned countries, Italy has had a decrease in wine production of 17%, and Spain one of 16%. The biggest increase of wine production, one of 29%, has been recorded in New Zealand, with an output of 3,2 mhl, placing it, in ranking, as number 13 worldwide.

France, Italy and Spain produce 43% of world production (Table 2).

Table 2 The evolution of wine production within the main wine producing countries during the period 2010-2014 (mhl)

Country	2010	2011	2012	2013	2014	2014/2013 Variation in %	2014 - % of global wine production
France	44,4	50,8	41,5	42	46,7	11%	17,3
Italy	48,5	42,8	45,6	54	44,7	-17%	16,6
Spain	35,4	33,4	31,1	45,3	38,2	-16%	14,1
USA	20,9	19,1	21,7	23,6	22,3	-5%	8,3
Argentina	16,3	15,5	11,8	15	15,2	-1%	5,6
Australia	11,4	11,2	12,3	12,3	12	-2%	4,4
South Africa	9,3	9,7	10,6	11	11,3	3%	4,2
China	13	13,2	13,5	11,8	11,2	-5%	4,1
Chile	8,8	10,5	12,6	12,8	10,5	-18%	3,9
Germany	6,9	9,1	9	8,4	9,2	9%	3,4
Portugal	7,1	5,6	6,3	6,3	6,2	-2%	2,3
Romania	3,3	4,1	3,3	5,1	3,7	-27%	1,4
New Zealand	1,9	2,4	1,9	2,5	3,2	29%	1,2
Greece	3	2,8	3,1	3,3	2,9	-13%	1,1
Brazil	2,5	3,5	3	2,7	2,7	1%	1,0
Hungary	1,8	2,8	1,8	2,7	2,6	-4%	1,0
Austria	1,7	2,8	2,1	2,4	2	-16%	0,7
Other country	28,8	28,7	26,8	29,8	25,4	-15%	9,4
OIV World Total	265	268	258	291	270	-7%	100,0

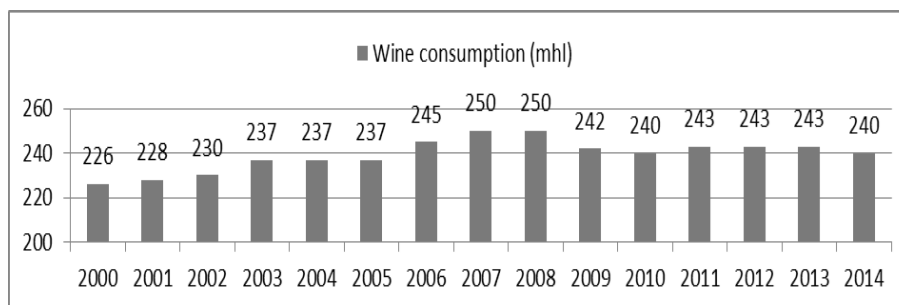
Source: processed by the authors, using OIV Statistics, World Congress of Vine and Wine, Mainz, 6th July, 2015

Romania's wine production has decreased with 27% in 2014, as compared to 2013, from 5,1 mhl to 3,7 mhl. Due to this, Romania has become the country with the biggest decrease of

wine production in percentage points. Even so, Romania maintains the 12th position in the global ranking of wine producers.

2.4. Wine consumption

Worldwide wine consumption in 2014 has been of 240 mhl (Fig.5), and during the year 2008, at the beginning of the global economic crisis, a consumption of 250 mhl was being recorded. Statistics show that in the year 2000, 69% of the wine produced globally was consumed in Europe, compared to 2014 when this percent had decreased to 60%. Summarizing: there has been a decrease in European wine consumption, and an increase in wine consumption in America and Asia.



Source: processed by the authors, using OIV Statistics, World Congress of Vine and Wine, Mainz, 6th July, 2015

Fig. 5 The evolution of worldwide wine consumption during the period 2000-2014

The first 5 wine consuming countries in the world (USA, France, Germany, Italy, China) recorded 47,9% of worldwide wine consumption (Table 3).

The greatest wine consumption level is recorded by the USA, with 12,9% of worldwide consumption, followed closely by France with 11,7%, and further apart, by Italy and Germany with 8,3% each.

Table 3 The evolution of wine consumption during the period 2010-2014, in the main consuming countries (mhl)

Country	2010	2011	2012	2013	2014	2014 -% of global wine consumption
USA	28	28	29	30	31	12,9%
France	29	29	29	29	28	11,7%
Italy	25	23	23	22	20	8,3%
Germany	20	20	20	20	20	8,3%
China	16	17	18	17	16	6,7%
United Kingdom	13	13	13	13	13	5,4%
Russian Federation	12	12	11	10	10	4,2%
Argentina	10	10	10	10	10	4,2%
Spain	11	10	10	10	10	4,2%

Country	2010	2011	2012	2013	2014	2014 -% of global wine consumption
Australia	5	5	5	5	5	2,1%
Canada	5	5	5	5	5	2,1%
Portugal	5	5	5	4	4	1,7%
South Africa	3	4	3	3	4	1,7%
Romania	3	5	5	5	4	1,7%
Other country	55	57	57	60	60	25,0%
OIV World Total	240	243	243	243	240	100,0%

Source: processed by the authors, using OIV Statistics, World Congress of Vine and Wine, Mainz, 6th July, 2015

With a consumption of 4,079 mhl, Romania records 1,7% of worldwide wine consumption. This situates it 14th within the worldwide wine consumption ranking.

2.5. Wine exports

Globally, Spain, Italy and France are the main exporters, summing-up 55% of total exports in terms of volume and 59% of total exports in terms of value (Table 4).

Table 4 The evolution of wine exports, by country, during the period 2013-2014 in terms of volume (khl) and of value (milEUR)

Country	Volume (khl) 2013	Volume (khl) 2014	Volume (khl) 2014/2013	Value (mil EUR) 2013	Value (mil EUR) 2014	Value (mil EUR) 2014/2013
Spain	18530	22560	21,7%	2597	2468	-5,0%
Italy	20319	20540	1,1%	5007	5078	1,4%
France	14542	14387	-1,1%	7828	7730	-1,3%
Chile	8790	7999	-9,0%	1409	1388	-1,5%
Australia	7111	7301	2,7%	1337	1262	-5,6%
South Africa	5256	4794	-8,8%	625	594	-5,0%
United States	4149	4045	-2,5%	1174	1103	-6,0%
Germany	4006	3863	-3,6%	1016	968	-4,7%
Portugal	3060	2854	-6,7%	720	730	1,4%
Argentina	3115	2626	-15,7%	658	631	-4,1%
New Zealand	1784	1869	4,8%	773	845	9,3%
Other countries	10338	11162	8,0%	2856	3203	12,1%
OIV World Total	101000	104000	3,0%	26000	26000	0,0%

Source: processed by the authors, using OIV Statistics, World Congress of Vine and Wine, Mainz, 6th July, 2015

In 2014, Romanian wine export reached a level of 104,3 khl, in value of 19,4 milEuro, in a slight increase over 2013 in value terms, while stagnating in the quantitative ones.

Although in 2013, there existed approximatively 120 wineries in Romania (7), 50% of all exports were realized by two main producer (Halewood Wineries and Recaş Wineries). Of the remaining shares, Vincon and Murfatlar had 10% each, Oprişor Winery 7%, a few producers with 2-3%, and the rest with under 1%. Summarizing, the most important share of exports (80%) belongs to these 5 formally mentioned companies.

The main markets which are already open for Romanian wines are the United Kingdom, with 27% of all Romanian wine exports, China – with 17%, Germany – with 18%, and Holland – with 10%. Exports to UK belong mainly to Halewood Wineries (English shareholding) and those to Germany belonging to a great extent to Oprişor Winery (German shareholding).

2.6. Wine imports

Looking at wine imports in the year 2014, as compared to 2013, these have increased with more than 0,25 mhl.

Of the total global imports in 2014, six countries (Germany, UK, US, France, Russia and China.) import more than half of all global wine.

Table 5 The evolution of wine imports, by country, during the period 2013-2014 in terms of volume (khl) and of value (milEUR)

Country	Volume (khl) 2013	Volume (khl) 2014	Volume (khl) 2014/2013	Value (mil EUR) 2013	Value (mil EUR) 2014	Value (mil EUR) 2014/2013
Germany	15176	15171	0,0%	2589	2505	-3,2%
UK	11830	13388	13,2%	3622	3595	-0,7%
US	10996	10739	-2,3%	3947	4032	2,2%
France	5250	6453	22,9%	650	620	-4,6%
Russia	4922	4676	-5,0%	912	865	-5,2%
China	4504	4578	1,6%	1171	1145	-2,2%
Canada	3727	3849	3,3%	1523	1465	-3,8%
Netherlands	3669	3620	-1,3%	882	901	2,2%
Belgium	3160	3118	-1,3%	979	984	0,5%
Japan	2633	2704	2,7%	1155	1209	4,7%
Other countries	33883	31704	-6,4%			
OIV World Total	99750	100000	0,3%			

Source: processed by the authors, using OIV Statistics, World Congress of Vine and Wine, Mainz, 6th July, 2015

In 2014, Romanian's wine imports reached a level of 341,2 khl, in value of 36,1 milEUR, in decrease compared to 2013 with 8% in terms of volume and 10% in terms of value.

2.7. Romania: wine production, wine imports versus wine consumption, wine exports

In the year 2014 the total production of wine was absorbed by the domestic market (Table 6), but seeing ahead, measures are needed to increase domestic consumption of wine and opening new foreign markets because:

- The production of wine grapes will grow, reaching maturity in the vineyards which were in reconversion during the 2007-2014 program, respectively at production potential.
- Potential foreign investors are attracted to acquisition of land under vines in Romania in authorized areas and IG DOC unused until now. What attracts such investors is the low price of land and existing reconversion programs, unlike other countries in the world wine hierarchy.
- The starting of the reconversion program worth 47.5 million 2014-2020 EUR
- There exists a risk of growing imports due to overproduction in other countries and their consistent policy of expansion (more advanced economic cooperation)

Table 6 The evolution of wine production, wine consumption, wine exports and wine import in Romania during the period 2010-2014

Item	2007	2008	2009	2010	2011	2012	2013	2014
Wine production (mhl)	5289,0	5369,2	4957,4	3287,3	4058,1	3310,6	5113,3	3842,1
Wine consumption (mhl)	5526,3	6500,0	4975,9	3282,8	4871,5	5046,7	5113,3	4079,0
Wine exports (mhl)	143,4	138,1	111,6	96,3	102,5	110,2	104,3	104,3
Wine imports (mhl)	380,7	370,9	130,2	224,6	912,8	546,5	367,4	341,2
Wine production+Wine import vs. Wine consumption+Wine exports	0,00	-898,0	0,1	132,8	-3,1	-1299,8	263,1	0,0

Source: processed by the authors, using APEV, based on data from INSSE

Conclusions

Romania has been a member of the International Organization of Vine and Wine (O.I.V) since 1928 it having a well developed wine culture established in time.

Romania situated itself in 2014, in the following rankings:

- 5th EU position regarding the area under vine (after Spain, France, Italy and Portugal) and 10th in global position
- 5th EU position regarding grape production (after Italy, Spain, France and Germany) and 12th in global position
- 6th EU position wine production (after Italy, France, Spain, Portugal and Germany) and 14th in global position

Taking into consideration the data presented above, we believe that Romania needs to increase its sales in external markets. This is evident by looking at the levels of wine imports

and exports as well as the level of production and internal consumption, and it must be done both by entering new markets world wide and by increasing its share in consolidated ones.

Abbreviations used:

kha: thousands of hectares
mha: millions of hectares
khl: thousands of hectolitres
mhl: millions of hectolitres
ql: quintals (1 ql = 100 kg)
mql: millions of quintals
mlEUR: millions of euros
bnEUR: billions of euros (1 bnEUR = 1 thousand of millions euros)

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