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## **Report Name:** Exporter Guide

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### **Report Highlights:**

Romania and its 20 million consumers offer increasingly viable market opportunities for U.S. food and agricultural products. In 2018, Romania imported \$9.0 billion of food and agricultural products, of which two percent, or \$182.5 million, were sourced from the United States. In the first six months of 2019, Romania's total agricultural imports increased by 3.6 percent over the corresponding period in 2018, with U.S. product imports growing at 15.6 percent during this same period. U.S. products are routinely available in Romanian hotels, restaurants, retail outlets, and used by food processors. Products with strong market potential include fish and seafood, tree nuts, groundnuts, wine, distilled spirits, dried fruit, and innovative food processing ingredients.

## Market Fact Sheet: Romania

### General information

Real gross domestic product (GDP) growth is expected to continue, although at a more moderate rate. 2018 real GDP increased by 4.1 percent. GDP growth is forecast at 3.8 percent for 2019.

In real terms, private consumption rose by 5.3 percent in 2018 and gains of 4.8 percent are expected in 2019. Consumer spending is a primary driver of GDP growth and is supported by rising income, although rising inflation counters those gains.

### Imports of Consumer-Oriented Products

Total agricultural imports in Romania reached \$9 billion in 2018, with U.S imports representing about two percent of total agricultural imports in 2018. Although the U.S. market share remains small, U.S. imports grew by 37 percent in 2018, reaching \$182.5 million, up from \$148 million in 2017 (direct and indirect imports).

### Food Processing Industry

Processed meat and seafood sales grew 10 percent in value terms to reach \$821 million, and five percent in volume terms to reach 148,400 tons.

Chilled processed meat saw the highest growth (by value) at 11 percent. Processed meat and seafood are expected to record a compound annual growth rate (CAGR) of four percent (at constant 2018 prices) and reach \$1 billion by 2023.

Romanian consumer demand grew in 2018, largely due to rising incomes. According to the National Institute of Statistics, from

September 2017 to September 2018, the average net salary increased by more than 13 percent. This benefited all retail channels and will likely continue.

### Quick Facts 2018

Top growth products in Romania:

- Sweet potatoes (23.8 percent)
- Sauces and condiments (17 percent)
- Prepared meat and fish (16 percent)
- Baking products (12.6 percent)
- Fish and seafood (10.6 percent)
- Edible fruits and nuts (11.5 percent)
- Meat (11.5 percent)

In 2018, online food and beverage sales achieved record growth, reaching \$67.7 million, a 21-percent increase over 2017.

As of November 1, 2018, the value-added tax (VAT) was reduced to five percent for accommodations, restaurants, and certain sport facilities.

Starting in January 2019, Romania's monthly minimum wage increased from \$452 per month to \$495, and \$559 for those with higher education.

<b>SWOT Analysis</b>	
<b>Strengths</b>	<b>Weaknesses</b>
One of the EU's fastest growing markets	U.S. imports more expensive vs. EU imports
<b>Opportunities</b>	<b>Threats</b>
Growing number of retail stores, consumers have access to a higher range of products.	EU legislation and regulatory complexities

**Data and Information Sources: Euromonitor, Trade Data Monitor, Local sources.**

## I. MARKET OVERVIEW

Romania's strategic location, improved business climate, major international port facilities, and surging consumer demand have contributed to its robust GDP growth over recent years. In 2018, GDP growth was 4.1 percent, and gains of 3.8 percent are expected for 2019.

While Romanian agricultural accounted for almost six percent of total GDP in 2018, agriculture and related sectors employ just over 21 percent of the national workforce. Manufacturing accounts for 19.8 percent of GDP and employs 20.2 percent of the workforce. Tourism accounts for just 1.4 percent of GDP. In 2018, the number of Romanian and foreign tourists totaled 12.8 million, a 6.3-percent increase over 2017. According to the National Institute of Statistics (INSSE), domestic Romanian tourism increased by 7.7 percent to 10 million tourists, while the number of foreign tourists increased by 1.3 percent to 2.8 million. Approximately 80 percent of banks are foreign owned, with three of the four largest banks based in Austria.

Real GDP increased by 4.1 percent in 2018. Consumer demand will moderate but continue to be a significant economic driver. Unemployment was 4.2 percent in 2018 and it will fall to 4.1 percent in 2019. The Government of Romania increased the minimum wage by 16 percent in 2017, an additional nine percent in 2018, as well as another eight-percent increase in early 2019.

Total agricultural imports in Romania reached \$9 billion in 2018 (see Table 1), of which U.S. imports accounted for about two percent of the total. U.S. suppliers ship directly to Romania, particularly for bulk and intermediate commodities, or through western EU ports of entry the Netherlands, Italy, Germany, and the United Kingdom. According to the U.S. Census Bureau's (BICO) data, in 2018 U.S. food and agricultural exports to Romania reached \$108.9 million. However, according to Romanian Customs data, which reflect both direct and indirect shipments, Romania sourced upwards of \$181.5 million of food and agriculture from the United States (see Table 2).

The United States is Romania's 16<sup>th</sup> largest agricultural trading partner. The most significant import categories are meat, grains, protein meals, dairy, edible fruits, and sugar. Exports consist of grains, seeds, live animals and fats. Most exports consist of bulk commodities, while imports are typically further processed products.

**Table 1. Total Agricultural Trade**

<b>\$ Billion</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Agricultural imports	\$6.8 billion	\$6.7 billion	\$7.5 billion	\$8.4 billion	\$9.0 billion
Agricultural exports	\$7.4 billion	\$6.6 billion	\$6.8 billion	\$7.3 billion	\$7.6 billion
Agricultural Trade Deficit/Surplus	\$600 million	(\$100 million)	(\$700 million)	(\$1.1 billion)	(\$1.4 billion)

Source: Trade Data Monitor

**Table 2. U.S. Agricultural Trade to Romania**

<b>\$ Million</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Direct imports	87.18	60.12	93.37	64.08	82.45	113.21
Indirect imports	43.8	35.7	46.0	57.4	66.0	69
<b>TOTAL</b>	131.0	95.8	139.4	121.5	148.4	182.2
Share of indirect exports	33	37	33	47	44	38

*Source: Trade Data Monitor, National Institute of Statistics in Romania*

### **Advantages**

Over half of Romanians live in urban areas. Urban consumers are changing their eating habits and tend to prefer higher quality products.

Strong retail sector growth and easier consumer access to higher-end products. In 2018 online food and beverage sales grew by 21 percent to reach \$67.7 million.

Rising incomes and the lower VAT (from 19 percent to 5 percent) for hospitality, restaurants, and certain sport facilities, means more disposable income for consumers.

Romanian consumers spend a significant share of their income (more than 40 percent) for purchasing food products, which is three times higher than the EU average.

### **Challenges**

Romanian transportation infrastructure

High competition from EU suppliers, which hold competitive advantage with location and ability to deliver smaller volumes.

Importers' inability in contracting large food volumes with U.S. exporters.

Price sensitivity accounts for more than 60 percent in consumers' decision.

## **II. EXPORTER BUSINESS TIPS**

Romania has a total population of 20 million people. Major Romanian cities and their respective population are Bucharest (1.84 million), Iasi (320,000), Timisoara (310,000), Cluj-Napoca (303,000), Constanta (297,000), Craiova (293,000), and Brasov (275,000).

Romania typically has 12 official holidays and Post recommends that interested U.S. stakeholders check in advance before planning to visit as to avoid local holidays and help to ensure potential business partners' availability. Also, sometimes if local holidays fall on Tuesdays or Thursdays, holidays can be officially expanded to create a four-day weekend. Keep that in mind that Romanian dates are written in the day/month/year format.

Introductions: U.S. stakeholders may directly contact Romanian companies, although in-person introductions are appreciated and can help one's credibility. Oftentimes there is only one decision-maker in a company, and that person is not typically the purchasing manager.

Seasonal sales: Christmas and Easter offer significant sales opportunities. December sales are normally two to three times higher than other months and retailers often expand business hours to accommodate the uptick in customers. During the holidays, retailers focus marketing efforts more toward higher-end products, as many consumers are more prone to seasonal splurges.

Consumer characteristics: Romanian food shopping has changed dramatically in recent years. Romanian consumers tend to like product variety. They are more informed, and more influenced by international trends. Many Romanians also look for the best cost-benefit ratio in their food and beverage products.

There are well-established brands in most food and beverage categories, and new-to-market products may require extra marketing efforts, at least at first. Post suggests visiting for market-research, such as product testing, comparing prices, and understanding the competition.

U.S. exporters should establish good relationships with local importers, distributors, supermarkets, retailers, etc., as these stakeholders are critical in facilitating and promoting U.S. consumer-ready foods in Romania. Trade fairs offer good platforms for raising product awareness and for meeting business contacts.

### **III. IMPORT FOOD STANDARD & REGULATIONS and IMPORT PROCEDURES**

As an EU member state, Romania follows EU standards and regulations. Details about food laws, food additives regulations, labeling, specific standards and import procedures are available in the Romania Food and Agricultural Import Regulations and Standards (FAIRS) [report](#).

### **IV. MARKET SECTOR STRUCTURE AND TRENDS**

#### Gross income by age

Currently, Romanians aged 35-39 are the country's top-income earners, although by 2030 the top income age bracket will be 40-44. Given these age groups, demand for family-related goods and services like transport, education, and household products is growing fast.

Four different age groups display the highest concentration of total gross income, including people aged 16-18; 26-30; 58-60 (due to population bulges); and the broad age segment of 35-50 (due to the large number of persons within this age cohort). Consumption patterns for people in their 20s tend to focus toward categories like food and beverages, entertainment, and communications. As people in their late 20s and 30s begin to settle down and form families, they become more interested in family-oriented product categories.

#### Consumer demographics

According to INSSE, in 2018 the total revenue per household were \$1,044.5 and \$400.7 per person. Total expenditures per household account for approx. \$900.9 per month and \$345.6 and represented 86 percent of the total income. Consumer spending averaged \$558.3 per household of which 33 percent represented agri-food products and nonalcoholic beverages, 8.2 percent represented alcoholic

beverages and tobacco, and almost two percent were spent in hotels and restaurants. More about the income and consumption can be found in INSSE's latest [report](#).

## Retail market

Currently, Romania's retail market is valued at about \$43.5 billion with over 2,500 stores. Four major players account for about 60 percent of total market share, including [Kaufland](#), [Carrefour](#), [Metro Cash & Carry](#), and [Auchan](#). Romania is a top-five European country for retail growth (by space), following Turkey, Russia, France, and Italy. Romania's retail sector grew from 50 to 100 square meters per 1,000 inhabitants in just the last four years. In 2017, over 43,000 square meters of new commercial space was developed. Some retailers ([Profi](#), [Penny](#), and [Lidl](#)) have stores in second-tier cities where rents are less expensive. These outlets will face competition from larger retailers, which are also developing bigger stores on the peripheries of these cities.

### Top 10 international retailers in Romania

International retailers in Romania	Turnover (mil. USD)			No. of stores	
	2017	2018	2018 vs 2017	2017	2018
Kaufland	2,591.80	2,762.58	6.59	116	120
Carrefour	2,468.20	2,680.89	8.62	362	344
Lidl	1,672.88	1,975.85	18.11	220	250
Profi	1,215.47	1,502.18	23.59	696	925
Mega Image	1,261.72	1,453.72	15.22	589	706
Auchan	1,342.16	1,371.27	2.17	33	33
Metro	1,215.21	1,345.39	10.71	30	31
Selgros	936.66	943.53	0.73	22	22
Rewe (Penny Market)	769.88	876.80	13.89	221	244
Cora	455.61	444.74	-2.38	11	11

Source: Ministry of Finance, [www.wall-street.ro](http://www.wall-street.ro)

Another expansion opportunity for many retailers is online shopping. Romania's e-commerce segment continues to expand, although it penetrated only about eight percent of Romanian households in 2018. Although Romanian e-commerce sales remains small, particularly when compared to many Western European countries, Post expects that this segment will grow over the next few years. According estimates by the main Romanian e-commerce stakeholders, the value of online shopping (food and drink) reached records growth of 21 percent in 2018, to reach \$67.7 million. For more information, please see FAS Bucharest's [Retail report](#).

### Online retail trends.

The number of Romanian online outlets doubled in 2018, reaching upwards of 14,000, doubling from about 7,000 in 2017. The value of Romanian e-commerce in 2018 is estimated at roughly \$4.1 billion, up 30 percent over 2017, according to the Romanian Association of Online Stores (ARMO). Romania has some 8.28 million online shoppers, about 38 percent of the population. The share is higher compared to other EU countries such as Greece and Portugal (36 percent), Italy (34 percent), Croatia (29 percent) and Bulgaria (26 percent).

According to the E-commerce Awards Gala (GPeC) statistics and estimates, together with the main players in the Romanian e-commerce market, the value of online shopping exceeded the threshold of \$4 billion in 2018, roughly 30 percent more than in 2017, when \$3.18 billion were recorded, according to the [latest GPeC study](#). The value of more than \$4 billion is only for products, not for services.

According to Post's sources, Romania's total retail market is estimated at about \$51 billion, meaning that the e-commerce market (\$4.0 billion) accounts for about eight percent of total retail, up from 5.6 percent in 2017 and about four percent in 2016. The percentage is lower compared to the developed countries but shows the huge growth potential of the Romanian e-commerce market in the coming years. (Source: [2Performant](#))

### **Hotel Restaurant & Institutional Food Service Sector**

The hotel industry has grown constantly over the last eight years. In 2018, the total Romanian hotel industry was valued at about \$1.35 billion, a ten-percent increase over 2017. Bucharest accounts for over 30 percent of the hotel market (373 hotels) and over 40 percent of restaurants (2,072 outlets). Constanta is second with 1,043 total hotels and restaurant outlets, followed by Cluj with 768 total outlets, Brasov with 608 total outlets, and Timis with 696 total outlets. According to the INSSE, at the mid of 2018, 8,449 hotels, motels, hostels, cottages and other hospitality accommodations were registered in Romania, most of them in Brasov with 881 facilities, Constanta, with 761 facilities and Harghita with 371 facilities.

Although most Romanians like to dine out for special occasions, there are visible differences in the frequency of dining out between the denizens of Bucharest and other urban areas versus more rural consumers. In urban centers, dining out is a regular social activity and is common during lunch breaks and on weekends. Romanian economic growth and increasing disposable incomes are changing consumption habits. Annual disposable income is predicted to grow by 27 percent at constant 2014 prices through 2019.

### **Food Processing Sector**

According to Euromonitor data, processed meat and seafood accounted for about 10 percent of growth in value terms, reaching \$770 million in 2018. Retail sales by volume for these products rose by five percent to reach 148,400 metric tons. Chilled processed meat saw the highest value growth by 11 percent. The compound annual growth rate (CAGR) for processed meat and seafood is expected to be four percent annually (at 2018 prices) and reach \$940 million in 2023.

There is a long tradition of consuming processed meat and seafood in Romania. These products remain popular and are becoming increasingly 'premium', with more and more made from seafood, chicken, turkey, goose, and duck. Manufacturers are also marketing these products as more healthful, (e.g. free from artificial ingredients, etc.). Busy lifestyles and the interest in healthful products are expected to increase demand for smaller package sizes and more sliced meat products. Chilled processed meat, including salami, sausages, hot dogs, ham, smoked meats, and bacon accounted for the largest levels of production and consumption for total processed meat and seafood in 2018.

Bakery sales grew by three percent in value terms to reach \$2.5 billion in 2018, although retail by volume declined by two percent to 1.6 million tons. Bread consumption declined and negatively affected the volume baked-good sales. Dessert mixes performed the best in 2018, growing in value terms by eight percent. Vel Pitar is this segment’s market leader with four percent of total 2018 market share. Baked goods are expected to reach \$2.64 billion in 2023.

Sauces, dressing, and condiment sales increased by six percent to reach \$192.5 million. Pasta sauce sales grew by 22 percent in 2018. Unilever South Central Europe led in these categories in 2018 and accounted for a 12 percent of total market share. Sauces, dressings and condiment sales (at constant 2018 prices) are expected to reach \$217.5 million in 2023.

**Entry Strategy**

The best strategy for U.S. food ingredients exporters to enter the Romanian market is to contact local importer/distributors or food manufacturers directly. The main food manufacturers/ importers/distributors understand the market and how to contact key stakeholders. Trade shows are also effective ways to promote new food ingredients products. The best method to reach Romanian retail buyers and prospective importers is to contact them directly via e-mail or to reach out to [FAS Bucharest](#) for additional assistance and guidance.

**V. AGRICULTURAL AND FOOD IMPORTS**

Romanian importers generally view U.S. suppliers as reliable sources of well-known brands and high-end products. They usually prefer products with at least six months of shelf-life. Besides the product itself, packaging implies status, and innovation is also an important attribute. Products that combine these characteristics are more likely to succeed in Romania. U.S. food categories most often exported to Romania are tree nuts, fish and seafood, and pet food.

‘All-natural’ and organic products remain somewhat limited in Romania. The local food processing industry has not consistently worked to develop these segments, as the consumer base for these products still must have a high income. Local suppliers offering consumer-ready organic products in Romania remain limited and prices for these items are high. However, some U.S. suppliers may find opportunities, particularly for tree nuts and dried fruit.

Product code	Product	Imports 2018 (\$)	Annual import growth (%)	Import tariff (%)	Key constraints over market development	Market attractiveness for USA
03 1604 1605	Fish and Seafood	World: 349,168,709 U.S. 1,877,909	World: 11.87% U.S. 14.14%	Between two and 23 percent. Duty exemption for some tariffs during	Romanian fish consumption is below the EU average. Price-quality ratio remains	Fish and seafood consumption grew in 2018 by 14 percent over 2017.

				February 15- June 15.	the main purchase criteria.	Some EU programs encourage fish consumption.
0201 0202	Beef	World: 67,758,297 U.S. 1,510,140	World: 27.43% U.S. 54.26%	Average 12.8% plus value per 100 kg (between \$55 and \$350/ 100 kg depending on type/category)	Market access is restricted because of EU non-tariff barriers. The EU tariff rate quota for beef also restricts U.S. access to this market.	U.S. and EU agreed to grant the United States a country specific share of 45,000 mt duty-free high- quality beef (HQB) quota.
0802	Nuts	World: 42,750,314 U.S. 9,681,293	World: 8.33% U.S. (5.1) %	Between zero and 5.6%	Pricing may restrict target customers. The processing industry remains price sensitive.	Lifestyle changes will spur growth. Food processing industry will focus on healthful products.
2009	Fruits and vegetable juices	World: 49,351,657 U.S. 171,377	World: 22.10% U.S. (26.37) %	Between 10.5% and 33.6%	Big players already existing in the market.	Consumers' focus on healthful products is a growth driver.
2204	Wine	World: 73,916,187 U.S. 285,061	World: 17.01% U.S. 17.91%	Between U.S. \$5 and \$37 per hectoliter.	Own consumption and local brands are very well represented.	Annual sales growth should continue. Importers look to expand wine portfolios. HRI sector is growing.
220830	Distilled spirits (Whiskey)	World: 61,655,474 U.S. 16,620,307	World: 18.89% U.S. 0.42%	25%	Significant domestic production and consumption.	Post expects sustained annual demand growth for U.S.

					High excise taxes.	whiskies.
230910	Pet food	World: 162,480,697 U.S. 1,890,323	World: 25.27% U.S. 3.41%	Duty exempt to 9.6%, OR from U.S. \$116 to \$1,084/ton	Price range restricts target consumers and puts U.S. pet foods in the premium price category.	Imported pet food imports dominates in Romania. Post expects this market to grow.
2103	Sauces, condiments, mustards	World: 93,643,598 U.S. 962,970	World: 17.03% U.S. (9.36) %	Between 7.7 and 10.2%	Price range restricts target consumers.	Sales of sauces, dressings, and condiments, particularly linked to international cuisines, are expected to increase.

Source: Trade Data Monitor, [TARIC](#) – the integrated Tariff of the European Union, Euromonitor International, National Institute of Statistics Romania.

## VI. KEY CONTACT AND FURTHER INFORMATION

For specific stakeholder contact information, or further information regarding this report, please contact our office:

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### Attachments:

No Attachments