

# WINE CHAIN IN ROMANIA – A MARKETING APPROACH

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*ABSTRACT: The paper presents an overview of the wine chain in Romania, analysing the areas under vine, in a structural approach, the yields and the production of grapes and the wine industry. The data regarding the lands under vines, yields, productions of grapes and wine industry have been collected from the National Institute of Statistics.*

*The main results show that Romania has high potential for wine production; 1.3% of the agricultural areas are cultivated with vineyards, but it has structural problems. Among the 189,000 ha of vines, 48% are hybrids, which produce wines forbidden to be traded on the market. Those areas belong to small exploitations that produce for self-consumption, while bigger exploitations cultivate grafted vineyards that produce noble assortments of wine.*

*Keywords: vine, grapes, hybrids, wine industry*

*JEL Codes: Q11, Q13, Q24, L1*

## Introduction

In Romania, vine is cultivated in specific areas dedicated to viticulture, usually located on hills. Among the 14,700,000 hectares of agricultural surface, 189,000 hectares are cultivated with vines (1.3%). Vine is important not only as a traditional activity, but in an economical approach as well. The main economical advantages are:

- Vine is cultivated on lands inappropriate for vegetal crop (like sandy lands);
- Wine is exported abroad;
- Viticulture enables producers to win supplementary income (for those of them who don't have agriculture as main activity).

## Materials and method

The areas under vineyards in Romania

Important changes have happened in those regarding the lands under vine. The areas cultivated with hybrids increased and the areas cultivated with grafted vineyards decreased (Table no.1).

Table no. 1

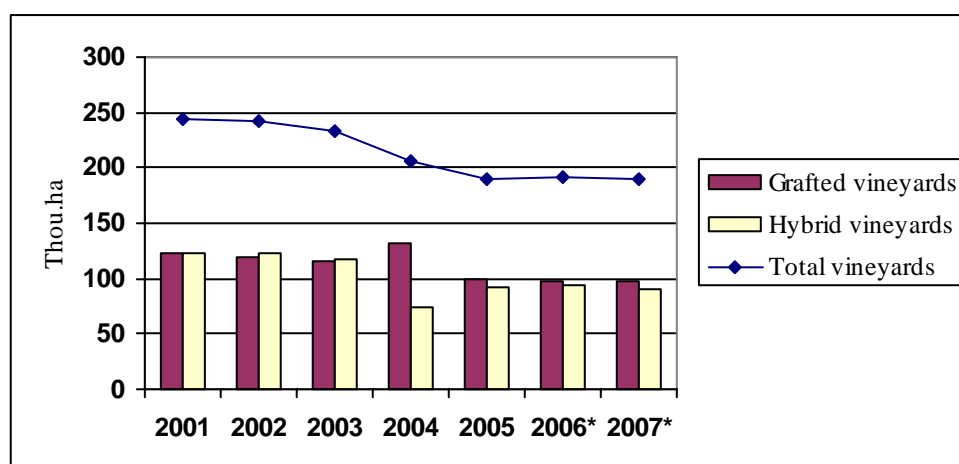
*Structure of bearing vineyards in Romania, in the period 2001-2007*

*- Thousand ha -*

Specification	2001	2002	2003	2004	2005	2006*	2007*
Total bearing	244.4	242.9	233.3	205.4	190.6	191	189

vineyards, of which:							
Grafted bearing vineyards	122.3	120	115.8	131.3	98.6	97	98
Hybrid bearing vineyards	122.1	122.9	117.5	74.1	92	94	91

Source: *Statistic Yearbook of Romania 2007, National Institute of Statistics, 2008*  
 \* - National Institute of Statistics, Press Release no.164, 1st of April 2008



**Fig. no. 1 - Structure of bearing vineyards in Romania, in the period 2001-2007**

Production of grapes in Romania

Grapes' yields fluctuated in the period 2001-2007. The maximum level of yield is 5991 kilograms per hectare in 2004, and the minimum one is 2603 kilograms per hectare in 2005. Still, during this period, the average productions increased by 9.7%, from 4,568 kilograms per hectare in 2001 to 5,015 kilograms per hectare in 2006 (Table no.2).

Table no.2

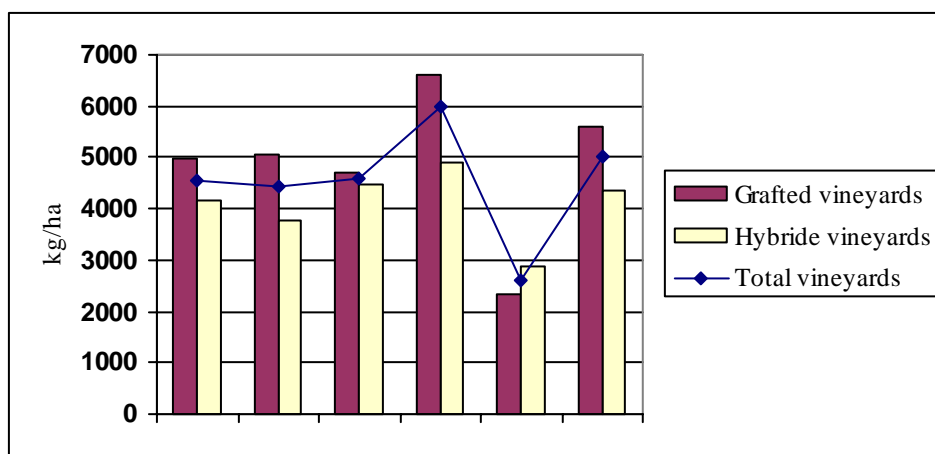
**Yields of grapes in Romania, in the period 2001-2006**

**- Kilograms/hectare -**

Specification	2001	2002	2003	2004	2005	2006*	Differences 2006/ 2001 (%)
Total bearing vineyards, of which:	4568	4414	4591	5991	2603	5015	9,7%
Grafted bearing vineyards	4991	5067	4711	6599	2344	5619	12,58%
Hybrid bearing vineyards	4145	3777	4473	4912	2880	4364	5,2%

Source: *Statistic Yearbook of Romania 2007, National Institute of Statistics, 2008*

\* - Ministry of Agriculture and Rural Development



**Fig.no.2 - Yields of grapes in Romania, in the period 2001-2006**

Total production of grapes may be analysed taking into account the areas cultivated with vineyards and the grapes' yields (Table no.3).

Table no.3

**Production of grapes in Romania, in the period 2001-2007**

- Thousand tons -

Specification	2001	2002	2003	2004	2005	2006*	2007*
Total bearing vineyards, of which:	1121.7	1076.7	1078	1230.4	505.8	912	881
Grafted bearing vineyards	612.8	609.8	546.8	866.7	231	502	507
Hybrid bearing vineyards	508.9	466.9	531.2	363.7	265.1	391	370

Source: Statistic Yearbook of Romania 2007, National Institute of Statistics, 2008

\* - National Institute of Statistics, Press Release no.164, 1st of April 2008

**Wine industry in Romania**

Grapes' processing may be done using modern technologies in large units or using artisanal technologies in small units of family farms.

Table no.4

**Indicators of beverage industry in Romania, 2006**

Indicators		TOTAL units	Category of unit				
			0-9 employees	10-19 employees	20-49 employees	50-249 employees	250 employees and over
Number of enterprises	Number	965	685	95	81	85	19

Number of employees	Pers ons	32556	2339	2147	2861	10647	14562
Turn over - TOTAL	Tho u. lei	779738 2	1627 57	19704 3	30040 0	16613 42	5475840
In average per employee	Lei/ pers	262308	1261 68	15087 5	11348 7	16276 5	383570
Exports - TOTAL	Tho u. lei	107287	0	16	6700	30292	70279
Staff expenses - TOTAL	Tho u. lei	631555	1158 3	16108	23378	14850 7	431979
In average per employee	Lei/ pers	21246	8979	12333	8832	14550	30259
Investments - TOTAL	Tho u. lei	820315	2267 5	18223	31777	15523 8	592402

Source: *Rezultate și performanțe ale întreprinderilor din industrie și construcții*, National Institute of Statistics, 2007, pg.233

The data provided by the Ministry of Agriculture and Rural Development show that the production of white wine in Romania is 2749.76 thousand hectolitres, accounting for 52% of the total production of wine (Table no.5). Red wine production is 2379.6 thousand hectolitres, accounting for 45% of the total production of wine. The production of noble wine is 2890.52 thousand hectolitres, accounting for 55% of the total production of wine, while the production of hybrid wine is 2397.48 thousand hectolitres, accounting for 45% of the total production of wine.

Table no.5

***The structure of wine production in Romania  
- Thousand hectolitres -***

<b>Specification</b>	<b>2006</b>	<b>2007</b>
Total production	5014	5288
Of which:	2657.42	2749.76
- white wine		
- red wine	2055.74	2379.6
- rose wine	300.84	158.64
Of which:	2714.2	2890.52
- grafted wine		
- hybrid wine	2299.8	2397.48

Source: *Ministry of Agriculture and Rural Development, 2008*

**Results and discussions**

The area with bearing vineyards has been reduced since 2001 to 2007 from 244,000 ha to 189,000 ha. In a structural approach, the areas with grafted bearing vineyards are only 7000 hectares higher than hybrid ones. Grafted vines have had a fluctuant evolution: they decreased from 122,000 hectares in 2001 to 115,800 hectares in 2003, and after that, they increased in 2004 to 131,000 hectares and decreased again to 98,000. The areas cultivated with hybrids decreased from 122,000 hectares to 91,000 hectares.

The assortment of noble vine for table grapes contains, mainly: Chasselas d'oré, Muscat Hamburg, Afuz Ali, Italia, Victoria. The assortment of noble vine for white wines contains: Feteasca Regala, Feteasca Alba, Riesling Italian, Aligoté, Pinot Gris, Muscat Ottonel, Tamaioasa Romaneasca, Grasa de Cotnari, Chardonnay, Sauvignon, Traminer Roz, and for red wines: Merlot, Feteasca Neagra, Babeasca Neagra, Cabernet Sauvignon, Pinot Noir, Cadarca, Burgund Mare, Busuioaca de Bohotin and others. In the assortment of grafted vines for wine, 73.6% are for white wine and 26.4% for red ones<sup>1</sup>.

Low level of grapes' yields shows low level of using natural resources for vine in Romania. Using old technologies, especially in small size exploitations, where mechanical means do not exist, determines low yields. The main reasons of obtaining low levels of yields are: natural factors that manifest excessively: droughts, floods, spring and fall frosts, and pests' attacks and diseases. In 2005, many of these factors manifested and produced calamities for vine. Hail, shower and storms caused losses of 50% of the production, at national level<sup>2</sup>.

In 2007, the grapes production decreased with 3.4%, and the yields decreased with 2.4% compared to 2006, which was considered a normal year for grapes production. Hybrid grapes production decreased with 5.4%, because both of reducing the areas with 3.2% and the yields with 2.3%.

Experts consider that grapes production in 2008 will be 1.1 millions tons, although 2008 was a difficult year for viticulture, because high humidity and excessive high temperature needed more sanitary treatments for vine, and for soil keeping as well<sup>3</sup>.

There are 965 companies in beverages industry; more than 50% are small size units. Large units, with 250 employees and more, account for 2% of the total number of the units of beverage industry, but for 70% of the turn over of the sector.

There are 32556 persons employed in beverage industry, of which half work in large units. The turn over per employee is higher in large units – 383570 lei/person – than in small units – 126168 lei/person. The expenses with staff in the whole beverage industry are 631,555,000 lei, being 30,259 lei per employee in large units and 8,979 lei per employee in small units.

The value of the products exported is 107,287,000 lei. Large units' exports account for 70% of the total value of the products exported. The value of the total investments in the beverage industry is 820,315,000 lei, of which 82% has as origin internal sources, 12% internal credits, 3.4% external credits, 0.9% foreign capital, and 0.8% other sources (Table no.4). The main destination of investments was buying new technology lines.

## Conclusions

Romania has high natural potential for viticulture; the total area cultivated with vineyards is 189,000 hectares. The structure of vines shows large lands under hybrids – 91,000 hectares, accounting for 48% of the total area. In many cases, these areas are present in small viticulture exploitations which produce wine for self-consumption. Grafted vines are located in large viticulture units that produce wine for both domestic and external markets.

High share of hybrid vine areas creates difficulties in the process of *acquis communautaire* implementation. In the European Union regulations, wine resulted from hybrid vine is forbidden to be traded on the market. Thus, an important share of the wine supply is lost on domestic market. This share is replaced with quality wines coming from abroad.

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<sup>1</sup> Ministry of Agriculture and Rural Development, Press release regarding viticulture situation and wine production, 2008.

<sup>2</sup> Press release Ministry of Agriculture and Rural Development, 2005.

<sup>3</sup> Press release Ministry of Agriculture and Rural Development for AGERPRESS, 2008.

The wine production is, on average, 5.5-6 millions of hectolitres, of which 55% noble wine and 45% hybrid wine. Wine processing is concentrated in large companies, which use modern technologies.

The main strengths of wine chain consist in large investments realised by large units, their value accounts for 73 millions Euros from 2002 to present, renewing the technologies of wine processing, large availability of wine processing points, closed to vineyards.

The main weaknesses of the wine chain consist in the high level of costs paid for inputs, equipments and old machineries in small units of wine processing, low level of input supply: the areas under vine are small, resulting small and no homogenous output and difficulties in collecting it.

We may conclude that one of the main objectives of the wine sector's strategy of development is restructuring the areas under vineyards.

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