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Romania

Retail Food Sector

Annual

2005

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Report Highlights:
Romania has one of the fastest growing economies in Europe; GDP expanded by 8.3 percent in 2004. The retail sector, currently valued at $11.6 bill, has developed very rapidly, but it is still in its infancy, as traditional trade represents over 75% of total trade. Sales growth remains on a strong positive trend and the sector has attracted significant investment from multinational chains. The retail trade is expected to grow by an average annual rate of 7.4% over 2004-2007. Agri-food imports continue to expand, with an increasing market share for United States especially for read meat, frozen fish & seafood, and distilled spirits.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Sofia [BU1]
[RO]

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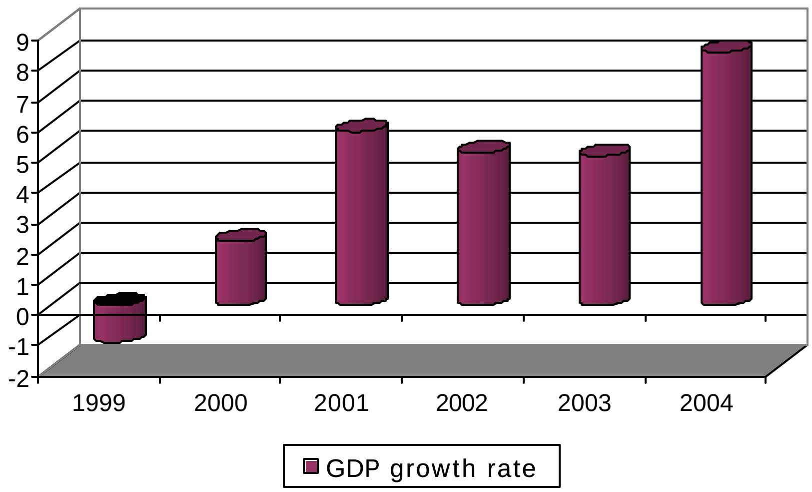
I. MARKET SUMMARY

General Information

Romania is the second largest market in east-central Europe after Poland, with a population of 21.7 million emerging consumers. Romania has one of the fastest growing economies in Europe: GDP expanded by an estimated 8.3 percent in 2004 – from 4.9% in 2003 – and a similar trend is forecasted for the following period. The boost in agriculture (22%) and in total consumption (10%) were the main factors contributing to this high growth in 2004.

Chart 1. Gross domestic product growth (%), 1999-2004



Source: National Institute for Statistics

Although alleviated by foreign remittances from Romanian workers temporarily working abroad, valued at roughly $2.5 billion, the current account defficit for 2004 is estimated to have reached $5.5 billion, or 7.7 percent of GDP, due to the deepening trade deficit. Despite a very good agricultural year, with record production for all crops and a recovering livestock sector, the trade deficit in agricultural and food products continued to surge, reaching a new peak at $1.3 billion, up 17 percent from 2003 (Table 1), with the value of exports covering just 28 percent of the total import value. Total agri-food exports from United States to Romania in 2004 more than doubled, from last year's level of $93 million to $197 million.

Table 1. Romanian Agricultural and Food Trade, $ million, nominal prices

	1998	1999	2000	2001	2002	2003	2004
Agri-food exports (FOB)	436	483	338	433	434	568	730
Agri-food imports (CIF)	1,012	795	932	1,206	1,174	1,738	2,042
Balance	-577	-312	-594	-773	-740	-1,170	-1,312
Exports as a percentage of imports	43	61	36	36	37	33	28

Source: Romanian Customs

Investors are encouraged by the approaching EU integration as Romania is scheduled to become a member of the European Union in January 2007. The Romanian Agency for Foreign

Investment forecasts for 2005 a total volume of foreign investment between $3 billion and $3.9 billion, after the $5 billion recorded last year, primarily due to major privatizations.

The retail sector remained one of the most attractive sectors for investors. The sector, currently valued at $11.6 bill, has developed very rapidly, but traditional trade still represents over 75% of total trade.

Retail Trade

The retail sector recorded a tremendous increase during the last 4 years. Official statistics on sales revenues and number of retail outlets are available until 2002 (tables 2 and 3). In 2002, total retail sales were valued at $ 10.9 billion, while currently the total market retail value is estimated at $11.6 billion (2004) and is expected to reach $14.4 billion in 2007. The sector remains on a strong positive trend and has attracted investment from multinational chains. During the period 2001-2004, the retail sector grew at an average rate of 5.8% per year, for the coming three years, an average annual growth rate of 7.4% is expected.

Table 2. Total retail trade value, 1999-2002, $ million

Retail Sales	1999	2000	2001	2002
Food retail sales	4,430	4,392	4,477	4,847
Non-food retail sales	6,013	5,453	5,408	6,125
Total retail sales	10,443	9,845	9,885	10,972
Food retail sales (% in total sales)	**42.5**	**44.6**	**45.3**	**44.2**

Source: National Institute for Statistics, FAS

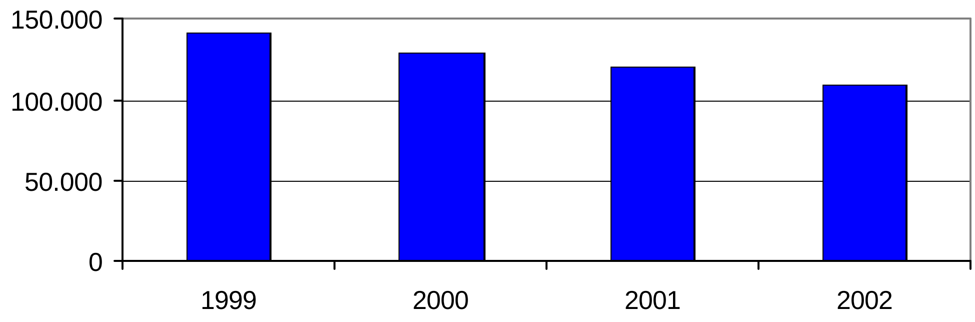
Total number of retail enterprises is significantly shrinking over time, while retail sales are increasing, which is a clear tendency for consolidation.

Table 3. Total number of retail enterprises, 1999-2002

Type of enterprises	1999	2000	2001	2002
Food retail enterprises	75,465	68,709	65,077	63,345
Non-food retail enterprises	65,358	60,389	55,285	46,451
TOTAL	**140,823**	**129,098**	**120,362**	**109,796**

Source: National Institute for Statistics, FAS

Chart 2. Number of retail enterprises, 1999-2002



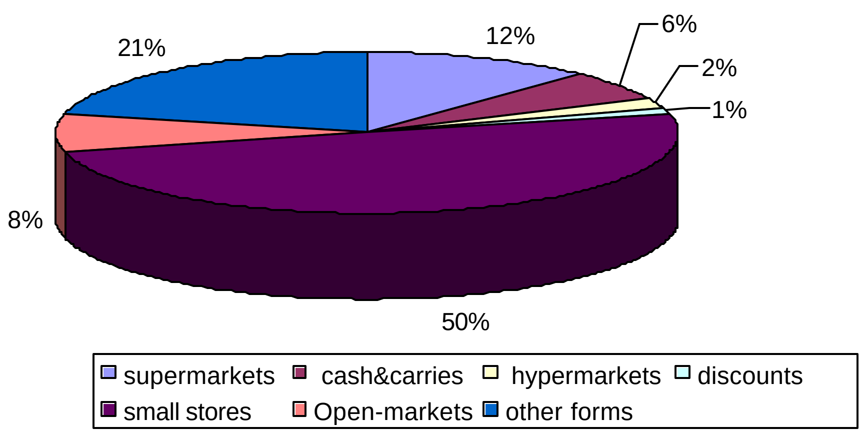
Sales in modern retail centers were valued at $400 million in 2000, $650 million in 2001, and they reached $2.4 billion in 2004. According to the data illustrated below, in 2004, 21% of retail belongs to the modern retail sector, compared to 10% in 2001 and 15% in 2003. This is a very low percentage compared to 47% in Poland and 70% in Czech Republic. Nevertheless, analysts forecast modern retail in Romania is expected to capture 44% of total retail sales in 2007.

Table 4. Retail market structure, Romania, 2003-2004

Retail format	2003	2004
Romania, of which	100%	100%
- supermarkets	11%	12%
- cash&carries	6%	6%
- hypermarkets	1%	2%
- discounts	1%	1%
- small stores	52%	50%
- open-markets	8%	8%
- other formats	21%	21%

Source: GfK Romania, FAS

Chart 3. Retail market structure, Romania, 2003-2004



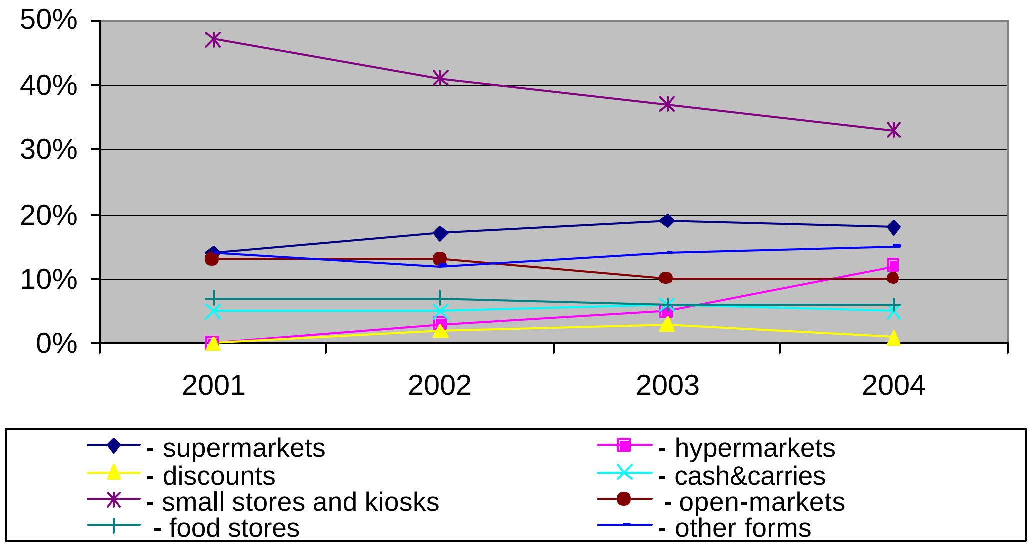
In Bucharest, the situation is different than at the national level, as the retail sector is more advanced with consumers earning higher incomes. As it can be seen in the table below, modern retail formats have a larger share in total retail (supermarkets 18%, hypermarkets 12%).

Table 5. Retail market structure Bucharest, 2001-2004

Retail	2001	2002	2003	2004
Total retail, Bucharest, of which	100%	100%	100%	100%
- supermarkets	14%	17%	19%	18%
- hypermarkets	0%	3%	5%	12%
- discounts	0%	2%	3%	1%
- cash&carries	5%	5%	6%	5%
- small stores and kiosks	47%	41%	37%	33%
- open-markets	13%	13%	10%	10%
- food stores	7%	7%	6%	6%
- other formats	14%	12%	14%	15%

Source: GfK Romania, FAS

Chart 4. Retail market structure, Bucharest, 2001-2004



The rapid expansion of total retail sales is based on the following factors:

- continuous increase in number of outlets and consumers' tendency towards modern retail stores
- growing consumer purchasing power
- market demand growth for fast moving consumer goods
- increasing access to credit for durable goods such as refrigerators, TV sets, cars, which released part of the budget to be spent on food items.

During the following years, new international retail chains are expected to enter the market, especially on hard discount and hypermarket segments. This will determine price suppression for the other market players as well. Cash&Carry segment is expected to keep its current place, their target costumers being small stores rather than final consumers.

Mini-markets and supermarkets which carry small range of products, but have a relatively high convenience advantage, will maintain their portion of the retail sales, as compared to kiosks and open-markets, whose dominance will diminish over time.

Consumer behavior has changed over time. While women remain the main shoppers, men are also getting more involved in shopping activity. Modern trade formats are visited only by one third of population; the frequency of visiting modern trade stores varies from once every two weeks for hypermarkets and cash & carries up to two visits a week for supermarkets.

An increasing number of consumers prefer to buy final goods rather than buy the raw ingredients to prepare the food themselves. This trend will be more visible in the future and it creates opportunities for ready-to-eat/ready-to-cook prepared foods.

According to recent market research prepared by Mercury Research Company, the main factors in influencing the buying decision are the price of goods (with a share decreasing from 36% in 2000 to 19% in 2004), special offers (slightly increased from 6% in 2000 to 7% in 2004) and distance to stores (increased from 3% in 2000 to 7% in 2004). This is certainly a sign of increased consumer awareness on product quality and product image.

Development of the retail sector triggered development of private labels for various categories of products. According to market sources, the proportion of private label products increased from 0.5% in 2003 to 2% in 2004. The concept of Private label is most common in Hypermarkets (Marca 1 in Carrefour), Cash &Carries (METRO with Aro and METRO Quality), and Supermarkets (BILLA with CLEVER). As the new segment of Discount will have an expansion this year, Private label products are expected to be the major part of the sales in these stores.

Advantages and Challenges facing U.S. Products in Romania

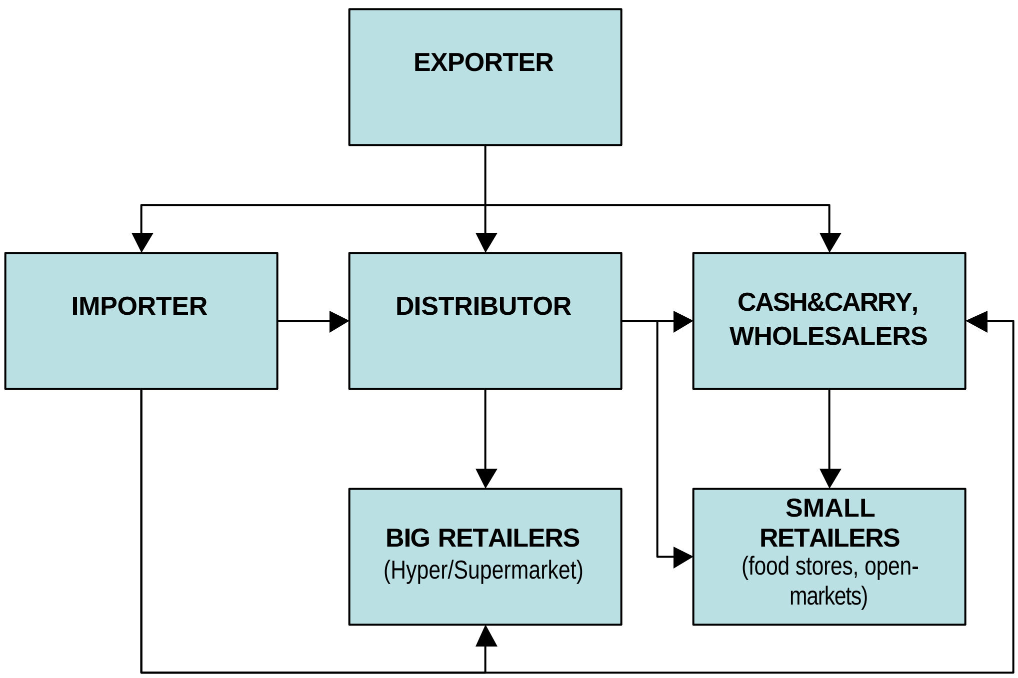
Advantages	Disadvantages
Romania is the second largest market in east-central Europe, with a population of 21.7 million emerging consumers	Although steadily increasing, the consumer purchasing power is relatively low
The growing retail industry is looking to diversify the range of food products	Long distances between the United States and Romania makes U.S. products more expensive than from the neighboring countries due to the freight cost
Consumers trust the food safety control system in the United Sates	Imports cost much more than local products because of corruption, tariffs and inefficient distribution systems
Weak U.S. dollar makes U.S. products more competitive	Approaching EU integration will give more preference for food products originating from EU member states than other countries
Retailers become more aggressive and new logistics companies appear which might create better conditions for US products	As the EU legislation is transposed into the Romanian legislation, access for some U.S. products will be denied

Among the issues specifically challenging the retail sector this year, land price and the currency denomination are important factors to consider. Higher land prices and availability of large plots for building construction became issues especially for Bucharest. Over the last two years land prices in Bucharest have tripled. That is one of the reasons contributing to retailers' expansion to smaller cities throughout the country.

II. ROAD MAP FOR MARKET ENTRY

Retailers source their food and beverage products from local suppliers, either domestic producers or importers. Only a few supermarkets have their own import department, dealing with a limited range of products. The entry strategy varies according with the category of products and the facilities necessary to have in order to operate.

Diagram – How goods flow



One option for entering the market would be to work directly with importers or distributors, which are direct suppliers for these retailers and are familiar with existing legislation, trading practices and costumers. Those importers/distributors should be operating large or consolidated volumes and distribution channels with national coverage.

Small stores purchase food mostly from wholesalers or Cash&Carries. As the major part of the retail structure is still made by the small stores, it is critical that these importers/distributors supply these wholesalers.

In the future, the retailers will tend to work directly with the suppliers (producers/importers/exporters), avoiding distributors. Thus, distributors will focus on markets which could not be covered by big retailers (rural areas, small stores etc.). Some of them might orient towards developing specialized logistics services (re-packing, transport, storage) or towards retail.

Following this trend, we noticed some of the retail chains are exploring ways of becoming direct importers and are searching for partners able to operate on mixed-containers basis. This activity will be mostly applied to niche products or high-valued products targeting certain segments of population (such as expats).

Another type of strategy would be that the U.S. exporter would find a local exclusive representative. In this case, the representative would be totally dedicated to one company's segment of products and be responsible for all promotional activities (advertising, sampling).

The specific requirements (especially delivery terms) and high fees charged by the retail chains are a barrier to many suppliers. Modern retailers only work with suppliers able to continuously deliver goods (no stocks-out) with consistent quality. As one company intends to display/sell its products through one retailer for the first time, a fee varying between $1,000 - $5,000 should be paid. Also for each of the outlets of the respective chain another $800-1,000 should be paid. Additional fees for products displays, new product introductions and obligatory promotional activities would be collected.

III. MARKET STRUCTURE

A. HYPERMARKETS, SUPERMARKETS, CASH&CARRIES AND DISCOUNT SHOPS

The modern retail format increased over time, currently holding about 21% at the national level. Most of these retailers sell domestic products. However, due to the significant consumer demand, the domestic supply for certain food product categories can no longer keep pace with the demand and this is covered by imports.

There is a clear tendency for modern retail formats to expand the area of services offered to consumers (fresh bread and pastries, cleaning services, entertainment places for children, photo-service, food-court, etc). Direct credit opportunities are also available in most of the international retail chains as well as multiple payment means. Most of the stores are open seven days out of seven for 12-16 hours/day, with special schedules before important events such as Christmas and Easter celebrations.

Company Profiles

Retailer Name and Outlet Type	Ownership	Total Sales ($Mil)	No. of outlets	Locations (City/Regions)	Purchasing Agent Type
SELGROS, Cash&Carry	German	$325 (2004)	8	Bucharest and 5 big cities	Importer, Direct, Distributor
METRO Cash&Carry	German	$1,200 (2004)	21	Bucharest and other 15 big cities	Importer, Direct, Distributor
CARREFOUR, Hypermarket	French	$270 (2004)	4	Bucharest (3), Brasov (1)	Importer, Direct, Distributor
CORA, Hypermarket	Belgian	$ 38 (2004)	1	Bucharest	Importer, Direct, Distributor

MEGA IMAGE, Supermarket	Belgian	$58 (2004)	16	Bucharest (14), Ploiesti (1) Constanta (1)	Importer, Direct, Distributor
BILLA, Supermarket	German	$140 (2003)	15	Bucharest and main cities	Importer, Direct, Distributor
ARTIMA, Supermarket	Romanian	$38 (2004)	14	Medium-size cities in the western side of Romania	Direct, Distributor
UNIVERS'ALL, Supermarket	Romanian	$36 (2004)	5	Sibiu (1), Suceava (1), Tg-Mures (1), Iasi (1), Constanta (1)	Importer, Direct, Distributor
XXL Mega Discount, Hard Discount	German	$49 (2004)	4	Bucharest (1) and other cities (3)	Direct
PROFI, Discounter	Belgian	$42 (2004)	20	Center, southern and Western part of Romania (13 cities)	Direct, Distributor

Source: Market research companies, Specialized Magazines, FAS

Hypermarkets

This segment will be profitable and will gain more costumers in the future. The range of products consists of over 50,000 goods. About half of the sales in hypermarkets represent food sales.

The most spectacular progress was recorded by Carrefour, the French Retailer. Carrefour entered the Romanian market in 2001; the surface of the first Carrefour center is 10,000 sqm and the total value of the investment is $70 million. In 2002 it had annual sales of $95 million, reaching $250 million in 2004. The range of products is 100,000. The group plans to open 20 commercial centers in cities with over 300,000 people, with a total investment value of more than half a million dollars. In a couple of years, the expected value of investments for opening 4 new stores is $135 million.

Louis Delhaize group introduced Cora on the market in 2003 as a result of $56 million investment. The hypermarket has a total surface of 40,000 sqm. Louis Delhaize group intends to open in Romania 14 Cora hypermarkets by 2010 in cities with over 300,000 inhabitants, the total investment being estimated at $ 675,000. Its product range counts about 50,000, of which about 20% represent imported products.

Supermarkets

The total number of outlets of this type in Romania is 250-300 stores, while the market demand should be 2,000 stores. The major part of sales in supermarkets (80%-90%) is made of food sales.

The first supermarket opened in Romania in 1995 was Mega Image. Currently this is a chain of 16 stores and the company plans to double the number in a few years reaching 35 stores.

The German company Rewe opened its first Billa store in 1999 and currently the chain includes 15 outlets. The number of outlets is expected to increase by 6-10 per year. The surface of the stores is 1,000-2,400 sqm/store, with about 10,000 items being displayed.

Investment of the Turkish group Fiba, the first GIMA store was opened in 1998 and currently has 5 outlets in Bucharest, Iasi and Constanta. It carries about 40,000 items and the average store size is 5,000 sqm.

Artima chain carries about 10,000 items, of which 70% is food. About 80% of the items are of Romanian origin, while 20% are provided either by multinational or by independent importers. Artima expects 25% higher revenues in 2005.

The first supermarket INTER' EX was opened in Ploiesti in 2002 with a selling space of 2,000 sqm, while the second outlet was opened in 2004 in Giurgiu. Medium-size towns are targeted. The comp any had a turnover of $12.7 million in 2003.

LA FOURMI is a chain of 10 stores, all located in Bucharest. During 2005, 2-3 new stores will be opened. Turnover of the supermarket chain in 2003 was $17 million.

Cash&Carries

Target costumers of this sub-sector are HRI entities, private companies and small traders/stores. The range of products consists of 15,000-35,000 products. This segment is considered to have reached saturation and is expected to loose some of the individual consumers in favor of hypermarkets and supermarkets.

Metro entered the market in 1996 and each Metro store is a result of $12 million investment, with a selling surface of 5,500 sqm to 10,000 sqm and approximately 350 employees. METRO sells about 35,000 items, mostly from local suppliers. About 70% of total sales represent food sales. Selling products under own labels, which do not require significant advertising and partnerships with local suppliers, is part of the retailer's strategy. An increase of 12% in turnover is expected for 2005. The German group is planning to introduce its hypermarkets network REAL to Romania in the near future.

The German company REWE introduced its C&C Selgros chain on the market in 2001, and currently it consists of 8 outlets. The German company plans to open 15 outlets over the long term. The turnover increased in 2004 with 47% compared to the previous year, reaching $325 million.

Discounters

This segment is expected to record a large increase over the next few years, as the purchasing power is still low. The major part of sales is made from food sales (80%).

MiniMAX Discount developed by Red&Yellow is planning to open 9 stores in 2005 (with 3 of them to be opened by April), targeting medium and low income consumers. The average selling space will be sqm 1,000/store. Product range counts about 1,200 items. The company targets Bucharest and small-medium size cities (30,000 –100,000 inhabitants) located in the southern region, where consumer purchasing power is lower. The network is expected to expand with 20 more stores by the end of 2006.

PROFI, part of Louise Delhaize company, currently operates 21 stores. Investment of about $8.4 million for 9 new stores located in medium-size cities and a new warehouse are planned for 2005. The turnover for 2005 is estimated at $55 million, 40% more than in the previous year. Product range counts about 1,200 items.

More chains of Discounter type are preparing their entry on the market: Plus developed by Tengelmann, Kaufland developed by Lide&Scwarz, Penny Market developed by the German Group REWE.

Plus Discount, part of the Tengelmann Group of German origin, will be present in Romania starting with August 2005 with 20 stores. About 120 stores are planned for the next 5 years, of which 30 stores will be located in Bucharest. The average outlet selling space will be 1,200-1,500 sqm. The company targets cities with over 40,000 inhabitants and medium to small income consumers. Each of the stores will carry about 1,000 products and 70% will be sold under private label.

Kaufland, the hypermarket division of Germany's Schwarz Group, one of the leading players on the European retail market, is to invest nearly $600 million in Romania over the next five years. About 50 stores will be opened as well as a central warehouse, the key element in the German company's logistical operations in Romania. The first Kaufland in Romania is to be open in the summer of 2005 in Bucharest. The average selling space of stores will be 3,500-5,000 sqm. Kaufland targets equally cities with more than 100,000 people and smaller cities if opportunities exist.

The German company REWE is planning to open 50 stores under the brand names, XXL MegaDiscount and Penny Market. The average surface of Penny Market will be 750 sqm, carrying about 1,200 items. The major part of the goods (90%) will be domestically sourced.

B. CONVENIENCE STORES, KIOSKS

Small stores and kiosks represent the major part of the retail, over 50%, although they have been affected by the expansion of modern retail formats. These stores will still play an important role especially in areas without commercial space. In 2004 about 50% of the total population visited small stores, the percentage being higher in rural areas (60%) and lower in big cities (38%).

The convenience stores sector is on an upward trend. The main reasons for being successful are their location and daily schedule (some of them are permanently open). These type of outlets will still play a significant role on the retail market, as there will be some necessary shopping besides the weekly/monthly visit in modern trade formats. Although the daily basket will be small, this will be offset by the frequency of shopping.

However, there are only few recognized brands for such convenience stores. Family supermarket, a brand developed by a foreign company includes over 30 stores of about 80 sqm each. They only sell fresh products, especially baking goods. Turnover in 2004 is estimated at about $40,000.

Developed by a local group, Uni'all chain includes four convenience stores with selling space of 400-800 sqm and about 4,500 items. A foreign company developed Albinuta supermarket. Six stores are already opened in Bucharest and by the end of 2005, 14 stores are to be opened in districts with over 5,000 inhabitants.

C. TRADITIONAL MARKETS

In urban areas and especially in rural areas, small grocery stores and open-air market play an important role. They provide both food products and non-food products (cloths, cosmetics, toys etc.). The range of products is very narrow, of rather inferior quality and at higher prices. Therefore, the number of these outlets is expected to decrease as people find it more convenient to travel to the nearest small cities and have access to a larger range of products of better quality and lower prices.

Recently local authorities have undertaken the step to either modernize such open-air markets or to shut them down when no investment was justified. However, open-air markets are still a good source of fresh products – fruits and vegetables – especially during the summer and autumn, when domestic and cheap products are available.

IV. COMPETITION

Product Category / Total Import value 2004 (thousands USD)	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of local suppliers
Pork meat Import 2004: Th. $ 221,930	Germany (20%) France (15%) Canada (12%) United States (6.3%)	Short distance; Good quality meat which meets processors needs	Insufficient domestic supply; high prices
Poultry meat Import 2004: Th. $ 86,503	United States (40%) Brazil (35%)	Very competitive prices especially for chicken leg quarters	High prices for domestic production; ability to provide fresh poultry meat; branded products
Beef Import 2004: Th. $ 7,954	Austria (45%) Germany (26%) Italy (10%)	Good quality meat; few sources in the region; preferential duties	Absence of specialized beef farms; reduced and seasonal supply (fall), inadequate quality
Fish and seafood Import 2004: Th. $ 48,151	Norway (34%) United States (17%) Ireland (10%)	Suppliers of the most popular species; good quality/price ratio; favorable currency value	Species in demand are not domestically produced; domestic species are seasonally available
Meat products Import 2004: Th. $ 1,394	Spain (60%) Germany (13%)	Tariff quotas	Well-establish meat-processing industry able to supply a large variety of products; highly protected market
Nuts, peanuts,	Turkey (35%)	Proximity; favorable	Products not

almonds, pistachio Import 2004: Th. $ 4,646	Iran (32%) United States (13%)	currency value; low prices	available on the local market.
Processed fish Import 2004: Th. $ 10,755	Thailand (57%) Poland (22%)	Preferential duties; good quality products for reasonable prices	Underdeveloped fish-processing units; low production
Pet food Import 2004: Th. $ 19,631	Hungary (52%) Austria (12%) Poland (11%)	Preferential tariffs for certain types of pet food; well known brands	Underdeveloped processing units; insufficient domestic supply
Frozen vegetables Import 2004: Th. $ 5,793	Belgium (59%) Hungary (17%)	Good quality products; good prices; attractive packages	Low domestic supply; absence of competitive processing units
Fruits and vegetables juices Import 2004: Th. $ 10,203	France (22%) Austria (16%) Brazil (11.4%) Hungary (7%) United States (1.5%)	Preferential tariffs for certain types of juices; good quality products; attractive packages	Low investment in processing-industry
Breakfast cereals Import 2004: Th. $ 4,693	Poland (48%) Hungary (20%) Germany (10%) United States (3%)	Proximity; reasonable prices; well known brands; attractive packages	Domestic supply available in a very narrow range; few processing units
Nursery products Import 2004: Th. $ 7,404	Germany (32%) France (21%) Poland (15%)	Large variety of products; good quality products	Insufficient domestic supply
Diary products Import 2004: Th. $ 28,752	Germany (47%) France (16%)	Preferential tariffs for certain types of cheese from certain countries; traditional suppliers	High percentage of milk production is not processed; recent foreign investment is expected to favorably change this situation
Wines Import 2004: Th. $ 3,383	France (42%) Italy (28%)	Tariff quotas	Very good local production in a relatively large variety; brand awareness building through promotional activities
Distilled spirits Import 2004: Th. $ 33,182	United Kingdom (47%) United States (11%)	Good image for consumers	Absence of local production of certain distilled spirits
Mineral water	France (69%)	Well known brands	Good local

Import 2004: Th. $ 519	Italy (21%)		production; market protected through high tariffs
Sweetened and flavored water Import 2004: Th. $ 9,852	Austria (37%) Poland (22%) Hungary (14%) United States (5%)	Preferential tariffs; good quality	Very limited investment in this area
Beer Import 2004: Th. $ 3,128	Poland (50%) The Netherlands (10%) Germany (9%)	Tariff quotas	Strong local industry; strong brand awareness

V. BEST PRODUCT PROSPECTS

Category A: Products Present in the Market Which Have Good Sales Potential

Product Category	2004 Market Size (MT/HL)	2004 Imports (MT/HL)	Import tariff rate	Key Constraints over market development	Market Attractiveness for USA
Poultry meat	350,000	129,156	45%	Certain level of competition from EU member states receiving benefit of tariff quotas	Consumers preference for chicken leg quarters leading to relatively high prices
Pork meat	470,000	136,880	0-20%	Growing demand for fresh meat	Favorable US $ currency evolution against Euro; fewer European supplying countries
Fish & seafood, fresh and frozen	79,600	57,117	20-25%	Seafood consumption is not common; low purchasing power	Increasing demand for the most popular species (mackerel etc.)
Nuts/peanuts/ almonds/ pistachio	NA	1,647	0-30%	Low purchasing power which makes cheap sources prevail	Very good quality products compared to competitors
Distilled spirits	800,000	16,946	35-60%	High tariffs; market affected by fiscal evasion; low consumer purchasing power	Excises increase will generate price increases for domestic products rather than affect imported premium products

Poultry demand on an upward trend with United States holding the first place with poultry exports from United States exceeding $35 million last year (37% more than in 2003). Total swine meat imports more than doubled in 2004 compared to a year earlier, reaching $220 million. U.S. swine meat exports to Romania increased by three times last year reaching $11 million. Given the growing demand for pork and poultry meat, as well as the U.S. currency devaluation, the trend is expected to continue.

Fish and seafood imports increased in 2004 by 37%, reaching $48 million. Frozen fish imports from United States doubled last year, growing to a market share of 17%. Likewise, seafood imports (shrimps, lobsters, scallops, oysters etc.) registered a significant growth of 60%, reaching about $2.4 million. However seafood consumption is still very low as consumers are not familiar with such items.

The amount of nuts, peanuts, almonds and pistachio imported in 2004 increased by 78% compared to a year earlier. The almonds market is dominated by the United States (85%, $531,328) compared to 2003 when only about half of the imported amount originated from the United States ($194,000). Turkey is the market leader for peanuts (92%), while Iran is dominant on pistachio market (80%).

The total spirits market is estimated at about $ 1.3 billion, including home-made drinks (38%). Imported spirits reached last year $ 33 million (2.7 million liters), of which Whiskey imports hold more than 50% ($ 21 million). Sources from the industry estimate for 2005 an increase of 25% for imported distilled spirits. The United States' market share in this sector is 11% ($ 3,4 million), about half of the import value being assured by Bourbon Whiskey ($1.7 million).

Excise taxes on spirits increased in April 2005, from 280 EUR/hl pure alcohol to 410 EUR/hl. In a gradual adoption of the European Union legislation on excises, the excises are forecast to reach 550 EUR/hl pure alcohol in 2007 (the minimum level in the EU). The excise increase will lead to a general decline in the spirits consumption, but will mostly affect the locally produced brands. An increase in the premium brands consumption is expected, as the impact of new excises will be much stronger on the popular local brands, which are less expensive, than imported brands.

Category B: Products Not Present in Significant Quantities but Which Have Good Sales Potential

Product Category	2004 Market Size (MT/HL)	2004 Imports (MT/HL)	Import tariff rate	Kew Constraints over market development	Market Attractiveness for USA
Fruits and vegetables juices	NA	88,283	25%	Strong foreign competition; high tariffs	Increasing demand
Breakfast cereals	NA	2,380	10-30%	Foreign competition, strong brand awareness; current eating habits	Increasing conscience about benefits of health food
Sweetened and Flavored water	NA	116,347	40%	High tariffs	Immature market

Pet food	NA	24,044	18%	Strong brand awareness	Increasing demand

Fruits and vegetable juices registered the highest boost in 2004 – 40% - mainly filled by imported products. Currently the natural juice market is valued at $38 million. As the purchasing power is expected to increase, the consumption of natural juices is expected to grow as well.

Imports of breakfast cereals increased last year by 50% over 2003 ($3.2 million). All subcategories – cornflakes, rice flakes, cereals of Musli type – recorded positive trends. This has been determined by a higher demand generated by the expansion of modern retail formats. United States exported insignificant amounts of breakfast cereals.

As families holding a pet become more aware of the importance of appropriate feed for their animals, the pet food demand is expected to increase at least at the same rate. Pet food imports grew in 2004 by 18% compared to 2003.

Category C: Products Not Present Because They Face Significant Barriers

Product Category	2004 Market Size (MT/HL)	2004 Imports (MT/HL)	Import tariff rate	Key Constraints over market development	Market Attractiveness for USA
Beef	89,000	3,735	0-20%	Relatively low purchasing power; preferential duties	Low quality of domestic products; very few supply sources
Wines	5,510,000	10,005	60%	Strong domestic and foreign competitors; high tariffs; consumer preferences for sweet wines	Demand for wine varieties of various origins
Meat products	130,000	4,287	45%	Consumer preferences for products obtained in traditional ways; high tariffs; low consumer purchasing power	Demand for niche products (good quality bacon)

Certain foods containing additives not approved by the EU legislation cannot be imported. You can view the list of accepted food additives at the following address: http://www.siguranta-alimentara.ro/eg/.

The national biotech framework law is harmonized with the EU relevant legislation. Thus, bio-engineered crops are to be approved for testing, consumption and commercialization prior to imports into Romania.

By the end of 2005, in accordance with its EU accession commitments, Romania should adopt the new legislation on traceability and labeling of food products deriving from GMOs. (Regs 1829/03 and 1830/03), which, in the member states, became fully applicable on April 18, 2004. Reg 1830/03 lays down stringent rules for food labeling, in the sense that all foods (including the ones that do not have genetically modified DNA or protein) containing or derived from GMOs are to be marked accordingly. Thresholds for labeling, as per current EU regulations, are 0.9% for an adventitious presence of an authorized GM in food or feed and, respectively, 0.5% for the accidental presence of unauthorized, but scientifically acceptable GMOs.

VI. POST CONTACT AND FURTHER INFORMATION

If you have any questions regarding this report or need assistance exporting to Romania, please contact us at:

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