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Positive Prospects for U.S. Wine in Romania

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Wine

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Report Highlights:

Favorable climatic conditions in 2017 led to a 40-percent surge in Romanian grape production. Wine imports are forecast to contract in 2018 following the three years of stable level, while exports are poised to rise. Higher wine production will drive Romanian wineries to enhance marketing efforts in foreign and domestic markets. U.S. wine exports to Romania remain small, but have increased and that trend is likely to continue.

General Information:

PRODUCTION

Romanian vineyards are geographically distributed throughout eight viticulture regions and supply grapes to approximately 160 commercial wineries and home vintners. Romania is the sixth largest EU wine producer, after Italy, France, Spain, Germany, and Portugal (2016 data). Globally, it ranks as the thirteenth largest producer. In 2015 Romania claimed over one-third of total EU grape growers, with an average holding of 0.2 hectares (HA) per producer. Conversely, Spanish grape producers average 1.82 HA/holding and Italian producers 1.71 HA/holding.

Romania's wine sector has attracted significant European investment of the last decade, due to its long viticulture tradition, favorable climate, and varietal diversity. Homemade wine remains an important market segment and accounts for 50-60 percent of production. The Romanian wine market is valued at $475 million, a two-percent increase over 2016 and 15 percent over 2012.

Weather conditions in 2017 were particularly favorable for grape producers. Spring weather was warm and sunny, with adequate rainfall. Although a late-spring frost raised concerns, it did not severely damage grape quality. Romanian producers also reported that 2017 was a good year for grape quantity and exceptional for quality. 2017 grape production increased by about 40 percent over 2016, a near record level.

Table 1. Vineyard area and production, Romania

Vineyard – area (Hectares – HA) and production (Metric Ton – MT)	2013	2014	2015	2016	2017 (e)
Total Vineyard area (HA)	**178,378**	**176,675**	**178,118**	**178,151**	**178,150**
of which Wine Grapes area (HA)	*170,328*	*169,492*	*171,332*	*171,233*	*171,250*
Grape Production (MT)	**991,559**	**783,690**	**798,765**	**736,892**	**1,032,000**
of which Wine Grapes area (MT)	*936,182*	*747,731*	*756,677*	*698,086*	*980,000*

Source: National Institute of Statistics; FAS estimates

The bumper grape crop will result in larger volumes of wine production, which Romanian wine makers will seek to export. Conversely, wine imports are expected to level off as compared to previous years (Table 2).

Table 2. Wine production and trade, Romania

('000 Hectoliters)	**2013**	**2014**	**2015**	**2016**	**2017 (e)**
Production	5,165	3,791	3,640	3,340	5,200
Imports Intra EU	258	418	400	380	270
Imports non-EU	83	91	102	125	120
Total imports	341	508	502	505	390
Total Supply	**5,506**	**4,300**	**4,142**	**3,809**	**5,590**
Exports Intra EU	76	109	102	120	140
Exports non-EU	28	30	27	23	35
Total Exports	104	139	129	143	175
Total availability for consumption/stock	5,402	4,161	4,013	3,666	5,415
Total Distribution	**5,506**	**4,300**	**4,142**	**3,809**	**5,590**

Source: National Institute of Statistics; Global Trade Atlas (GTA) data; FAS Estimates

According to 2015 Ministry of Agriculture data, about 60 percent of total wine production was produced from noble wine varietals, and 40 percent from hybrids. Many wineries are working to develop Romanian varietals, which currently account for about 20 percent of the total vineyard acreage. Wine experts believe that the distinctive flavor of the domestic varietals will help differential Romanian wine, grow the industry, and consolidate its exports.

In 2015, 27 percent of Romanian wines were produced under protected designation of origin (PDO), 10 percent under protected geographical indication (PGI), and 63 percent wine without PDO/PGI. White varietals dominate the market at 73 percent, followed by red wines at 24 percent, and rosé wines at three percent.

CONSUMPTION

Romania's strong economic growth and annual increases in purchasing power are helping to drive wine consumption. Although many consumers remain price-sensitive, a rising number are less price-sensitive and more interested in the qualitative features of wine. As a result, an increasing number of wineries are launching new premium lines. Wine consumers remain predominantly focused on domestic wines, with imported wines holding only a small share of the market (roughly 5-10 percent). Bucharest is the Romanian center for premium wine consumption, although second-tier cities like Cluj, Timisoara, Brasov, and the seaside resort areas are increasingly serving higher-quality wines.

According to the National Institute of Statistics' data, per capita consumption fell in 2015 and 2016. This decline was tied to lower domestic production (Table 3). Consumption is therefore predicted to increase in 2017 and 2018, based on the higher grape yield in 2017, as well as Romania's improved purchasing power. The same upward trend should also push higher premium wine consumption.

Table 3. Per capita consumption for selected alcoholic beverages

Beverage	2012	2013	2014	2015	2016
	liters				
Beer	90.2	86.8	82.1	88.3	88.9
Wine	21.1	21.7	22.6	19	18
Distilled spirits	3.9	4.2	4.2	4.6	5.3

Source: National Institute of Statistics

TRADE

As an EU member state, Romania generally adheres to EU-specific trade policies. Import duties for all products are listed in the Customs Tariff online database. Upon entry in Romania, alcoholic drinks are subject to excise taxes, which are set at zero for still wines and $12 per hectoliter for sparkling wines. Wines are also subject to a 19-percent value added tax (VAT).

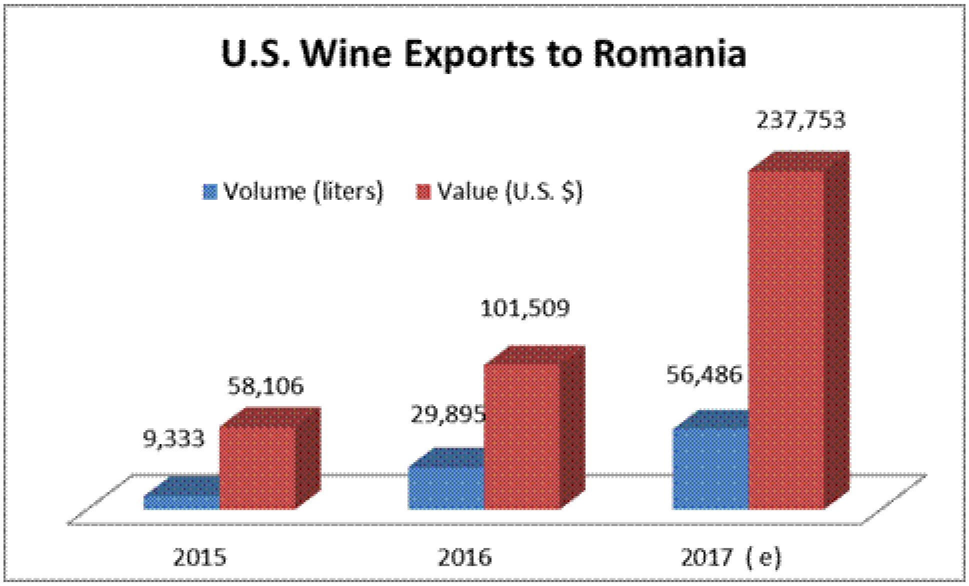
2017 wine imports by volume declined by two percent during through October. However in value terms, wine imports rose by 20 percent, after 11-percent increase in 2016. In 2016 Moldova replaced Italy as the second-largest wine shipper to Romania, a trend which continued during the first 10 months of 2017. Other major foreign wine suppliers are listed in Table 4 below.

Table 4. Romanian Wine Imports, by trading partner

Partner Country	Quantity (1,000 liters)				Value (1,000 U.S. Dollars)			
	2015	2016	Jan-Oct. 2016	Jan-Oct. 2017	2015	2016	Jan-Oct. 2016	Jan-Oct. 2017
Total, of which selected partners	**50,865**	**50,203**	**39,055**	**38,277**	**46,996**	**52,401**	**39,474**	**47,394**
Spain	28,672	27,889	22,816	17,289	11,332	13,191	10,542	9,635
Moldova	7,941	10,069	7,657	9,693	6,018	8,820	6,650	9,881
Italy	3,320	4,768	3,323	5,448	8,290	10,425	7,782	10,646
Hungary	2,683	3,035	2,112	1,998	3,699	3,712	2,549	2,441
France	1,197	1,303	985	981	8,337	9,112	6,878	7,553
Germany	1,081	1,228	806	982	3,115	3,462	2,556	2,804
Bulgaria	4,061	688	580	997	2,990	333	275	1,290
Poland	32	408	148	48	27	442	162	39
Czech Republic	379	274	219	290	755	541	406	620
Portugal	93	154	111	151	303	557	383	532
Chile	84	84	48	53	336	360	216	216
Greece	75	69	67	41	173	136	128	88
Netherlands	60	49	38	84	327	453	319	584
Belgium	21	38	25	128	114	232	140	473
Argentina	36	37	26	32	196	168	122	155
Austria	37	34	32	14	118	129	116	133
United States	0	2	-	2	0	24	-	31
Australia	0	18	18	19	0	73	73	78

Source: Global Trade Atlas

While the United States is not a major wine supplier to Romania, its exports have grown steadily. In 2017 the U.S. total (direct and indirect) wine exports on the Romanian market are estimated to exceed 56,000 liter, valued at nearly $250,000. This represents an increase of 56 percent in volume and 70 percent in terms of value as compared to the previous year and more than five times higher from 2015.



Source: Global Trade Atlas, National Institute of Statistics

After a slight drop in 2016, Romanian wine exports are set to rise in 2017, based on an increase of 14 percent in both quantitative and value terms during the first ten months of 2017 (please see Table 5). Romania expanded its wine exports to the United Kingdom, Germany, Spain, and the Netherlands in both volume and value in 2017. The Romanian wine industry is concerned that the UK's position as an important market may become challenging for Romanian wine exporters because of Brexit. Exports to China, the United States, Estonia, and Canada have remained stable over the past couple of years.

Table 5. Romanian Wine Exports, by trading partner

Partner Country	Quantity (1,000 liters)				Value (1,000 U.S. Dollars)			
	2015	2016	Jan-Oct. 2016	Jan-Oct. 2017	2015	2016	Jan-Oct. 2016	Jan-Oct. 2017
Total, of which selected partners	**13,946**	**12,825**	**11,022**	**12,653**	**24,759**	**22,658**	**18,940**	**21,555**
United Kingdom	2,953	2,506	2,151	2,521	5,440	4,550	3,929	4,527
Germany	1,606	2,225	2,005	2,488	1,861	2,900	2,545	3,671
Spain	643	1,239	1,071	2,308	1,362	1,439	1,103	2,249
China	1,417	1,191	977	645	3,994	3,324	2,727	2,153
Netherlands	875	974	789	1,226	2,094	1,854	1,429	2,459

Slovakia	551	917	890	332	362	724	701	280
Italy	740	757	594	714	1,259	1,361	1,056	1,200
United States	787	679	627	521	1,549	1,449	1,364	1,099
Estonia	534	537	458	403	834	863	736	641
Canada	309	261	203	246	739	628	500	608
Poland	281	219	197	52	660	488	433	115
France	37	170	129	139	103	228	166	210
Russia	258	146	122	83	459	274	230	173

Source: Global Trade Atlas

MARKETING

The Romanian wine industry has evolved considerably in recent years, in terms of wine quality, domestic and international marketing capacity, and number of stakeholders. Its growth is attributed to considerable vineyard and winery investments, better quality wine makers, and innovative marketing strategies. Romanian wineries are seeking to connect more directly with consumers by developing "wine roads" or bike paths to attract tourists. Wineries are also organizing regular tastings or hosting launching events for new wines as a means to attract and connect with customers. Retailers have reorganized their wine space by country of origin and varieties, making them more attractive to consumers. Restaurants are paying more attention to wine lists and food pairings.

Given the diversity and relative low costs of domestic wines, some imported wines can struggle in the Romanian market. At retail level, the competition between low-cost imported wines and domestic wines is strong. As a result, many local stakeholders that both produced and imported, decided to concentrate their marketing efforts solely on their in-house wines. While retail remains the major marketing channel, there are growing opportunities in the food-service industry, especially in high-end restaurants, where consumers are more willing try new wines and pay a premium for high-quality. Towards the same goal, wine sellers are encouraging restaurants to offer more single-glass options, as margins are higher, and customers can taste different types of wines, versus ordering a bottle of wine.

The current wine market also reflects that Romanian consumer tastes have changed towards dry and semi-dry wines, unlike 15-20 years ago when consumers clearly preferred sweeter wines. In term of color, rosés are growing in popularity and are displacing some white wines, particularly during summer. Red wine sales tend to peak during cold periods. Several wineries have launched new sparkling wines over the past two years. Despite being more expensive, sparkling wines show good sale prospects for younger and less conservative consumers.

POLICY

Romania used 100 percent of EU funds allocated to the viticulture sector during the financial framework 2009-2013. From 2007 to 2016, about 47,000 vineyard hectares were renovated, about 25 percent of total production area. EU funds also provided for the current financial framework 2014-2018 with EU Regulation 1308/2013, with an annual allocation of nearly $60 million. The Romanian Government chose five pillars for the above funding: wine promotion in other EU markets or third countries, vineyards restructuring and reconversion, harvest insurance, investments in enterprises and by-products distillation. There are no other support measures allocated for the wine sector.

RELEVANT REFERENCES

For wine-related legislative and regulatory controls, the following institutions have relevant roles:

Ministry of Agriculture and Rural Development (MADR)
24, Bd. Carol I,
Sector 2, 020921
Bucharest, Romania
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E-mail: comunicare@madr.ro Website: http://www.madr.ro

General Customs Directorate (DGV)
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