

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Hotel Restaurant and Institutional (HRI) Food Service 2018

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Food Service - Hotel Restaurant Institutional

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Report Highlights:

Romania is the European Union's (EU) tenth-most populous member state and one of its fastest growing economies. According to official data, in the first 11 months of 2018, 12 million people engaged in tourism in Romania, a 6.4-percent increase over the same period in 2017. The Romanian hotel industry has grown by almost 40 percent over the last five years. Consumers are increasingly and dining out, and frequently so in urban areas. Mobile devices and internet connectivity are driving Romania's fast-growing food delivery and takeaway segments.

Market Fact Sheet: Romania

General Information

Romania's real gross domestic product (GDP) growth will slow but continue to grow at a sustainable pace. 2018 real GDP increased by 4.1 percent. 3.7 percent GDP growth is expected for 2019.

In real terms, private consumption rose by 5.3 percent in 2018 and gains of 4.8 percent are expected in 2019. Rising wages drives consumer spending, although some gains are offset by higher inflation.

SWOT Analysis	
Strengths	Weaknesses
One of the EU's fastest growing markets	U.S. imports more expensive vs. EU imports
Opportunities	Threats
HRI sector growth	EU legislation and regulatory complexities

Imports of Consumer-oriented Products

Total agricultural imports in Romania reached \$9 billion in 2018, U.S imports representing about two percent of Romania's total agricultural imports in 2018. Although the U.S. share remains small, U.S imports increased by 37 percent in 2018, reaching \$179 million, up from \$148 million in 2017 (direct and indirect imports).

The biggest increases in imports in 2018: meat (7.57 percent); edible fruits and nuts (11.5 percent); baking products (12.6 percent); fish and seafood (10.6 percent); sauces and condiments (17 percent); prepared meat and fish (16 percent); sweet potatoes (23.8 percent).

I. MARKET SUMMARY

HRI Industry

In 2017, the full-service restaurant segment grew by seven percent, reaching RON 7.2 billion in sales (\$1.85 billion). The number of outlets and sales increased by one percent and five percent, respectively.

Home delivery and takeaway saw 13-percent growth in 2017. Sales reached RON 213 million (\$54.6 million).

In 2017, quick-service sales grew by 14 percent, reaching RON 2.6 billion (\$667 million). The number of outlets and transactions increased by six percent and 10 percent, respectively

Tourist's number reached 12.8 million in 2018, up to 6.3 percent compared to the previous year. Vacation vouchers contributed to the increase.

Key points

In 2018 food and drink internet retailing records current value growth of 21 percent to reach RON 263 million (\$67.7 million).

The hotel industry has grown by almost 40 percent over the last five years with a turnover of over RON 5.5 billion (\$1.4 billion) in 2018.

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

Starting January 2019 the minimum wage increased from RON 1,900 (\$452) per month to RON 2,080 (\$495) and RON 2,350 (\$559 – for those with higher education).

Data and Information Sources: Euromonitor, GTA, Local sources

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Romania joined the EU in 2007. It is the EU's tenth-most populous member state with 19.7 million inhabitants. Romania's 2017 GDP reached seven percent, making it one of Europe's the fastest growing economies. In 2018, real GDP reached 4.1 percent, and 3.7 percent GDP growth is forecast for 2019.

Total 2018 Romanian agricultural imports reached \$9 billion, with the U.S.-origin imports accounting for about two percent of total imports. Although small, market share for U.S. food and agriculture increased in 2018 by 37 percent to \$179 million, a solid increase over \$148 million in 2017 (direct and indirect imports).

Key Points:

- Romania's real GDP growth will continue to grow, but at more moderate and sustainable rates.
- In real terms, 2018 consumer spending rose by 5.3 percent over 2017, and is forecast to grow an additional 4.8 percent in 2019. Rising wages drive consumer spending, although gains are tempered by rising inflation.
- Unemployment was 4.2 percent in 2018 and is expected to rise to 4.4 percent in 2019. The monthly minimum wage was increased by 16 percent in 2017 and by an additional nine percent in 2018.
- On November 1, 2018, Romania reduced its VAT to five percent for hotel rooms, restaurants, and certain sport facilities. More about new VAT rates is available [here](#).

Consumer Demographics in Romania:

Romanian consumers are increasingly going online to shop. Deeper digital penetration due to the widespread use of hand-held devices and fast connection speeds have driven growth in ecommerce. Internet retail sales between 2012 and 2016 increased by 128 percent in real terms. Sales during that same period from mobile devices increased by 471 percent.

Income and expenditure:

After a period of rapid expansion, real consumer incomes and expenditures are forecast to grow at a more moderate rate by 2030. Still, economic and income growth are forecast to remain above the EU average. Conversely, a declining population and middle class are expected to constrain faster consumer market expansion. For a more detailed report, please see [Eurostat](#)'s Income and Expenditure: Romania, Country Report, December 2018

Eating habits:

According to consumer [survey](#), 96 percent of respondents prepared home-cooked meals at least once a week, 15 percent dine out at restaurants (excluding quick-service outlets) or buy prepared food from hypermarkets and supermarkets, and 13 percent said they eat weekly at quick-service restaurants. Many households have adopted a range of Turkish, Hungarian, German, Serbian, Greek, Austrian, and Bulgarian dishes. According to National Institute of Statistics INS data, consumption of meat and meat products is relatively low compared to other European countries and depends on the household income. Poultry is consumed most frequently, followed by pork. Beef consumption is six times below the European average.

Alcoholic Beverage Consumption:

According to a 2015 World Health Organization [report](#), Romania has one of the highest per capita alcohol consumption rates in the world. Distilled spirits and wine are commonly served during meals. Homemade spirits and wine are common, particularly in the rural areas. Demand for spirits dropped in 2013 following a tax increase, but rates were readjusted in 2016.

Beer, particularly lager beer, is popular during summer months and is generally Romania’s most popular alcoholic beverage. In 2017 total volume sales of beer increased by two percent, to reach 1.8 billion liters. Romania has a long tradition of white wine production and wine remains very popular. Total volume sales of wine see eight percent growth in 2017, to reach 184 million liters. In the forecast period, wine sales in Romania are expected to grow by ten percent to reach 302 million liters, in correlation with the decline in homemade wine.

Tourism:

According to the national Institute of Statistics, in the first 11 months of 2018, the number of tourists reached 12 million, up 6.4 percent from the same period of 2017. Of these, 78 percent are Romanian tourists, and 22 percent are foreigners.

The hotel industry has grown by almost 40 percent over the last five years, with a turnover of over RON 5.5 billion in 2017. Some estimates for 2018 indicate that the hotel sector reached RON 5.8 billion. Bucharest accounts for over 30 percent of the national 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.

Advantages and challenges facing U.S products in Romania

Advantages	Challenges
More than half of the Romanian population lives in urban areas. The consumers are changing their eating habits and focus on quality products.	U.S. companies’ preferences are to work with regional EU distributors, as opposed to local importers who would like to engage in direct import with the United States.
Consumers are confident in the U.S. products due to the known well-established safe regulatory system in the United States.	Price is still the main criteria as it counts for more than 60 percent in consumer purchase decision.
Tourism growth and the hotels' expansion, mostly in Bucharest, lead to greater demand for imported hotel, restaurant and institutional food products.	High competition from EU suppliers withhold competitive advantage with location and the ability of delivering smaller volumes.
Revenue increase and VAT reduction translates into more money for the Romanian consumer.	U.S. products are not always price competitive due to high tariffs and shipping costs.
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.	Importers inability in contracting large food volume with U.S. exporters.

II. ROAD MAP FOR MARKET ENTRY

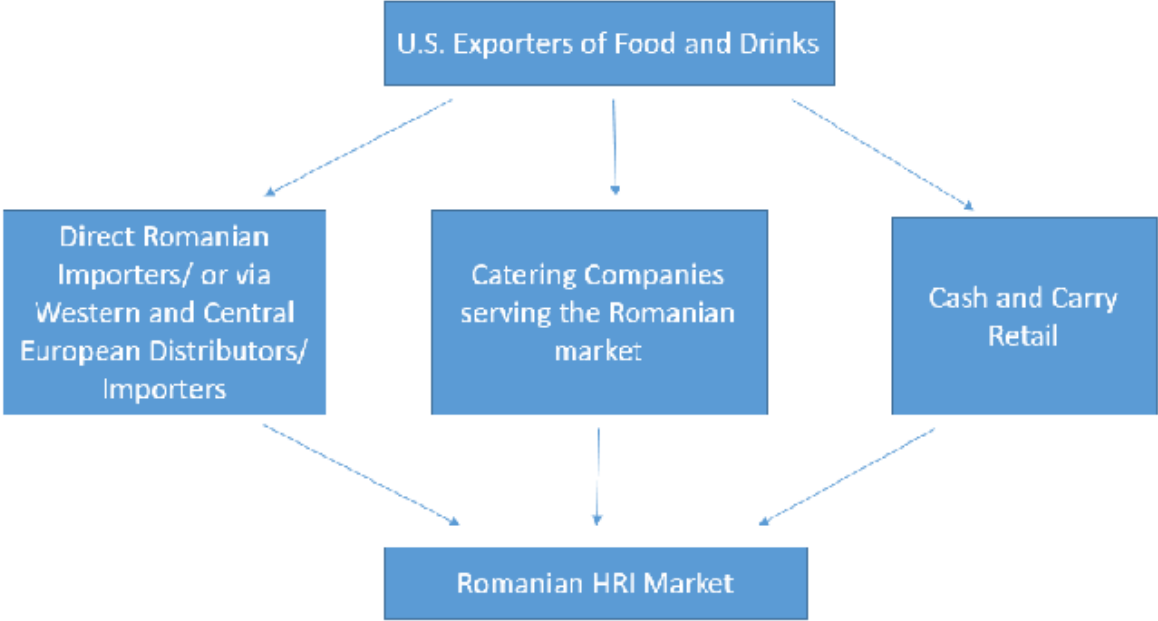
A. ENTRY STRATEGY

Restaurants generally source foods, ingredients, and beverages from local wholesalers and do not import directly. Although entry strategies can vary depending on the category of products, U.S. stakeholders could enter the market by targeting those importers and distributors, which directly supply the culinary wholesalers. Some wholesalers also directly import a few niche products. Conversely, some importers and distributors directly supply some products to restaurants.

Another strategy would be arrange a local exclusive representative importer/distributor, as these stakeholders tend to become more familiar with existing legislation, trading practices, and buyers.

B. MARKET STRUCTURE AND DISTRIBUTION

The following diagram indicates product flow in the HRI sector for the U.S. exporters.



C. SUB-SECTOR PROFILES

Full-service Restaurants

In 2017, full-service restaurant sales grew by seven percent to reach sales of RON 7.2 billion (\$1.85 billion), while the number of outlets and transactions rise by one percent and five percent respectively. Higher incomes and changing lifestyles drive demand for more sophisticated outlets. Some subsectors of full service restaurants saw grow as high as 30 percent in 2017.

The Sphera Franchising Group leads in this segment due to its Pizza Hut franchises, which account for three percent of full-service restaurants in Romania. Full-service restaurants are expected to post value the compound annual growth rate CAGR of three percent at constant 2017 prices, with the number of outlets set to increase by one percent annually. Full-service restaurants also grew in 2017 due to the emergence of new formats in larger cities, particularly vegan, vegetarian, and seafood.

Home Delivery and Takeaway

The home delivery and takeaway segments grew by 13 percent in 2017, achieving sales of RON 213 million (\$55 million). The number of outlets and sales increase by five percent and 11 percent, respectively. Sales

in this segment are driven by higher disposable incomes and changing lifestyles. Pizza delivery grew 14 percent (value terms) in 2017.

Pizza Hut Express has established itself as a leading brand, with a 23-percent share of value sales. All companies in 100 percent home delivery operate their own websites, which provide information about their products, promotions, prices, how to order, delivery terms and general contact information. Third party online ordering/delivery services are expected to develop further over the forecast period. This will positively affect full service restaurants and fast food establishments but adversely impact those operating exclusively in 100 percent home delivery.

Quick-service Restaurants

In 2017 fast food records current value growth of 14 percent to reach sales of RON 2.6 billion (\$667 million), while number of outlets and transactions increase by six percent and 10 percent, respectively. Quick service growth is largely driven international stakeholders. Middle Eastern fast food registers the strongest current value growth of 33 percent. Premier Restaurants Romania is the main McDonald's franchisee and accounts for 27 percent of the quick-service segment in Romania. Brands like McDonald's, KFC, Subway, Taco Bell, and Sbarro are still associated with Western lifestyles and all are expected to see continued growth.

Street Stalls & Kiosks

In 2017 street stalls/ kiosks records current value growth of eight percent to reach sales of RON 2.7 billion (\$693 million), while the number of outlets declines marginally and transaction volume rises by five percent. Fornetti Romania leads the channel with a six percent share of value sales.

Street stalls/kiosks remain a popular option for Romanians having breakfast or on the go, or seeking snacks between meals. Traditional foods such as pretzels and pastries will continue to attract because they are very cheap. Food trucks and mobile kiosks will likely keep gaining popularity, particularly brands like Burger Van, Coffee-Bike, and Coffee 2 Go, which are available for franchising.

Self-service Cafeterias

In 2017, self-service cafeterias grew by 10 percent and reached sales of RON 681 million (\$174.6 million). The numbers of outlets and transactions both grew by four percent, respectively. Ikea Romania leads the channel with a five percent share of value sales. The number of outlets is forecast to rise by two percent annually. (*Source : Euromonitor*)

III. COMPETITION

Romania's total agricultural imports reached \$9 billion in 2018, with U.S. products accounting for about two percent of market share. According to Eurostat data, the top-10 exporters of agricultural products to Romania are Germany (15 percent), Hungary (14.8 percent), Poland (9.94 percent), the Netherlands (7.2 percent), Italy (6.5 percent), Bulgaria (6.1 percent), Spain (3.8 percent), France (3.5 percent), Turkey (3.4 percent), and Greece (3.0 percent).

The EU's free trade agreements (FTA) with third countries threatens U.S. market expansion, as some like-products enter Romania with lower tariffs or duty-free. See the February 2018 [EU-28 Livestock and Products](#) Semi-annual Report for more details. The EU restricts U.S. poultry, pork, and beef through a variety of tariff and nontariff measures.

IV. BEST PRODUCTS PROSPECTS

Products with Best Sales Potential:

- Distilled spirits (code 2208): Distilled spirits imports expanded by 14.1 percent in value, and dropped 7.6 percent in volume, reaching \$125.8 million. U.S. imports reached \$22.6 million.
- Wine (code 2204): There is steady growth, as the number of niche wine bars grow and there is more interest in premium wines. Total imports expanded by 17 percent in value and dropped 27 percent in volume, reaching \$73.9 million. U.S. imports reached \$ 285,000.
- Tree nuts (code 0802): In 2018 total tree nut imports reached \$42.7 million in value, a 8.26 percent increase over 2017. In volume, tree nuts total imports dropped 10.8, reaching to 9,131 metric tons (MT). The United States remains a major supplier with \$9.2 million imports.
- Beef (code 0201): U.S. prime beef for direct consumption enjoys an increasing popularity at high-end restaurants and is expanding its presence due to growth of the food-service sector. Total imports expanded by 16.5 percent in value, reaching \$29.1 million. Total imports rose also in volume, by 13.9 percent, reaching 5,130 MT. U.S. imports reached to \$1.5 million in 2018.
- Sweet potatoes (code 071420): Sweet potatoes imports expanded by 23.8 percent in value, and 38.8 percent in volume, reaching \$1.4 million. U.S. imports count for 50 percent of total imports.

V. KEY CONTACTS

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