



Kingdom of the Netherlands



FOOD MARKET IN ROMANIA

2016



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National Institute of Statistics - NIS
Eurostat
Comtrade
National Bank of Romania
Ministry of Public Finances
Ministry of Agriculture
National Commission for Prognosis
TNS Romania



AC Nielsen
GfK
Mercury Research
Exact Cercetare si Consultanta
RetailZoom
Romanian Meat Association
Association of Pork Producers in Romania
Association of Poultry Meat Producers in Romania
Romanian Employers' Association in the Milling, Bakery and Flour Based Products Industry
Romanian Milk Industry Trade Association
Romanian Fish Processors, Importers, Distributors and Merchants Association

Extended data tables are provided in the Annexes

Introduction

As a market, Romania is the 2nd largest in CE Europe after Poland. However, Romania's economy and consumption have performed better in the recent years which make it a more interesting destination for food exports and investments in food processing.

The current increase in purchasing power brought about significant increases in consumption, including in food consumption which is directly reflected in the food retail sector boom.

In the last 5 years since the financial crisis recovery, the Romanian food sector has been rapidly developing due to increasing demand, a recent VAT cut from 24% to 9%, as well as changes in consumer behaviour and expectations caused by exposure to international foods.

This is putting pressure on the food retail sector and caused its expansion beyond expectations. In the period 1 January - 10 November 2016 the international retail chains operating on the Romanian market - such as Profi, Mega Image, Lidl, Carrefour, Metro Cash & Carry, Selgros, Kaufland, Cora, Billa, Auchan - have opened 163 new stores after a very busy 2015 in which they opened a total of 212 new stores.

In **Chapter 1** of the current report is given an overview of the **Food Retail** sector developments, investments undertaken and major players active in the retail as well as those in the food distribution sector. So far, the Dutch exporters of food products have played a rather limited role in using the fast growing opportunities presented by the Romanian market. Especially in the retail sector Dutch products are difficult to find. Even strong Dutch products like cheese and other dairy products and fresh products like fruit and vegetables are sparsely available

In **Chapter 2** of the current report information is given about the current situation and expected development of the Romanian food industry as well as the players operating on the Romanian market, with a focus on **Dairy, Meat, Fruit & Vegetables, Bakery, Processed Potatoes, Fish and Seafood**. Many of the major players in these sectors are vertically integrated and have a good usage of EU funds for development of their production capacities and storage facilities. The modernisation trend of the Romanian food processing sector offers opportunities for the Dutch agro sector.

In **Chapter 3** an overview of the **Opportunities for Dutch Companies** is presented, presenting examples of the recent investments in the Romanian food industry, available EU funds, as well as international trade events relevant for the food sectors of interest.

Executive summary

An EU member since 2007 and a NATO member since 2004, Romania is currently the most dynamic large market in EU28 with a population of approx. 20 million.

After a 3.8% y-t-y growth in 2015 vs. 2014, the GDP Annual Growth Rate in Romania is expected to be around 5.2% by the end of 2016, while the foreign direct investment in Romania has reached 3.736 billion EUR in the first 10 months of 2016, up by 9%

According to the National Institute of Statistics, the retail sales of food, beverages and tobacco in Romania have increased by 16.5% in gross series in the first ten months of 2016 compared to the first ten months of 2015.

compared to the similar period of 2015, according to FRD Center analysis based on official provisional and revised data from National Bank of Romania.

The retail sector in Romania benefits from the economic growth - GDP growth in gross series of 4.9% in the first nine months of 2016 compared to the similar period of 2015 and the rising income levels.

Starting with June 2015, the VAT for food and non-alcoholic beverages in Romania has been reduced from 24% to 9%. This Government measure has had a positive impact on the food retail sector in Romania.

According to the Grocery Retailers in Romania Report published by Euromonitor in January 2016, the modern grocery retail is the main channel of grocery retail sales in Romania with a share of 52% in 2015, while the traditional grocery represents 48%.

International retail chains operating in Romania include: Auchan, Cora, Carrefour, Lidl, Penny Market, Profi, Mega Image, Kaufland, Metro Cash & Carry, Selgros.

By the number of stores opened in Romania, Profi was the leader in 2015, with 92 stores opened, and also continues to be the leader in 2016, having opened in the first 10 months of the year 104 stores.

Mega Image, the second most aggressive expanding retail network in Romania, has opened in 2015 some 61 new stores, while in the first 10 months of 2016 has slowed down the openings pace to only 31 stores.

Compared to other European countries, the current level of consumption of various food categories, such as dairy, meat products, bakery, processed fruit and vegetables, fish products, seafood, processed potatoes - is rather limited in Romania.

However, with the increasing purchasing power in the current period and the consumption growth registered in Romania, it is expected to be seen an increase in the purchase of all the above types of products, with a preference for gourmet and speciality ones.

For the next period, the retail sector in Romania is expected to benefit from steadier economic growth - forecasted real GDP growth rate of 5.2% in 2016, the rising of consumer spending, low inflation and available EU for country's modernisation

According to the FRD Center analysis based on the current sector research and previous similar researches, the Romanian food market is registering interesting dynamics, in many cases double digit growth levels.

At the same time, there are certain types of products, such as bread, meat cold-cuts or potato chips, on which the market relies mainly on the domestic production, especially since the traditional types of products are the most preferred by the local

consumers.

In respect to imports of food products, these are mainly focusing the gourmet and speciality types and are targeting the middle to high income buyers, both in retail and in HoReCa.

With the observed growing trend of consumers' demand for more sophisticated types of food products, in particular cheeses, seafood, fish, frozen bread dough and pastry, various meat specialities it is expected that the increase of imports of these types of products to continue in the next 2-5 years, while the local producers will continue innovating and adapting their portfolio to this trend.

Due to increasing educational programmes promoting a healthy diet and lifestyle, the Romanian demand for fresh fruit and vegetables, as well as for low fat dairy products and dry exotic fruit is expected to increase over the following years.

For the Dutch exporters and producers of food products looking to acquire local players on the Romanian market, there are various opportunities which include a good investment environment, qualified and relatively low-cost labour force, available EU funding and bank loans, interesting market demand dynamics, strategic location in vicinity of CIS, Russia, Turkey and access to sea, river, airport, rail and road transport routes.

I. General Overview of Romania 2016



1. Basic Country Information

Area:	238,391 km ²
Resident population:	19,760 thousand inhabitants on 1st of January 2016
Real GDP growth rate :	3.8% in 2015, 5.2% in H1 2016
Population by education level:	14.4%: higher education, 41.4%: secondary education, 44.2%: low education
Native language:	Romanian
Main foreign languages:	English, French, German, Italian, Spanish, Portuguese, Russian
Religion:	86.8% Eastern Orthodox
Government:	Parliamentary democracy
Currency:	1 EUR = 4.5202, on 16 December 2016
Affiliations:	European Union, NATO, World Trade Organization

Romania is a parliamentary republic and a constitutional democracy. The Parliament of Romania has a bicameral structure and includes the Chamber of Deputies and the Senate. The Deputies and the Senators are elected for a four year term by a popular vote. The latest elections have taken place in December 2016.

Romania has joined NATO on 29 March 2004 and the European Union on 1 January 2007. The country has been a member of the United Nations since 1955. Also, Romania is member of OSCE.

The current Prime Minister since November 2015 is Mr. Dacian Ciolos. His mandate ends in December 2016. Following the 11 December 2016 parliamentary elections, the center-left party, PSD, has won the majority and will propose a Prime Minister to form the new government. The Prime Minister is elected by the largest parliament group. Currently, the Romanian Government includes 21 Ministers.

The current elected President is Mr. Klaus Iohannis, elected in November 2014 for a five years term.

The administrative territory of Romania is divided into judete - counties. Romania has 41 counties and the Bucharest municipality. Also, in order to apply the policy of regional development, Romania has eight development regions: North-East, North-West, Centre, South-East, South Muntenia, South-West Oltenia, West and Bucharest-Ilfov.

Administrative-Territorial Regions of Romania



The mayors of the municipalities and the municipal councils are elected through direct local elections every four years. The municipal council is the local government authority. The mayor is the executive power body in the municipality.

2. Economic Indicators

An EU member since 2007 and a NATO member since 2004, Romania is currently the most dynamic large market in EU28, with a population of almost 20 million.

After a 3.8% y-t-y growth in 2015 vs. 2014, the GDP Annual Growth Rate in Romania is expected to be 5.5% by the end of 2016, according to Trading Economics global

macro models and analysts expectations. Looking forward, they estimate GDP Annual Growth Rate in Romania to stand at 5% in 12 months time. In the long-term, the Romania GDP Annual Growth Rate is projected to trend around 3.2% in 2020.

Romania GDP	Last	Q4/16	Q1/17	Q2/17	Q3/17	2020
<u>GDP Growth Rate</u>	0.6	1.1	0.9	1	0.7	0.6
<u>GDP Annual Growth Rate</u>	4.4	5.5	5.1	5.2	5	3.2



Graph by Trading Economics

The structure of the GDP in Romania in 2015 has been as follows:

- Agriculture, forestry and fishing 4.2%
- Mining and quarrying; manufacturing, electricity, gas, steam and air conditioning production and supply, water supply, sewerage, waste management and decontamination activities 23.2%
- Construction 7.4%
- Wholesale and retail; repair of motor vehicles and motorcycles, transport and storage, hotels and restaurants 15.8%
- Information and communication 5.6%
- Financial intermediation and insurance 3.4%
- Real estate activities 8.0%
- Professional, scientific and technical activities; activities of administrative services and support services 7.3%
- Public administration and defence, social insurance of public sector; education; health and social assistance 10.3%
- Shows, culture and recreation activities, repair of households goods and other 2.6%

Snapshot of the Macroeconomic Environment, 2012 – 2017

	2012	2013	2014	2015	2016e	2017e
GDP - billion RON current prices	596.7	637.6	667.6	712.8	757.0	805.9
Real GDP growth rate	0.6	3.5	3.0	3.8	5.2	4.3
GDP per capita in PPS -Purchasing Power Standards - EU28 = 100	54	54	55	57	n/a	n/a
Population - million inhabitants	20.1	20.0	19.9	19.9	n/a	n/a
ILO unemployment rate	6.8	7.1	6.8	6.8	6.7	6.6
FDI net flow - million EUR	2,138	2,712	2,421	3,035	n/a	n/a
Inflation Rate	3.3	4.0	1.1	-0.6	n/a	n/a
General government gross debt, % of GDP	37.4	38.0	39.8	38.4	n/a	n/a
Net external debt, % of GDP	38.4	35.8	29.9	24.1	n/a	n/a

Source: Eurostat, National Institute of Statistics, National Bank of Romania, National Commission for Prognosis

Business Climate

The business climate in Romania is favourable and the dynamics has been upward in the last period.

According to the European Commission, in August 2016, the Economic Sentiment Indicator - ESI in Romania was of 104.2, compared to 103.5 in the Euro area and 103.8 in the European Union.

International Trade

Trade, Exchange Rate and Current Account, 2012 – 2017

Indicator	2012	2013	2014	2015	2016e	2017e
Current account balance, % of GDP	-4.4	-0.8	-0.5	-1.1	-1.6	-1.6
Trade balance - million EUR	-9,634	-5,755	-6,063	-8,370	-10,250	-11,450
FOB Exports - million EUR	45,069	49,562	52,459	54,598	57,600	61,800
FOB Exports, % change	-0.5	10.0	5.8	4.1	5.5	7.3
CIF Imports - million EUR	54,703	55,317	58,522	62,968	67,850	73,250
CIF Imports, % change	-0.5	1.1	5.8	7.6	7.8	8.0
EUR/RON average exchange rate	4.4560	4.4190	4.4446	4.4450	4.46	4.44

Source: National Institute of Statistics, National Bank of Romania, National Commission for Prognosis

According to FRD Center analysis based on official provisional and revised data from National Bank of Romania, the foreign direct investment in Romania has reached 3.736 billion EUR in the first 10 months of 2016, up by 9% compared to the similar period of 2015.

Credit Rating

- In December 2015, Moody's has changed the outlook on Romania's Baa3 government bond ratings to positive from stable. Concurrently, Moody's has affirmed Romania's Baa3/P-3 ratings.
- In April 2016, Standard & Poor's has announced that it maintained Romania's rating at BBB- investment grade, with a stable outlook. The country's rating for short-term loans has stayed at A-3.
- In January 2016, Fitch Ratings has affirmed Romania's Long-term foreign and local currency Issuer Default Ratings - IDR at 'BBB-' and 'BBB', respectively. The Outlooks are Stable.
- In March 2016, Japan Credit Rating Agency has improved Romania's country rating from BBB-/BBB to BBB/BBB+ for long term debt in foreign currency and respectively for long term debt in local currency, with a stable outlook.

In H1 2016 compared to H1 2015:

- foreign direct investment in Romania increased by 20%, reaching 2.036 billion EUR
- industrial production increased by 1.3%
- new orders in manufacturing increased by 7%
- turnover in industry increased by 4.3%
- retail turnover volume increased by 18%
- turnover of the trade with motor vehicles and motorcycles increased by 16.9%
- the volume of construction works increased by 5.3%
- the quantity of cow's milk collected by processing units from agricultural holdings and collection centres in Romania increased by 6.8%
- Romanian FOB exports have increased by 4.2%
- CIF imports in Romania have increased by 7.7%

II. Chapter 1 - Food Retail Sector in Romania

1. Current dynamics and factors influencing the development of food retail

According to the National Institute of Statistics, the retail sales of food, beverages and tobacco in Romania have increased by 16.5% in gross series in the first ten months of 2016 compared to the first ten months of 2015.

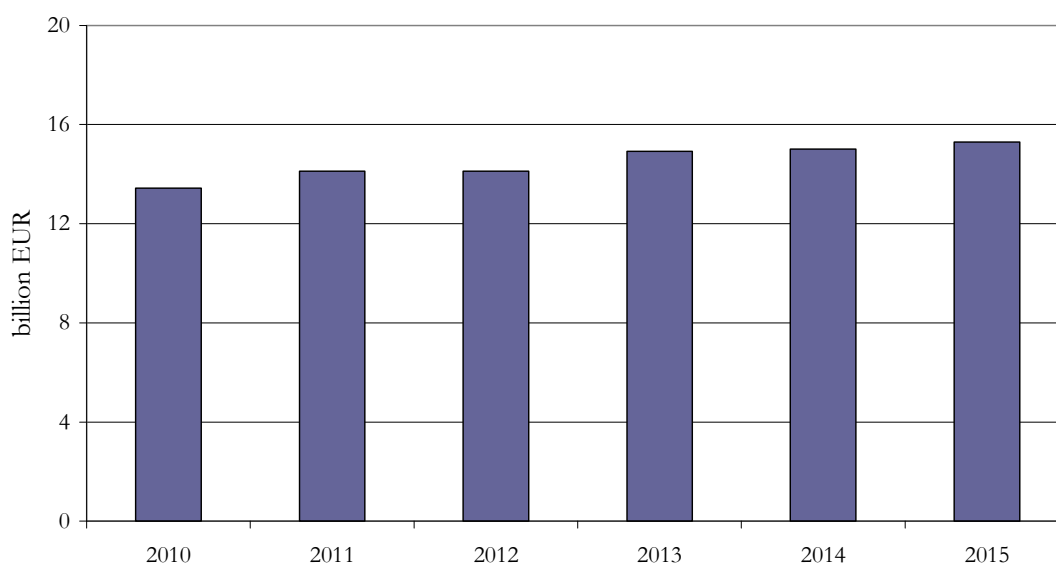
The retail sector in Romania benefits from the economic growth - GDP growth in gross series of 4.9% in the first nine months of 2016 compared to the similar period of 2015 - and the rising income levels.

Starting with June 2015, the VAT for food and non-alcoholic beverages in Romania has been reduced from 24% to 9%. This Government measure has had a positive impact on the food retail sector in Romania.

The retail sector in Romania is characterised by strong price competition and strong price-sensitivity.

According to the Grocery Retailers in Romania Report published by Euromonitor in January 2016, the **sales of the grocery retailers** on the domestic market have recorded approximately 15.3 billion EUR in 2015, up by 1.9% compared to 2014.

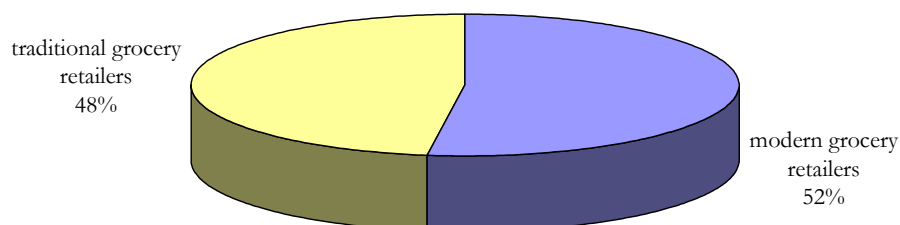
Value sales of grocery retailers in Romania, 2010 - 2015



Source: Euromonitor, FRD Center

According to the Grocery Retailers in Romania Report published by Euromonitor in January 2016, the modern grocery retail is the main channel of grocery retail sales in Romania with a share of 52% in 2015, while the traditional grocery represents 48%.

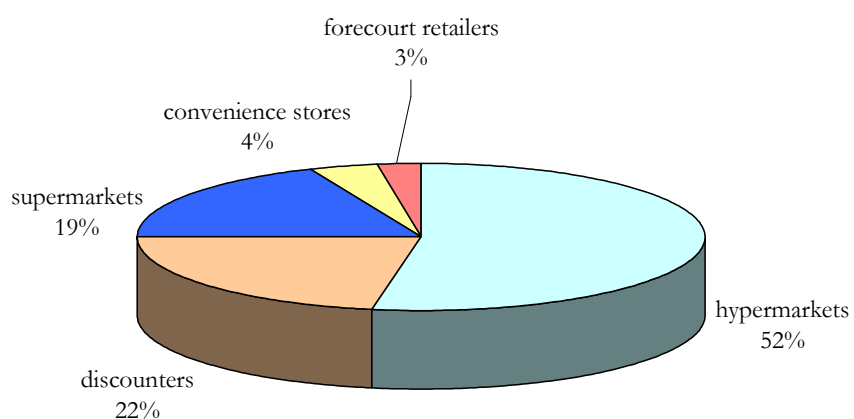
Sales of grocery retailers in Romania in 2015, by channel



Source: Euromonitor, FRD Center

According to the Grocery Retailers in Romania Report published by Euromonitor in January 2016, in the category of the modern grocery retail in Romania, the hypermarkets have the biggest share: 52%, followed by discounters, supermarkets, convenience stores and forecourt retailers.

Sales of modern grocery retailers in Romania in 2015, by channel



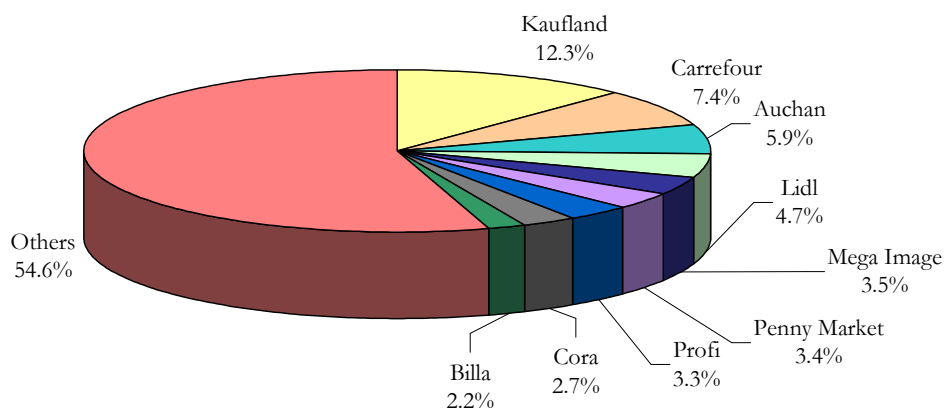
Source: Euromonitor, FRD Center

According to the Grocery Retailers in Romania Report published by Euromonitor in January 2016, Kaufland has recorded the highest Grocery Retailers GBN - Global Brand Name - brand share in Romania in 2015: 12.3% of total retail value, followed by Carrefour: 7.4% and Auchan: 5.9%.

Grocery Retailers GBN - Global Brand Name - Brand Shares in Romania				
% retail value excl sales tax				
Brand	2012	2013	2014	2015
Kaufland	10.2	11.7	12.0	12.3
Carrefour	6.7	6.5	6.6	7.4
Auchan	2.8	3.2	5.6	5.9
Lidl	4.1	4.4	4.6	4.7
Mega Image	2.2	2.7	3.4	3.5
Penny Market	2.9	3.2	3.3	3.4
Profi	1.8	2.2	2.8	3.3
Cora	2.3	2.5	2.6	2.7
Billa	2.0	2.1	2.1	2.2
Others	65.0	61.5	57.0	54.6

Source: Euromonitor, FRD Center

Grocery retailers GBN brand shares in Romania in 2015



Source: Euromonitor, FRD Center

The Internet retailing has recorded a dynamic growth in Romania during the last period due to widening Smartphone use and offering a wide range of products at bargain prices.

2. International food modern retail players - profiles and analysis

Kaufland Romania SCS

<i>International chain / ownership:</i>	Schwarz Group
<i>Entry year in Romania:</i>	2003 - the first Kaufland store in Romania has been opened in 2005
<i>No of stores total:</i>	110 Kaufland stores
<i>No of stores opened in 2015:</i>	18
<i>No of stores opened in 2016:</i>	3, during 01 January – 12 August 2016
<i>Net turnover:</i>	2,064 million EUR in 2015
<i>Net turnover growth:</i>	+15% in 2015 compared to 2014
<i>No of employees:</i>	13,263 in 2015
<i>Achievements in 2016:</i>	In August 2016, Kaufland Romania has launched the Scan&Pay app, allowing customers to scan the products with their smartphones, thus avoiding huge checkout lines. In April 2016, Kaufland has inaugurated the first public network of Fast Charge stations for electric cars in Romania.
<i>Plans for 2017:</i>	Kaufland plans to develop its network of Fast Charge stations for electric cars in Romania.

Carrefour Romania SA

<i>International chain / ownership:</i>	Carrefour Group
<i>Entry year in Romania:</i>	2001
<i>No of stores total:</i>	282 stores: 31 Carrefour hypermarkets, 111 Market supermarkets, 43 Express proximity stores, 10 Contact proximity stores, one on-line store www.carrefour-online.ro and 86 Billa supermarkets In December 2015, Carrefour has acquired the Billa stores in Romania from the Rewe Group.
<i>No of stores opened in 2015:</i>	19
<i>No of stores opened in 2016:</i>	7, during 01 January - 27 October 2016
<i>Net turnover:</i>	1,158 million EUR in 2015
<i>Net turnover growth:</i>	+13% in 2015 compared to 2014

<i>No of employees:</i>	7,985 in 2015
<i>Achievements in 2016:</i>	In November 2016, Carrefour Romania has launched the CarrefourPay application, through which the buyers can pay for their purchases using mobile phones. Billa Romania is currently in the process of integration within Carrefour Romania, which also involves the chain rebranding. The takeover transaction has been completed mid 2016, after receiving the approval from the Competition Council.
<i>Plans for 2017:</i>	By the end of 2017, all Billa stores in Romania will operate under the "Market" banner, which Carrefour operates on the supermarket segment.

Lidl Discount SRL

<i>International chain / ownership:</i>	Schwartz Group
<i>Entry year in Romania:</i>	2010, through taking over the Plus stores
<i>No of stores total:</i>	201 Lidl Stores
<i>No of stores opened in 2015:</i>	8
<i>No of stores opened in 2016:</i>	9, during 01 January – 26 October 2016
<i>Net turnover:</i>	1,063 million EUR in 2015
<i>Net turnover growth:</i>	+22% in 2015 compared to 2014
<i>No of employees:</i>	3,771 in 2015
<i>Achievements in 2016:</i>	In October 2016, Lidl has inaugurated in Bucharest its first commercial unit with green roof. Lidl has opened in November 2016 a logistic centre in Lugoj, Timis county, Western Romania, following investments of 20 million EUR. The logistic centre has the storage capacity of 22,500 pallets.
<i>Plans for 2017:</i>	Following the opening of the logistic centre in Lugoj, Lidl plans to expand its presence in the Western region of Romania.

Metro Cash & Carry Romania SRL

<i>International chain / ownership:</i>	Metro Group
<i>Entry year in Romania:</i>	1996
<i>No of stores total:</i>	30 Metro stores
<i>No of stores opened</i>	0

in 2015:

No of stores opened 0

in 2016: Metro has closed a store - Metro Cash & Carry in Braila - in 2016.

Net turnover: 1,011 million EUR in 2015

Net turnover growth: +0.1% in 2015 compared to 2014

No of employees: 4,576 in 2015

Achievements in 2016: In July 2016, Mr. Roland Ruffing took over the position of CEO of Metro Cash & Carry Romania. Mr. Ruffing began his career at Metro in 2004, by joining Makro Cash & Carry Poland as Financial Director.

Plans for 2017: Metro plans to continue sustaining domestic food producers. At present, over 70% of its suppliers of fresh food products - meat, sausages, eggs, fish, bakery, fruits, vegetables etc - are from Romania.

Auchan Romania SA

International chain / ownership: Auchan Group

Entry year in Romania: 2005 - the first Auchan store in Romania has been opened in 2006

No of stores total: 33 Auchan stores

No of stores opened in 2015: 1

No of stores opened in 2016: 0

Net turnover: 1,000 million EUR in 2015

Net turnover growth: +18% in 2015 compared to 2014

No of employees: 9,430 in 2015

Achievements in 2016: In November 2016, Auchan and One United have acquired from Global Finance the land of the former Automatica factory in Bucharest, where they plan to develop a joint project.

Auchan has launched in 2016 partnerships with universities in Romania for management trainee programmes.

Plans for 2017: Auchan Romania plans entering the supermarket segment, where it is active internationally with brands such as Simply Market or A2Pas. Currently, Auchan operates in Romania only on the hypermarket segment.

Mega Image SRL

International chain / Ahold Delhaize Group

ownership:

Entry year in 1994

Romania:

No of stores total: 502 store: 223 Mega Image stores, 277 Shop&Go stores and 2 Gusturi Romanesti stores

No of stores opened 61

in 2015:

No of stores opened 31, during 01 January – 07 November 2016
in 2016:

Net turnover: 802 million EUR in 2015

Net turnover growth: +27% in 2015 compared to 2014

No of employees: 8,077 in 2015

Achievements in In September 2016, Mega Image has moved its Romanian
2016: HQ to Plaza Romania Offices in Bucharest.

Mega Image has won the “Best Retailer” and “Best New Retail Concept” Awards at the Gala organised by Progresiv Magazine in March 2016.

Plans for 2017: Mega Image plans to continue the expansion process by opening new stores in all the regions in Romania.

Selgros Cash & Carry SRL

International chain / TransGourmet Group, controlled by COOP
ownership:

Entry year in 2001

Romania:

No of stores total: 21 Selgros stores

No of stores opened 0

in 2015:

No of stores opened 2, during 01 January - 30 September 2016
in 2016:

Net turnover: 660 million EUR in 2015

Net turnover growth: +4% in 2015 compared to 2014

No of employees: 3,745 in 2015

Achievements in In May 2016, Selgros has finalised the rebranding process
2016: started in 2014.

Plans for 2017: Selgros analyses the opportunity to open stores in areas in Romania where it is not yet present.

Rewe Romania SRL

International chain / Rewe Group
ownership:

Entry year in 2005

Romania:

<i>No of stores total:</i>	188 stores: 180 Penny Market stores and 8 XXL Mega Discount stores
<i>No of stores opened in 2015:</i>	13
<i>No of stores opened in 2016:</i>	7 Penny Market stores, during 01 January - 14 September 2016
<i>Net turnover:</i>	598 million EUR in 2015
<i>Net turnover growth:</i>	+14% in 2015 compared to 2014
<i>No of employees:</i>	3,472 in 2015
<i>Achievements in 2016:</i>	Penny Market has started in 2016 the construction works at a logistic centre in Bacau, NE Romania. The total investment is estimated at 19 million EUR.
<i>Plans for 2017:</i>	Rewe Romania will give up the XXL Mega Discount retail banner in 2017. Out of the 8 XXL Mega Discount stores, two will be sold and six will be transformed into Penny Market stores. As a result of this decision, Rewe aims to increase the Penny Market's brand visibility.

Profi Rom Food SRL

<i>International chain / ownership:</i>	Mid Europa Partners
<i>Entry year in Romania:</i>	1999 - the first Profi store in Romania has been opened in 2000
<i>No of stores total:</i>	471 Profi stores - Profi operates two store formats in urban areas: Standard and City and a format for rural areas: Loco.
<i>No of stores opened in 2015:</i>	92
<i>No of stores opened in 2016:</i>	104, during 01 January – 10 November 2016
<i>Net turnover:</i>	573 million EUR in 2015
<i>Net turnover growth:</i>	+38% in 2015 compared to 2014
<i>No of employees:</i>	7,354 in 2015
<i>Achievements in 2016:</i>	The investment firm Mid Europa Partners has signed in November 2016 an agreement to acquire 100% of shares in Profi Rom Food from Polish Enterprise Fund VI - Enterprise Investors with 533 million EUR. This is the largest retail deal ever completed in Romania. The transaction is subject to anti-trust clearance and is expected to close in Q1 2017. Profi is the retailer with most openings in Romania in 2016.
<i>Plans for 2017:</i>	Mid Europa Partners plans to continue the organic growth of the Profi retail network.

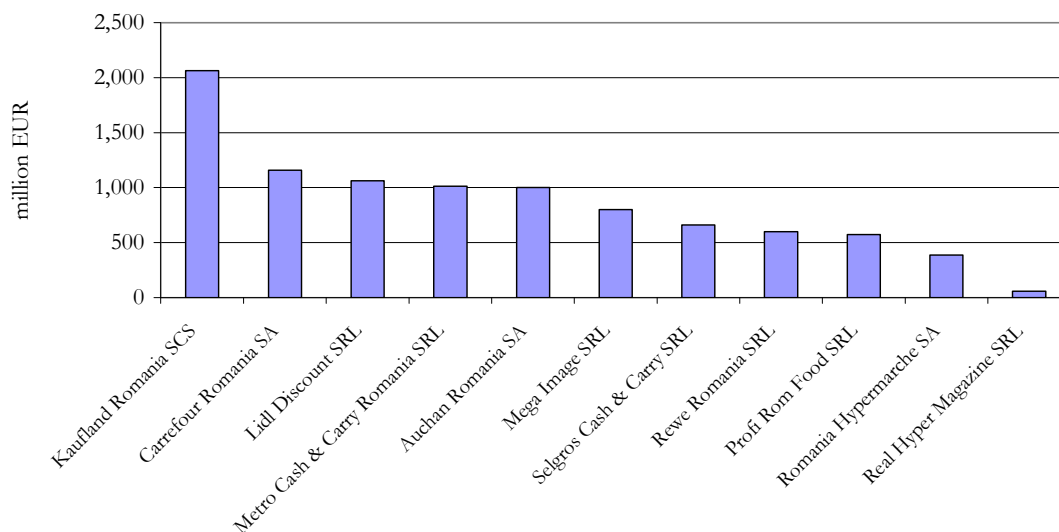
Romania Hypermarche SA

<i>International chain / ownership:</i>	Louis Delhaize Group
<i>Entry year in Romania:</i>	2002 - the first Cora store in Romania has been opened in 2003
<i>No of stores total:</i>	12 Cora stores
<i>No of stores opened in 2015:</i>	0
<i>No of stores opened in 2016:</i>	0
<i>Net turnover:</i>	388 million EUR in 2015
<i>Net turnover growth:</i>	+1% in 2015 compared to 2014
<i>No of employees:</i>	4,779 in 2015
<i>Achievements in 2016:</i>	In September 2016, Cora has finalised the expansion and modernization works at its store located in City Park Constanta, following investments of 2 million EUR.
<i>Plans for 2017:</i>	No plans announced.

Real Hyper Magazine SRL

<i>International chain / ownership:</i>	Metro Group
<i>Entry year in Romania:</i>	2007 – under “Real Hypermarket Romania SRL” name, company acquired by Auchan in 2013 2013 – under current name
<i>No of stores total:</i>	4 Real hypermarkets
<i>No of stores opened in 2015:</i>	0
<i>No of stores opened in 2016:</i>	0
<i>Net turnover:</i>	56 million EUR in 2015
<i>Net turnover growth:</i>	+21% in 2015 compared to 2014
<i>No of employees:</i>	735 in 2015
<i>Achievements in 2016:</i>	No achievements announced.
<i>Plans for 2017:</i>	No plans announced.

Net turnover of international food modern retail players in Romania in 2015



Source: Ministry of Public Finances, FRD Center

By the number of stores opened in Romania, Profi was the leader in 2015, with 92 stores opened, and also continues to be the leader in 2016, having opened in the first 10 months of the year 104 stores.

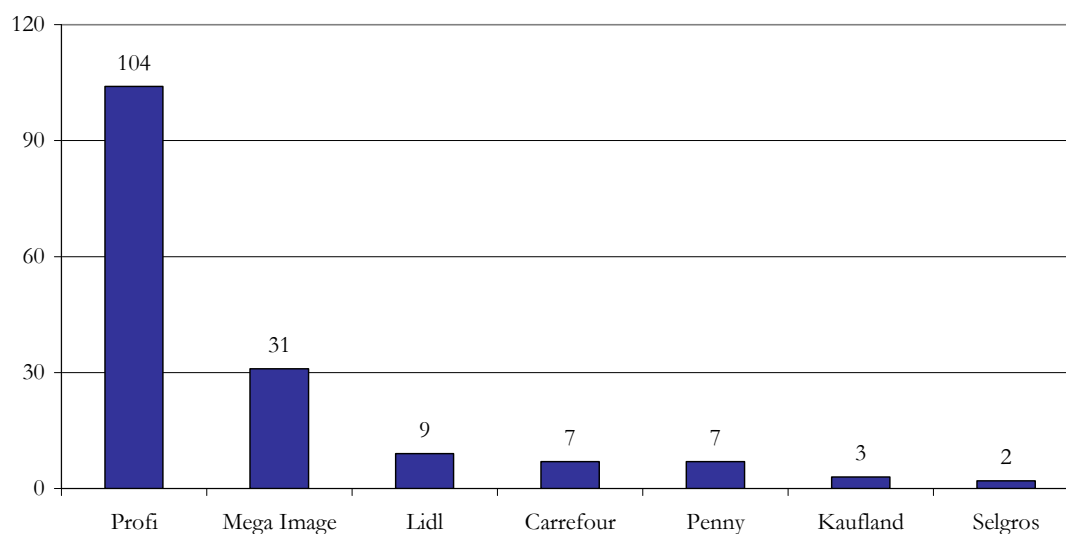
Mega Image, the second most aggressive expanding retail network in Romania, has opened 61 new stores in 2015, while in the first 10 months of 2016 has slowed down the openings pace to only 31 stores.

International food modern retail players in Romania - no of stores opened in 2015



Source: FRD Center

International food modern retail players
in Romania - no of stores opened during 01 January – 10 November 2016



Source: FRD Center

3. Local / regional food retail players - profiles and analysis

Elan Trio SRL

Ownership:	Mr. Csaba Gyorgy Boros, Ms. Cecilia Boros
Set up year:	1993
No of stores total:	15 Merkur, Szuper, C+C stores
No of stores opened in 2015:	n/a
No of stores opened in 2016:	n/a
Net turnover:	45.9 million EUR in 2015
Net turnover growth:	-4% in 2015 compared to 2014
No of employees:	669 in 2015
Achievements in 2016:	Elan Trio, which has the most extensive retail network in the Tinutului Secuiesc region of Romania, has launched a catalogue with weekly promotions.
Plans for 2017:	Elan Trio plans to continue the development of its private brand - Gobe. At present, Elan Trio collaborates with around 70 local food manufacturers for the production of the Gobe brand.

Annabella SRL

<i>Ownership:</i>	Ms. Dorina Mutu, Mr. Dan Mutu They own also the company Annabella Fabrica de Conserve Raureni SRL - specialised in the manufacturing of processed fruits and vegetables.
<i>Set up year:</i>	1994
<i>No of stores total:</i>	56 Annabella and Fresh stores
<i>No of stores opened in 2015:</i>	n/a
<i>No of stores opened in 2016:</i>	n/a
<i>Net turnover:</i>	44.3 million EUR in 2015
<i>Net turnover growth:</i>	+12% in 2015 compared to 2014
<i>No of employees:</i>	665 in 2015
<i>Achievements in 2016:</i>	Annabella has entered the Bucharest market in 2016, by opening three stores. Ms. Dorina Mutu, the owner of Annabella, has won the "Best Entrepreneur in Retail" Award at the Gala organised by Progresiv Magazine in March 2016.
<i>Plans for 2017:</i>	Annabella plans to continue the expansion process and to open new stores.

Succes Nic Com SRL

<i>Ownership:</i>	Mr. Nicolae Sarcina
<i>Set up year:</i>	1994
<i>No of stores total:</i>	over 150 Succes stores in February 2015
<i>No of stores opened in 2015:</i>	n/a
<i>No of stores opened in 2016:</i>	n/a
<i>Net turnover:</i>	34.9 million EUR in 2015
<i>Net turnover growth:</i>	-54% in 2015 compared to 2014
<i>No of employees:</i>	1,162 in 2015
<i>Achievements in 2016:</i>	No achievements announced, as Succes Nic Com has entered the insolvency procedures in February 2015.
<i>Plans for 2017:</i>	No plans announced.

Zanfir SNC

<i>Ownership:</i>	Ms. Lilieana Zanfir
<i>Set up year:</i>	1991

<i>No of stores total:</i>	10 Zanfir stores
<i>No of stores opened in 2015:</i>	n/a
<i>No of stores opened in 2016:</i>	n/a
<i>Net turnover:</i>	26.1 million EUR in 2015
<i>Net turnover growth:</i>	+14% in 2015 compared to 2014
<i>No of employees:</i>	326 in 2015
<i>Achievements in 2016:</i>	Zanfir has launched in September 2016 its first premium supermarket - Zanfir Premium Market. It is located in Focsani, Vrancea county and has the total surface of 1,000 sqm. Zanfir has the oldest and the most extensive retail network in the Vrancea region, SE Romania.
<i>Plans for 2017:</i>	Zanfir plans to construct a new logistic centre and to open its second premium supermarket.

Barta Ati SRL

<i>Ownership:</i>	Mr. Lajos Barta
<i>Set up year:</i>	1994
<i>No of stores total:</i>	10 CBA Barta Ati, Barta Ati cash & carry stores
<i>No of stores opened in 2015:</i>	n/a
<i>No of stores opened in 2016:</i>	n/a
<i>Net turnover:</i>	21 million EUR in 2015
<i>Net turnover growth:</i>	+6% in 2015 compared to 2014
<i>No of employees:</i>	214 in 2015
<i>Achievements in 2016:</i>	No achievements announced.
<i>Plans for 2017:</i>	No plans announced.

Darina Com SRL

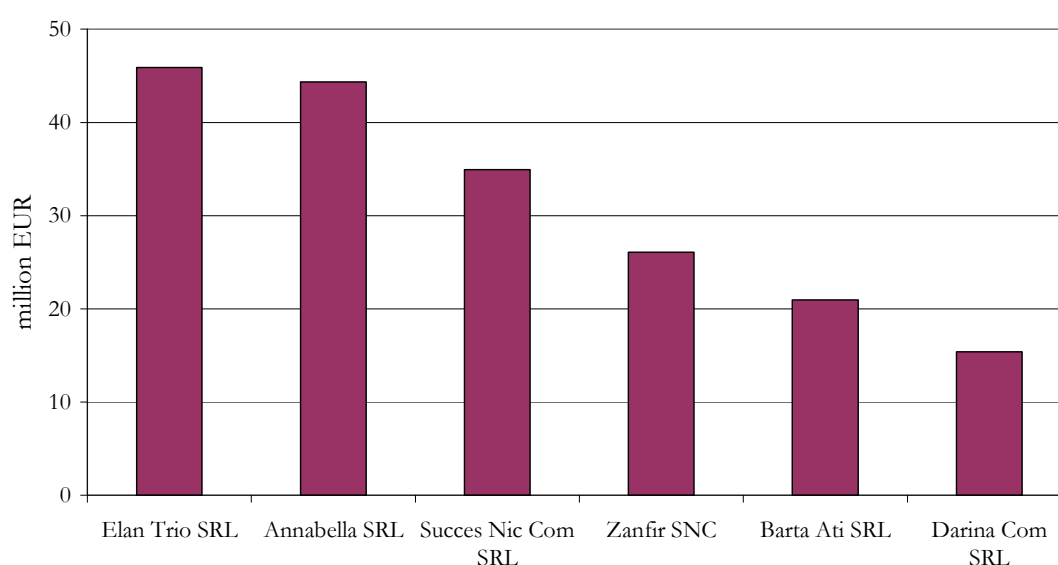
<i>Ownership:</i>	Mr. Aurel Baci
<i>Set up year:</i>	1994
<i>No of stores total:</i>	15 Darina stores
<i>No of stores opened in 2015:</i>	n/a
<i>No of stores opened in 2016:</i>	n/a
<i>Net turnover:</i>	15.4 million EUR in 2015
<i>Net turnover growth:</i>	+15% in 2015 compared to 2014

No of employees:	263 in 2015
Achievements in 2016:	Darina Com has inaugurated in October 2016 its 15th store. It is located in Cristesti, Mures county, Centre Romania and has the surface of 450 sqm.
Plans for 2017:	No plans announced.

Some of the major local food producers with own retail networks in Romania are:

- Unicarm: 87 stores
- Diana: 40 stores
- Sergiana: 47 stores

Net turnover of local / regional food retail players in Romania in 2015



Source: Ministry of Public Finances, FRD Center

In order to face the strong competition with supermarkets and hypermarkets, the traditional grocery retailers have been often forced to discount prices, this resulting in many of these independent players struggling to survive.

According to the Grocery Retailers in Romania Report published by Euromonitor in January 2016, the traditional grocery retailers have declined by 3% in outlet volume in 2015 over the previous year. The independent small grocers and other grocery retailers, mainly market stalls, have recorded 6% and 5% outlet volume decline in 2015.

4. Main food importer-distributors - profiles and analysis

Interbrands Marketing & Distribution SRL

<i>Website:</i>	www.interbrands.ro
<i>Short profile:</i>	Established in 1993 as part of Sarkis Group International, Interbrands Marketing & Distribution is the main importer-distributor of food and non-food products in Romania.
<i>Brands:</i>	Nestle, Barilla, Mars, Atifco Food, Danone, Arpis, Domeniul Coroanei Segarcea, Mandy Foods, Riso Scotti, Scandia, Vinarte, Maxim's, DeLonghi, Comceh, 3M, Alufix, Henkel, P&G, British American Tobacco, Philip Morris
<i>Net turnover:</i>	164.5 million EUR in 2015
<i>Net turnover growth:</i>	+9% in 2015 compared to 2014
<i>No of employees:</i>	1,829 in 2015
<i>Auto fleet:</i>	approximately 1,500 auto vehicles
<i>Warehouses:</i>	3 logistics centres in Bucharest, Bacau and Timisoara
<i>Investments:</i>	In November 2016, Interbrands Marketing & Distribution has completed the acquisition process of Europharm Holding SA from GlaxoSmithKline. Europharm is one of the main domestic drug distribution companies, active since 1994.
<i>Clients:</i>	over 27,000 commercial units all over the country
<i>Plans for next years:</i>	Moving into the pharmaceutical industry through the acquisition of Europharm provides further growth opportunities for Interbrands for the next years. Interbrands plans to renew its auto fleet and to purchase auto vehicles equipped with hybrid technology.

Aquila Part Prod Com SRL

<i>Website:</i>	www.aquila.ro
<i>Short profile:</i>	Established in 1994, Aquila Part Prod Com is a main importer-distributor of food and non-food products in Romania. It is owned by Mr. Alin Docu and Mr. Catalin Vasile - Romanian private capital. The Aquila Group includes also the importer-distributor Seca Distribution SRL, which has recorded a net turnover of 77 million EUR in 2015.
<i>Brands:</i>	Ferrero, Mars, Wrigley, Rauch, Unilever, Lavazza, Philips, Imperial Tobacco
<i>Net turnover:</i>	151.6 million EUR in 2016
<i>Net turnover growth:</i>	+13% in 2015 compared to 2014
<i>No of employees:</i>	1,989 in 2015

<i>Auto fleet:</i>	approximately 1,750 auto vehicles
<i>Warehouses:</i>	one warehouse in Ploiesti
<i>Investments:</i>	Aquila has made investments in the recent years in order to increase its auto fleet. For example, Aquila has purchased approximately 60 new trucks in 2015.
<i>Clients:</i>	over 950 modern retail units, over 70,000 traditional retail units, over 970 en-gross players all over Romania
<i>Plans for next years:</i>	Aquila plans to expand its business and to increase the number of employees.

Macromex SRL

<i>Website:</i>	www.macromex.ro
<i>Short profile:</i>	Founded in 1993, Macromex is the main importer-distributor of frozen food in Romania. It is owned by Mr. Dan Minulescu - Romanian private capital.
<i>Brands:</i>	Edenia - frozen food Farm Frites - frozen potato President - dairy Philadelphia - dairy Milram - dairy Oldenburger - dairy Akadia - dairy Gruia - dairy La Lorraine - bakery – own brand Casa Gruia - meat Azuris - fish Corso - ice cream La Strada - ice cream Snickers - ice cream Dr. Oetker - condiments, musli, desserts
<i>Net turnover:</i>	142.5 million EUR in 2015
<i>Net turnover growth:</i>	+22% in 2015 compared to 2014
<i>No of employees:</i>	333 in 2015
<i>Auto fleet:</i>	over 80 trucks with controlled temperature
<i>Warehouses:</i>	2 distribution centres and 5 cross-docking points
<i>Investments:</i>	La Lorraine Romania, the joint venture between La Lorraine Bakery Group and Macromex, has launched in September 2016 its third production line of frozen bakery in Campia Turzii, NW Romania, following an investment of 10 million EUR.
<i>Clients</i>	over 11,000 customers in the entire Romania - Macromex has 6 sales divisions: Retail, IKA, Ice, Bakery, HoReCa, Trading.

Plans for next years: No plans announced.

Whiteland Import Export SRL

Website: www.whiteland.ro

Short profile: Set up in 1993, Whiteland Import Export is specialised in the import and distribution of food products. The company has a strong experience in the distribution of foods on the domestic market. Ms. George Stefanescu, General Director, Whiteland Import Export, has won the "Outstanding Leadership" Award at the Gala organised by Progresiv Magazine in March 2016.

Brands: FrieslandCampina - dairy
Meggle - dairy
Olympus - dairy
Annabella Raureni - processed fruits and vegetables
d'Aucy - processed vegetables
Pescado - fish
Perutnina - meat
Ifantis - meat
Don Gustosso - sauces
Orkla Foods - sauces
Zaini - sweets
Kotanyi - condiments
Nestlé - sweets

Net turnover: 105.7 million EUR in 2015

Net turnover growth: +3% in 2015 compared to 2014

No of employees: 355 in 2015

Auto fleet: over 100 temperature-controlled auto vehicles

Warehouses: 12 warehouses with national coverage

Investments: In February 2016, Whiteland Import Export has started to distribute FrieslandCampina dairy products in the traditional trade in the region of Moldova, NE Romania. Other contracts signed lately by Whiteland are those with Nestlé for the distribution of sweets in the Western region of the country and with the dairy manufacturer Olympus for the national distribution in the traditional trade.

Clients international modern retail chains, local / regional modern retail chains, traditional grocery chains, HoReCa players all over Romania

Plans for next years: After the termination of the contract with its main partner - Hochland Romania - in January 2016, Whiteland plans to bring new brands in its portfolio in the next years.

Elgeka Ferfelis Romania SA

<i>Website:</i>	www.elgekagroup.com
<i>Short profile:</i>	Established in 2002, Elgeka Ferfelis Romania is one of the main importer-distributors of food and non-food products in Romania.
<i>Brands:</i>	Olympic, Viotros, Chipita, Melitta, Henkel, Polimark
<i>Net turnover:</i>	54.3 million EUR in 2015
<i>Net turnover growth:</i>	-26% in 2015 compared to 2014
<i>No of employees:</i>	424 in 2015
<i>Auto fleet:</i>	n/a
<i>Warehouses:</i>	one central warehouse in Bucharest
<i>Investments:</i>	Elgeka Ferfelis Romania has signed in 2015 an agreement with Henkel for the distribution of the Henkel laundry & home care brands in the traditional retail.
<i>Clients</i>	retail and HoReCa clients all over Romania
<i>Plans for next years:</i>	No plans announced.

FOCUSED ON DAIRY PRODUCTS:**Euro Lact Prest Com SRL**

<i>Website:</i>	www.eurolact.ro
<i>Short profile:</i>	Founded in 2006, Euro Lact Prest Com is specialised in the import and distribution dairy products
<i>Brands:</i>	La Colline, Transilvania Lactate, Tudia
<i>Net turnover:</i>	5.1 million EUR in 2015
<i>Net turnover growth:</i>	+10% in 2015 compared to 2014
<i>No of employees:</i>	16 in 2015
<i>Auto fleet:</i>	n/a
<i>Warehouses:</i>	one warehouse in Bucharest
<i>Investments:</i>	In the recent years, Euro Lact Prest Com has made investments for the distribution of the La Colline dairy brand in the modern and traditional retail.
<i>Clients:</i>	retail and HoReCa clients
<i>Plans for next years:</i>	No plans announced.

5. Private brand

5.1 Kaufland

Kaufland has launched the **K-Classic private brand** in 2010. At present, the K-Classic range includes over 2,000 items: dairy products, frozen food, sweets, canned food, pasta, juices, animal food and household products

Other Kaufland's food private brands are:

- K-Bio
- K-take it veggie
- Exquisit

Private brand in Romania has practically exploded in the last few years, all the major retailer chains having developed their own private brands, in many cases several in each retail chain. According to market analysts, 20% of the food retail in Romania is private brand.

5.2 Carrefour

Carrefour has the following food private brands:

- Drag de Romania - **Romanian traditional food products**
- Carrefour
- Carrefour Discount
- Carrefour Baby
- Carrefour Bio

5.3 Lidl

Lidl has launched in 2015 the "Camara Noastra" private brand. It includes **Romanian traditional food products**: sausages, meat products, dairy products, canned food and sweets.

Other Lidl's private brand is Pilos which includes dairy products.

5.4 Metro

Metro has launched in 2012 the "De-ale noastre" private brand which includes vegetables, **100% produced in Romania**.

Other Metro's food private brands are:

- aro
- Fine Life
- Horeca Select

5.5 Auchan

Auchan sells in Romania the following food private brands:

- Produsul Economic
- Rik&Rok
- Baby

5.6 Mega Image

Mega Image has launched in 2009 the “Gusturi romanesti” private brand which includes a wide range of **Romanian traditional products**: dairy products, meat products, pasta and sweets, produced in collaboration with local producers.

Other Mega Image’s food private brands are:

- Mega Appetit
- Le Boucher
- 365
- Delhaize
- Bio

5.7 Penny Market

Penny Market has the following private brands of **Romanian traditional products**: Hanul Boieresc, Casa Gustului, Coliba Ciobanasului, Mesterul Macelar, Gradina cu Soare and Pui-Pui Pui.

Other Penny Market’s food private brands are:

- San Fabio
- campus
- elite
- Boni
- Crox
- Crip Crop

5.8 Profi

Profi sells in Romania the following food private brands:

- Gradina Bunicii - frozen and processed vegetables
- Dolcini - cakes
- Vital Grana - breakfast cereals, bakery products
- Eisler - rice, fruits, vegetables
- O&O - eggs

5.9 Cora

Cora has launched in 2010 the “Traditia Gustului” private brand, which include Romanian traditional products.

Other Cora’s food private brands are:

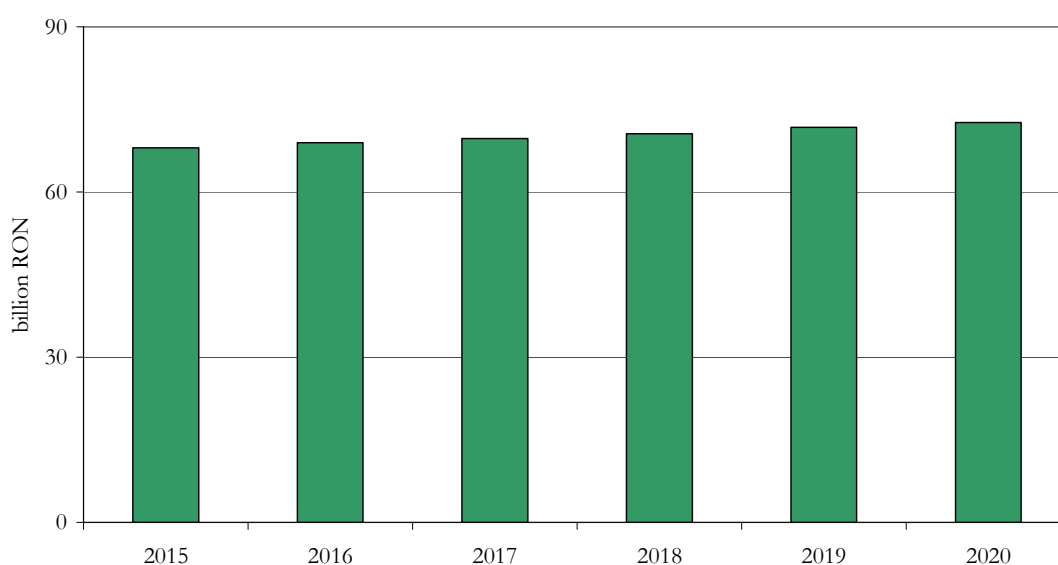
- cora
- cora Kido
- Nature bio
- Tentatii cora
- Patrimoine Gourmand

6. Expected trends, evolution, announced plans

For the next period, the retail sector in Romania is expected to benefit from steadier economic growth - forecasted real GDP growth rate of 5.2% in 2016, the rising of consumer spending, low inflation and available EU for country's modernisation

According to the Grocery Retailers in Romania Report published by Euromonitor in January 2016, the sales of the grocery retailers in Romania are forecasted to reach 72.6 billion RON in 2020, with a Compound Annual Growth Rate of 1.3% in 2015 - 2020.

Forecasted value sales of grocery retailers in Romania, 2015 - 2020



Source: Euromonitor, FRD Center

III. Chapter 2: Overview of Romanian Food Sectors

A. DAIRY PROCESSING

1. Consumption

1.1 Consumption levels, statistics

Compared to other European countries, the current level of consumption of dairy products in Romania is rather limited.

With the increasing purchasing power in the current period, it is expected to be seen an increase in the dairy products consumption, with a preference for gourmet and speciality cheeses, yoghurt-type products and cream-desserts, rather than plain milk or regular dairy products.

Annual average consumption per capita	2013 kilograms	2014 kilograms	Growth y-t-y
Milk and milk products in milk equivalent fat 3.5 %, excluding butter	244.5	251.5	+2.9%
Butter, gross weight	0.7	0.8	+14.3%

Source: NIS, FRD Center

For the dynamics of the annual average consumption per capita of milk, milk products and butter in Romania during 2010 – 2014, please see the Annex.

The Romanian dairy market is estimated by the local players at 800 million EUR.

According to the National Institute of Statistics, the monthly average **milk consumption** in Romania was of 5.76 litres / person in 2015, slightly less than 5.79 litres / person in 2014. According to the Romanian Milk Industry Trade Association APRIL, 60% of the milk produced in Romania is used for self-consumption.

According to a survey carried out by TNS Romania, 64% of the Romanian population drink **milk** on a weekly basis. People who frequently consume milk are mostly women aged between 15 and 34 years, but also people from households with more members, including children. There are also differences in the degree of urbanisation, consumption often focusing especially medium - 85% and small - 67% cities.

At the same time, in regards to **packed milk sold in retail trade**, according to an Euromonitor study, a Romanian drinks per year 13.5 litres of packed milk sold in retail trade, compared to 121.9 litres consumed per person in Ireland.

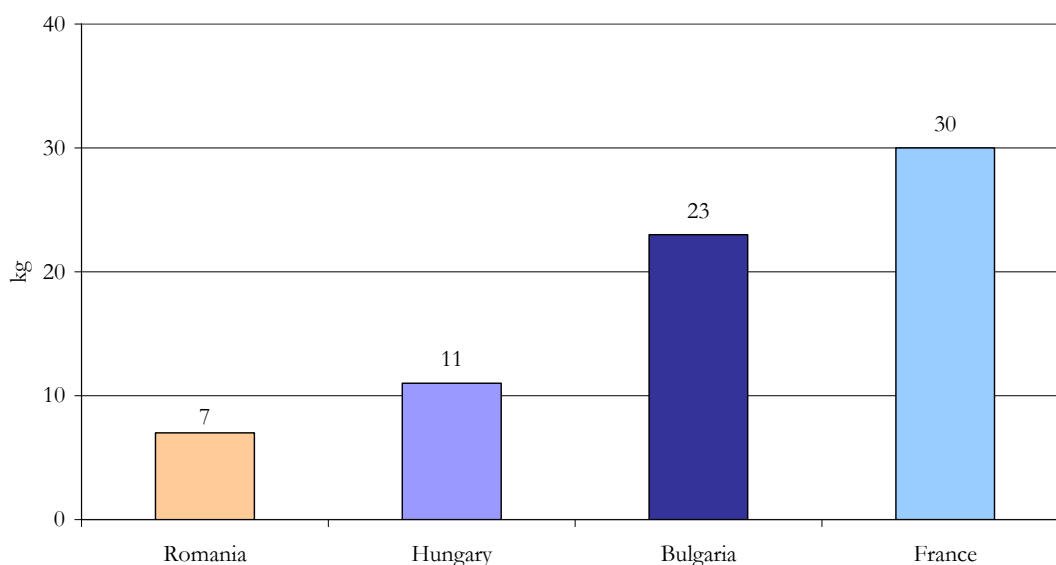
This shows that 80.5% of the **milk** consumed in Romania, totalling an yearly average of 69.12 litres / person, is not packed and not sold in retail trade, but rather either from own farm production or in alternative types of trade. Recently, are becoming more popular the milk self-service machines operated by the farmers, present in markets and by modern retail and regulated by The National Sanitary Veterinary and Food Safety Authority. In 2015 was formed the Association of Farmers - Users of Automatic Milk Dispensers.

Cheese consumption in Romania reaches annually, according to estimates, about 100,000 tonnes. According to a survey by TNS Romania, seven of ten Romanians eat cheese at least once a week.

The level of consumption of **cheese and sour cream** is more differentiated depending on the number of persons in the household, the highest being recorded in households of one person: 1.86 kg / person per month. The average annual consumption of **cheese** in Romania is estimated at approximately 5 kg / person, including the home-made cheeses sold in farmers' markets.

According to market sources, the Romanian consumption of **yoghurt** is of 7 kg / year per person, while in Hungary it is 11 kg, in Bulgaria it is 23 kg and in France 30 kg.

Annual consumption of yoghurt per capita



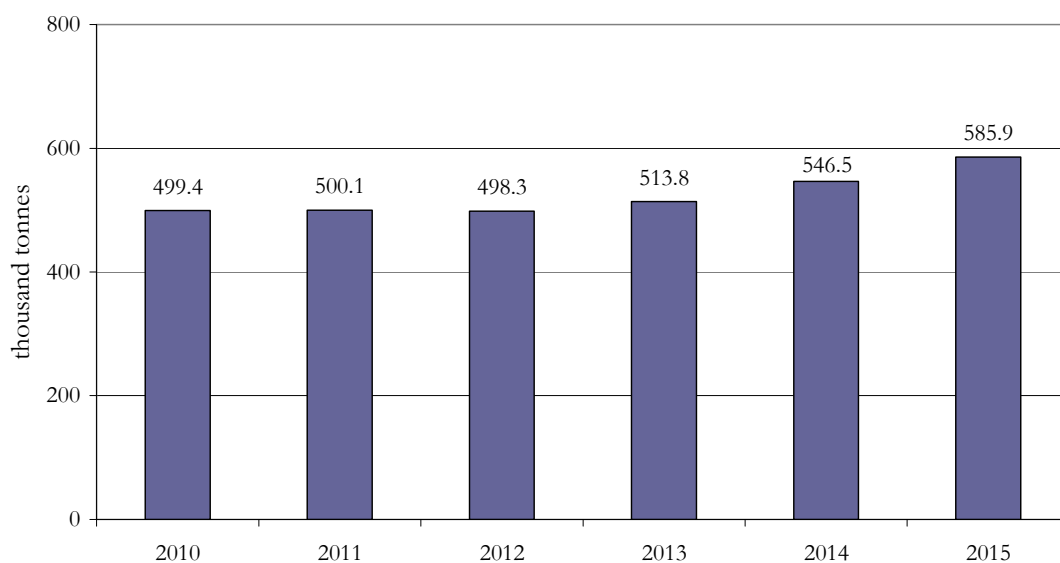
Source: market sources, FRD Center

It is estimated that Romanians consume about 2.6 litres of **ice-cream** per year, which represents half or a third of the consumption in Western European countries and Northern Europe. In Poland the consumption is double, while in Sweden and Italy it reaches 15 and 17 litres per capita, respectively.

Butter remains an expensive product for the purchasing power of Romanian consumers, which is reflected in the relatively low consumption of this dairy category in the total market: 6.5% in value, 2.5% by volume.

According to the Packaged Food in Romania Report published by Euromonitor in January 2016, the sales of **packaged dairy products** in Romania have recorded 585.9 thousand tonnes in 2015, up by 7.2% compared to 2014. The volume sales of packaged dairy products in Romania have recorded a Compound Annual Growth Rate of 3.2% in 2010 - 2015.

Sales of packaged dairy products in Romania, 2010 - 2015



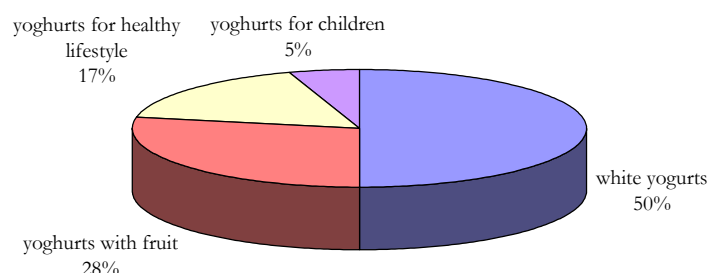
Source: Euromonitor, FRD Center

According to the Packaged Food in Romania Report published by Euromonitor in January 2016, the **sales of packaged dairy** products in Romania are forecasted to record 738.6 thousand tonnes in 2020, with a Compound Annual Growth Rate of 4.7% in 2015 - 2020.

1.2 Consumer preferences and market demand trends

According to market analysts, regarding their yoghurt preferences, the Romanians consume mostly **white yogurt**: 50%, followed by **yoghurt with fruit**: 28%, **yoghurts for healthy lifestyle**: 17% and 5% **yoghurts for children**.

Yoghurt preferences in Romania



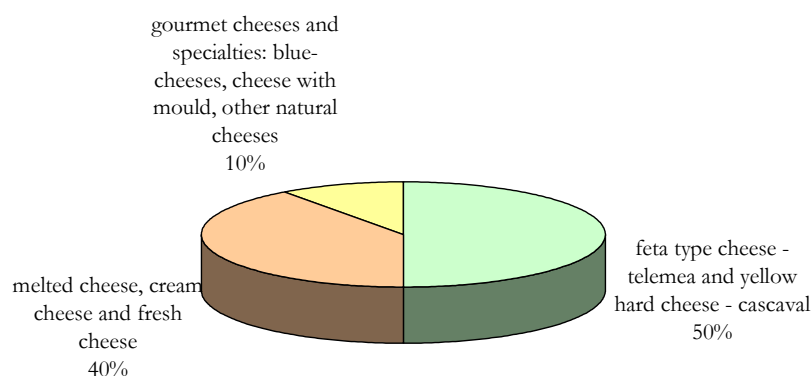
Source: FRD Center

The consumption of **melted cheese and cheese creams** represents around 16 - 18% in the total cheese consumption in Romania.

The **cheese market** is focused on traditional market categories: **feta type white cheese - telemea** and **yellow hard cheese - cascaval**, which, according to market analysts accounts for almost 50% of the total cheese consumed in Romania, sold in retail trade.

Melted cheese, cream cheese and fresh cheese reach 40% of the market, while 10% is covered by gourmet cheeses and specialties: blue-cheeses, cheese with mould, other natural cheeses.

Total cheese consumed in Romania, sold in retail trade



Source: market analysts, FRD Center

While the **white cheese** - telemea had an increase of almost 4% in volume, the **yellow cheese** - cascaval had an even stronger growth, namely +13% in the first 6 months of 2015 compared to the same period of 2014, according to AC Nielsen, quoted by Hochland.

The **homemade cheese** and the cheese purchased from markets or directly from farmers, which represent the alternative at the industrialised cheese, are preferred especially in the rural areas and small towns in Romania. Cheese from cow's milk, especially feta, is consumed at least two to three times a week by 80% of the Romanians.

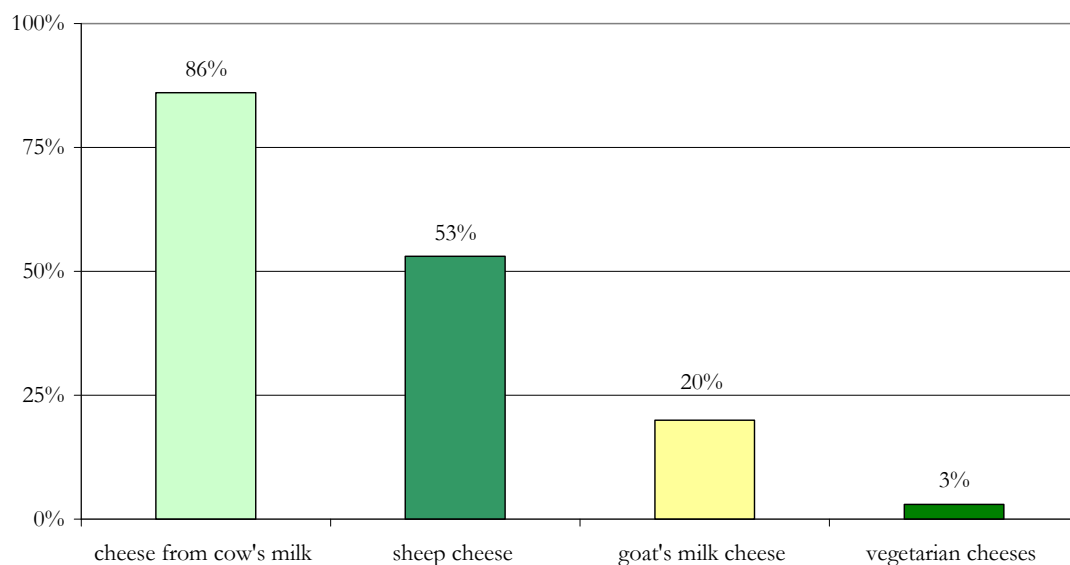
As for the Romanians' preferences of **cottage cheese**, falling in the category fresh and soft cheese, has a fat content between 25% and 45%, and water content is about 50%.

Regarding the Romanian urban consumer behavior, over 60% of buyers prefer bulk cheeses.

A Mercury Research study indicates that **cheese from cow's milk** is the best bought cheese: 86%, followed by **sheep cheese**: 53% and **goat's milk cheese**: 20%.

Vegetarian cheeses are found only in small measure in the Romanian buyers' preferences: only 3%.

Romanian buyers' cheese preferences

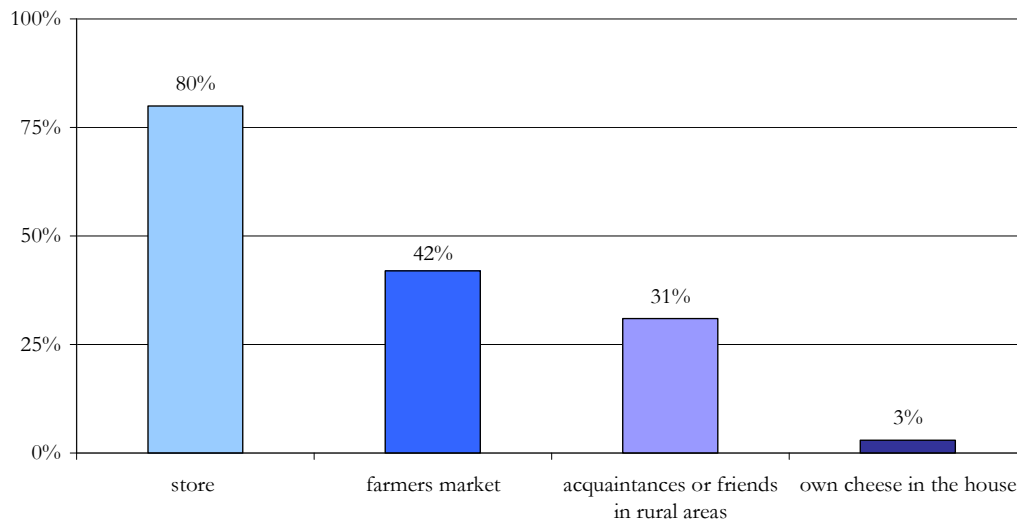


Source: Mercury Research, FRD Center

People aged 35 - 44 years mainly eat **sheep cheese**, while **goat cheese** is preferred by people over 45 years old.

Most of the **buyers from cities** – 80% - buy cheese from the store; cheese derived directly from agricultural producers representing following important option to purchase: 42% buy cheese from the farmers market, 31% buy cheese from acquaintances or friends in rural areas. Only 3% of respondents to the Mercury Research study - **urban buyers** - said they make their own cheese in the house.

Source for cheese purchasing in urban Romania

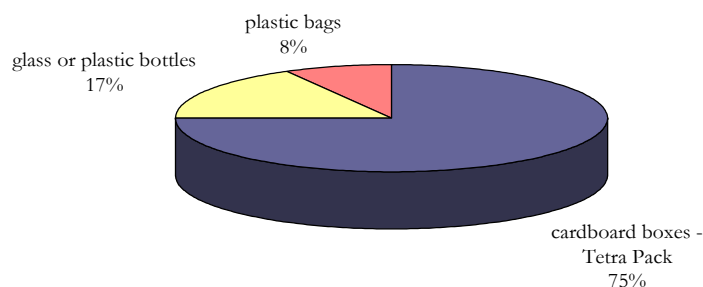


Source: Mercury Research, FRD Center

The Romanian **ice-cream** market is determined by seasonality. Approximately 80 - 90% of sales are achieved in April - August, and volume is heavily influenced by the weather.

According to a survey made by Nielsen, in regards to **packed milk sold in retail trade**, 75% is sold in cardboard boxes - Tetra Pack, 17% in glass or plastic bottles and 8% in plastic bags.

Milk sold in retail trade in Romania, by packaging type



Source: Nielsen, FRD Center

These consumer preferences are currently shifting, with buyers preferring **glass or plastic bottled milk**, which registered some 87% growth in volume and 82% in value in the period September 2014 - August 2015 compared to the period September 2013 - August 2014.

According to market players estimates, the local **butter** consumption in Romania in 2015 is of approximately 12,000 tonnes. In fact, there was a slight decrease in segment of butter with fat content below 65%, segment currently representing about 80% of the total market, while higher fat butter recorded 30% increase in market demand.

According to the same sources, a Romanian consumes, on average, three packs of butter / year.

1.3 Main brands on the market

Domestically manufactured brands of dairy products include:

Danone - Danone
Albalact - Lactalis
Raraul - Lactalis
Zuzu - Lactalis
LaDorna - Lactalis
Napolact - FrieslandCampina
Olympus - Fabrica de Lapte Brasov
Delaco - Bongrain
Hochland - Hochland
Covalact - Covalact
Friss - Covalact
Sim - Simultan
Lacto Food - Lacto Food
Monor - Carmo-Lact Prod
Gordon - Gordon Prod
Five Continents - Five Continents
Solomonescu - Lacto Solomonescu
Therezia - Therezia Prodcorn



Some of the imported brands of dairy products include:

Soignon
Arla
ZanettiGalbani
Uhrenholt
Meggle
Albeniz



According to Nielsen, the top 5 packed **drinking milk** brands - **LaDorna, Milli, Napolact, Oke and Zuzu** - have a cumulated market share of 63%, while the top 5 **cheese** brands - **Covalact, Delaco, Hochhland, Napolact and Raraul** - have a cumulated market share of 31%.

As for **yoghurt** brands in Romania, the most popular are **Activia, Cremosso, Danone, Napolact** and **Zuzu**. According to Nielsen they have a cumulated market share of 51%.

The most popular brands of **butter** in Romania - **De Albalact, Covalact de Tara, Napolact, President, Lurpack** - have a cumulated market share of 54.6%.

According to the Packaged Food in Romania Report published by Euromonitor in January 2016, Albalact SA has been the dairy player with the highest NBO - National Brand Owner - Company Shares of Packaged Food in 2015 in Romania with 2.3% of total retail value, followed by FrieslandCampina Romania SA.

NBO - National Brand Owner - Company Shares of Packaged Food in Romania % retail value					
Company	2011	2012	2013	2014	2015
Albalact SA part of Lactalis Group	1.2	1.2	1.5	2.2	2.3
FrieslandCampina Romania SA part of FrieslandCampina Group	2.2	2.2	1.9	2.0	2.0
Danone Productie si Distributie de Produse Alimentare SRL part of Danone Group	2.2	2.2	2.0	1.9	1.9
Napolact SA part of FrieslandCampina Group	1.2	1.2	1.2	1.3	1.4
Hochland Romania SRL part of Hochland Group	1.0	0.9	1.0	1.1	1.2
Covalact SA owned by SigmaBleyzer	0.7	0.8	0.8	0.9	1.0
Dorna Lactate SA part of Lactalis Group	0.9	1.1	1.0	1.0	0.8
Other food players	90.6	90.4	90.6	89.6	89.4

Source: Euromonitor, FRD Center

According to the Packaged Food in Romania Report published by Euromonitor in January 2016, the Napolact dairy brand, produced by FrieslandCampina, has recorded the LBN - Local Brand Name - Brand Share of Packaged Food of 1.4% in 2015.

LBN - Local Brand Name - Brand Shares of Packaged Food in Romania % retail value				
Brand	2012	2013	2014	2015
Napolact - FrieslandCampina	1.2	1.2	1.3	1.4
Zuzu - Albalact - Lactalis	0.8	1.0	1.2	1.2
Milli - FrieslandCampina	1.5	1.2	1.2	1.2
Hochland - Hochland	0.9	0.9	1.0	1.1
Covalact de Tara - Covalact	0.8	0.8	0.9	1.0
Nutriday - Danone	1.0	0.9	0.9	0.9
Oké! - FrieslandCampina	0.7	0.6	0.7	0.7
La Dorna - Dorna Lactate - Lactalis	1.0	1.0	0.9	0.7
Raraul - Albalact Raraul - Lactalis	-	-	0.5	0.5
Other food brands	92.1	92.4	91.4	91.3

Source: Euromonitor, FRD Center

According to a TNS Romania study, the first positions among the **most consumed brands of cheese** are occupied by brands belonging to some of the major players in the industry. Hochland is the leader of this category being consumed by 22% of the Romanians.

This is followed by Napolact and Delaco brands consumed 15% and 12% respectively of the Romanians.

Also in the top 5 brands we find Pilos, the Lidl private label, and "Gusturi Romanesti" - Romanian tastes, the private brand launched the Mega Image supermarket network in 2009.

In the **fresh milk** category, according to the same survey, the brand leaders are Zuzu, LaDorna and Napolact.

Zuzu occupies a leading position also in the **yoghurt** category, like Danone, both in terms of brand awareness and incidence of consumption.

Case study: Lactalis invests in RO dairy sector



French Group Lactalis has recently paid 76 million EUR and got full control of local dairy producer Albalact, the second biggest local dairy producer, after Danone, with a turnover of 101 million EUR in 2015, via the Bucharest Stock Exchange.

Lactalis, one of the biggest dairy producers in the world with an annual turnover of 17 billion EUR, announced at the end of January 2016 that it had signed a contract with the local investor Raul Ciurtin, his family and the investment fund RC2, to buy their 70.3% stake in Albalact.

This is the French group's second biggest acquisition in Romania. Lactalis also bought the La Dorna dairy producer from Mr. Jean Valvis, in 2008. The transaction was valued at 70 - 90 million EUR at that time.

The group currently owns four companies in Romania - Dorna Lactate, Dorna SA, Parmalat Romania, Lactalis Romania, which had sales of almost 70 million EUR in 2014. Its local brand portfolio includes LaDorna milk and the President butter, as well as the Santal juice. Italian Giampaolo Manzonetto currently manages Lactalis business in Romania.

Albalact had a net profit of 3 million EUR in 2015. It also owns the Rarău dairy factory in Campulung Moldovenesc, which had sales of 13.6 million in 2015 EUR. The two companies have over 800 employees. Albalact's portfolio includes several brands, such as Zuzu, Fulga, Albalact, Rarău and Poiana Florilor.

In July 2016, French-held Lactalis has made an offer for all the Albalact ALBZ.RO shares after almost six months of talks and analysis.

The group offered 0.5252 RON per Albalact share, 38% higher than the share price on January 28, when the takeover intention was announced on the Bucharest Stock Exchange.

Albalact had debts of almost 33 million EUR at the end of 2015 and since Lactalis undertook to pay the debts, the enterprise value of the Romanian dairy producer is about 500 million RON.

Preferred types of products and market tendencies: goat milk products

In the recent years, an increasing preference of the Romanian consumers towards the ***gourmet cheeses*** has been observed, ***blue cheeses*** as well as ***goat cheeses***.

More local dairy processors have started producing goat cheeses, as well as other goat milk products such as yoghurts and fermented varieties specific to Balkanic consumption, such as kefir and sana.

For example, **Covalact** produces hard cheese - cascaval, yoghurt and drinking yoghurt, all made of goat milk.



La Colline is a brand of the Romanian company **Super Lactis SRL**, specialised in goat milk products. A greenfield investment with 100% Romanian capital, Super Lactis SRL started the production of goat cheese in 2007, when the first “La Colline” products came to the market. The production of goat milk, yogurt and kefir started in 2010.

Manufactured in Romania according to a French traditional recipe, La Colline cheese is a premium product obtained of goat milk, lactic ferments, rennet and sea salt. For some recipes spices or carefully selected truffles are also added. La Colline goat milk, drink yogurt and kefir have as raw material the goat whole milk and they are not submitted to any processing other than pasteurization. The milk comes from 25 farms in the region of Transylvania, small family businesses in partnership with the company.

“La Colline” **Premium classic** cheese is the oldest, the most famous, as well as the most requested products of Super Lactis company. The semi mature white cheese is fondant, has a balanced goaty flavour and a smooth bouquet. Other specialities include “La Colline” Premium herb cheese, the Party Platter and “La Colline” truffle cheese.

According to own sources, the company holds a market share of 25% of the specific market, whereas its exports reach 40% of the production. They export mainly to Hungary, the Czech Republic and Slovakia.

2. Production

2.1 Production statistics and estimates

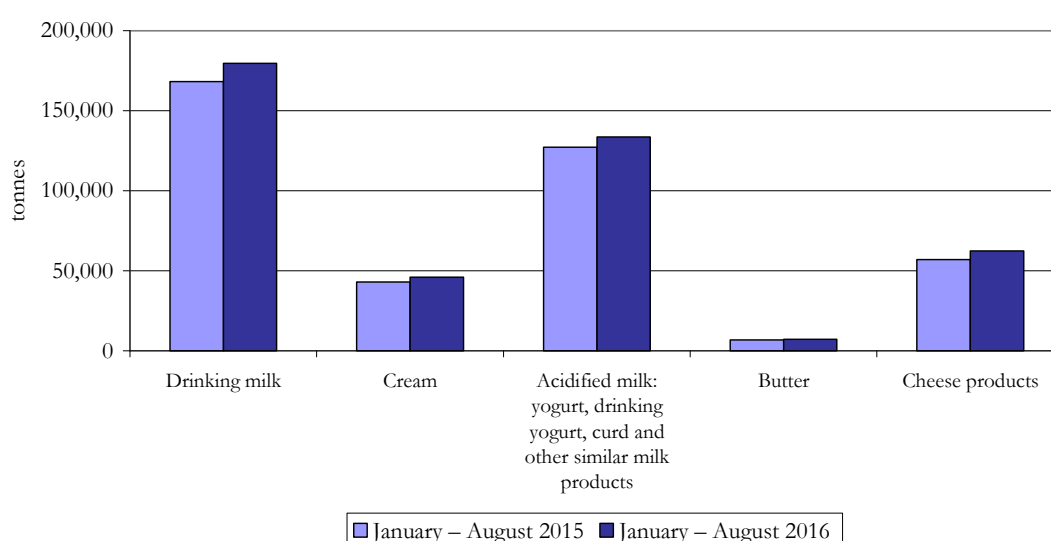
In Romania, there are approximately 350 companies active in the sector of **Production of Dairy Products**.

According to FRD Center analysis, in the first eight months of 2016 compared to the same period of 2015, increases in production in industrial facilities have been recorded for:

- drinking milk: +6.7%
- cream: +6.5%
- acidified milk - yogurt, drinking yogurt, curd etc: +5.1%
- butter: +6.4%
- cheese products: +9.5%

Production in industrial facilities	January – August 2015 tonnes	January – August 2016 tonnes	Growth
Drinking milk	168,215	179,497	6.7%
Cream	43,124	45,931	6.5%
Acidified milk: yogurt, drinking yogurt, curd and other similar milk products	127,135	133,559	5.1%
Butter	6,762	7,194	6.4%
Cheese products	57,009	62,410	9.5%

Production of dairy products in industrial facilities in Romania
in the first eight months of 2016 compared to the same period of 2015



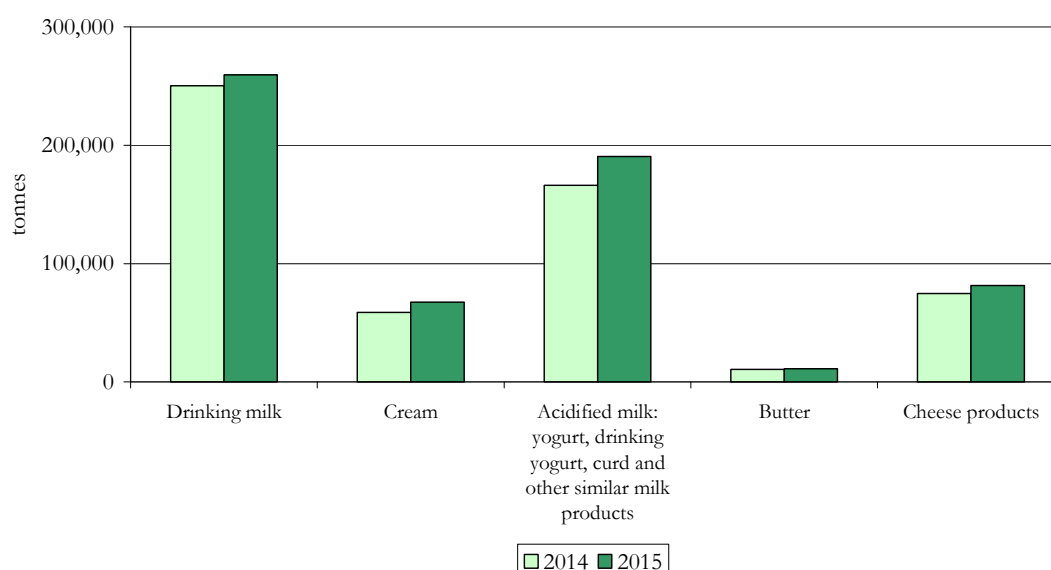
Source: NIS, FRD Center

According to FRD Center analysis based on official statistic data, in 2015 compared to 2014, the following increases in production in industrial facilities in Romania have been recorded:

- drinking milk: +3.6%
- cream: +14.9%
- acidified milk - yogurt, drinking yogurt, curd etc: +14.8%
- butter: +5.7%
- cheese products: +9.4%

Production in industrial facilities	2014 tonnes	2015 tonnes	Growth y-t-y
Drinking milk	250,463	259,508	+3.6%
Cream	58,646	67,385	+14.9%
Acidified milk: yogurt, drinking yogurt, curd and other similar milk products	165,997	190,519	+14.8%
Butter	10,588	11,196	+5.7%
Cheese products	74,654	81,650	+9.4%

Production of dairy products in industrial facilities in Romania, 2014 - 2015



Source: NIS, FRD Center

For the dairy production dynamics in Romania during 2011 – 2015, please see the Annex.

According to the National Institute of Statistics, the industrial production of **cheeses** - cow's milk, buffalo, sheep and goat - reached 81,650 tonnes in 2015. The industrial production of cheese from cow's milk was 69,140 tonnes, so 85% of the total.

The structure of **cheese** industrial production according to moisture content indicates that **soft cheese** and **fresh cheese** hold something over half of the total: 36.23% soft cheese and, respectively, 20.7% fresh cheese.

For comparison, the production of **hard cheese** processing units in Romania is not more than 0.55% of the total, or 1.7% for **very hard cheese**, according to data published in June 2016 by the National Institute of Statistics.

It is expected that in the next 2 - 5 years, local producers to continue to focus their

It is expected that in the next 2 - 5 years, local producers to continue to focus their out-put on **cow milk dairy products** mainly requested by the local market, such as white cheese - telemea, yellow cheese - cascaval and yoghurts, including sour cream and specialities such as kefir and sana.

out-put on **cow milk dairy products** mainly requested by the local market, such as white cheese - telemea, yellow cheese - cascaval and yoghurts, including sour cream and specialities such as kefir and sana.

At the same time, under market pressure for more sophisticated products, the local players will continue to introduce in their production line *gourmet cheeses and other specialities*, made from goat, sheep and buffalo milk.

2.2 Availability of raw materials, preferred sources

According to the National Institute of Statistics, on 1 June 2016, the **total cattle livestock** in Romania has recorded 2,081,233 heads, out of which 1,319,294 heads of **breeding livestock**: 63%.

On 1 June 2016 compared to the same date of 2015, the cattle livestock in Romania has increased by 0.2% both per total and by breeding livestock.

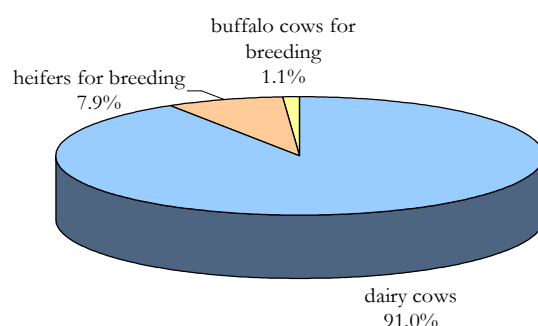
	1 June 2015 heads	1 June 2016 heads	Growth
total cattle livestock, out of which:	2,077,577	2,081,233	+0.2%
breeding livestock	1,316,576	1,319,294	+0.2%

Source: NIS, FRD Center

	1 June 2015 heads	1 June 2016 heads	Growth
breeding cattle livestock, out of which:	1,316,576	1,319,294	+0.2%
dairy cows	1,200,915	1,201,132	+0.02%
heifers for breeding	100,529	103,667	+3.1%
buffalo cows for breeding	15,132	14,495	-4.2%

Source: NIS, FRD Center

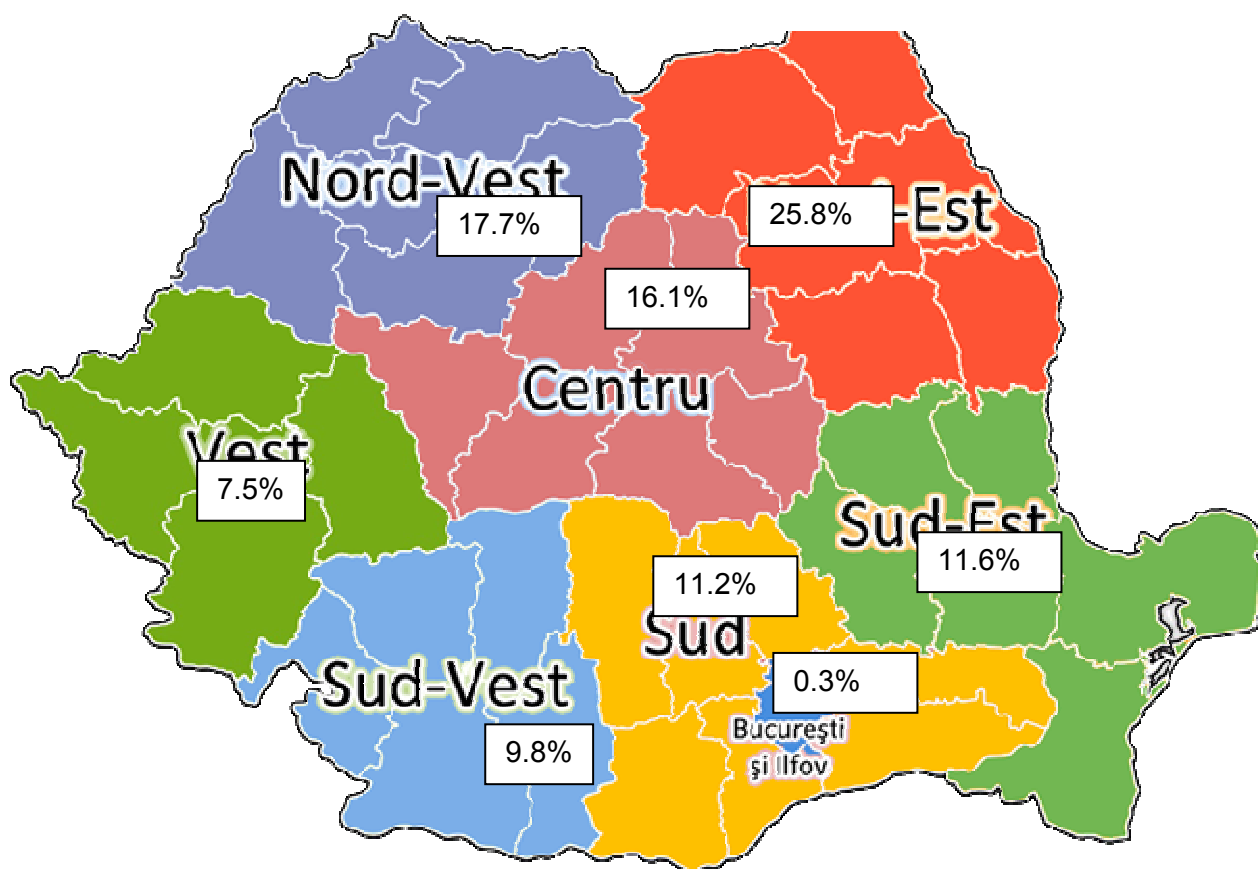
Breeding livestock in Romania on 1 June 2016



Source: NIS, FRD Center

The distribution of the total cattle livestock existent on 1 June 2016 by development regions in Romania:

North-East:	25.8%	West:	7.5%
South-East:	11.6%	North-West:	17.7%
South-Muntenia:	11.2%	Center:	16.1%
South-West Oltenia:	9.8%	Bucharest-Ilfov:	0.3%



Breeds of cattle in Romania: Holstein, Belgian Blue, Charolais, Angus, Limousin, Simmental.

On 1 December 2015, the sheep and goats livestock in Romania has recorded 11,249,700 heads, up by 2.9% compared to the same date of 2014.

	1 December 2014 heads	1 December 2015 heads	Growth
Sheep and goats livestock	10,935,400	11,249,700	+2.9%

Source: NIS, FRD Center

Market players consider some of the challenges of the dairy market in Romania to be:

- the lack of raw milk availability at European standards quality
- modern trade which gets stronger and puts increasingly more pressure on milk processors
- 40% of the market of dairy Romania is represented by the black market. This disrupts the correct measurement of the traded volumes, and thus the categories in the segment analysis.
- a large percentage of marketed milk products fail to comply with legal provisions regarding the collection, processing, marketing, compliance with the labelling, which leads to consumer mistrust.

The dairy market in Romania is directly influenced by the price and availability of milk collected, which fluctuates seasonally and has an important impact on the price of products on the shelves.

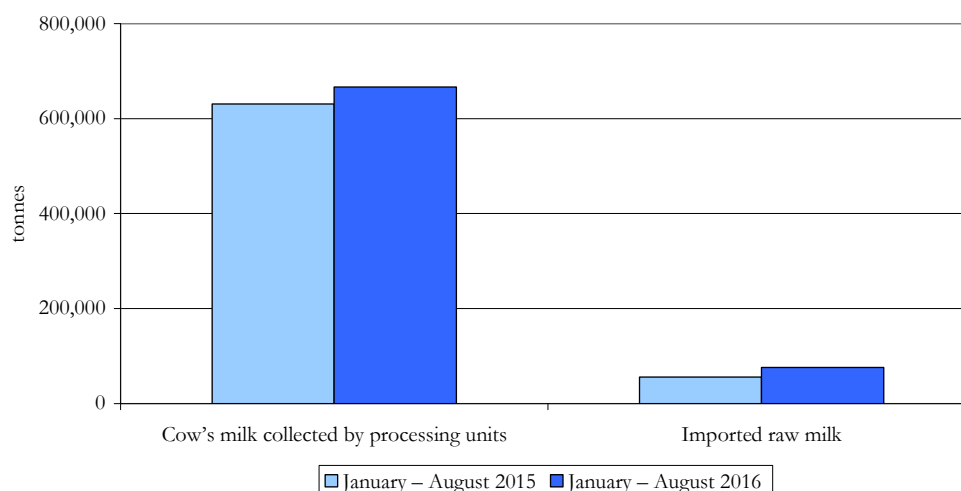
According to the National Institute of Statistics, the quantity of **cow's milk** collected by processing units from agricultural holdings and collection centres in Romania in the first eight months of 2016 has increased by 5.6% compared to the same period of 2015.

According to FRD Center analysis based on official statistic data, the quantity of **imported raw milk** has increased by 37.3% in the first eight months of 2016 compared to the same period of 2015.

Product	January – August 2015 tonnes	January – August 2016 tonnes	Growth
Cow's milk collected by processing units	631,070	666,458	5.6%
Imported raw milk	55,488	76,201	37.3%

Source: NIS, FRD Center

**Raw materials for dairy products in Romania
in the first eight months of 2016 compared to the same period of 2015**



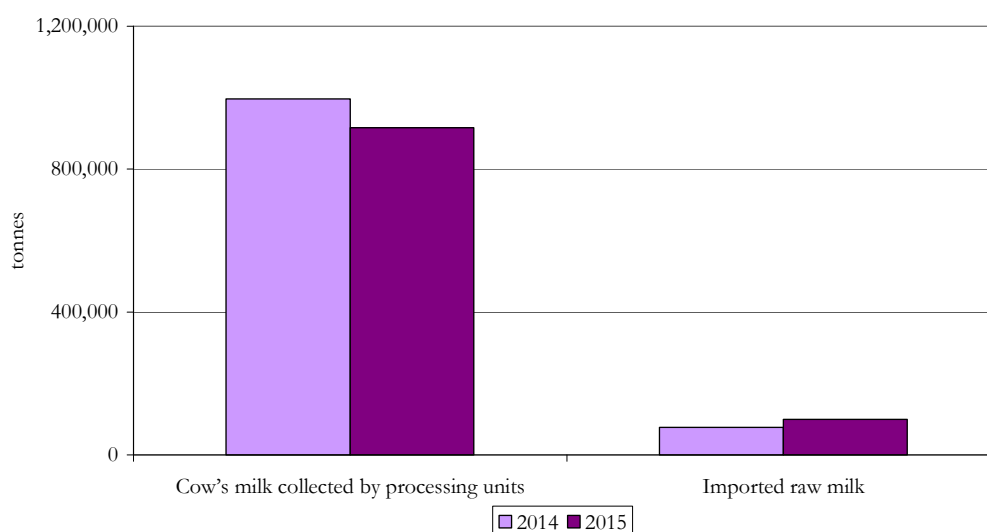
Source: NIS, FRD Center

According to analysis carried out by FRD Center based on official statistic data available in February 2016, in 2015 compared to 2014, the quantity of cow's milk collected by processing units has decreased by 8.1%, while the quantity of imported raw milk has increased by 28.8%.

Product	2014 tonnes	2015 tonnes	Growth y-t-y
Cow's milk collected by processing units	996,653	915,952	-8.1%
Imported raw milk	77,396	99,662	28.8%

Source: NIS, FRD Center

Raw materials for dairy products in Romania, 2014 - 2015



Source: NIS, FRD Center

Examples of companies that have dairy cattle farms in Romania are:

- **Maria Trading** has farms with the capacity of approximately 6,000 heads of dairy and beef cattle and 50,000 sheep heads. The farms are located in Calarasi county, Southern Romania.
- **DN Agrar Group**, with Dutch capital, has two cattle farms, located in Garbova, Alba county, Central Romania and Vaidei, Hunedoara county, Western Romania, with a cumulated number of approximately 3,600 dairy and milking cows.
- **Carmolimp** has a farm in Brasov county, Centre Romania with the capacity of approximately 2,500 bovines, out of which some 1,000 heads of dairy cattle and around 1,500 heads of beef cattle. Carmolimp has integrated activities: cattle farm, production of dairy products, production of meat and meat products, production of cakes.
- **Racova Group** has three dairy cattle farms in Vaslui county, NE Romania with a cumulated number of some 2,000 heads. Racova Group is vertically integrated: exploitation of agricultural land, cattle farms, production of dairy products, production of bakery products etc.
- **IAC Curtici** has a dairy and beef cattle farm with approximately 1,100 heads, located in Curtici, Arad county, Western Romania. The farm has Holstein dairy cattle and Charolaise beef cattle breeds. IAC has an integrated business: exploitation of agricultural land, cattle and pig farms, production of dairy products, production of meat and meat products, production of bakery products.
- **Agroindaf** has a dairy cattle farm with approximately 1,000 Holstein cows. The farm is located in Afumati, Ilfov county - near Bucharest.
- **Agrointer** has a dairy cattle farm with approximately 1,000 heads, located in Teleorman county, Southern Romania.
- **Cris-Tim Group** has a dairy and beef cattle farm - EcoFerm - with approximately 1,400 heads, located in Prahova county, Southern Romania. Cris-Tim Group is vertically integrated: cattle farm, production of dairy products, production of meat and meat products. Cris-Tim produces 20 tonnes of dairy products per day - the Mugura brand.
- **Agrimat Matca** has over 1,000 heads of Holstein cows. The company's farm is located in Galati county, SE Romania.
- **Agroindustrială Pantelimon** has a dairy cattle farm in Ilfov county, near Bucharest, of approximately 500 cows. The company produces some 5,000 litres of milk per day.
- **Holstein Ro Association** has approximately 20 members - cattle farms. The Association has been set up in 2005 and targets all individuals and farms in Romania interested in the development of the Holstein-Friesian breed. Holstein Ro has a laboratory for the milk quality control.

According to the Agency for Payments and Intervention in Agriculture - APIA, the 30 largest cattle owners in Romania have collected subsidies of approximately 5.5 million EUR in 2015. The subsidies in 2015 have been 117 RON - approx. 26 EUR - per tonne of milk and 430 RON - approx. 97 EUR - per head of beef cattle. The highest subsidies in 2015 have been collected by the Dutch-held Group DN Agrar - approximately 800,000 EUR - via its two farms, DN Agrar Apold and Lacto Agrar.

Raw materials used for the dairy industry:

- acidifiers and regulators
- emulsifiers
- fibres and prebiotics
- colours and coating agents
- fats and oils
- milk proteins
- lactic cultures
- enzymes: clots, lactase, lipase
- stabilisers: starch, gelatine
- flavours, fruit preparations, extracts and functional ingredients

One main producer of raw materials used for the dairy industry in Romania is Supremia Grup. Its range of products for the dairy industry includes: stabilisers for yoghurt, stabilisers for cream cheese, colours, clot, flavours etc. Some of its main clients in the dairy sector are: Albalact, Raraul, Sanlacta, Lacta etc.

Main importers of raw materials used for the dairy industry in Romania are: Alinda Ro, Azelis Romania and Enzymes & Derivates.

2.3 Chains organisation

Supply chains vary according to the size of the businesses. The largest dairy producers are vertically integrated and also source from smaller milk processors: small and middle farms, individual farmers whose milk production is collected by specialised firms.

According to the National Sanitary Veterinary and Food Safety Authority, Romania has had only 1,613 milk collection centres in 2012.

According to Eurostat, only 22% of the milk produced by the Romanian farmers reaches local plants for processing. Romania has the widest gap between farms and plants in the EU, the EU average being 92%.

Milk collection centers operate all over the country. Since 1990, the number of the milk collection centres in Romania has declined significantly.

The majority of the dairy producers operate own distribution system and have transport fleet to reach modern or traditional trade. At the same time, a good number

of them also collaborate with specialised transport firms, such as for example Josi – Logistic, Relax Distributie, Spicul 2 etc.

2.4 Value addition - how much value is added within Romania

For the dairy products made in Romania, the entire value is added in Romania.

2.5 Description of top processors: name, origin / ownership, brands, market reputation, level of innovation, known investments, development plans for 2-5 years etc.

Altogether, the top 6 producers of **drinking milk** - **Albalact, FrieslandCampina, Lactalis, Prodlacta and Sole Mizo** - have a market share of 57% according to Nielsen.

Danone Productie si Distributie de Produse Alimentare SRL

<i>Ownership:</i>	Danone Group
<i>Brands:</i>	Danone, Activia, Actimel, Danonino, Casa Buna, Cremosso, Danette, Danone Disney
<i>Market reputation:</i>	<p>Danone is the leader of the yoghurt market in Romania, with a market share of approximately 50%.</p> <p>Danone processes in Romania approximately 55 million litres of milk per year, out of which 95% originate from the local market.</p> <p>The Danone plant in Bucharest exports its products to 22 countries. The exports represent approximately 10% of the plant's production.</p>
<i>Level of innovation:</i>	<p>The Danone products have a medium-low level of innovation.</p> <p>Danone has launched in 2015 a new yoghurt packaging, called KISS - Keep It Simple & Safe. It is more attractive, coloured, stylish, ergonomic and easier to use. Romania has been the first country in Eastern Europe where Danone has implemented this innovation.</p> <p>The Danone yoghurts produced in Romania have benefited in the recent years of constant improvements of the formulas in order to meet new consumption preferences.</p>
<i>Known investments:</i>	During 1996 – 2014, Danone has invested over 65 million EUR in Romania.
<i>Development plans for 2-5 years</i>	Danone targets the consolidation of its Bucharest plant as regional production centre.
<i>Net turnover:</i>	<p>109 million EUR in 2015: +6% compared to 2014</p> <p>Approximately 55 million EUR in the first semester of 2016: +some 7% compared to the similar period of 2015</p>
<i>No of employees:</i>	429 in 2015

Albalact SA

<i>Ownership:</i>	Lactalis Group
<i>Brands:</i>	Albalact, Raraul, Zuzu, Zuzu Max, Zuzu Bifidus, Zuzu Stors, Fulga, Poiana Florilor, Horeca Top, Bardezzi
<i>Market reputation:</i>	<p>Albalact owns the domestic dairy producer Raraul.</p> <p>Albalact has won the “Best FMCG Supplier” Award at the Gala organised by Progresiv Magazine in March 2016.</p> <p>The Albalact brands are available in over 1,400 HoReCa units in Romania. The HoReCa segment represents approximately 5% of the Albalact’s sales in volume.</p>
<i>Level of innovation:</i>	<p>The Albalact products have a medium-high level of innovation.</p> <p>Albalact has launched in 2014 dairy products - Zuzu brand - packaged in plastic bottle with handle, the new packaging representing a first in Romania.</p>
<i>Known investments:</i>	<p>Lactalis Group has acquired in 2016 the domestic producer Albalact, in a transaction of approximately 76 million EUR.</p> <p>Albalact has invested approximately 8 million EUR in 2014 in order to modernise and expand its production capacity.</p>
<i>Development plans for 2-5 years</i>	Lactalis Group plans to invest in research and development to create new products for the Romanian consumers.
<i>Net turnover:</i>	101.3 million EUR in 2015: -5% compared to 2014
<i>No of employees:</i>	607 in 2015

FrieslandCampina Romania SA

<i>Ownership:</i>	FrieslandCampina Group
<i>Brands:</i>	Napolact, Milli, Oké, Campina, Dots
<i>Market reputation:</i>	<p>The Napolact brand has a market share of approximately 10% of the Romanian dairy market.</p> <p>The Napolact brand represents around 60% of the FrieslandCampina’s business in Romania.</p> <p>The company collaborates with approximately 500 milk supplying units, out of which some 15 ecological certified units.</p> <p>The company has imported less than 10% of the total quantity of milk used in 2015, the rest being represented by milk produced in Romania.</p>
<i>Level of innovation:</i>	<p>The Napolact products have a medium-high level of innovation.</p> <p>Napolact has launched in 2015 bio dairy products. The raw material comes from ecological certified farms in Ardeal region</p>

of Romania. This launching has been determined by the Romanians' growing interest for bio products and the company's innovation commitment.

<i>Known investments:</i>	After an extensive reorganization process, the Dutch Group FrieslandCampina has gathered in 2015 its operations on the Romanian market through Napolact SA, Industrializarea Laptelui Mures SA and FrieslandCampina Romania, into a single company: FrieslandCampina Romania SA. For 2016, FrieslandCampina Romania has budgeted operational investments of 2.5 million EUR.
<i>Development plans for 2-5 years</i>	FrieslandCampina plans to focus on the development of the Napolact brand, but also on the bio segment.
<i>Net turnover:</i>	88.6 million EUR in 2015: -2% compared to 2014
<i>No of employees:</i>	241 in 2015

Fabrica de Lapte Brasov SA

<i>Ownership:</i>	Mr. Michail Sarantis, Mr. Dimitrios Sarantis, Ms. Aneta Kampagianni, Mr. Paraskevi Lappa, Hellenic Dairies, Tyras SA - Greek capital
<i>Brands:</i>	Olympus, Oly, Familia Brasoveanu
<i>Market reputation:</i>	Currently, around 60% of the company's production is exported to countries such as Italy, Germany and Austria while 40% of its production is sold on the domestic market.
<i>Level of innovation:</i>	The products in their portfolio have a medium-high level of innovation. Fabrica de Lapte Brasov has in its portfolio premium dairy products, such as goat milk cheese and bio yoghurt.
<i>Known investments:</i>	Fabrica de Lapte Brasov has received in 2016 a bank credit of 3 million EUR from Bancpost in order to develop its current activities. Furthermore, Fabrica de Lapte Brasov has contracted in 2016 a loan of 3 million EUR from Garanti Bank to finance its current operations. The dairy plant in Halchiu, Brasov county, Centre Romania has been launched in 2011, following an initial investment of 55 million EUR.
<i>Development plans for 2-5 years</i>	Fabrica de Lapte Brasov plans to invest approximately 15 - 20 million EUR in the next 2 years in its plant in Halchiu.
<i>Net turnover:</i>	76.1 million EUR in 2015: +11% compared to 2014
<i>No of employees:</i>	324 in 2015

Delaco Distribution SA

<i>Ownership:</i>	Bongrain Group
<i>Brands:</i>	Delaco, Del
<i>Market reputation:</i>	Delaco Distribution, one of the main dairy producers in Romania, has registered a profit margin of almost 6% in 2015. Besides the dairy production activities, Delaco distributes international dairy brands, such as Zott, Milkana, Bongrain, Bergader, Lurpak, Castello or Arla.
<i>Level of innovation:</i>	<p>The Delaco products have a high level of innovation. The company has in its portfolio Delaco premium dairy products, such as: cheese with salmon, cheese with mushrooms, goat milk cheese etc.</p> <p>The product Delaco Miez de Lapte has been the winner of the “Product of the Year 2013” Award in the Cheese Category, within the Gala organised by Media Concept Store. The product has been recognised as the most innovative launching in its category.</p>
<i>Known investments:</i>	The Bongrain Group has acquired in 2010 the majority stake in Delaco, in a transaction estimated at 10 million EUR.
<i>Development plans for 2-5 years</i>	No development plans announced.
<i>Net turnover:</i>	63.9 million EUR in 2015: +10% compared to 2014
<i>No of employees:</i>	383 in 2015

The German dairy producer **Müller** is in talks to buy the domestic dairy producer Covalact, controlled by SigmaBleyzer private equity firm.

SigmaBleyzer has bought Covalact in 2007.

Covalact SA is a main domestic dairy producer, with a net turnover of approximately 45 million EUR in 2015, up by 28% compared to 2014. Covalact produces some 2,500 tonnes of dairy products per month.

Muller Dairy Ro SRL, the importer of the Müller brand on the domestic market, has registered a net turnover of 13.6 million EUR in 2015, up by 6% compared to 2014.

3. International Trade - statistics, main in-coming and out-going destinations, dynamics and estimations

According to a survey carried out by Eurostat, the Romanian prices for dairy products are similar to the UE average: 92%.

According to the FRD Center analysis based on official statistic data, the Romanian imports of **Milk and cream, not concentrated nor containing added sugar or other sweetening matter**, as described in TARIC 0401, were 10.3%

higher in 2015 compared to 2014, while in the first seven months of 2016 they registered a growth of 24.7% compared to the similar period of last year.

According to the FRD Center analysis based on official statistic data, the Romanian imports of dairy products in the first seven months of 2016 vs. same period of 2015 register interesting dynamics, in many cases double digit growth levels.

Milk and cream... TARIC: 0401	2014 EUR	2015 EUR	Growth
Imports	54,852,840	60,483,690	+10.3%
Exports	19,916,250	18,282,140	-8.2%

Source: Eurostat, FRD Center

Milk and cream... TARIC: 0401	Jan – July 2015 EUR	Jan – July 2016 EUR	Growth
Imports	31,090,260	38,769,010	+24.7%
Exports	10,433,410	13,701,000	+31.3%

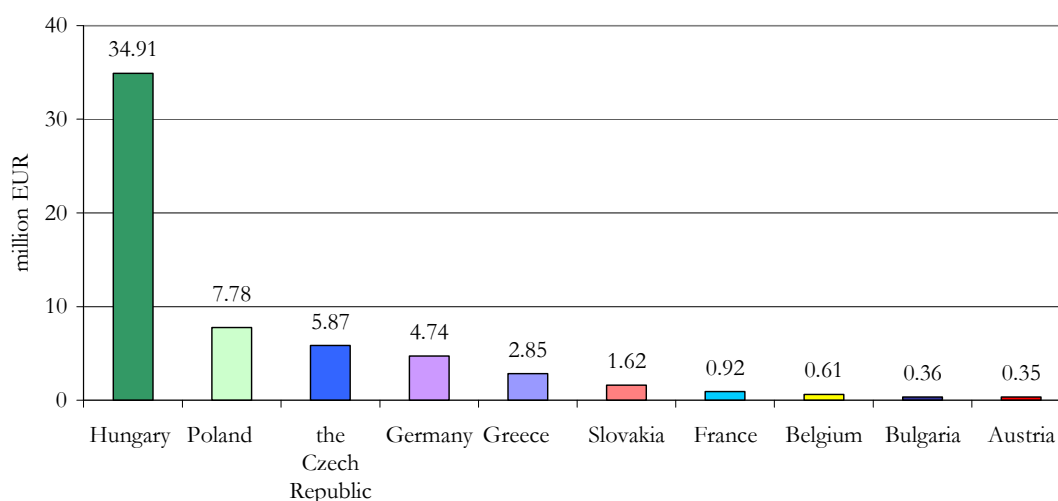
Source: Eurostat, FRD Center

According to the FRD Center analysis based on official statistic data, the Romanian dairy producers exported 31.3% more milk and cream in the first seven months of 2016 compared to the similar period of last year.

The main ten origin countries of Romanian imports of milk and cream, not concentrated nor containing added sugar or other sweetening matter in 2015 are:

- Hungary: 34,906,820 EUR
- Poland: 7,776,880 EUR
- the Czech Republic: 5,866,770 EUR
- Germany: 4,735,400 EUR
- Greece: 2,852,340 EUR
- Slovakia: 1,617,760 EUR
- France: 919,760 EUR
- Belgium: 611,950 EUR
- Bulgaria: 358,860 EUR
- Austria: 345,930 EUR

**Romanian imports of milk and cream,
not concentrated nor containing added sugar
or other sweetening matter - main ten origin countries in 2015**



Source: Eurostat, FRD Center

The Romanian imports of milk and cream, not concentrated nor containing added sugar or other sweetening matter from **the Netherlands** have recorded 100,710 EUR in 2015: 12th position in top origin countries.

The main three export destinations for the Romanian exports of milk and cream, not concentrated nor containing added sugar or other sweetening matter in 2015 are:

- Greece: 9,840,150 EUR
- Bulgaria: 3,674,530 EUR
- Italy: 1,314,760 EUR

According to the FRD Center analysis based on official statistic data, the Romanian imports of **Buttermilk, curdled milk and cream, yogurt, kephir etc.** as described in TARIC 0403, were only 2.8% higher in 2015 compared to 2014, but registered a growth of 15.3% in the first seven months of 2016 compared to the same period of 2015.

Buttermilk, curdled milk... TARIC: 0403	2014 EUR	2015 EUR	Growth
Imports	24,575,860	25,261,050	+2.8%
Exports	13,324,970	15,698,680	+17.8%

Source: Eurostat, FRD Center

Buttermilk, curdled milk... TARIC: 0403	Jan – July 2015 EUR	Jan – July 2016 EUR	Growth
Imports	14,039,570	16,186,560	+15.3%
Exports	9,490,430	11,051,960	+16.5%

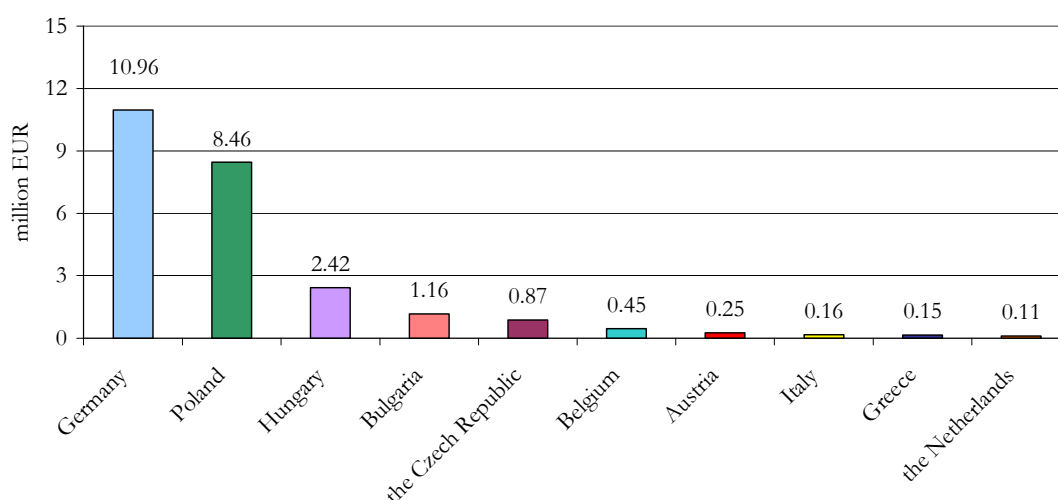
Source: Eurostat, FRD Center

According to the FRD Center analysis based on official statistic data, the Romanian dairy producers exported 16.5% more buttermilk, curdled milk and cream, yogurt, kephir etc. in the first seven months of 2016 compared to the same period of 2015.

The main ten origin countries of Romanian imports of buttermilk, curdled milk and cream, yogurt, kephir and other fermented or acidified milk and cream, whether or not concentrated or containing added sugar or other sweetening matter or flavoured or containing added fruit, nuts or cocoa in 2015 are:

- Germany: 10,959,610 EUR
- Poland: 8,456,390 EUR
- Hungary: 2,418,170 EUR
- Bulgaria: 1,162,720 EUR
- the Czech Republic: 874,460 EUR
- Belgium: 451,980 EUR
- Austria: 252,110 EUR
- Italy: 163,630 EUR
- Greece: 150,240 EUR
- **the Netherlands:** 107,730 EUR

Romanian imports of buttermilk,
curdled milk and cream, yogurt, kephir and other fermented
or acidified milk and cream - main ten origin countries in 2015



Source: Eurostat, FRD Center

Romanian exports of buttermilk, curdled milk and cream, yogurt, kephir and other fermented or acidified milk and cream, whether or not concentrated or containing added sugar or other sweetening matter or flavoured or containing added fruit, nuts or cocoa in 2015 – main three export destinations:

- Hungary: 5,048,260 EUR
- Greece: 2,500,060 EUR
- Moldova: 2,402,290 EUR

According to the FRD Center analysis based on official statistic data, the Romanian imports of **yogurt** as described in TARIC 040310, were only 5.3% higher in 2015 compared to 2014, but have increased to 11.8% in the first seven months of 2016 compared to the same period of 2015, thus confirming the consumers' appetite for more speciality type yogurts that are not yet locally produced.

Yogurt TARIC: 040310	2014 EUR	2015 EUR	Growth
Imports	13,203,060	13,909,390	+5.3%
Exports	11,447,920	13,902,050	+21.4%

Source: Eurostat, FRD Center

Yogurt TARIC: 040310	Jan – July 2015 EUR	Jan – July 2016 EUR	Growth
Imports	7,839,640	8,761,180	+11.8%
Exports	8,355,540	10,100,240	+20.9%

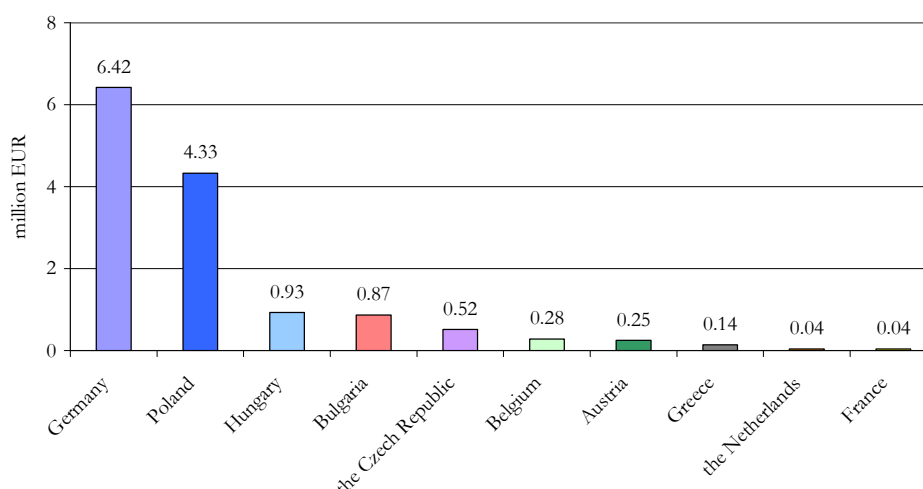
Source: Eurostat, FRD Center

According to the FRD Center analysis based on official statistic data, the Romanian dairy producers exported 20.9% more yogurt in the first seven months of 2016 compared to the same period of 2015, mainly to Hungary, Greece and Moldova.

Romanian imports of yogurt in 2015 – main ten origin countries:

○ Germany:	6,418,810 EUR	○ Belgium:	279,910 EUR
○ Poland:	4,330,300 EUR	○ Austria:	252,110 EUR
○ Hungary:	928,420 EUR	○ Greece:	141,850 EUR
○ Bulgaria:	869,950 EUR	○ the Netherlands:	41,980 EUR
○ the Czech Republic:	520,750 EUR	○ France:	40,560 EUR

Romanian imports of yogurt – main ten origin countries in 2015



Source: Eurostat, FRD Center

Romanian exports of yogurt in 2015 – main three export destinations:

- Hungary: 4,072,220 EUR
- Greece: 2,488,940 EUR
- Moldova: 2,320,560 EUR

According to the FRD Center analysis based on official statistic data, the Romanian imports of **butter** as described in TARIC 040510 have registered a 16.2% growth in 2015 compared to 2014 and increased with a whopping 56.3% in the first seven months of 2016 compared to the same period of 2015.

Butter TARIC: 040510	2014 EUR	2015 EUR	Growth
Imports	19,272,060	22,392,200	+16.2%
Exports	660,710	853,470	+29.2%

Source: Eurostat, FRD Center

Butter TARIC: 040510	Jan – July 2015 EUR	Jan – July 2016 EUR	Growth
Imports	9,501,740	14,853,460	+56.3%
Exports	729,890	229,740	-68.5%

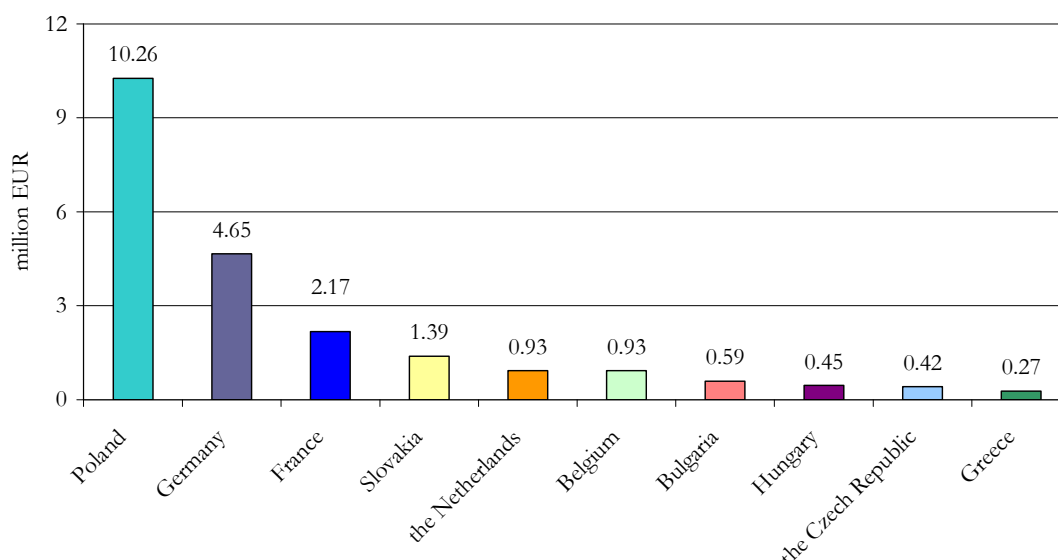
Source: Eurostat, FRD Center

According to the FRD Center analysis based on official statistic data, the Romanian dairy producers exported 29.2% more butter in 2015 vs. 2014, but their exports decreased with over 68% in the first seven months of 2016 compared to the same period of 2015.

Romanian imports of butter in 2015 – main ten origin countries:

- Poland: 10,258,600 EUR
- Germany: 4,653,630 EUR
- France: 2,167,630 EUR
- Slovakia: 1,387,530 EUR
- **the Netherlands:** 933,750 EUR
- Belgium: 928,100 EUR
- Bulgaria: 589,810 EUR
- Hungary: 449,560 EUR
- the Czech Republic: 418,130 EUR
- Greece: 270,020 EUR

Romanian imports of butter – main ten origin countries in 2015



Source: Eurostat, FRD Center

Romanian exports of butter in 2015 – main three export destinations:

- Hungary: 180,580 EUR
- Greece: 130,320 EUR
- Moldova: 47,060 EUR

According to the FRD Center analysis based on official statistic data, the Romanian imports of **cheese and curd** as described in TARIC 0406 have registered an increase of 9.3% in 2015 compared to 2014, while in the first seven months of 2016, these grew with 26.7%, confirming the consumers interest in gourmet and speciality cheeses from abroad.

Cheese and curd TARIC: 0406	2014 EUR	2015 EUR	Growth
Imports	127,164,420	138,984,370	+9.3%
Exports	33,365,400	37,604,170	+12.7%

Source: Eurostat, FRD Center

Cheese and curd TARIC: 0406	Jan – July 2015 EUR	Jan – July 2016 EUR	Growth
Imports	73,965,210	93,692,910	+26.7%
Exports	23,188,060	21,489,870	-7.3%

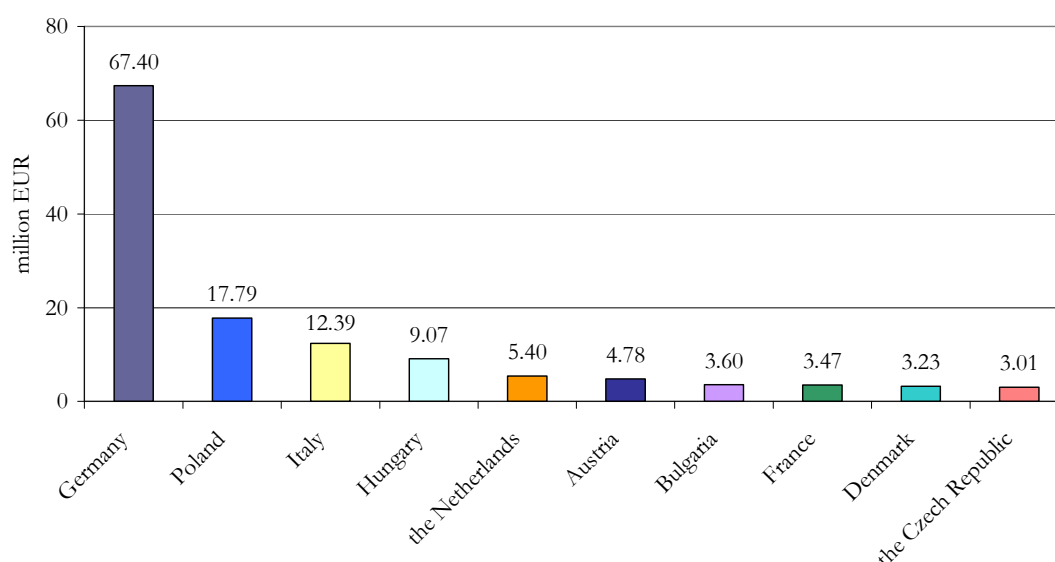
Source: Eurostat, FRD Center

According to the FRD Center analysis based on official statistic data, the Romanian dairy producers exported 12.7% more cheese and curd in 2015 vs. 2014, but their exports decreased with some 7% in the first seven months of 2016 compared to the same period of 2015.

Romanian imports of cheese and curd in 2015 – main ten origin countries:

- Germany: 67,402,190 EUR
- Poland: 17,788,340 EUR
- Italy: 12,386,710 EUR
- Hungary: 9,069,920 EUR
- **the Netherlands:** 5,397,010 EUR
- Austria: 4,781,390 EUR
- Bulgaria: 3,601,980 EUR
- France: 3,471,020 EUR
- Denmark: 3,229,680 EUR
- the Czech Republic: 3,012,860 EUR

Romanian imports of cheese and curd – main ten origin countries in 2015



Source: Eurostat, FRD Center

Romanian exports of cheese and curd in 2015 – main three export destinations:

- Greece: 13,890,850 EUR
- Italy: 6,013,490 EUR
- USA: 4,609,320 EUR

For the five year dynamics of the Romanian dairy trade, please see the Annex.

4. International competitors - main players and their dynamics

Some of the international dairy producers whose products can be found on the Romanian market include:

Zott

<i>Local partner - importer-distributor:</i>	Delaco Distribution SA
<i>Type of products:</i>	yogurt, cheese, pudding
<i>Brands:</i>	Jogobella, Zottis, Liegeois, Monte, Bayerntaler, Zottarella

Bongrain

<i>Local partner - importer-distributor:</i>	Delaco Distribution SA
<i>Type of products:</i>	cheese
<i>Brands:</i>	Caprice des Dieux, Coeur de Lion, Chavroux, Saint Agur, Rambol

Zanetti

<i>Local partner - importer-distributor:</i>	Nordic Import Export Co SRL
<i>Type of products:</i>	cheese
<i>Brands:</i>	Zanetti

Eurial

<i>Local partner - importer-distributor:</i>	Nordic Import Export Co SRL
<i>Type of products:</i>	cheese
<i>Brands:</i>	Soignon

President

<i>Local partner - importer-distributor:</i>	Macromex SRL
<i>Type of products:</i>	butter, cheese, cream
<i>Brands:</i>	President

Milram

<i>Local partner - importer-distributor:</i>	Macromex SRL
<i>Type of products:</i>	butter

Brands: Milram

Sole Mizo

Local partner - importer-distributor: Sole Mizo Romania SRL

Type of products: milk, cream, melted cheese, yellow hard cheese
- cascaval, butter, yogurt, kefir

Brands: Sole, Mizo

Quesos la Vasco Navarra

Local partner - importer-distributor: Dion Distribution International SRL

Type of products: cheese

Brands: Albeniz

Ehrmann

Local partner - importer-distributor: Randler Group SRL

Type of products: yogurt

Brands: Ehrmann

5. Brief analysis of import / export vs. local estimated consumption / market demand

The Romanian market of dairy products relies mainly on the domestic production, especially since the traditional types of products are the most preferred by the local consumers.

In respect to imports of dairy products, these are mainly focusing the gourmet and speciality types and are targeting the middle to high income buyers, both in retail and in HoReCa

With the observed growing trend of consumers' demand for more sophisticated types of dairy products, in particular cheeses and cream-based deserts, it is expected that the increase of imports of these types of products to continue in the next 2 - 5 years, while the local producers will continue

innovating and adapting their portfolio to this trend.

B. MEAT PROCESSING

1. Consumption

1.1 Consumption levels, statistics

According to the National Institute of Statistics, the average monthly consumption of **fresh meat** per person in Romania was of 3.39 kg in 2015, up with 0.14 kg / person compared to 2014.

Consumption of **pork** is the most popular in Romania, accounting for more than half of the total annual consumption per capita.

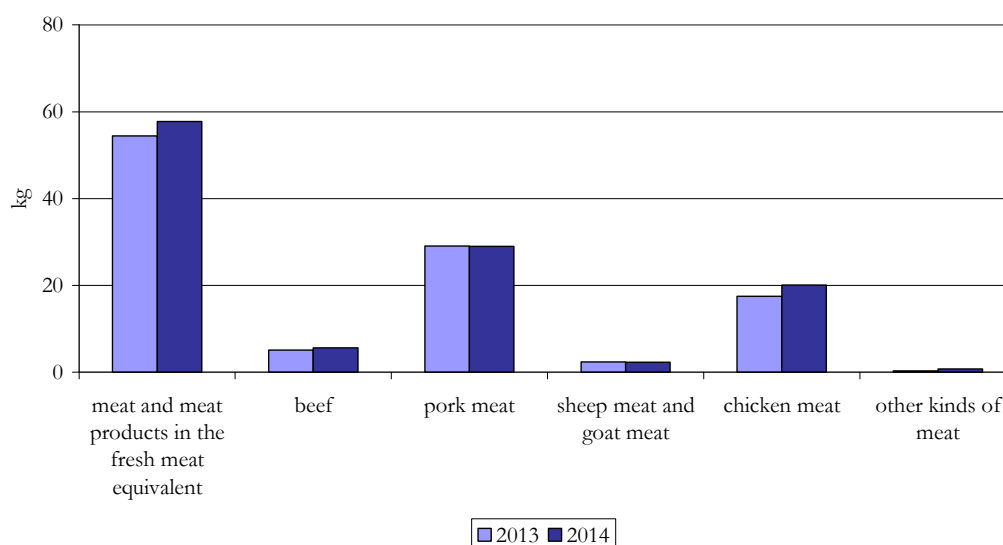
Annual average consumption per capita	2013 kilograms	2014 kilograms	Growth y-t-y
Meat and meat products in the fresh meat equivalent:	54.4	57.8	+6.3%
Beef	5.1	5.6	+9.8%
Pork meat	29.1	29	-0.3%
Sheep meat and goat meat	2.4	2.3	-4.2%
Chicken meat	17.5	20.1	+14.9%
Other kinds of meat	0.3	0.8	+166.7%

Source: NIS, FRD Center

For the dynamics of the annual average consumption per capita of meat and meat products in Romania during 2010 – 2014, please see the Annex.

Consumption of **pork** is the most popular in Romania, accounting for more than half of the total annual consumption per capita. However, a consumption of 29 kg per capita is far below the European average.

Consumption of meat and meat products in Romania, 2013 - 2014



Source: NIS, FRD Center

Sausages, cold cuts and charcuterie are among the categories that consumption

Consumption of **poultry meat** per capita is expected to increase from 20.1 kg in 2015 to 24.6 kg in 2016 to second place after pork, but still below the EU average of 27 kg.

upgrade is obviously the most visible trend of recent years. People consume less, but are willing to pay more on higher quality products. As proof, according to market players, the sales of processed meat products in modern retail increased by about 10% in the first half of 2016 compared with the same period in 2015, and producers estimate an advance of over 5% for the full year.

According to market analysts, the **sausages and charcuterie** market in Romania is estimated at over 1 billion EUR.

1.2 Consumer preferences and market demand trends

Pork and pork products are in the top of Romanians' meat preferences when it comes to consumption.

Recently it became more visible the consumers' preference for more traditional type of products, with less additives and preserves.

Also, the consumers are paying more attention to quality and prefer to buy lesser quantities, even though they pay a higher price.

There are local producers whose sales of **peasant-style cold cuts specialties** increased with 89% in the first six months of 2016 compared with the same period of 2015.

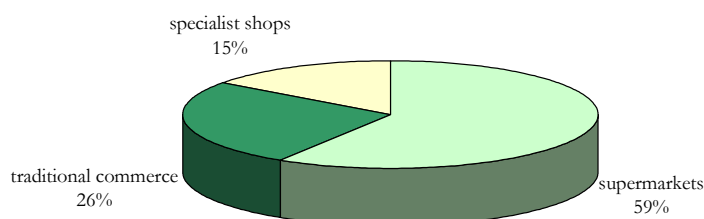
According to a survey carried out by Mercury Research, 8 out of 10 Romanians bought processed **meat sausages and salami** in 2015, representing 82% of the urban population, down from 2014, when 9 out of 10 people were consuming this type of product.

According to the same source, of the **sausage and salami** consumers in Romania, 45% are aged over 55 years, 33% have higher education and 62% of these are women.

According to the research in terms of purchasing habits, consumer buys **sausage and salami** an average of 5.9 times per month.

Regarding the source from which the Romanian consumers buy **sausages and cold cuts**, 59% choose supermarkets, 26% resort to traditional commerce and only 15% buy in specialist shops

Source from which Romanian consumers buy sausages and processed meat products



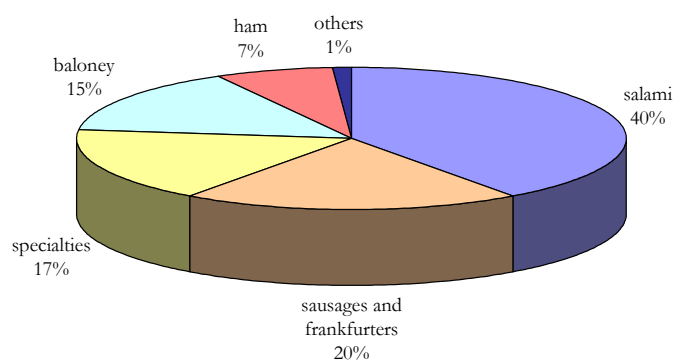
Source: market analysts, FRD Center

According to recent market surveys, 26% of Romanians often eat **sausage or charcuterie**, 30% of them every few days, some only occasionally and only 18% claim that they never touch such products.

According to market research data published by Nielsen, in 2015 the **cold cuts** market grew by 9% in volume and 2% in value compared to 2014. Currently, it is estimated at 1 billion EUR. The **boiled-smoked cold cuts** category represents about three quarters of all **charcuterie** sales, while the **raw-dried cold cuts**, representing a quarter, includes mainly premium products.

The most consumed type of meat products in Romania is the **salami**, with a share of approximately 40%, followed by **sausages and frankfurters** with 20%, **specialties** 17%, **baloney** 15%, **ham** 7% and others 1%.

Consumption of meat products in Romania, by products



Source: market analysts, FRD Center

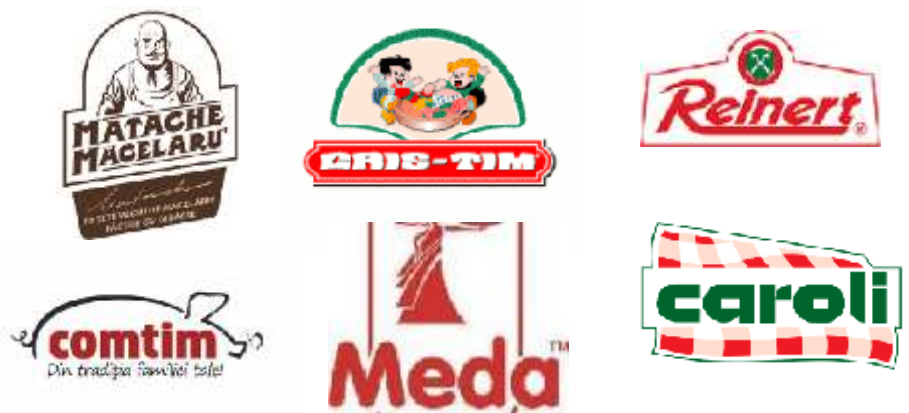
After 2010, in the market was observed a consumer preference towards meat quality, with few preserves and low level of food additives, especially towards the **raw-dried salami**. It is becoming increasingly obvious the consumer trend towards top quality cold cuts products, even if this means paying a higher price.

In the period December 2015 - May 2016 compared to December 2014 - May 2015, the **cold cuts sales** in traditional trade increased with a rate of 13%, according to data from Nielsen Retail Audit.

1.3 Main brands on the market

Domestically manufactured brands of meat and meat products:

Comtim - Smithfield
Cris-Tim - Cris-Tim
Matache Macelaru' - Cris-Tim
Unicarm - Unicarm
Fragedo - Transavia
Coco Rico - Aaylex
Agricola - Agricola
Caroli - Caroli Foods
Maestro - Caroli Foods
Meda - Meda Prod '98
Reinert - H&E Reinert



In regards to **packed sausages and cold cuts**, the top five brands, according to their sales value are:

Cris-Tim - Cris-Tim
Caroli - Caroli Foods
Aldis - Aldis
Agricola - Agricola
Campofrio - Caroli Foods



Imported brands of meat and meat products:

Jean Caby
Italia Salumi
Fiorucci
Bauwens
Galbani
España e Hijos
La Selva



Case study: Recent launch of "nostalgic cold cuts" by Cris-Tim

In 2016, local major meat processor, Cris-Tim, launched the "Gostat" cold cuts product range. The latest product range launch, of the "Gostat" cold cuts and salamis, aims to touch that category of consumers that are nostalgic for the traditional products of yesteryear, thus answering a visible trend of the market.

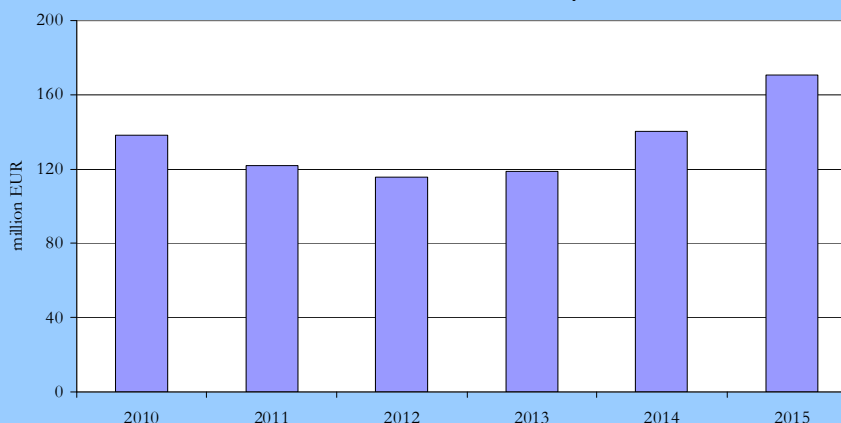
Basically, the new Cris-Tim range reinvents products that were popular 30 - 40 years ago, as Gostat salami, dry Summer salami, Victoria salami and baloney.



Cris-Tim is one of the main producers of charcuterie and cold cuts in Romania. Their company specialised in the production - Recunostinta Prodcom Impex SRL - has recorded a net turnover of 100.8 million EUR in 2015, up by 29% compared to 2014. In H1 2016, Cris-Tim registered a growth rate of 14% of sold cold cuts volumes, compared to the same period of 2015.

Cris-Tim is a family business set up in 1992. The Cris-Tim Group includes the following companies: Recunostinta Prodcom Impex SRL, specialised in the production of meat and meat products and Cristim 2 Prodcom SRL, specialised in selling of meat and meat products. The two companies have recorded a cumulated net turnover of 170 million EUR in 2015, up by 21% compared to 2014.

Cris-Tim Group - Recunostinta Prodcom Impex SRL
and Cristim 2 Prodcom SRL - net turnover dynamics, 2010 - 2015



Source: Ministry of Public Finances, FRD Center

Preferred types of products and market tendencies: raw-dry meat cuts

According to market players, the raw-dried sausages and meat cuts sales have increased by 15% in Q1 2016 compared to Q1 2015. These products fall under the top quality products category, considered healthier because of the high content of meat and ingredients used.

The advance is five percentage points higher than the growth rate of the whole market.

Salam de Sibiu, a raw-dried salami, is an emblematic Romanian product constantly present at national and international trade fairs. Romania has a tradition of over 100 years in producing Salam de Sibiu.

In February 2016, the European Commission has granted the protected geographical indication - PGI - for Salam de Sibiu.



One of the largest producers in this segment is Agricola Salbac Group. They reported an advance of about 30% in first half 2016 resulting from the sales of raw-dried salami products, where they are market leaders with the Sibiu Salami - Salam de Sibiu: an average market share of 50%.

The development of consumption in this direction prompted the company to invest nearly 5 million EUR to increase production capacity of raw-dried salami with about 30%, representing 80 tons per month.

According to company sources, at the end of 2015, sales of raw-dried salami under the Agricola brand reached 2,363 tonnes, out of which 1,126 tonnes of Sibiu Salami. For 2016, the estimates show an increase of up to 2,750 tonnes of raw-dried salami and 1,350 tonnes of Sibiu Salami.

The sales objectives set by the company for 2017 are of 240 tonnes / month, respectively 270 tonnes / month in 2018.

2. Production

2.1 Production statistics and estimates

The local market of **poultry meat** is estimated by the market players at 356 million EUR.

The largest share of the **poultry meat** is sold as fresh or chilled. According to data published by the Association of Poultry Meat Producers, about 50-60% of total production of poultry meat is generated by ten poultry farms.

These are large and medium producers with deliveries ranging from 12,500 tonnes / year to 65,000 tons / year. Their total production amounted in 2015 to over 277 thousand tonnes.

Market analysts consider that the domestic production of **poultry meat** will increase by 5% in 2016. The factors that contribute include:

- increased demand
- competitive prices
- affordability in terms of poultry feed prices

Poultry meat production of main ten producers in Romania tonnes				
Company	2012	2013	2014	2015
Transavia	54,195	57,637	58,182	64,976
Avicola Buzau	21,307	25,422	46,082	53,677
Agricola International	43,074	44,227	46,559	45,622
Agrisol	23,228	22,628	22,922	24,406
Avicarvil	16,608	18,647	20,318	20,617
Ave Group	16,711	16,620	17,565	16,699
Oncos	8,267	9,598	9,379	13,264
Avicola Slobozia	10,479	11,775	11,757	12,856
Bravcod	8,937	9,052	9,379	12,611
Avicod Broiler	10,157	11,957	13,017	12,523
Total	212,963	227,563	255,160	277,251

Source: Association of Poultry Meat Producers in Romania

According to Eurostat, the production of **poultry meat** in Romania has reached the end of 2015 some 345,620 tonnes, representing the highest production since 2003.

The Romanian poultry processing industry remains on a positive trend for medium term, with continuous investment in production and processing technology, logistics and branding.

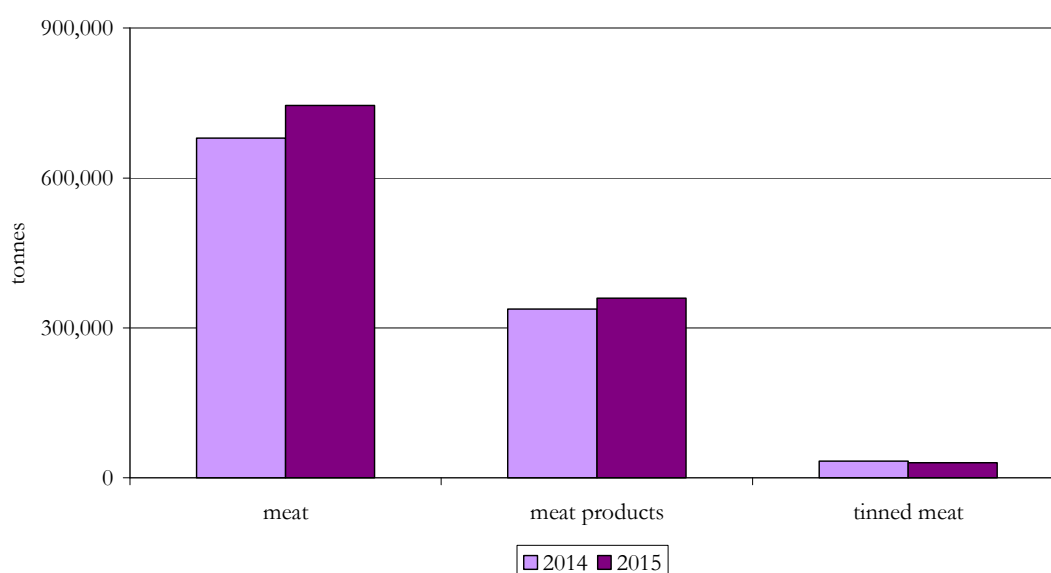
Furthermore, the poultry sector remains one of the most dynamic in the Romanian agriculture and food industry.

According to data published by the National Institute of Statistics, the meat products domestic production increased with 6.4% in 2015 vs. 2014.

Production	2014 tonnes	2015 tonnes	Growth y-t-y
Meat	680,253	745,466	+9.6%
Meat products	337,740	359,437	+6.4%
Tinned meat	33,692	30,588	-9.2%

Source: NIS, FRD Center

Production of meat and meat products in Romania, 2014 - 2015



Source: NIS, FRD Center

For the dynamics of production of meat, meat products and tinned meat in Romania during 2011 - 2015, please see the Annex.

Local **cold cuts** producers reported sales increases of over 10% in the first half of 2016 compared to the same period in 2015, but the pace is expected to slow down slightly in the second half of the year, up to 6-7%.

NACE Code	Products	Sold production value in 2014 thousand EUR	Sold production value in 2015 thousand EUR	Growth y-t-y
100000Z1	Prepared and preserved meat, meat offal or blood, including prepared meat and offal dishes	805,635	837,443	+3.9%
10111250	Fresh or chilled hams, shoulders and cuts thereof with bone in, of pig meat, including fresh meat packed with salt as a temporary preservative	15,916	11,884	-25.3%
10131460	Sausages and similar products of meat, offal or blood and food preparations based thereon, excluding liver sausages and prepared meals and dishes	523,876	561,139	+7.1%
10131515	Prepared or preserved liver of other animals, excluding sausages and prepared meals and dishes	12,602	9,957	-21.0%
10131545	Prepared or preserved meat of swine: hams and cuts thereof, excluding prepared meals and dishes	75,777	59,766	-21.1%
10131585	Prepared or preserved meat or offal of bovine animals, excluding sausages and similar products, homogenised preparations, preparations of liver and prepared meals and dishes	9,291	11,166	+20.2%
10121010	Fresh or chilled whole chickens	244,611	236,603	-3.3%
10121050	Fresh or chilled cuts of chicken	143,336	173,143	+20.8%
10121060	Fresh or chilled cuts of turkey	19,053	23,729	+24.5%
10122013	Frozen whole chickens	46,747	45,966	-1.7%
10131565	Prepared or preserved meat, offal and mixtures of domestic swine, including mixtures, containing < 40 % meat or offal of any kind and fats of any kind, excluding sausages and similar products, homogenised preparations, preparations of liver and prepared meals and dishes	7,626	4,129	-45.9%
10131575	Other prepared or preserved meat, offal and mixtures of swine, including mixtures, excluding sausages and similar products, homogenised preparations, preparations of liver and prepared meals and dishes	23,913	22,156	-7.3%

Source: Eurostat, FRD Center

For the five year dynamics of the meat sold production value, please see the Annex.



According to the FRD Center analysis based on official statistic data, the Romanian **sausages** produced in 2015 vs. to 2014 increased the value with 7.1%.

NACE Code	Products	Sold production volume in 2014 thousand kg	Sold production volume in 2015 thousand kg	Growth y-t-y
100000Z1	Prepared and preserved meat, meat offal or blood, including prepared meat and offal dishes	315,736	320,386	+1.5%
10111250	Fresh or chilled hams, shoulders and cuts thereof with bone in, of pig meat, including fresh meat packed with salt as a temporary preservative	7,072	6,002	-15.1%
10131460	Sausages and similar products of meat, offal or blood and food preparations based thereon, excluding liver sausages and prepared meals and dishes	194,172	200,476	+3.2%
10131515	Prepared or preserved liver of other animals, excluding sausages and prepared meals and dishes	6,663	5,351	-19.7%
10131545	Prepared or preserved meat of swine: hams and cuts thereof, excluding prepared meals and dishes	37,177	31,753	-14.6%
10131585	Prepared or preserved meat or offal of bovine animals, excluding sausages and similar products, homogenised preparations, preparations of liver and prepared meals and dishes	4,100	5,053	+23.2%
10121010	Fresh or chilled whole chickens	150,471	147,670	-1.9%
10121050	Fresh or chilled cuts of chicken	69,347	89,244	+28.7%
10121060	Fresh or chilled cuts of turkey	7,644	9,098	+19.0%
10122013	Frozen whole chickens	27,866	28,500	+2.3%
10131565	Prepared or preserved meat, offal and mixtures of domestic swine, including mixtures, containing < 40 % meat or offal of any kind and fats of any kind, excluding sausages and similar products, homogenised preparations, preparations of liver and prepared meals and dishes	3,459	1,862	-46.2%
10131575	Other prepared or preserved meat, offal and mixtures of swine, including mixtures, excluding sausages and similar products, homogenised preparations, preparations of liver and prepared meals and dishes	9,604	8,892	-7.4%

Source: Eurostat, FRD Center

2.2 Availability of raw materials, preferred sources

According to Eurostat, Romania has one third - 33.5% - of total agribusiness holdings in the European Union in 2013, most of the farms being considered subsistence households.

According to the National Institute of Statistics, on 1 May 2016, the **pig livestock** in Romania has recorded 4,574,690 heads, this representing a decrease by 1.8% compared to the same date of 2015.

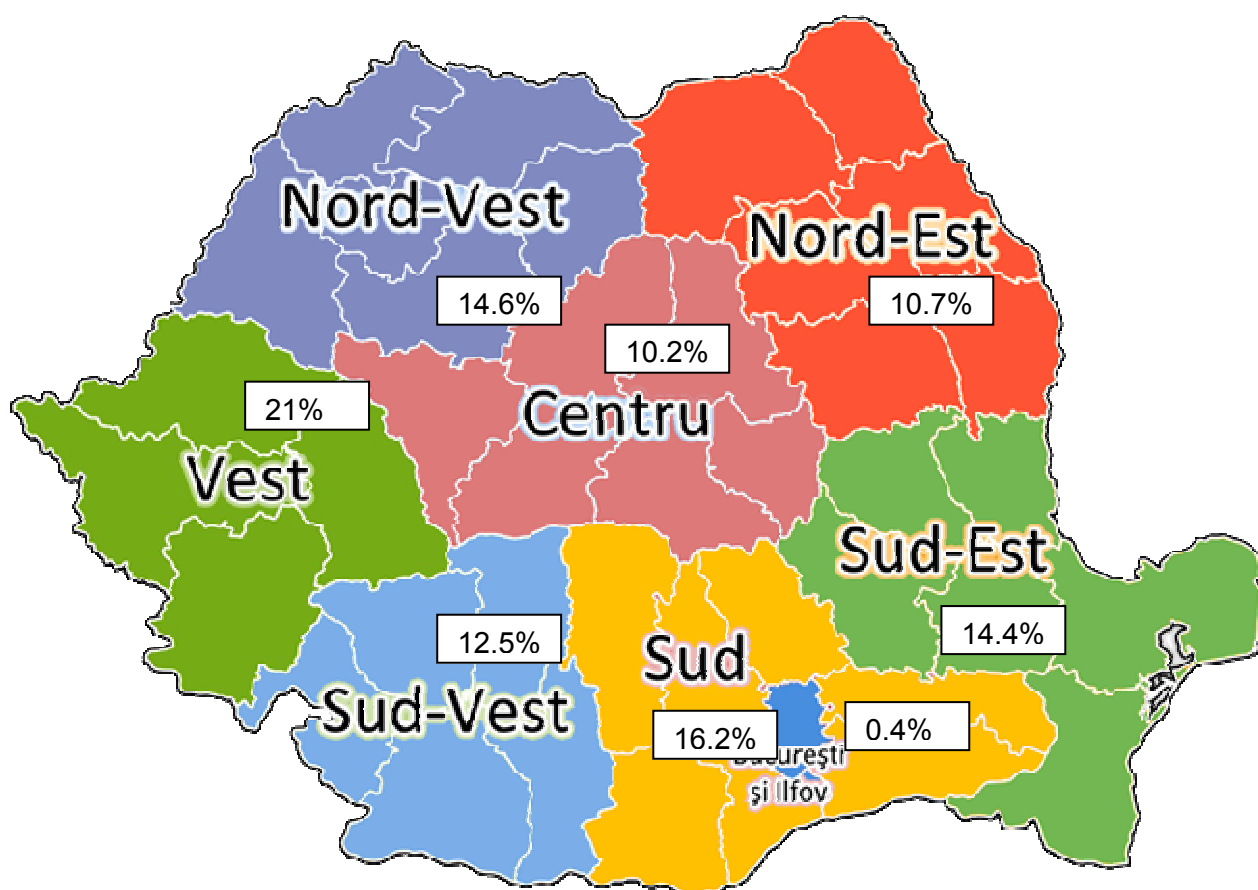
	1 May 2015 heads	1 May 2016 heads
pig livestock	4,659,411	4,574,690

Source: NIS, FRD Center

The pig-stock in Romania includes: piglets, young pigs, pigs for fattening, breeding pigs, boars, breeding sows, mated sows and not-mated sows.

The distribution of the **pig livestock** existent at 1 May 2016 sorted by development regions in Romania:

- South-West Oltenia: 12.5%
- South Muntenia: 16.2%
- South-East: 14.4%
- North-East: 10.7%
- Bucharest-Ilfov: 0.4%
- Centre: 10.2%
- North-West: 14.6%
- West: 21.0%
- Sud: 16.2%
- Sud-Est: 14.4%
- Sud-Vest: 12.5%
- Nord-Vest: 14.6%
- Nord-Est: 10.7%



In Romania are raised

- indigenous breeds of pigs, such as Stocli, Mangalita, Bazna, Albul de Banat and Albul de Rusetu
- imported breeds of pigs, such as Landrace, Pietrain, Duroc etc

According to the National Institute of Statistics, on 1 December 2015, the **poultry livestock** in Romania has recorded 78,648,100 heads, up by 4.2% compared to the same date of 2014.

	1 December 2014 heads	1 December 2015 heads
Poultry livestock	75,446,800	78,648,100

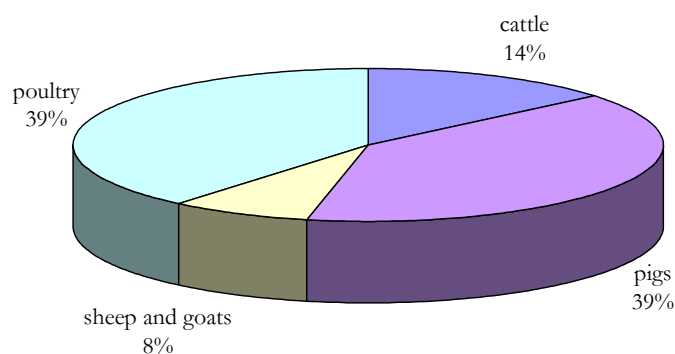
Source: NIS, FRD Center

According to the FRD Center analysis based on official statistic data, the weight of the animals to be slaughtered for consumption in 2015 was with 8.8% higher than in 2014.

Raw meat production	2014 thou tonnes	2015 thou tonnes	Growth y-t-y
Weight of the animals to be slaughtered for consumption, live weight – total, out of which:	1,315	1,431	+8.8%
- cattle	183	200	+9.3%
- pigs	535	562	+5.0%
- sheep and goats	108	110	+1.9%
- poultry	488	558	+14.3%
- others	1	1	0

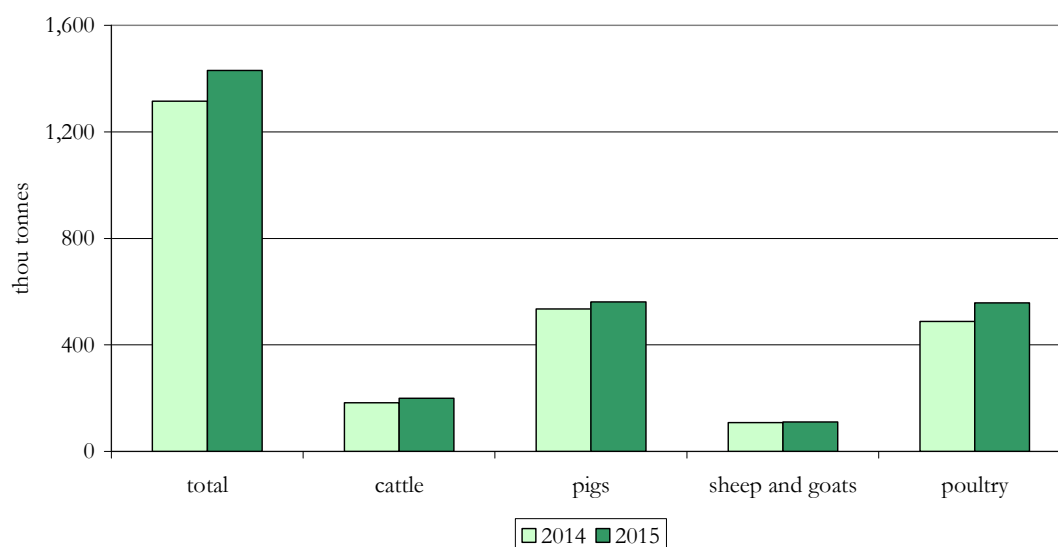
Source: NIS, FRD Center

**Weight of the animals to be slaughtered
for consumption (live weight) in Romania in 2015, by animals**



Source: NIS, FRD Center

**Weight of the animals to be slaughtered
for consumption (live weight) in Romania, 2014 - 2015**



Source: NIS, FRD Center

In 2015 compared to 2014, the weight of the animals and poultry to be slaughtered for consumption increased by 8.8% per total, with

for poultry:	+14.3%
for cattle:	+9.3%
for pigs:	+5.0%
for sheep and goats	+1.9%

For the dynamics of the weight of the animals to be slaughtered for consumption in Romania, during 2011 - 2015, please see the Annex.

Examples of companies that have animal farms in Romania:

A. Pig:

Smithfield Ferme
Premium Porc
Nutrientul
Europig
Crinsuin
Porcellino Grasso
Eurospatial
Pigcom
Nutricom
Agrisol International RO



B. Poultry

Transavia
Avi-Top
Nutricom
Nutrientul Group
Safir
Avicola Buzau
Agrisol International RO
Carmistin



C. Beef Cattle

Carmolimp
Maria Trading
Emiliana West Rom
Cris-Tim
Karpaten Meat
IAC Curtici
Carmistin



- **Agrisol International RO** has eight poultry farms located in Prahova county, Southern Romania, with the cumulated production of approximately 18 million chickens per year. Furthermore, the company has pig farms.
- **Avicola Buzau**, part of Aaylex Group, has poultry farms with over 300,000 chickens, located in Buzau county, SE Romania.
- **Avi-Top**, part of the Romanian Group Kosarom, has poultry farms with approximately 6,500,000 chickens, located in Iasi county, NE Romania. The company has its own slaughtering facility with the capacity of around 4,000

chickens per hour. Avi-Top plans to invest over 3 million EUR in expanding its production capacity.

- **Carmistin Group / Pajo Holding** has a beef cattle farm with the capacity of some 2,500 heads in Prahova county, Southern Romania and „La Provincia” poultry farms located in Valcea county, SW Romania with a cumulated production capacity of 6.5 million chickens per year. The Group has integrated activities: exploitation of agricultural land, feed manufacturing, cattle and poultry farms, livestock trade.
- **Crinsuin** has a pig farm with approximately 25,000 heads, located in Constanta county, SE Romania.
- **Emiliana West Rom** has a beef cattle farm with approximately 1,400 heads of Limousine cattle breed. The farm is located in Timis county, Western Romania.
- **Europig** has a pig farm in Brasov county, Centre Romania with the capacity of approximately 50,000 pigs per year.
- **Eurospatial** has a pig farm with almost 24,000 heads, located in Olt county, SW Romania.
- **Karpaten Meat** has beef cattle farms with a cumulated number of approximately 2,500 heads of Angus cattle breed. The farms are located in Sibiu county, Centre Romania.
- **Nutricom** has four pig farms with the total capacity of over 60,000 heads and a poultry farm with the capacity of 300,000 chickens per series. Its farms are located in Calarasi county, Southern Romania.
- **Nutrientul Group** includes five pig farms - Nutripork SRL, Nutrisuin SRL, Nutritin SRL, Nutripig SRL and Select Pig SRL - and two poultry farms. Nutrientul Group has a cumulated number of approximately 42,000 pigs.
- **Pigcom** has a pig farm located in Tulcea county, SE Romania with approximately 24,000 heads.
- **Porcellino Grasso** has a pig farm with approximately 23,500 heads, located in Valcea county, SW Romania.
- **Premium Porc** has six pig farms with the capacity of approximately 380,000 pigs per year. The Danish-held Group has in Romania agribusiness, swine farming operations and livestock feed production facility. Premium Porc is currently investing 35 million EUR in order to build a sow farm in Braila county and a swine fattening farm in Sibiu county. Premium Porc plans to double its production of swine and feed by 2020 and considers organic growth, acquisitions, renovation or rebuilding of farms in order to achieve its goals.
- **Safir Group** has two poultry farms with the cumulated capacity of 420,000 chickens

- **Smithfield Ferme** has 46 pig farms with a cumulated number of approximately 900,000 pigs, located in the Arad and Timis counties, Western Romania.
- **Transavia** has 15 poultry farms with 25 million chickens and two poultry breeding farms

Players such as **Smithfield Group** - Smithfield Prod SRL and Smithfield Ferme SRL, **Kosarom Group** - Industrializarea Carnii Kosarom SA, Avi-Top SA and Suinprod SA or **Sergiana Group** - Sergiana Prodimpex SRL and Europig SA are vertically integrated.

Raw materials for meat industry:

- acidifiers and regulators
- emulsifiers
- fibres and prebiotics
- nutritional ingredients
- preservatives and antioxidants
- thickeners and stabilisers
- colours and coating agents
- fats and oils
- flavours and enhancers
- phosphates
- sugar and sweeteners
- vitamins and minerals

One main producer of raw materials used for the meat industry in Romania is Supremia Grup. Some of its main clients in the meat sector are: Unicarm, Transavia, Kosarom, Aldis, Angst, Elit, Diana, Fox Com, Carniprod etc.

Main importers of raw materials used for the meat industry in Romania are: Alinda Ro, Azelis Romania and Enzymes & Derivates.

2.3 Chains organisation

As in all cases, in the Meat Processing sector the supply chains vary according to the size of the businesses, their location, their business strategy etc.

Animal farms supply animals alive to the slaughterhouses or have in-house slaughter houses which supply meat to processors or the retail chains.

The largest meat products firms are vertically integrated and operate both animal farms and slaughterhouses, alongside their processing units.

The majority of the meat products processors operate own distribution system and have own branded transport fleet to reach modern or traditional trade.

Additionally, many of them also collaborate with specialised transport firms.

2.4 Value addition - how much value is added within Romania

For the meat products made in Romania, the entire value is added in Romania.

2.5 Description of top processors: name, origin / ownership, brands, market reputation, level of innovation, known investments, development plans for 2-5 years etc.

In Romania, there are approx. 650 companies active in the sector of **Production, Processing and Preserving of Meat and Meat Products**.

Smithfield Prod SRL

<i>Ownership:</i>	Smithfield Group, part of WH Group China
<i>Brands:</i>	Comtim - pork
<i>Market reputation:</i>	<p>Smithfield Prod is the biggest pork producer and processor in Romania. Furthermore, Smithfield Group has in Romania pig farms, managed by the company Smithfield Ferme SRL.</p> <p>The pork production of Smithfield in Romania has increased by 5% in 2015 compared to 2014.</p> <p>Over 20% of the Smithfield's pork production in Romania is exported.</p> <p>Smithfield is the second largest Romanian meat exporter by value in 2015, after Aaylex.</p> <p>After Romania has received in March 2015 the approval to export pork to China, Smithfield has been the first domestic pork producer which exported to China.</p>
<i>Level of innovation:</i>	The products in their portfolio have a medium-high level of innovation. Smithfield has made investments in the past years in modern and innovative technologies for its farms and meat processing unit in Romania.
<i>Known investments:</i>	Smithfield has received in 2015 a loan of 60 million USD from the International Finance Corporation - IFC, in order to restructure its debts and expand its farms and meat processing unit in Romania.
<i>Development plans for 2-5 years</i>	Smithfield Romania plans to increase its pork exports to China.
<i>Net turnover:</i>	174 million EUR in 2015: -3% compared to 2014

No of employees: 795 in 2015

Unicarm SRL

Ownership: Mr. Vasile Lucut - Romanian private capital

Brands: Unicarm - meat, meat products, canned meat

Market reputation: Unicarm produces meat, meat products and canned meat - Unicarm brand, dairy products - Premio Unicarm, Unimo, Unimo plus, Bunicel brands, ice cream - Globo Unicarm brand and bakery products - Datina Unicarm brand. Furthermore, it has a chain of approximately 90 stores and one restaurant - Crenguta. The meat and meat products represent approximately 60% of the company's sales. Unicarm is the biggest company with Romanian ownership in the Satu Mare county.

Level of innovation: The products in their portfolio have a medium level of innovation.

Known investments: Unicarm has launched 4 new food production units in 2009, following investments of 32 million EUR.

Development plans for 2-5 years Unicarm plans investments in warehouses and store network.

Net turnover: 145.2 million EUR in 2015: -3% compared to 2014

No of employees: 2,825 in 2015

Transavia SA

Ownership: Mr. Ioan Popa - Romanian private capital

Brands: Fragedo - poultry meat

Market reputation: Transavia is the largest producer of poultry meat in Romania. Transavia has an integrated business: cultivation of cereals, poultry farms, production of compound feed, slaughterhouses, meat processing plant. Besides poultry meat - Fragedo brand, the company produces ready meals - Papane brand. Transavia was awarded first place in the National Top of Companies 2016 organised by the Chamber of Commerce and Industry of Romania, at the "Poultry" Category, Very Large Companies. Transavia exports its products to UK, France, Spain, Greece, the Netherlands, Croatia, Bulgaria etc. Transavia has attended various international fairs, such as SIAL 2016, Anuga 2015 etc.

Level of innovation: The products in their portfolio have a medium-high level of

innovation. Starting with 2011, Transavia has been invested in an innovative system to ensure full control of the production chain.

Transavia has received the “Excellence in Business” Award at the 11th edition of the Business Review Awards Gala in Bucharest, in February 2016.

Known investments: Transavia has invested 25 million EUR in 2015 in the extension of its production capacities, the purchasing of new machinery, the building of 72 new poultry halls, the opening of a new slaughterhouse with the capacity of 6,000 heads / hour, the water treatment stations, the ecological waste landfills and the production capacity extension of compound feed plant by 70%.

Development plans for 2-5 years Transavia plans to consolidate its position as the main producer of poultry meat in Romania.

Net turnover: 104 million EUR in 2015: -3% compared to 2014

No of employees: 1,145 in 2015

Aaylex Prod SRL

Ownership: Mr. Bogdan Stanca, Mr. Bogdan Gruia - Romanian private capital

Brands: Coco Rico - poultry meat

Market reputation: Aaylex Group, which includes the companies Aaylex Prod SRL, Avicola Buzau SA and Aaylex Distribution SRL, has an integrated business: poultry farms, feed production, slaughterhouse, meat production.

Aaylex Prod is the largest Romanian meat exporter by value in 2015. Aaylex exports meat to countries such as: Bulgaria, the Czech Republic, Cyprus, France, Germany, Greece, UK, the Netherlands, Slovakia etc. The exports represent approximately 35 - 38% of its turnover.

Aaylex has attended various international fairs, such as SIAL 2016, Indagra Food 2016, Carnexpo 2015 etc.

Level of innovation: The products in their portfolio have a medium level of innovation.

Known investments Aaylex has invested over 16 million EUR in 2016 in the poultry farms, the feed production plant and the slaughterhouse.

Development plans for 2-5 years Aaylex plans to continue the investments in order to improve its productivity and to ensure high quality of its products.

Net turnover: 98.8 million EUR in 2015: +14% compared to 2014

No of employees: 1,713 in 2015

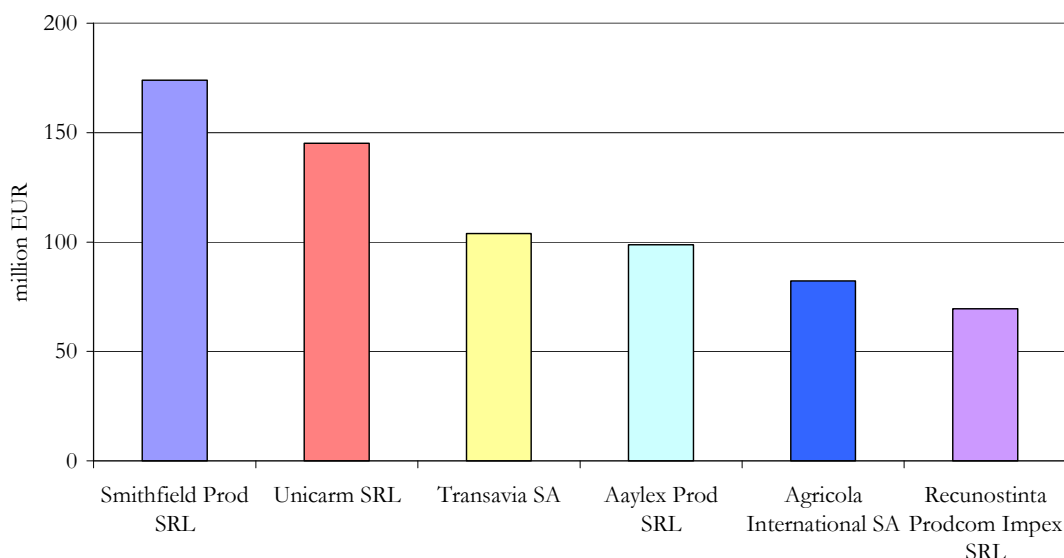
Agricola International SA

<i>Ownership:</i>	Romanian individuals - majority shares
<i>Brands:</i>	Agricola - poultry meat, meat products
<i>Market reputation:</i>	<p>Agricola Group includes the companies: Agricola International SA - poultry farms and production of poultry meat, Salbac SA - production of salami and sausages, Europrod SA - production of ready meals, Avicola Lumina SA - production of eggs and Agricola Magazine SRL - operator of a network of around 30 stores.</p> <p>Three Agricola products - "Puiul Fericit", "Ouale de la gaini fericite" and "Salam de Sibiu" - have been awarded in 2016 in Brussels, with two gold stars "Superior Taste Award" by International Taste & Quality Institute – iTQi.</p> <p>The Agricola Salam de Sibiu has been awarded in May 2016 in Budapest, with the Silver Award by the International Institute for Quality Selections – Monde Selection.</p>
<i>Level of innovation:</i>	<p>The products in their portfolio have a high level of innovation. Agricola International is the first company in Romania which has launched varieties of chickens packed in tray with cryofilm. Agricola has launched in 2009 an innovative product on the Romanian market - Puiul familist - which includes two chicken legs for parents and two chicken legs for children. Agricola has launched in 2007 the first line of controlled atmosphere packaging in Romania.</p> <p>The Agricola Campaign "Mese de Poveste" has been nominated in the "Best Brand Initiative in Retail" Category at the Gala organised by Progresiv Magazine in March 2016.</p>
<i>Known investments</i>	Agricola Group has inaugurated in September 2016 a new production unit of raw-dried salami, following an investment of 5 million EUR.
<i>Development plans for 2-5 years</i>	<p>Agricola plans to continue the investments in two of its emblematic products: "Puiul Fericit" and "Salam de Sibiu". Agricola targets to increase its salami production capacity by approximately 38% until 2020.</p>
<i>Net turnover:</i>	<p>Agricola International: 82.3 million EUR in 2015, +3% compared to 2014</p> <p>Agricola Group: 147.5 million EUR in 2015, +6% compared to 2014</p> <p>In H1 2016 compared with the same period of 2015, Agricola International has registered a turnover growth of 17.6%.</p>
<i>No of employees:</i>	1,713 in 2015

Recunostinta Prodcom Impex SRL

<i>Ownership:</i>	Mr. Radu Timis, Ms. Cristina Timis - Romanian private capital
<i>Brands:</i>	Cris-Tim - meat, meat products Matache Macelaru' - meat products Vitality - meat products Alpinia - meat products Bunea Haiducul - meat products
<i>Market reputation:</i>	<p>Cris-Tim Group includes the companies Recunostinta Prodcom Impex SRL, specialised in production activities and Cristim 2 Prodcom SRL, specialised in selling activities.</p> <p>Cris-Tim Group has integrated activities: cattle farm, production of meat and meat products - Cris-Tim, Matache Macelaru', Vitality, Alpinia, Bunea Haiducul brands, production of dairy products - Mugura brand and production of ready meals - Bunatati brand.</p> <p>Cris-Tim Group has attended various international fairs, such as SIAL 2016, Carnexpo 2015 etc.</p> <p>At the 6th edition of the "Champions in Business" Gala organised by Enterprises Investors in 2016, Mr. Radu Timis, President & Owner of Cris-Tim Group has been declared "Entrepreneur of Year 2016".</p>
<i>Level of innovation:</i>	<p>The products in their portfolio have a high level of innovation. Cris-Tim uses the High Pressure Processing Technology - HPP, an innovation in the food safety sector.</p> <p>Cris-Tim has launched in 2012 the Vitality range of E-free sausages.</p>
<i>Known investments</i>	Cris-Tim has invested 8 million EUR in 2014 in its integrated business.
<i>Development plans for 2-5 years</i>	<p>Cris-Tim Group targets the business growth by entering new foreign markets and by strengthening its position on current markets.</p> <p>Cris-Tim will enter the wine market in 2017, with the "Casa Timis" brand.</p> <p>Despite receiving various offers, the owners of Cris-Tim do not intend to sell their business.</p>
<i>Net turnover:</i>	69.5 million EUR in 2015: +12% compared to 2014
<i>No of employees:</i>	770 in 2015

Net turnover of six meat processors in Romania in 2015



Source: Ministry of Public Finances, FRD Center

3. International Trade: statistics, main in-coming and out-going destinations, dynamics and estimations

According to data published by the National Institute of Statistics, **pork** maintained the first place in the Romanian meat imports in the first seven months of 2016, with an amount of 101 600 tonnes, value of 163.5 million EUR, compared to 92,900 tonnes imported during the same period of 2015, worth 145.8 million EUR.

According to the Ministry of Agriculture, the Romanian imports of poultry meat have increased in 2015 with 5% compared to 2014.

According to a survey carried out by Eurostat, the Romanian prices for meat products are 60% of the UE average.

The domestic farmers may export live pigs to the EU again as of October 2016, after years of being banned due to Classical Swine Fever,

which is no longer affecting the swine in Romania. As a result of the ban being lifted, the Romanian exports are expected to increase in the next years.

The Ministry of Agriculture and Rural Development has announced in October 2016 that Romania can export beef to Turkey after two domestic slaughterhouses in Calarasi and Bistrita Nasaud have received the relevant certification from the Turkish experts. Since Romania has joined the EU in 2007, the country has been denied to export live cattle and beef to Turkey over concerns about the bovine spongiform encephalopathy - BSE, also known as the mad cow disease. According to the World Organisation for Animal Health - OIE, Romania has at present low BSE risk.

Meat and edible meat offal TARIC: 02	2014 EUR	2015 EUR	Growth
Imports	551,748,750	569,035,810	+3.1%
Exports	212,255,310	248,272,100	+17%

Source: Eurostat, FRD Center

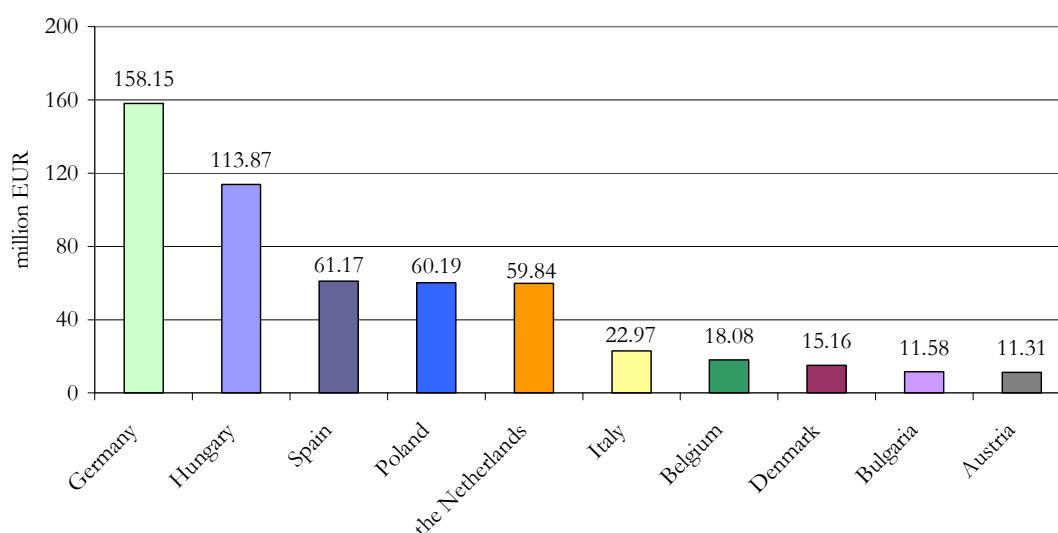
Meat and edible meat offal TARIC: 02	Jan – July 2015 EUR	Jan – July 2016 EUR	Growth
Imports	294,064,430	329,830,560	+12.2%
Exports	149,777,530	143,555,470	-4.2%

Source: Eurostat, FRD Center

The main ten origin countries of Romanian imports of meat and edible meat offal in 2015 are:

- Germany: 158,152,350 EUR
- Hungary: 113,874,200 EUR
- Spain: 61,171,830 EUR
- Poland: 60,185,930 EUR
- **the Netherlands:** 59,841,240 EUR
- Italy: 22,966,660 EUR
- Belgium: 18,084,920 EUR
- Denmark: 15,162,090 EUR
- Bulgaria: 11,583,070 EUR
- Austria: 11,310,700 EUR

Romanian imports of meat and edible meat offal - main ten origin countries in 2015



Source: Eurostat, FRD Center

The main three export destinations for the Romanian exports of meat and edible meat offal in 2015 are:

- UK: 39,790,540 EUR
- Bulgaria: 30,693,770 EUR
- France: 29,260,490 EUR

For the five year dynamics of the Romanian meat trade, please see the Annex.

4. International competitors - main players and their dynamics

Caroli Foods Group, one of the main cold cuts producers in Romania, continues the upward trend registered in 2015 and reports for H1 2016 a turnover of 51 mil. EUR, up 35% compared to H1 2015.

In addition, in the same period, the company recorded increased profits by 122% to approx. 2 mil. EUR and completed investments of about 3 million EUR in the logistics and modernization of the factory in Pitesti, by introducing new and modern production technologies.

The sales figures provided by **Caroli Foods** for H1 2016 indicates an advance of 15% in volume and 22% in value and a 10% growth estimate for the whole International networks stores segment - IKA - where the advance category ranged from 12.5% to half - Caroli Foods Group's sales increased by 20%, reaching an IKA market share of 18%.

Modern trade is currently 55% of the manufacturer's sales, company officials estimating that in the category of meat, the percentage is 50-55%.

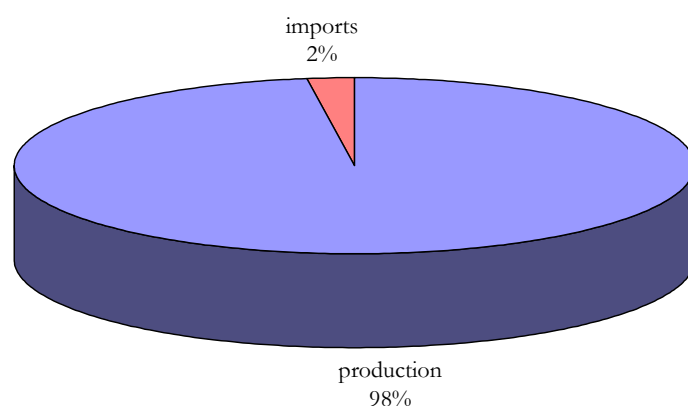
The Caroli Foods Group became the market leader in Romania through the merger with Campofrio Food Group, the European market leader in processed meat products and a major global player in the field.

5. Brief analysis of import / export vs. local estimated consumption / market demand

In 2014, imports accounted for only 2.31% of the total **sausage and cold cuts** market, while the remaining 97.69% was locally produced.

In 2015, the figures remained similar, only 2.33% of the products on the **sausage and charcuterie** market have been imported, the remaining 97.67% being local production.

Sausage and charcuterie market in Romania in 2015



Source: market analysts, FRD Center

Market analysts consider that Romanian **exports of poultry meat** will stagnate in 2016, reflecting growth opportunities in the domestic market and strong competition in foreign markets.

As expected, **imports of poultry meat** increased in 2015 by almost 5%, which indicates a moderate pace compared to 2014, when imports rose by 25%, in the context of excess supply in the EU, generated by Russian trade restrictions.

Imports of poultry meat from EU countries rose in 2015 by almost 6%, while imports from non-EU countries fell by almost 18%. This trend is set to continue in 2016.

As regards market shares, Hungary is the main supplier, with 23% of total meat imports in 2015 followed by Poland accounting for 22% of imports of poultry meat into Romania.

C. FRUIT AND VEGETABLES PROCESSING

1. Consumption

1.1 Consumption levels, statistics

In regards to consumption of **fresh fruit and vegetables**, according to Eurostat 65.1% of Romanians aged 15 or over do not eat fruit and vegetables on a daily basis compared to 34.4% the EU average.

According to players in the market, a Romanian consumes annually about 2.2 kilograms of **canned vegetables**.

Some 31.5% eat 1 to 4 portions of **fresh fruit and vegetables** a day compared to the EU average of 51.4%, while only 3.5% of Romanians eat at least 5 portions daily compared to 14.1% at EU level.

According to the FRD Center analysis based on official statistic data, the local consumption of vegetables and vegetable products in fresh vegetable equivalent increased by 3.9% in 2015 compared to 2014.

Annual average consumption per capita	2013 kilograms	2014 kilograms	Growth y-t-y
Potatoes	103	100.8	-2.1%
Dried pulses	3.3	3.1	-6.1%
Vegetables and vegetable products in fresh vegetable equivalent	152	158	+3.9%
Tomatoes	35.4	38.1	+7.6%
Dry onion	20.6	20.6	0
Brassicas	44.7	44.1	-1.3%
Edible roots	12.4	13.6	+9.7%
Green pepper	11.5	12.1	+5.2%
Green peas	1	1.3	+30.0%
Green beans	2.8	2.8	0
Cucumbers	7.2	8.4	+16.7%
Other vegetables	16.4	17	+3.7%

Source: NIS, FRD Center

For the dynamics of the annual average consumption of vegetables per capita in Romania during 2010 – 2014, please see the Annex.

According to FRD Center analysis based on official statistic data, the highest consumption increase of **fruit** in Romania was registered for apricots and peaches / nectarines.

Annual average consumption per capita	2013 kilograms	2014 kilograms	Growth y-t-y
Fruit and fruit products in fresh fruit equivalent	73.7	80.2	+8.8%
Apples	23.5	25.2	+7.2%
Plums	4.5	4.7	+4.4%
Apricots	1.6	2.2	+37.5%
Cherries - sour cherries	4	4	0
Peaches – nectarines	3.1	4.1	+32.3%
Grapes	6.7	6.2	-7.5%
Southern and exotic fruits	23.1	25.7	+11.3%
Other fruits	7.2	8.1	+12.5%
Melons	25.4	21.8	-14.2%

Source: NIS, FRD Center

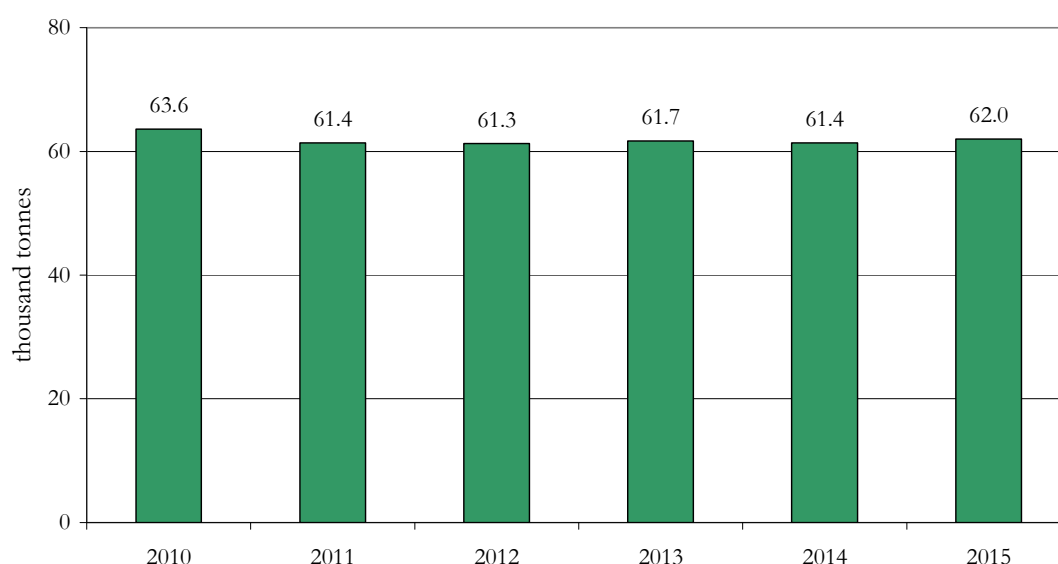
Due to increasing educational programmes promoting a healthy diet and lifestyle, the Romanian demand for fresh fruit and vegetables is expected to increase over the following years.

For the dynamics of the annual average consumption of fruits per capita in Romania during 2010 – 2014, please see the Annex.

According to the Packaged Food in Romania Report published by Euromonitor in January 2016, the sales of **packaged processed fruits and vegetables** in Romania have recorded 62 thousand tonnes in 2015, up by 1% compared to 2014. The

volume sales of packaged processed fruits and vegetables in Romania have registered a Compound Annual Growth Rate of -0.5% in 2010 - 2015.

Sales of packaged processed fruits and vegetables in Romania, 2010 - 2015



Source: Euromonitor, FRD Center

According to the Packaged Food in Romania Report published by Euromonitor in January 2016, the sales of **packaged processed fruits and vegetables** in Romania are forecast to reach 71.5 thousand tonnes in 2020, with a Compound Annual Growth Rate of 2.9% in 2015 - 2020.

The Romanian **frozen vegetables** market is valued at 30 million euros in value and 13,400 tonnes in volume. Although frozen mix vegetables for international recipes are gaining popularity, the simple vegetables - peas, green beans, spinach - still recorded the largest share in sales. According to market players, the frozen vegetables consumption in Romania is still below that of Western Europe and is covered 65% by the simple vegetables, not mix ones.

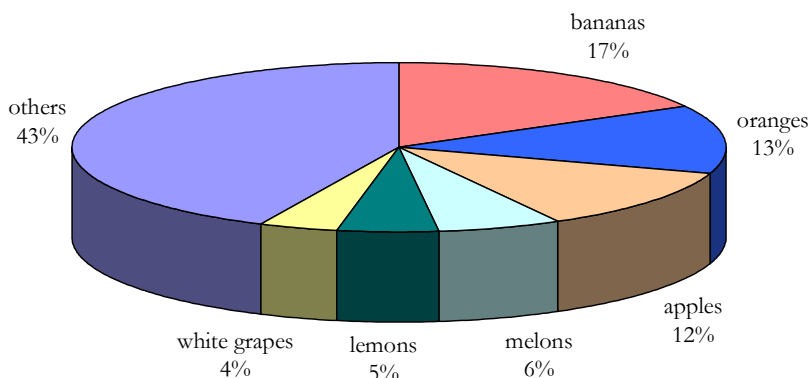
1.2 Consumer preferences and market demand trends

Fresh fruit and vegetables

According to GfK Romania, the frequency with which Romanians buy **fresh fruit and vegetables** is about once every two weeks. Shoppers pay 0.77 EUR per kg on average for fruits and 0.52 EUR per kg for vegetables. The purchasing of vegetables is done more frequently and in larger quantities.

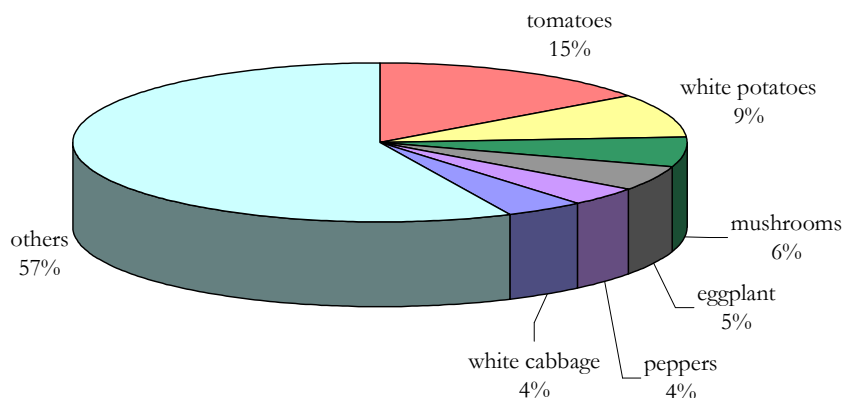
Top choices for fruits include bananas, oranges, apples, lemons, melons and white grapes. As for vegetables, Romanians prefer tomatoes, white potatoes, mushrooms, eggplant, peppers and cabbage.

Value of fruit sales in Romania, by fruit types



Source: GfK, FRD Center

Value of vegetable sales in Romania, by vegetable types



Source: GfK, FRD Center

Traditional commerce, in particular the farmers markets and the green grocer's, remain the favourite places where Romanians purchase **fresh fruit and vegetables** from. At the same time, in the recent years, it was noticed an increasing preference for buying these categories from the modern retail.

If in the case of vegetables purchasing it is traditional trade that prevails - almost three quarters of the total category is represented by this channel - in terms of fruit, modern trade accounts for about half of its value.

The hypermarket is *the* preferred venue in modern trade channel, but both supermarkets and discounters recently registered important developments in the purchasing venue preferences of **fresh fruit and vegetables**.

Fruits and vegetables are the most important segment of fresh food basket of the Romanians, followed by the meat and dairy.

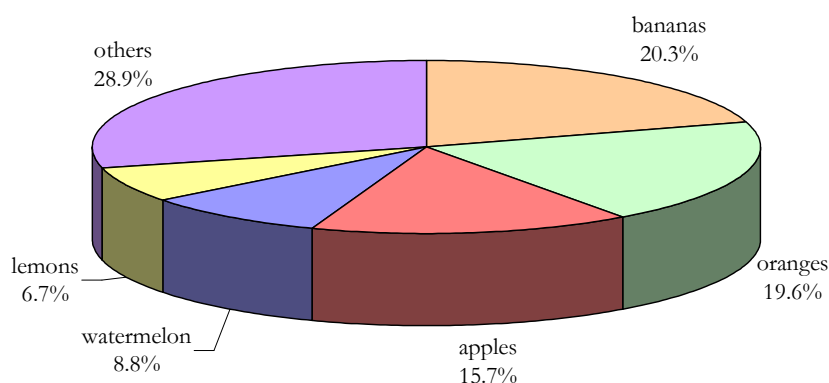
In their purchasing decision, according to a survey carried out by Ipsos, for the Romanian consumer it is important the **fresh fruit and vegetables** to have an affordable price and at the same time be of effective use, easy to prepare, and be available in desired amounts.

According to a RetailZoom research published by Revista Piata, between March 2014 and February 2015 in the international retail chains - Carrefour, Market, Cora, Metro, Mega Image, Shop&Go, Billa, Penny Market, Penny Market XXL, Profi, the sales of **fresh fruits and vegetables** rose by 11.9% in value and by 19.6% in volume compared to the period March 2013 to February 2014.

Considering the category as a whole, the **fresh fruit** segment represented 59.4% of sales value, and 56.7% of the volume. The same segment had a growth of 14.4% in value, compared to 8.5% for **fresh vegetables** and 20.6% in volume, compared to 18.3% for vegetables.

Bestsellers **fresh fruit** in terms of volume were bananas: 20.3%, oranges: 19.6%, apples: 15.7%, watermelon: 8.8%, lemons: 6.7%.

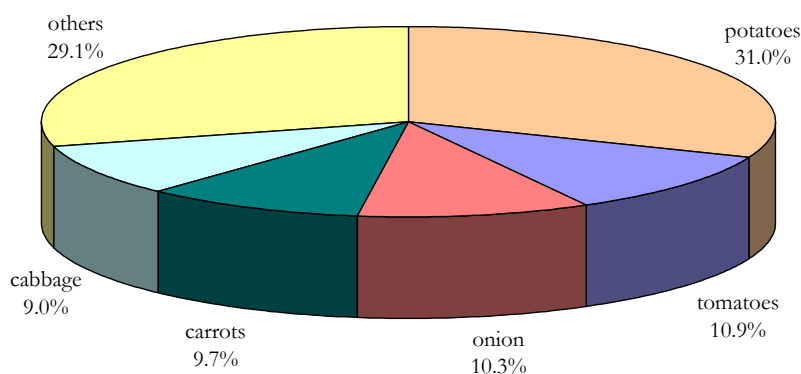
Volume of fresh fruit sales in Romania, by fruit types



Source: RetailZoom, FRD Center

Bestsellers **fresh vegetables** in terms of volume were the potatoes: 31%, tomatoes: 10.9%, onions: 10.3%, carrots: 9.7%, cabbage: 9%.

Volume of fresh vegetable sales in Romania, by vegetable types



Source: RetailZoom, FRD Center

In terms of the sales value, the bananas lead in the fresh fruit segment with 27.3% followed by oranges 14%, while in the fresh vegetables segment, tomatoes with 18.9% outperformed the subcategory potatoes: 14%, which recorded a negative evolution: -10.9%.

Canned vegetables, jams and compotes

According to a survey by Ipsos, the Romanian consumers prove to be very conservative, to a large extent still preparing in-house many of the processed fruit and vegetables products that could be purchased: vegetable stews, pickles, vegetable dips, jams, jellies and compotes.

In general Romanians consume products that are familiar to them, and when they have the option, they choose products of Romanian origin that they find to be most natural. The main purchasing decision factor is the taste.

Farmers markets and traditional food fairs are also a preferred source for these types of food products.

In regards to **canned vegetables**, according to players in the market, the first in Romanian preferences are canned corn, peas and respectively, beans. The customer's profile is between 25 and 30 years old, with an average level of education and a growing interest in a healthy lifestyle.

Also, although they continue to make it in-house in many cases, the majority of Romanians prefer to buy **tomato sauce** and **tomato paste**.

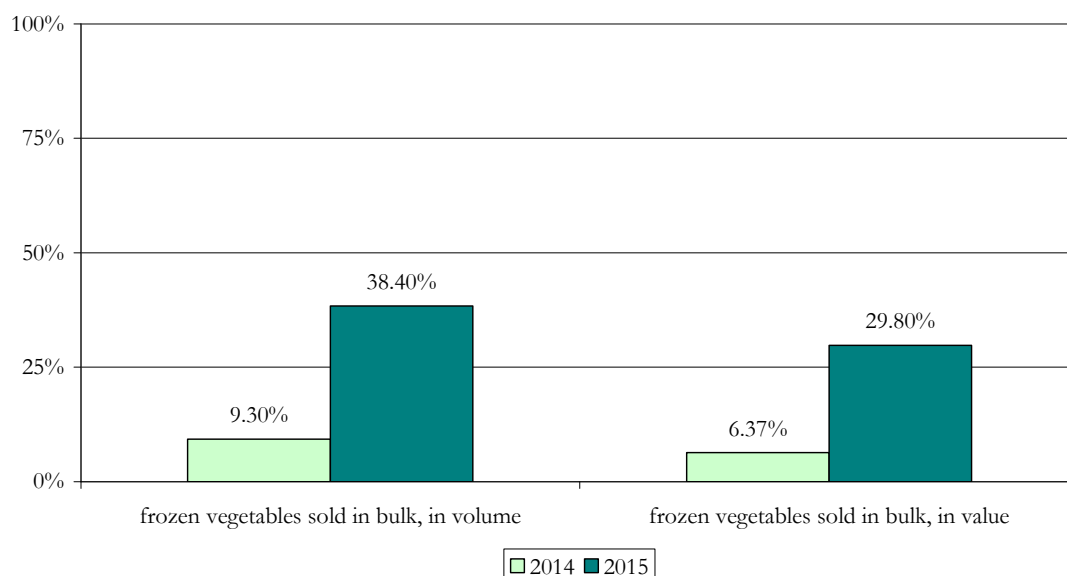
Frozen fruit and vegetables

A study conducted by Exact Cercetare si Consultanta for Revista Piata reveals decreases in the consumption of frozen vegetables and fruits. Thus, if in 2013, 35% of urban Romanians ate **frozen fruit** bought from retail trade, at the end of 2015, the percentage decreased to 27%. Currently, there is a preference for fruits which were frozen in the household: 41% vs. 33% in 2013.

A reduction in consumption can be noted also in the case of **frozen vegetables** purchased from retail trade, namely 6 out of 10 urban Romanians in 2015 down from nearly 8 in 10 townspeople in 2013: 76%. The share of those who purchase frozen vegetables in retail trade is similar to that of people who eat frozen vegetables made at home: 62%.

According to Exact Cercetare si Consultanta, in 2015, frozen vegetables sold in bulk represented 38.4% of volume sales, compared to only 9.3% in 2014. The trend is visible also from the value viewpoint: 29.8% in 2015 compared to 6.37% in 2014.

Volume and value of frozen vegetables sold in bulk in Romania



Source: Exact Cercetare si Consultanta, FRD Center

According to Exact Cercetare si Consultanta, the **vegetable mix** is most prevalent in the shopping cart, with 6 out of 10 people opting for this product.

The next two places in the top preferences are **frozen peas**: 46% and **frozen beans**: 30%.

When it comes to packaging, 76% of the surveyed shoppers prefer to buy ready-packaged **frozen vegetables**.

Product selection criteria are the vegetables that make up the mixture: 54% and price: 50%, followed by shelf life: 32%.

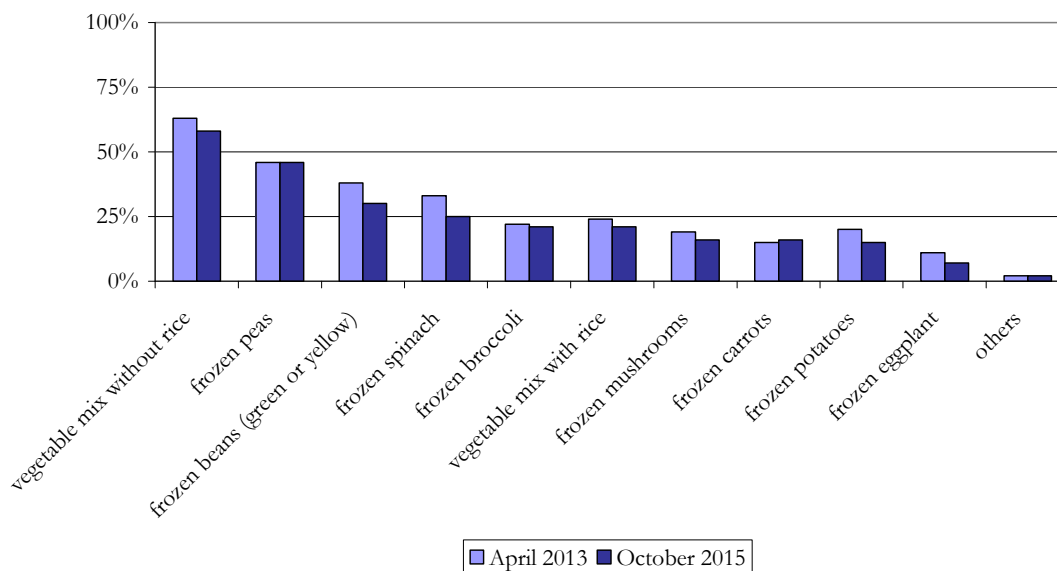
Buyers of frozen vegetables are married people: 76%, mostly without children: 59%, residing in Bucharest and other large cities: 64%, over 25 years and are employed with secondary education: 32% or higher education: 35%.

According to the same survey, **frozen fruits** are purchased ready-packaged: 54% and bulk: 38%, the difference of 8% representing the percentage of those who opt equally for both.

52% of the surveyed shoppers prefer the **mix of frozen fruit**, up 2% from 2013, followed by the mix of frozen forest fruit: 41%, down from 45% in 2013

According to a study published by Exact Cercetare si Consultanta in November 2015, the dynamics between April 2013 and October 2015 of consumption of frozen vegetables in Romania is shown below.

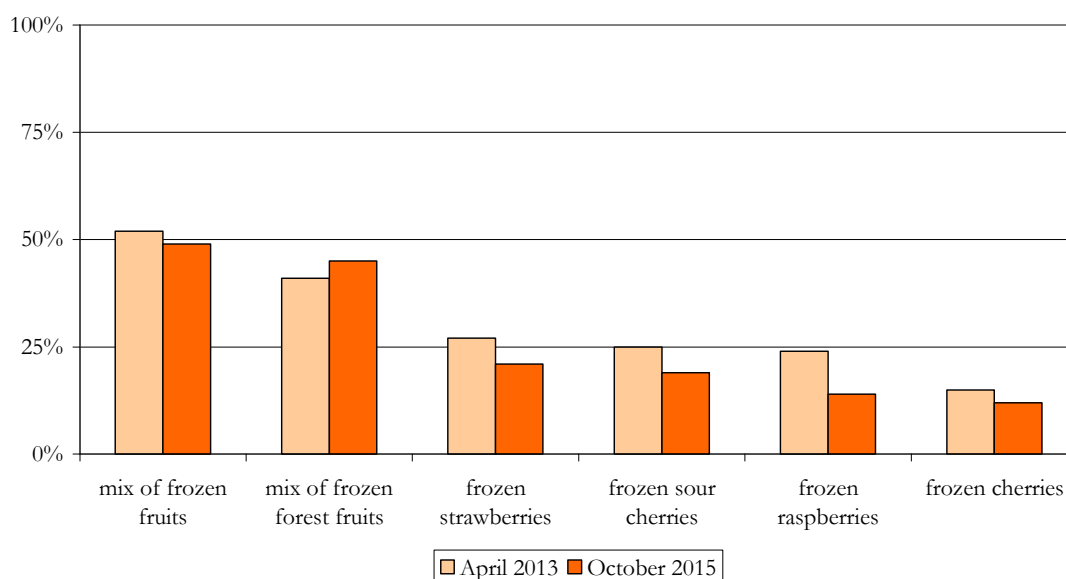
Consumption of frozen vegetables in Romania



Source: Exact Cercetare si Consultanta, FRD Center

According to a study published by Exact Cercetare si Consultanta in November 2015, the dynamics between April 2013 and October 2015 of the consumption of frozen fruits in Romania is shown below.

Preferences of frozen fruits in Romania



Source: Exact Cercetare si Consultanta, FRD Center

Looking to the selection criteria of frozen fruit purchase, they are similar to those which are taken into account in the choice of vegetables: price 50%, fruits that make up the mixture 40% and shelf life 31%.

In regards to the purchasing place preferences, the modern retail sales of **frozen vegetables** increased by 5.4% in volume and 16.3% in value during the period February 2015 - January 2016 compared to the corresponding period previous year, according to data provided by retail audit research company RetailZoom.

The **bulk frozen vegetables** segment increased due to large retail chains having increased their allotted space to the detriment of packed products.

According RetailZoom, the sales increase of **bulk frozen vegetables** was 31.7% in value and 42.9% by volume during the period February 2015 - January 2016. In Carrefour, for example, the **bulk frozen fruit and vegetables** segment recorded an advance of 20% September 2015 - January 2016 compared to the same period last year, a trend that will continue, according to company representatives.

A significant market growth was recorded last year also in the **frozen fruit segment**. According RetailZoom, the increase was of 29.6% in value and 45.5% by volume.

Under the market demand pressure, the frozen F&V segment continues to diversify. It has been noted that many frozen vegetables less common to the Romanian consumer, such as, for example okra or asparagus were brought by the international networks through private labels. Similarly with frozen herbs.

rather than the average consumer. However, this trend is becoming more in demand due to education for a healthy diet and increasing purchasing power of the Romanian consumer.

According to RetailZoom in IKA monitoring report published by Revista-Piata, the top five producers of **frozen vegetables** - **Macromex, Frigorifer, Agrirom, Bonduelle and Ardo** - cumulatively hold 44.3% of sales, while the top 5 brands are: **Eden Frigorifer, Cottage, Terraces and Bonduelle**. They hold a cumulated 41.5% market share.

Here, **bulk products** have a much higher share than in frozen vegetables, with a market share of 31% in value and 41% by volume, according to the retail audit firm.

In regards to **BIO fruit and vegetables and the resulting products**, according to a survey carried out by Ipsos, these receive statements of appreciation but may be unaffordable for the vast majority of the population. Most likely, those with high incomes can afford to buy certified organic products

1.3 Main brands on the market

Domestically produced brands of processed fruits and vegetables:

A. Jams, fruit purée, fruit pastes, fruit compotes, preserved vegetables, tomato pastes, vegetable pastes

Raureni - Annabella Fabrica de Conserve Raureni



jams, fruit purée, fruit pastes, fruit compotes, pickles, vegetables preserved in vinegar, tomato pastes

Bunătăți de Topoloveni - MGC International



jams, preserved vegetables, tomato pastes, vegetable pastes

Mandy - Mandy Foods



jams, vegetable pastes, vegetables preserved in vinegar, tomato pastes

Olympia - Contec Foods



jams, fruit compotes, tomato pastes, vegetable pastes, vegetables preserved in vinegar, vegetables preserved in oil

Winmark - Contec Foods



preserved vegetables, tomato pastes

Arovit - MIB Prodcum



jams, preserved vegetables, tomato pastes, vegetable dips, fruit juices, diet jams

B. Frozen fruit and vegetables

Casa Taraneasca - Frigorifer

Edna - Frigorifer



In the absence of major Romanian producers, the offer of frozen fruits and vegetables in Romania is dominated by imported products.

Imported brands of processed fruits and vegetables:

A. Jams, fruit purée, fruit pastes, fruit compotes, preserved vegetables, tomato pastes, vegetable pastes

Cirio

Helios

D'aucy

St. Dalfour

Schwartau



B. Frozen fruit and vegetables

Edenia - *produced through a partnership of the Romanian distributor Macromex with the Belgian producer Dujardin*

Bonduelle

Hortex

Gradena

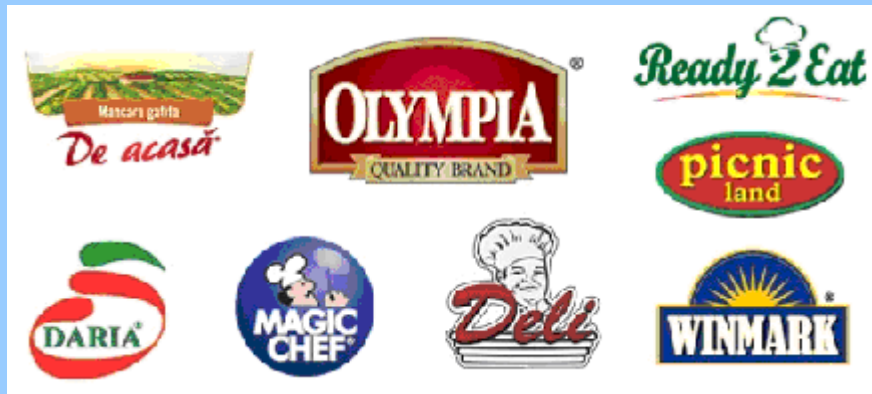
Tomex

Crop's

Frosta



Case study: Contec, the largest producer of canned vegetables and fruit in Romania



In 2004, the two shareholders of the food distribution company Marathon, Aifun Suliman and Levent Atin, Romanians of Turkish origin, have acquired one of the most important producers of canned vegetables and fruit in Romania, initially built in 1953 under the name "Fabrica de Conserve Tecuci", today Contec Foods.

For a whole year, the production site in Tecuci has been rearranged and modernized. This was the rebirth moment of Contec Foods who became in the next two years the largest producer of canned fruit and vegetables in Romania. In 2006 due to the new investments made, Contec Foods gets the IFS - International Food Standard accreditation, certification observing the audit and certification procedures of TUV NORD CERT.

At present, with a sales figure of 23.3 million EUR in 2015, +11% compared to 2014, Contec Foods makes over 250 products under different brands: Olympia and Winmark, brands owned by Contec and Aro, Clever, Tip, Rio Bucovina, Grande Familia, Master Fresh, Giani, Golden Line, private brands conceived for various clients.

Aside from the fruit and vegetable canned products, such as jams, preserves, pickles, various vegetable dishes and ready-made food, Contec also makes "bors" - the fermented grains liquid used in the popular Romanian traditional soup to make it sour.



Preferred types of products and market tendencies: dry exotic fruit



Due to the increasing interest in a healthy lifestyle, the consumption of the **dried exotic fruits** has a significant growing potential for the next years in Romania.

The Romanians have started to consume various mixes of **dried exotic fruits**, such as dry sliced mango, dry sliced papaya, pineapple dry slices, almonds, coconuts, raisins, figs, dates etc, as cocktails of vitamins and antioxidants for a balanced diet.

The year 2015 has been characterised in Romania by an up-trading process, moving towards products with greater value for consumers. This trend has been sustained also by the growth of more expensive product categories, such as **dried exotic fruits**.

It has been noted that the consumption of the **dried exotic fruits** in Romania records an increase during the Christmas period.

In regards to international trade, the imports of the dried figs - TARIC 08042090 have recorded almost 2 million EUR in 2015 in Romania, **up by 96%** compared to 2014.

The **dried exotic fruits** are distributed in Romania mainly by importer-distributors specialised in bio and natural products, such as: Bio Holistic, Plafar, BIO Logistic & Distribution, Depal etc.

The **dried exotic fruits** are sold in Romania in stores selling natural products, such as Plafar, Ki-Life etc and also in modern and traditional retail networks.

Some examples of imported brands of **dried exotic fruits** available in Romania are: BioKing, Dennree, Crazy Jack, MorgenLand etc. One main producer of dried exotic fruits in Romania is Solaris Plant. Solaris Plant has recorded a net turnover of 5.8 million EUR in 2015, up by 8% compared to 2014.

2. Production

2.1 Production statistics and estimates

According to players in the market, the Romanian production of **canned fruit and vegetables** in 2014 reached a total value of 100 million EUR.

In 2015, the locally produced **jams and marmalades** market registered over 10 million EUR, which according to the FRD Center analysis based on official statistic data, represents a growth of by 9.4% compared to 2014.

According to the same source, the volume of **frozen vegetables and mixtures** local production increased with over 50% in 2015 compared to 2014.

NACE code	Products	Sold production value in 2014 thousand EUR	Sold production value in 2015 thousand EUR	Growth y-t-y
100000Z3	Vegetables, except potatoes, preserved otherwise than by vinegar or acetic acid, including prepared vegetable dishes	43,745	49,482	+13.1%
10391100	Frozen vegetables and mixtures of vegetables, uncooked or cooked by steaming or boiling in water, excluding potatoes	5,533	6,636	+19.9%
10391710	Preserved tomatoes, whole or in pieces, excluding prepared vegetable dishes and tomatoes preserved by vinegar or acetic acid	638	670	+5.0%
10391725	Concentrated tomato puree and paste	18,655	21,055	+12.9%
10391790	Vegetables and mixtures of vegetables, n.e.c., excluding prepared vegetable dishes and frozen vegetables and mixtures of vegetables	13,399	13,192	-1.6%
10391800	Vegetables, excluding potatoes, fruit, nuts and other edible parts of plants, prepared or preserved by vinegar or acetic acid	3,435	3,728	+8.5%
10392100	Frozen fruit and nuts uncooked or cooked by steaming or boiling in water	20,773	16,865	-18.8%
10392290	Jams, marmalades, fruit jellies, fruit or nut purees and pastes, being cooked preparations, excluding of citrus fruit, homogenised preparations	9,533	10,429	+9.4%
10392390	Prepared or preserved nuts, other than groundnuts; and other seeds and mixtures, excluding by vinegar or acetic acid, frozen, purees and pastes, preserved by sugar	47,414	57,839	+22.0%

Source: Eurostat, FRD Center

For the five year dynamics of the sold production value of processed fruits and vegetables, please see the Annex.

The local sold production of **canned vegetables and fruit** in 2015 was of almost 6 tonnes, which according to the FRD Center analysis, represents an increase of over 20% compared to the previous year.

NACE code	Products	Sold production volume in 2014 thousand kg	Sold production volume in 2015 thousand kg	Growth y-t-y
100000Z3	Vegetables, except potatoes, preserved otherwise than by vinegar or acetic acid, including prepared vegetable dishes	40,412	40,569	+0.4%
10391100	Frozen vegetables and mixtures of vegetables, uncooked or cooked by steaming or boiling in water, excluding potatoes	3,264	4,904	+50.2%
10391710	Preserved tomatoes, whole or in pieces, excluding prepared vegetable dishes and tomatoes preserved by vinegar or acetic acid	975	1,109	+13.7%
10391725	Concentrated tomato puree and paste	15,870	16,606	+4.6%
10391790	Vegetables and mixtures of vegetables, n.e.c., excluding prepared vegetable dishes and frozen vegetables and mixtures of vegetables	11,302	9,731	-13.9%
10391800	Vegetables, excluding potatoes, fruit, nuts and other edible parts of plants, prepared or preserved by vinegar or acetic acid	4,913	5,927	+20.6%
10392100	Frozen fruit and nuts uncooked or cooked by steaming or boiling in water	6,152	5,138	-16.5%
10392290	Jams, marmalades, fruit jellies, fruit or nut purees and pastes, being cooked preparations, excluding of citrus fruit, homogenised preparations	5,824	5,759	-1.1%
10392390	Prepared or preserved nuts, other than groundnuts; and other seeds and mixtures, excluding by vinegar or acetic acid, frozen, purees and pastes, preserved by sugar	15,839	19,961	+26.0%

Source: Eurostat, FRD Center

The European Commission has granted in 2011 the protected geographical indication - PGI for "Magiun de prune Topoloveni" - a natural plum jam. This is the first Romanian product to get the PGI protection.

2.2 Availability of raw materials, preferred sources

According to the most recent - 2013 - farm structure survey published by Eurostat, almost 920 000 holdings grew fresh vegetables, which was 12.4% of all European farms with an arable area. Nearly half, 49.4%, of those holdings were in just three countries, out of which Romania had the highest number, representing 22.1%.

The average area devoted to fresh vegetables growth in Romania is of 0.3ha, well below the EU average and much lower compared to the Netherlands: 10.3 ha.

Romania is on the 5th place in the EU with 7.1% of the total surface dedicated to fresh vegetables growth and the 3rd in respect to area dedicated to tomato growing: 9.5%. However, the Romanian tomato production accounted for just 2.6% of the EU output and 7.5% of its value. By contrast, the Netherlands harvested 5% of all European tomato production, even though the country cultivated a mere 0.7% of the European area devoted to tomatoes.

In regards to fruit cultures, there are 1.55 million fruit orchards holdings at EU level, out of which 18.7% are in Romania, which holds 10.2% of the EU apple orchards, but unfortunately produces only 3.6% of the European apple harvest.

According to the FRD Center analysis, based on official statistic data, the Romanian production of vegetables has diminished slightly in 2015 compared to 2014, with some 4.3%.

Production	2014 thou tonnes	2015 thou tonnes	Growth y-y-t
Vegetables grown in fields, greenhouses, under protective cover and in kitchen gardens	3,802	3,640	-4.3%

Source: NIS, FRD Center

For the five year dynamics of the Romanian production of vegetables, please see the Annex.

Raw materials used for the production of processed fruits and vegetables: sugar, salt, acetic acid, salicylic acid, vinegar.

There are four producers of **sugar** in Romania: Agrana, Fabrica de Zahar Bod, Tereos and Zaharul Oradea.

The production of refined white cane or beet sugar in solid form in Romania has recorded almost 540 million kg in 2015, which according to the FRD Center analysis is up by 8.2% compared to 2014.

NACE code	Product	Sold production volume in 2014 thou kg	Sold production volume in 2015 thou kg	Growth y-t-y
10811230	Refined white cane or beet sugar in solid form	499,009	539,801	+8.2%

Source: Eurostat, FRD Center

The only producer of **salt** in Romania - Societatea Nationala a Sarii Salrom – has recorded a salt production of 2.18 million tonnes in 2015, up by 6% compared to 2014.

Some of the **producers of acetic acid** in Romania:

Chemical Company

Silal Trading

Chimopar Trading

Examples of **producers of salicylic acid** in Romania:

Chemical Company

Sinteza

Producers of **vinegar** in Romania include:

Alexandros Impex

Romvintec

The production of **vinegar, wine vinegar and substitutes for vinegar** has exceeded 25 million litres in Romania in 2015, up by 26% compared to 2014.

NACE code	Products	Sold production volume in 2014 thou litres	Sold production volume in 2015 thou litres	Growth y-t-y
10841130	Wine vinegar	7,724	9,285	+20.2%
10841190	Vinegar and substitutes for vinegar, excluding made from wine	12,253	15,958	+30.2%

Source: Eurostat, FRD Center

Raw materials for processed fruit and vegetable industry:

- acidifiers and regulators
- emulsifiers
- fibres and prebiotics
- nutritional ingredients
- sugar and sweeteners
- vitamins and minerals

- colours and coating agents
- fats and oils
- flavours and enhancers
- preservatives and antioxidants
- thickeners and stabilisers

One main producer of raw materials used for the processed fruit and vegetable industry in Romania is Supremia Grup.

Main importers of raw materials used for the processed fruit and vegetable industry in Romania are: Alinda Ro, Azelis Romania and Enzymes & Derivates.

2.3 Chains organisation

In Romania, the significant fruit and vegetables growers are mainly gathered in associations or producers groups such as, for instance:

- Matca - vegetables, mainly tomatoes
- Frutis Voinesti - fruits, mainly apples
- Cartof de Fagaras - potatoes

Others have associated in commercial enterprises such as, for instance:

- S.C. "Selagro Seleus" SRL
- SC "Lamaro Sere" SRL
- SC "Paradisul Legumelor Curtici & Macea" SRL

Some of them are specialised in growing fruit and vegetables for processing purposes.

They deliver their production to the:

- processors
- collection & distribution firms which also deal with the packaging
- fresh F&V wholesalers

One significant fresh fruit & vegetables wholesale market in Bucharest is in Afumati / Voluntari area, but practically all larger cities have dedicated fresh F&V wholesale markets which supply the retail and markets in the respective city.

Producers of F&V processed products, depending on their scale, are vertically integrated or source raw materials and logistic - storage, distribution - services from specialised firms.

Retail chains and cash&carry collaborate with wholesalers and distributors. For the imported products, such as frozen fruit and vegetables, the major players are vertically integrated. They are all dedicated to the import and distribution business, with the exception of Macromex, which is also a producer of frozen foods, but not of F&Vs.

The international retail chains have their own import departments and also collaborate with local importers.

Importer-distributors as well as local collection & distribution firms supply the HoReCa sector too.

2.4 Value addition - how much value is added within Romania

For the F&V products made in Romania, the entire value is added in Romania.

2.5 Description of top processors: name, origin / ownership, brands, market reputation, level of innovation, known investments, development plans for 2-5 years etc.

In Romania, there are approximately 200 companies active in the sector of **Processing and Preserving of Fruits and Vegetables**.

Contec Foods SRL

<i>Ownership:</i>	Mr. Aifun Suliman, Mr. Levent Atin - Turkish capital
<i>Type of products:</i>	jams, fruit compotes, tomato pastes, vegetable pastes, vegetables preserved by vinegar, vegetables preserved by oil, sauces, ready meals, toppings, vinegar
<i>Brands:</i>	Olympia - jams, fruit compotes, tomato pastes, vegetable pastes, vegetables preserved by vinegar, vegetables preserved by oil, sauces Winmark - preserved vegetables, tomato pastes, sauces Daria - preserved vegetables, tomato pastes, sauces Picnic Land - preserved vegetables, tomato pastes, sauces, vinegar De Acasa - ready meals Ready2Eat - ready meals Deli - sauces, toppings Magic Chef - toppings
<i>Market reputation:</i>	Contec Foods exports its products to France, Spain, Italy, Germany etc. Contec Foods has attended various international fairs, such as SIAL, Anuga, Indagra, Polagra etc.
<i>Level of innovation:</i>	The products in the portfolio of Contec Foods have a medium-high level of innovation.
<i>Known investments:</i>	In the recent years, Contec Foods has invested over 5.5 million EUR in its production units.

<i>Development plans for 2-5 years</i>	By 2018, Contec Foods intends to enter frozen vegetables market, following estimated investments of 2 million EUR. Contec Foods plans to increase its vinegar production capacity by minimum 20%.
<i>Net turnover:</i>	23.3 million EUR in 2015: +11% compared to 2014
<i>No of employees:</i>	433 in 2015

Annabella Fabrica de Conserve Raureni SRL

<i>Ownership:</i>	Ms. Dorina Mutu, Mr. Dan Mutu - Romanian private capital
<i>Type of products:</i>	jams, fruit purée, fruit pastes, fruit compotes, vegetables preserved by vinegar, tomato pastes, ready meals
<i>Brands:</i>	Raureni - jams, fruit purée, fruit pastes, fruit compotes, vegetables preserved by vinegar, tomato pastes, ready meals
<i>Market reputation:</i>	Raureni is a Romanian brand of processed fruits and vegetables with a tradition of over 45 years. Starting with the rebranding in 2010, Raureni has constantly increased, being ranked in top positions among the most powerful Romanian brands. The Annabella Group includes also the company Annabella SRL which operates a retail network.
<i>Level of innovation:</i>	The company produces gourmet jams: jam with hot pepper and jam with red onion. The products in their portfolio have a high level of innovation.
<i>Known investments:</i>	Since 2008, the company has invested over 7 million EUR in modernising the production lines and in repositioning the brand among the leaders in the category.
<i>Development plans for 2-5 years</i>	The company plans to continue the investments in new technology.
<i>Net turnover:</i>	16.6 million EUR in 2015: +19% compared to 2014
<i>No of employees:</i>	180 in 2015

Mandy Foods International SRL

<i>Ownership:</i>	Mr. Mohammad Murad, Mr. Hassan Murad, Mr. Ahmed Murad - Lebanese capital
<i>Type of products:</i>	Paté, jams, vegetable pastes, vegetables preserved by vinegar, tomato pastes, ready meals, sauces
<i>Brands:</i>	Mandy - paté, jams, vegetable pastes, vegetables preserved by vinegar, tomato pastes, ready meals, sauces
<i>Market reputation:</i>	Mandy Foods is a main domestic producer of paté, with a market share of 51.6% on the Romanian canned vegetable

	spread market - source: Vektor Marktforschung, April 2015.
<i>Level of innovation:</i>	The products in the portfolio of Mandy Foods have a medium-high level of innovation.
<i>Known investments:</i>	Mandy Foods has completed in 2008 an investment of over 8 million EUR in order to modernise its plant. The project has been co-financed with EU funds. Furthermore, Mandy Foods has made investments in the recent years in order to diversify its range of products, to modernise the production activities and to consolidate its network of partners.
<i>Development plans for 2-5 years</i>	Mandy Foods plans to invest in communication platforms, in marketing and promotion campaigns and in new product launchings.
<i>Net turnover:</i>	11.3 million EUR in 2015: +10% compared to 2014
<i>No of employees:</i>	106 in 2015

MGC International Investments SRL

<i>Ownership:</i>	Mr. Mohammad Murad, Mr. Hassan Murad, Mr. Ahmed Murad - Lebanese capital
<i>Type of products:</i>	jams, fruit compotes, preserved vegetables, tomato pastes, vegetable pastes, ready meals, sauces
<i>Brands:</i>	Bunatati de Topoloveni - jams, preserved vegetables, tomato pastes, vegetable pastes, ready meals, sauces Spring Foods - jams, fruit compotes, preserved vegetables, ready meals, sauces Spring Sauce - sauces Bucate Alese - ready meals Beyroutee - ready meals Extra - fruit compotes, preserved vegetables, ready meals
<i>Market reputation:</i>	MGC exports its products to Sweden, France, Spain, Italy, Germany, Belgium etc. The company is ISO 22000 certified. MGC has attended various international fairs, such as Indagra etc.
<i>Level of innovation:</i>	Many of the company's products have a high level of innovation. They produce gourmet jams - Bunatati de Topoloveni - A la Carte Collection: jam with hot pepper, jam with figs and nuts, jam with onion, jam with ginger, pumpkin jam.
<i>Known investments:</i>	MGC has finalised in 2012 an investment of almost 4 million EUR in order to expand its production facilities.
<i>Development plans for 2-5 years</i>	MGC plans to diversify its range of HoReCa products.

<i>Net turnover:</i>	8.6 million EUR in 2015: +66% compared to 2014
<i>No of employees:</i>	117 in 2015

Frigofer SA

<i>Ownership:</i>	Halvest Holding - Lebanese capital
<i>Type of products:</i>	frozen vegetables
<i>Brands:</i>	Casa Taraneasca, Edna
<i>Market reputation:</i>	<p>Frigofer is the only major producer of frozen vegetables in Romania.</p> <p>Smithfield has acquired Frigofer in 2005 from the Lebanese family Halawani. Subsequently, Smithfield has sold Frigofer in 2016 to Halvest Holding, controlled by the same Lebanese family.</p> <p>Frigofer distributes its products to Romania, the Republic of Moldova and Ukraine.</p>
<i>Level of innovation:</i>	The products in their portfolio have a medium-low level of innovation. Frigofer has a technological line for fresh vegetables processing which uses the latest technology including IQF tunnel freezer.
<i>Known investments:</i>	Since 2004, Frigofer has invested over 10 million EUR in modernising its production facility.
<i>Development plans for 2-5 years</i>	Frigofer plans to invest in its warehousing facilities.
<i>Net turnover:</i>	8.6 million EUR in 2015: +9% compared to 2014
<i>No of employees:</i>	132 in 2015

3. International Trade - statistics, main in-coming and out-going destinations, dynamics and estimations

According to Eurostat, **the Netherlands** is the main origin country for Romanian imports of the category

Edible vegetables and certain roots and tubers: TARIC: 07

Edible vegetables... TARIC: 07	2014 EUR	2015 EUR	Growth
Imports	227,543,250	274,723,070	+20.7%
Exports	88,115,110	90,251,410	+2.4%

Source: Eurostat, FRD Center

According to FRD Center analysis based on official statistic data, the Romanian imports of edible vegetables and certain roots and tubers increased in 2015 with over 20% compared to 2014, while the growth registered in the first seven months of 2016 compared to the same period of 2015 was of over 44%.

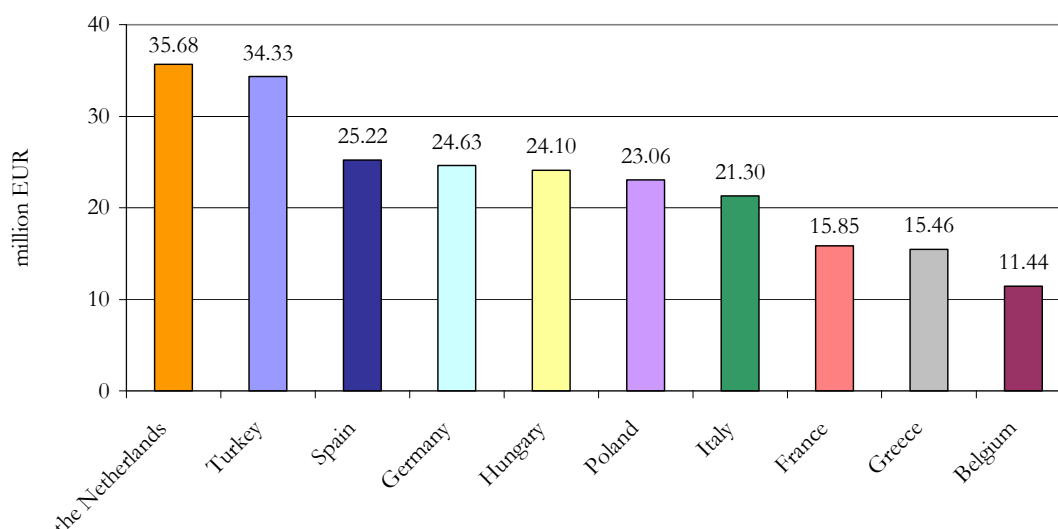
Edible vegetables... TARIC: 07	Jan – July 2015 EUR	Jan – July 2016 EUR	Growth
Imports	172,690,540	248,899,700	+44.1%
Exports	33,368,020	37,266,580	+11.7%

Source: Eurostat, FRD Center

The main ten origin countries of Romanian imports of edible vegetables and certain roots and tubers in 2015 are:

- **the Netherlands:** 35,676,780 EUR
- Turkey: 34,333,680 EUR
- Spain: 25,218,410 EUR
- Germany: 24,633,250 EUR
- Hungary: 24,102,760 EUR
- Poland: 23,064,460 EUR
- Italy: 21,302,770 EUR
- France: 15,845,300 EUR
- Greece: 15,462,850 EUR
- Belgium: 11,436,730 EUR

Romanian imports of edible vegetables and certain roots and tubers - main ten origin countries in 2015



Source: Eurostat, FRD Center

According to FRD Center analysis based on official statistic data, the Romanian exports of edible vegetables and certain roots and tubers increased in the first seven months of 2016 with 11.7% compared to the same period of 2015.

The main three export destinations of the Romanian exports of edible vegetables and certain roots and tubers in 2015 are:

- Italy: 46,738,760 EUR
- Germany: 12,373,390 EUR
- France: 4,639,030 EUR

According to FRD Center analysis based on official statistic data, the Romanian imports of **Edible fruit and nuts, peel of citrus fruit or melons - TARIC: 08** in 2015 compared to 2014 went up with 39.3%, the main country of origin being Greece.

Edible fruit and nuts... TARIC: 08	2014 EUR	2015 EUR	Growth
Imports	342,343,570	476,972,440	+39.3%
Exports	95,507,470	81,881,810	-14.3%

Source: Eurostat, FRD Center

The imports in the first seven months of 2016 increased with 23.8% compared to the same period of 2015.

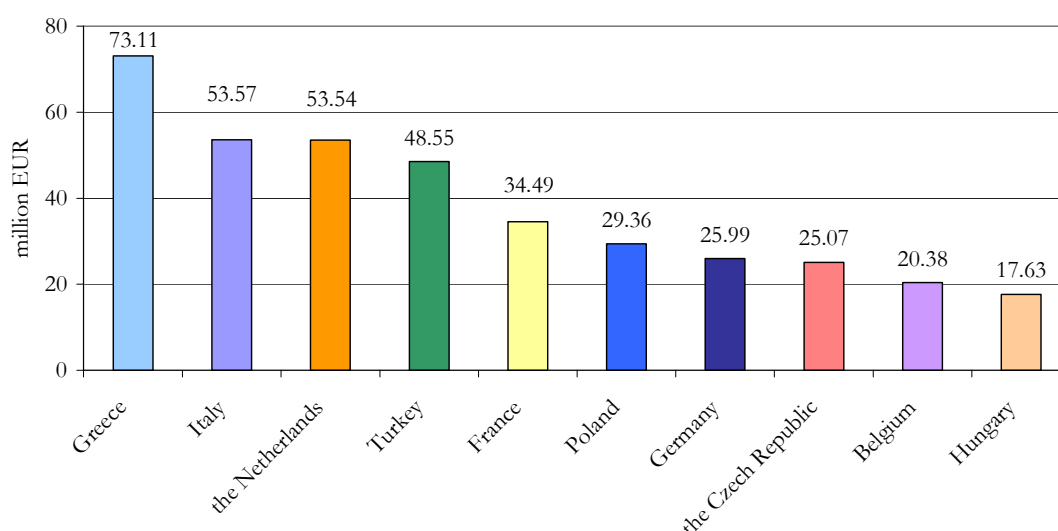
Edible fruit and nuts... TARIC: 08	Jan – July 2015 EUR	Jan – July 2016 EUR	Growth
Imports	264,663,990	327,644,290	+23.8%
Exports	40,171,630	23,249,140	-42.1%

Source: Eurostat, FRD Center

The main ten origin countries of Romanian imports of edible fruit and nuts, peel of citrus fruit or melons in 2015 are:

- Greece: 73,109,020 EUR
- Italy: 53,566,750 EUR
- **the Netherlands**: 53,536,820 EUR
- Turkey: 48,545,760 EUR
- France: 34,493,210 EUR
- Poland: 29,363,530 EUR
- Germany: 25,989,950 EUR
- Czech Republic: 25,065,180 EUR
- Belgium: 20,384,600 EUR
- Hungary: 17,625,600 EUR

Romanian imports of edible fruit and nuts,
peel of citrus fruit or melons - main ten origin countries in 2015



Source: Eurostat, FRD Center

According to FRD Center analysis based on official statistic data, the Romanian exports of fruit and nuts, peel of citrus fruit or melons decreased both in 2015 vs. 2014 and in Jan-Jul 2016 vs. Jan-Jul 2015.

The main three export destinations for the Romanian exports of edible fruit and nuts, peel of citrus fruit or melons in 2015 are

- Italy: 11,931,640 EUR
- Germany: 10,235,970 EUR
- France: 8,881,100 EUR

Romania is a net importer, rather than exporter, of pickles and preserved fruits and vegetables. According to FRD Center analysis based on official statistic data, the

Romanian imports of **Vegetables, fruit, nuts and other edible parts of plants, prepared or preserved by vinegar or acetic acid - TARIC: 2001** have increased in 2015 with 20% compared with 2014. The growth increased in the first seven months of 2016 to over 29% compared to the same period of 2015.

Vegetables, fruit, nuts... TARIC: 2001	2014 EUR	2015 EUR	Growth
Imports	15,705,900	18,849,630	+20.0%
Exports	2,877,060	3,930,290	+36.6%

Source: Eurostat, FRD Center

Nevertheless, the Romanian exports of pickles and preserved fruits and vegetables registered a growth of over 65% in the period Jan-Jul 2016 compared to the same period of 2015, from a y-t-y growth of 36.6% registered in 2015.

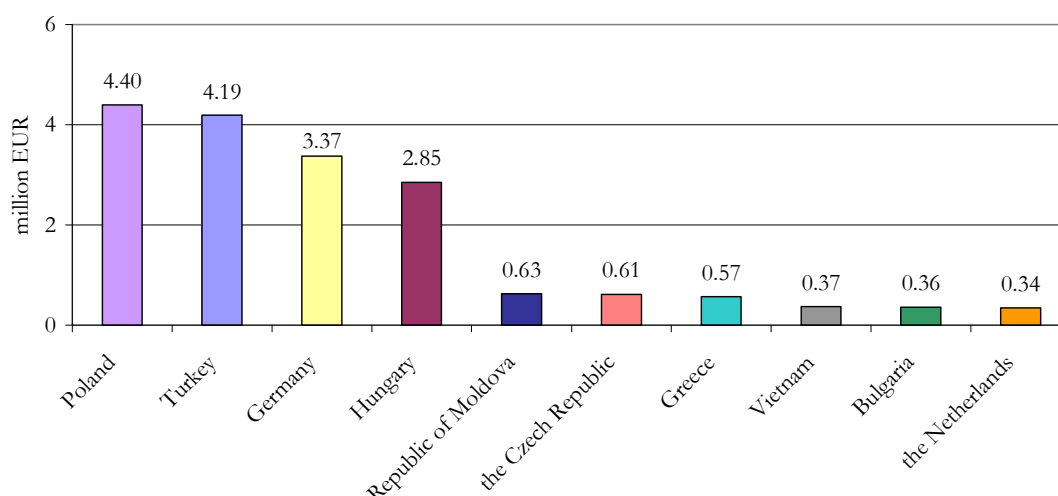
Vegetables, fruit, nuts... TARIC: 2001	Jan – July 2015 EUR	Jan – July 2016 EUR	Growth
Imports	8,783,180	11,342,370	+29.1%
Exports	1,680,680	2,777,560	+65.3%

Source: Eurostat, FRD Center

The main ten origin countries of Romanian imports of vegetables, fruit, nuts and other edible parts of plants, prepared or preserved by vinegar or acetic acid in 2015 are:

▪ Poland:	4,398,250 EUR	▪ the Czech Republic:	613,690 EUR
▪ Turkey:	4,187,490 EUR	▪ Greece:	571,630 EUR
▪ Germany:	3,374,840 EUR	▪ Vietnam:	368,000 EUR
▪ Hungary:	2,848,240 EUR	▪ Bulgaria:	356,890 EUR
▪ Republic of Moldova:	629,600 EUR	▪ the Netherlands:	341,620 EUR

Romanian imports of vegetables, fruit, nuts
and other edible parts of plants, prepared or preserved
by vinegar or acetic acid - main ten origin countries in 2015



Source: Eurostat, FRD Center

The main three export destinations for the Romanian exports of vegetables, fruit, nuts and other edible parts of plants, prepared or preserved by vinegar or acetic acid in 2015 are:

- Italy: 1,394,240 EUR
- Spain: 546,750 EUR
- UK: 523,940 EUR

Interesting to note is that these are the countries with the highest number of Romanians leaving abroad.

According to FRD Center analysis based on official statistic data, both the Romanian imports and exports of **Tomatoes prepared or preserved otherwise than by vinegar or acetic acid - TARIC: 2002** have increased in 2015 compared to 2014.

Tomatoes prepared... TARIC: 2002	2014 EUR	2015 EUR	Growth
Imports	25,417,840	28,759,030	+13.1%
Exports	316,180	474,850	+50.2%

Source: Eurostat, FRD Center

Nevertheless, from the official data provided by Eurostat, both imports and exports of this category of processed tomatoes have decreased in the first seven months of 2016 compared to the same period of 2014.

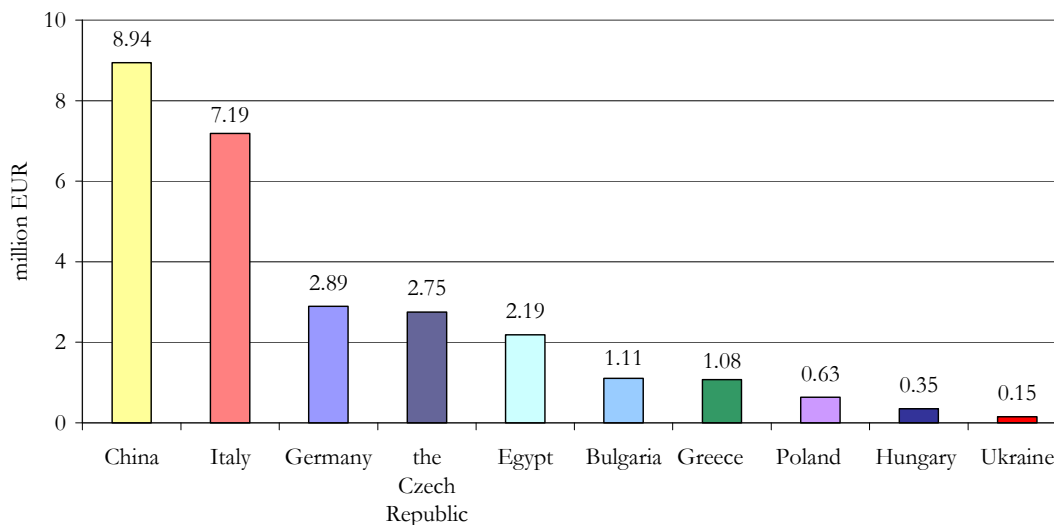
Tomatoes prepared... TARIC: 2002	Jan – July 2015 EUR	Jan – July 2016 EUR	Growth
Imports	16,438,560	13,983,150	-14.9%
Exports	267,290	232,020	-13.2%

Source: Eurostat, FRD Center

The main ten origin countries of Romanian imports of tomatoes prepared or preserved otherwise than by vinegar or acetic acid in 2015 are:

- China: 8,938,530 EUR
- Italy: 7,185,460 EUR
- Germany: 2,890,560 EUR
- the Czech Republic: 2,751,740 EUR
- Egypt: 2,191,940 EUR
- Bulgaria: 1,105,780 EUR
- Greece: 1,076,300 EUR
- Poland: 634,990 EUR
- Hungary: 347,770 EUR
- Ukraine: 153,890 EUR

**Romanian imports of tomatoes prepared or preserved
otherwise than by vinegar or acetic acid - main ten origin countries in 2015**



Source: Eurostat, FRD Center

The Romanian imports of tomatoes prepared or preserved otherwise than by vinegar or acetic acid from **the Netherlands** have recorded a very low level in 2015: 10,130 EUR.

The Romanian exports of tomatoes prepared or preserved otherwise than by vinegar or acetic acid are quite small. Romania mainly exports to:

- UK: 165,210 EUR
- Italy: 68,800 EUR
- Spain: 39,060 EUR

Romania is a net importer, rather than exporter, of mushrooms and the main origin country is **the Netherlands**, where Romania imported **Mushrooms and truffles, prepared or preserved otherwise than by vinegar or acetic acid - TARIC: 2003** from worth of 3,292,370 EUR.

According to FRD Center analysis based on official statistic data, in the first seven months of 2016, the Romanian **imports** of **mushrooms and truffles under TARIC: 2003** are ten time higher than the exports.

Mushrooms and truffles... TARIC: 2003	2014 EUR	2015 EUR	Growth
Imports	5,351,160	5,874,620	+9.8%
Exports	709,890	813,170	+14.5%

Source: Eurostat, FRD Center

At the same time, the dynamics of the exports is much higher, having increased with almost 23% compared to the growth of 6.6% registered by the imports in the first seven months of 2016 compared to the similar period of 2015.

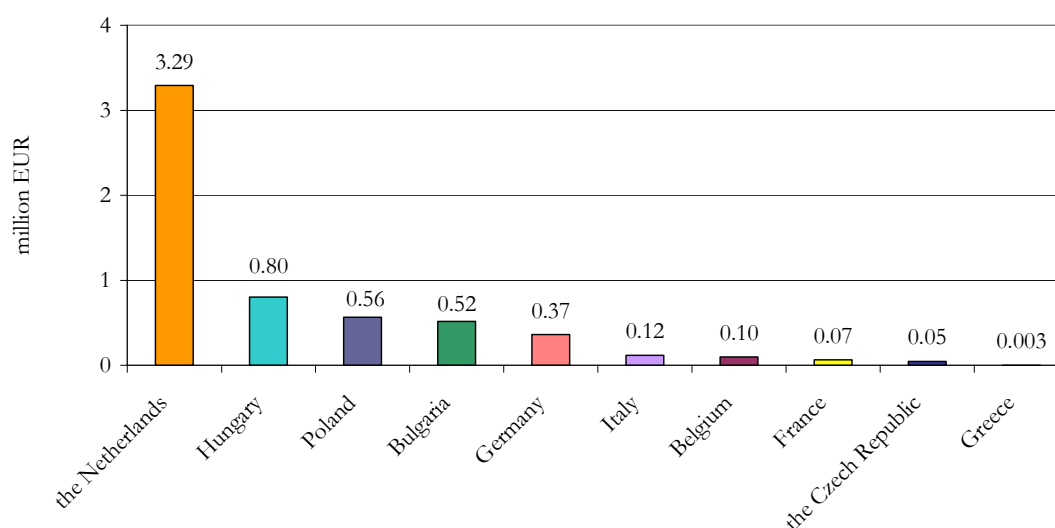
Mushrooms and truffles... TARIC: 2003	Jan – July 2015 EUR	Jan – July 2016 EUR	Growth
Imports	2,883,190	3,072,220	+6.6%
Exports	250,130	307,340	+22.9%

Source: Eurostat, FRD Center

The main ten origin countries of Romanian imports of mushrooms and truffles, prepared or preserved otherwise than by vinegar or acetic acid in are:

- **the Netherlands:** 3,292,370 EUR
- Hungary: 802,810 EUR
- Poland: 564,890 EUR
- Bulgaria: 515,690 EUR
- Germany: 365,210 EUR
- Italy: 117,910 EUR
- Belgium: 98,950 EUR
- France: 66,150 EUR
- the Czech Republic: 47,440 EUR
- Greece: 3,110 EUR

Romanian imports of mushrooms and truffles, prepared or preserved otherwise than by vinegar or acetic acid - main ten origin countries in 2015



Source: Eurostat, FRD Center

According to Eurostat, the main three export destinations of Romanian exports of mushrooms and truffles, prepared or preserved otherwise than by vinegar or acetic acid in 2015 are:

- Italy: 521,560 EUR
- Spain: 107,220 EUR
- Hungary: 24,040 EUR

According to FRD Center analysis based on official statistic data, the Romanian imports of **Vegetables, fruit, nuts, fruit-peel and other parts of plants, preserved by sugar, drained, glacé or crystallised - TARIC: 2006** in 2015 have been more than 5 times higher than the exports, the main country of origin being the Netherlands.

Vegetables, fruit, nuts... TARIC: 2006	2014 EUR	2015 EUR	Growth
Imports	1,926,000	1,923,750	-0.1%
Exports	340,350	356,520	+4.8%

Source: Eurostat, FRD Center

According to the same sources, the Romanian exports of Taric 2006 products registered in the first seven months of 2016 an overwhelming increase of over 270% compared to the similar period of 2015.

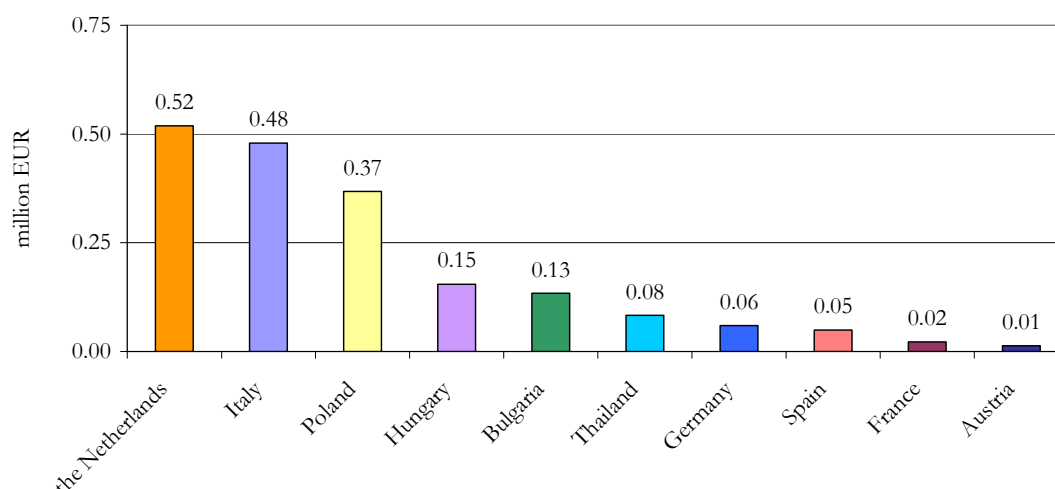
Vegetables, fruit, nuts... TARIC: 2006	Jan – July 2015 EUR	Jan – July 2016 EUR	Growth
Imports	924,240	1,241,610	+34.3%
Exports	148,360	549,160	+270.2%

Source: Eurostat, FRD Center

The main ten origin countries of Romanian imports of vegetables, fruit, nuts, fruit-peel and other parts of plants, preserved by sugar, drained, glacé or crystallised in 2015 are:

- **the Netherlands:** 518,640 EUR
- Italy: 478,830 EUR
- Poland: 367,480 EUR
- Hungary: 154,300 EUR
- Bulgaria: 133,400 EUR
- Thailand: 82,700 EUR
- Germany: 59,580 EUR
- Spain: 49,080 EUR
- France: 22,220 EUR
- Austria: 13,280 EUR

**Romanian imports of vegetables, fruit,
nuts, fruit-peel and other parts of plants, preserved
by sugar (drained, glacé or crystallised) - main ten origin countries in 2015**



Source: Eurostat, FRD Center

Romanian exports of vegetables, fruit, nuts, fruit-peel and other parts of plants, preserved by sugar, drained, glacé or crystallised in 2015 – main three export destinations:

- Italy: 127,030 EUR
- Bulgaria: 42,240 EUR
- Russia: 30,050 EUR

According to the FRD Center analysis based on official statistic data, the Romanian imports of **Jams, fruit jellies, marmalades, fruit or nut purée and fruit or nut pastes, obtained by cooking, whether or not containing added sugar or other sweetening matter - TARIC: 2007** increase steadily, both in 2015 and in 2016, under the market demand for sophisticated such products, especially from exotic fruit, as well as typical and gourmet-type products mainly from Greece, Germany and France.

Jams, fruit jellies... TARIC: 2007	2014 EUR	2015 EUR	Growth
Imports	7,187,300	7,878,310	+9.6%
Exports	841,130	1,094,170	+30.1%

Source: Eurostat, FRD Center

According to the same sources, in the first seven months of 2016, the exports of this type of products increased dramatically, mainly to the countries where a large population of Romanians live.

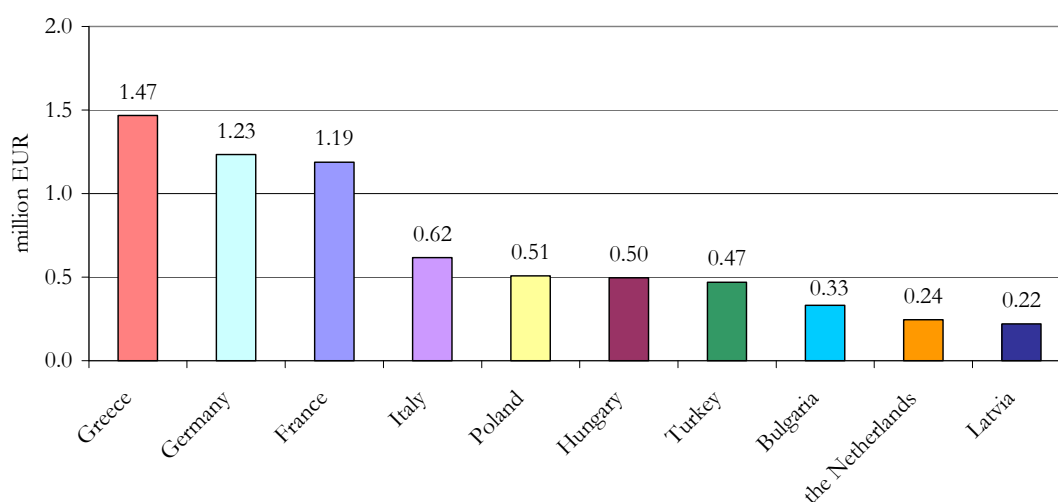
Jams, fruit jellies... TARIC: 2007	Jan – July 2015 EUR	Jan – July 2016 EUR	Growth
Imports	4,402,920	5,254,230	+19.3%
Exports	520,170	910,680	+75.1%

Source: Eurostat, FRD Center

The main ten origin countries of Romanian imports of jams, fruit jellies, marmalades, fruit or nut purée and fruit or nut pastes, obtained by cooking, whether or not containing added sugar or other sweetening matter in 2015 are:

- Greece: 1,468,070 EUR
- Germany: 1,233,010 EUR
- France: 1,186,900 EUR
- Italy: 617,510 EUR
- Poland: 507,240 EUR
- Hungary: 497,720 EUR
- Turkey: 469,950 EUR
- Bulgaria: 331,900 EUR
- **the Netherlands:** 244,430 EUR
- Latvia: 220,600 EUR

Romanian imports of jams, fruit jellies, marmalades, fruit or nut purée and fruit or nut pastes, obtained by cooking, whether or not containing added sugar or other sweetening matter - main ten origin countries in 2015



Source: Eurostat, FRD Center

The main three destinations of Romanian exports of jams, fruit jellies, marmalades, fruit or nut purée and fruit or nut pastes, obtained by cooking, whether or not containing added sugar or other sweetening matter in 2015 are:

- Hungary: 150,520 EUR
- Spain: 117,500 EUR
- Italy: 108,200 EUR

Romania is a net importer of **Fruit, nuts and other edible parts of plants, otherwise prepared or preserved, whether or not containing added sugar or other sweetening matter or spirit, not elsewhere specified or included - TARIC: 2008**, the imports of this product being some 8.54 times higher than the exports.

According to the FRD Center analysis based on official statistic data, the Romanian imports of Taric 2008 products have registered in 2015 a growth of over 35% compared to 2014.

Fruit, nuts and other ... TARIC: 2008	2014 EUR	2015 EUR	Growth
Imports	40,060,800	54,154,410	+35.2%
Exports	5,994,070	6,341,520	+5.8%

Source: Eurostat, FRD Center

According to the same sources, the exports also continued to increase in the period Jan-Jul 2016, with over 3%, while the imports increased with 25.7%.

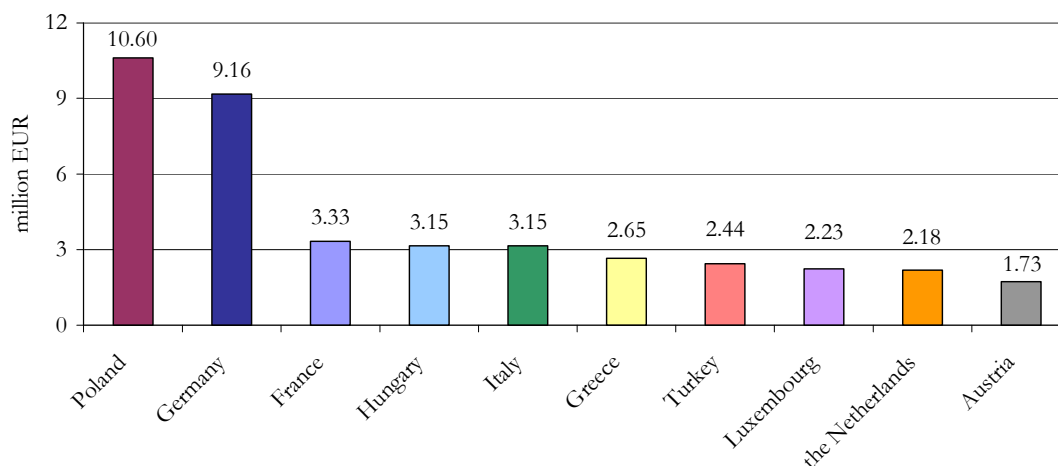
Fruit, nuts and other ... TARIC: 2008	Jan – July 2015 EUR	Jan – July 2016 EUR	Growth
Imports	27,501,280	34,569,870	+25.7%
Exports	3,988,990	4,110,940	+3.1%

Source: Eurostat, FRD Center

The main ten origin countries of Romanian imports of **fruit, nuts and other edible parts of plants**, otherwise prepared or preserved, whether or not containing added sugar or other sweetening matter or spirit, not elsewhere specified or included in 2015 are:

- Poland: 10,604,840 EUR
- Germany: 9,164,500 EUR
- France: 3,326,460 EUR
- Hungary: 3,150,790 EUR
- Italy: 3,145,160 EUR
- Greece: 2,649,050 EUR
- Turkey: 2,435,320 EUR
- Luxembourg: 2,232,870 EUR
- **the Netherlands**: 2,177,710 EUR
- Austria: 1,726,840 EUR

Romanian imports of fruit, nuts and other edible parts of plants, otherwise prepared or preserved, whether or not containing added sugar or other sweetening matter or spirit, not elsewhere specified or included - main ten origin countries in 2015



Source: Eurostat, FRD Center

Romanian exports of fruit, nuts and other edible parts of plants, otherwise prepared or preserved, whether or not containing added sugar or other sweetening matter or spirit, not elsewhere specified or included in 2015 – main three export destinations:

- Italy: 2,003,250 EUR
- Bulgaria: 914,640 EUR
- Greece: 609,380 EUR

For the five year dynamics of the Romanian trade of fresh and processed fruits and vegetables, please see the Annex.

4. International competitors - main players and their dynamics

The most important foreign player in the segment of **bulk frozen fruits and vegetables** in Romania is Agrosprint, a Hungarian company that owns a distribution and packaging warehouse in Mures county.

5. Brief analysis of import / export vs. local estimated consumption / market demand

Romania is a net importer, rather than exporter, of processed fruits and vegetables.

According to Eurostat, **the Netherlands** is the main origin country for Romanian imports of the category **Edible vegetables and certain roots and tubers: TARIC: 07**, with a value of 35,676,780 EUR in 2015.

According to FRD Center analysis based on official statistic data, the Romanian imports of edible vegetables and certain roots and tubers increased in 2015 with over 20% compared to 2014, while the growth registered in the first seven months of 2016 compared to the same period of 2015 was of over 44%.

Romania is a net importer, rather than exporter, of mushrooms and the main origin country is **the Netherlands**, where Romania imported **Mushrooms and truffles, prepared or preserved otherwise than by vinegar or acetic acid - TARIC: 2003** from worth of 3,292,370 EUR.

As for the Romanian imports of **Edible fruit and nuts, peel of citrus fruit or melons - TARIC: 08**, according to FRD Center analysis based on official statistic data, in 2015 compared to 2014 they went up with 39.3%, the main country of origin being Greece.

D. BAKERY INDUSTRY

1. Consumption

1.1 Consumption levels, statistics

According to market players, **bread** consumption in Romania is of over 95 kg per capita per year, compared to the European average of 60 kg per year.

In 2013, a Romanian ate an estimated 200 kg of bakery products and cereals per year.

A Romanian pays annually for **bread** the equivalent of about 75 EUR, if we consider an average cost of 0.75 EUR per kilo of bread.

According to the National Institute of Statistics, the annual average consumption per capita of cereals and cereal products in flour equivalent in Romania has recorded 156.5 kg in 2014.

The bakery market in Romania is currently estimated at 1.8 billion EUR, the domestic production of **bakery products** representing approximately 1.1 billion EUR.

Annual average consumption per capita	2013 kilograms	2014 kilograms	Growth y-t-y
cereals and cereal products in flour equivalent	164.6	156.5	-4.9%

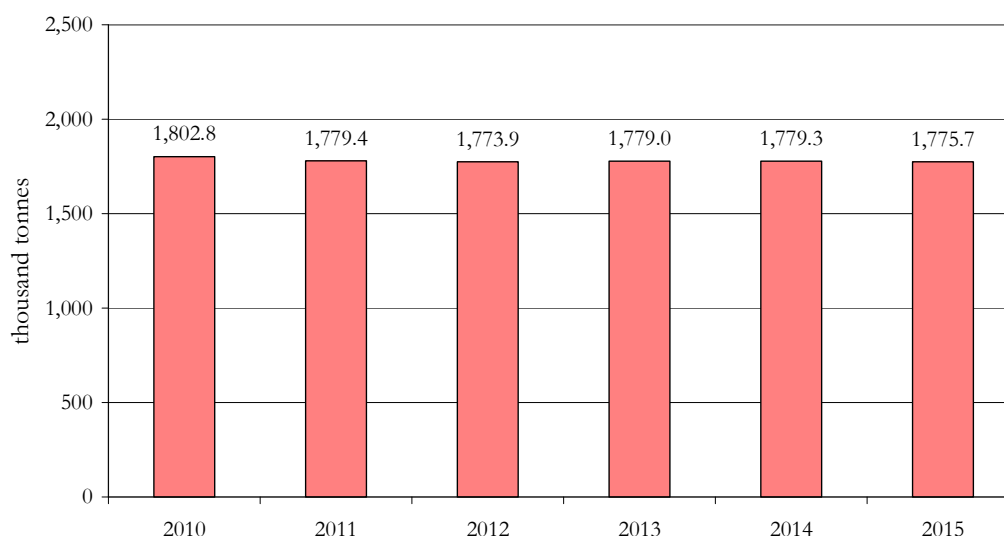
Source: NIS, FRD Center

For the dynamics of the annual average consumption per capita of cereals and cereal products in flour equivalent in Romania during 2010 – 2014, please see the Annex.

According to the Packaged Food in Romania Report published by Euromonitor in January 2016, the sales of **packaged baked goods** in Romania have recorded 1,775.7 thousand tonnes in 2015, this representing a decrease by 0.2% compared to 2014.

The volume sales of the packaged baked goods in Romania have registered a Compound Annual Growth Rate of -0.3% in 2010 - 2015.

Sales of packaged baked goods in Romania, 2010 - 2015

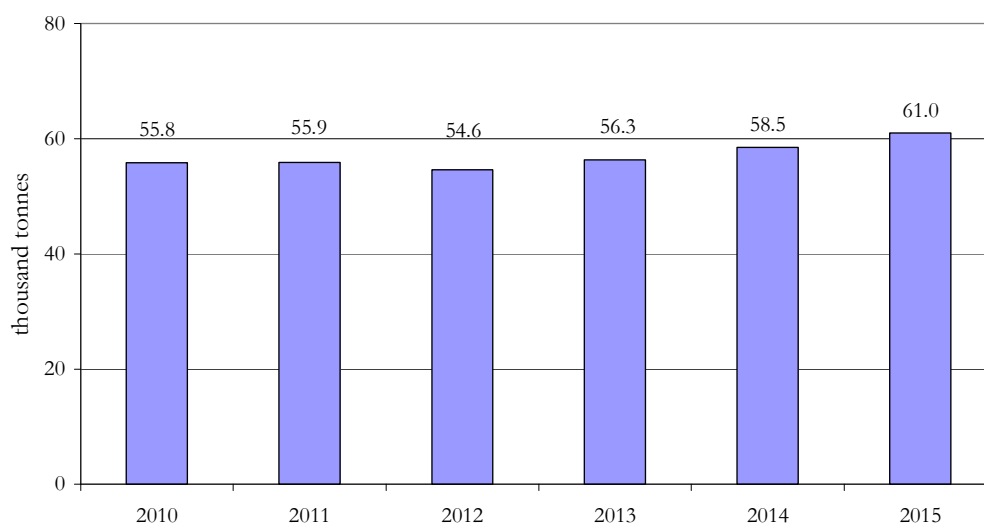


Source: Euromonitor, FRD Center

According to the Packaged Food in Romania Report published by Euromonitor in January 2016, the sales of the **packaged baked goods** in Romania are forecasted to reach 1,698.5 thousand tonnes in 2020, with a Compound Annual Growth Rate of -0.9% in 2015 - 2020.

According to the Packaged Food in Romania Report published by Euromonitor in January 2016, the sales of the **packaged biscuits and snack bars** in Romania have registered 61 thousand tonnes in 2015, up by 4.3% compared to 2014. The volume sales of packaged biscuits and snack bars in Romania have recorded a Compound Annual Growth Rate of 1.8% in 2010 - 2015.

Sales of packaged biscuits and snack bars in Romania, 2010 - 2015



Source: Euromonitor, FRD Center

According to the Packaged Food in Romania Report published by Euromonitor in January 2016, the sales of the **packaged biscuits and snack bars** in Romania are forecasted to record 72.8 thousand tonnes in 2020, with a Compound Annual Growth Rate of 3.6 % in 2015 - 2020.

The **sweet biscuits** market in Romania is very fragmented and it is strongly influenced by the private label and the bulk sales. In IKA, according to RetailZoom, private brands sweet biscuits hold 41.1% of total sales volume and 25.4% of their value.

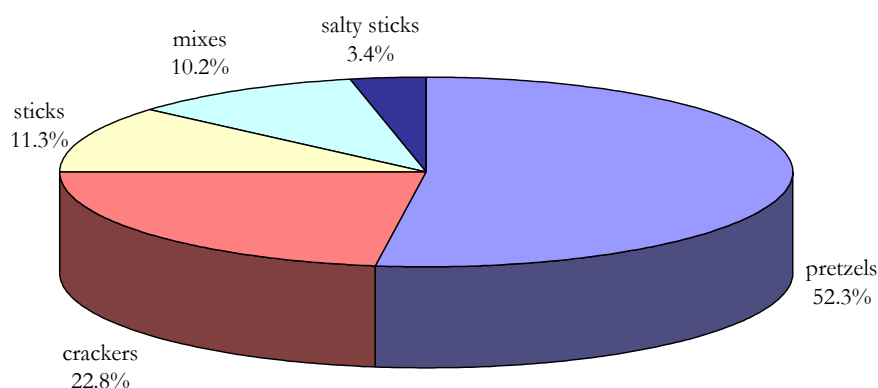
According to market players, the total value of the Romanian **savory snack** market is estimated at around 400 million EUR, up 10% from last year. The **savory snacks made from dough** category is highly fragmented, mature, with many strong players such as Croco, Alka, Boromir, Intersnack, Mondel, Terrabisco.

In 2014, the total value of the Romanian market of **crackers, pretzels, salted sticks and salted wafers** has been estimated by the local players, at approximately 67 million EUR.

According to RetailZoom, the sales of the products in this category between June 2015 - May 2016 have been:

- Pretzels: 52.2%
- Crakers: 22.8%
- Sticks: 11.3%
- Mixes: 10.2%
- Salty stics: 3.4%

Sales value of salty snacks in IKA in Romania (June 2015 - May 2016)



Source: RetailZoom, FRD Center

1.2 Consumer preferences and market demand trends

In Romania, the long loaf of white bread called 'franzela' is the most popular **fresh bread** type.

At the same time, in the recent years, it has been observed a growing trend of consumers' preferences for healthier types of **bread**, made of integral flour, with various seeds and cereals.

The Romanian consumer is demanding more sophisticated and gourmet products, including in the bread and bakery category. While these are currently imported, the local producers are constantly innovating and diversifying their production to answer the market demand.

Bread is one of the products never missing from the Romanian consumer's diet, Romania being among the top three bread consuming countries in Europe.

However, due to recent trends, Romanians eat less bread, of higher nutritional value, purchased at higher prices.

The Romanian market of **sweet biscuits** is highly fragmented. The brands are reinventing themselves and their assortments grow or change at a much higher speed than in other categories.

Advertising campaigns support the dynamics of the category.

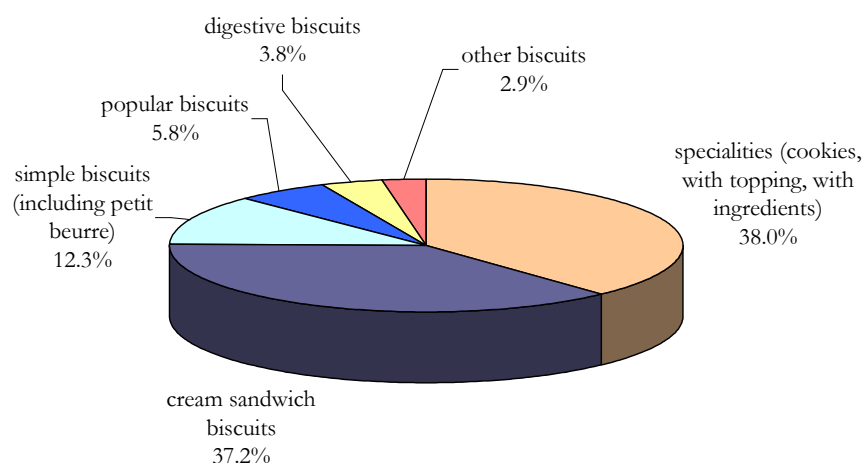
During 2015, the **sweet biscuits** market in Romania experienced spectacular dynamics, new product launches taking place almost every week, with completely different unique flavors or types of products, which generated growth both in consumption volume as well in total sales value.

It was observed an increasing consumer perception of biscuits as snacks for "on the go", desserts or breakfast replacements.

The market is dominated by two types of products: the **cream "sandwich" biscuits** and the **simple biscuits**. Similar in price and value, these represent about 80% of the market.

The other types of **sweet biscuits** are close in value, and, despite increased sales in recent years, remain significantly lower than the two types already established.

Sales value of sweet biscuits in IKA in Romania, by biscuits types



Source: RetailZoom, FRD Center

The Romanian **sweet biscuits** market is heavily influenced by retailers' private label and the bulk phenomenon, which represent major challenges to the producers in the category. In IKA, according RetailZoom, private label hold 41.1% of total sales volume and 25.4% of their value.

The **salty pretzels and crackers** are the best sold types of salty snacks in Romania.

According to Euromonitor, the Romanian consumption of **sweet biscuits** per capita has increased steadily in recent years, from 1.3 kg in 2004 to 2.1 kg in 2012, but is still below the European average: 3.5 kg in Eastern Europe, 5.2 kg in Western Europe.

The Romanian market of the salty snacks has recorded a growing trend during the last years, especially in the **crackers and salted wafers** categories.

Romanians are heavy consumers of **bread**, which they prefer to consume fresh.

According to Euromonitor report published in March 2015, the performance of baked goods in Romania is largely dictated by that of **bread**. Bread remains a staple product with very high consumption per capita and which varies only very slightly in terms of volume. Bread also remained a traditional product due to the fact that Romania is a major producer of wheat, and bread is a product that can easily be prepared from raw wheat harvested from the backyard.

Fresh artisanal bread is readily available across the country and its replacement by other bakery products remains limited, which keeps bread at the top of baked goods.

Artisanal products accounted for two thirds of value sales in 2014, a consequence of the impressive sales of **unpacked/artisanal bread** nationwide and the strong fragmentation of baked goods production, with a few manufacturers active at national level but all with value shares fewer than 5% and the big majority accounting for an

The strong leading position of **bread** and the high per capita consumption are not expected to change baked goods noticeably over the forecast period. Bread will continue to be a staple product in Romania, consumed across all income segments of the population and it will continue to dictate the performance of baked goods as a whole.

active presence but only at a small, regional level. The combination of production and window selling characterised the small domestic producers with operations in small cities and the countryside, which represented the practical source of fresh baked products in small communities.

As the effect of the reduction of VAT from 24% to 9% in June 2015 has already been fully felt, the main impact will come from climatic conditions which could affect

domestic wheat production, but also from the switch from cheaper unpackaged bread to more expensive packaged/industrial bread, under the positive influence of the economic growth. A busy lifestyle is estimated to create conditions for higher incomes which, in turn, would increase demand for healthier but more expensive bread.

1.3 Main brands on the market

Domestically produced brands of bread include:

Vel Pitar - Vel Pitar
French Toast - Vel Pitar
Chef Gourmand - Vel Pitar
Titan - GoodMills
Boromir - Boromir
Pambac - Pambac
Yammix - Sapte Spice
Bongrana - Dobrogea



Domestically produced brands of salty snacks & sweet biscuits include:

a) salty snacks

Croco - Croco
Toortitzi - Alka Co
Boromir - Boromir
Chio - Intersnack



b) sweet biscuits

RoStar - RoStar
Eugenia - Dobrogea



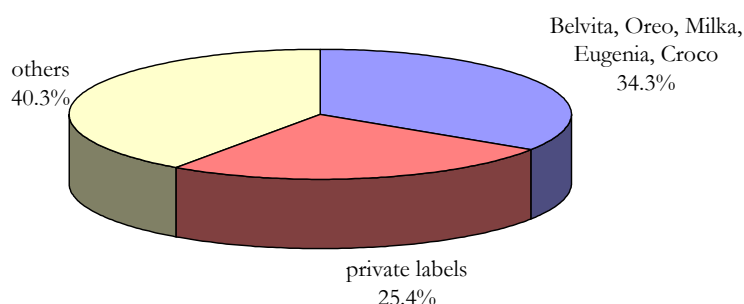
Imported brands of sweets biscuits & salty snacks include:

Belvita
Milka
Oreo
Gullon
Tuc
Grisbi
Leibniz
Alpella
Halk
Mulino Bianco
Nefis
Karsa
Balocco



According to RetailZoom, the **sweet biscuits** brands Belvita, Oreo, Milka, Eugenia and Croco have recorded a cumulated market share of 34.3% in IKA in Romania, during the period January - October 2015. The brands Eugenia and Croco are produced in Romania.

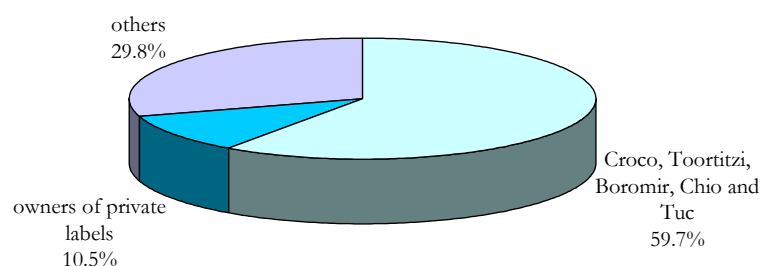
Market share of sweet biscuits brands
in IKA in Romania, in value (January - October 2015)



Source: RetailZoom, FRD Center

According to RetailZoom, the **salty snacks** brands Croco, Toortitzi, Boromir, Chio and Tuc have recorded a cumulated market share of 59.7% in IKA in Romania, during the period June 2015 - May 2016. The brands Croco, Toortitzi, Boromir and Chio are produced in Romania.

Market share of salty snacks brands
in IKA in Romania, in value (June 2015 - May 2016)



Source: RetailZoom, FRD Center

According to the Packaged Food in Romania Report published by Euromonitor in January 2016, in the NBO - National Brand Owner Company Shares of Packaged Food in Romania, Mondelez has recorded a share of 1.9% in the total retail value in 2015.

NBO - National Brand Owner - Company Shares of Packaged Food in Romania					
Company	% retail value				
	2011	2012	2013	2014	2015
Mondelez Romania SA	0	0.1	1.7	1.8	1.9
Dobrogea Grup SA	1.7	1.9	1.8	1.6	1.6
Vel Pitar SA	1.6	1.7	1.6	1.5	1.4
Titan SA	1.0	0.9	0.9	1.0	1.0
Boromir Ind SA	0.7	0.7	0.7	0.8	0.9
Other food players	95.0	94.7	93.3	93.3	93.2

Source: Euromonitor, FRD Center

According to the Packaged Food in Romania Report published by Euromonitor in January 2016, the **Boromir** brand has recorded the LBN - Local Brand Name Brand Share of Packaged Food of 0.9% in 2015.

LBN - Local Brand Name Brand Shares of Packaged Food in Romania				
Brand	% retail value			
	2012	2013	2014	2015
Boromir - Boromir Ind	0.7	0.7	0.8	0.9
French Toast - Vel Pitar	1.0	0.9	0.8	0.8
Other food brands	98.3	98.4	98.4	98.3

Source: Euromonitor, FRD Center

Case study: CROCO



S.C. CROCO S.R.L. is the Romanian leader for the products: “Brezel”, “Crackers”, “Sticks” and “Petit Beurre” - established by a Romanian entrepreneur, a former sports teacher that was a teenage colleague of Nadia Comaneci, in 1994.

In 1994, SC MADRE PANCOM - the former name of the company - started the production of sticks. The same year, the production capacity was raised, reaching of 12 tons/24 hours. In 1999, a production line for sugar and gluten biscuits become operational with a total capacity of 14-19 tons/24 hrs. In 2002, another production line becomes operational, with a total capacity of 24-31 tons/24 hours, depending on the product. At that moment Croco introduced and promoted on the Romanian market such products as: Croco Brezel, Croco Maxi Brezel, Croco Crackers, Croco Mini Sticks and Croco Mini Petit Beurre

In 2004, the assembling work of a third crackers production line was finalised, thus offering a total capacity of 24-31 tons/24 hours, depending on the product, introducing a new kind of the type Maxi Brezel and Mini Sticks. This new production line has covered the entire production necessary for the up-growing export demand.

In 2011 was completed an investment of 5 million EUR in new packaging lines, a new line of sticks and silos for flour. During 2014 and 2015 an new investment of 6 million EUR was made in production lines, packing equipment and a warehouse.

Currently, their maximum production capacity is 93 tons/24 hours in a production area of 6.567 sqm. backed by storage areas of 8.350 sqm. The company operates under various quality certificates: ISO 9001, IFS, BRC, HACCP and according to their own estimations, their market share is:

Sticks, 12 products:	33%
Brezel, 11 products:	18%
Crackers, 21 products:	20%
Cream Biscuits, 9 products:	9%

In 2015, the company registered sales of 27.2 million EUR, up by 5% compared to 2014. For 2017, the company management plans to invest 10 million EUR in further developing its product portfolio and launching new products.

Preferred types of products and market tendencies: frozen bakery



La Lorraine Romania is the market leader of **frozen bakery products** sector, with a market share of 20-25%, according to data from company representatives published by Magazinul Progresiv. The producer concluded financial year 2015 with a turnover of about 15 million EUR, up 30% compared to 2014. Regarding estimates for this year, the company expects an increase in turnover of 25-30%, reaching sales of about 20 million EUR.

In 2011, the Belgian bakery industry leader, La Lorraine Bakery Group, joined Macromex, the Romanian market leader in controlled temperature food distribution, to set up La Lorraine Romania: the first state of the art frozen bakery and dough factory in Romania.

So far the investments made in La Lorraine Romania amounted to 29 million euros, the company recently inaugurated the third production line worth 10 million euros, that makes about 10,000 tons of buns a year which generated an increase in production capacity by 50%. The investment is part of a bigger expansion project that entails increasing production capacity by 150% until 2020, with two more lines to be added, one that makes pastry products and the other craft products.

Currently, the factory La Lorraine Romania in Campia Turzii has a production capacity of 35,000 tons, 75% of the volume being sold locally to large retail networks, partners in HoReCa and independent shops, and the rest exported to Hungary, Bulgaria, Greece, Turkey, Slovakia and Czech Republic, according to the company officials. La Lorraine Romania plans to start making pastry and craft products next year.

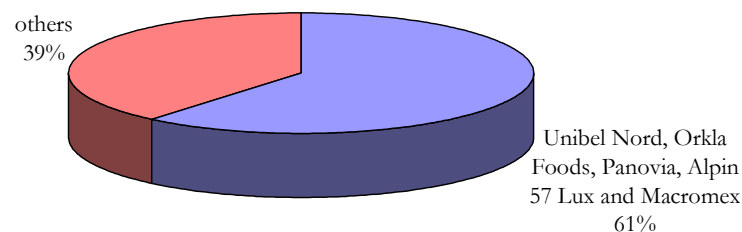


Recently, the international bakery group Lantmännen Unibake bought Frozen Bakery company, the hamburger bun producer for McDonald's in Romania. Sweden's Lantmännen Unibake bakery group, which bought Frozen Bakery Products SA, says this is a strategic acquisition for the group that wants to turn the local market into an export hub. The group is even thinking of reaching new customer segments and even expanding production.

According to market players, the **frozen pastry market** in Romania is estimated at 14 million EUR. The trend on the domestic market in the last years has been the conversion from traditional products: pastry dough to the ready-to-bake products: pies, strudels.

Unibel Nord, Orkla Foods, Panovia, Alpin 57 Lux and Macromex have a cumulated market share of approximately 61% in volume on the Romanian market of frozen pastry, according to RetailZoom.

Frozen pastry market in Romania - market share in volume



Source: RetailZoom, FRD Center

Fresh vs. frozen bakery in HoReCa and Modern Retail

Warm pastries and bread available in the HoReCa and in the modern retail chains is very popular in Romania. In most of the cases, it is made from frozen dough, mainly from import sources.

Starting with October 2016, the Romanian retail operators selling to the public bread and pastries made from frozen dough, as well as HoReCa using frozen dough and frozen food in preparing their menus, are obliged to inform the consumers about it, according to an Order of the National Authority for Consumer Protection – ANPC.

According to market players, some 875.000 tonnes of frozen dough is imported annually in Romania

2. Production

2.1 Production statistics and estimates

In Romania, there are approximately 1,600 companies active in the sector of **Production of Bakery and Farinaceous Products**.

Romania is recognised as one of the main producers of **wheat** in Europe. With an annual production of 7,851 thousand tonnes of wheat in 2015, Romania has been ranked 5th both for cultivated area and for output among EU Member States.

The Romanian production of **bakery products** in 2015 is estimated by the market players at almost 1.1 billion EUR.

Statistically speaking, the price per loaf of bread in Romania in 2015 was of 0.65 EUR slightly higher than in 2014.

The VAT reduction from 24% to 9% for bread was done on 1st September 2013, thus the price of bread in 2014 and

2015 was not affected by the general VAT reduction for foods & non-alcoholic beverages done on 1st June 2015.

According to FRD Center analysis based on official statistic data, in 2015 compared to 2014, the value of the **fresh bread** quantity produced in Romania increased with over 6%, while the volume with 4.8%. Similarly, the value of the **cake and pastry products** made in Romania increased with 25.2% in 2015 against a volume growth of 20.1%.

NACE code	Products	Sold production value in 2014 thousand EUR	Sold production value in 2015 thousand EUR	Growth y-t-y
10711100	Fresh bread containing by weight in the dry matter state ≤ 5 % of sugars and ≤ 5 % of fat, excluding with added honey; eggs; cheese or fruit	611,482	649,031	+6.1%
10711200	Cake and pastry products; other bakers' wares with added sweetening matter	259,224	324,582	+25.2%
10721130	Crispbread	n/a	1,045	n/a
10721150	Rusks, toasted bread and similar toasted products	64	113	+76.6%
10721230	Gingerbread and the like	5,407	5,037	-6.8%
10721253	Sweet biscuits; waffles and wafers completely or partially coated or covered with chocolate or other preparations containing cocoa	13,745	18,453	+34.3%
10721255	Sweet biscuits, including sandwich biscuits; excluding those completely or partially coated or covered with chocolate or other preparations	59,374	72,559	+22.2%

	containing cocoa			
10721940	Biscuits, excluding those completely or partially coated or covered with chocolate or other preparations containing cocoa, sweet biscuits, waffles and wafers	22,757	16,338	-28.2%
10731130	Uncooked pasta, containing eggs, excluding stuffed or otherwise prepared	13,153	13,364	+1.6%
10731150	Uncooked pasta, excluding containing eggs, stuffed or otherwise prepared	17,591	18,205	+3.5%

Source: Eurostat, FRD Center

For the five year dynamics of the bakery sold production value, please see the Annex.

According to FRD Center analysis based on official statistic data, the value of **Sweet biscuits; waffles and wafers completely or partially coated or covered with chocolate** or other preparations containing cocoa sold in 2015 compared to the sales of 2014 increased with 34.3%, while the volume increased with 27.4% which shows the increasing appetite of the Romanian consumer to this category of products.

NACE code	Products	Sold production volume in 2014 thou kg	Sold production volume in 2015 thou kg	Growth y-t-y
10711100	Fresh bread containing by weight in the dry matter state $\leq 5\%$ of sugars and $\leq 5\%$ of fat, excluding with added honey; eggs; cheese or fruit	957,025	1,002,988	+4.8%
10711200	Cake and pastry products; other bakers' wares with added sweetening matter	108,172	129,867	+20.1%
10721130	Crispbread	n/a	1,522	n/a
10721150	Rusks, toasted bread and similar toasted products	82	113	+37.8%
10721230	Gingerbread and the like	3,228	2,743	-15.0%
10721253	Sweet biscuits; waffles and wafers completely or partially coated or covered with chocolate or other preparations containing cocoa	7,274	8,573	+17.9%
10721255	Sweet biscuits, including sandwich biscuits; excluding those completely or partially coated or covered with chocolate or other preparations containing cocoa	43,613	55,561	+27.4%
10721940	Biscuits, excluding those completely or partially coated or covered with chocolate or other preparations containing cocoa, sweet biscuits, waffles and wafers	15,998	12,270	-23.3%

10731130	Uncooked pasta, containing eggs, excluding stuffed or otherwise prepared	17,837	16,569	-7.1%
10731150	Uncooked pasta, excluding containing eggs, stuffed or otherwise prepared	24,987	24,605	-1.5%

Source: Eurostat, FRD Center

2.2 Availability of raw materials, preferred sources

The raw materials used for the production of bakery products are: flour, yeast, sugar.

The cumulated production of **wheat or meslin flour and cereal flours** in Romania has recorded over 1.1 billion kg in 2015, up by 5% compared to 2014.

NACE code	Product	Sold production volume in 2014 thou kg	Sold production volume in 2015 thou kg	Growth y-t-y
10612100	Wheat or meslin flour	905,241	938,350	+3.7%
10612200	Cereal flours, excluding wheat or meslin	156,290	178,478	+14.2%

Source: Eurostat, FRD Center

The **bakery ingredients market** in Romania, not including flour and sugar, has an estimated market value of about 150 million EUR.

There are four producers of **sugar** in Romania: Agrana, Fabrica de Zahar Bod, Tereos and Zaharul Oradea.

According to Eurostat, the production of refined white cane or beet sugar in solid form in Romania has recorded almost 540 million kg in 2015, which according to the FRD Center analysis is up by 8.2% compared to 2014.

NACE code	Product	Sold production volume in 2014 thou kg	Sold production volume in 2015 thou kg	Growth y-t-y
10811230	Refined white cane or beet sugar in solid form	499,009	539,801	+8.2%

Source: Eurostat, FRD Center

Other raw materials used for bakery industry are:

- acidifiers and regulators
- emulsifiers
- fats and oils
- enzymes
- flavours and enhancers

- preservatives and antioxidants
- colours and coating agents
- thickeners and stabilisers
- sugar and sweeteners
- fibres and prebiotics
- nutritional ingredients

One main producer of raw materials used for the bakery industry in Romania is **Supremia Grup**. Its range of products for the bakery industry includes fillings and decoration ingredients. One example of the company's client in the bakery sector is Boromir.

Main importers of raw materials used for the bakery industry in Romania are: Alinda Ro, Azelis Romania, Enzymes & Derivates.

2.3 Chains organisation

Supply and distribution chains in the bakery sector in Romania vary according to the size of the businesses, as well as on their specific market strategies.

The largest milling and bakery producers are vertically integrated, also producing flour for internal usage and for sale, but mainly focusing on value added bakery products.

The majority of the bakery producers operate own distribution system and have in-house fleet to distribute to the retail chains, proximity stores or specialised bakeries.

Smaller bakeries produce their out-put on-site.

2.4 Value addition - how much value is added within Romania

For the bakery products made in Romania, the entire value is added in Romania.

2.5 Description of top producers: name, origin / ownership, brands, market reputation, level of innovation, known investments, development plans for 2-5 years etc.

Vel Pitar SA

<i>Ownership:</i>	Broadhurst Investment Fund
<i>Products:</i>	bread, pastry
<i>Brands:</i>	Vel Pitar - bread, pastry, French Toast - bread, Chef Gourmand - bread, Sylvester Graham - bread
<i>Market reputation:</i>	The "Chef Gourmand" bread with seeds, produced by Vel

Pitar, has won the trophy "Bread of the Year 2016" at the GastroPan contest.

Level of innovation: Vel Pitar has made investments in the recent years in modern and innovative technologies. The products in their portfolio have a medium level of innovation.

Known investments: Vel Pitar has acquired in 2015 the bankrupt bread factory Spicul. The investments made by Vel Pitar in Spicul, including the acquisition price, are estimated at 8 million EUR.

Development plans for 2-5 years Vel Pitar plans to transform the acquired bread factory Spicul into an efficient business.

Net turnover: 75 million EUR in 2015: +9% compared to 2014

No of employees: 2,411 in 2015

GoodMills Romania SA - former Titan SA

Ownership: Lantmannen Unibake

Products: bread, frozen bakery, flour, pasta

Brands: Titan - bread, frozen bakery, flour, pasta

Market reputation: In 2016, Lantmannen Unibake has acquired the bakery and retail operations of GoodMills Group in Romania. GoodMills has entered the Romanian market in 2007, by acquiring Loulis SA – subsequently, the company has been renamed Titan SA. In October 2014, Titan SA has become Goodmills Romania.

Level of innovation: The products in their portfolio have a medium-low level of innovation.

Known investments: GoodMills Romania has received in 2015 a bank credit of 16 million EUR from BRD Société Générale.

Development plans for 2-5 years No development plans announced.

Net turnover: 70.8 million EUR in 2015: +1% compared to 2014

No of employees: 912 in 2015

Boromir Ind SRL

Ownership: Mr. Constantin Boromiz, Mr. Gheorghe Boromiz, Mr. Mircea Ureche - Romanian private capital

Products: bread, salty snacks, pastry, croissants, pasta, flour

Brands: Boromir - bread, salty snacks, pastry, croissants, pasta, flour

Market reputation: Boromir Ind SRL owns the company Boromir Prod SA, specialised in the milling and bakery production. Boromir Prod SA has recorded a net turnover of 20.8 million EUR in 2015 and it is listed on the Bucharest Stock Exchange. Boromir Ind has participated at various international fairs,

	such as ISM Köln 2016.
<i>Level of innovation:</i>	The products in their portfolio have a medium-high level of innovation.
<i>Known investments:</i>	During 2013 – 2015, Boromir has invested approximately 10 million EUR in expanding its range of products. Boromir and Kalizea SAS France have set up in 2016 the company Kalizea Boromir with HQ in Slobozia, Ialomita county, Southern Romania.
<i>Development plans for 2-5 years</i>	Boromir plans to invest in the development of the new established company Kalizea Boromir.
<i>Net turnover:</i>	53.1 million EUR in 2015: -1% compared to 2014
<i>No of employees:</i>	678 in 2015

Sapte Spice SA

<i>Ownership:</i>	Broadhurst Investment Fund
<i>Products:</i>	bread, flour
<i>Brands:</i>	Yammix - bread, 7 Spice - flour
<i>Market reputation:</i>	Sapte Spice has four mills with the total capacity of over 200,000 tonnes / year.
<i>Level of innovation:</i>	Sapte Spice has introduced in 2006 the enzymatic correction, thus eliminating chemical additives in the composition of flours. The products in their portfolio have a high level of innovation. Sapte Spice has launched in 2009 a range of complete flour-based mixes for industrial customers, thus positioning itself as an innovator in the milling industry.
<i>Known investments:</i>	Sapte Spice has completed in 2007 an investment in the refurbishment of its Ramnicu Valcea mill which produces whole-wheat flour. Sapte Spice has completed in 2013 investments made in order to obtain better flour quality and to increase the production capacity.
<i>Development plans for 2-5 years</i>	Sapte Spice plans to develop its range of rye flour, launched in 2015.
<i>Net turnover:</i>	51.8 million EUR in 2015: +4% compared to 2014
<i>No of employees:</i>	414 in 2015

Pambac SA

<i>Ownership:</i>	Comfort SRL, Popasul Trebes SRL – controlled by Mr. Catalin Grigoriu and Mr. Eusebiu Gutu - Romanian private capital
<i>Products:</i>	bread, snacks, pastry, flour, pasta

<i>Brands:</i>	Pambac - bread, snacks, pastry, pasta, flour, Plamadita - bread, Pufunny - snacks, Gata - pasta, flour, Ciao Pasta - pasta, Grania - flour
<i>Market reputation:</i>	Pambac has participated at various international fairs, such as the PLMA's World of Private Label International Fair 2016 in Amsterdam.
<i>Level of innovation:</i>	The products in their portfolio have a high level of innovation. In 2014 Pambac has been awarded at the "Desteptarea" newspaper Gala for its honesty, transparency and balance between tradition and innovation.
<i>Known investments:</i>	In 2013, Pambac has received a bank credit of approximately 9 million EUR from Banca Transilvania in order to modernise the production lines and the store network.
<i>Development plans for 2-5 years</i>	Pambac plans to enter frozen bakery market. Pambac targets the business growth by entering new foreign markets, such as USA and Australia and by strengthening its current markets.
<i>Net turnover:</i>	43 million EUR in 2015: +12% compared to 2014
<i>No of employees:</i>	540 in 2015

Dobrogea Grup SA

<i>Ownership:</i>	Arsenal Forest SRL, Arsenal Montana SRL, Ana Variete SRL, Actinvest SA, individuals - Romanian private capital
<i>Products:</i>	bread, sweet biscuits, cereals, flour
<i>Brands:</i>	Bongrana - bread, Bongrana sana - bread, Benecol - bread, Eugenia - sweet biscuits, Digesta - sweet biscuits, Dia Line - biscuits, diet - cereals, Dobrogea - flour
<i>Market reputation:</i>	At present, Dobrogea Grup is in judicial reorganization. The company has six production units and a chain of 19 Fresh Dobrogea stores.
<i>Level of innovation:</i>	The products in their portfolio have a high level of innovation. Dobrogea Grup has launched in 2010 the bread that reduces the blood cholesterol - Dobrogea Benecol and the Eugenia premium assortments of biscuits - Eugenia Dark and Eugenia Junior.
<i>Known investments:</i>	Dobrogea Grup has finalised in 2009 an investment in a new technological line for the Toast bread.
<i>Development plans for 2-5 years</i>	No development plans announced.
<i>Net turnover:</i>	35.1 million EUR in 2015: +19% compared to 2014
<i>No of employees:</i>	631 in 2015

Croco SRL

<i>Ownership:</i>	Mr. Damian Mereu - Romanian private capital
<i>Products:</i>	salty snacks - pretzels, crackers, sticks, sweet biscuits
<i>Brands:</i>	Croco - salty snacks, sweet biscuits
<i>Market reputation:</i>	<p>The company has the production capacity of 93 tonnes per day.</p> <p>Croco has participated at various international fairs, such as: PLMA's World of Private Label International Fair 2016 in Amsterdam, ISM Köln 2016 etc.</p>
<i>Level of innovation:</i>	The products in their portfolio have a high level of innovation. Croco has launched in the last years innovative products such as: biscuits with pizza flavour, biscuits with ham flavour etc.
<i>Known investments:</i>	<p>In the last 6 years, the company has invested 12 million EUR in the production equipment.</p> <p>Croco has invested in 2016 approximately 0.4 million EUR in media appearances, especially on TV.</p>
<i>Development plans for 2-5 years</i>	For 2017, the company plans to invest 10 million EUR in its product portfolio and launching of new products.
<i>Net turnover:</i>	27.2 million EUR in 2015: +5% compared to 2014
<i>No of employees:</i>	224 in 2015

Alka Co SRL

<i>Ownership:</i>	Mr. Amir Krenzia - Israeli capital
<i>Products:</i>	salty snacks, sweet biscuits, wafers, cakes, croissants, coffee
<i>Brands:</i>	Toortitzi - salty snacks, Covrigeii Casei - salty snacks, Elephant - salty snacks, Biscuitii Casei - sweet biscuits, Dr. Krantz - sweet biscuits, wafers, Alfes - wafers, Prajitura Casei - cakes, Croissantul Casei - croissants, Stretto - coffee, Gold Mocca - coffee
<i>Market reputation:</i>	<p>Alka distributes its products all over the country, in the modern and traditional retail.</p> <p>Alka has attended various international fairs, such as ISM Köln 2016.</p>
<i>Level of innovation:</i>	<p>Launched in 2013, the Toortitzi brand is an innovative product: a baked and crispy snack with special taste and flavour and with a very thin form. The Toortitzi range includes: snacks with salt, white sesame, black sesame, seed mixes and pizza.</p> <p>The Covrigeii Casei range, launched in 2015, is made using a traditional Mediterranean recipe, with ingredients such as</p>

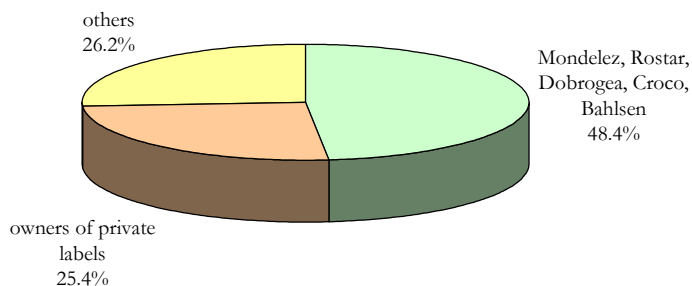
	olives or herbs.
<i>Known investments:</i>	Alka has launched in 2016 its new rented logistics centre with the surface of over 3,000 sqm, located near Bucharest. Alka has invested over 0.5 million EUR in equipment.
<i>Development plans for 2-5 years</i>	Alka is committed to innovation as a key element of its development strategy. The company plans to invest in new products, recipes, flavours and packaging. Alka aims to expand on international markets.
<i>Net turnover:</i>	17.4 million EUR in 2015: +8% compared to 2014
<i>No of employees:</i>	285 in 2015

RoStar SA

<i>Ownership:</i>	Mr. Bulut Hali
<i>Products:</i>	sweet biscuits, salty snacks
<i>Brands:</i>	RoStar - sweet biscuits, salty snacks
<i>Market reputation:</i>	In October 2016, Mr. Bulut Hali has been detained for tax evasion and money laundering. The exports represent 5% of the company's turnover. The company's exports have increased by 42% in 2015 compared to 2014. RoStar exports its products to Bulgaria, Hungary, Greece, Cyprus, Spain, Italy, Poland, Sweden, Vietnam, Yemen, Lithuania etc.
<i>Level of innovation:</i>	The products in their portfolio have a medium level of innovation.
<i>Known investments:</i>	RoStar has invested in the last years in order to expand its portfolio and to increase the sales volume.
<i>Development plans for 2-5 years</i>	RoStar plans to expand on new international markets.
<i>Net turnover:</i>	8.5 million EUR in 2015: -11% compared to 2014
<i>No of employees:</i>	381 in 2015

According to RetailZoom, the producers of **sweet biscuits Mondelez, Rostar, Dobrogea, Croco and Bahlsen** have recorded a cumulated market share of 48.4% in IKA, during the period January - October 2015. Rostar, Dobrogea and Croco have production facilities on the domestic market.

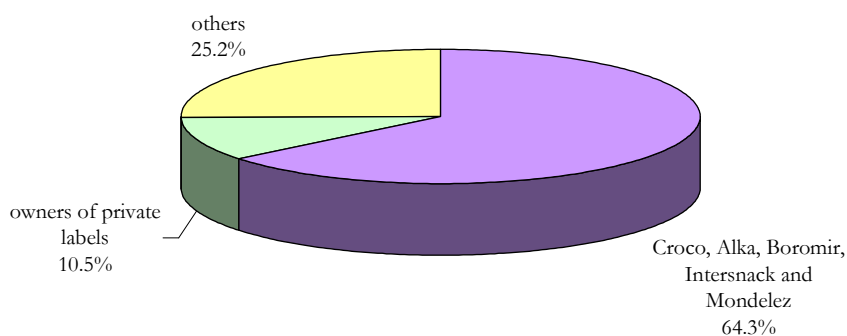
Market share of sweet biscuit producers
in IKA in Romania, in value (January - October 2015)



Source: RetailZoom, FRD Center

According to RetailZoom, the producers of **salty snacks Croco, Alka, Boromir, Intersnack and Mondelez** have recorded a cumulated market share of 64.3% in IKA in Romania, during the period June 2015 - May 2016. Croco, Alka, Boromir and Intersnack have production facilities in Romania.

Market share of salty snacks producers
in IKA in Romania, in value (June 2015 - May 2016)



Source: RetailZoom, FRD Center

3. International Trade: statistics, main in-coming and out-going destinations, dynamics and estimations

Statistics show that Romania is a good market for the bakery products from import, with the main three countries of origin being Poland, Germany and Bulgaria

Romanian Agriculture Ministry data show that **Romanian imports of bakery, confectionery and biscuits** totalled 66 800 tonnes, respectively 133 million EUR, in the first seven months of 2016.

According to a survey carried out by Eurostat, the Romanian prices for bakery products are 53% of the UE average.

According to FRD Center analysis based on official statistic data, the imports of **Bread, pastry, cakes, biscuits and other bakers' wares, whether or not containing cocoa, communion wafers, empty cachets of a kind suitable for pharmaceutical use, sealing wafers, rice paper and similar products - TARIC: 1905** have registered in 2015 compared to 2014 a growth of 19.6%.

Bread, pastry, cakes... TARIC: 1905	2014 EUR	2015 EUR	Growth
Imports	176,825,580	211,498,500	+19.6%
Exports	86,109,980	90,158,490	+4.7%

Source: Eurostat, FRD Center

According to the same sources, the imports of these products have registered in the first seven months of 2016 an increase of almost 27% compared to the similar period of 2015, while the exports grew with some 22%.

Bread, pastry, cakes... TARIC: 1905	Jan – July 2015 EUR	Jan – July 2016 EUR	Growth
Imports	104,825,660	132,947,220	+26.8%
Exports	48,894,150	59,738,040	+22.2%

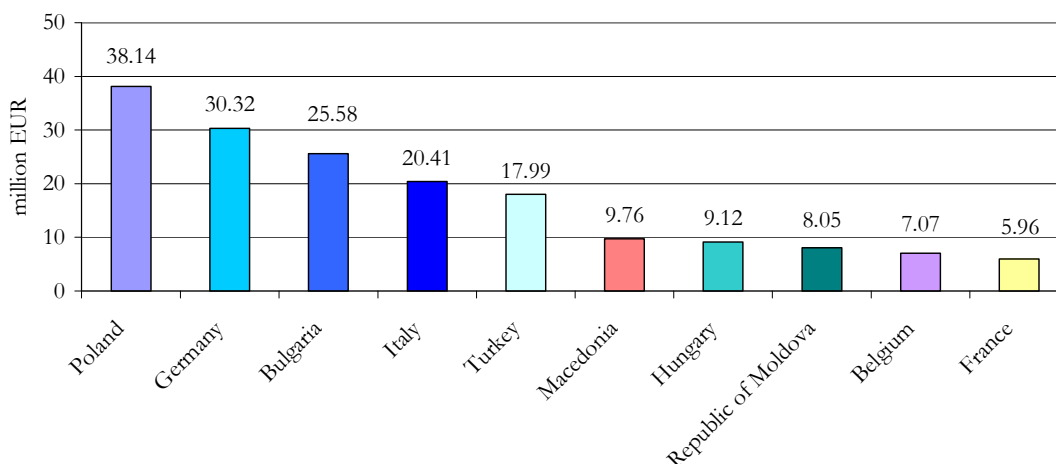
Source: Eurostat, FRD Center

The main ten origin countries for the Romanian imports of bread, pastry, cakes, biscuits and other bakers' wares, whether or not containing cocoa, communion wafers, empty cachets of a kind suitable for pharmaceutical use, sealing wafers, rice paper and similar products in 2015 are:

- Poland: 38,139,040 EUR
- Germany: 30,316,210 EUR
- Bulgaria: 25,581,810 EUR
- Italy: 20,408,760 EUR
- Turkey: 17,994,780 EUR
- Macedonia: 9,758,630 EUR
- Hungary: 9,120,490 EUR
- Republic of Moldova: 8,046,860 EUR

- Belgium: 7,066,480 EUR
- France: 5,959,900 EUR

**Romanian imports of bread, pastry, cakes, biscuits
and other bakers' wares, whether or not containing cocoa communion
wafers, empty cachets, sealing wafers, rice paper and similar products -
main ten origin countries in 2015**



Source: Eurostat, FRD Center

The Romanian imports of bread, pastry, cakes, biscuits and other bakers' wares, whether or not containing cocoa, communion wafers, empty cachets of a kind suitable for pharmaceutical use, sealing wafers, rice paper and similar products from **the Netherlands** have recorded 4,325,300 EUR in 2015: **12th position in top origin countries**.

The main three export destinations of the Romanian exports of bread, pastry, cakes, biscuits and other bakers' wares, whether or not containing cocoa, communion wafers, empty cachets of a kind suitable for pharmaceutical use, sealing wafers, rice paper and similar products in 2015 are:

- Bulgaria: 14,612,280 EUR
- Hungary: 9,335,520 EUR
- Germany: 9,073,090 EUR

For the five year dynamics of the Romanian bakery trade, please see the Annex.

4. International competitors - main players and their dynamics

There are Romanian importer-distributors that bring on the Romanian market bakery brands from:

Italy - Grisbi, Balocco, Mulino Bianco, Colussi, Misura

Germany - Leibniz, Hit

Spain - Gullon

Poland - Tago

Bulgaria - Sweet Plus

to mention some of the origin countries.



Some of the international bakery producers whose products can be found on the Romanian market include:

Vicenzi

Local partner - importer-distributor: Floravas SRL

Type of products: sweet biscuits

Brands: Grisbi

Balocco

Local partner - importer-distributor: Floravas SRL

Type of products: sweet biscuits, cereal biscuits, wafers, cakes

Brands: Balocco

Barilla

Local partner - importer-distributor: Floravas SRL

Type of products: Crackers, sweet biscuits, toast, croissants, cakes

Brands: Mulino Bianco

Bahlsen

Local partner - importer-distributor: De Silva Exclusiv SRL

Type of products: sweet biscuits

Brands: Leibniz

Galletas Gullon

Local partner - importer- Sano Vita SRL

distributor:

Type of products: crackers, digestive biscuits, cookies

Brands: Gullon

Tago

Local partner - importer-distributor: Karin Events SRL, Senic Com SRL

Type of products: sweet biscuits, wafers

Brands: Tago

Zaharni Izdelia Varna

Local partner - importer-distributor: Start SA

Type of products: sweet biscuits, wafers

Brands: Sweet Plus

Mondelez retained its leadership in biscuits with a 15% value share in 2015 as a consequence of the well-established performance of its Milka, Belvita, TUC, Oreo and Grany brands. Advertising campaigns supported these brands in reaching strong positions in biscuits.

The closest competitor to Mondelez was **Dobrogea Grup**, with an 11% value share in 2015. The company's position stemmed from the success of its Eugenia brand, which has benefited from strong recognition over decades and an excellent distribution through all channels. The quality improvement and the presence of several varieties also helped Eugenia to reach the leading position within total biscuits and snack bars with an 8% value share in 2015.

5. Brief analysis of import / export vs. local estimated consumption / market demand

While for certain types of products, such as frozen bread dough and frozen pastry, Romania is a net importer, there are many locally produced types of bakery products that clearly dominate the market.

According to the FRD Center analysis, the Romanian production of bread and bakery products is, roughly speaking, five times bigger than the imported products market.

The Romanian consumer is demanding more sophisticated and gourmet products, including in the bread and bakery category. While these are currently imported, the local producers are constantly innovating and diversifying their production to answer the market demand.

E. PROCESSED POTATOES

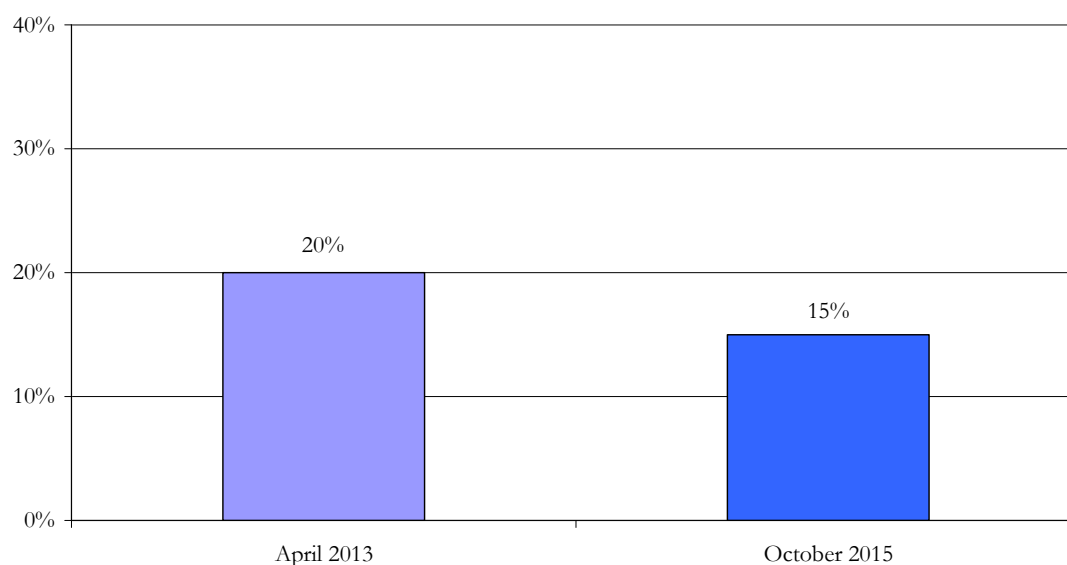
1. Consumption

1.1 Consumption levels, statistics

a) Frozen fries

According to a study published by Exact Cercetare si Consultanta in November 2015, 15% of Romanians have consumed **frozen potatoes** in October 2015, a decrease compared to April 2013 when the percentage has been 20%.

Consumption of frozen potatoes in Romania



Source: Exact Cercetare si Consultanta, FRD Center

b) Potato chips:

The consumption of **potato chips** per capita is still low in Romania compared to countries such as Poland, Russia and Spain, but the evolution in the last two years shows serious growth signs.

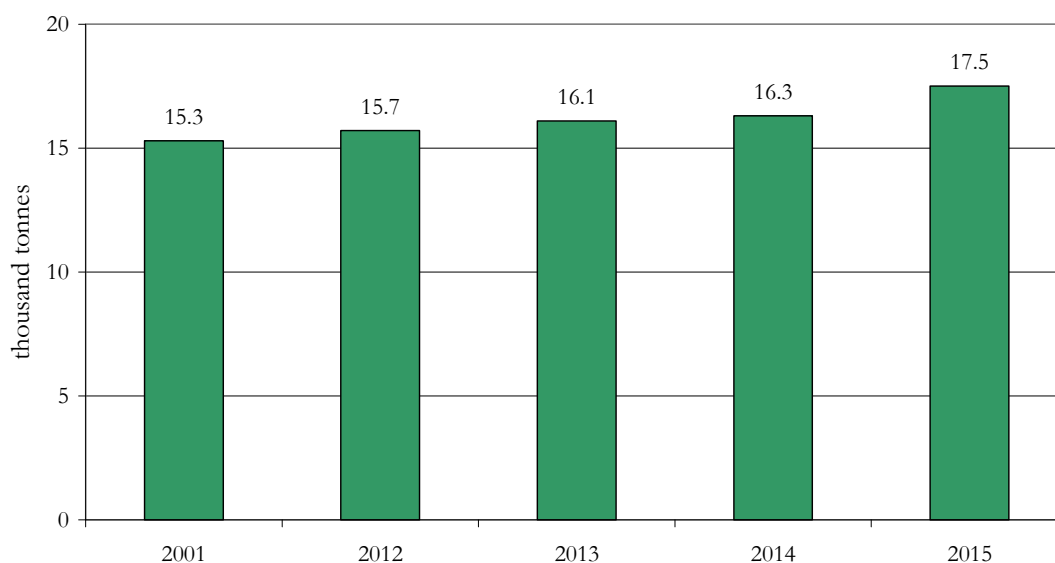
The potato chips have become increasingly popular among the Romanian consumers, being perceived as a modern consumption choice, accepted by all group / family members

According to the Savoury Snacks in Romania Report published by Euromonitor in August 2016, the sales of **potato chips** in Romania have recorded 17.5 thousand tonnes in 2015, up by 7.4% compared to 2014. In comparison, the sales of Tortilla chips have recorded the same level, 0.2 thousand tonnes, during 2011 – 2015.

Sales of salty snacks thousand tonnes					
	2001	2012	2013	2014	2015
Potato chips	15.3	15.7	16.1	16.3	17.5
Tortilla chips	0.2	0.2	0.2	0.2	0.2

Source: Euromonitor, FRD Center

Sales of potato chips in Romania, 2011 - 2016



Source: Euromonitor, FRD Center

According to the Savoury Snacks in Romania Report published by Euromonitor in August 2016, the sales of **potato chips** in Romania are forecasted to reach 20 thousand tonnes in 2021, with a Compound Annual Growth Rate of 2.6% in 2016 – 2021.

Forecasted sales of salty snacks thousand tonnes						
	2016	2017	2018	2019	2020	2021
Potato chips	17.5	17.7	18.0	18.5	19.2	20.0
Tortilla chips	0.2	0.2	0.2	0.2	0.2	0.3

Source: Euromonitor, FRD Center

According to market players, the **potato chips** category represents over 51% of the salty snack category in Romania. Compared to 2014, in 2015 the value of the salty snack category registered a 9.4% growth.

1.2 Consumer preferences and market demand trends

a) Frozen fries

The FRD Center research revealed that, although present in the modern retail, the bagged and bulk **frozen fries** are not that popular with the Romanian consumer. The products available on the Romanian market are imported.

This category is mainly used in the HoReCa sector.

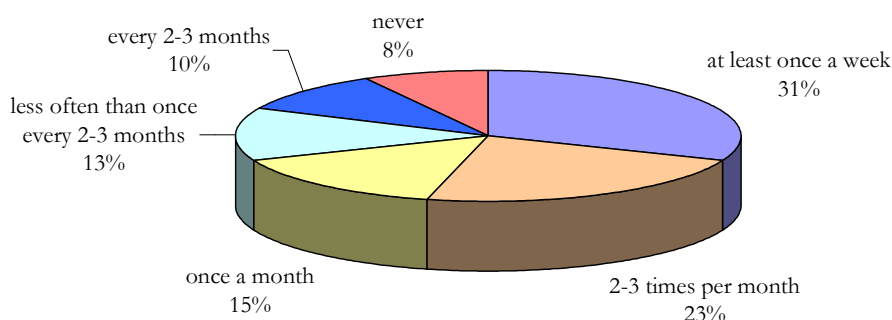
b) Potato chips

According to Nielsen, 26% of the Romanians eat **potato chips** compared to 38% of the European average.

According to market surveys, **potato chips** are eaten at least once a week by one third of urban Romanians. 40% of Romanians in urban areas who want to consume a low-calorie snack, choose the potato chips.

Regarding the frequency of **potato chips** consumption, 31% of Romanians consume potato chips at least once a week, followed by 23% consuming 2-3 times per month, according to Exact Cercetare si Consultanta.

Consumption frequency of potato chips in Romania



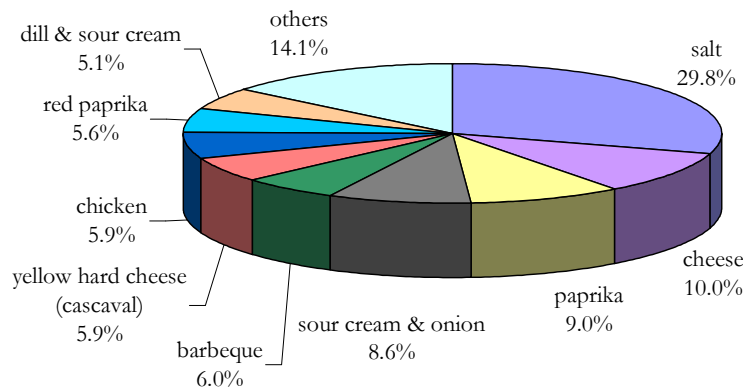
Source: Exact Cercetare si Consultanta, FRD Center

As it results from the survey conducted by Exact Cercetare si Consultanta, the taste is the most powerful motivating factor in choosing the savoury snacks, nearly one in two urban consumers opting for a particular product because of its taste. The selection criteria in the top positions are occupied by quality-price ratio and price of the product, a third of Romanians consume salty snacks being influenced by these factors.

Confidence in the brand and product ingredients are reasons for selection for one of five or one in six consumers. Also, about one in ten Romanian are influenced in choosing products depending on the producer's reputation as well as the quantity in the package, and that product is locally produced. At the opposite end, only 3% of consumers of savoury snacks are influenced by packaging - its practical features, easy to handle, attractive looking - or by product uniqueness.

According to RetailZoom, the best selling potato chips in Romania are the **salt potato chips**, with a market share of 29.8% during June 2015 – May 2016, followed by cheese potato chips with 10% and paprika potato chips with 9%.

Sales of potato chips in value
in Romania, by flavour (June 2015 – May 2016)



Source: RetailZoom, FRD Center

According to Intersnack, the Romanian market of salty snacks is estimated at approximately 380 million EUR per year, the **potato chips** being the most dynamic segment, influenced by the initiatives of the main market players.

One of the main challenges faced by the **potato chips** producers is the low level of consumer loyalty in Romania. The consumers are very sensitive to promotional offers and replace easily the favourite brands with new flavours, with discounted products or private label products.

The Romanian core salty market has increased by 9.4% in value in 2015 compared to 2014. The **potato chips** segment represents 51.3% of the core salty market.

1.3 Main brands on the market

Domestically produced brands of processed potatoes:

Lay's - Star Foods – PepsiCo

Chio - Intersnack

Viva - European Food



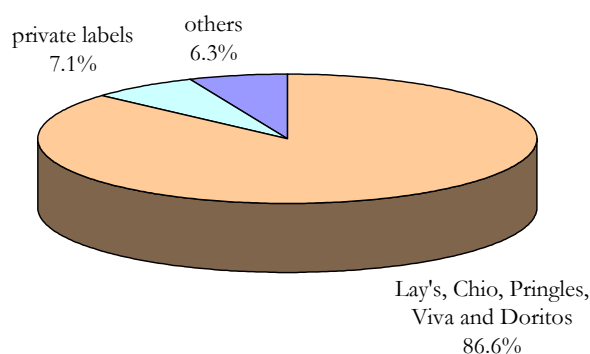
Imported brands of processed potatoes:

Pringles
 Doritos
 AgrarFrost
 Farm Frites
 Pizzoli Professional
 Aviko
 Fantasy



According to RetailZoom, the **potato chips** brands Lay's, Chio, Pringles, Viva and Doritos have recorded a cumulated market share of 86.6% in IKA in Romania, during the period June 2015 – May 2016. The brands Lay's, Chio and Viva are produced in Romania.

Market share of potato chips brands
in IKA in Romania, in value (June 2015 – May 2016)



Source: RetailZoom, FRD Center

According to the Savoury Snacks in Romania Report published by Euromonitor in August 2016, the Lay's brand, produced by Star Foods, has recorded the highest LBN - Local Brand Name Brand Share of Savoury Snacks in 2015: 14.4%.

LBN - Local Brand Name Brand Shares of Savoury Snacks in Romania				
% retail value				
Brand	2013	2014	2015	2016e
Lay's - Star Foods	14.0	13.5	14.4	14.3
Chio - Intersnack	7.4	7.9	9.6	10.5
Pringles - Kellogg	-	-	2.0	2.4
Viva - European Food	2.5	2.2	1.8	1.3
Other savoury snack brands	76.1	76.4	72.2	71.5

Source: Euromonitor, FRD Center

New product launches in the period 2015 - 2016 on the domestic market:

- Lay's Maxx Deep Ridged
- Chio Exxtra Deep
- limited edition of Chio potato chips for the Football European Championship

Preferred types of products and market tendencies: flavoured potato chips

The Romanian consumer is open to experimenting with new **potato chips flavours** and tastes which are launched by the local processors on a regular basis.

Apart from the standard salty variety, there are "permanent" **potato chips flavours** which have a rather small incidence in the consumer's preferences, such as:

- sour cream & onion	8.6%
- barbeque	6%
- yellow cheese	5.9%
- chicken	5.9%
- red paprika	5.6%
- dill & sour cream	5.1%

In the **potato chips category**, some 14% are the "others" - which are mainly the "temporary" flavours, depending on the time of the year or various other influencing factors, such as the football championship or the summer holidays.

Some of the **potato chips** flavours that have been, at some point in time, offered to the Romanian market include: wasabi, extreme chilli, shaorma, roasted chicken, mushrooms and sour cream, spicy wings, mititei - Romanian traditional skin-less sausages, garlic, grilled steak.



Case study: Aggressive marketing for potato chips

The two major chips producers in Romania, PepsiCo and Intersnacks, are regularly using marketing in order to aggressively promote their potato chips towards the Romanian consumers.



For example, PepsiCo Romania, has recently redesigned the Lay's portfolio and a clear consumer communication and marketing platform was generated - "The Game", "The Party" and "Watching TV" - using as key characters the Lay's Ambassadors, local TV and music stars, Cabral and Puya.

Intersnack, for its chips brand, Chio, recently created a marketing campaign around the invented word "chipsology", also using young people as a vehicle.

**Castigi PREMII sau LEI
intr-una din trei!**



2. Production

2.1 Production statistics, estimates

According to the FRD Center research, there are no official statistics regarding the local production of processed potatoes.

Local **potato processors** in Romania are:

Star Foods, part of PepsiCo, produces **potato chips**, the Lay's brand. Its manufacturing facility is located in Popesti Leordeni, Ilfov county, near Bucharest. Star Foods produces daily approximately one million bags of Lay's potato chips, Star popcorn and Krax snacks.

Intersnack Romania produces **potato chips**, the Chio brand

European Food produces **potato chips**, the Viva brand. Its range of Viva products includes: salt chips, barbeque chips, chicken chips, paprika chips and sour cream & drill chips. The company's manufacturing facility is located in Bihor county, NW Romania.

COMPRODCOOP SA is the only company in Romania that, among other frozen vegetables, produces **frozen fries**.

2.2 Availability of raw materials, preferred sources

The main area for **local potatoes cultures** is Central Romania, namely the Transylvanian plateau, with a focus on the Brasov and Fagaras area.

According to the National Institute of Statistics, the domestic production of potatoes in Romania in 2015 was 21% lower than in 2014.

Production	2014 thou tonnes	2015 thou tonnes	Growth y-t-y
Potatoes	3,519	2,779	-21.0%

Source: NIS, FRD Center

For the dynamics of the Romanian production of potatoes during 2011 – 2015, please see the Annex.

According to the National Federation of Potato Farmers FNCR, Romania's **potato harvest** is forecasted to be 15 - 20% lower in 2016, after the humidity in the spring

helped the specific crop diseases develop and also due to the aggressive drought in July and early August.

As an example of sourcing, the domestic **potato chips producer Star Foods** collaborates with 21 potato farms in Covasna, Harghita, Brasov, Neamt, Suceava and Dambovita that delivers 80% of the raw materials needed for the production of the Lay's chips.

For the future, Star Foods aims that 100% of the quantity of potatoes used for the production of the Lay's chips to come from farms in Romania. Star Foods has used approximately 20,000 tonnes of potatoes in 2015 compared to 4,000 tonnes in 2005.

2.3 Chains organisation

The important potato growers are mainly gathered in producers groups, commercial companies and associations, such as, for instance:

- SC Preluarea, Prelucrarea, Comercializarea Cartofului Țara Făgărașului SA
- Societatea Agricolă "Agroland"
- S C "Cartof De Făgăraș" Grup De Producători S R L

They collect, pack and deliver their production to the:

- processors
- wholesalers

The major **potatoes processors** are vertically integrated, with in-house logistic facilities, such as controlled temperature storage and distribution. Additionally, they collaborate with specialised logistic services firms.

Modern retail chains, cash&carry and farmers markets collaborate with wholesalers and distributors.

The importers of **frozen potato fries** are vertically integrated. They are all dedicated to the import and distribution business, with the exception of Macromex, which is also a producer of frozen foods, but not of potato fries.

The international retail chains have their own import departments and also collaborate with local importers.

Importer-distributors as well as local collection & distribution firms supply the HoReCa sector too.

2.4 Value addition - how much value is added within Romania

For the potato products made in Romania, the entire value is added in Romania.

2.5 Description of top processors: name, origin / ownership, brands, market reputation, level of innovation, known investments, development plans for 2-5 years etc.

a) Frozen fries:

COMPRODCOOP SA

<i>Ownership:</i>	Romanian private capital
<i>Brands:</i>	n/a
<i>Market reputation:</i>	The raw materials used by the company are potatoes cultivated in Romania, especially in the Covasna and Harghita areas, Central region of the country. The firm's production unit of frozen fries is located in Bucharest.
<i>Level of innovation:</i>	The company's frozen fries are pre-fried in palm oil. They do not contain preservatives and are frozen through rapid tunnel freezing technology.
<i>Known investments:</i>	COMPRODCOOP has invested in the last years in its production facility of frozen fries.
<i>Development plans for 2-5 years</i>	In December 2016, the company's entire production of frozen fries is already contracted. According to its representatives, the company will be able to collaborate with new clients starting with May 2017.
<i>Net turnover:</i>	1 million EUR in 2015: -20% compared to 2014
<i>No of employees:</i>	50 in 2015

b) Potato chips:

Star Foods EM SRL

<i>Ownership:</i>	PepsiCo
<i>Brands:</i>	Lay's - potato chips
<i>Market reputation:</i>	Star Foods is the biggest producer of potato chips in Romania. Other brands in its portfolio are: Star - popcorn, Krax - snacks.
<i>Level of innovation:</i>	There are products in their portfolio that are quite innovative. Star Foods has launched in 2015 an innovative product: Lay's MAXX. The platform has attracted new consumers in the category, through innovative and targeted communication.
<i>Known investments:</i>	PepsiCo has taken over the plant in Popesti Leordeni, near Bucharest in 2004 from a Greek company, in a transaction estimated at 20 million EUR.

<i>Development plans for 2-5 years</i>	Star Foods aims new product launchings, as a result of innovation.
<i>Net turnover:</i>	113.4 million EUR in 2015: +23% compared to 2014
<i>No of employees:</i>	714 in 2015

Intersnack Romania SRL

<i>Ownership:</i>	Intersnack Group
<i>Brands:</i>	Chio - potato chips
<i>Market reputation:</i>	Through its brands - Chio potato chips, Pom-Bär snacks, Nutline nuts, Felix nuts, Fiesta peanuts, Gold Fischli salty snacks - Intersnack is present on all the segments of the Romanian salty snack market. The brand Chio is produced in Romania.
<i>Level of innovation:</i>	On a regular basis, they launch quite innovative products. Intersnack has launched in 2016 the "Football Limited Edition" of the Chio potato chips for the Football European Championship: three new flavours inspired by the French cuisine.
<i>Known investments:</i>	<p>Intersnack has finalised in 2009 an investment of over 7 million EUR in its plant in Ghimbav, Brasov county, Centre Romania.</p> <p>Intersnack has entered the Romanian market directly in 1998 and subsequently has developed through investments and acquisitions. It has bought in 2006 the company Flipper Comimpex - Felix and Fiesta brands - and in 2010 the Nutline brand from Alka Group.</p>
<i>Development plans for 2-5 years</i>	No development plans announced.
<i>Net turnover:</i>	71.3 million EUR in 2015: +17% compared to 2014
<i>No of employees:</i>	572 in 2015

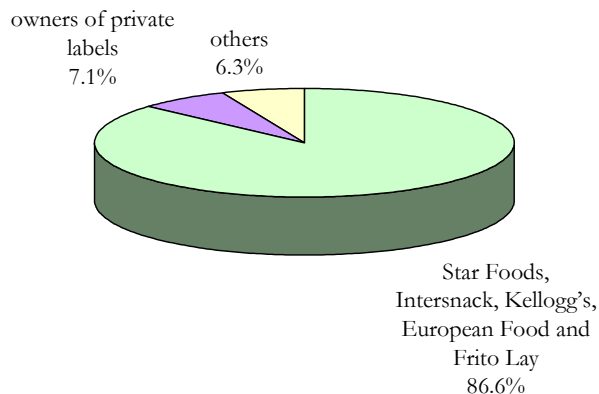
European Food SA

<i>Ownership:</i>	Mr. Ioan Micula, Mr. Viorel Micula - Romanian – Swedish private capital
<i>Brands:</i>	Viva - potato chips, snacks, biscuits, popcorn
<i>Market reputation:</i>	<p>The European Food Group includes the companies European Food SA - food production, European Drinks SA - drinks production and Scandic Distilleries SA - spirits production.</p> <p>Besides Viva brand, other brands in the portfolio of European Food SA are: Naty wafers, Rony snacks, cereals, biscuits, Olla snacks, Rollo sweets, Jackpot crackers, Stixy sticks, Regal sauces, Fruttia juices, Rioenergy energy drinks, Vitatonic tonic drinks, Burger beer, Servus beer, Felix beer, Favorit beer, Meister beer, Pasta dl'Talia pasta.</p> <p>European Food has participated at various international fairs, such as: ISM Köln 2016, PLMA's World of Private Label International Fair 2016 in Amsterdam etc.</p>
<i>Level of innovation:</i>	There are products in their portfolio that have a good level of innovation. European Food has invested in the recent years in modern and innovative technology.
<i>Known investments:</i>	The European Food Group has invested in the last 23 years over 2 billion EUR in order to develop its production facilities, to launch new products and brands and to improve the distribution network and infrastructure.
<i>Development plans for 2-5 years</i>	No development plans announced.
<i>Net turnover:</i>	69.2 million EUR in 2015: -4% compared to 2014
<i>No of employees:</i>	1,116 in 2015

According to RetailZoom, the producers of **potato chips** Star Foods, Intersnack, Kellogg's, European Food and Frito Lay have recorded a cumulated market share of 86.6% in Romania in IKA, during the period June 2015 – May 2016, followed by owners of private labels with 7.1%.

Star Foods, Intersnack and European Food have production facilities in Romania.

**Market share of potato chips producers
in IKA in Romania, in value (June 2015 – May 2016)**



Source: RetailZoom, FRD Center

3. International Trade - statistics, main in-coming and out-going destinations, dynamics and estimations

According to the FRD Center research based on official statistic data, Romania is a net exporter rather than importer of potato chips since the exports of this category are some 5 times more than the imports.

According to the same sources, in 2015 compared to 2014, the imports of **Potatoes in thin slices, fried or baked, whether or not salted or flavoured, in airtight packings, suitable for immediate consumption - TARIC: 20052020** have diminished with 9.2%.

Potatoes ... TARIC: 20052020	2014 EUR	2015 EUR	Growth
Imports	3,258,390	2,958,640	-9.2%
Exports	10,993,500	10,720,270	-2.5%

Source: Eurostat, FRD Center

According to the same sources, in the first seven months of 2016 the imports of this type of product registered a growth of over 87% compared to the similar period of 2015.

Potatoes ... TARIC: 20052020	Jan – July 2015 EUR	Jan – July 2016 EUR	Growth
Imports	1,626,900	3,048,490	+87.4%
Exports	6,504,460	7,127,560	+9.6%

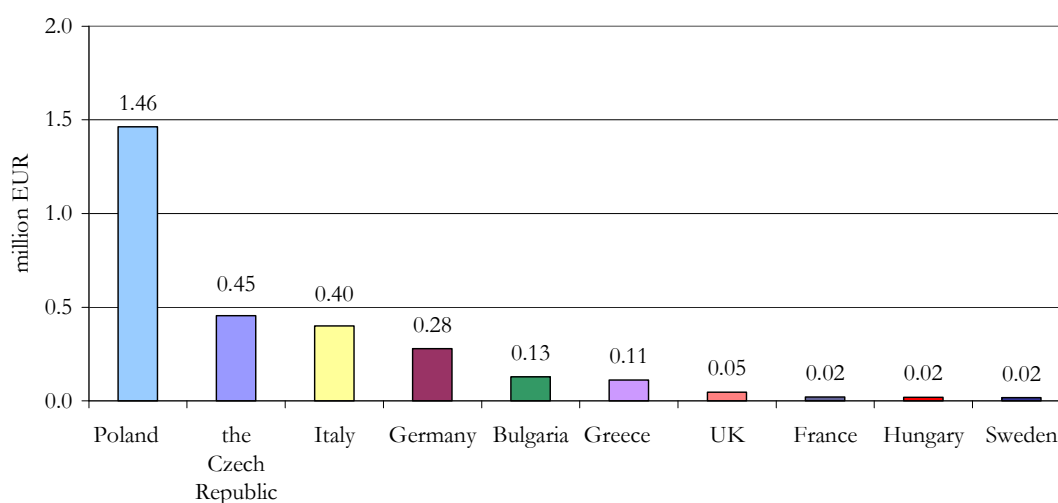
Source: Eurostat, FRD Center

According to the FRD Center analysis based on the Eurostat statistics, the main ten countries of origin for the Romanian imports of potatoes in thin slices, fried or baked, whether or not salted or flavoured, in airtight packings, suitable for immediate consumption in 2015 are:

▪ Poland:	1,462,560 EUR
▪ Czech Republic:	454,590 EUR
▪ Italy:	399,880 EUR
▪ Germany:	278,020 EUR
▪ Bulgaria:	129,600 EUR
▪ Greece:	110,710 EUR
▪ UK:	46,230 EUR
▪ France:	21,550 EUR
▪ Hungary:	18,920 EUR
▪ Sweden:	18,520 EUR

According to Eurostat statistics, the Romanian imports of potatoes in thin slices, fried or baked, whether or not salted or flavoured, in airtight packings, suitable for immediate consumption from **the Netherlands** in 2015 have been null.

Romanian imports of potatoes in thin slices,
fried or baked, whether or not salted or flavoured, in airtight packings,
suitable for immediate consumption - main ten countries of origin in 2015



Source: Eurostat, FRD Center

According to the FRD Center analysis based on the Eurostat statistics, the main three export destinations for the Romanian exports of potatoes in thin slices, fried or baked, whether or not salted or flavoured, in airtight packings, suitable for immediate consumption in 2015 are:

• Bulgaria:	9,200,140 EUR
• Rep. Moldova:	980,740 EUR
• Saudi Arabia:	183,410 EUR

4. International competitors - main players and their dynamics

Some of the international producers of processed potatoes whose products can be found on the Romanian market include:

Kellogg's

Local partner - importer-distributor: Egea Orbico SRL

Type of products: potato chips

Brand: Pringles

Frito Lay - part of PepsiCo

Local partner - importer-distributor: Pepsi Group in Romania

Type of products: potato chips

Brand: Doritos

Agrarfrost

Local partner - importer-distributor: Randler Group SRL

Type of products: frozen fries, potato chips

Brand: Agrarfrost

Farm Frites

Local partner - importer-distributor: Macromex SRL

Type of products: frozen fries

Brand: Farm Frites

Aviko

Local partner - importer-distributor: Forelit SRL

Type of products: frozen fries

Brand: Aviko

5. Brief analysis of import / export vs. local estimated consumption / market demand

The Romanian market of **potato chips** is clearly dominated by the two brands, Chio and Lay's, produced locally by international companies, Intersnacks and, respectively, PepsiCo. The most visible imported potato chips are Pringles, but due to their rather high price, are not in demand on the Romanian market.

The **frozen fries** market demand in Romania is almost 100% covered by imports, both for retail and HoReCa.

F. FISH INDUSTRY

1. Consumption

1.1 Consumption levels, statistics

According to the National Institute of Statistics, the annual average consumption of fish and fishery products in fresh fish equivalent in Romania has recorded 4.9 kg per capita in 2014, up by 14% compared to 2013.

Annual average consumption per capita	2013 kilograms	2014 kilograms	Growth y-t-y
Fish and fishery products in fresh fish equivalent	4.3	4.9	+14%

Source: NIS, FRD Center

For the dynamics of the annual average consumption per capita of fish and fishery products in Romania during 2010 – 2014, please see the Annex.

The annual average consumption of **fish and fishery products** in fresh fish equivalent per capita in Romania has recorded a decrease from 5.1 kg in 2009 to 3.9 kg in 2011 due to the deteriorating consumer purchasing power, the economic crisis and the VAT rate increase in 2010 from 19% to 24%.

The Romanian consumption of fish and fish products is rather limited in comparison to other markets in the EU but it is expected to continue rising in the near future.

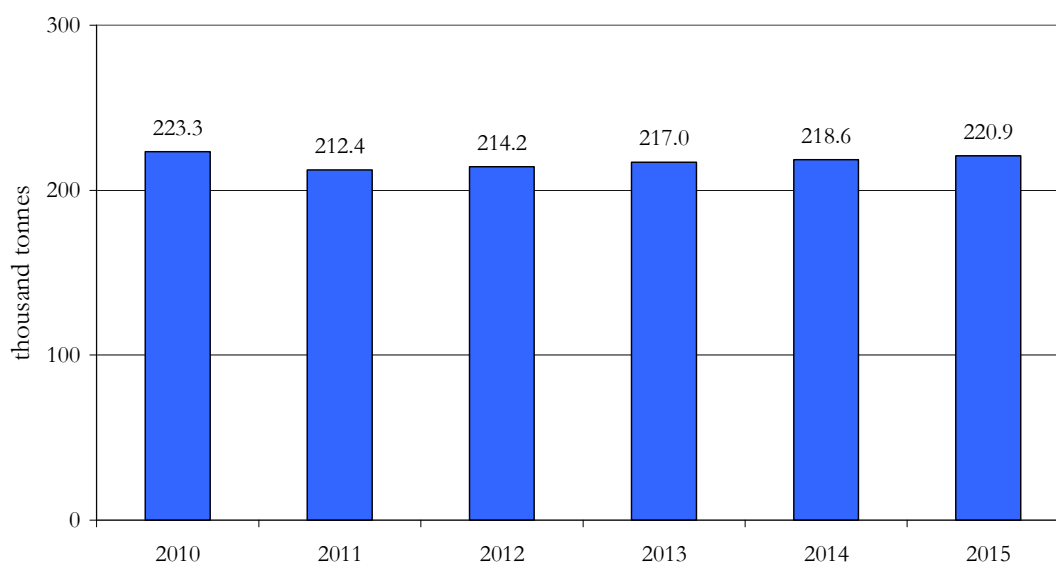
The recovering process of the annual average consumption of **fish and fishery products** in fresh fish equivalent per capita in Romania has started in 2012 when it has reached 4.2 kg.

The **fish and seafood** consumption in Romania is forecast to continue the rising trend, some main factors being:

- the positive economic growth outlook
- the consumers' experience gained by travelling abroad
- the need to diversify the diets
- the retail chains expansion
- the growing number of high-class hotels and restaurants

According to the Packaged Food in Romania Report published by Euromonitor in January 2016, the sales of **packaged processed meat and seafood** in Romania have recorded 220.9 thousand tonnes in 2015, up by 1.1% compared to 2014. The volume sales of packaged processed meat and seafood in Romania have recorded a Compound Annual Growth Rate of -0.2% in 2010 - 2015.

Sales of packaged processed meat and seafood in Romania, 2010 - 2015



Source: Euromonitor, FRD Center

According to the Packaged Food in Romania Report published by Euromonitor in January 2016, the **sales of packaged processed meat and seafood** in Romania are forecasted to record 236.4 thousand tonnes in 2020, with a Compound Annual Growth Rate of 1.4% in 2015 - 2020.

1.2 Consumer preferences and market demand trends

According to market players, 75% of the fish & fish products market in Romania is covered by the **processed fish products** and 25% by the **fresh fish**, out of which only 6.25% is covered by the ultra-fresh products, which reach the retail counter between 10-60 hours since it was caught.

During the last years, the fish processing industry in Romania has adapted the supply to the consumers' needs through a larger portfolio of products or by providing smaller and friendlier packaging and labelling

The main **processed fish products** in Romania are roe, followed by marinated fish, smoked fish, fish in brine etc.

According to Romfish, the most consumed types of fish in Romania are:

- in the category of marine species: mackerel, herring, sprat etc
- in the category of freshwater species: trout, carp, Crucian carp and zander

In regards to the types of **fish products** mainly sold by Ocean Fish, the leader of the fish processing market in Romania, these are:

- fresh fish: 50%

- processed fish products and specialities: 25%
- frozen fish: 25%

In terms of the consumption habits in Romania, the fish is consumed year-round, with consumption peaks on specific days during the fasting periods preceding important Orthodox celebrations, such as Christmas or Easter.

According to market players, for the next years, the consumption of mackerel, herrings, hake, Pacific salmon, Atlantic salmon and lobsters is expected to continue rising in Romania.

According to a survey carried out in 2014 under the Sectorial Fishing Program funded by the EU, 39% of the respondents consume ***fish or fish products*** at least once a week and the price is the main purchasing factor for 54% of respondents. 82% of respondents most often consumed fresh fish, while lean fish is most often consumed by 61% of respondents.

74% of the respondents replied that they buy fish and fishery products because they are healthy and regular consumption is recommended.

57% of respondents buy fish and fish products from specialised fishmonger stores 88% of respondents choose to buy fish whole, and from the 22% that prefer to purchase the fish cut, 68% buy it in form of fillet.

The most important criteria considered in the purchase process are the shelf life: 96% and the price per kilogram: 90%.

1.3 Main brands on the market

Domestically produced brands of fish and seafood products:

Ocean Fish - Ocean Fish

Negro 2000 - Negro 2000

Gastronatura - Negro 2000

Bonito - Pescado Grup

Salmar - Pescado Grup

Sabiko - Sabiko Impex

De la Pestisoru - Pestisorul de Aur

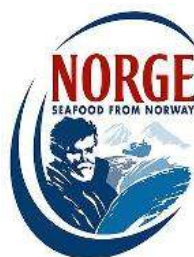
Costiana - Costiana

Delta din Carpati - Doripesco



Some imported brands of fish and seafood products are:

Siblou
Norsk Sjomat
Nordic Seafood
Mytilos Seafood
John West
Larsen



Preferred types of products and market tendencies: seafood

The **Romanian seafood market** has recorded a constant growing trend during the past years and it is expected to continue.

According to Romfood Trading - one of the main seafood and fish importers in Romania - the **Romanian seafood market** has registered approximately 35 million EUR in 2015 and could increase by 5% in 2016, reaching 36.7 million EUR.

According to Romfood Trading, the **shrimps** rank first in the seafood sales volume in Romania in 2015 with 30.9%, followed by **seashells** with 16.4%, **calamari** 13.8% and **octopus** 8.8%.

In terms of the sales value in Romania in 2015, the **shrimps** count for 51.4% of the Romanian seafood market, followed by **seashells** with 14.2%, **calamari** 9.7% and **octopus** 6.9%.

According to the same source, 500 tonnes of seafood have been sold on the Romanian market in 2015. The **bulk and private-label seafood** sales are dominant in volume on the domestic market.

The social media plays a significant role in the Romanian seafood market. The media platforms are becoming important tools in communicating information about seafood species, recipes, cooking tips and attracting young and middle-age consumers to less familiar culinary products.

The seafood consumption in Romania is expected to continue the rising trend also in the years 2016 - 2020.

Case study: Ocean Fish

Established in 1998, the company's initial activity was the import and export of food products, fish processing and distribution. Currently, Ocean Fish is the largest importer of fresh salmon in Romania and the market leader in fish processing, ready-made products, seafood and frozen or smoked fish.

Among the company's products there are

- fresh fish - salmon, trout, sea bream
- frozen fish - wild Alaskan salmon, Alaskan salmon caviar, etc. Nile perch
- cooked and semi-cooked - seafood, smoked fish, salads and fish roe, seaweed
- fresh products in MAP - modified atmosphere packaging

With a production capacity of 3,500 tonnes per month, the processing facility in Afumati is state-of-the-art, equipped to the highest international standards. The entire production process takes place under HACCP system, having the export license F306EC.



The company ended 2015 with turnover worth 34 million EUR and forecasts for 2016 sales of 38 million EUR, in a total market they estimate at 85 million EUR.

The value of investments to date is 15 million EUR, proceeds from accessing five European funding programs in the period 2007-2015.

Ocean Fish facilities in Afumati, close to Bucharest, include a refrigerated warehouse with a capacity of 15,000 tonnes and a fleet of 100 trucks.

In April they opened the first independent Ocean Fish store, next to their processing facility in Afumati.

2. Production

2.1 Production statistics and estimates

In Romania, there are approximately 30 companies active in the sector of **Processing and Preserving of Fish, Crustaceans and Molluscs**.

The fish processing sector in Romania has recorded a decline in the recent period and the number of fish, crustaceans and molluscs processing companies has decreased from around 80 in 2008 to approximately 30 in 2016.

Nevertheless, over the past few years the fish processing industry in Romania has changed and developed significantly, mainly due to the investments made in newest technologies and the available EU funds.

It is notable the increase in the value of the production of **smoked fish specialities** and of **prepared or preserved fish specialities**, with 14.4% and, respectively, 5.2% in 2015 vs. 2014.

NACE code	Products	Sold production value in 2014 thousand EUR	Sold production value in 2015 thousand EUR	Growth y-t-y
100000Z2	Fish, crustaceans, molluscs and other aquatic invertebrates, otherwise prepared or preserved, including prepared meals and dishes	40,094	40,365	+0.7%
10201330	Frozen whole salt water fish	5,373	5,831	+8.5%
10202485	Smoked fish, excluding herrings, Pacific, Atlantic and Danube salmon, including fillets, excluding head, tails and maws	6,199	7,094	+14.4%
10202520	Prepared or preserved herrings, whole or in pieces, excluding minced products and prepared meals and dishes	6,324	6,034	-4.6%
10202590	Prepared or preserved fish, excluding whole or in pieces and prepared meals and dishes	20,095	21,130	+5.2%
10203400	Prepared or preserved crustaceans, molluscs and other aquatic invertebrates, excluding chilled, frozen, dried, salted or in brine, crustaceans, in shell, cooked by steaming or boiling, excluding prepared meals and dishes	11,644	11,450	-1.7%
10851200	Prepared meals and dishes based on fish, crustaceans and molluscs	1,350	849	-37.1%

Source: Eurostat, FRD Center

For the five year dynamics of the sold production value of the processed fish, please see the Annex.

According to the FRD Center analysis based on official statistic data, the volume of production of **prepared or preserved fish** has registered the highest growth in 2015 compared to 2014, namely with over 20%. This reflects the increase in number and variety of the specialities of semi-cooked fish and seafood products.

NACE code	Products	Sold production volume in 2014 thou kg	Sold production volume in 2015 thou kg	Growth y-t-y
100000Z2	Fish, crustaceans, molluscs and other aquatic invertebrates, otherwise prepared or preserved, including prepared meals and dishes	10,152	11,126	+9.6%
10201330	Frozen whole salt water fish	3,276	3,677	+12.2%
10202485	Smoked fish, excluding herrings, Pacific, Atlantic and Danube salmon, including fillets, excluding head, tails and maws	1,835	2,051	+11.8%
10202520	Prepared or preserved herrings, whole or in pieces, excluding minced products and prepared meals and dishes	2,403	2,237	-6.9%
10202590	Prepared or preserved fish, excluding whole or in pieces and prepared meals and dishes	5,563	6,721	+20.8%
10203400	Prepared or preserved crustaceans, molluscs and other aquatic invertebrates, excluding chilled, frozen, dried, salted or in brine, crustaceans, in shell, cooked by steaming or boiling, excluding prepared meals and dishes	1,722	1,667	-3.2%
10851200	Prepared meals and dishes based on fish, crustaceans and molluscs	199	134	-32.7%

Source: Eurostat, FRD Center

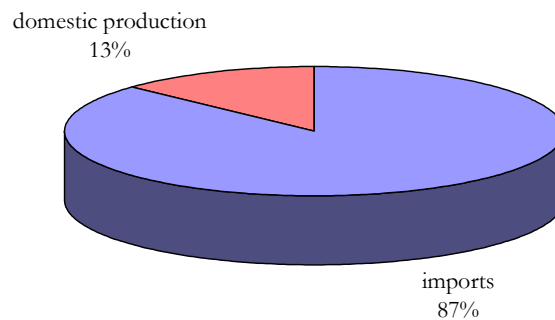
2.2 Availability of raw materials, preferred sources

The fish processors in Romania use mostly imported fish species and less domestic species as raw materials for the processed products.

For example, Ocean Fish, the most important fish processor on the Romanian market, imports 90% of its raw material from the Nordic countries - Norway, Iceland, Faroe Islands, Denmark, but also from Asia, Alaska, USA, Latin America, New Zealand, Turkey, Greece.

According to the Romanian Fish Processors, Importers, Distributors and Merchants Association RO-FISH, the needs of fish in Romania are supported mainly by imports: 87% while the domestic production represents 13%.

Needs of fish in Romania, by fish sources



Source: RO-FISH, FRD Center

Romania has a hydrographical network of 843,710 ha, which represents over 3.5% of the country's total area.

The fisheries, aquaculture, fish processing and fish trade are activities taking place in all the country's regions. The fishery has a strong social component, representing the major income and food source for the local population in the areas along the Romanian coastline.

Romania has approximately 100,000 hectares of aquaculture areas. The fish species harvested in Romania are:

- Common carp, Crucian carp, Silver carp, Bighead carp, Grass carp
- Catfish
- Pike perch, Northern pike
- Perch, Trout
- Sturgeon
- African catfish
- Mussels, oysters
- Snails
- others

Examples of fish farms in Romania:

- **Doripesco SA** has two carp farms with the cumulated surface of approximately 320 hectares, one sturgeon farm and two trout farms. Doripesco produces fish products under the Delta din Carpati - Doripesco brand. The company has recorded a net turnover of 3.2 million EUR in 2015, up by 26% compared to 2014. It has around 120 employees.
- **Pirania SRL** has fish farms with the cumulated surface of approximately 400 hectares. The company produces around 450 tonnes of fish per year: common carp, silver carp, bighead carp, catfish, pike, sturgeon etc. Pirania has reached a net turnover of 1.5 million EUR in 2015, up by 14% compared to 2014. It has approximately 50 employees.
- **Euro Fish SRL** has a fish farm with common carp, bighead carp, silver carp etc, located in Babadag, Tulcea county, SE Romania. The farm's production capacity is 400 – 500 tonnes of fresh fish per year. Euro Fish has recorded a net turnover of 0.4 million EUR in 2015. The company has some 40 employees.
- **Baltic Marine Grup SRL** has a fish farm located in Comana, Giurgiu county, Southern Romania. The company has registered a net turnover of 0.4 million EUR in 2015. It has over 20 employees.
- **Rompescaris SRL** has a fish farm with common carp, bighead carp and silver carp. The farm is located in Podu Iloaiei, Iasi county, NE Romania. Rompescaris has recorded a net turnover of 0.4 million EUR in 2015. The firm has over 30 employees.

The main source of **seafood** in Romania is the tropical shrimp brought from Vietnam, India and China

The processing companies in Romania use mainly salmon, herring, sprat, mackerel, white carp, catfish, freshwater bream etc.

Currently the Romanian fishery sector is in a restructuration process, facing low productivity, lack of resources and investments, deterioration of nursing and grow-out capacities, less-efficient technologies and poor infrastructure.

Raw materials used for fish processing industry:

- acidifiers and regulators
- emulsifiers
- fibres and prebiotics
- preservatives and antioxidants
- nutritional ingredients
- thickeners and stabilisers
- colours and coating agents
- flavours and enhancers
- fats and oils
- phosphates
- sugar and sweeteners

One main Romanian producer of raw materials used for the fish industry is **Supremia Grup**. One example of the company's client in the fish processing sector is Pescado Grup.

Main importers of raw materials used for the fish industry in Romania are: Alinda Ro, Azelis Romania, Enzymes & Derivates.

2.3 Chains organisation

Supply chains vary according to the size of the businesses and their object of activity.

The largest fish processors are vertically integrated - most of their raw materials are imported directly. They have own distribution system, transport fleet with branded vehicles, and also collaborate with specialised distributors.

For the fish caught by fishermen on commercial purpose in the Danube Delta Reservation, there are 46 collection centers where they can sell their capture officially.

Wholesalers collect from local fish-farms and distribute to processors and direct sales in retail.

The international retail chains have their own import departments and also collaborate with local importers, processors and wholesalers.

Importer-distributors, processors as well as local collection & distribution firms also supply the HoReCa sector.

2.4 Value addition - how much value is added within Romania

For the fish products made in Romania, the entire value is added in Romania.

2.5 Description of top processors: name, origin / ownership, brands, market reputation, level of innovation, known investments, development plans for 2-5 years etc.

Ocean Fish SRL

<i>Ownership:</i>	Mr. Ilie Busuioc - Romanian private capital
<i>Brands:</i>	Ocean Fish
<i>Market reputation:</i>	<p>Ocean Fish is the leader of the Romanian fish processing market. The company has the fish processing capacity of approximately 3,500 tonnes per month. Ocean Fish imports between 15 and 200 tonnes of fresh salmon per week from Norway, Iceland, Asia, USA, Turkey and Greece. Ocean Fish exports its products in Eastern European countries.</p> <p>Ocean Fish has a cold warehouse with the capacity of 15,000 tonnes and own auto fleet of approximately 100 trucks.</p> <p>Ocean Fish has attended various international fairs, such as Indagra Food 2016, Anuga 2015 etc.</p>
<i>Level of innovation:</i>	<p>The products in their portfolio have a high level of innovation. Ocean Fish produces premium products, such as: Danish caviar, Capelin caviar, shrimps, octopus, seafood cocktails or shellfish.</p>
<i>Known investments:</i>	<p>Ocean Fish has finalised in 2015 the plant modernising process started in 2007, following a total investment of 15 million EUR.</p> <p>Ocean Fish has launched in 2016 own retail network and targets to reach seven stores by the end of 2016.</p> <p>Within the Operational Programme for Fisheries 2007 - 2013, Ocean Fish has obtained a grant of around 2.1 million EUR for the project "Increasing of fish processing capacity and auto fleet expanding".</p>
<i>Development plans for 2-5 years</i>	Ocean Fish plans to strengthen its leading position on the Romanian fish processing market.
<i>Net turnover:</i>	<p>34 million EUR in 2015: +27% compared to 2014</p> <p>Ocean Fish targets a net turnover of 38 million EUR in 2016, up by 12% compared to 2015.</p>
<i>No of employees:</i>	226 in 2015

Negro 2000 SRL

<i>Ownership:</i>	Ms. Floricica Vlad - Romanian private capital
<i>Brands:</i>	Negro 2000, Gastronatura

<i>Market reputation:</i>	According to its own estimations, Negro 2000 has a market share of 60% on the Romanian market of roe salads.
<i>Level of innovation:</i>	The products in their portfolio have a high level of innovation. Negro 2000 has the patent for "installation and technological process for obtaining artificial caviar".
<i>Known investments:</i>	Negro 2000 has launched in the recent years new premium products, such as: shelled red shrimps, frozen seafood cocktail etc.
<i>Development plans for 2-5 years</i>	Negro 2000 plans to consolidate its position as the main producer of roe salads in Romania.
<i>Net turnover:</i>	29.6 million EUR in 2015: +10% compared to 2014
<i>No of employees:</i>	213 in 2015

Pescado Grup SRL

<i>Ownership:</i>	Mr. Gabriel Dominte - Romanian private capital
<i>Brands:</i>	Bonito, Salmar
<i>Market reputation:</i>	Pescado Grup distributes its products all over Romania. The company's plant is located in Buhusi, Bacau county, NE Romania and covers approximately 6,000 sqm.
<i>Level of innovation:</i>	The products in their portfolio have a medium-high level of innovation. Pescado Grup produces premium roe salads.
<i>Known investments:</i>	Pescado Grup has launched its plant in Buhusi in 2007, using EU funds.
<i>Development plans for 2-5 years</i>	Pescado Grup plans to export its products all over SE Europe.
<i>Net turnover:</i>	9.6 million EUR: +8% compared to 2014
<i>No of employees:</i>	211 in 2015

Sabiko Impex SRL

<i>Ownership:</i>	Mr. Octavian Sabau - Romanian private capital
<i>Brands:</i>	Sabiko
<i>Market reputation:</i>	Sabiko Impex distributes its products all over Romania.
<i>Level of innovation:</i>	The products in their portfolio have a medium level of innovation.
<i>Known investments</i>	Within the Regional Operational Programme, Sabiko has used EU funds in order to invest in its fish processing plant and warehouse located in Remetea Mare, Timis county, Western Romania.
<i>Development plans for 2-5 years</i>	No development plans announced.

Net turnover: 6.1 million EUR in 2015: +69% compared to 2014

No of employees: 90 in 2015

Pestisorul de Aur Import Export SRL

Ownership: Ms. Florentina Tutuiian, Ms. Irina Cernat - Romanian private capital

Brands: De la Pestisoru

Market reputation: Pestisorul de Aur has own auto fleet and distributes its products all over Romania.
The company's fish processing unit complies with the EU requirements.
The firm has a temperature controlled warehouse of 1,200 metric tonnes.

Level of innovation: The products in their portfolio have a medium-high level of innovation. Pestisorul de Aur produces premium products, such as seafood.

Known investments: Pestisorul de Aur has made investments in the last years in new machinery, production lines, refrigeration installations, workforce etc.

Development plans for 2-5 years No development plans announced.

Net turnover: 1.6 million EUR in 2015: -57% compared to 2014

No of employees: 34 in 2015

3. International Trade - statistics, main in-coming and out-going destinations, dynamics and estimations

According to FRD Center analysis based on official statistic data, the Romanian imports of **Fish and crustaceans, molluscs and other aquatic invertebrates - TARIC: 03** was with 12.4% higher in 2015 compared to 2014. At the same time, the Romanian exports have grown with over 10% in the same period.

The Netherlands is the main supplier of this products to Romania, followed at great distance by Sweden and Spain.

Fish and crustaceans...	2014	2015	Growth
TARIC: 03	EUR	EUR	
Imports	135,002,410	151,693,800	+12.4%
Exports	16,564,350	18,269,420	+10.3%

Source: Eurostat, FRD Center

According to the same source, in the first seven months of 2016, the Romanian imports of this product category have significantly went up, with over 21% compared to the same period of 2015, reflecting the Romanian consumers' demand for more fish and seafood products, either in fresh or processed form.

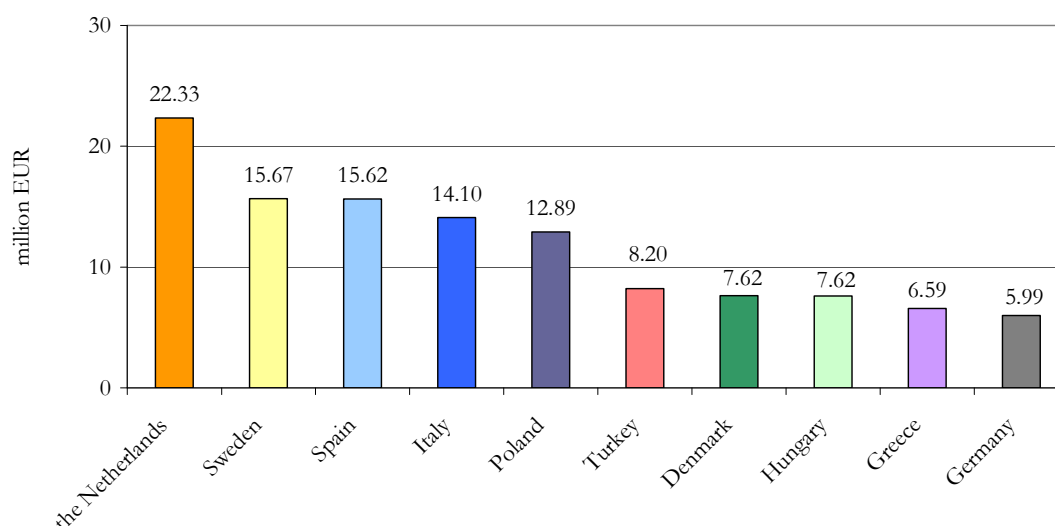
Fish and crustaceans...	Jan – July 2015	Jan – July 2016	Growth
TARIC: 03	EUR	EUR	
Imports	78,581,490	95,272,040	+21.2%
Exports	9,706,850	9,748,110	+0.4%

Source: Eurostat, FRD Center

The main ten origin countries of Romanian imports of fish and crustaceans, molluscs and other aquatic invertebrates in 2015 are:

- **the Netherlands:** 22,332,990 EUR
- Sweden: 15,673,710 EUR
- Spain: 15,624,810 EUR
- Italy: 14,099,870 EUR
- Poland: 12,890,900 EUR
- Turkey: 8,203,890 EUR
- Denmark: 7,624,640 EUR
- Hungary: 7,622,540 EUR
- Greece: 6,587,240 EUR
- Germany: 5,986,560 EUR

Romanian imports of fish and crustaceans, molluscs
and other aquatic invertebrates - main ten origin countries in 2015



Source: Eurostat, FRD Center

The main three export destinations of the Romanian exports of fish and crustaceans, molluscs and other aquatic invertebrates in 2015 are:

- France: 5,588,560 EUR
- Bulgaria: 5,133,030 EUR
- Moldova: 2,163,590 EUR

For the five year dynamics of the Romanian fish trade, please see the Annex.

4. International competitors - main players and their dynamics

Some of the international producers of processed fish whose products can be found on the Romanian market include:

Siblou

Local partner - importer-distributor: Serpico Trading SRL
Type of products: canned fish, frozen fish
Brand: Siblou

Larsen Danish Seafood

Local partner - importer-distributor: Serpico Trading SRL
Type of products: canned fish
Brand: Larsen

John West

Local partner - importer-distributor: Serpico Trading SRL
Type of products: canned fish
Brand: John West

Norsk Sjomat

Local partner - importer-distributor: Intertrade Distributie Produse Alimentare SRL
Type of products: frozen fish
Brand: Norsk Sjomat

Nordic Seafood

<i>Local partner - importer-distributor:</i>	Intertrade Distributie Produse Alimentare SRL
<i>Type of products:</i>	frozen fish
<i>Brand:</i>	Nordic Seafood

Mytilos

<i>Local partner - importer-distributor:</i>	Intertrade Distributie Produse Alimentare SRL
<i>Type of products:</i>	frozen fish
<i>Brand:</i>	Mytilos

5. Brief analysis of import / export vs. local estimated consumption / market demand

The Romanian fish processing sector is dominated by imported raw materials.

Also, Romania is a net importer of seafood with only a small local production of clams and sea-snails in the Black Sea and river-crabs in the Danubie Delta and the rivers.

IV. Chapter 3: Opportunities in Romania for Dutch Businesses

a. Investment Climate

With a population of approx. 20 million, Romania is the most dynamic large market in the EU.

With a GDP growth of 5%, comparable only to Ireland, which is 4 times smaller, Romania enjoys a strong democracy, stable political and banking systems, one of the fastest Internet speeds in the world, educated English speaking population.

Romania – Strategic Market for Entry to the EU and region



Romania's strategic advantage is its position as a GATEWAY to the EU, on one hand, and to large markets in the region such as Russia, Turkey, Kazakhstan, Ukraine etc. that are not part of the EU.

According to the World Bank's Doing Business Report 2015-2016, Romania is ranked 37th worldwide on the aggregate ease of doing business index, climbing 13 positions since 2014. The ranking regarding tax payments is in fact the second best among regional peer countries, such

as Poland #25, Hungary #42, Bulgaria #38 or Ukraine #83.

In order to support entrepreneurs, the Romanian government has also simplified the process of opening up a business, reducing the necessary time from 29 days in 2004 to a little over a week in 2016. Moreover, the government is committed to aiding emerging entrepreneurs through more and more incentives.

The State Aid Scheme 2014/807 has a budget of EURm 600 foreseen for the next 6 years. It aims at supporting major CAPEX investment. This year, the budget was expanded by 45% to EURm 145.

Eligibility criteria for Investments:

- Minimum value: EUR 10 million
- To be viable and determine the operational efficiency of the company
- To prove the stimulating effect of state aid
- To generate contributions to regional development
- To facilitate extra investments in the region

b. Examples of main investors, investment funds in the Food & Beverages industry

SigmaBleyzer Southeast European Fund IV

Lactalis

Danone

FrieslandCampina

Bongrain

Hochland

Smithfield - WH Group

Broadhurst Investment Fund

PepsiCo

Intersnack

c. Examples of recent investment projects in the Food & Beverages industry

1. The modernisation of **Legume Fructe Buzau SA**, an important producer of canned fruits and vegetables in SE Romania, using European funds in two projects worth nearly 2 million in 2013 for the purchase and installation of specific tomato processing equipment.

Legume Fructe Buzau SA	2012	2013 vs 2012 %	2013	2014 vs 2013 %	2014	2015 vs 2014 %	2015
Net turnover million EUR	2.2	4.5	2.3	69.6	3.9	74.4	6.8
Net profit thousand EUR	2.8	-39.3	1.7	88.2	3.2	381.3	15.4

Source: Ministry of Finance, FRD Center

2. **Ocean Fish**, the market leader in fish processing, ready-made products, seafood and frozen or smoked fish, has been utilising 15 million EUR from accessing five European funding programs in the period 2007-2015. The funding has been used mainly in acquisition of new technology for their processing facility in Afumati.

Ocean Fish SRL	2012	2013 vs 2012 %	2013	2014 vs 2013 %	2014	2015 vs 2014 %	2015
Net turnover million EUR	20.9	20.6	25.2	6.3	26.8	26.9	34.0
Net profit million EUR	0.82	-93.9	0.05	360.0	0.23	400.0	1.15

Source: Ministry of Finance, FRD Center

3. The dairy producer, **Covalact** owned by SigmaBleyzer Southeast European Fund IV, recently inaugurated a new production line at the factory in Sfantu. Gheorghe, following an investment of over 3 million EUR.

The investment aims to double the production and packaging capacity for one of the company's products, the cottage cheese "Branzica de Casa de la Covalact de Tara" for which, according to Nielsen, in H1 2016 Covalact has a market share of 46% in volume in modern trade.

The new production line enables a processing volume of 200 tonnes of cheese per month and a packaging a volume of 11,000 cups of cheese per hour.

Covalact SA	2012	2013 vs 2012 %	2013	2014 vs 2013 %	2014	2015 vs 2014 %	2015
Net turnover million EUR	26.6	12.0	29.8	17.4	35.0	28.3	44.9
Net profit million EUR	-0.9	-	-0.3	-	-0.6	-	1.3

Source: Ministry of Finance, FRD Center

4. The meat processor, **Meda Prod 98**, one of the largest players on the market, expands with a new unit of raw-dried sausages production, an investment estimated at almost 3 million EUR and motivated by the increasing demand of the market for this type of sausages.

Since 2008, the owners have constantly invested in modernizing the plant and increasing production capacity.

Meda Prod 98 SA	2012	2013 vs 2012 %	2013	2014 vs 2013 %	2014	2015 vs 2014 %	2015
Net turnover million EUR	26.5	-13.6	22.9	11.8	25.6	15.6	29.6
Net profit million EUR	0.07	-14.3	0.06	1,566.7	1.00	160.0	2.60

Source: Ministry of Finance, FRD Center

5. Similarly, **Salbac Bacau, part of Agricola Group** opened recently a new production capacity for raw-dried salami, the result of an investment of 5 million EUR which was initiated in August 2015 and consists in raising a new production building with a surface of approximately 5,000 sqm.

The new production site allows an increase of 10% per year over the next three years, taking over the full production of the Sibiu Salami, of which an increasing market demand has been observed in the recent years.

Salbac SA	2012	2013 vs 2012 %	2013	2014 vs 2013 %	2014	2015 vs 2014 %	2015
Net turnover million EUR	18.4	8.2	19.9	5.0	20.9	23.0	25.7
Net profit million EUR	0.32	153.1	0.81	103.7	1.65	93.3	3.19

Source: Ministry of Finance, FRD Center

d. EU Funded Food Processing Opportunities

According to the Romanian Ministry of Agriculture, the absorption rate of EU funds by the National Rural Development Plan 2007-2013 is 91.3%. In this financial exercise, under the LEADER programme, 47 processing units have been financed with 4.07 million EUR.

In the period 2014-2020, under the National Rural Development Plan, the Romanian farming and agri-food sectors can access over 9 billion EUR. The Rural Development Programme RDP for Romania was formally adopted by the European Commission on 26 May 2015, outlining Romania's priorities for using nearly 9.5 billion EUR of public money that is available for the 7-year period 2014-2020: 8.1 billion EUR from the EU budget and 1.34 billion EUR of national co-funding.

Between April and October 2016, the Agency for Rural Investments has received 96 applications for sub-measure 4.2 "**Agricultural products processing**", with the total EU grant value of 80.9 million EUR

For sub-measure 4.2a "**Fruit processing**" were submitted 7 projects with a value of about 2.5 million EUR.

Also in 2016, EU funding has been made available under the sub-measure 16.4 "Cooperation between actors in the agri-food supply chain". So far, for this sub-measure have been submitted 52 projects with

about 5 million EUR total amount of grant funding.

Similarly, it has been launched a EU grants session for sub-measure 16.4 related to fruit growing sector. Under SM 16.4 were submitted 12 applications for grant funding totaling 1.1 million EUR.

Currently, for the sectors of interest in the present report, the European funds available are as follows:

- approximately 43.6 million EUR for SM 4.1a "Investments in Fruit Exploitations"
- about 68 million EUR for SM 4.2 "Support for investments in processing / commercialization and / or development of agricultural products"
- about 8,6 million EUR for SM 4.2a "Support for investments in fruit processing / marketing and / or product development "

e. Sources of Food Processing Equipment and Machinery in Romania

Based on the FRD Center research and interviews with the Romanian Meat Association ARC, the Association of Pork Producers in Romania APCPR and the Romanian Employers' Association in the Milling, Bakery and Flour Based Products Industry ROMPAN, the food processing equipment and machinery used in Romania are imported.

There are Romanian companies, such as Ion Mos SRL, which produce locally certain components which they add onto specific processing elements they import. They assemble them and deliver customised turnkey projects.

f. Profiles of Main Ingredient Suppliers in Romania

Supremia Grup SRL

<i>Ownership:</i>	Mr. Levente Bara - Romanian private capital
<i>Brands:</i>	Supremia
<i>Market reputation:</i>	<p>Supremia is the main producer of food ingredients in Romania. The company's production facility is located in Alba Iulia, Centre Romania.</p> <p>Supremia has clients in the dairy production sector: Albalact, Raraul, Sanlacta, Lacta, meat production sector: Unicarm, Transavia, Kosarom, Aldis, Angst, Elit, Diana, Fox Com, Carniprod, bakery production sector: Boromir, fish processing sector: Pescado Grup etc.</p> <p>The exports represent over 15% of the company's turnover.</p>
<i>Level of innovation:</i>	<p>Supremia creates 3-4 new products every month.</p> <p>Supremia will finalise in 2017 the construction of its new research and innovation centre, following investments of approximately 3.6 million EUR.</p>
<i>Known investments:</i>	<p>In January 2016, Supremia has entered B2C market segment, by opening spice automatic machines in traditional trade stores in Romania.</p> <p>Supremia has acquired in 2015 the companies Tamaco Trading and Tamaco Pak in Denmark, with the purpose to expand its activities in the Scandinavian countries.</p> <p>Supremia has launched in 2011 its new HQ and production facility in Alba Iulia, following an investment of over 9 million EUR.</p>
<i>Development plans for 2-5 years</i>	<p>According to market sources, Mr. Levente Bara, the owner of Supremia is interested to sell a stake in the company.</p> <p>Supremia plans to construct in 2018 a warehouse with the surface of 8,000 sqm and the capacity of 10,000 pallets, near its plant in Alba Iulia.</p>
<i>Net turnover:</i>	39 million EUR in 2015: +11% compared to 2014
<i>No of employees:</i>	280 in 2015

Alinda Ro SRL

<i>Website:</i>	www.alinda.ro
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<i>Short profile:</i>	Part of the Greek Group Velco, Alinda Ro is a main importer-distributor of food ingredients in Romania. The company distributes its products all over the country.
<i>Brands:</i>	DSM, Fonterra, DMV, Laktopol, Emsland, Gelita, Frutarom, Gewurzmuller, Nesse
<i>Net turnover:</i>	17.7 million EUR in 2015
<i>Net turnover growth:</i>	+10% in 2015 compared to 2014
<i>No of employees:</i>	20 in 2015
<i>Auto fleet:</i>	n/a
<i>Warehouses:</i>	one central warehouse in Bragadiru, Ilfov county, near Bucharest
<i>Investments:</i>	n/a
<i>Clients</i>	Food processors and producers on the Romanian market
<i>Plans for next years:</i>	On long term, Alinda Ro plans to open a production facility of food ingredients in Romania.

Azelis Romania SRL

<i>Website:</i>	www.azelis.com
<i>Short profile:</i>	Formerly known as Arnaud Romania, Azelis Romania imports food ingredients from all over the world. It provides services supported by application laboratories across the Azelis Group.
<i>Brands:</i>	
<i>Net turnover:</i>	5.2 million EUR in 2015
<i>Net turnover growth:</i>	+14% in 2015 compared to 2014
<i>No of employees:</i>	15 in 2015
<i>Auto fleet:</i>	n/a
<i>Warehouses:</i>	two storage facilities located in Bucharest
<i>Investments:</i>	n/a
<i>Clients</i>	Food processors and producers on the Romanian market
<i>Plans for next years:</i>	n/a

Enzymes & Derivates SA

<i>Website:</i>	www.edr-ingredients.com
<i>Short profile:</i>	Since 1994, Enzymes & Derivates SA has been involved in the import and distribution of food ingredients.
<i>Brands:</i>	Bioprox, Cosucra, Fiberstar etc
<i>Net turnover:</i>	3.7 million EUR in 2015

<i>Net turnover growth:</i>	+3% in 2015 compared to 2014
<i>No of employees:</i>	21 in 2015
<i>Auto fleet:</i>	n/a
<i>Warehouses:</i>	one warehouse in Neamt county, NE Romania
<i>Investments:</i>	n/a
<i>Clients</i>	Food processors and producers on the Romanian market
<i>Plans for next years:</i>	n/a

g. Profiles of Main Food Trading Companies in Romania

Interbrands Marketing & Distribution SRL, Aquila Part Prod Com SRL, Macromex SRL, Whiteland Import Export SRL, Elgeka Ferfelis Romania SA – are profiled above under the Chapter “**Main food importer-distributors - profiles and analysis**”

Other main food trading companies in Romania:

Nordic Import Export Co SRL

<i>Website:</i>	www.nordicimpex.ro
<i>Short profile:</i>	Established in 1994, Nordic Import Export Co is one of the most respected importer-distributor of food premium products in Romania.
<i>Brands:</i>	Soignon, Arla, Zanetti, Cirio, Galbani, Palmera, Iposea, Heinz, Fiorucci, Bauwens etc
<i>Net turnover:</i>	48.5 million EUR in 2015
<i>Net turnover growth:</i>	+20% in 2015 compared to 2014
<i>No of employees:</i>	205 in 2015
<i>Auto fleet:</i>	n/a
<i>Warehouses:</i>	one central warehouse located in Giurgiu county, near Bucharest
<i>Investments:</i>	n/a
<i>Clients</i>	retail, HoReCa, sweetshops and pastry units all over the country
<i>Plans for next years:</i>	n/a

De Silva Exclusiv SRL

<i>Website:</i>	www.desilva.ro
<i>Short profile:</i>	Founded in 1992, De Silva Exclusiv is specialised in the import and distribution of food and beverage products.
<i>Brands:</i>	Schwartau, Leibniz, Bahlsen, Corny, Haribo, Lindt, Toffifee, Merci etc

<i>Net turnover:</i>	33.1 million EUR in 2015
<i>Net turnover growth:</i>	+20% in 2015 compared to 2014
<i>No of employees:</i>	112 in 2015
<i>Auto fleet:</i>	n/a
<i>Warehouses:</i>	one central warehouse in Bucharest
<i>Investments:</i>	n/a
<i>Clients</i>	retail and HoReCa units all over the country
<i>Plans for next years:</i>	n/a

Parmafood Group Distribution SRL

<i>Website:</i>	www.parmafood.ro
<i>Short profile:</i>	Parmafood Group imports and distributes a wide range of food and beverage products.
<i>Brands:</i>	Mazza, Trevalli, Calvo, Chiara, La Piara, Patak's, Soresina, Darbo etc.
<i>Net turnover:</i>	19.8 million EUR in 2015
<i>Net turnover growth:</i>	+12% in 2015 compared to 2014
<i>No of employees:</i>	70 in 2015
<i>Auto fleet:</i>	n/a
<i>Warehouses:</i>	one central warehouse in Ilfov county, near Bucharest
<i>Investments:</i>	Parmafood has launched in 2008 its new warehouse with the surface of 7,000 sqm, following an investment of over 10 million EUR.
<i>Clients</i>	retail and HoReCa units all over the country
<i>Plans for next years:</i>	n/a

h. Main International Trade Events in Romania

The International Trade Fair for Food Industry **Indagra Food** is the main food trade event organised in Romania. The 2016 edition has taken over during 02 - 06 November 2016 in the Romexpo Exhibition Centre in Bucharest. The fair has covered a surface of 10,000 sqm and has recorded over 160 exhibitors from Romania, Bulgaria, the Czech Republic, Finland, Italy, Republic of Moldova, Poland, Serbia, Turkey, Ukraine, Hungary, Lebanon or China.

www.indagra-food.ro/en/

The 23rd edition of the International Trade Fair for Agriculture, Food Industry and Animal Husbandry **Agraria** will take place during 06 – 09 April 2017 in Jucu, Cluj county, NE Romania. The 2016 edition has recorded 330 exhibitors and 19,600 visitors, on a surface of 20,000 sqm.

www.agraria.info.ro/en/

Carnexpo is the largest meat industry exhibition in South-Eastern Europe. Carnexpo 2017 will take during 25 - 28 October 2017 in the Romexpo Exhibition Centre in Bucharest. Some examples of exhibitors in the previous editions are: Aaylex, Karpaten Meat, Ana & Cornel etc.

www.carnexpo.ro/en

The 9th edition of **GastroPan** international exhibition, the most important business-to-business B2B trade fair showcasing equipment, ingredients, tools, solutions and technologies for bakery, confectionery, ice cream, chocolate, coffee and food service markets in Southeastern Europe will take place between 23-25 March 2017, in the former European Capital of Culture, Sibiu, Romania.

<http://gastropan.ro/en/>

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