

## ROMANIA – FRUITS AND VEGETABLES EXPORT POTENTIAL ASSESSMENT

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*During 2003-2007, Romania was a dynamic exporter of fruits and vegetables, recording an annual average growth in value of 5.4%. This trend was driven mainly by the excellent performance of fruits exports, which registered an average growth of 8%. Yet, fruits and vegetable exports in 2008 showed an important decreasing of nearly 17% compared to a year earlier. Consequently, Romania remains a net importer of fruits and vegetables, though is among the 20 largest exporters in the world, with around 67 million Euros of exports in 2008.*

*Romania has significant strengths in the fresh fruits and vegetables sector, especially the quality and safety of its products, but there are several factors that negatively affect its competitiveness. These include the high fragmentation of agricultural land and the profusion of small-scale subsistence farms, unable to produce for either the domestic or foreign market.*

### **A. Production**

Romania's total production of fruits and vegetables reached about 15 million tons in 2007, with vegetables sector accounting for nearly 80%. Nevertheless, the vegetables sector seems to be more dynamic than the fruits sector as regards the production performance.

***Romania's main fruits and vegetables production in 2007***

Fruits	Volume (1000 tons)	Vegetables	Volume (1000 tons)
Total production, of which:	3058	Total production, of which:	11821
Apples	375	Potatoes	3498
Plums	204	Cabbages	1120
Pears	49	Melons and watermelons	703
Walnuts	39	Tomatoes	555
Cherries	24	Onions (dried)	312
Strawberries	16	Sweet peppers	280
Peaches	8	Beans	42
Apricots	6	Peas	7

*Source: FAOSTAT*

### **B. Distribution and domestic market characteristics**

Distribution channels of fruits and vegetables are grouped in 2 categories:

- Short distribution channel – direct sales and local producers' markets
- Traditional distribution channel – wholesale (distributors, importers) and retail markets (hyper and supermarkets, open markets, specialized shops)

Marketing and sales to the public are the most important functions at the retail level. The structure of the retail trade for fruit and vegetables offers the consumer the possibility to make a choice from various points of sale, the most important being:

- specialized fruit and vegetables shops;
- hyper / supermarkets;
- open-air markets;
- producers / farmers.

Domestic supply could be structured in two main categories: local production and imports. There are two season peaks: summer and winter. Imports are frequently used during the winter season, when supply is mainly provided by distributors and specialized companies. Internal offer is not covering the entire 12 months of the year, so there are some shortages between summer and winter. More over, changing climate has affected the products quality, so that local producers cannot comply with the standards requested by the retailers. In this context, domestic demand is covered by significant imports.

There is a visible change in Romanian consumers' behavior. These consumers request high quality products and, ultimately, they are willing to pay a higher price for a good product. There is also a relatively limited consumers segment which is loyal to cheap products, the quality factor being ignored.

The main fruits sold by retailers in Romania remain the bananas, followed by oranges. The exotic fruits are a special category and Netherlands is the main supplier for Romania. Supplying exotic fruits is relatively difficult since there are only few importers for Romanian market. Exotic fruits cover a limited segment of demand represented by higher incomes consumers. Big retailers are developing promotion activities in order to encourage exotic fruits sales.

### C. Trade

Romania's trade deficit widened, mainly due to heavy exports decrease compared to last year (-16.6%). Over the last 5 years, imports were growing faster than exports, mainly in the vegetables sector.

*Romania's trade balance of fresh fruits and vegetables*

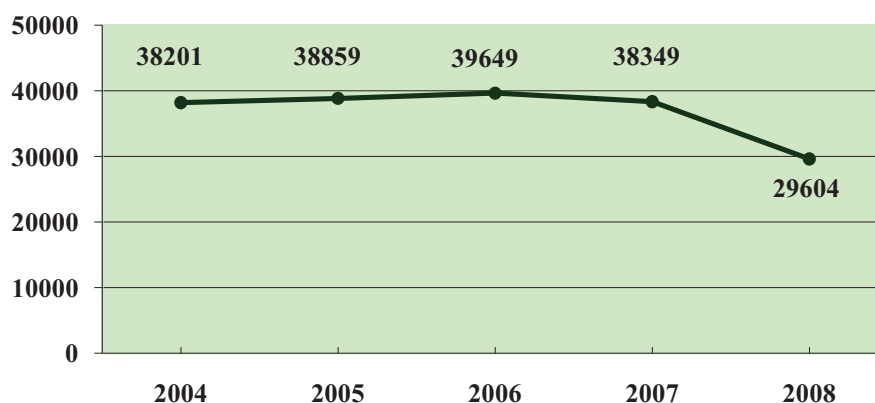
	2007	2008	Annual growth 2007-2008 (%)
Exports (1000 Euro)	80922	67467	-16.6
Imports (1000 Euro)	382245	384190	0.5
Balance (1000 Euro)	-301323	-316723	5.1

Source: ITC, data processed by RTPC

#### 1. Fresh fruits

During 2003-2007, Romanian fruits exports value rose, in average, by 9%. Yet, during 2008, it registered a 22.8% decline compared to year ago and compared to a 3.3% rise in 2006.

*Export trend of Romanian fruits, 2004-2008 (1000 €)*



Source: ITC Trademap, data processed by RTPC

Main importing countries of Romanian fruits in 2008 were Germany (34.2% of total Romanian fruits exports), Italy, Turkey, Slovenia, Croatia, Russian Federation, Hungary, Bosnia & Herzegovina and Croatia. Main fruits exported by Romania on these markets were walnuts, apricots, cherries, peaches, plums, berries and apples.

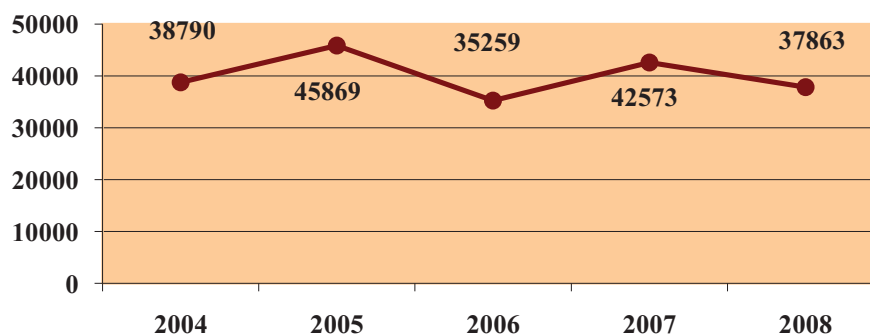
Considering the average annual growth rate of demand, potential export markets for Romanian fruits classify in three main categories:

- Markets with an average annual growth rate of 50 – 100% : Armenia and Ukraine;
- Markets with an average annual growth rate of 25 – 50%: Georgia, Kazakhstan, Cyprus, Lithuania, Moldova, Russian Federation, Morocco, Egypt, Turkey, Slovakia and Belarus;
- Markets with an average annual growth rate of 15 – 25%: Bulgaria, South Africa, Syria, Indonesia, Latvia, Poland, Kuwait, Jordan, Thailand, United Arab Emirates, Iceland, Ireland, Netherlands, Estonia, Czech Rep., Slovenia, Bosnia & Herzegovina and Hungary.

## 2. Fresh vegetables

During 2003-2007, Romanian vegetables exports value rose, in average, by 8%. Yet, in 2008, it registered an 11.1% decline compared to year ago and compared to a 20.7% rise in 2006.

*Export trend of Romanian vegetables, 2004-2008 (1000 €)*



*Source: ITC Trademap, data processed by RTPC*

Main importing countries of Romanian vegetables in 2008 were Italy (60.7% of total Romanian vegetables exports), Germany, Austria, France, United Kingdom, Moldova, Hungary, Denmark, Poland and Bulgaria. Main vegetables exported by Romania on these markets were tomatoes, green peppers, mushrooms, eggplants, potatoes, carrots, onions and garlic and cucumbers.

Considering the average annual growth rate of demand, potential export markets for Romanian vegetables classify in three main categories:

- Markets with an average annual growth rate of 50 – 100%: Ukraine, Georgia and Kazakhstan;
- Markets with an average annual growth rate of 25 – 50%: Russian Federation, Poland, Czech Rep., United Arab Emirates, Slovakia, Syria, Lithuania, Thailand, Turkey, Latvia and Armenia;
- Markets with an average annual growth rate of 15 – 25%: Spain, Denmark, Norway, Algeria, Hungary, South Africa, Kuwait, Bulgaria, Jordan, Tunisia, Morocco, Belarus, Estonia, Bosnia & Herzegovina, Cyprus, Iceland, Azerbaijan, Moldova, Malta and Turkmenistan.

#### D. SWOT analysis for fruits and vegetables sector

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>- Favorable natural conditions for fruits and vegetables production</li> <li>- Traditionally very good produces (quality, safety and flavor)</li> <li>- Very diversified range of products (many varieties and cultivars)</li> <li>- Average use of chemical fertilizers is 8-10 times lower than in EU countries</li> <li>- Good opportunities for organic production of fruits and vegetables</li> <li>- Competitive advantage in several sub-sectors such as mushrooms and berries, due to the size of Romania's forests (which are the largest in Europe) for wild mushrooms and to well developed greenhouses for cultivated mushroom</li> </ul>	<ul style="list-style-type: none"> <li>- Production relatively dependent on weather conditions</li> <li>- High fragmentation of agricultural land (including orchards) due to government policies to give back the land to old owners</li> <li>- Low concentration of production (many small, individual growers)</li> <li>- Inadequate infrastructure facilities for harvesting, storage, packing, transportation) due to lack of investments in new technologies</li> <li>- Poor and incorrect irrigation systems</li> <li>- No domestic market organization in order to provide support for producers and to set up market strategies</li> <li>- No certification and no proper marking and labeling of products in order to provide to consumers information regarding the quality and safety of products</li> <li>- No public or private priorities and targets</li> <li>- Lack or limited possibilities to perform laboratory analysis in order to improve the quality of production and to fight against specific pests</li> <li>- Lack of information regarding market regulations and prices</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>- Growing demand for convenience and healthy products</li> <li>- Growing demand for high value-added products</li> <li>- Growing demand for organic products (if certified)</li> <li>- Strengthening supply on regional markets</li> <li>- Development of agro-tourism</li> <li>- Export refunds and subsidies granted through operational programmes developed within producers organizations</li> <li>- State aid granted to young farmers, for establishment of producers organizations, compensations for less favored areas, promotion and advertising of agricultural products</li> <li>- Preferential market access deriving from the new EU membership status, based on FTAs</li> <li>- EU's obesity policy and healthy eating campaigns could stimulate demand for fruits</li> <li>- Quality schemes and geographical indications policy</li> </ul>	<ul style="list-style-type: none"> <li>- EU market for fruits and vegetables is almost saturated</li> <li>- Concentrated buying power of major retail chains</li> <li>- Abandonment of farms</li> <li>- Frequent changes of the weather conditions (drought or floods)</li> <li>- Changes in government policies and interests</li> <li>- Competition from other important exporters (EUROMED countries, Balkan countries)</li> <li>- Additional market requirements: sustainable production, recycling of materials, safeguarding biodiversity, social accountability</li> </ul>

#### E. Conclusions

- Fresh fruits and vegetables are "sensitive" agricultural products so they are, usually, highly protected when imported (tariff or non-tariff barriers), in almost all importing countries.
- Some fresh fruits and vegetables are highly perishable products, so they are, usually, traded at regional level, except some exotic varieties and cultivars. Trade is based on a proximity relationship between importers and exporters.
- Usually, trade is also based on a preferential treatment mutually granted through a free trade agreement between importing and exporting countries.

- d) Romania has a great export potential for fresh quality fruits and vegetables, even organic products, especially those with growing level of production, but not enough capitalized on exports.
- e) Romania faces fierce competition from EUROMED countries, Balkans, Middle East countries, CIS and some EU countries.
- f) Romania has to comply with EU standards and regulations regarding the fresh fruits and vegetables market:
- g) Romania has to comply with the social requirements: *Social Accountability 8000* (SA 8000) is a universal management system for companies seeking to guarantee the basic rights of their workers.
- h) Romania has to comply with the environmental market requirements
- i) Romanian exporters should take into account the importance of using Ecolabels and fair-trade labels to their produces

#### **F. Main challenges for Romania's fresh fruits and vegetables sector**

- a) Establishing clear priorities and objectives both at public and private level in order to address it adequately
- b) Developing a sustainable and high performance agricultural sector
- c) Strengthening national and EU legislation on food safety and quality
- d) Developing programmes for farm monitoring and inspection
- e) Training quality and safety issues to different stakeholders in the food chain
- f) Introducing GAP (Good Agricultural Practice standards on fruits and vegetables, developed by EUREP – Euro-Retailer Produce Working Group) in order to have a good management system in place to deal with quality, hygiene and environment matters
- g) Promoting and encouraging formation of producers organizations
- h) Introducing integrated channels of distribution
- i) Sector branding

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