

CBI MARKET SURVEY

The spices and herbs market in Romania**Publication date: March, 2010****Introduction**

This CBI market survey gives exporters in developing countries (DCs) information on some main developments in the spices and herbs market in Romania. The information is complementary to the information provided in the CBI market survey 'The spices and herbs market in the EU', which covers the EU in general. That survey also contains an overview and explanation of the selected products dealt with, some general remarks on the statistics used, as well as information on other available documents for this sector. It can be downloaded from <http://www.cbi.eu/marketinfo>.

1 Market description: consumption and production**Consumption**

To give an idea of the demand for different product groups, apparent consumption (production + imports - exports) is calculated. Please apply these data with care, as they can only be used as an indication of the market. Also see chapter 1 of the CBI market survey covering the EU market.

Romania is one of the largest consumers of spices and herbs in the EU. In 2008, total apparent consumption amounted to 43 thousand tonnes, indicating an annual average growth of 1.3% in the period 2004-2008.

The Romanian market is dominated by the product group paprika, chillies & allspice. In 2008, apparent consumption amounted to 34 thousand tonnes, indicating an annual average increase of 2.4% since 2004. Apparent consumption of spice seeds, the second-largest product group, had an annual average decrease of 3.8% in the review period, amounting to 4.5 thousand tonnes in 2008. Both product groups are largely produced in Romania itself. The market for mixtures, the third-largest product group, increased at an annual average rate of 2.8%, reaching 1.7 thousand tonnes in 2008.

Apparent consumption of pepper, another large product group, reported an annual average decrease of 6.5% in the review period, amounting to 1.4 thousand tonnes in 2008. Mixtures reported growth in apparent consumption; the product group increased at an annual average rate of 2.8% in the review period, amounting to 1.7 thousand tonnes in 2008.

Of the other product groups consumed in smaller quantities, vanilla, nutmeg, mace & cardamom and turmeric reported strong annual average increase rates between 2004 and 2008. However, the market for product groups such as ginger and saffron decreased at considerable rates.

Finally, apparent consumption for the product group 'other spices and herbs' increased to 979 tonnes in 2008, indicating an annual average increase of 1.1% in the review period.

Industry sources indicate that there is still a lot of uncertainty on the market due to the recent economic crisis, and that traders are reluctant to build stocks. There is an overriding hesitance in making predictions on how the spices and herbs market will develop in the coming years.

Consumption trends

Romania is one of the largest markets in Central- and South-East Europe. Its rapid GDP growth from 2004 onwards led to improvements in the standards of living and business environment. Although impacted by the recent economic crisis, Romania's economy has

expanded, disposable incomes have generally risen and demand for frozen and processed food has increased in recent years. Business Monitor International (2009) reports continued investments by foreign companies in Romania's mass grocery retail sector, due to business expansions by other EU countries into Romania.

In spite of relatively high growth rates of 15-20% in recent years, organic food sales are still rather limited in Romania, reflected by the relatively low share of approximately 1% of total food sales. In 2007, the market for organic products was estimated at € 2.5 million. Leading retailers have announced plans for organic growth.

For more information on consumption trends, please also refer to the CBI survey covering the EU market for spices and herbs.

Production

Romania is Europe's largest producer of spices, as well as a large producer of herbs. According to Eurostat, the area destined for the cultivation of officinal herbs, aromatic plants and plants for seasoning in Romania amounted to 7.3 thousand hectares in 2008. In terms of volume, Romania's harvested production of aromatic plants and plants for seasoning amounted to 7.5 thousand tonnes in 2008, although decreasing at an annual average rate of 5.0% since 2004.

The statistical database of the Food and Agriculture Organization of the United Nations (FAOSTAT) reports a total spices and herbs production of over 40 thousand tonnes in Romania in 2008, consisting of paprika, chillies & allspice (33 thousand tonnes) and spice seeds (7.5 thousand tonnes). The production of paprika, chillies & allspice increased at an annual average rate of 2.4% in the period 2004-2008. In the same period, production of spice seeds decreased by 1.6%. Overall production increased by an average annual rate of 1.6% in the review period.

According to the Interactive European Network for Industrial Crops and their Applications (IENICA), the main species cultivated in Romania (selected according to relevance) are coriander, garden thyme, common fennel, peppermint, common spearmint.

For more information on production trends, please also refer to the CBI survey covering the EU market for spices and herbs.

Production trends

Romania is currently more mature in terms of organic production than in terms of organic consumption. In 2007, almost 200 thousand hectares of agricultural land were organic. More specifically, the area destined for the cultivation of organic officinal herbs, aromatic plants and plants for seasoning reached 590 hectares in 2008.

The size of organic area in Romania is large in absolute terms but still limited in relative terms, clearly below the average EU level. Organic production in Romania increased, however, by more than 40% in 2007, reaching € 75 million. The large majority (90%) is exported to other EU countries, mainly Western Europe.

Opportunities and threats

- + The expansion of the Romanian economy and the rise in disposable incomes in recent years have resulted in a higher demand for food. Furthermore, the country is already one of the larger markets in Central- and South-East Europe. This makes Romania an increasingly interesting market for developing country (DC) exporters.
- +/-Romania is a large consumer of conventional spices and herbs in the EU. In addition, the market for spices and herbs has increased, including large product groups such as paprika, chillies & allspice and mixtures. However, for some spices and herbs, particularly paprika and spice seeds, Romania itself is a relatively large producer. Furthermore, production increased for both of these products.

- Romania is not (yet) an interesting market for DC exporters of organic spices and herbs.

For more information on opportunities for and threats to exporters in DCs stemming from trends and patterns in consumption of spices and herbs, please refer to chapter 7 of the CBI market survey, covering the spices and herbs market for the EU.

2 Trade channels for market entry

Spices and herbs, mostly entering the EU as whole, un-ground products, share the same trade channels. The most important partners for DC exporters to the EU are a small number of specialised importers and brokers. Organic spices and herbs are most often imported by importers specialised in organics. Direct trade by processors and, to a lesser degree, food processors has become more prevalent, but here large and consistently high-quality volumes are relevant. It should be noted that, in Romania, most imports stem from traders in other EU countries, instead of from DCs. The most important end-users are the retail sector and the catering sector, and especially the food processing industry.

The main trade channels for spices and herbs are shown and further explained in the CBI market survey covering the EU market for spices and herbs. It should be noted that, throughout the various trade channels, different prices and margins apply to spices and herbs. There is no specific information about the prices and / or margins for spices and herbs in Romania.

A company which could be of particular interest for DC exporters is:

- Vilma Romania Trading Ltd - http://www.vilma.ro/Eng/Vindex_eng.htm

Good *Internet sources* for encountering other trade partners in Romania, like importers, agents and processing industries, are the following:

- Food world - <http://www.thefoodworld.com> - an extensive on-line food business directory, with full EU coverage. Condiments, spices and herbs are a separate product group.
- Europages - <http://www.europages.com> - on-line business directory, with full EU coverage. Condiments, extracts and spices are a separate product group, falling under the category of 'Food & related products'.
- HerbImporters.com - <http://www.herbimporters.com> - provides contact information of 135 European importers of herbs and herbal medicine products at a cost of US\$15.
- SpiceImporters.com - <http://www.spiceimporters.com> - provides contact information of 220 European importers of spices, seasoning and flavouring at a cost of US\$20.

On line marketplaces such as those named below are also useful:

- Agronetwork.com - <http://www.agronetwork.com/global>
- Organic-market.info - <http://www.organic-market.info> - on-line magazine for organic trade.
- Spices Trade world - <http://spices.tradeworlds.com>
- Ingridnet - <http://www.ingridnet.com> - for ingredient suppliers.

For more information on *prospects* for the spices and herbs market in Romania:

- FAO's statistical database FAOSTAT, available at <http://faostat.fao.org> - is a valuable source.
- Trade association and press details as provided in chapter 6 and the Romanian statistical agency (<http://www.insse.ro/cms/rw/pages/index.en.do>) can also be sources of information.
- The 2004 IENICA report is somewhat outdated but still offers relevant information. It describes the situation for the spices and herbs market in Romania and other EU member countries - <http://www.ienica.net>

3 Trade: imports and exports

Imports

Romania is an average-sized importer of spices and herbs, accounting for 1.3% of total EU imports and taking the 14th place in the EU. In 2008, imports amounted to € 15 million / 5.8 thousand tonnes, signifying an annual average increase of 6.5% in value but remained stable in terms of volume in the period 2004-2008.

Romania joined the EU in 2007. As a result, imports from EU countries increased considerably, by 17% in terms of value during the review period. On the other hand, imports from both extra-EU countries and DCs decreased substantially, by 32% and 19% respectively. In 2008, the large majority of imports came from other EU countries (86%). The share in imports from DCs decreased from 38% in 2004 to 13% in 2008, falling far below the average level in the EU.

Germany was the leading supplier of spices and herbs to Romania, accounting for 40% of total imports, followed by Austria (13%), Czech Republic (8.8%), Poland (6.3%) and The Netherlands (5.0%). Imports from Vietnam, Turkey, China and particularly Brazil have decreased considerably.

Mixtures is the largest product group imported (38%), followed by pepper (25%) and paprika, chillies & allspice (19%). Of the above-mentioned product groups, imports of all product groups increased in terms of value in the period 2004-2008. However, in terms of volume, imports of pepper decreased considerably, whereas the other product groups showed a small increase during the review period. Of all imported product groups, imports of saffron grew the most, by 36% annually, although the quantity imported is still relatively small.

Exports

Total exports were estimated at € 2.5 million, amounting to 3.2 thousand tonnes in 2008. Having a market share of only 0.4%, Romania is among the smaller exporters of spices and herbs in the EU. Just like other EU countries which recently entered the EU, exports of spices and herbs increased considerably by an annual average of 26% in value and 2.2% in volume, during the review period.

In 2008, 60% of total exports was directed to DCs, followed by EU countries to which Romania exported 39% of its spices and herbs. The most important countries for Romania's exports were South Africa (28%) and Bulgaria (27%). In recent years, exports directed to India and Moldova increased strongly, by 70% and 107% per annum respectively.

Opportunities and threats

- Due to Romania's accession to the EU, imports from DCs decreased considerably, resulting in their share in imports falling far below the average EU level. For the coming years, this downward trend is likely to continue. Therefore, Romania is becoming a less interesting market for DC exporters.
- Romania is a small exporter of spices and herbs. Little of its imports and its relatively large domestic production is used for re-exporting. This limits the possibilities for DC exporters.

Exporters should take into account that the same trend can be an opportunity for one exporter and a threat to another. Please, review these opportunities and threats according to your own situation. Chapter 7 of the CBI market survey 'The market for spices and herbs in the EU' presents an example of an analysis of whether a trend/development is an opportunity or a threat.

Useful sources

- EU Expanding Exports Helpdesk - <http://exporthelp.europa.eu>
- Eurostat – official statistical office of the EU - <http://epp.eurostat.ec.europa.eu>
- Understanding Eurostat: Quick guide to easy Comext

http://epp.eurostat.ec.europa.eu/newxtweb/assets/User_guide_Easy_Comext_20090513.pdf

4 Price developments

Prices of spices and herbs can be found in the CBI market survey covering the EU market, as the indications of prices given there do not differ from those in Romania. Prices of spices and herbs depend on origin and buyer preferences (quality demanded, order size etc.), and on negotiations with partner companies. Prices provided in the market survey covering the EU should be used as a reference point only. Margins charged by different intermediaries are influenced, among others, by the type of spice or herb, current and expected future harvest situation, availability and number of sources, the level of demand and trends in prices.

Useful sources for price information are:

- ITC Market News Service (MNS) - <http://www.intracen.org/mas/mns.htm>
- Public Ledger - <http://www.agra-net.com>
- International Pepper Community - <http://www.ipcnet.org>
- Indian Spices Board - <http://www.indianspices.com>

5 Market access requirements

As a manufacturer/ supplier in a DC preparing to access Romania, you should be aware of the market access requirements of your trading partners and the Romanian government. For information on legislative and non-legislative requirements, go to 'Search CBI database' at <http://www.cbi.eu/marketinfo>, select spices and herbs and Romania in the category search, click on the search button and click on market access requirements.

Detailed information on packaging can be found at the website of ITC on export packaging: <http://www.intracen.org/ep/packit.htm>

Information on tariffs and quota can be found at <http://exporthelp.europa.eu>

The standard VAT rate in Romania is 19%. The VAT rate generally applied to food products is 9%.

6 Doing business

Information on doing business like approaching potential business partners, building up a relationship, drawing up an offer, handling the contract (methods of payment, and terms of delivery) and cultural differences can be found in CBI's export manuals 'Export Planner', 'Your image builder' and 'Exporting to the EU'. These can be downloaded from <http://www.cbi.eu/marketinfo> - go to search publications. For more information on doing business in Romania, visit the following websites:

Trade associations

- Chamber of Commerce and Industry of Romania - http://www.ccir.ro/ccirweb/menuHome/PageHome.aspx?submenu_id=26
- Romanian Ministry of Agriculture - <http://www.mapam.ro>

Trade press

- World News Report - <http://www.einnews.com/romania/newsfeed-romania-international-trade>

Trade fairs

- Agraria - <http://www.agraria.info.ro> - International Trade Fair for Agriculture, Food Industry and Packaging. The next event will be held 5-9 May 2010 in Cluj-Npoca, Romania

Other

- A possible source of cultural specifics of Romania could be: <http://www.kwintessential.co.uk/resources/global-etiquette/romania.html>
- Information on Romanian business culture can be found at: <http://www.businessculture.com/romania/index.html>, or: http://www.worldwide-tax.com/romania/romania_business_practice.asp

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