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## PARTICULARITIES OF THE VINE AND WINE MARKET

### ABSTRACT

In a market environment where the economic activity has a pronounced globalization trend, the wine producers are confronted with problems regarding the supply, demand and the consumption trends; although the vine and wine sector has been extremely active in attracting the European Community funds, this chain is still confronted with a series of problems, which are generated by the production quality structure, inefficiency of the production of raw materials, poor commercial use of the natural potential. Although significant progress has been made for the improvement of the domestic production supply on the Romanian wine market, the creation and development of relations between the players in the chain has not been a priority so far. For the purpose of this research, case studies were conducted in production units from representative areas, and the main problems and constraints to competitiveness were identified.

**Key words:** chain, production, agricultural holdings, market, profitability.

**JEL Classification:** Q13.

### 1. EUROPEAN CONTEXT

The European Union has more than 2.4 million viticultural holdings, with a total area of 3.6 million ha, i.e. 2% of the European Union agricultural area. Wine production accounted for 5% of the agricultural output value of the European Union in 2006. The consumption of wine coming from the European Union has constantly decreased, although the sales of quality wines are on the rise. In the last ten years, imports increased by 10% each year, while the exports had a low growth rate. On the basis of present trends, surplus wine production will reach 15% of the yearly production by 2010–2011. The European Union spends about half a billion euro per year only to remove the wine surplus for which there is no outlet.

The vine and wine sector of the European Union represents a vital economic activity, mainly from the point of view of labour employment and export receipts. EU is the first world wine producer, with a production that ranged from 151 to 181 million hl in the last years. Quality wine production increased, so that at present it almost equaled the table wine production.

With all the performances obtained, wine consumption significantly and steadily decreased throughout the last decade. This trend was specific to the table wine; the consumption increased instead in the quality wines, so that the overall

decline was somehow tempered. Wine consumption mainly declined on the domestic markets of traditional producers, where other alcoholic beverages such as beer or ready-made cocktails gradually replaced wine. An increasing trend of the average wine consumption was found in countries such as Hungary, Austria, Denmark, Greece, Germany, the United Kingdom, Sweden, Ireland, Finland, yet consumption increase in these countries could not compensate consumption decline in the countries from the first category.

The average consumption in EU-15 was 34 l/capita/year, yet the accession of the New Member States, where the consumption was extremely low (i.e. 9 l/capita/year) led to consumption diminution in EU-25 to 30 l/capita/year. In these conditions, the large European producers, Italy, France and Spain are confronted with two negative trends. On the domestic markets, the wine consumption is decreasing, while the exports to the most profitable markets are negatively affected by the competition coming from the non-European countries, as their supply is not constrained by the legislation provisions specific to the European market.

After 1996, the volume of wine imports increased by 10% per year, to reach 11.8 million hectoliters in 2005; at the same time, the volume of exported wines increased after that year, yet by a slower rate compared to the import growth rate; overall, the European Union was a net wine exporter. The average value of exported wines is 325 €/hl, being higher than the value of imported wines, i.e. 215 €/hl.

Starting from the situation of surplus production and from the structure of expenses related to the wine market, in June 2006, the European Commission triggered the warning signal, and one year later it formulated several legislative proposals meant to bring about concrete changes in this field, in particular to diminish the expenditures for the wine surplus and to redirect the respective funds towards competitiveness improvement and promotion of European wines.

The main measures retained at present are the following:

- A better budget utilization, mainly in favour of rural development, information and promotion;
- Removal of non-efficient market support measures;
- Prolongation of planting rights restrictions until the end of 2013;
- Introduction of environmental requirements;
- Enlargement of the single payment scheme so as to cover the former viticultural domains;
- Labelling simplification;
- The Commission is assigned the task of approving the new oenological practices.

## 2. VINE AND WINE CHAIN IN ROMANIA

In Romania, the area under vineyards and vine nurseries totals 223.7 thousand ha, out of which the bearing vines account for 85%. The total viticultural area accounts for 1.52% of the agricultural area. Viticulture is on the 9th position

as regards its value in Romania's agricultural output, and the 7th position in the crop production. In the year 2007, the viticultural production accounted for 5.14% in the crop production value and 3.1% in the agricultural output value.

The wine chain is one of the most complex agri-food chains as all the activities can be integrated into one and the same unit: research, planting stock production, grape production, wine production, wine stabilization and bottling and distribution to final consumers, through own retail shops. This is the case of the large vinification complexes and research units in this field that were privatized after 1989.

The structural modifications produced in agriculture after 1990 led to private property atomization, to the degradation of crop technologies and of the trade with grapes, which determined the establishment of a vine and wine chain difficult to monitor. All these factors had a synergic action, resulting in the self-consumption increase and maintaining the vicious production circle induced by this: minimum establishment and maintenance costs, main exposure to conjuncture factors (such as weather conditions), low productivity, low incomes, incapacity to resume the agricultural cycle.

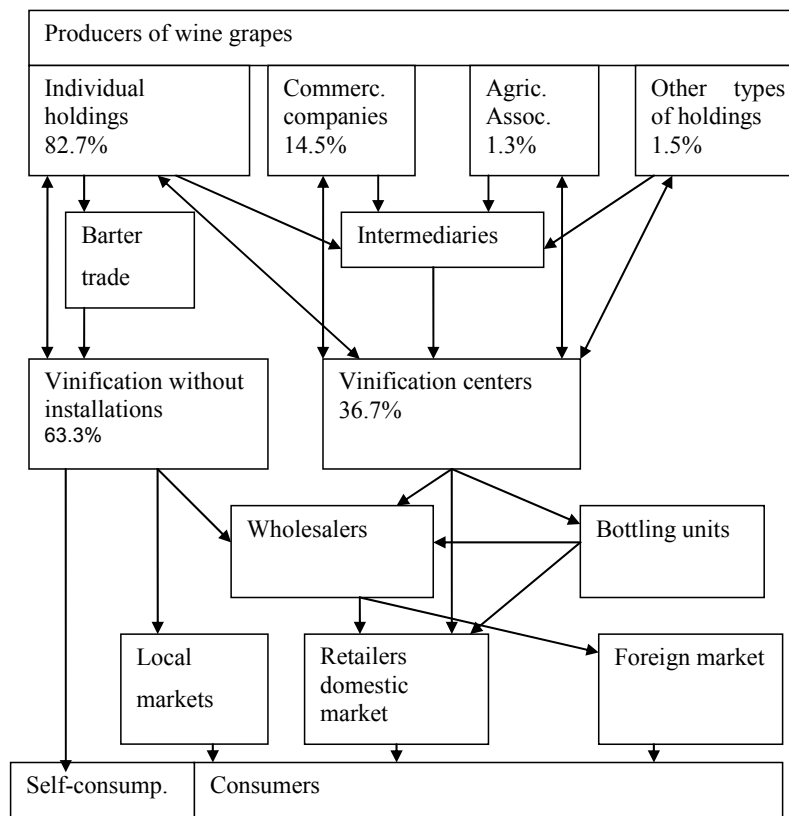


Figure 1. Vine and wine chain chart.

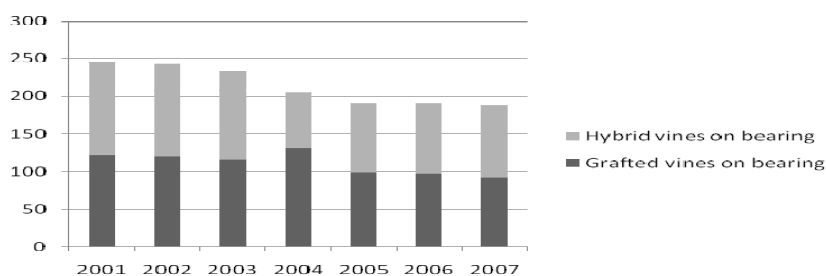
In Romania, the grapes are obtained in well-established viticultural areas and they are processed in 170 viticultural centers, where the viticulturists can integrate several functions: planting stock production, grape production, processing, storage, transport and marketing. Out of these reasons, the wine chain is characterized by a high vertical integration level, both in the companies and farms producing for the sale on the domestic and world markets and on the holdings producing for self-consumption and surplus for the market (Figure 1).

Taking into consideration the vine and wine chain particularities, the modern management implementation is difficult, as the control capacity of sectoral bodies on the wine chain has to be strengthened, while from producers' perspective, the priorities are to increase wine quality, to increase the competitiveness of Romanian products and last but not least to develop a healthy business environment.

### 2.1. Primary production sector evolution

We shall next investigate: the production structure by types of farms, output level and yields, quality, farm gate prices, storage, distribution and marketing of primary product, professional associations/organizations.

The area under bearing vines had a decreasing trend, the main constraints being the extremely expensive investment for the establishment of vine plantations as well as the extremely high maintenance costs in the noble vine plantations (Figure 2).



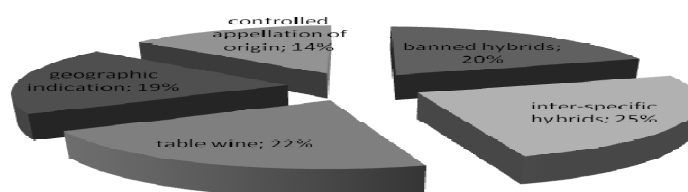
Source: Romania's Statistical Yearbooks.

Figure 2. Evolution of areas under bearing vines, thousand ha, in the period 2001–2007.

In the year 2006, the area under bearing vines totalled 190.5 thousand hectares, out of which 96.7 thousand ha under grafted vines and 93.8 thousand ha under hybrid vines. Compared to the previous year, in 2007 the areas under grafted vines decreased by 2 thousand ha, while the areas under hybrid vines increased by 1.5 thousand ha. From the point of view of the share of grafted and hybrid vines, the quality structure of vine plantations has deteriorated throughout the years: in early transition, the grafted vines accounted for 70% and the hybrid ones 30% of the area; at present, it continues to be unsatisfactory, with only 49.8% noble vines and over 50% hybrid vines; the area under wine grape vines (table grapes exclusively) accounts for 48.2% of the area under vines on bearing.

The total grape production fluctuates from one year to another, being influenced by the specific weather conditions. In the year 2007, the grape production totalled 876.6 thousand tons, out of which 58.7% were noble grapes and 41.3% hybrid grapes. The yields are higher on the noble vine plantations compared to the hybrid vines, i.e. 5435 kg/ha versus 3797 kg/ha.

The main factors influencing quality are the following: structure of plantations and varieties, technology and weather conditions, the last factor influencing production quality every year.



Source: Ministry of Agriculture and Rural Development (MARD).

Figure 3. Quality structure of wine grape production, in the year 2006.

The quality structure of grape production (Figure 3) is unsatisfactory, not only by the extremely high structure of hybrids and mainly of those that are banned, but also from the relatively low share of the grapes for wine production with Controlled Appellation of Origin and Geographic Indications, under the conditions in which the demand is mainly oriented towards quality wines.

The production structure by types of farms reveals that the individual holdings own almost 86% of the total area under vines on bearing and obtain 83% of the grape production (Table 1).

Table 1

Area under vines on bearing, production and average yields by types of farms

Specification		Total country	Commercial companies (L. 31)	Agricultural associations (L. 36)	Individual holdings	Other (e.g. agricultural stations)
Area – thou ha –	<b>Vines on bearing, out of which:</b>	<b>190.0</b>	<b>21.6</b>	<b>2.2</b>	<b>163.3</b>	<b>2.9</b>
	Grafted vines	94.7	21.6	1.9	68.3	2.9
	Hybrid vines	95.3	–	0.3	95.0	–
Production – thou tons –	<b>Vines on bearing, out of which:</b>	<b>876.6</b>	<b>126.8</b>	<b>11.2</b>	<b>725.6</b>	<b>13.0</b>
	Grafted vines	514.7	126.8	9.8	365.4	12.7
	Hybrid vines	361.9	–	1.4	360.2	0.3
Yield – kg/ha –	<b>Vines on bearing, out of which:</b>	<b>4614</b>	<b>5870</b>	<b>5091</b>	<b>4443</b>	<b>4483</b>
	Noble vines	5435	5870	5158	5350	4379
	Hybrid vines	3797	–	4667	3792	–

Source: MARD.

As regard the distribution of area under noble vines by types of holdings, 72.1% belong to individual holdings, followed by the commercial companies, with 22.8%. Out of the noble grape production, 71% is obtained on the individual holdings and 25% in the commercial companies.

The area under hybrid vines and the related production are almost 100% found on the individual holdings (Table 2).

Table 2

Distribution of viticultural area and production by types of farms – %

Specification	UM	Total	Commercial companies (L. 31)	Agric. associations (L. 36)	Individual holdings	Other (agric. stations – state sector) etc.
Total vines on bearing	Thou ha	190.0	11.37%	1.16%	85.95%	1.52%
	Thou tons	876.6	14.46%	1.28%	82.77%	1.48%
Grafted vines	Thou ha	94.7	22.81%	2.01%	72.12%	3.06%
	Thou tons	514.7	24.64%	1.90%	70.99%	2.47%
Hybrid vines	Thou ha	95.3	0.00%	0.31%	99.69%	0.00%
	Thou tons	361.9	0.00%	0.39%	99.53%	0.08%

Source: own processing of MARD data.

The best yields are obtained in the commercial companies, which can be explained by their concern for plantation renewal and use of high quality biological material, as well as for applying all the necessary crop technologies.

In the analysis of *costs related to the viticultural activity*, the information base used for the technical-economic analysis consisted of own material obtained from case studies on viticultural holdings. The case studies were conducted in two counties from well-known viticultural zones: Constanța and Vrancea.

The interviews were applied on legal entity farms (commercial companies and agricultural associations) and on one individual holding.

By comparing the technical-economic data of the investigated holdings, it results a high variability of costs for vine plantation establishment, (i.e. the expenses for land preparation, viticultural plantation establishment and support system installation). These differences are influenced by objective factors: land chosen for the plantation location (slope, soil characteristics), type of viticultural plantation (density), support system type. The establishment costs for one hectare of vineyard, calculated as weighted mean, are revealed in Table 3.

Table 3

Establishment costs for one hectare of vineyard

Specification	RON
Soil preparation	5 886
Vine plantation establishment	37 704
Support system installation	25 000–40 000
Vine maintenance year I	6 654
Vine maintenance year II	9 505
Vine maintenance year III	8 150

*Source:* Processing of data collected during the field surveys.

In the case studies, the yearly maintenance costs of the vines on bearing, calculated as a weighted mean, are over 8000 RON/ha, higher in the commercial company, which applies all the crop technology segments; the costs are lower in the case of agricultural association and individual holding (by 40%). Quite often, the farmers are trying to reach an equilibrium between the costs and the prices offered on the market, giving up the application of modern production technology, by lowering the application of industrial inputs, giving up crop insurance and filling in the gaps in the plantation. This results in lower yields, while in case of natural disasters, the losses cannot be recovered, which negatively impacts the activity in the future.

A significant share in total expenses is represented by the labour costs, as the vine farming implies manual works, both during the vegetative period and outside the vegetative period, which add to the manual harvesting costs. Although the standard vine technology presupposes a share of mechanization costs 20%, from the field surveys it results that these costs of mechanization works represent only 8.6% of total. The costs of materials, of diesel oil included, represent 25 % of total intermediary consumptions. Although the fertilizers application represents an essential crop management technique, in the field surveys this technological segment is almost absent.

The farm gate prices on different markets range from 0.7 to 1.1 RON/kg of grapes, depending on the production quality, sugar content in grapes, as well as on the presence or absence of wine-makers' competition on the market.

There are mainly two types of primary production marketing along the chain: on the one hand, there are vertically integrated units that produce the grapes, make the wine, bottle it and sell it on the market. These units buy part of the grapes from the producers who do not have the possibility to make wine. The payment is in cash and/or in kind. On the other hand, there are also non-integrated producers, whose activity consists only in producing wine grapes. The sales are not on contract basis with the wine-maker.

As a result, the free demand and supply play on the market of wine grapes leads to unfavourable prices for farmers, with negative effects upon their incomes. Besides these factors, due to the high perishability of wine grapes, the producers are often in the situation of selling at prices that are lower than the production cost. The price problem is present on the wine grape market year after year. In this situation, in the well-known viticultural areas, even though the vinification units

pay for the grapes on the spot, the individual producers often sell their harvest by the roadside, the amounts sold ranging from several thousand kilograms to several tons. The vine farmers often practice barter trade, buying wheat flour or potatoes from customers coming from counties where vine farming is absent (Harghita, Neamț, Covasna, Brașov etc). In the case of barter trade, the exchange is 1.5 kilograms of grapes for 1 kilogram of flour or quality potatoes. In this way, the producer can sell up to two-three tons of grapes per day. In the southern area of Romania, buyers from Bulgaria are also present on the grape market.

The data collected during the field survey, summarized in Table 4, reveal that for each kilogram of grapes, the producer loses 0.02 RON. The subsidies provided to the investigated units (for Diesel oil, phyto-sanitary treatments, and area payments) helped farmers to cover their costs. A market price of at least 1.3 lei/kg (Scenario I) would have covered the costs and would have enabled a 0.18 RON/kg profit, without subsidies. The main problem that the producers are facing is represented by the relatively low yields, due to the age of plantations, which are mostly old, biologically exhausted plantations. In the conditions in which the market price cannot be influenced, a profitability rate that should enable the wine grape producer to get a decent income could be obtained for an average yield of over 9000 kg/ha (Scenario II). These yields can be obtained by investments in new plantations.

As regards the value added distribution along the chain, the vertically integrated units have the most benefits, as they accumulate value added in each segment of the chain. Some of the units also have a marketing sector, on the domestic or world market. Romania is represented on the world wine market by this type of economic operators.

Table 4

Profitability rate on the viticultural holdings – case study

Specification	UM	Case study	Scenario I	Scenario II
<b>Total intermediary consumptions, out of which:</b>	Lei	<b>8077.4</b>	<b>8077.4</b>	<b>8077.4</b>
Manual works	%	66.5%	66.5%	66.5%
Mechanization works	%	8.6%	8.6%	8.6%
Raw materials	%	25.0%	25.0%	25.0%
<b>Average yield per hectare</b>	RON/ha	<b>7206.7</b>	<b>7206.7</b>	<b>9000.0</b>
<b>Farm gate price</b>	RON/kg	<b>1.10</b>	<b>1.30</b>	<b>1.1</b>
<b>Production value</b>	RON/ha	<b>7927.37</b>	<b>9368.7</b>	<b>9900.0</b>
<b>Cost</b>	RON/kg	<b>1.12</b>	<b>1.12</b>	<b>0.82</b>
<b>Subsidies</b>	RON/ha	<b>230</b>	<b>230.0</b>	<b>230.0</b>
<b>Total incomes, subsidies included</b>	RON/ha	<b>8157.37</b>	<b>9598.7</b>	<b>10130.0</b>
<b>Gross profit without subsidies</b>	RON/ha	<b>-150.00</b>	<b>1291.3</b>	<b>1822.6</b>
<b>Gross profit with subsidies</b>	RON/ha	<b>80.0</b>	<b>1521.3</b>	<b>2052.6</b>
<b>Profitability rate without subsidies</b>	%	<b>-1.9%</b>	<b>16.0%</b>	<b>22.6%</b>
<b>Profitability rate with subsidies</b>	%	<b>1.0%</b>	<b>18.8%</b>	<b>25.4%</b>

Source: Processing of data collected during the field surveys.



## 2.2. Processing and marketing

In value terms, the world market totals 450 million euros. According to national statistics, more than 60% of the primary production is processed into wine on the people's households, without modern vinification equipment; part of the obtained wine goes to self-consumption, and the surplus is sold in bulk on the local markets. According to market data, the first great players on the wine market in Romania are the following: Murfatlar, with a market share of 30%, Cotnari with 18.7%, Jidvei, with 17% and Vincon with 10%. These are strong companies, focused on quality and investments in plantation restructuring, in modern processing and bottling equipment.

Besides the large companies on the wine market, there are also small-sized producers, which supply quality wines to specialized stores. As it has been mentioned before, the wines obtained on the individual holdings are sold on the local markets. The marketing channels for the wine obtained in vinification installations are represented by wholesalers, mixed shops and specialized shops. At this chain level, the non-bottled wines traded by the so-called wineries represent a problem; these wines may be subject to fraud, and the controls are difficult to effect.

According to a study conducted by the audit and market research company MEMRB IRI, the wines bottled into 0.75-litre bottles represent almost half of the market; from the point of view of the sales value, they account for 72.2% of total market. At the same time, an increase of sales of wine bottled into 2-litre bottles has been recently noticed, these representing 38% of the amount of wine sold on the Romanian market.

## 2.3. Export/import, product self-sufficiency

The main countries where the Romanian wines are exported are: Germany, England, Denmark, Russia, USA, Japan, Sweden, etc. Exports have an extremely low share in the wine production, representing only 3.62% of total production and almost 5% of the noble wine production.

The self-sufficiency in wine in Romania was maintained relatively constant after 1990, with a slight decrease in the year 2007, as a result of the increase of imports after the accession to the EU. Almost 85% of imports come from Spain and Italy (Table 5).

As regards exports, the main outlet of Romanian wines is Germany, followed by the Russian Federation, Estonia, Belarus, Bulgaria, Canada, Great Britain, Italy, etc.

The average selling price of the Romanian wines on the world markets was 1.04 euro per litre, except for France and Cyprus where the Romanian wine was sold at 12.7 euro/litre, 11.2 euro/litre respectively, yet the amounts were non-significant. The most expensive wines that were imported by Romania came from Switzerland (70 euro/litre), Austria (21.2 euro/litre), Netherlands (7 euro/litre) and France (4.05 euro/litre).

Table 5

Wine balance in the year 2007

Specification	Thousand hl
Usable production	5 015 000
Imports	504 900
Exports	180 100
Final stock	140 500
Initial stock	129 400
Total domestic consumption	5 328 700
Industrial use	33 000
Losses	5700
Total human consumption	5 290 000
Self-sufficiency level	94.8%

Source: Eurostat.

## 2.4. Wine consumption

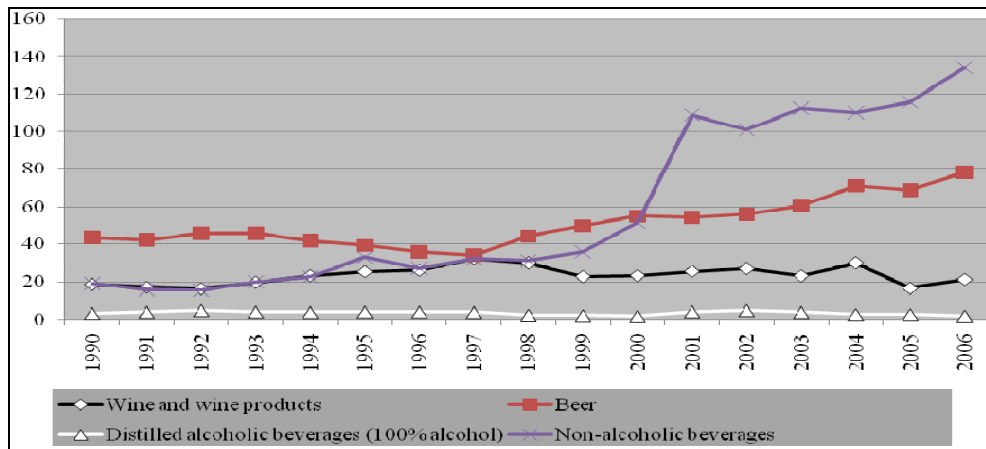
The wine consumption per capita in Romania is over 20 litres per year, while the beer consumption/capita is almost 80 litres (Figure 4).

At world level, France remains the main wine consumer (32.8 million hl), with about 55 litres per capita, followed by Italy (27.3 million hl), USA (25.9 million hl), Germany (19.4 million hl) and Spain (13.7 million hl).

In the segment of 0.75-litre bottles, the Romanian consumers prefer the white wines (about 72%), followed by the red wines (22.4%) and the rosé wines (5.6%). The sales by wine type reveal the Romanians' preference for the semi-sweet wines (41.9%), followed by the semi-dry wines (24.2%) and the dry wines (19.5%). The sweet wines account for 11.2% in the Romanians' preferences. While in Moldavia the consumption of bottled wine in 2-litre bottles is on the top position in consumers' preferences, in Transylvania the consumers prefer the wine bottled into 0.75-litre bottles.

The consumer wine price is determined by the costs involved in processing and the profit margin targeted by the wine-makers, by tax obligations, distribution costs (structured into wholesale and retail channels), consumers' purchasing power, exchange rate evolution. The distribution has an essential role, from the perspective of the degree in which it involves material and human resources, as well as by the share it has in the product final price.

In the retail trade, the prices mainly range in the interval 3–3.7 euro/bottle for the quality wines, depending on colour, origin, prestige, etc.; for the current consumption wines, sold in bulk, the price is 0.7 euro/litre, while for the bottled wines 1–1.5euro/litre. In Germany, more than 60% of the wine market is represented by wines under one euro.



Source: Romania's Statistical Yearbook, different years.

Figure 4 – Evolution of average yearly wine consumption per capita in Romania, compared to other beverages in the period 1990–2006.

### 3. PRODUCT POLICY

In Europe, wine consumption continues to decrease, mainly in the countries that are great consumers by tradition, which represents one of the causes of the structural wine surplus. In recent years, the wine exports have stagnated, while the imports visibly increased. The European Commission considered that a radical reform is needed for a common wine market re-organization, materialized into the simplification of the labelling rules, interdiction of adding sugar in order to increase the alcohol content, removal of certain Community market support mechanisms, such as distillation, planting rights restrictions, etc.

The CAP requirement in the vine and wine sector consists in the design of a Sectoral Support Program, by each Member State with activity in this sector. For Romania, this plan was designed under the Market Policy Directorate in the viticultural sector (Ministry of Agriculture and Rural development); this directorate is in charge of the sectoral policy and of the relation with the European Commission. The measures proposed by the support program for the period 2009–2013 are part of the approach made by the Romanian authorities for viticulture modernization and adaptation to the new reality (Table 6).

The following institutions are involved in the sectoral policy implementation: ONVV, ONDOV, ISCTV, APIA. At the same time, the producers' organizations (ONIV, APEV, PNVV) have an important role, participating to the dialogue on transposing the sectoral legislation.

Table 6

First transmission of the financial table of the support program  
in conformity with Art. 6 letter e) from the (EC) Regulation no. 479/2008

Member State [1]: ROMANIA							
Communication date:							
Financial exercise 2009–2013							
Measures	(EC) Regulation no. 479/2008	2009	2010	2011	2012	2013	Total
1	2	3	4	5	6	7	8
1 – Single Payment regime	Article 9	– <sup>1</sup>	–	–	–	–	–
2 – Promotion on third markets	Article 10	425	375	450	500	600	2350
3a – Restructuring and reconversion of vineyards	Article 11	36925	36475	36000	35450	34875	179725
3b – Plans under way	(EC) Regulation no. 1493/1999						
4 – Harvesting before ripening	Article 12	–	–	–	–	–	–
5 – Mutual funds	Article 13	–	–	–	–	–	–
6 – Harvest insurance	Article 14	3550	3950	4350	4750	5125	21725
7 – Investments	Article 15	0	0	0	0	0	0
8 – By-products distillation	Article 16	–	–	–	–	–	–
9 – Food alcohol distillation	Article 17	–	–	–	–	–	–
10 – Crisis distillation	Article 18, paragraph (1)	–	–	–	–	–	–
11 – Utilization of concentrated must	Article 19	1200	1300	1300	1400	1500	6700
<b>Total</b>		<b>42100</b>	<b>42100</b>	<b>42100</b>	<b>42100</b>	<b>42100</b>	<b>210500</b>
If appropriate:							
10 a – State aid for the crisis distillation	Article 18, paragraph (5)	–	–	–	–	–	–

Source: MARD draft support program for Vine and Wine CMO.

The support measures of interest for the Romanian producers were identified under the Support Program, namely:

- promotion on third markets, having the increase of wine exports as final objective;
- restructuring and reconversion of vineyards (under way);
- harvest insurance, which is quite attractive for viticulturists, if the frequent harvest losses are taken into consideration, which are caused by weather conditions, as well as by pests and/or diseases;

<sup>1</sup> “ – “ for the measures that are not specified in the support program.

– utilization of concentrated must, measure that contributes to complying with the quality and composition criteria established by the domestic production and consumption standards, as well as by the international standards for wines and other products

### 3.1. The restructuring/reconversion measure in viticulture

Following the analysis of allocations provided to the other 15 Member States with viticultural plantations in conformity with the *Commission Decision 5293 of 06. 11.2007 for the establishment of an indicative allocation for each Member State concerning a number of hectares, for the purpose of restructuring and reconversion of vineyards in conformity with the (EC) Regulation no. 1493/1999 of the Council for the commercialization year 2007/2008*, a very high variability of the average amounts per hectare was noticed from one Member State to another, ranging from 3784 euro/ha allocated to Slovakia to 19424 euro/ha for Slovenia.

According to Article 13, paragraph 3 of the Regulation 1493/1999 on the Common Market Organization for the vine and wine market, the Community participation to funding the restructuring and reconversion costs is 50% of total related costs, reaching up to 75% in the less favoured areas. With 8334 euro per hectare of vine plantation, Romania is close to Spain, Italy, and Hungary. Taking into consideration the fact that the applicants for support to restructuring/reconversion can opt for one or several eligible measures, *the financial allocations cover up to 75% of the costs related to the eligible measures*. From the producers' point of view, out of total wine market support measures, this is of a vital importance and can ensure their future presence on the market.

### 3.2. SWOT analysis

Strengths	Weaknesses	Opportunities	Threats
<ul style="list-style-type: none"> <li>– exceptional eco-pedo-climatic conditions for viticulture</li> <li>– Romania's tradition and place in the European and world hierarchy, among the first ten wine producing countries</li> <li>– existence of a large domestic outlet</li> <li>– privatization of economic operators</li> </ul>	<ul style="list-style-type: none"> <li>– raw material production fragmentation – small size of individual holding</li> <li>– low productivity of noble vines, due to old-aged noble vine plantations</li> <li>– inadequate structure of viticultural areas: 50% hybrid, 50% noble varieties</li> <li>– autochthonous planting stock is no longer produced</li> </ul>	<ul style="list-style-type: none"> <li>– organization of small producers of raw material and vertical integration of production</li> <li>– investments on vine plantations modernization</li> <li>– plantation replacement rate of minimum 4% per year</li> <li>– clearing the hybrid vines and their replacement by noble varieties</li> <li>– investments in modern viticultural technology</li> <li>– orientation towards quality and supply diversification</li> </ul>	<ul style="list-style-type: none"> <li>– continuation of the diminution of areas under noble variety vines</li> <li>– decrease of raw material supply by the diminution of areas under noble vines</li> <li>– dependence on imported biological material</li> <li>– loss of valuable autochthonous vine varieties</li> <li>– greater penetration of imports</li> </ul>

*continued*

<ul style="list-style-type: none"> <li>– fiscality diminution policy and support to wine exports</li> <li>– harmonized legal framework in viticulture</li> <li>– presence of vine and wine professional and inter-professional organizations</li> </ul>	<ul style="list-style-type: none"> <li>– low vine replacement rate</li> <li>– no connection to the market of the small-sized holdings</li> <li>– high self-consumption</li> <li>– absence of information on market situation and evolution</li> <li>– wine consumption diminution</li> </ul>	<ul style="list-style-type: none"> <li>– foreign capital attraction for investments in the small producers' vertical integration</li> <li>– consumer education programs</li> <li>– organic production</li> <li>– rigorous control of wine quality both at producer throughout the year and in the sale process</li> <li>– setting up a specialized body for wine promotion at national and world level</li> </ul>	<ul style="list-style-type: none"> <li>– export ceilings due to the competition pressure on the world market</li> <li>– reorienting the demand towards imported wines, which are cheaper but lower in quality</li> </ul>
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#### 4. CONCLUSIONS

- Romania has a privileged geographic position with an exceptional natural potential.
- The period of transition to the market economy, characterized by a hostile environment and a *laissez-faire* type of policy, resulted in a continuous degradation of viticultural plantations.
- The main sectoral problems consist in the condition of noble plantations, old-aged and inefficient from the economic point of view, together with land fragmentation into small-sized holdings.
- The small grape producers play an important role on the market, as they produce over 80% of the raw material; however, as they are not organized, and most often disadvantaged by the market prices and by the old-aged vine plantations, their future is not certain; an opportunity for them is to get organized into cooperatives, with (eventually foreign) capital for vinification and distribution. At the same time, an easier access to information and different services can facilitate their participation to different Community programs.
- The economic efficiency is present where there is a vertical integration of production, which provides development possibilities.
- The development and implementation of a viticultural tourism strategy represents an opportunity by which the small wine producers can obtain additional incomes.
- The wine industry privatization, although delayed, represented a significant asset: the wine producers diversified their supply, mainly in the case of quality wines and at the same time they invested in new technologies.

- The loss of foreign markets resulted in a continuous erosion of the foreign trade with wines; compared to the EU wine market, the Romanian wines generally have a competitive disadvantage, due to the non-uniform quality of supply from one year to another. The little competitive advantage existing on other third markets (the Russian Federation) should be fructified, together with a new promotion policy, both on the domestic market and on different foreign markets.

- The Wine CMO specific market mechanisms mainly regard a market confronted with surplus, aiming at the absorption of table wine surplus and ensuring the continuity in supplying the market from one harvest to another; by the current reform, the market support mechanisms will gradually disappear, but the Romanian producers will not be negatively affected, the Romanian wine market not being confronted with surplus.

- In a strongly competition market environment, the main objective of the economic operators from the wine industry (processors) should be the establishment of sustainable and mutually beneficial connections with the grape producers and the consumers; this is the best defense and promotion strategy in an environment full of risks.

Beneficial effects of the Wine CMO upon the Romanian wine sector:

- under the Wine CMO, the measure of utmost importance for the Romanian producers is the restructuring/reconversion; this measure results in the vine plantations rejuvenation, supply adaptation to the demand and obtaining raw material for wine under economic efficiency conditions;

- extending the rural development measures to the small grape producers, e.g. retirement and set up of young farmers, can stimulate the farmers to cede their vineyards and thus to contribute to a more competitive sector in Romania;

- the simplification of provisions regarding the quality policy will make it possible for many Romanian wine producers to benefit from this policy provisions and thus to improve their competitiveness on the European market;

- extending the role of the professional organizations;

- getting in line with the international oenological practices would facilitate the promotion of Romanian wines on the world markets;

- the simplification and adaptation of the policy on labelling can have beneficial effects on the competitiveness of the Romanian wines, on costs inclusively.

#### REFERENCES

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