

Potential and risks in the Romanian wine industry

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Abstract: *The present descriptive paper presents some historical, geographical and institutional landmarks of the Romanian wine sector. It offers a brief analysis of the Romanian vineyard production evolution and of the national wine market conjuncture, taking into account the global context, which allows to outline Romania's place on the world wine map. Wine promotion on foreign markets must be done emphasizing indigenous varieties, that is why knowing them is essential. Highlighting the progress made by Romanian winemakers, the difficulties they face and the opportunities in the market allow us to draw conclusions which open horizons for extensive research in this industry.*

Key-words: *winemaker, wine-growing areas, cluster, indigenous varieties*

1. Historic landmarks

Romania has one of the oldest wine making traditions in the world, its viticulture dating back more than 6000 years. Due to the hot dry summers, the location proved to be successful and the grape vineyards thrived.

According to a legend, Dionysus, the Thracian god of wine, was born in what is now Romania, and Plato declared its vineyards to be the best in the world. The ancient Greek historian Herodotus, among others, clearly mentioned that the wine was made in the area north of the Danube. Its wines became so famous that in the first century B.C., king Burebista ordered that all the vineyards be destroyed to discourage possible invaders. Of course, his own people were not so easily deterred and soon new vineyards flourished. Wine trading was also flourishing, with large quantities of Greek amphorae discovered around the Carpathians. In the 1st century A.C., the Romans brought better vine cultivation techniques and new grape varieties.

Later on, in the 12th century, the Saxons immigrated to Transylvania, bringing along with them different varieties of Germanic grape vines.

The Middle Ages saw a clear separation between the wine produced in the peasants' households and the large wine estates of the nobility. The 'peasant' wine was produced with inferior agricultural techniques, from semi-wild grapes and in

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primitive wine-making processes, and it was intended solely for local consumption. The large estates of the nobility had access to better territories, newer techniques, better quality of grapes, and also to foreign markets.

However, by the 1800s, most of these grape vines were replaced by grapes from Western Europe. In 1867, the phylloxera devastation (a pale yellow sap-sucking insect that attacks the roots of vines) marked a turning point in viticulture. In less than 15 years, the phylloxera wiped out the majority of Europe's vineyards, including those in Romania. The authorities did not have a strategic plan for restoring the plantations, so each owner took the job onto himself. Some inferior hybrids gained wide acceptance and were planted on large areas, despite their lower quality. Similarly, some grape varieties were irremediably lost. In the 19th century, the first scientific steps were taken to properly identify, document and develop the native grape varieties, with some encouraging results. Eventually, many of the Romanian vines were replaced by those imported from France and other foreign nations, such as Merlot, Chardonnay, and Pinot Noir (APEV).

Later on, the Communist regime had a planned approach towards grape cultivation and wine-making, with mixed results and effects. On the one hand, this approach standardized the vines plantations, limited the use of hybrids, spread the modern techniques and developed new varieties. On the other hand, in emphasizing quantity over quality, the entire production chain was thus influenced: from the choice of grapes to the storage and pressing techniques. In 1989, the landscape of Romanian wine was rather grim: large quantities of low quality semi-sweet wine loaded the shelves, with some limited editions of truly good wines available to only a few.

The early '90s brought along market economy, competition, and the first foreign investors. It seems obvious that the ultimate metric, in any commercial activity, is the profit. Many definitions, approaches and statements that elude this simple truth were put up front over the time – such as society benefit and welfare, environment care, social responsibility and so on, but the ultimate expression of success remains, for a company, the profit, as a simple equation that involves Revenue and Expenses (Drumea, 2015).

This meant some steps towards modernization, representing a period of rebirth for the Romanian wine. Italian, French and Austrian investors bought former state-owned wineries or started new plantations, bringing a new approach towards wine-making. It gained momentum along with easier access to financing by the use of European funds, which sparked a replantation frenzy -with at least five new major wineries opened or re-launched in the past couple of years. The quality is indisputably higher, there is a wider choice of styles available; on the other hand, the local varieties are only the second or the third choice.

Nowadays Romania has a large amount of land dedicated to vines, almost as much vineyard area as Portugal.

2. Wine-growing areas and indigenous varieties

Terroir represents the totality of the elements that define the character of the wine, that is, the entire geographical area made of soil, hill, slope, wind, sun exposure, varieties that are appropriate for cultivation in the area, as well as the influence of the man, his care, picking and winemaking habits.

Romania, with a classic continental climate, epitomized by hot summers and very cold winters, has a very diverse territory. The North-East regions are famous for the aromatic white varieties because of cool misty conditions. The Black Sea coast influences winemaking in the Murfatlar region with varieties such as Chardonnay and Sauvignon Blanc. The Southern regions of Dealu Mare leading down to Oltenia are better for the red varieties with warmer soil conditions, all aspects helping the ripening of the grapes; meanwhile, Transylvania has a very Germanic influence seen in the Rhine varieties.

The estimated local area of vines in 2016 was approximately 192.000 hectares in various wine-growing areas such as:

1. The Transylvanian Plateau encompasses a large area located in the centre of the country. The round hills, large river valleys, colder climate and longer autumns favour white wines.

2. The Hills of Moldova are located in the East and North-East of the country and it is one of the oldest documented wine regions. Covering a large area with diverse climates and soils, it has a wide array of grapes and styles. Generally, white wines tend to be more popular, with some important red varieties. The style leans more towards semi-sweet and sweet, aromatic wines, some exceptions being also noticeable. It is home to one of the most spectacular native aromatic grapes - Busuioacă de Bohotin.

3. Wallachian and Oltenia Hills are the largest Romanian wine regions, covering most of the south, from the Danube to the Carpathians. Best wineries are located on the foothills at medium altitude, benefiting from southern exposure, thus having ideal conditions both for red and white varieties. It is also a diverse region, with many different styles, from the powerful red to the lively white varieties. Native grapes like Fetească Neagră, Negru de Drăgășani, Crâmpoșie, Fetească Regală found their best territory here. Merlot, Cabernet and Sauvignon Blanc develop superbly.

4. Banat is located at the Western end of the country, having the mildest climate with Mediterranean influences. The region is suitable for wine grape varieties (Cadarcă, Burgund Mare) and also red ones. Generally, the wines are softer and fruitier than those from other regions.

5. The Northern Hills (Crișana and Maramureș) are probably the smallest and least known wine region, located in the far North. The weather is typically Central European, and most vine plantations are on small hills.

6. Dobrogea is the region located between the Danube and the seaside, and it is the warmest and sunniest. The excessive heat is tempered by the influence of the sea, and the chalky soil and strong winds give a distinctive character to the grapes grown here.

The two most important local varieties are Feteasca Neagra (red) and Feteasca Alba (white). Although Feteasca Neagra is considered as the flagship variety of Romania, the area planted with this variety is only 2000 ha, while Feteasca Albă spreads on an area of over 10000 ha. Besides these, there are other local varieties such as Fetească Regala (13 000 ha), Băbească Neagră (3 000 ha), Roşioara (2 400 ha), Crâmpoşie, Tămâioasă Românească, Grasă de Cotnari, Negru de Drăgăşani, Novac and a few others.

Fetească Alba and Fetească Regala are light, fruity and lively, made from very dry to semi-sweet, also suitable for sparkling wines. Crâmpoşie is native in Drăgăşani region, giving dry, grassy, mineral wines. Tămâioasă Românească and Grasă de Cotnari are aromatic wines. Novac and Negru de Drăgăşani are very powerful and complex, but not as widely planted, and they are more difficult to grow.

Fetească Neagră (or 'Black Maiden' in English) is considered to be a 'home-grown product', an autochthonous variety widespread in Romania and Moldova for more than 2000 years. It gives slightly tannic, fruity and mild wines, with a distinctive flavour of smoked plums.

This variety of grape is cultivated today by most of the wineries from all the Romanian wine-growing areas. The plant is vigorous, with low fertility, therefore, it is best pruned with long canes. The clusters are medium-sized, cylindrical or cylindrical-conical, with one or two wings, slightly compact, thick skin, dark red, bluish black appearance, juicy pulp not coloured, average weight 180-220 g. It is an early ripening variety.

Fetească Neagră is a variety resistant to frost as well as to drought, but very sensitive to odium. The variety does not give uniform quantities of production, the average is about 8 tons/hectare, but it requires the meticulous usage of precious viticulture technology because it is accumulating sugar easily, especially in warm areas. Most of the wineries are producing today dry or medium dry wines but, in the past, the variety was used to produce medium sweet or even sweet wines.

Depending on the oenologist approach, growing area and viticulture techniques, the style of wine from Fetească Neagră can vary quite much from light, very fragile, fresh, wild, herbaceous, violets, spices to gemmy, with black forest fruits, black cherry, chocolate, tobacco or dry plums.

For the new plantations, the multiplication plants have been selected carefully for 5 years, so that now we have much more uniform plants, with more constant production, small berries, better fruit and also concentration and colour.

The big challenge is to balance the production, since limited pruning can give very low yield and high load can result in watery, less pure concentrated wine.

Fetească Neagră is a fragile variety, its ranking would be after Pinot Noir and before Merlot, medium coloured and high tanning content, so winemaking is a real challenge. It is accumulating sugar very easily, and in doing so, harvesting it at the right time represents a major factor for the wine quality along with balanced production.

3. Recent developments in vineyard production

Wine production made in Romania in 2016 was 4.8 million hectolitres, with 1.3 million hectolitres more than in 2015, which is an increase of 37% more than the previous year, while the world wine production in 2016 was 259.5 million hectolitres, 5% less than in 2015 and 6.5% less than in 2013, a year when the global wine production reached a record level of 276.6 million hectolitres. These figures place our country on the 13th place in the ranking of the world's largest producers of wine (OIV).

Wine production decreases, due to climate changes, have been registered in most leading countries, affecting mainly France and southern hemisphere countries. Compared to 2015, appreciable increases have been registered only in three major wine producing countries, Australia (5%), USA (2%) and Spain (1%).

The significant increase in the Romanian wine production is a consequence of the fact that the Romanian wine industry has matured constantly and considerably in the last ten years. This development was driven/ determined by a combination of factors.

Firstly, product quantity has increased as a result of the higher number of winemakers, 206 in 2015, compared with 78 in 2009, and of the increase in cultivated areas.

Secondly, product quality has improved considerably due to the new investments. On the one hand, in recent years, Romania has attracted many European business people and wine buyers, due to the affordable prices of both vineyards and wines compared to other wine producing nations such as France, Germany, and Italy. On the other hand, a lot of foreign investments arrived in the local wine industry through EU funds. From the National Support Programme 2009-2013, Romania has absorbed 100% of the available EU funds for the wine industry. Much of this funding has been used to modernize production equipment and storage facilities, mainly using imported units, installations and equipment, and also to reconvert the vineyards. Reconversion of about 35,000 ha newly established/created vine through this support program for the Romanian wine sector means Romania repositions on the wines world map both by the adjustment of the supply to the world demand, and by increasing the production per hectare.

At the same time, it should be noted that, if at the moment of the foreign wine producers' entering the market their vineyards were cultivated only by local

varieties from their countries of origin, afterwards, the development of the ties and the exchange of knowledge with the local producers led to the apparition of indigenous varieties in their vineyards and at the same time it contributed to the spreading of the foreign varieties in Romania.

In addition to the above, through the National Support Program 2014-2018, the annual amount of the EU financial support to Romanian producers in the wine sector amounts to €47.7 million. The measures included in the program are: restructuring and conversion of vineyards; wine promotion; harvest insurance; investments and product distillation.

In 2015, Romania was the thirteenth largest wine producing country in the world, and, in 2009, the eleventh largest.

4. Romanian wine industry clusters

In the aforementioned wine-growing areas six clusters have been identified within which producers exchange technical and commercial knowledge, sometimes benefiting from the support area institutions. Some institutions are national, others only regional.

The main participant is ONVPV (Oficiul Național al Viei și Produselor Vitivinicole), an institution subordinated to the Ministry of Agriculture and Rural Development, whose business is centred on the actions concerning the activity of Romanian winemakers interested in obtaining quality wines using a designation of origin (DOC) / geographical indication (IG).

ONIV (Organizația Interprofesională Vinivicolă) is a representative grouping, consisting of producers' organizations. Its purpose is to regulate the production, processing, storage, distribution and marketing of wine and to defend the interests of producers, respecting regional diversity.

APEV (Asociația Producătorilor și Exportatorilor de Vin) comprises wine producing and exporting companies, located in almost all the Romanian wine-growing areas. The association's objective is to support producers and exporters of wine by signalling business opportunities, by providing promotional material to members, statistical data, analyses, studies, generic wine promotion programs and support for participation in fairs and exhibitions.

APVR (Asociația pentru Promovarea Vinului Românesc) is an interregional association which brings together wine producers from the major wine-growing areas of Romania.

Research and Development Institutes of Viticulture and Wine from Valea Călugărească, Drăgășani and Pietroasa Buzău which, in the past, were the central core of a growing zones, are endangered today.

In terms of the producers' number and profile, the six clusters differ greatly. The cluster with the largest acreage, Moldavia, about 40% of the country's

viticulture area (70000ha), comprises 19 producers, Cotnari and Vincon, two of the five largest producers belonging to this cluster.

The Dobrogea cluster includes 17 producers. It should be noted that Murfatlar (4000ha) was until 2015 the largest Romanian producer, but recently it has closed its activity due to poor management.

Jidvei Cellars, ranked third in the top of national producers, is one of the 14 producers in Transilvania cluster which owns one of the oldest and most famous plantations in Romania. Some foreign investors have paid attention to this area, with two new ambitious wineries opened recently: Liliac Wines and Villa Vinea.

Banat Crisana cluster area, consisting of 13 small producers, holding areas below 50 ha, has only one medium producer and one large producer, Recaș (in top 5 of the country), known as the winemaker with the most sustainable development strategy, with a noticeable international presence. Other interesting producers are Wine Princess and Petro Vaselo.

Maramures area with the four new producers represents an early form of cluster.

Muntenia Oltenia cluster area is the one which has experienced the fastest dynamics in recent years. Dominated by small and medium size winemakers, this cluster represents the largest concentration of producers all over the country, a total of 52. This area has often been compared with Bordeaux or Tuscany because of its geo-climatic conditions, and it turned out to be the most attractive for Romanian and foreign investors.

5. The current conjuncture of the Romanian wine market

On the domestic market, domestic consumption growth corroborated with an introduction to consumer education, in order to orient them towards Romanian brands, have led to an increase in the domestic demand.

Abroad, the demand for Romanian branded wines is still low; in 2016 the export growth has not exceeded 10% over the previous year (APEV). Although Romanian wineries have managed to reposition themselves in terms of quality by massive equity investments in technology and know-how, but also by the successful use of pre- and post- accession (EU integration) funds, succeeding today in being competitive in terms of quality, this fact has not been sufficiently communicated to the consumer from abroad. To achieve the quality required by society, it is necessary to identify the customer requirements and expectations. In this way, customer satisfaction is achieved by identifying the desired quality and quantity, and the delivery time (Madar, 2016).

While most Romanian wineries are making substantial efforts to be present on most of the important foreign markets, the lack of a country brand

makes the task of conquering new foreign consumers extremely difficult. But these efforts need to be converged, especially with national agricultural policies in order to support exports.

Based on the rise in the domestic demand, in the context of a sensitive growth in exports, the lowering import is justified by a massive increase in production. The importation of large quantities of wine in recent years was due to the fact that areas that had undergone conversion needed a period of 3-5 years to begin to bear fruit, eight years to reach full maturity and 12 years for the harvest to be of highest quality. Since 2007, the year that marks the beginning of planting new vineyards, wine producers who were in this position turned to imports to be present on the market and started to create their own brand.

Another potential of this market, yet little exploited is wine tourism. Wine tourism is not very well developed in Romania yet, but the fact that some of the country's most beautiful wine cellars and vineyards are not yet known to large groups of tourists can be exploited in such a manner in the future.

6. Conclusions and proposals

Currently the Romanian wine industry shows a positive evolution in sales. Most of the winemakers, especially the new ones, are quality-oriented wine producers. However, there still is a small number of producers registering significant numbers from sales of large quantities of low quality cheap wine, imported in bulk, especially from the new world or produced from old domestic plantations which did not benefit from investment. Clients want to have confidence in the company's ability to provide the required quality and to maintain this quality (Neacşu, 2015).

At the same time, in many top restaurants, frequented by rich and sophisticated customers who prefer wines from the premium segment, Romanian wines are not really on their menu yet.

For this reason, I believe that we should continue the efforts towards educating domestic consumers, so that after all consumers have discovered the Romanian wine, they will not be attracted by the imported wine label. This cannot be achieved very soon and very easily in the absence of oenology and gastronomy schools, which should create specialists able to educate the consumer.

Regarding the external demand, the efforts to find new international markets should be continued, to discover new market segments and to convince foreign consumers about the quality Romanian wine. This objective involves:

- maintaining constant quality production every year to strengthen and improve the competitiveness of the Romanian wine;
- increasing yields per ha because the still low productivity of Romanian producers compared with foreign winemakers determines high costs, high price /kg

grape and wine price by default; increasing the efficiency will be possible in the future due to the convergence of two factors: on the one hand, the use of appropriate technologies and strict compliance with treatments applied to vineyards, and on the other hand, the intensification of land use which has undergone replanting.

- a sustained marketing standard at the level of each individual producer, at the level of producers' associations, and also nation-wide; increased expenditure for promoting the Romanian wine must have as its main objective the removal of the reluctance that exists in the foreign consumer's mentality about the Romanian wine. This must be done by focusing on the indigenous varieties to offer something new, different from what they are accustomed to. The most promising vinous development in Romania is by the sustainable promotion and presentation of its flagship indigenous varieties to the world;

- focusing on building strong brands: today's reality shows that the quality of products alone, cannot ensure a company's success any more. Because of that, wine producers may have to consider branding efforts as a necessity and not as an option (Todor, 2014).

Another next step would be the energetic and vigorous development of wine tourism in all eight wine producing regions of the country. In that way, the world can see how great Romanian wine industry is at the moment. At the same time, finding the most appropriate ways to promote the local gastronomy festivals (e.g. food and wine festivals) will ensure a positive trend in the evolution of the tourism sector (Băltescu, 2016).

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