

The export potential of the Muntenia Oltenia vineyard area

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Abstract: *The work that begins with the presentation of the Muntenia Oltenia wine region intends to identify the reasons underlying the small share of exports in the total production of wine made in this area and to formulate some proposals which could represent in the future solutions to improve the trade balance of the vineyard sector. In order to know the barriers that prevent wine exports, qualitative marketing research was conducted with 8 managers of vineyard areas. After analyzing the information obtained it could be concluded that in order to give more coherence and consistency to their wines, in order to promote more effectively on foreign markets and finally in order to benefit from the increased exports, wine producers should associate depending on the wine regions they belong to.*

Key-words: *export, wine-growing areas, promotion, association, producer*

1. Introduction

The Muntenia Oltenia vineyard area stretching from west to east along the meridian Subcarpathians including the South West of Oltenia, the vineyards in Severin, the Segarcea, the Getic plateau, the terraces of Olt, the piedmont hills of Argeş and the last ramifications of the Curvature Subcarpathians represented by the hills of Buzău.

The region is specialized in the production of white, rosé and red, dry, semi-dry or semisweet wines of superior quality. The varieties that are grown mainly here are: Feteasca, Black Drăgăşani, Novac, Merlot, Cabernet Sauvignon, Pinot noir, Royal Feteasca, Pinot Gris, Italian Riesling, Sauvignon, Romanian Tămâioasă, Muscat Ottonel etc.

Although none of the first five largest producers in the country is from this area, the Muntenia Oltenia region represents the greatest concentration of wine manufacturers in Romania which mainly includes manufacturers of medium size that hold about 200 hectares with vines vineyard and small producers whose plantations are under 100 hectares. There are, however, in this area several large manufacturers with over 400 hectares, such as the Halewood Cellars, and Budureasca Tohani demesnes. It is notable that the producers in this area, although

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they are not among the first in terms of the number of wine liters produced annually, they stand out by the quality of their wine, by the variety of types of wine and by the number of awarded wines at various national and international competitions.

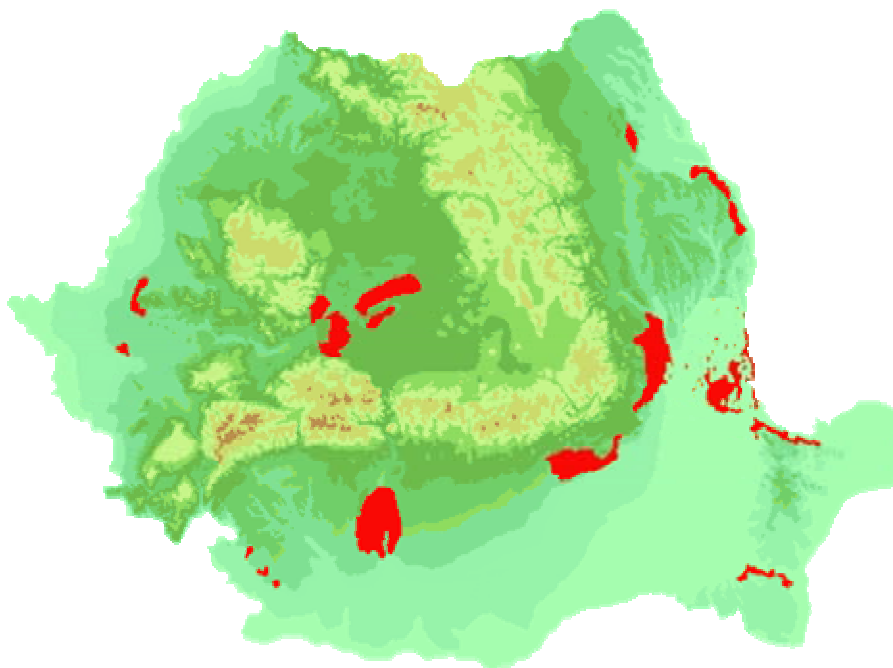


Fig. 1. *The vineyard areas of Romania*

2. Overview of Romanian wine exports

In the past decade, the international wine industry has been characterized by a very rapid growth of exports and by the emergence of new wine producing countries and their entry into the global market (Giuliani, Bell, 2005, 51).

Besides traditional producers, such as France and Italy, “new world exporters”, primarily Argentina, Chile, New Zealand, South Africa and the US, have increased their share of global exports and upgraded the quality of their wines (Anderson and Norman, 2001 a,b).

Romania is one of the largest European wine producers, with an annual volume of about 4-5 million hectoliters, but it is far from reaching the level of countries such as France which produces tens of times more. Even if it is among the biggest wine producing countries, ranking sixth in Europe in terms of volume of wine produced and twelfth worldwide and in terms of the area planted with grapevines it ranks fifth in the European Union, but the wine exports are still small.

With an export level of 20 million Euro in 2015, by a 10% increase compared to the previous year (APEV), Romania ranks 19 in the European Union, given that the biggest exporting countries, Spain, France and Italy, each earns more than 5 billion euro from the wine they deliver to foreign markets.

The investments made by producers in planting noble varieties in order to obtain a wine of superior quality are little paid off by the income from export sales.

The high potential of the internal market, which has gone up by about 3 liters per capita in the last five years, made it possible for the Romanian cellars to focus sales on this market which absorbs the greatest part of the Romanian wine production even given that the imports were last year of approximately 40 mil Euro.

One of the reasons for which Romania fails to earn from export is that the image of a wine country was not well defined, so that in the segment of premium wines the prices that Romanian companies get are lower compared to the price of the Spanish, Italian and French wines, and in terms of the segment of cheap wines, which are sold to export for around 2 Euros per liter, Romania is hardly competing the wines from New Zealand or Australia which are sold for about 1.5 Euro per liter.

The relatively low surfaces possessed by most of the producers, which are translated into a limited amount of wine liters produced annually in conjunction with the absence of cooperation agreements between producers, cause the producers in the Muntenia Oltenia region not to be ready to export large quantities, being unable to respond to massive export demands.

On the other hand, the penetration of sophisticated wines in top locations abroad is made difficult by the lack of bio-organic and bio-dynamic certifications.

3. The objectives and research methodology of the Muntenia Oltenia wine area

In order to identify the main factors that underlie the growth of Romanian wine exports in the period June - August 2016 some qualitative marketing research was carried out with eight managers of vineyard areas demesnes in the Muntenia Oltenia areas. Five of the leasing companies in the sample are medium-sized producers, two are small producers and one is among the major manufacturers in Romania. The purpose of the qualitative research is to know the opinions of these managers regarding the factors which prevent them from producing high export volumes. From the multitude of techniques specific to qualitative research the method of the in-depth semi-directive interview was chosen.

In terms of the objectives associated to the qualitative research, they were established so as to allow a more detailed comprehension of how the managers of leasing companies view the question under research.

In this sense, *the major objectives* that were aimed at were:

- the positioning of the Muntenia Oltenia wine producers on the Romanian market as well as on the international market;

- the measures taken by the wine producers in order to increase the visibility of the Romanian wines on foreign markets;
- opinions on the possible evolution of the wine exports in the region

The following section contains a synthetic presentation of the content analysis results arising from the in-depth interviews conducted among managers of leasing companies.

4. The certifications, a vital prerequisite for Romanian wine exports

All managers that were surveyed agreed to the idea that a first condition for the accessibility of wines on the international markets is represented by the existence of the Controlled Origin Designation (DOC).

The wine quality is based on the specific characteristics that are attributed to the origin of the wine, which are identified for consumers by *origin designation and geographical indications*. These represent the means by which the consumer is guaranteed a control of the product that has special characteristics, it is authentic and it can be easily identified on the market. Clients want to have confidence in the company's ability to provide the required quality and to maintain this quality (Neacşu, 2015, 105).

The legal regulations that concern the domain of the designations of origin, of the geographical indications and of the traditional specifications for wine are aimed at:

- a) the protection of the interests of consumers / producers;
- b) the assurance for a smooth functioning of the market;
- c) the encouragement for the production of quality products.

In order to award the designation of origin, the wine has to meet a number of requirements related to quality such as the delimitation of the production area, the variety that is used, the growing conditions, the winemaking methods, productivity per hectare, etc.

The designation of origin (DOC) represents a geographical name of a vineyard, the wine center or locality, but it is not a simple indication of the origin as it associates to the product certain specifications, it identifies the origin of wines coming from that bordered territory, with quality features exclusively owed to natural and human factors in that territory.

A wine with designation of origin DOC is a wine that is produced in bordered vineyard areas, from varieties recommended for their potential to produce quality wines, by observing specific growing conditions of the vine and of wine processing, bottling, labeling.

In Muntenia and Oltenia Hills wine region there are to be met the following DOC: Dealul Mare, Ştefăneşti, Pietroasa, Sâmbureşti, Mehedinţi, Segarcea.

Geographical Indication (IG) represents the name of a region or of a locality, of a certain place or, in exceptional cases, of a country, which serves to designate a product originating from the region/ locality, from this specific place or from this country and which possesses a specific quality or other characteristics that can be attributed to that origin and whose production actually takes place in the area established for it.

A geographical indication for wine is used to indicate a wine obtained in conformity with a number of conditions such as:

- having a quality or specific characteristics that can be attributed to that particular area;
- the grapes the wine is made from originate, by at least 85%, exclusively from that particular area;
- It is produced in the geographical area.

In order to limit the attempts of falsification of the correct wines by unfair practices that touch upon the interests of honest producers, the National Bureau of Vine and Wine Products (O.N.V.P.V.), having the consent of all involved in the field, has initiated the introduction of the certification mark of the quality of wines DOC/ IG hologram type. This is a special self-adhesive label which guarantees the authenticity and origin of the wine, it is impossible to counterfeit, and which is glued onto the wine bottles. The name of an origin designation/ geographical indications guarantees to the consumer the sale of a controlled product.

Currently, of the 53 producers in the Muntenia Oltenia region more than 40 bottle DOC wine which means that this condition is easily met by the Romanian manufacturers, which does not represent a barrier in the competition with the wines produced in the other countries with wine tradition.

The majority of managers said that lately, foreign wine consumers tend to direct their preferences at wines produced by the observance of the bio-organic and bio-dynamic procedures, by giving an ever increasing importance to these certifications. It needs to be mentioned that these certifications do not express a certain level of quality, but it certifies the practices used in the growing, harvesting and handling of grapes.

From the interviews that were taken it results that the producers in the Muntenia Oltenia region have a friendly approach towards the environment, by adopting practices that concord with their bio certifications and which involve the absence of chemical substances considering that by not using systemic substances such as insecticides, herbicides or Sufi, it would lead to efficiency in the long run because it strengthens the immune system of the vineyard. Nonetheless, though a significant part of the vineyard areas included in the survey meet the conditions to obtain these certifications, the manufacturers are not interested in getting them. All the manufacturers that were interviewed consider that these certifications represent rather a marketing strategy, a label and not a high quality of the wine and currently the advantages of having these certifications are lower compared with the limitations

that they impose. The benefits that are conferred by the penetration in certain locations like restaurants in the San Pelegrino Top or those with Michelin stars, where these certifications are compulsorily required, are outweighed by the risk of losing the harvest due to the impossibility of treating the plantation with certain substances, in exceptional cases, when fighting against certain diseases cannot be done by organic methods.

5. Prospects for the growth of wine exports

Managers that were interviewed considered that the investments in the modernization of winemaking in the region by providing top technology will lead to a higher efficiency of production, which will permit, in case of a similar crop of grapes per hectare, to obtain a higher quantity of wine from the same acreage, compared to the previous years.

Two of the eight producers believe that the acquisition by foreign investors, especially Italian and French, of some vineyard demesnes in the Muntenia Oltenia area will facilitate the penetration of the Romanian wine in their home markets. By using the already known distribution and promotion channels in their home countries, alongside with the use of some adequate promotional messages given their familiarity with those markets, will stimulate the interest of the consumer in those markets, and the correct positioning of the Romanian wine on the foreign markets will lead to an increased confidence of the foreign consumers.

The same managers consider that, to cooperate with or even to hire some oenologists from abroad and also to specialize a growing number of Romanian oenologists abroad would allow Romanian manufacturers to know the trends in the industry bearing in mind that the requirements of consumers in this market are constantly changing, lately they have preferred fresh wines, without oak taste, aged for two years at most, white and rosé varieties, after a long period when red, robust and well structured wines were favorite.

The managers of the small-sized vineyard demesnes stated that the maturation of the plantations that underwent renewal and conversion in recent years causes, on the one hand, the increase of the amount of grapes that can be produced and implicitly the quantity of wine that will hit the market and, on the other hand, it facilitates the production of high quality wines since the conversion was made with the purpose of planting noble varieties.

6. Conclusions and proposals

From the research conducted among the managers of the vineyard demesnes in the Muntenia Oltenia area it results that in the recent years the measures taken by these

manufacturers create the preconditions for an increase both in quantity but especially in quality in what concerns the wine production in the south of the country.

It was noticed nevertheless that the vineyard producers collaborate little, few of them relate to the others exchanging information concerning product innovations, processes, organizational or business innovations, a large number of winegrowers leading their business in complete isolation. There is also little support from the associations, specialized institutions and research centers in the area, producers interacting with them more in order to obtain the holograms and the approvals necessary to the functioning and not to get information to help them in their research and development activity. For this reason, a strategy that should be considered would be to set up cooperatives or area associations, that would allow for a greater exchange of technical and commercial knowledge among the producers in the area and it would also create the possibility that, having all a shared common goal, they can meet the requirements of larger quantities of wine exports. In the important countries in the world of wine, apart from the fact that they have created nationwide organizations of producers, all DOC areas have their own association to strictly control the quality and the manner in which the wines in that region are produced and promoted, while in Romania every manufacturer concentrates on the promotion of his wines alone.

Another direction that should be taken up in order to assist manufacturers is the setting up of wine research centers that practically disappeared and that represented a great tradition. The absence of regional laboratories for the oenological and laboratory analyses makes producers who do not have their own laboratories resort to other producers or to those laboratories abroad, which generates additional costs that are reflected in the prices of the products.

Similarly, a more aggressive, more consistent and more efficient policy of promoting the country brand would increase confidence in the Romanian products finally contributing to an increase of the export in general and of wine export in particular.

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