

PROPOSALS CONCERNING THE PROMOTION STRATEGY OF FOOD PRODUCTS IN FOREIGN MARKETS

Ioan Niculae ALECU, Petrică ȘTEFAN, Romeo Cătălin CREȚU, Cristian CUTAȘ

University of Agricultural Sciences and Veterinary Medicine Bucharest, 59 Marasti, District 1, 11464, Bucharest, Romania, Phone: +40213182564, Fax:+40213182888, Mobile:+40743 6447 44, Emails: ioan.alecu@usamv.ro, stefanmarian2004@yahoo.com, cretumeocatalin@yahoo.com, cristian.cutas@dce.gov.ro

Corresponding author: stefanmarian2004@yahoo.com

Abstract

Support and promotion of export are key elements of sustainable development, export representing at the moment growth domestic main engine. The objectives of the paper were to analyze the activities of foreign trade and economic cooperation, and the support for the domestic economic development and harmonious integration of Romania into the complex system of international relations. The methods used in this paper were: comparative analysis, bibliographic study and processing of the statistical data from the National Statistics Institute in order to generate some proposals for developing a future strategy for promoting Romanian food products on foreign markets. The main results refer to the situation of agriculture in recent years, the situation of export and import of agricultural products. The main conclusion is that the rising of prices represents an opportunity for countries with strong agricultural sectors.

Key words: export, foreign markets, promotion, strategies, sustainable development

INTRODUCTION

Compared with other commodities, agricultural trade and food shows differences arising from the nature of these products. Agricultural production is done in most types of agricultural products in certain geographical areas and specialized pools and consumption takes place throughout the country. The appearance while agricultural production is differentiated by geographic area for a period up to 20 days or more, while consumption is achieved simultaneously in most localities of the country. Agricultural production is achieved in a period of about eight months of the year and fresh consumption in most products is seasonal. [2] For these reasons, the marketing of agricultural and food products are necessary to know the following: consumer needs, features operators who participate in the exchange and processing of agricultural products, commercial techniques, which means that can be used by an economic to influence the market. [2]

As a result of EU membership, Romania is part of the European market access strategy,

called Global Europe. Global Europe strategy aims trade policy initiatives that contribute to economic growth and increased employment in Europe. In a global economy, strong economies are competitive, and competitive economies based on trade strong, free and sustainable, as European strategy.

Romania has a privileged position in terms of agricultural resources; farming land is 14.7 million hectares (61.7%), of which 9.4 million hectares is arable land. Romania is found in 7th place in Europe as agricultural land (after France Spain, Germany, Poland, UK and Italy) and 5th place as arable land (after France, Spain, Germany and Poland).

Distribution of land by use indicates that arable land occupy approximate 64% of the agricultural area, one third of the surface: 4.8 million hectares is occupied by pastures and hayfields and orchards and vineyards represent about 3%.

MATERIALS AND METHODS

By the complexity and specificity of rural areas, the relationship between market and goods market falls to a certain form of

competition (substitution), and the mutual stimulation or indifference. This is because some services are carried out by the producer of material goods. The ratios are valid for both consumer market and production services. [1]

Drafting a strategy first requires a deep analysis of the field.

In this paper we used the following methods: comparison study method, bibliographic and statistical data provided by the National Institute of Statistics.

Romania has the basic resources to have success in this sector. However, the agriculture and the industry still needs to consent and implement marketing plan able to address the great issues that are affecting those sectors [4].

RESULTS AND DISCUSSIONS

Agriculture - Sector presentation

Agriculture is an important factor in the national economy, contributing nearly 7% of GDP (compared to 2% average share in the European Union - EU). Due to the climatic conditions very favorable, Romania has a significant agricultural potential, reflected in particular in the production and yields from crop cultivation, potential that can fully cover domestic demand both in terms of quantity and assortment and substantial deliveries export.

Arable area represents 39.2% of Romania, while forests cover 28%, pastures, hayfields and orchards 12% and vines 2.5%. Arable land per capita is 0.41 ha, compared with the EU average of 0.212 ha/capita. The main agricultural crops are cereals, oilseeds, sugar beet, potatoes, vegetables, fruit and grapes. Livestock consists of pigs, in particular, cattle, sheep and goats. [6]

Employment in agriculture represents 29% of the population, one of the highest rates of employment in this sector from Europe.

From the point of view of the agricultural output of the 27 EU member states, Romania is on 3rd place by net production of natural honey, oilseeds 5th, vegetables and melons no. 6, grain 7th place, livestock on 8th place, meat and, respectively, wine 10th place.

At the Community level, organic products and their labeling is governed by the provisions and regulations which states that organic production is an overall system of farm management and food production that combines best environmental practices, a high level of biodiversity, preservation of natural resources, application of high animal welfare standards and a production method which respect the preference of certain consumers for products produced using natural substances and processes. [3][8].

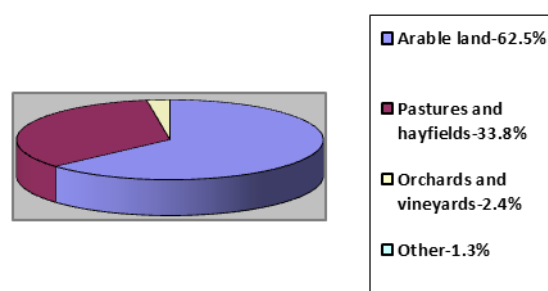


Fig. 1. Agricultural area on uses
 Source: Ministry of Agriculture and Rural Development [7]

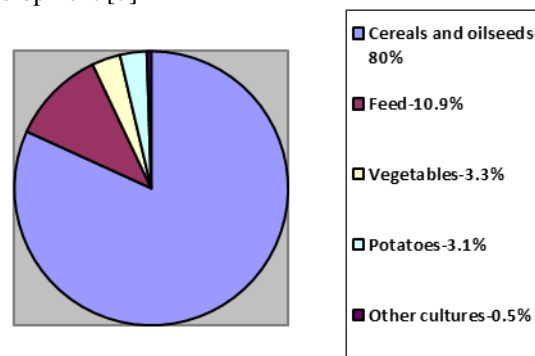


Fig. 2. Arable land on uses
 Source: Ministry of Agriculture and Rural Development [7]

In the last decade, agricultural area with organic farming was expanded to 300,000 ha, which means 2.25% of the total cultivated area. Romania is an attractive market for organic agricultural production, but especially as a primary supplier of processed agricultural products, and owns the most fertile organic soil in Europe. The yield of the use of the fertilizer is less than 70 kg / ha, in comparison with the European average of 200-500 kg / ha. The main organic agricultural products grown

and processed in Romania are: grains, vegetables, oilseeds, honey and berries. There are more than 10,000 Romanian producers of organic agricultural products processing plant. Organic livestock farms have developed, particularly in the sheep and goat sector, while the number of units of meat on the organic base has doubled to over 70 in the past few years. Organic agricultural exports have reached over 100 million euros annually, which places Romania in the top 20 of world exporters of such products. The main markets for organic agricultural products originating in Romania are: Austria, Germany, France, Italy, Denmark and Switzerland.

International trade in food and agriculture

In 2012, Romania's international trade in food and agriculture accounted for 9.0% of Romanian trade products. The trade balance for food and agriculture has been consistently in deficit. However, the sharp increase of exports compared to the imports made primarily processed agricultural products resulted in a restriction of trade deficit in five years, from -2.2 billion euros in 2009 to 0.42 billion euros at end of 2013. In 2014, however, over the previous year, export growth for agri-food products was only 9.2% compared to import growth; Romania's trade balance deficit has increased by 42.8% compared to 2013.

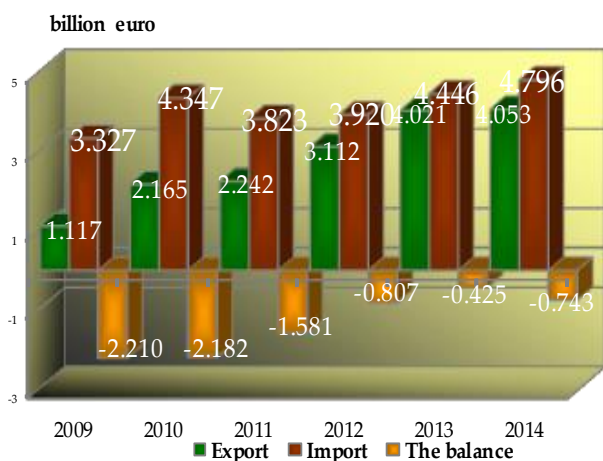


Fig. 3. Romania - The balance of trade in agricultural products, 2009-2014
 Source: National Statistics Institute [9]

Romanian exports of agricultural products increased their share in total exports from

3.8% in 2009 to 9% in 2014. Over those five years, exports of agri-food sector increased by over 3.6 times over 4 billion euros in 2014, while imports of food products registered a growth of 1.4%. Exports of agricultural commodities (almost 56% of total Romanian exports of agricultural products and foodstuffs) are represented, mainly cereals (wheat and maize), oilseeds (sunflower seed and rapeseed), tobacco and livestock (sheep, goats and cattle). Exports of food and agriculture are highly diversified, covering a wide range - from fats and oils of vegetable or animal origin, meat and meat products, or tobacco products, to cheese and dairy products, sugar and sugary foods or drinks.

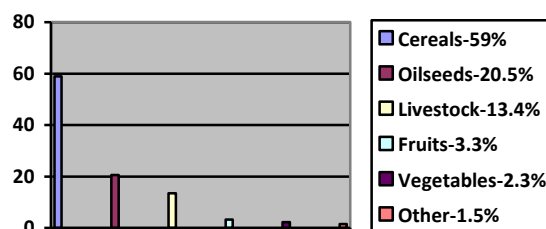


Fig. 4. The structure of exports of agricultural products in 2014
 Source: National Statistics Institute [9]

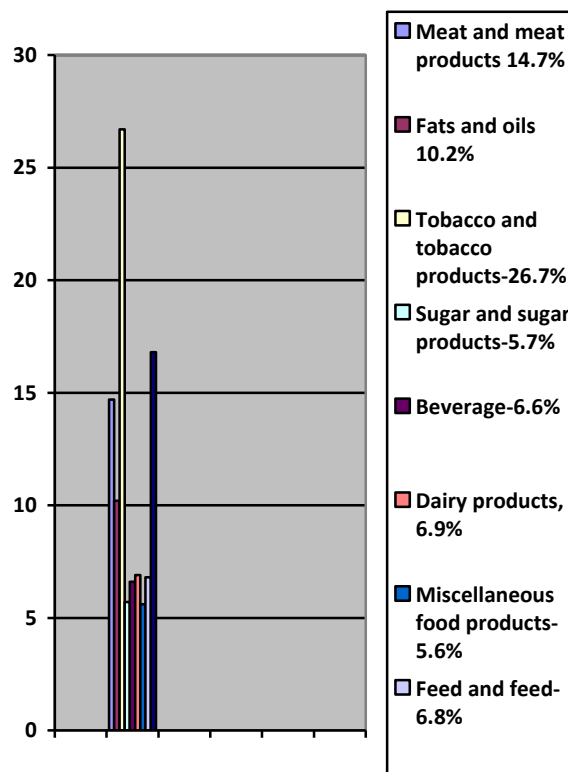


Fig. 5. The structure of exports of food products-2014
 Source: National Statistics Institute [9]

The biggest markets for agricultural and food products exported by Romania in 2014 and the main categories of products delivered in these markets were Italy (tobacco and tobacco products, cereals, oilseeds, livestock, vegetables and beverages) - 13.2% of total exports, Bulgaria (meat and meat products, fodder and fodder products, sugar and sugar confectionery, beverages, vegetable oil and cereals) - 8.9%, Hungary (cereals, sunflower oil and margarine, oilseeds, poultry, livestock and refined sugar) - 8.6%, Spain (cereals, oilseeds, fats and oils, feed and fodder and livestock) - 8.3% and Germany (tobacco products tobacco, cereals, oilseeds, dairy

products and cheeses and prepared food stuff) - 6.2%.

Romanian imports of agricultural commodities accounted for 32.5% of total imports of agricultural and food products in 2014, the rest being covered by imports of processed food and agriculture.

The product categories with the highest imports (each category value to import 250 million) were: pork and poultry, cereals (wheat and corn), raw sugar and refined feed and forage, food preparations diverse tobacco and tobacco products, sunflower seeds and rapeseed, milk and dairy products.

Table 1. The exports of agricultural products in the period 2012-2014 - millions euro -

Code Sec	Section NC	2012	2013	Growth 2013/2012 (%)	2014	Growth 2014/2013 (%)
	Total export of agricultural products, of which:	4,044.2	5,284.41	30.66	5,572.86	5.46
I	Live animals and animal products	731.14	745.29	1.94	742.76	-0.34
II	Vegetable products	1,970.33	2,984.62	51.48	3,067.41	2.77
III	Fats and oils of animal or vegetable origin; their cleavage products; edible fats; animal or vegetable waxes	182.83	239.79	31.15	213.37	-11.02
IV	Food; beverages, spirits and vinegar; tobacco and manufactured tobacco substitutes	1,160.03	1,314.71	13.33	1,549.33	17.85

Source: Ministry of Economy [8], [11], [12]

Top five external suppliers of food and agricultural products on the Romanian market in 2014 and the main categories of products delivered were:

-Hungary (cereals, pork and turkey, feed and fodder, sunflower oil, dairy products) - 18, 3% of total imports,

-Germany (pork and chicken, cheese, cigarettes, cocoa and cocoa preparations, coffee, tea and spices);

- 12.8%, Bulgaria (cereals, oilseeds, refined sugar, fat and oils, cocoa and chocolate) - 9.0%,

-Poland (confectionery, tobacco and tobacco products, dairy products, miscellaneous food preparations, cocoa and cocoa preparations and meat) - 6.8%;

-the Netherlands (meat pork and poultry, ornamental plants and cut flowers, various food preparations, livestock and oils) - 6.7%.

Table 2. The imports of food products in the period 2012-2014 - millions euro -

Code Sec	Section NC	2012	2013	Growth 2013/2012 (%)	2014	Growth 2014/2013 (%)
	Total import of agricultural products, of which:	4,795.13	4,952.04	3.27	5,121.23	3.42
I	Live animals and animal products	1,034.91	1,113.92	7.63	1,225.89	10.05
II	Vegetable products	1,416.34	1,455.27	2.75	1,513.74	4.02
III	Fats and oils of animal or vegetable origin; their cleavage products; edible fats; animal or vegetable waxes	238.65	205.42	-13.92	163.92	-20.20
IV	Food; beverages, spirits and vinegar; tobacco and manufactured tobacco substitutes	2,105.24	2,177.44	3.43	2,217.68	1.85

Source: Ministry of Economy [8],[11],[12]

Table 3. The exports of wines in the period 2012-2014
 - millions euro -

Code NC	Product	2012	2013	Growth 2013/ 2012 (%)	2014	Growth 2014/ 2013 (%)
	Total wines export, of which:	17.88	20.04	12.06	20.10	0.30
22040000	Wine of fresh grapes, including wines with alcohol	17.24	18.87	9.45	19.40	2.84
22050000	Vermouth and other wine of fresh grapes	0.65	1.17	81.48	0.70	-40.52

Source: Ministry of Economy [8],[11],[12]

Table 4. Evolution of wine imports in the period 2012-2014 - millions euro -

Code NC	Product	2012	2013	Growth 2013/2012 (%)	2014	Growth 2014/2013 (%)
	Total wines import, of which:	46.39	41.74	-10.02	37.61	-9.88
22040000	Wine of fresh grapes, including wines with alcohol	43.29	39.71	-8.28	35.84	-9.73
22050000	Vermouth and other wine of fresh grapes	3.10	2.04	-34.30	1.77	-12.89

Source: Ministry of Economy [8],[11],[12]

Significant potential of Romanian agriculture and the increase of agricultural prices at internationally level could be a good opportunity for Romanian exporters and could, at the same time, attract the interest of foreign investors in this sector. [5]

CONCLUSIONS

After analysing this sector, we can draw the following conclusions:

Restrictive factors:

- Highly fragmented structure of agricultural land is a barrier to attracting new investment, affecting, in the same time, the productivity.
- The rural area is characterized by the existence of a considerable blankets vulnerable population in terms of economic and social difficulty fulfilling the new requirements set by European agriculture complex.
- Government support limited in terms of an austerity budget, in parallel with an increase in pressure on spending by an important social component.
- Orientation banks mainly to large customers and to a much lesser extent on the little ones who should be the main beneficiaries of national programs.
- The international financial crisis

Contributing factors:

- Rising prices represents an opportunity for countries with strong agricultural sectors. Prices on international markets have increased significantly in recent years due to specific developments (for example: increasing demand for food from the growing number of residents and the standard of living in Asia).
- Severe climatic conditions which cyclically drastically reduced agricultural production in many countries.
- Profound structural changes in the global economy, including accelerated economic growth of China and India were faithfully reflected in stock market developments goods - food, energy, metals. The international price of wheat has increased by almost 200% between 2001 and 2008. The upward trend could continue in the coming years, but at a more modest cadence, as demand from agriculture adjust slowly in relation to the evolution demand.
- The price of agricultural land increased 5 times in the last 5 years to the level of 1000-3500 euro/ha, but still holds 3 to 7 times lower than the European average.
- Fully exploiting the advantages of integration into the European Union could open new opportunities for Romanian farmers who will be able to supply a market with a population exceeding 80 million.

Proposals for the future strategy:

-Creation and sale of products with high added value demanded by foreign markets, top quality, recognized brands in the market;
-Identifying new export markets and strengthening our position in existing markets;
-Application of EU and national legislation in the organic farming sector in order to strengthen the control system for monitoring and control measures by the competent authority for improving the quality of organic products intended for export;

-The most efficient use of trade policy instruments offered by the free trade agreements between the EU and third parts agreements providing better market access for European agricultural products in third markets and default Romanian;

-Submission to the European Commission by the specialized committees involving MECMA, non-tariff barriers faced by Romanian agricultural products in third markets; for resolution with the support of the community.

-A system of processing and distribution designed to meet the requirements of national and international markets;

-Professional development of export participants: producers, processors, importers-exporters;

-Creation of associations specializing in the sale of food products and organic products.

Target markets:

-EU - priority: Germany, Italy, France, the Netherlands, the Baltic States, Poland, Spain;

-Third countries: Asia (China, South Korea, Japan and ASEAN Countries), Africa and Middle East, USA, Canada, Russia, Switzerland and Norway.

In order to identify target markets requirements as accurately is absolutely necessary direct exchange of information through trade and economic missions with subsidy from the state budget and BPCE network sites.

Measures to be taken at the sector level:

➤ conducting market research that facilitate the expansion/development of exports to areas that have potential for absorption;

➤ intensification and optimization of business promotion and organic food products on foreign markets;

➤ selection as efficiently as possible of distribution channels from abroad, configuration deposits in free trade zones;

➤ calling consulting services to optimize costs and to optimize the storage, transport and customs activities;

➤ using customized packaging, correct labeling of products;

➤ strict quality control;

➤ use of the product certification and organic food;

➤ removing non-tariff barriers for Romanian agri-food products in third countries (Russia, China, Japan, etc.) through the effort of MARD, ANSVSA and MECMA

Sector desiderata:

a. Strengthening the competitive advantages obtained in the previous cycle;

b. The creation and consolidation of new sustainable competitive advantages and new chains with greater values and more consistent at national level;

c. Development and diversification of services of support for the potential exporters and for aspiring exporters and for those developed;

d. Initiatives to meet the challenges and effects of the financial and economic crisis;

e. A stronger partnership for the implementation of the NES;

f. Increasing awareness regarding opportunities, tools and institutions involved in supporting exports;

g. Increased appetite for entrepreneurship, innovation and internationalization of Romanian companies;

h. Diversification of exports and redirecting them to other countries outside the EU.

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