THE BEER MARKET IN ROMANIA. SITUATION AND OUTLOOK

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Abstract

Beer is an alcoholic beverage with low concentration, becoming more and more popular among Romanian consumers. This paper proposes an analysis of the beer sector in Romania, in a European context. The data needed for the study have been collected from national and European statistics, the information provided by the associations of beer producers and from the specialized literature. The research carried out has shown that the Romanian beer industry is one of the largest national employers and an engine of economic growth for the local economy. The beer market in Romania is one of the top 10 beer markets in Europe, as level of production, collected taxes and the creation of new jobs. The sector has undergone a significant growth in the last years, an evolution that will continue in the next period, due to the increase of the internal consumption and to the opening opportunities for the product export. The national beer market is dominated by multinational companies, which accumulate over 85% of the total. The small domestic producers could use the market niche destined for the products of the specialty category, flavoured beer or beer mixes, which have an insufficiently exploited potential. The study results are of a theoretical value, being useful for the field of research and application, for the local companies, which can identify business opportunities in the sector.

Keywords:

Beer market, market niches, concentration, Romania

JEL Classification:

L13, Q13

Introduction

Beer is a popular food product, whose production and consumption are connected to the history of humanity. Being supposed to have appeared about 6000 years ago, beer is an alcoholic drink traditionally obtained only from four ingredients: malt, yeast, hops and water. Producing of a suitable product depends on the quality of cereals and hops, which must meet the standards imposed by production. The oldest archaeological evidence on the production and consumption of beer seems to attest its presence around 3,500 BC. in the area of Babylon. Consumed also in ancient Egypt, at about the same time, it is known to have been imported from the Assyrians, and it was then locally produced. The beer at that time was like a thick, dark-coloured fat, without a large amount of alcohol, but very nourishing. Due to its special taste, it occupies an important place in the diet of the people, being one of the basic foods in the nutrition of the slaves who built the pyramids. The beer tax was introduced by Cleopatra who needed money for the construction of the pyramids, thus registering the first tax on drinks in the history of humanity (the Romanian Brewers Association, 2020). The development of the fast-moving consumer goods market in Romania exceeded the forecasts of the specialists and the expectations of the investors. European integration and adherence gave the specialized companies, with foreign capital, the security they needed in order to carry out consistent investments (Stanciu et al, 2020).

Beer is enjoying great popularity even today and the effects of consumption have attracted the attention of scientists. Numerous studies of the last decades have pursued the action of beer or its ingredients on human metabolism. There were positive effects due to both alcohol and bioactive substances originating in the raw material, but these effects were evident only under the conditions of moderate consumption (Zugravu, 2019).

Materials and methods

In order to carry out this study, we have used the data provided by national and European statistics, specialized information from publications of beer producer organizations. For the bibliographic documentation we have used studies from the specialized scientific literature, available on Clarivate Analytics, Google Scholar or ResearchGate. The collected information has been statistically processed and graphically represented. The results obtained have been compared with the specialized literature, in order to reach the best conclusions.

The European beer market

Europe is, to some extent, the homeland of beer and one of the most important producers, consumers and exporters of beer at an international level. According to the data provided by Brewers of Europe, quoted by FMGC (2020), the development of the European beer sector is constant, amid the growth of European consumption and production over the last 5 years. "The annual report on European trends in beer", produced by the Romanian Brewery Association for 2019 shows that the volume of beer production in the European Union exceeded 400 million hectolitres, for the first time in the last ten years. In 2018, beer consumption reached 370 million HL, growing in all countries of Europe, consumers being able to choose from a range of varied and specialized beer (Romanian Brewers Association, 2019). Annual report on European trends in beer shows a continuous growth on several key values in 2018: 10154 beer producers, which produce a production of 406,050,000 HL, of which 88786000 HL are exported. Most of the European transactions with beer take place at intra-community level (60.81%). The beer sector creates 2,300,000 jobs, unfairly distributed among brewing companies (5%), supply sector (12%), hospitality sector (71%) and retail sector (12%), while the beer sector generates over € 42 billion in the European budget. The European ranking of beer producing countries was dominated by Germany in 2018, with a long tradition in beer making and with a record production of 93.01 million HL, double to that of the occupants of the next two places, the United Kingdom, with a production of 40.48 million hl, and Poland, with 40.38 million HL (Figure 1). Poland ranked second in 2019 among the top European beer producers, changing places with the UK. In France, the number of breweries increased by 45%, from 1,100 to 1,600 HL. Slovenia and Ireland increased the number of beers by 50% and respectively 25%. European exports have increased, with Belgium remaining the largest beer exporter in the EU, slightly surpassing Germany, while the Netherlands continues to export about 40% of its beer production to other parts of the globe. Romania remains in the top 10 beer markets in Europe, along with Germany, Poland, the United Kingdom, Spain, the Netherlands, France, the Czech Republic, Italy and Turkey, in 2018 ranking on the 7th place in terms of market volume (The European Brewers, 2020).

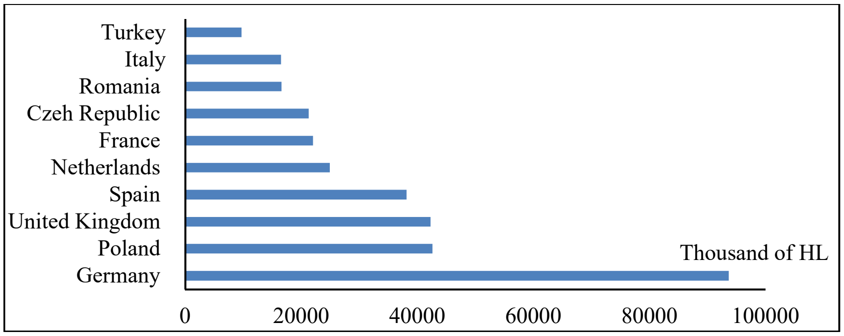

Fig. no. 1. Top 10 Beer producers in Europe (2019)
Source Authors, by using Statistics (2020)

Professional organizations in the beer sector
The Romanian Brewers Association founded in 2005, has established itself both locally and internationally, as a representative of domestic beer producers. The members of the association are important beer producers in Romania: Bergenbier SA, Heineken Romania, United Romanian Breweries Bereprod, Ursus Breweries and Martens, along with the microbrewery Clinica de Bere. Together, the five producers supply over 80% of the quantity of beer consumed in Romania. The Association also includes representatives of the raw material producers Soufflet Malt Romania and the Hop Producers Association. The five member companies of the Association provide approximately 4,000 jobs in the twelve breweries, out of which two micro-breweries (Stanciu, 2017). The production units of the association members are located in Ploiești, Constanța, Craiova, Miercurea Ciuc, Târgu-Mureş, Pantelimon, Timişoara, Buzău, Braşov and Galați, and the two micro-breweries are located in Cluj-Napoca and Timişoara. Since 2008, the Romanian Brewery Association has been part of European Brewery Organization, founded in 1958, Brussels. The members of the European professional organization are the national associations of brewers in the EU states, together with Norway, Switzerland and Turkey. The organization represents the interests of over 9,500 European beer producers in front of various international institutions and organizations and defends the interests of over 2 million employees, who have jobs due to the production and sale of beer.

Beer production and consumption in Romania
The Romanian beer industry is one of the largest employers in Europe and an engine of economic growth for the local economy, Romania ranking the 5th after Belgium, Great Britain, Austria and France, as jobs created directly or in the related sectors (Neagoe, 2019). Beer production represents a real stimulus for the Romanian economy, being one of the important factors in generating economic growth at the level of Romania, especially due to the national character: over 97% of the beer consumed in Romania is locally produced, and over 70% of the agricultural raw materials used for beer production is produced in Romania. The evolution of beer production in Romania has been shown in Figure 2.

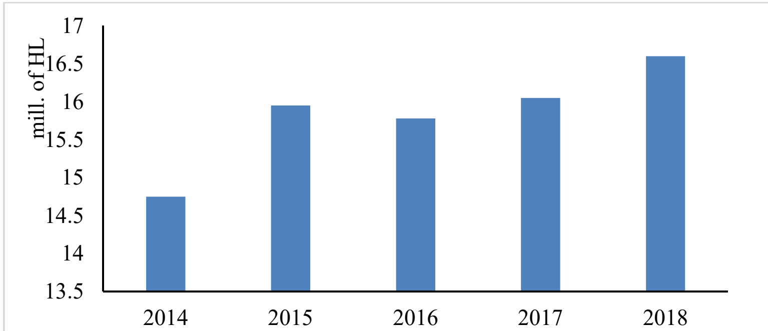

Fig. no. 2. Beer production in Romania

Source Authors, by using The European Brewers, 2020

The beer sector directly generates 5,973 jobs in the industrial sector (direct effects) and indirectly, over 84,900 jobs (Figure 3). Although there are many brands under which beer is sold in Romania, which creates the impression that there are hundreds of producers, the study conducted by Abrihan in 2018 for the publication Start-up Cafe showed that over 87% of the market was concentrated in the portfolio of only 3 companies, all with foreign ownership.

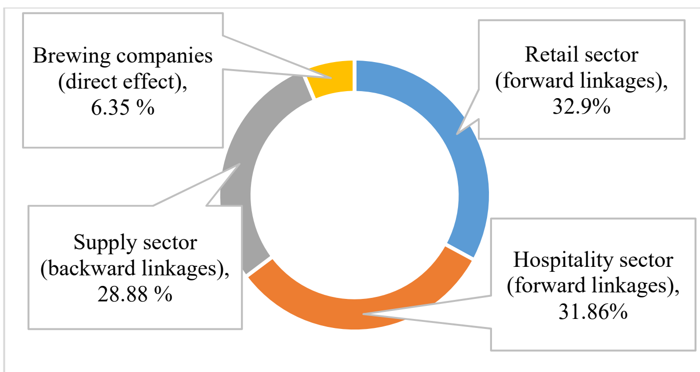

Fig. no. 3. Jobs created by the beer sector in Romania

Source Authors, by using The Brewers of Europe, 2020

The leader in this sector, according to the data from the Ministry of Finance, owned, among others, the brands Timişoreana, Ursus, Grolsch, Peroni Nastro Azzurro, Pilsner Urquell, Ciuc. The company, part of the Japanese group Asahi Breweries, achieved a turnover of 1.7 billion RON in 2017, reaching a market share of 43%. The second place is Heineken Romania SA, a Dutch company that markets in Romania Heineken, Desperados, Ciuc, Golden Brau, Bucegi, Neumarkt, Harghita, Haţegana, Silva, Gambrinus. Affligem, Edelweiss, Birra Moretti, Amstel, and brands in Romania. in 2017 business of about 1.16 billion RON, related to a market share of 29% RON in 2017 and a market share of 15%. The Dutch-controlled company from Molson Coors Netherlands BV sells in Romania the brands Bergenbier, Staropramen, Stella Artois, Beck's, Noroc, Corona, Lowenbrau. The following places were taken, considering the order of the turnover, by United Romanian Breweries Bereprod Ltd. (Tuborg, Carlsberg, Skol, Holsten, Guiness), with business of 392.4 million RON, Albrau Prod S.A. (30.8 million RON), Bermas SA (27.9 million RON), Lixid Project SRL (27.6 million RON), Martens SA (18.1 million RON), Good Brewery SRL (4, 1 mil. RON) and HB Traditional Brewery SRL (1.61 mil. RON). In total, the main 10 players in the market achieved 3.9 billion RON in 2017, representing 99.87% of the total sector. Concentration process in the beer sector is much stronger, compared to other sectors of food production in

Romania (Stanciu et al, 2015). In 2018, the investments of the Romanian Brewery members in the sector were estimated at 74.5 million Euro, the cumulative value over the last fifteen years reaching 1.54 billion euros. Annual contributions of the Brewers Association members to the state budget in 2018 was 255 million euros, and cumulative contribution in the last 15 years has exceeded more than 3.62 billion euros, the association promoting the concept of "clean business".

Key data on the beer sector in Romania in 2018

Romanians are big beer lovers and consumption increases every year. The beer market in Romania has had an average growth in the last years, an average increase of about 3% in volume. In 2018, Romanian producers distributed about 16.6 million HL, each Romanian consuming on average about 85 litters of beer. The preference of the Romanian beer consumers, according to the types of packaging used for the products, is shown in Figure 4. In 2018, beer packaged in glass continued the upward trend registered in 2017, its share increasing by 3.65% in the last four years. At the same time, the quantity of beer packed in the dose increased in 2018 by 2.38%, while the PET packaging registered another significant decrease, of another 3.37%. The types of beer consumed in 2018: Lager beer is the most important among the preferences of Romanians, with a weight of 93.61%. The specialty category, which also includes black, white, ale, red beer, unpasteurized beer etc., had a weight of 2.25%. Beer mixtures and flavoured beers awarded 2.27% of the domestic market and alcohol-free beer 1.87%.

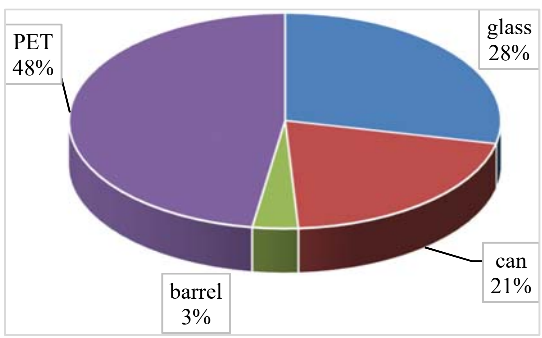

Fig. no. 4. Consumer preferences for beer, by packaging, in 2018

Source: Author, Data processed by the Association of Brewers of Romania, 2019

Regarding the dynamics of the segments, beer mixtures and flavoured beers increased by 8.23%, and non-alcoholic beer increased by 30%, during the year 2018 compared to the previous year. The number of producers increased to 56 in 2018, compared to 39 in 2017.

Key data on the beer sector in Romania in 2019

Over the last few years, Romanian breweries have been upgraded to European standards, with over 1.5 billion euros invested in modernizing production capacities. Most investments have been directed towards the sustainable development of the sector, in order to make water consumption more efficient in beer production, to increase energy efficiency, including by using energy from renewable sources, or to reduce the CO2 footprint. (Neagoe, 2019). The investment efforts of the Romanian Brewery members reached a record level in 2019, amounting to 96.3 million euros, increasing by 22 million euros compared to 2018. The cumulative investments of the Association members over the last 16 years have reached 1.62 billion euro. The level of the annual contributions of the Association members to the state budget is significant, in 2019 being 251 million euros, and over the last 16 years has exceeded

3.88 billion euros. The preferences of the Romanian consumers according to the types of packaging show that the structure of consumption according to market packaging has continued the last year's trends, the stars remaining the products packed in the glass and in the dose, with constant increases of 1-2% annually. In 2019, the weight of packaging for beer intended for domestic consumption, by types of materials, is shown in figure 5.

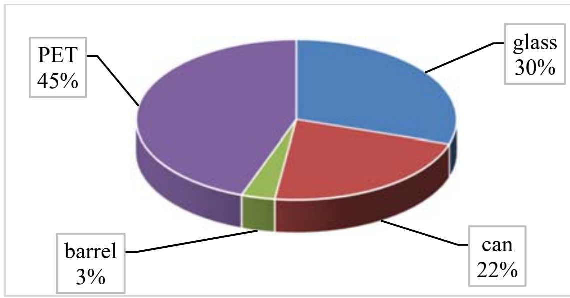

Fig. no. 5. Consumer preferences for beer, by packaging, in 2019.
Source: Author, Data processed Brewers' Association of Romania, 2020

Thus, the share of beer consumption packaged in glass containers has increased in total by 5.2% over the last 5 years. The consumption of beer packaged in the dose increased by 1.6% in 2019, while the products packaged PET underwent significant decrease of 3.1% in 2019. The draft beer consumption was relatively constant. The total decrease of beer consumption in PET packaging over the last five years has reached almost 9%. Last period, there has been a global tendency to reduce consumer preferences for products packaged in PET plastic containers and an increase in sales of beer packaged in the dose, respectively glass (Figure 6).

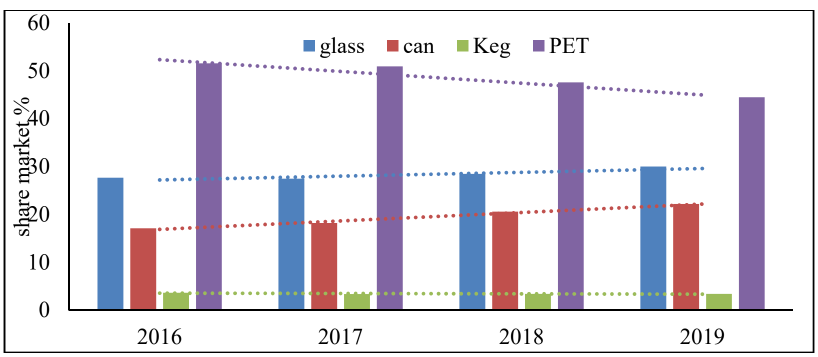

Fig. no. 6. Consumer preferences for beer, depending on the packaging (2016-2019)
Source: Author, Data processed Brewers' Association of Romania, 2020.

Lager beer continued to be the most important among Romanians' preferences even in 2019, with a share of 93% from total consumption. Beer mixes and flavoured beers have 3% of the market and the specialty category, which includes, among many others, black, unpasteurized, white, ale, red beer, 2.2% of the market. Alcohol-free beer had a share of 1.7%. Regarding the dynamics of the segments in 2019, the mixes of beer and flavoured beers increased the most, by 32.5%, while the non-alcoholic beer underwent a slight decrease of 8.2%. Consumption for the other segments remained relatively stable (Figure 7).

Number of beer producers increased to 68 in 2019, compared to 56 in 2018. Imports during 2019 underwent a slight decrease of 0.04 million HL, reaching a total of 0.5 million HL. The number of beer producers increased to 68 in 2019, compared to 56 in 2018. Imports during

2019 underwent a slight decrease of 0.04 million HL, reaching a total of 0.5 million HL. The local beer market has a profound national character, the share of local production being about 97% of the domestic consumption.

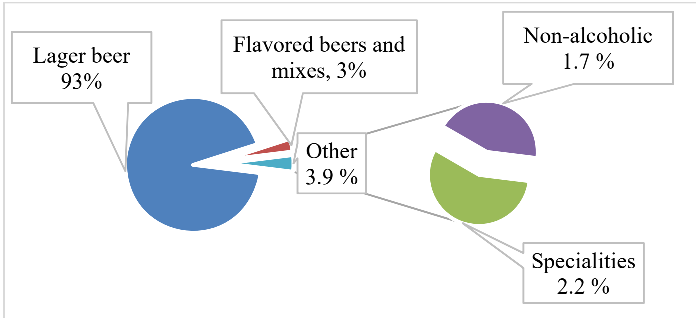

Fig. no .7 Beer assortments preferably consumed by Romanians.
Source: Authors, by using the Brewers Association of Romania, 2020.

Exports decreased slightly in 2019, by 0.05 million HL compared to the previous year, reaching a total of 0.49 million HL. Romania has imported significant quantities of beer in the last years, the trade balance being permanently unbalanced (Figure 8). Germany is the most important supplier of hops and beer for Romania, according to the data transmitted by the National Institute of Statistics, at the request of Capital (2015). According to the RoAliment study (2020), which cites data provided by the European Brewers Association, craft beer can be a growth engine for the Romanian beer industry.

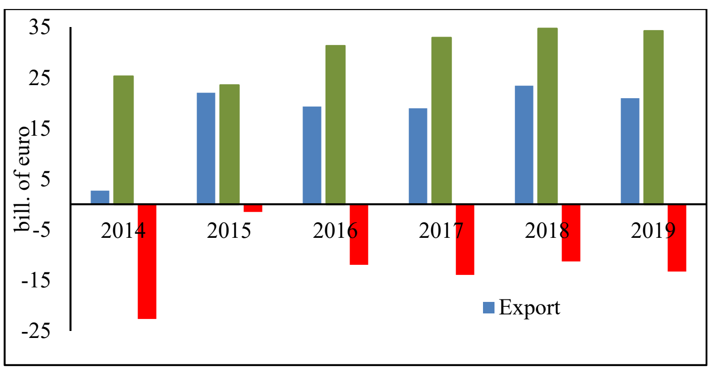

Fig. no.8. Romania's beer foreign trade
Source Authors, based on NIS data, 2020

In 2018, only 50 micro-breweries were operating in Romania, the number of which almost doubled compared to the previous year (30 functional businesses registered in the field). Although this market niche has made progress at national level, the interest of Romanian producers is still low, compared to other European states. The research made by European specialists have shown that the United Kingdom (with over 2,000 businesses in the field), France (1,400 units) or Switzerland (over 900 units in profile) can be models for small domestic entrepreneurs.

Conclusions

The Romanian beer industry is a dynamic sector, which is trying to adapt to the demands and changes of the Romanian consumer's preferences. Romania has begun to emerge as a beer exporter with the refurbishment and optimization of the big factories activity by the multinational companies on the market, which started to produce not only the traditional Romanian brands, but also the international brands on the local market. Currently, 4 large producers are present on the Romanian market, belonging to groups with an international presence in the beer sector, which have developed large production capacities. Micro-factories, specializing in niche segments on the market, may represent opportunities for Romanian beer producers.

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