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RETAIL MARKET

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Retail Food Sector

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Report Highlights:

Romania is the seventh largest nation among the 27 EU nations, with 21.5 million inhabitants. The Romanian Retail market has experienced a tremendous growth in recent years. According to Eurostat, in May 2009, Romania posted the fourth growth rate of the retail sector among the EU member states: up 0.4% against April. Only 4 out of the 27 EU member states posted a positive growth of their retail sectors (Don’t need to say “May” because in previous sentence you already mentioned May in previous sentence). It is unlikely that the Romanian retail sector will continue to grow at such rates (23% percent in 2006 and 18% in 2007), but growth over 10 percent a year for the foreseeable future is widely expected. As modern retail systems grow, exports of U.S. processed and high value foods to Romania will continue to expand. Although the EU market is almost closed to U.S. exporters of meat and meat products, promising export prospects remain. The best of these are fish and seafood, tree nuts and distilled spirits.

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I. MARKET SUMMARY

General Information

Romania is the seventh largest nation among the 27 EU nations, with 21.5 million inhabitants. More than half of the population (55 percent) lives in urban areas, a steady percentage over the last 15 years.

Romania has continued its macroeconomic stability and growth. Over the past few years the government has made the necessary economic reforms to gain entrance to the European Union. With EU membership, Romania implemented harmonized tariffs, and now offers U.S. firms the opportunity to use Romania as an economically advantageous gateway to the EU market.

Romania joined the World Trade Organization (WTO) in 1974, is a member of Codex Alimentarius, and, until EU accession, maintained bilateral free-trade agreements with Israel, Moldova, Turkey, Lithuania, Albania, Bosnia-Herzegovina, Macedonia, and the Black Sea Economic Cooperation organization.

With EU membership, Romania implemented harmonized tariffs, and now offers U.S. firms the opportunity to use Romania as an economically advantageous gateway to the EU market.

Romania has amended legislation regarding import and export regimes, standards and technical regulations, public procurement, competition policy, and intellectual property rights to align its legislation with the EU *acquis communautaire.*

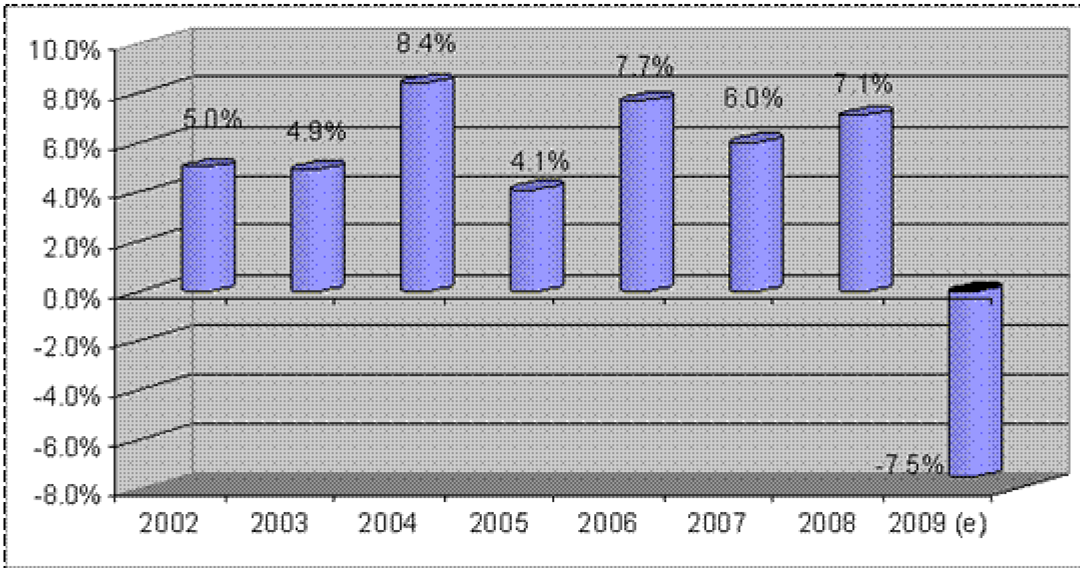
Four government bodies currently regulate the food industry. The Ministry of Agriculture and Rural Development regulates imports and exports of planting seeds and planting materials including bio-engineered crops, pesticides and fertilizers. The Veterinary and Food Safety National Authority is the main body in charge of sanitary-veterinary and food-safety activities, including imports and exports of food products of animal and non-animal origin. The Ministry of Health is responsible for overseeing the production and registration of drugs and food additives. The Ministry of Environment and Sustainable Development is the main body conducting environmental risk assessments for genetically modified crops.

As predicted below, economy continued its positive growth in 2008, but a sharp drop of 7.5% was expected for 2009. The statistical data indicate a negative rate of growth of gross domestic product (GDP) at 7.6% for the first semester in 2009. Two thirds of this drop is attributed to services and industry, and in a lesser extend to agriculture and constructions. However, a positive GDP growth of 0.5-1 % is predicted for 2010.

Foreign Direct Investments declined by 43% during the first half of 2009 compared to the first semester of the previous year, reaching almost 4.06 billion USD.

The most recent data published by the National Employment Agency (ANOFM) show a continuing upward trend rate of unemployment, from 3.9% in September 2008 to 6.9 % a year later. Currently, the number of unemployed people is 625,000 and the figure is expected to climb further. The unemployment peek of 9-10% will probably be reached in mid 2010, considering the expected lay offs in the various sectors.

Chart 1. Gross domestic product growth (percent), 2002-2009



Source: National Institute for Statistics

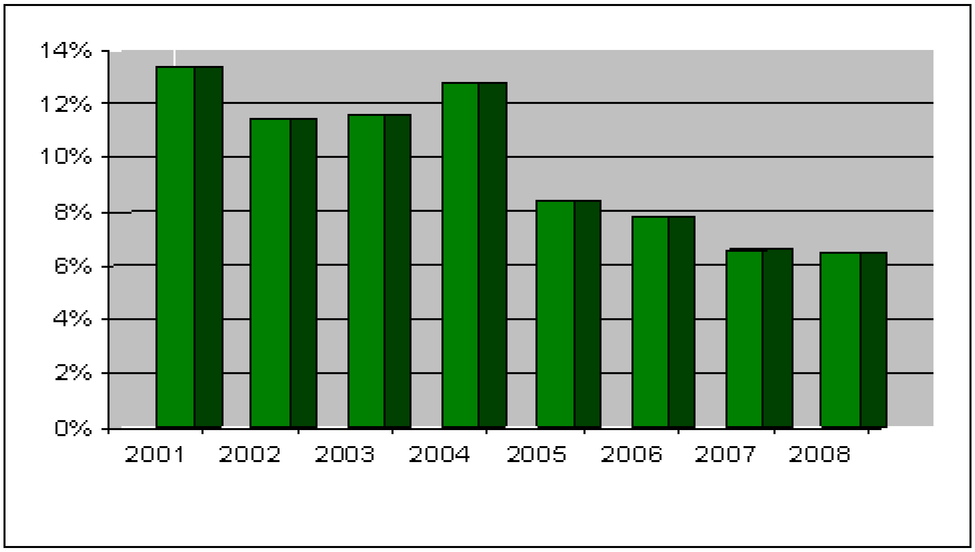
The annual rate of inflation reached 4.94 percent in September 2009, higher than a month earlier, due to an advanced excise increase. Relatively good agricultural output, demand contraction and moderate influence of wages in industry are the main factors to offset the negative effects of exchange rate fluctuations and climbing fuel prices. The rate of inflation is expected to be 4.5% at the end of 2009. The target set by the National Bank of Romania for 2010 is 3.5 percent, while 3% is the level expected for 2011.

Romania's economy continues to converge toward European norms. Agriculture saw its contribution to the national economy shrink yet again. A combination of delayed subsidies payments and government reforms has seen the agricultural sector decline from 13 percent in 2001 to 6.6 percent in 2007 and only 6.1 in 2008. Regardless of its relative decline the agricultural sector still employs roughly a third of the population and is therefore important to the overall economic well-being of the country.

The retail sales (both food and non-food) contracted severely during 2009, with a peak in June 2009 of 18% and continued at a lower rate until September 2009, when it reached a drop of 12% compared to September 2008, according to the Romanian Statistical Office. The rate is among the highest within EU and far from the EU-27 average of 2.5%.

The agricultural production in 2009 was generally good in case of spring crops, such as corn and sunflower seeds, but lower than previous year in case of winter crops, such as wheat and rapeseeds, because of the dry spring.

Chart 2. Agriculture Contribution in GDP (percent), 2001-2008



Source: National Institute for Statistics

The total value of U.S. agri-food exports to Romania in 2008 was USD 82 million, an increase of 30% from 2007. The surge was driven mainly by exports of soybean meal, soybeans, tobacco, planting seeds, and tree nuts.

Romania's agricultural exports to the United States in 2008 reached USD 8.7 million, a decline of 24 percent from 2007. The main products exported, by value, were snack foods, cheese, wood products, wines, and processed fruit and vegetables.

The excellent crop harvested in summer/fall 2008 was reflected in exports, which climbed by 27% during the first seven months of 2009, reaching 1.68 billion USD. On the other hand, consumers demand contraction and good agricultural domestic production in 2009 called for a lower agri-food imports, which declined by 3.6% to 2.94 billion USD.

Following the general import trend, the value of U.S. agri-food exports to Romania dropped by 24% during 2009 compared to a year earlier, reaching 60 million USD. This decline was driven mainly by lower exports of soybean meal, seafood, sugar, dairy products which could not be compensated by higher exports of planting seeds, tree nuts and other bulk products.

In January 2010, records of National Statistics Institute indicate the first signs of annual imports figure growth after November 2008.

Retail Market

The Romanian Retail market has enjoyed tremendous growth in recent years. The expansion of modern retail forms has certainly positively influenced the industry, contributing to its development. According to Eurostat, in May 2009, Romania posted the fourth growth rate of the retail sector among the EU member states: up 0.4% against April. Only 4 out of the 27 EU member states posted in May a positive growth of their retail sectors.

Despite struggling to attract investor interest during the peak of the crisis, Romania is now attracting interest once again, as investors recognize the excellent potential to purchase assets at historically low prices, which are likely to stabilize in the medium term. Regarding the retails sales, the “CEE Retail in 3D” study done by Jones Lang LaSalle states that although on average the Central Eastern European countries sales may be dropping, there are markets like Romania where the situation is still relatively healthy.

It is unlikely that the Romanian retail sector will continue to grow at such rates (23% percent in 2006 and 18% in 2007), but growth over 10 percent a year for the foreseeable future is widely expected. As modern retail systems grow, exports of U.S. processed and high value foods to Romania will continue to expand. This growth will be fuelled by increasing purchasing power and expanding modern retail.

The Romanian Retail Market is estimated at a value of 31 billion USD (90.15 billion RON), tendency maintained by the food products sales. The Euromonitor International study shows an increase of 13 percent on the sales of food products, beverages and tobacco and a decline of 3.6 percent for non-food product sales. According to the same study, in 2011 the market is expected to reach 36 billion USD (105 billion RON), a growth of 8.9 percent compared to 2010.

Stores selling food and non-food products are dominating the retail market, representing 97 percent of the total value this year, respectively 27 billion USD. Direct selling, online, home-shopping and automated ones will reach over 680 million USD this year. According to the Euromonitor market analysis, over the next couple of years, food products, beverages and tabbacco segments will have a steady growth reaching in 2011 a value of 23 billion USD. Compared with 2010, the food products consumption will increase with 10.6% in 2011.

The most dynamic segment will be the online selling, with an 11.4% increase in 2010 and 16.1% in 2011, reaching a total value of 192 billion USD.

According to study ***"Why is the Central European consumer goods and retail sector so interesting?"*** prepared by Deliotte Business Consulting, the value of Romanian retail market estimated in 2007 is expected to grow by 132% over the next 10 years.
The analysis is based on the present reduced market dimensions and selling value per inhabitant.

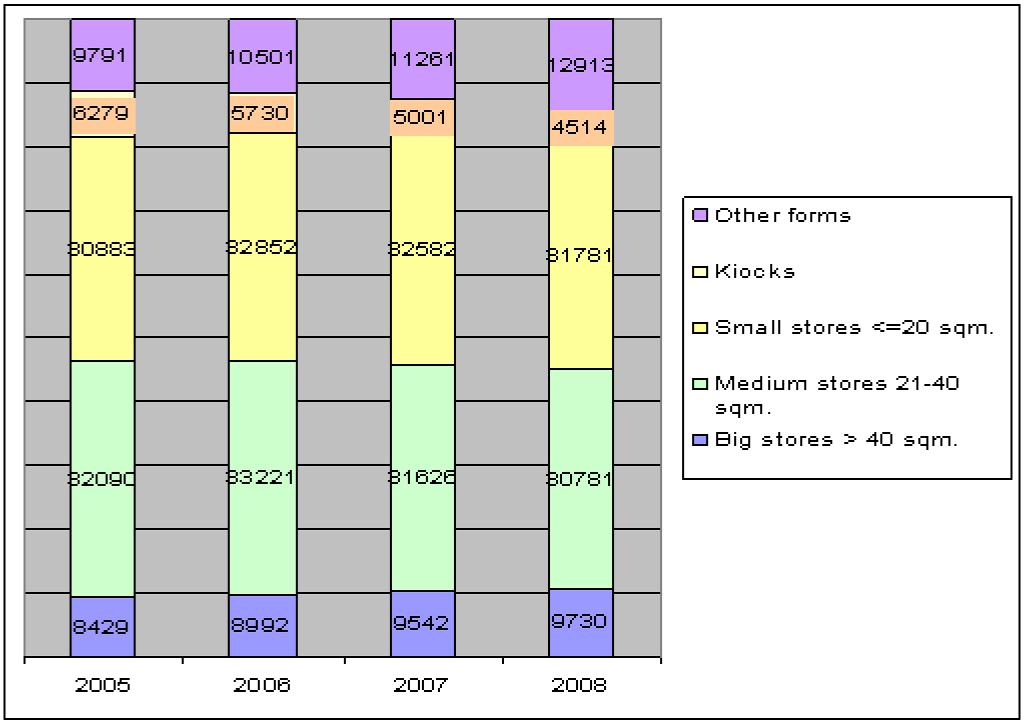
Based on the same study, the retail hypermarkets number was estimated for 2009 to be 134,300, with 4.700 units less then 2008. The decrease is mainly due to closing of smaller food stores and non-food ones which didn’t overcome the economical crisis.

In 2011, number of retail hypermarkets is predicted to reach 136,400, and for the next couple of years an upward trend is expected for non-food segment. The grocery stores will maintain the same number in 2010, but they keep the growth potential for 2011.

The total stores surface was maintained in 2009 at the level of last year, 8.3 million sqm, but is foreseen to grow at 8.8 million square meters until 2011. Food stores were recording an increase compared with 2008 totaling 4 million square meters in 2009, while non-food stores had a total of 4.2 million square meters, recoding a decrease compared with the previous year.

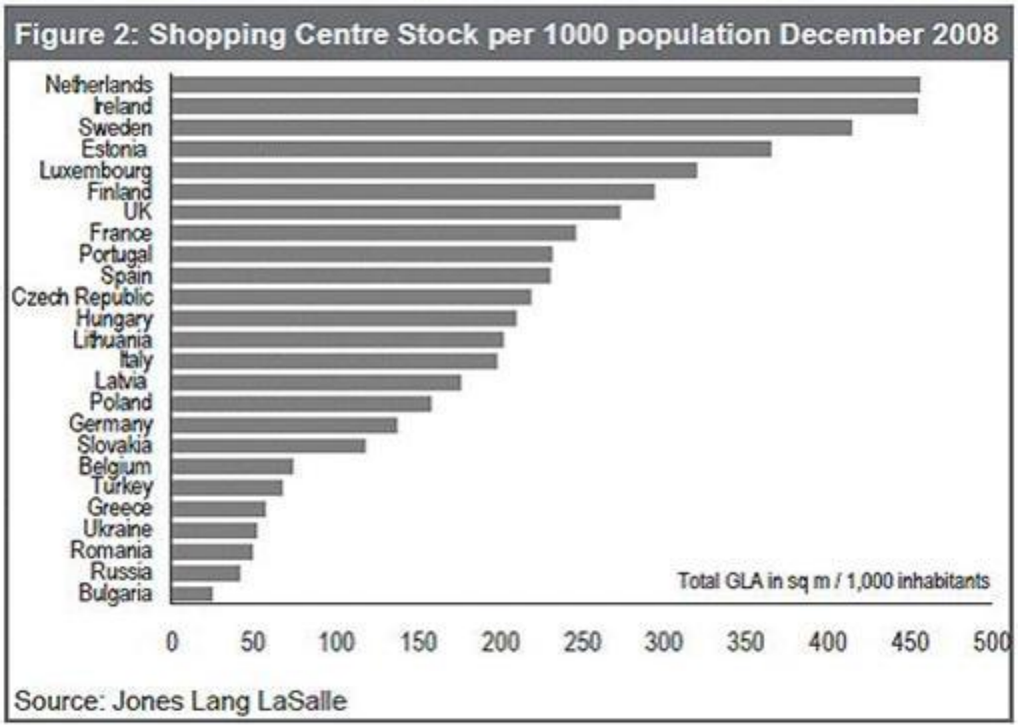
The Romanian modern retail trade continues to lag neighboring countries. Romania started growth from a modest beginning in September 2007 from 25 of modern retail space reaching in December 2009, 50 sqm per 1,000 people as measured by gross leasable area (GLA) - see Chart 4.

Chart 3. Retail market numerical evolution, Romania, 2005 to 2008



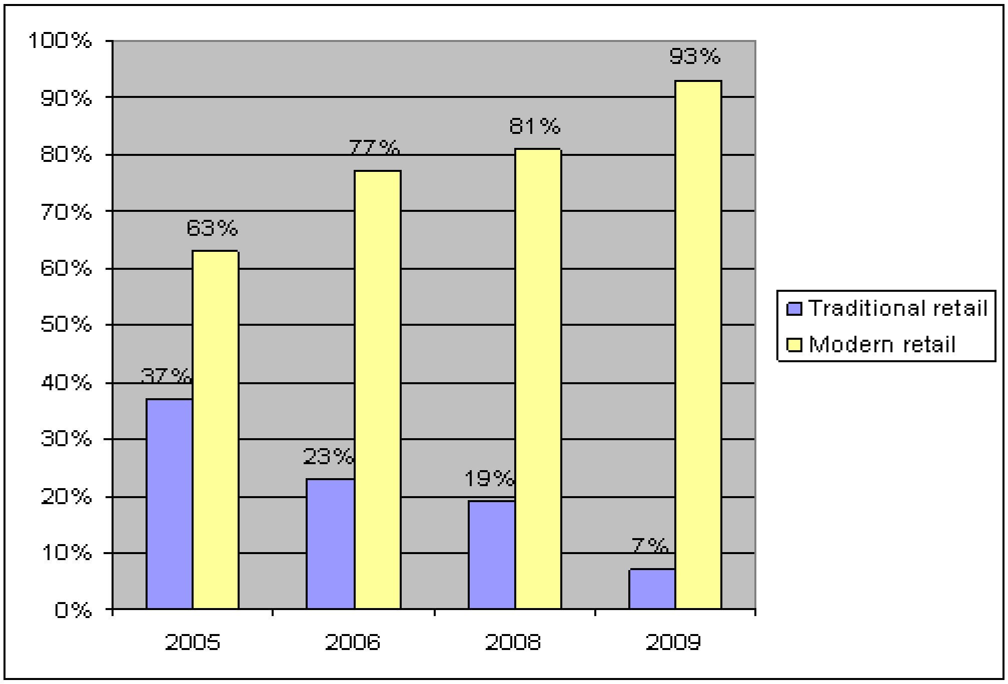
Source: Retail Audit Nielsen

Chart 4. 2008 Shopping Center Stock/ 1,000 people in EU



In 2001, total retail sales were valued at USD 9.8 billion and it expanded to USD 31 billion USD in 2009. This growth will be fuelled by increasing purchasing power and expanding modern retail. As the data indicate below, in 2009, 93 percent of retail is part of the modern retail sector, compared to 63 percent in 2005. This growth has even outstripped government and market research firms' predications. Chart 5 is the primary explanation for this extraordinary growth.

Chart 5. Modern vs traditional retail market, Romania, 2005-2009

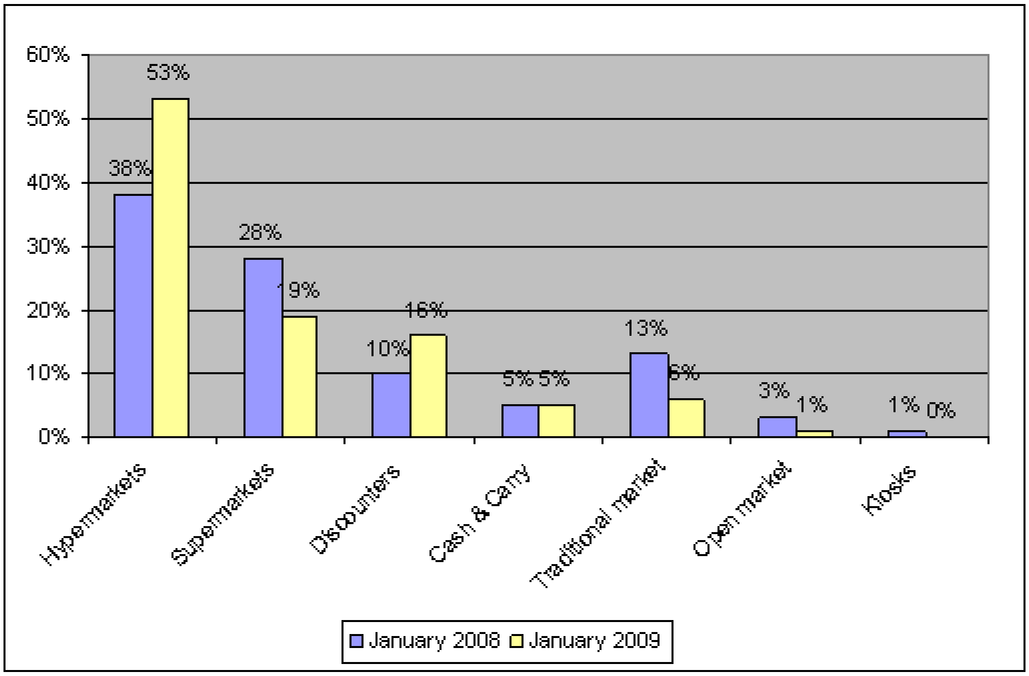


Source: Retail Audit Nielsen

The low starting point has allowed international retail firms ample opportunities in Romania. However, deeper market penetration in the major cities has resulted in two basic strategies for firms considering additional expansion. The first of these strategies is to replace supermarkets with hypermarkets in the big cities and Bucharest. The result is indicated in the Chart 6, where the size of supermarkets share in modern retail actually declined, after years of strong growth. This strategy allows the hypermarkets to compete with the cash & carry stores with regards to product shelf space, while offering consumers better high end goods at reasonable prices. The second strategy is for hard discount firms to move to smaller cities to compete with cash & carry for rural consumers, traditional markets and kiosk owners business.

According to “CEE Retail in 3D” study done by Jones Lang LaSalle, in Romanian the retail demand remains strong for quality centers in Bucharest. However, with the discrepancy observed in spending power between the capital and the regional cities being significant, retailers are extremely cautious with their movement into regional cities and are assessing every opportunity carefully.

Chart 6. Retail market structure, Romania, 2008 vs 2009



Source: Retail Audit Nielsen

Map 1. Distribution of Modern Retail (see map also in Annex 1)

Source: Piata publication

Bucharest, with a per capita income of more than three times the national average has seen accelerated growth of modern retail. The latest retail developments in Bucharest have been designed to take increased consumer sophistication and spending power into account.

The situation in Bucharest is similar to the situation in Romania in general, in that the strong recent growth in modern retail has not saturated the market. Bucharest, as of January 2008, has 217 sqm (GLA) per 1,000 people of modern retail space. When compared to other regional capitals, below, it is obvious that additional retail development will continue in the future.

Table 1. Modern retail density

City	GLA/ 1,000 People
Warsaw	500
Prague	400
Bucharest (RO)	217
Cluj (RO)	404
Galati (RO)	80

Source: Jones Lang LaSalle

International and local retailers continued to develop their expansion plans in 2009, but at moderate speed compared with the previous years. Out of the 157 stores planned for 2009, just 129 were materialized. In addition, in 2009 approximately 32 stores were closed, including also one hypermarket and other supermarkets (Table 2).

Table 2. Number of stores closed in 2009

Name	Number of stores closed
Carrefour	1
Pic	5
Primavara	2
Ethos	5
Trident	2
Annabela	1
Fidelio	5
miniMAX	1
Spar	10
TOTAL	**32**

Source: Piata publication

Based on data provided by retail networks representatives, Piata publication estimate that in 2010 the modern retail will continue to grow and expand similar to last year and the most successful segment in the following period will be the discount one. Hypermarkets and supermarkets number will continue to rise at a lesser extend compared with 2008. Local supermarkets operators are cautious in their expansion plans for 2010 and probably will delay their development plans. The four discount retailers in Romania have announced for 2010 the inauguration of 79 new stores (Table 4).

Table 3. Modern retail balance sheet for 2009

	Number of stores opened in 2009		
Name	Planned	Accomplished	Total investment (million EURO)
Selgros	2	1	38
Carrefour	10	2	40
Real	5	4	92,9
Auchan	2	1	20
Cora	1	0	
Kaufland	12	6	48
Carrefour Express/market	10	4	8
Mega Image	8	8	
Red Market		2	
Billa	10	9	27
Interex	5	2	1,8
Primavara	0	2	
Trident	5	1	15
Ethos	7	2	1
Annabela	0	2	
Diana	0	2	
Paco	1	1	0,5
Fidelio	6	1	
Penny Market	25	28	42
Plus Discount	25	24	36
Profi	8	15	22,5
miniMAX	15	12	4
TOTAL	**157**	**129**	**396,7**

Source: Piata publication

Table 4. Modern retail expansion plans for 2010

Name	Number of stores in 2009	Openings in 2010
Metro	24	1
Selgros	18	1
Auchan	7	2
Carrefour	23	n/a
Carrefour market	6	10
Cora	3	1
Real	24	1
Kaufland	45	6
Billa	45	10
Mega Image	48	n/a
Interex	12	1
Red Market	2	n/a
G'market	6	0
Penny Market	93	25
Plus Discount	96	24
Profi	67	10
miniMAX	30	20
TOTAL	**547**	**112**

Source: Piata publication

At the beginning of 2010, the German retailer LIDL was announcing the acquisition of PLUS discount stores network in Romania and Bulgaria, previously owned by Tangelmann group. PLUS retailer has closed the year with 388 million USD sales at local level. Present in Romania since 2005, PLUS had a rapid development reaching presently 96 stores with sales estimated at 490-560 million USD in 2009.

Private labels

The emergence of modern trade forms brought, besides the change of Romanian consumer behavior, the private brands of the stores. Private labels have been developed for the main food and beverages categories: cooking oil, flour, canned food, processed meats, peanuts, ketchup, mustard etc.

The private brands haven't built yet a clear image in the consumer's mind because some brands are known, but they are not associated with the store that offers them, while others are not known, but it is common knowledge that the store trades private brands.

The main retail chains selling products under private label, both food and non-food products, are: Carrefour (Marca 1), METRO (Aro and METRO Quality), BILLA (Clever), Cora (Winny), Mega Image (365) and KAUFLAND (K-Classic). Other stores such as Auchan, Pic, G'Market, Plus, Profi, Penny Market, Hard Discount, Interex, Ethos, Mini Max Discount, Spar have private brands too.

Based on a study made by MEDNET Research Company, the most advertised private brands are those of Real hypermarket. Thus, in Real case, 79.3% among the hypermarket customers - that knew Tip and Real Quality brands - have known that they were "made" by Real.

Relating the number of those who have purchased the private brand to the number of the customers of each store, the results show that half among Billa customers have purchased Clever products, 41.4% of Metro customers have purchased Aro products, 31.0% - Winny products (Cora). Auchan brand has the highest purchasing rate (44.0%) because the brand notoriety level is sustained by the store's notoriety. In case of Auchan, the private brand benefits from a strong support and advertising without being purchased by the store's customers because it's having the same name with Auchan hypermarket.

The same study indicate that on the private label categories of products preferred by customers, the only private brand of Billa – Clever – is bought by 85% of the store's customers and the most purchased products of this brand being from "grocery" category.

The most known Carrefour private brand is No.1, which is being bought by 80.2% of the Carrefour, most of the products being included in "grocery" category (oil, sugar, flour).

In Cora's case, the most known private brand is Winny, this being purchased by 68.9% of the hypermarket clients that know this brand. The most purchased Winny products are the cleaning ones.

Metro brought to market Aro private brand. 85.7% of Metro's customers have bought the private label products, most of them being from "grocery" category.

Real hypermarket has the same notoriety for both private brands. In this context, the TIP products are bought by 70.3% among the customers that know it, while Real Quality products by 67.6% among the hypermarket clients that know it. Regarding Tip brand, the most purchased products are the grocery category products (76.9%), while Real Quality brand is the most purchased for dairy/ cheese products.

Although the private label products have become quite attractive in this unfavorable economic context because of the low price, private brands are not seen as good quality as the conventional brands. For that reason, private brands products, being supported by the price and gaining notoriety will be more and more present on the Romanian retail market, due to the fact that consumers will become aware by the fact that for the producer brands they pay in addition for the "image" and not necessarily for the products' quality.

Table 5. Advantages and Challenges facing U.S. Products in Romania

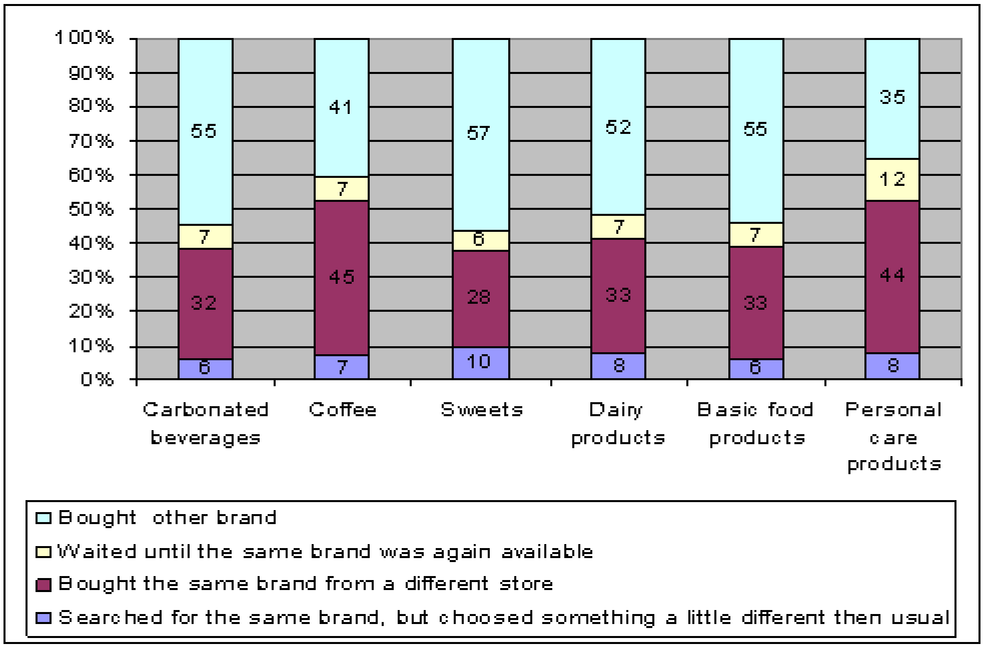
Advantages	Challenges
The growing retail industry is looking to diversify the range of food products	There are very high entry-costs to supermarkets for new product lines as well as additional marketing costs (advertising, discounts)
The retail expansion will allow more Romanians to access modern retail	EU accession imposed new barriers to entry for U.S. products, especially in poultry and red meat products
Increasingly wealthy and sophisticated consumers desire an expanded product range	The relatively low purchasing consumer power, only a small segment of population affording buying novelty or very-good quality products
Weak U.S. dollar makes U.S. products more competitive	EU member states benefit of tariff preferences compared to U.S. when entering the Romanian market

Brand loyalty

With two new chains entering the Market in 2007, Spar and Auchan, the competition for customers has intensified. This has driven the chains into smaller cities and to develop customer loyalty programs. The likely long-term outcome of this increase competition is lower prices for the consumer and more competitive pricing for floor space for new product line.

The brand loyalty in cases of products out of stock records a slight increase compared with 2008 data for sweets and for basic food products. There are more and more customers inclining to wait for their preferred brand to become available in the store. However, coffee and personal care products loose from loyalty.

Chart 7. Customer brand loyalty

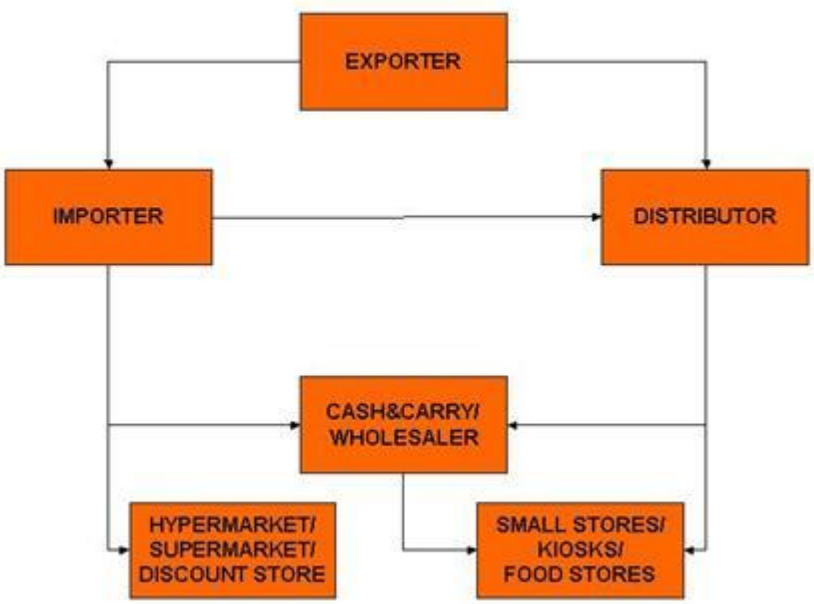


Source: Piata magazine

II. ROAD MAP FOR MARKET ENTRY

Retailers source their food and beverages products mostly from local suppliers, either domestic producers or importers. However, when dealing with private label products few supermarkets work directly with exporters.

Diagram. How goods flow



Importers and distributors are direct suppliers for retailer stores and are familiar with existing legislation, trading practices and customers. Most importers/distributors have distribution channels with national coverage. One strategy for entering the market is to work directly with them.

Small stores purchase food mostly from wholesalers/Cash & Carries. As the major part of retail structure is still made by the small food stores, it is important that the exported products reach these wholesalers.

Another type of strategy is that the U.S. exporters find an exclusive local representative. In this case, the representative would be totally devoted to one company's segment of products and be responsible for all promotional activities (advertising, sampling).

Given the expansion of modern retail, some supermarkets and hypermarkets started to develop their own logistical centers. However, as the small kiosks and traditional stores are declining in numbers, the distributors will still play an important role in the retail market. In the medium and long run, market concentration and consolidation is expected among distributors, as some of the companies might not have enough resources to fulfill the increasing needs of retailers.

III. MARKET STRUCTURE

A. HYPERMARKETS, SUPERMARKETS, CASH&CARRIES AND DISCOUNT SHOPS

Company Profiles

Retailer Name and Outlet Type	Ownership	Turnover 2008 ($Mil)	Current no. of outlets	Market Share	Purchasing Agent Type
METRO Cash&Carry	German	$ 2,005	24	7.66	Importer, Direct Distributor
CARREFOUR Hypermarket	French	$ 1,267	22	4.84	Importer, Direct Distributor
SELGROS, Cash&Carry	German	$ 1,054	18	4.03	Importer, Direct Distributor
KAUFLAND Hypermarket	German	$ 955	45	3.65	Importer, Direct Distributor
REAL Hypermarket	German	$ 881	24	3.37	Importer, Direct Distributor
CORA Hypermarket	Belgian	$ 490	4	1.87	Importer, Direct Distributor
PENNY Discount	German	$ 419	93	1.60	Direct Importer
BILLA Supermarket	German	$ 397	45	1.52	Importer, Direct Distributor

AUCHAN Hypermarket	French	$ 342	7	1.31	Importer, Direct Distributor
PLUS Discount	German	$ 340	96	1.30	Direct Importer
Mega Image Supermarket	Belgian	$ 162	48	0.62	Importer, Direct Distributor
PROFI Discount	Belgian	$147	67	0.56	Direct Distributor
PIC Supermarket	Romanian	$ 137	-	0.53	Direct Importer
Carrefour Ex/market	French	$ 128	25	0.49	Importer, Direct Distributor
Interex Supermarket	French	$ 118	12	0.45	Importer, Direct Distributor
TOTAL TOP 15		$ 28,009		33.80	
TOTAL ROMANIA		$ 78,469		100.00	

Source: Piata publication, Ministry of Finance, National Statistics Institute, FAS

Hypermarkets

Hypermarkets: Stores with more than 2,500 sqm (25,000 sq.ft) selling a wide variety of food and non-food items.

Carrefour was the first Hypermarket chain to enter the Romanian market. Opening its first store in 2001, its growth has been impressive. Turnover has grown from 95 million USD in 2002 to almost 1.3 billion USD in 2008. Carrefour plans to continue its expansion in Romania, although 2009 was the first year when sales figures declined with about 1.2% for the first 9 months. Due to the real estate crisis, Carrefour was adjusting the 2009 expansion plans from ten stores to just two new locations. Furthermore, the retailer was closing one of its units in Braila city, following the closing of Armonia Shopping Mall.

Cora Romania, part of Louis Delhaize group, was recently inaugurating the fourth hypermarket in Romania in a newly opened Shopping Mall in Bucharest called Sun Plaza. This Cora hypermarket has about 13,000 sqm, and is offering its customers over 80,000 products, 86 cashier desks and 2,000 parking places. The other three Cora hypermarkets are two of them located in Bucharest and one in Cluj city. According to Ministry of Finance data, Cora Romania was reaching in 2008 a turnover of 490 million USD and a net profit of almost 28 million USD. Cora was entering the Romanian market in 2003.

After just 3 years presence in Romania, Real, hypermarket division of METRO, in entering the top 100 most valuable companies in Romania with 242 million USD value. Real opened its first hypermarket in Timisoara in 2006, has currently has a network of 24 stores, with plans to expand to 25 stores by the end of 2010. Due to their aggressive expansion, Real Romania didn’t register until end of 2008 a net profit.

Kaufland, the hypermarket division of Germany's Schwarz Group, has developed one of the most extensive networks in Romania. The first Kaufland outlet in Romania was opened in the summer of 2005 in Bucharest. In 2009, Kaufland was among the few which are maintaining the expansion plans unchanged. Due to large percentage of food-products sold in their stores (about 80%), the retailer was less exposed to the declines in customer consumption levels. The economic crisis was affecting more the non-food products consumption, following this assessment Kaufland's business could maintain the upward trend and gain market share. Over the last two years, the accelerated expansion was sustained with BERD financial support and will be continued for the following years. With the new credit line the retailer will be financing its entrance in the smaller cities of Romania, with 25,000-40.000 inhabitants, Kaufland becoming the first retailer which is entering this market segment. In 2005 the retailer had plans to operate in Romania 50 units, but the BERD credit lines could potentially double the expansion target at local level. According to Ministry of Finance data, Kaufland Romania was reaching in 2008 a turnover of 1 billion USD.

The French retailer Auchan is present in Romania since 2006. They currently have a network of 7 stores, with plans to expand to 9 stores by the end of 2010.

Supermarkets

Supermarkets: Stores with between 400 sqm. and 2,500 sqm.(4,000 to 25,000 sq ft) selling a wide variety of foods and non-food household goods

The German company Rewe opened its first Billa store in 1999 and currently the chain is the biggest supermarket network including 45 outlets (with 2 outlets opened in 2010). The surface of the stores is 1,000-2,400 sqm/store, about 10,000 items being displayed. Billa retailer planned to double the expansion rate in 2010 compared with the previous year. In 2009 the company reached 9 new locations, and following the expansion plans for 2010 they could finalize almost 20 new projects, with investments of 28-56 million USD. The Rewe group is operating in Romania also the Selgros Cash & Carry and Penny Market discount networks, reaching in total a turnover of almost 1.5 billion USD in 2008.

The first GIMA store was opened in 1998 and the group currently manages 6 outlets. In 2005, the company changed the outlet name from Gima to G'Market. It carries about 40,000 items and the average store size is 5,000 sqm. Benefiting from an investment made by Anchor Group, its major shareholder, the G'Market network will raise its capital reaching almost 9 million USD. Based on the retailer statements, G'Market is evaluating more locations in their search for expanding the store network in the coming years.

Mega Image has expanded its presence on the market through the acquisition of the La Fourmi store chain. Delhaize Group has bought La Fourmi through its Mega Image subsidiary, from Greek investment fund Global Finance, which held around 90% of the company's share capital, and from a number of private investors. Mega Image decided to focus on large markets, attempting to attract customers with easiness of access over size and selection. Their average store is small, approximately 600 sqm. They have a current network of 48 stores. The company will invest 4.2-4.9 million USD to renovate the 14 LaFourmi stores in Romania, with rebranding works set for completion by the end of the year.

Wholesalers / Cash&Carries

Cash & Carry: Membership style retail/wholesale stores with a varied selection of products sold under a warehouse style format. These stores have a broad product range in the food and non-food area.

Metro Cash & Carry, the biggest player in Romanian retail, with 2.24 billion USD annual sales entered the Romanian market in 1996, selling about 35,000 items, mostly from local suppliers. Selling products under own labels, which do not require significant advertising and partnerships with local suppliers, is part of the retailer's strategy, the group operating the most well-known private label ARO. Metro Cash & Carry announced the re-launch of its private labels, in a year of declining consumption, in which retailers' private labels are gaining ground against established brands as they provide a

cheaper alternative to consumers. Metro's own private label products reach shelves at 10-20% lower prices than those of established brands, according to the data provided by the retailer. Metro representatives announced the new strategy would double the weight of private labels in total sales generated by the cash & carry network on its 30 markets, by 2012.
Selgros Cash & Carry Romania consists of 18 outlets with a product range of 35,000 items each, both food and non-food. Germany-based Selgros Cash & Carry maintains its expansion target at 21 stores on the Romanian market, but says land price is still an obstacle to expanding the network.

Hard Discount shops

Hard discounters: Small supermarkets with a limited range of low cost products, often private label.

Following the Central European model, many discount shops have begun focusing their expansion in smaller cities.

Penny Market discounter store network , a brand of the German Group REWE, along with XXL Mega Discount, is currently planning to expand with further 25 new stores in 2010, with an average 1.8 million USD investment per store. The retailer ended 2009 with 100 operational stores after concluding 28 expansion projects and recently opened their 102 unit. Penny Market stores have a surface of 750 sqm. and a product range of 1,200 items, of which food products count for about 80 percent. Most of the suppliers are domestic. Penny Market targets cities with less than 20,000 inhabitants. In 2009 , the retailer's investment budget stood at 63 million USD, a sum that also covered land acquisitions for the network's expansion in 2010. Discounters are the only food retail operators that announced they would further expand in 2010 without cutting the pace against this year, on a market where investments have almost halved as a result of the lending freeze and consumption decline.

Plus, developed by the German group Tengelmann, entered the Romanian market in 2005 and currently has a network of 96 stores. The average investment per store is around USD 1.8 million, though this is expected to increase as construction prices rise. They intend to have 170 stores by 2010. At the beginning of 2010, LIDL German owned network announced the acquisition of food stores network PLUS in Romania and Bulgaria, from Tengelmann group.

Profi, which posted around 196 million USD in sales last year, is the third largest food retailer on the discount store market, after Penny Market and Plus. Enterprise Investors, manager of investment fund Polish Enterprise Fund V, which exited the retail market in 2007 by selling Artima supermarket chain to Carrefour for 77 million USD, has signed the acquisition contract for discount retailer Profi. The transaction amounted to 92.4 million USD and marks the return of an investment fund to food retail, less than two years after the exits made by Enterprise Investors and Global Finance in this sector. Profi currently has around 67 operating stores, and last year reported a 147 million USD turnover to the Ministry of Finance, and a 0.28 million USD net profit. Investment fund Enterprise Investors wants to expand Profi network by at least 10 new stores in 2010 and is leaning towards the convenience supermarket concept rather than the discount store concept.

B. TRADITIONAL MARKETS

Traditional markets continue to have strength in rural areas, where residents do not have access to modern retail. With the current push of modern retail into second-tier cities, traditional markets are going to be under more pressure. The EU has decided not to strongly enforce some of the laws that will affect many of the traditional markets. In the rural areas, meat and other goods (cheese products) can still be found at traditional markets. As increased compliance with EU law comes into affect some of the mentioned products will no longer be sold in traditional markets. These markets have managed to find some niches in Romania where they are able to stay compete. Even in cities, traditional markets continue to attract more than 50 percent of the market for fruits and vegetable.

IV. COMPETITION

Product Category / Total Import value 2008 (thousands USD)	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of local suppliers
Pork meat Import 2008: Th. $ 668,382	Germany (28%) Hungary (19%) Spain (11%) France (8%)	Ability to meet EU requirements ; Good quality meat; Consistent supply; Short distance for EU member states;	Insufficient domestic supply; low quality and high prices
Poultry meat Import 2008: Th. $ 221,164	Netherlands (28%) Brazil (16%) Hungary (12%) Germany (8%)	Ability to meet EU requirements; Very competitive prices; Short distance for EU member states;	Ability to provide the market with fresh poultry meat; branded products; high prices for domestic production
Beef (chilled and frozen) Import 2008: Th. $ 40,758	Austria (30%) Italy (16%) Germany (12%) France (11%) Poland (10%)	Ability to meet EU requirements; Good quality meat; Few sources in the region;	Very few specialized beef farms; reduced and seasonal supply (during fall)
Frozen fish and seafood Import 2008: Th. $ 148.613	Spain (19%) Italy (13%) Netherlands (9%) Poland (8%) Norway (6%)	Competitive prices; Short distance for EU member states;	Species in demand are not domestically produced; domestic species are mainly seasonally available
Meat products Import 2008: Th. $ 34,917	Hungary (38%) Brazil (16%) Netherlands (16%) Germany (10%)	Proximity Consistent supply; Ability to meet EU requirements	Well-establish meat-processing industry able to supply a large variety of products; highly protected market
Nuts, peanuts, almonds, pistachio Import 2008:	Iran (21%) United States (19%) Germany (18%)	Proximity; low prices; favorable currency value; very good quality products	Products not available on the local market

Th. $ 18,839	Belgium (13%)		
Processed fish Import 2008: Th. $ 41,944	Thailand (32%) Poland (20%) Italy (9%) Germany (7%)	Preferential duties; good quality products for reasonable prices	Underdeveloped fish-processing units; low production
Pet food Import 2008: Th. $ 155,914	Hungary (49%) Italy (7%) Germany (5%) United Kingdom (5%)	Preferential tariffs for certain types of pet food; well known brands Proximity; low prices;	Emerging stage for domestic processing units; prohibition of bone meal usage in commercial animal feeding
Frozen vegetables Import 2008: Th. $ 32,210	Belgium (40%) Poland (20%) Hungary (11%) Italy (8%)	Good quality products at good prices; attractive packages	Low domestic supply; absence of competitive processing units
Fruits and vegetables juices Import 2008: Th. $ 43,562	Netherlands (28%) Austria (13%) Hungary (11%) Germany (11%)	Preferential tariffs for certain types of juices; very good quality products; attractive packages	Good local fruits production; low-value investment in processing-industry
Breakfast cereals Import 2008: Th. $ 29,911	Poland (60%) Germany (11%) Czech Rep. (9%) France (6%)	Proximity; reasonable prices; well known brands; attractive packages	Domestic supply available in a very narrow range and relatively low quality
Diary products Import 2008: Th. $ 249,255	Germany (42%) Italy (12%) Poland (11%) Hungary (9%)	Free access on the local market for EU member states Proximity;	Long tradition in milk production; increasing investment in milk processing
Wines Import 2008: Th. $ 51,658	Italy (24%) France (24%) Spain (23%) R. Moldova	Proximity; Competitive prices	Very good local production in a relatively large variety

	(10%)		
Distilled spirits Import 2008: Th. $ 91,030	United Kingdom (26%) Netherlands (26%) United States (13%) Germany (10%)	Good image for consumers; free access on the local market for EU member states	Focus on low and middle-income consumers sustained by strong promotional campaigns
Sweetened and flavored water Import 2008: Th. $ 98,301	Austria (30%) Hungary (22%) Poland (8%) Germany (8%) United States (2%)	Preferential tariffs; very good quality products	Very limited investment in this area; highly protected market
Beer Import 2008: Th. $ 37,570	Hungary (44%) Germany (12%) Bulgaria (8%) Belgium (8%)	Free access on the local market for EU member states	Strong local industry; strong brand awareness supported by heavy publicity campaigns

V. BEST PRODUCT PROSPECTS

Category A: Products Present in the Market Which Have Good Sales Potential

Product Category	**2007 Imports (MT/LPA)**	**2008 Imports (MT/LPA)**	**Key Constraints to market development**	**Market Attractiveness for USA**
Fish & seafood, fresh and frozen	62,696 MT	74,881 MT	Seafood consumption is limited; low purchasing power; consumers' preference for species in a lower supply	Good perspectives for fish-processing industry expansion; market access maintained after EU access
Nuts/Peanuts/ Almonds	2,108 MT	3,125 MT	Preferential tariffs for certain competitors	Superior quality products; increasing demand for processed products
Distilled spirits	62,696 LPA	74,881 LPA	High tariffs, high excises; market affected by fiscal evasion	Lower duties after EU accession; very good image for consumers

Romania imposed trade restrictions for poultry and swine meat of U.S. origin several months prior to its accession to European Union, by introducing the EU health certificates. As a result of this measure, only pork, beef and poultry meat originating from EU approved establishments are allowed for import into Romania. This diminished and ultimately eliminated an important market for U.S. products, estimated at about 60 million USD.

Dried fruits and nuts demand for further processing or retail sale has been expanding over the last several years. Nevertheless, the deteriorating consumer power put its finger print on pistachio and dried fruits consumption, which halved in 2009, but left untouched almonds imports.

The total spirits market is estimated at about 1.5 billion USD, including home-made drinks (40 percent), which is 20 percent lower than in 2008 as result of the economic downturn. Imported spirits followed the declining general trend falling in the first 10 months of 2009 by 36 percent in value (39 percent in case of whiskey) compared to a year before. Nevertheless, the value of whiskey imported from United States only declined by 10 percent in the same period of time denoting strong brand awareness and customer's attachment to US whiskey. American Spirits have a strong demand in Romania, particularly bourbon, which is seen as a luxury good in Romania. Unfortunately, it must compete with scotch from the UK, where EU trade barriers are not an issue. As Romanians' income increases, American spirits will fare well. Considering the economic forecast we estimate stagnation on the distilled spirits market for 2010.

Category B: Products Not Present in Significant Quantities but Which Have Good Sales Potential

Product Category	2007 Imports (MT)	2008 Imports (MT)	Constraints over market development	Market Attractiveness for USA
Fruits and vegetables juices	27,817	26,919	High duties; increasing domestic competition	Increasing demand for high-quality natural juices
Dried fruits	1,594	2,011	High duties	Consumers' tastes diversification
Wines	38,858	37,883	Strong domestic and foreign competition	Demand for niche wine varieties sold through specialized stores
Pet food	162,507	167,764	Consumers preference for well-known brands	Increasing demand as people change life style; low interest for domestic investment in manufacturing pet food

Category C: Products Not Present Because They Face Significant Barriers

Breakfast cereals: strong European competitors; high import duties
Dried and frozen vegetables: strong European competitors, high import duties
Sweet products and chocolate: low purchasing power, strong domestic competition
Sweetened and Flavored water: high tariffs

VI. POST CONTACT AND FURTHER INFORMATION

If you have any questions regarding this report or need assistance exporting to Romania, please contact us at:

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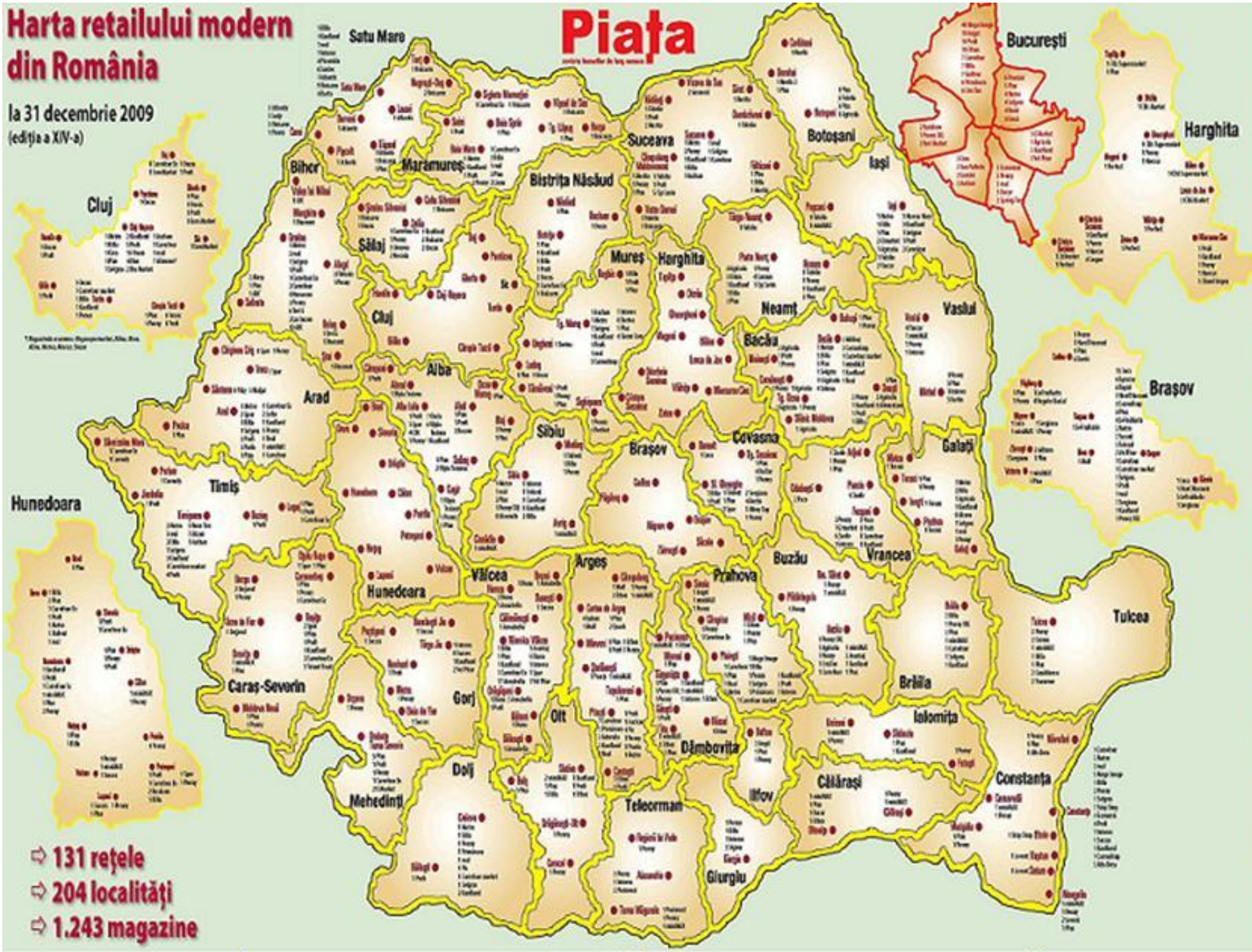
VII. Annex 1


Harta retailului modern
din România
la 31 decembrie 2009
(ediția a XIV-a)
Piața
Satu Mare
Maramureș
Bihor
Sălaj
Cluj
Bistrița Năsăud
Suceava
Botoșani
Iași
București
Harghita
Mureș
Neamț
Bacău
Vaslui
Arad
Alba
Sibiu
Brașov
Covasna
Galați
Timiș
Hunedoara
Caraș-Severin
Gorj
Vâlcea
Argeș
Prahova
Buzău
Vrancea
Tulcea
Brăila
Olt
Dâmbovița
Ialomița
Mehedinți
Dolj
Teleorman
Ilfov
Călărași
Giurgiu
Constanța
⇨ 131 rețele
⇨ 204 localități
⇨ 1.243 magazine