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THE CHEESE AND YOGURT MARKET IN ROMANIA

A DEMO REPORT BY FRD CENTER



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The Romanian Cheese and Yogurt Market

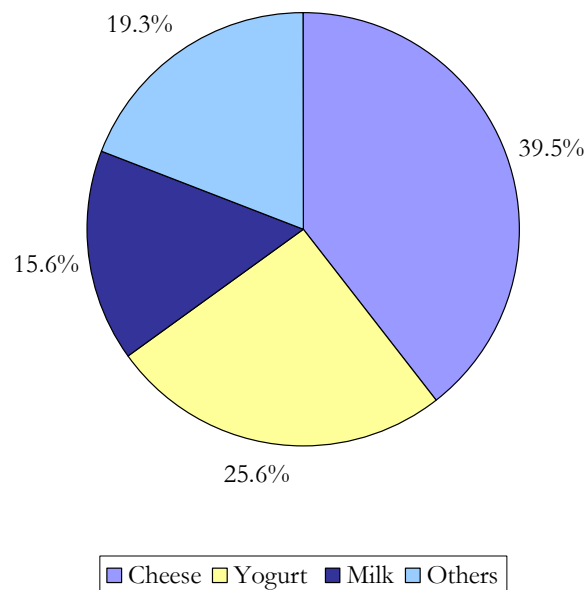
1. General considerations

The milk and dairy products market in Romania has been continuously growing since 1990. According to data published by Datamonitor, the market of dairy food in Romania increased at a compound annual growth rate of 9.4% between 2004 and 2009.

According to research done by FRD Center, the total dairy production in Romania in 2010 exceeded 700 million EUR.

According to data published by Nielsen, the Romanian dairy market in the first half of 2011 was of 1.48 billion RON (approx. 350 million EUR), out of which the cheese represented 39.5%, the yogurt 25.6% and the milk 15.6%.

Romanian dairy market in H1 2011, by categories



Source: Nielsen

The market is characterised by:

- Continuous diversification of the products
- Entry of foreign players through acquisition of local players and also greenfield investments
- Increase of market demand for specialised and gourmet products
- Consumer preference for comfort and safety, reflected in easy to store dairy products, with longer validity period

The Romanian Cheese and Yogurt Market

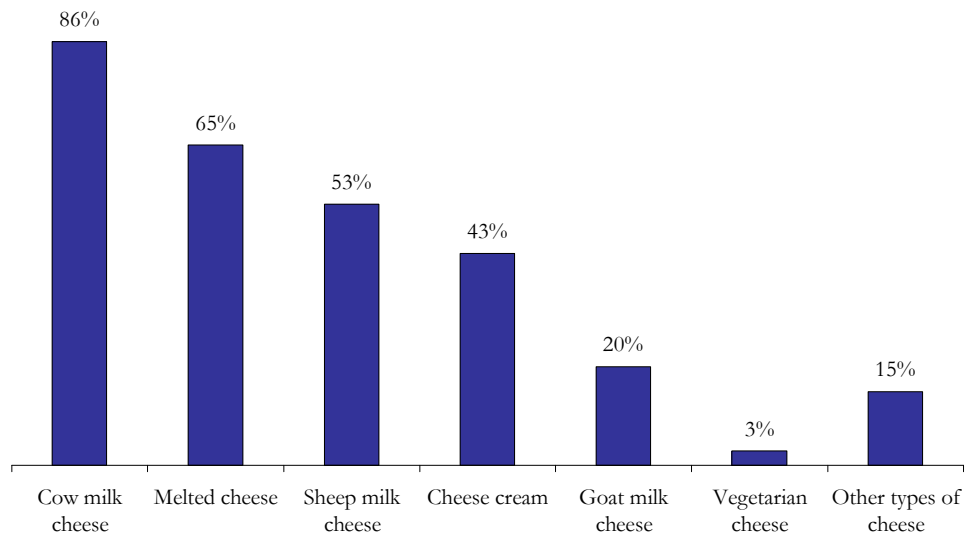
According to data published by Tetra Pak, the consumption of the UHT dairy products in Romania will record an annual average growth by 4.2% during 2011 - 2014, based on the expanding of the modern retail of the discounter type and of the proximity stores.

2. The cheese market

The cheese is a food type with high consumption frequency in Romania. According to data published by Mercury Research, some 80% the urban population over 18 years old in Romania eat cheese at least 2 - 3 times per week. Also, the cheese is consumed on a daily basis by 27% of the population aged 35 – 44 years and by 29% of the population over 45 years old.

The Romanian consumer is traditionalist in terms of preferences, the most consumed type of cheese being the cow milk cheese (86%), followed by melted cheese (65%) and sheep milk cheese (53%).

Types of consumed cheese

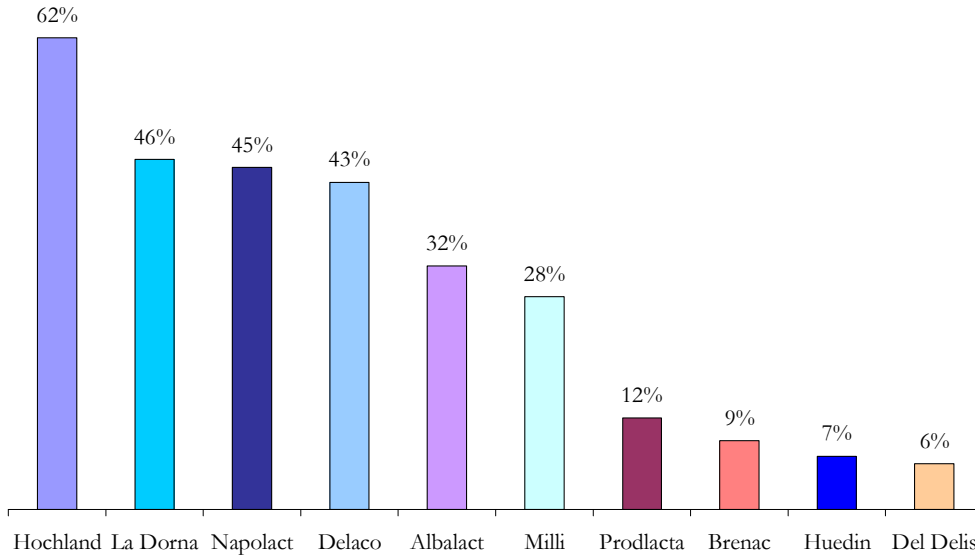


Source: Mercury Research

According to data published by Mercury Research, Hochland is the most consumed cheese brand in Romania (62%), being followed by La Dorna (46%), Napolact (45%) and Delaco (43%).

The Romanian Cheese and Yogurt Market

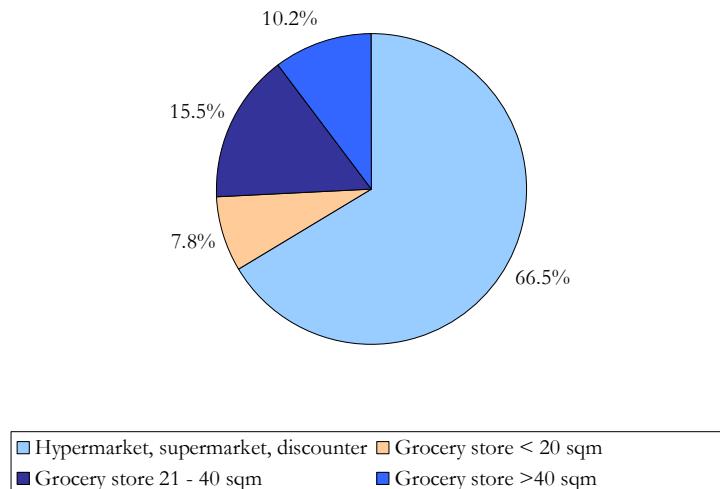
Consumed cheese brands



Source: Mercury Research

According to data published by Nielsen, during the period April 2010 – March 2011, the Romanian market of melted cheese recorded a value of cca. 48 million EUR and a volume of over 7,300 tonnes. Regarding the distribution channels for melted cheese, the modern retail (hypermarket, supermarket, discounter) dominate the traditional retail, with a percentage of 66.5% in volume and 60% in value.

Distribution channels of melted cheese, by volume, during April 2010 - March 2011



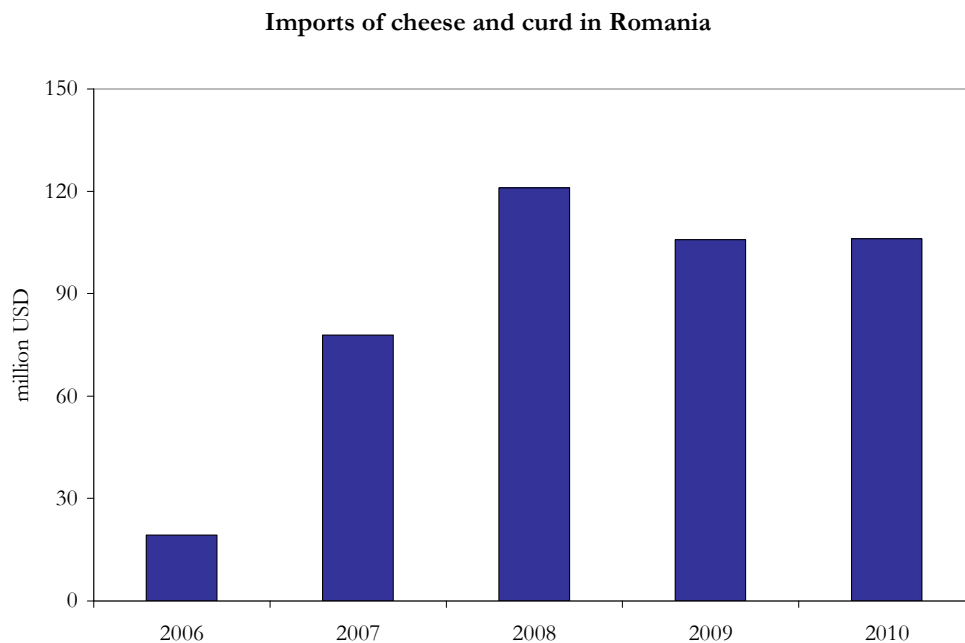
Source: Nielsen

The Romanian Cheese and Yogurt Market

According to the National Institute of Statistics, during the first nine months of 2011, the production of cheese in Romania recorded 47,811 tonnes, out of which 45,169 tonnes of cheese made from cow's milk only.

The imports of cheese and curd in Romania in 2010 recorded some 106 million USD, up by 0.4% compared to 2009.

The evolution of the Romanian imports of cheese and curd during the period 2006 – 2010 is presented below.



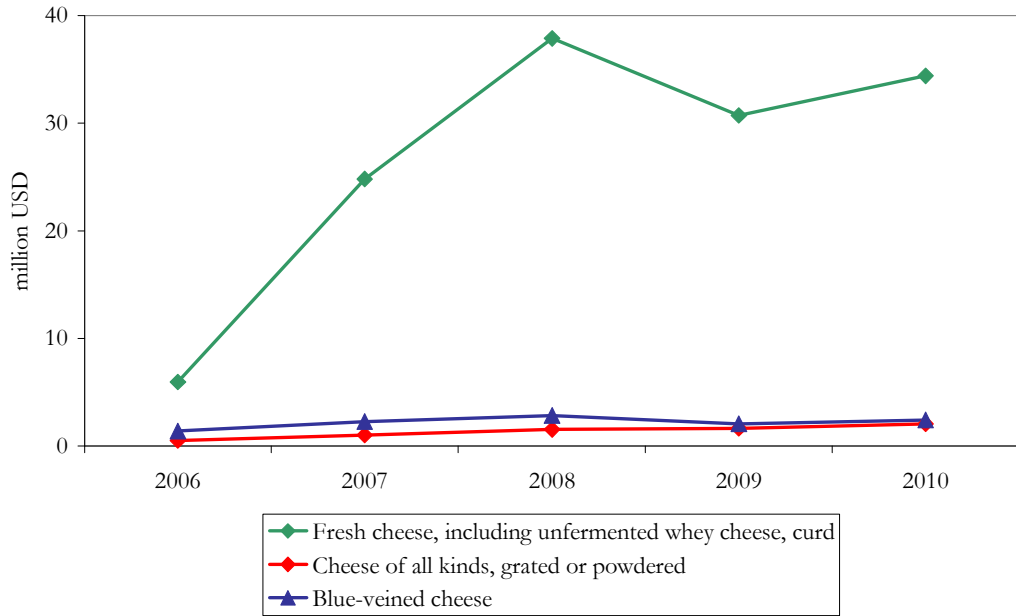
Source: Romanian Center for Trade and Investment

In 2010 compared to 2009, the imports of cheese and curd in Romania recorded growths for the following categories:

- fresh cheese, including unfermented whey cheese, curd: 12%
- cheese of all kinds, grated or powdered: approx. 26%
- blue-veined cheese: approx. 17%

The Romanian Cheese and Yogurt Market

Imports of cheese and curd in Romania, by categories

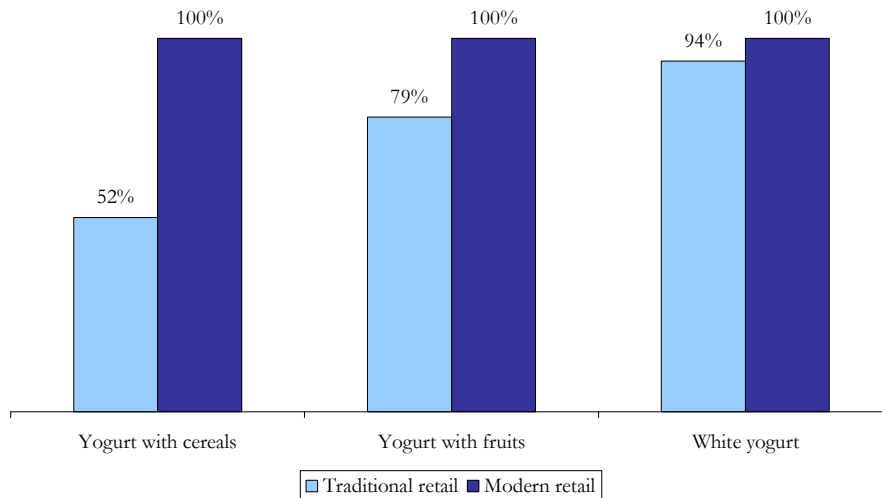


Source: Romanian Center for Trade and Investment

3. The yogurt market

On the shelves of the traditional retail in Romania, there is an average of two yogurt producers and seven yogurt brands.

Yogurt presence on the shelves*



Source: Daedalus Millward Brown

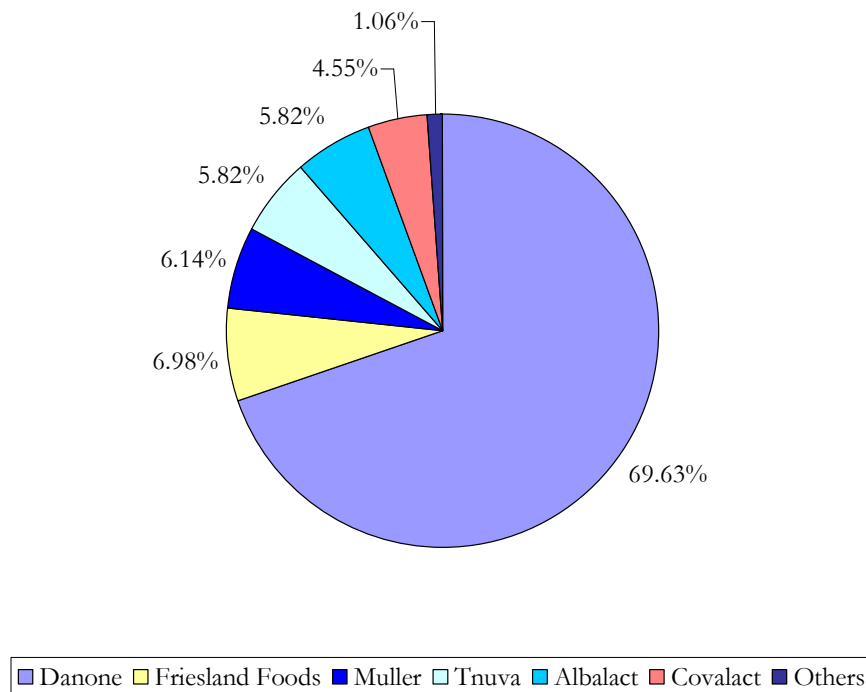
* base: 103 traditional stores and 10 modern stores in Bucharest

The Romanian Cheese and Yogurt Market

The traditional retail focuses on products that meet the basic needs of the consumer and is characterised by the following aspects:

- white yogurts have the biggest presence, being followed by fruit yogurts and yogurts with cereals
- yogurts in packages of 50 - 200 g have the widest presence on shelves, of some 65%
- drinking yogurts have a limited presence, in approx. 30% of the traditional stores

Presence of main yogurt producers in traditional retail*



Source: Daedalus Millward Brown

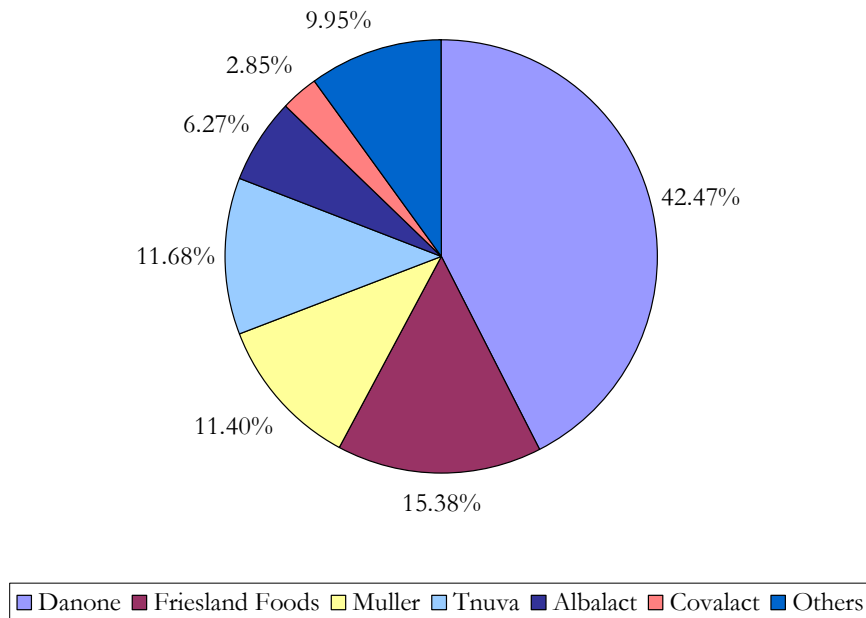
* base: 103 traditional stores in Bucharest and 10 modern stores in Bucharest

On the shelves of the modern retail in Romania, there is an average of 8 – 9 yogurt producers and over 27 yogurt brands.

Danone is the leader on the modern retail, being followed by Friesland Foods, Muller, Tnuva, Albalact and Covalact.

The Romanian Cheese and Yogurt Market

Presence of main yogurt producers in modern retail*



Source: Daedalus Millward Brown

* base: 103 traditional stores and 10 modern stores in Bucharest

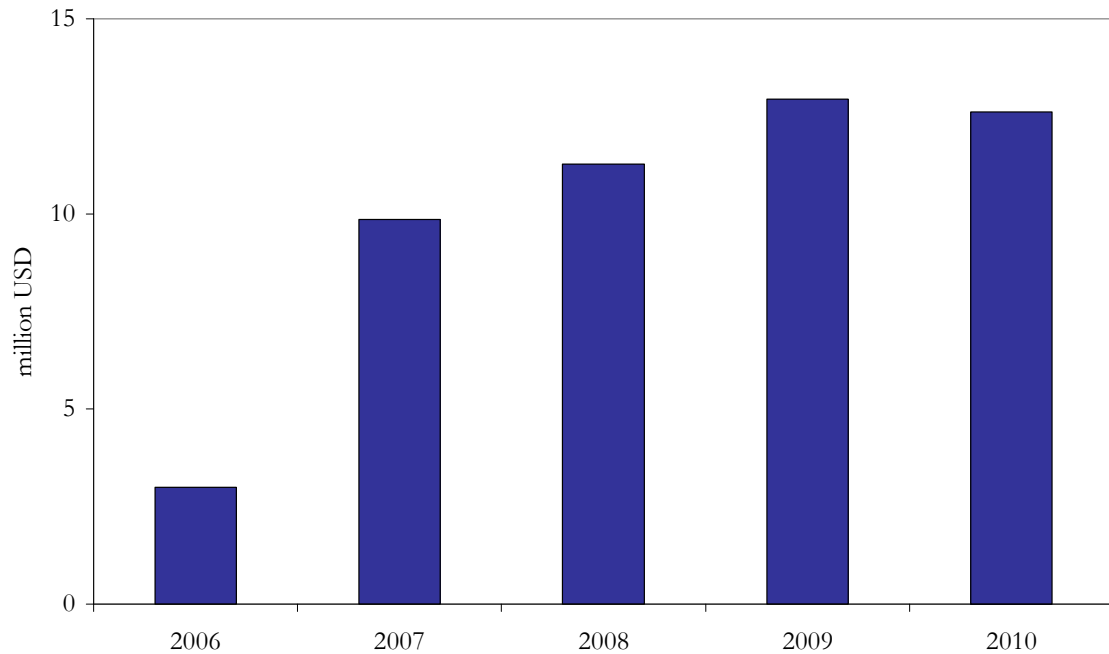
According to the National Institute of Statistics, during the first nine months of 2011, the production of the acidified milk (yogurt, drinking yogurt and others) in Romania recorded 112,947 tonnes.

The imports of yogurt in Romania recorded a continuous y/y increase during the period 2006 – 2009.

In 2010, the Romanian imports of yogurt recorded some 12.6 million USD, this representing a slight decrease by 2.5% compared to the previous year.

The Romanian Cheese and Yogurt Market

Imports of yogurt in Romania



Source: Romanian Center for Trade and Investment

4. Prices of dairy products

4.1 Price examples

Examples of prices for the Yogurt Danone NutriDay Natural, 4.1% fat (140 g) in November 2011, in stores in the Bucharest area, are presented below.

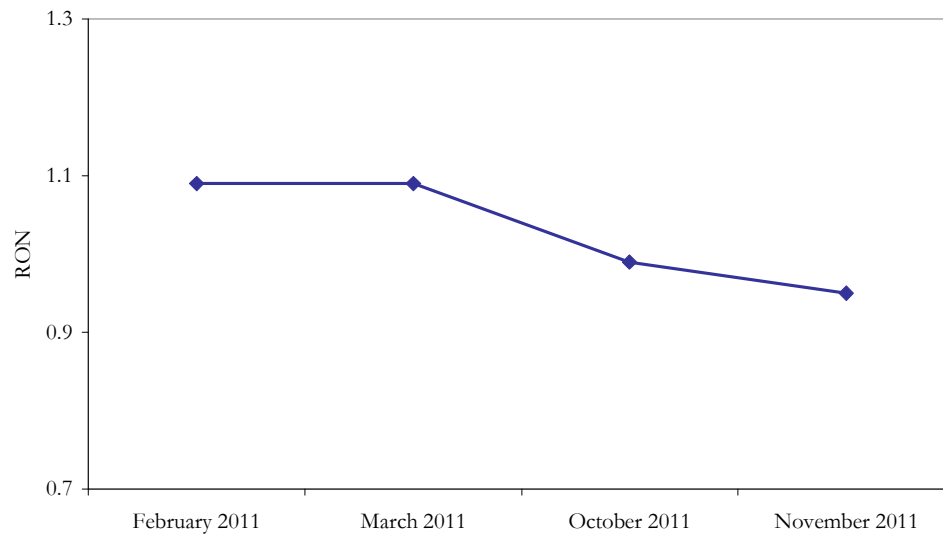
Price (RON)	Hypermarket			Supermarket		Cash&carry		Discounter	
	Cora	Kaufland	Auchan	Profi	Mega Image	Metro	Selgros	Red Market	Lidl
Yogurt Danone NutriDay Natural, 4.1% fat (140 g)	0.95	0.99	0.96	0.95	0.99	1.10	1.05	0.99	0.99

Source: FRD Center

The evolution of the price for the Yogurt Danone NutriDay Natural, 4.1% fat (140 g) in the Cora hypermarket in Bucharest, during some months of 2011, is presented below.

The Romanian Cheese and Yogurt Market

Yogurt Danone NutriDay Natural, 4.1% fat (140 g) - price at Cora hypermarket in Bucharest



Source: FRD Center

Examples of prices for the Yogurt Danone NutriDay Natural, 4.1% fat (140 g) in September 2011, in stores located in other regions of the country, are presented below.

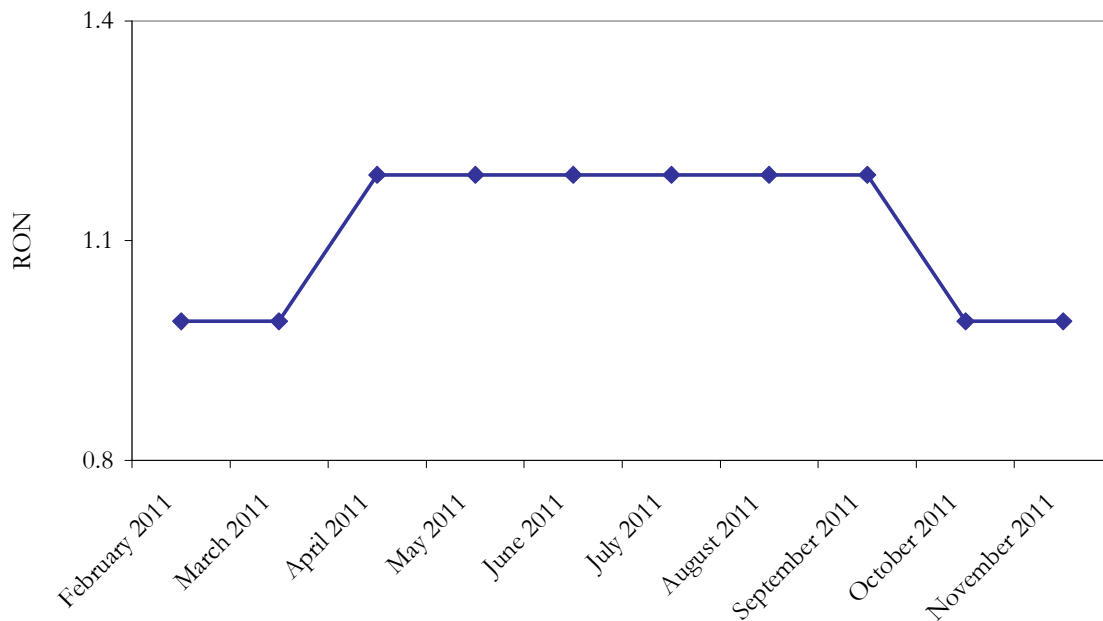
Price	Hypermarket			Supermarket		Cash&carry		Discounter	
	Auchan Suceava	Real Galati	Carrefour Focsani	Billa Satu Mare	Interex Barlad	Metro Suceava	Selgros Iasi	Lidl Husi	Red Market Brasov
Yogurt Danone NutriDay Natural, 4.1% fat (140 g)	0.91	0.99	0.98	1.19	0.99	1.10	1.09	0.99	1.02

Source: FRD Center

The evolution of the price for the Yogurt Danone NutriDay Natural, 4.1% fat (140 g) in supermarkets outside Bucharest, during the period February - November 2011, is presented below.

The Romanian Cheese and Yogurt Market

Yogurt Danone NutriDay Natural, 4.1% fat (140 g) - price at supermarket outside Bucharest



Source: FRD Center

4.2 Special Holiday offers

Examples of price offers for dairy products during Holidays season are presented below.

Product	Price (RON)	Store
Danone Nutriday Natural Yogurt, 140 g	0.95	Billa Bucharest
Casa Buna Yogurt with fruits, 100 g	0.54	Real Bucharest
TIP Triangle melted cheese, 140 g	2.60	Real Bucharest
Gerola Blue veined cheese, per kg	39.99 – 10% with Cora ticket	Cora Bucharest
Dorna Cow milk Telemea cheese, per kg	21.99	Cora Bucharest
Hochland Cow milk Telemea cheese, 200 g	5.19 – 20% with Cora ticket	Cora Bucharest
LaDorna Yellow cheese fume, 500 g	15.38	Cora Bucharest
President Madrigal Yellow cheese, 100 g	4.49	Billa Bucharest
Raraul Dietetic cow milk cheese, 200 g	3.59	Billa Bucharest
Activia Natural drinking yoghurt, 3x330 g	6.99	Billa Bucharest
Hochland Triangle melted cheese, 280 g	8.39	Billa Bucharest
Hochland Cow milk Telemea cheese, 200 g	5.19	Billa Bucharest

Source: FRD Center

The Romanian Cheese and Yogurt Market

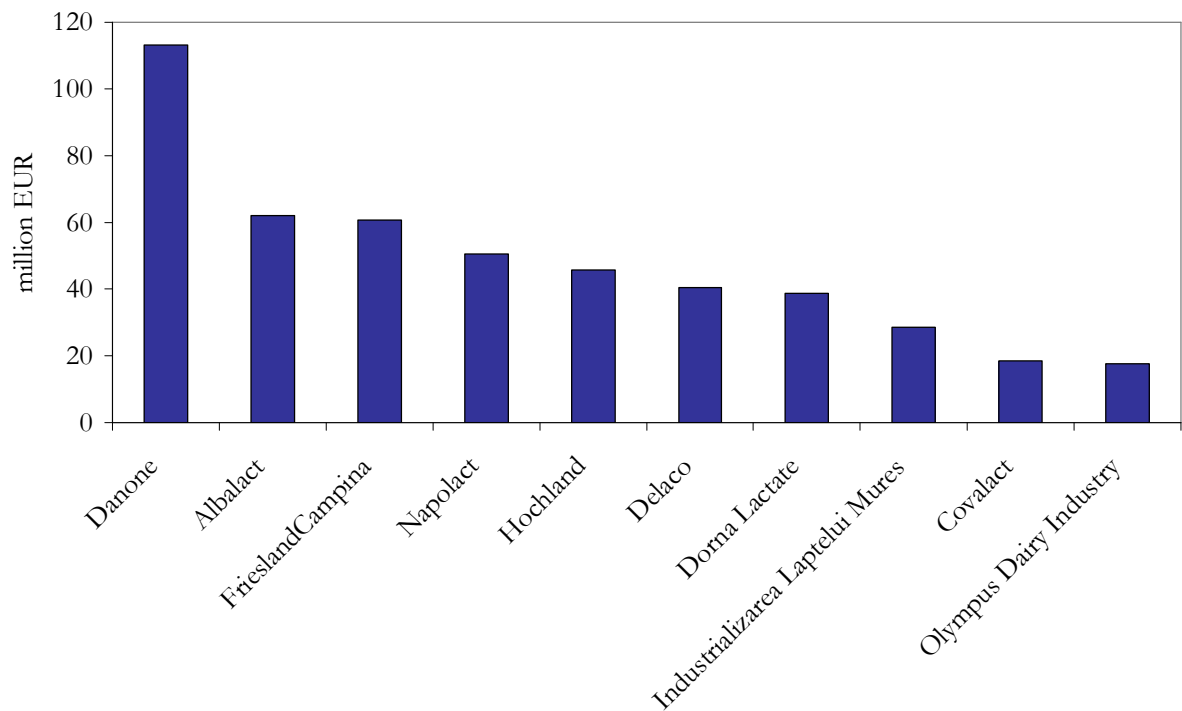
5. Main dairy producers

5.1 Overview

According to research carried out by FRD Center, there are over 60 producers of dairy products in Romania, out of which some 25 players recorded a turnover of over five million EUR in 2010.

The turnover of ten of the main dairy producers in Romania in 2010 is presented below.

Turnover of ten of the main dairy producers in Romania in 2010



Source: Ministry of Public Finances

Three of the main dairy producers in Romania are profiled below.

The Romanian Cheese and Yogurt Market

5.2 Danone



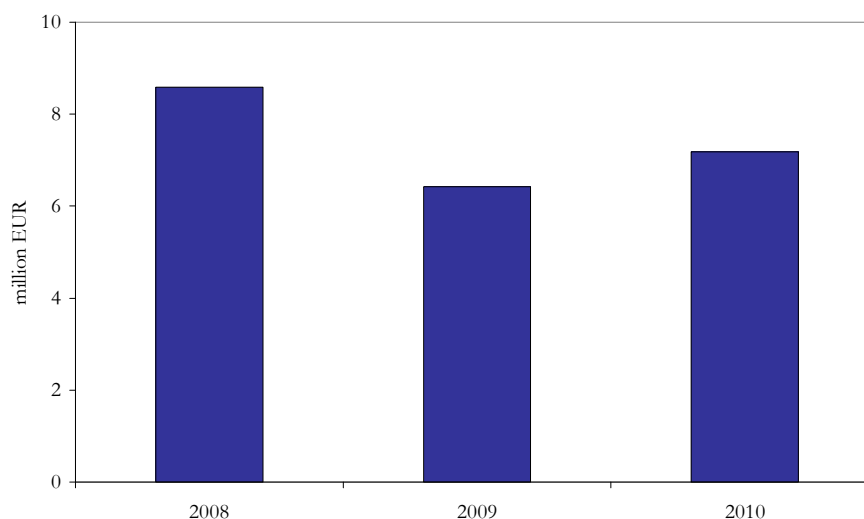
1. General data

Company name:	Danone Productie si Distributie de Produse Alimentare SRL
Address:	Str. Sold. Nicolae Canea 140 - 160, Bucharest
Phone:	+4021 2046204
Fax:	+4021 2046204
Web:	www.danone.ro
E-mail:	reception.office@danone.ro
Year of establishment:	1996
Ownership:	Danone Group

2. Financial data

Year/Category	Turnover (mil. EUR)	Employees	Net profit (mil. EUR)
2010	113.1	730	7.2
2009	102.6	709	6.4
2008	114.8	703	8.6

Net profit - Danone Productie si Distributie de Produse Alimentare



Source: Ministry of Public Finances

3. Key persons

Name	Position
Mr. Stephane Batoux	General Manager
Mr. Adrian Pascu	Sales Director
Ms. Dora Strezova	Marketing Director
Mr. Bogdan Ioachim	Director of Corporate Communication

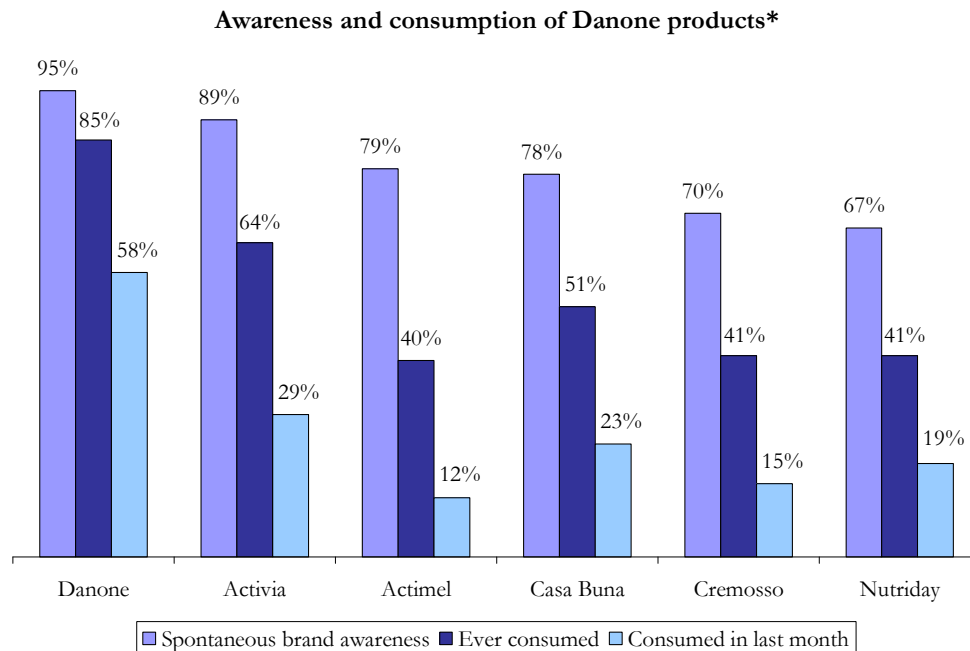
The Romanian Cheese and Yogurt Market

4. Brief profile

Danone recorded in Romania a turnover increase by some 10% in 2010 compared to the previous year, the main factors for this positive evolution being the launching of new products and the promotions.

Danone acquires the necessary milk from farms in Romania, having over 70 partnerships with various production units. At present, Danone exports some 3% of the local production and estimates an increase of the exports to 5%.

According to data published by ISRA Center Marketing Research, the awareness and the consumption of the Danone products in Romania is presented below.



Source: ISRA Center Marketing Research

* base: population 20 – 60 years old, in cities with over 50,000 inhabitants

5. Brands

Danone is present on the Romanian market with the following brands: Activia, Actimel, Danonino, Danone, Nutriday, Casa Buna, Danette, Cremosso, Savia.

5.3 Napolact



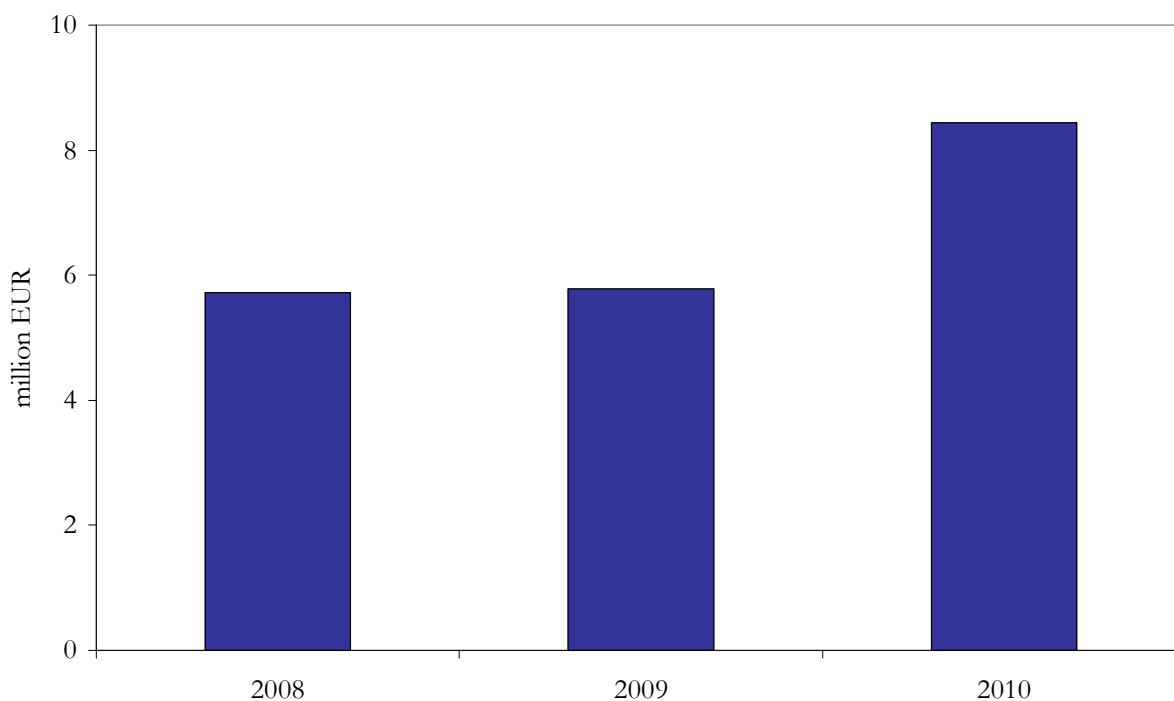
1. General data

Company name: Napolact SA
 Address: Calea Baciului 2 – 4, Cluj Napoca, Cluj county
 Phone: +40264 502000
 Fax: +40264 413855
 Web: www.napolact.ro
 E-mail: comercial@napolact.com
 Year of establishment: 1991 (under current name)
 Ownership: Friesland Group

2. Financial data

Year/Category	Turnover (mil. EUR)	Employees	Net profit (mil. EUR)
2010	50.6	386	8.4
2009	55.1	389	5.8
2008	65.6	471	5.7

Net profit - Napolact



Source: Ministry of Public Finances

The Romanian Cheese and Yogurt Market

3. Key persons

Name	Position
Mr. Peter Szautner	General Director
Ms. Daniela Dorca	Brand Manager

4. Brief profile

Napolact is one of the most important dairy producers in Romania. The company produces a wide range of products that includes: fresh milk, fermented milk, yogurt, cheese etc.

According to data published by ISRA Center Marketing Research, based on a research performed on population 20 – 60 years old, in cities with over 50,000 inhabitants, the Napolact brand has an awareness rate of 79% in Romania.

5. Brand: Napolact



The Romanian Cheese and Yogurt Market

5.4 Hochland



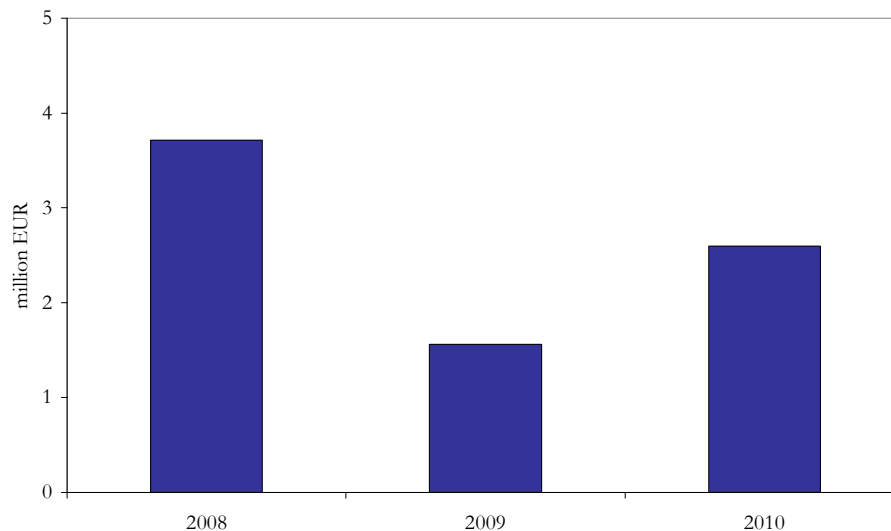
1. General data

Company name:	Hochland Romania SRL
Address:	Str. N. Titulescu 3, Sighisoara, Mures county
Phone:	+40265 506200
Fax:	+40265 777443
Web:	www.hochland.ro
E-mail:	office.ro@hochland.com
Year of establishment:	1999
Ownership:	Hochland Group

2. Financial data

Year/Category	Turnover (mil. EUR)	Employees	Net profit (mil. EUR)
2010	45.8	360	2.6
2009	48.3	353	1.6
2008	58.7	398	3.7

Net profit - Hochland Romania



Source: Ministry of Public Finances

3. Key persons

Name	Position
Mr. Sergiu Mititelu	General Manager
Mr. Dan Oprescu	Marketing Director
Mr. Sorin Timus	Head of Sales & Trade Marketing Division

The Romanian Cheese and Yogurt Market

4. Brief profile

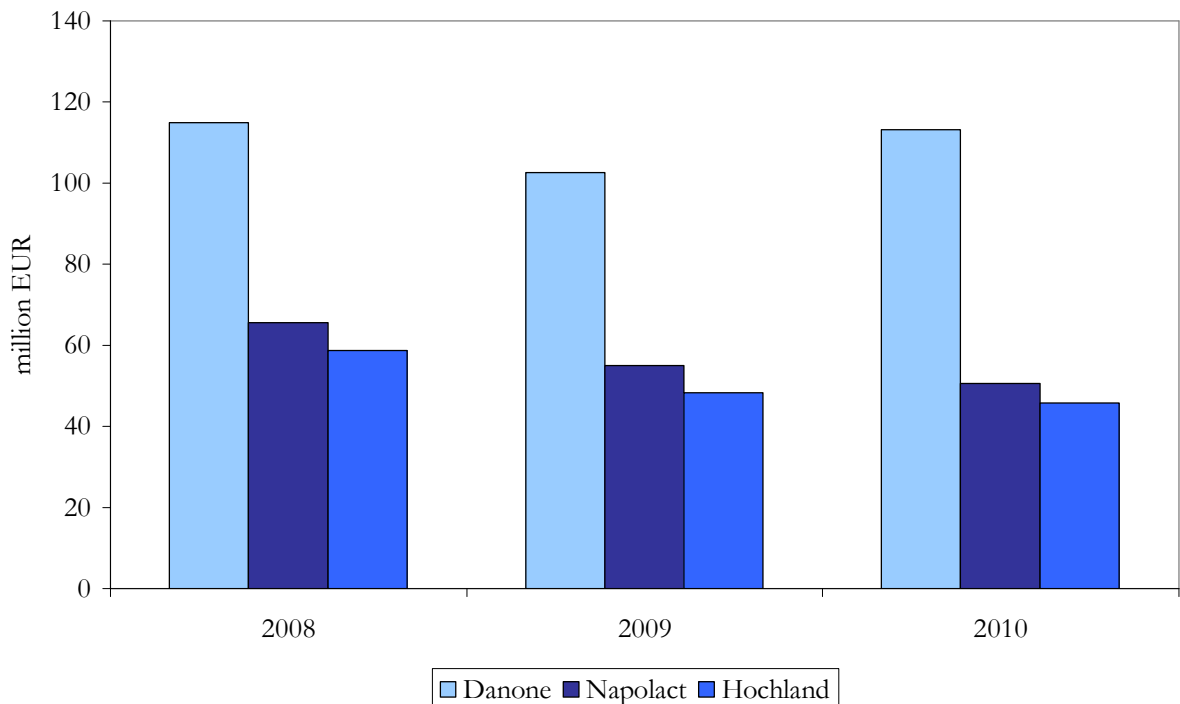
In 1999, Hochland acquired two plants in Romania located in Sighisoara and Sovata. The company produces melted cheese, cheese cream, Romanian specialities such as Cascaval etc.

Hochland Romania has in its portfolio also imported products.

5. Brand: Hochland

The turnover evolution of these three profiled players, during the period 2008 – 2010, is presented below.

Turnover evolution of three of the main dairy producers in Romania



Source: Ministry of Public Finances

Sources: National Institute of Statistics, Romanian Center for Trade and Investment, Ministry of Public Finances, Datamonitor, Mercury Research, Nielsen, FRD Center, Daedalus Milward Brown, ISRA Center Marketing Research, Tetra Pak.

The Romanian Cheese and Yogurt Market

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