



THE ROMANIAN AGRIBUSINESS MARKET

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DEMO REPORT

by

FRD Center Market Entry Services

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1. EU funding

The EU funds available for modernisation of agriculture in Romania are a major opportunity which is utilised by more and more farmers and companies.

The National Rural Development Programme 2007 – 2013 includes the Axis 1: Improving the competitiveness of agricultural and forestry sector, the Measure 121: Modernisation of Agricultural Holdings.

The Measure 121 finances investments for the acquisition of tractors, agricultural machinery and other equipment specific to the vegetal and animal sectors, through public assistance (EU and national) and private co-financing.

The Measure 121 has as main objectives:

- introduction and development of technologies and new processes, production diversification, profit adjustment, production level and quality according to market requirements, including the ecological market, as well as production and use of energy from renewable sources
- adapting the holdings to EU standards
- income increasing of funded agricultural holdings
- supporting the members of the groups of farmers or of other associative structures for encouraging the association phenomenon.

The public contribution for the Measure 121 amount 1,020,505,603 EUR, out of which:

- the contribution of the Romanian Government: 20%
- the EU contribution: 80%

The Romanian authority in charge with the Measure 121 is the Payment Agency for Rural Development and Fishing.

During the period 03 March 2008 – 01 January 2011, within the Measure 121, 1,624 projects have been approved in Romania and the total accessed value was of 593,657,668 EUR.

2. Fiscal facilities

According to the Financial Companies Association - ALB Romania, the agriculture accounted for 8% in the Romanian leasing market for equipment financing in 2010.

According to BCR Leasing, the value of the financing granted by the leasing companies in Romania for agricultural equipment was of some 20 million EUR in 2010. The leasing for agricultural equipment has a significant potential to grow on medium and long term due to the low number of equipment owned by the Romanian farmers.

Various leasing institutions in Romania finance the acquisition of agricultural equipment. One example is BCR Leasing that granted financing worth 15 - 20 million EUR in the last four years for the acquisition of agricultural equipment.

3. Vegetal production

3.1 Statistics

Romania has a territory of 23.8 million hectares. The country's agricultural surface is of 14.7 millions hectares (61.7%), out of which 9.4 millions hectares represent arable land. Romania is ranked 7th in Europe in terms of used agricultural surface and 5th in terms of arable surface. The arable surface per inhabitant in Romania is of 0.411 hectares.

According to the Ministry of Agriculture, the vegetal production in Romania recorded some 8.4 billion EUR in 2009.

The production of cereals, sunflower, rape, soy and sugar beet in 2010, estimated by the Ministry of Agriculture, is as follows:

- cereals: 16,496 thousand tonnes, out of which:
 - wheat and rye: 5,727.4 thousand tonnes
 - barley: 1,262.7 thousand tonnes
 - oat: 331.1 thousand tonnes
 - corn - grains: 9,085.2 thousand tonnes
 - rice: 89.6 thousand tonnes
- sunflower: 1,454.8 thousand tonnes
- rape - oil: 920.6 thousand tonnes

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- soy: 143.3 thousand tonnes
- sugar beet: 792.5 thousand tonnes

The cereals and the oleaginous plants cover some 70% of the arable surface in Romania.

In Romania, significant changes took place in the last years on the market of fruits and vegetables, where the country is ranked on the first positions as producer in the EU. As producer of tomatoes, Romania is ranked 4th in the EU.

The production of vegetables and fruits in 2010, estimated by the Ministry of Agriculture, is as follows:

- potatoes: 3,333.8 thousand tonnes
- tomatoes: 668.4 thousand tonnes
- dried onion: 362.3 thousand tonnes
- dried garlic: 68.2 thousand tonnes
- cabbage: 985.3 thousand tonnes
- pepper: 244 thousand tonnes
- melons and watermelons: 655 thousand tonnes
- plums: 475.2 thousand tonnes
- apples: 579.7 thousand tonnes
- pears: 53.3 thousand tonnes
- peaches and nectarines: 13.4 thousand tonnes
- cherries and sour cherries: 83.1 thousand tonnes
- apricots: 24 thousand tonnes
- nuts: 36 thousand tonnes
- strawberries: 23.7 thousand tonnes
- other fruits: 24 thousand tonnes

3.2 Equipment

3.2.1 Agricultural machines

In the recent years, an increase in the acquisition of imported agricultural machines and equipments has been recorded in Romania, mainly thanks to the EU funds available.

According to the Ministry of Agriculture, the fleet of agricultural machines in Romania in 2009 included:

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- 176,841 tractors
- 142,519 tractor ploughs
- 24,249 cereals combines
- 68,916 mechanical seeders.

The arable land per one physical tractor was of around 53 hectares in 2009.

It is considered that some 75% of the agricultural equipment owned by the Romanian farmers is older than five years and is up for modernization and replacement.

3.2.2 Irrigation systems

In 2010, the total surface with irrigation potential in Romania was of 3,157 thousand hectares. Out of this, only a percentage of 2.51% was used for irrigation (79.21 thousand hectares).

The types of irrigation systems that are used in the greenhouses in Romania are:

- drip irrigation systems
- sprinkler irrigation systems
- micro-sprinkler irrigation systems
- fertirrigation systems

There are various companies in Romania that import and distribute irrigation systems and components, from Italy, Greece, Israel etc. The majority of these firms offer also consulting, installation services, technical support etc.

3.2.3 Installations for greenhouses

The potential for modern greenhouses is big in Romania - practically only 10% of the surface with potential is covered with modern greenhouses. In 1990, Romania had some 2,500 hectares with greenhouses, which were destroyed during the last 20 years. In 2010, only 288 hectares were covered with modern greenhouses in Romania, out of a total of 594 hectares of greenhouses.

An increase in the construction of modern greenhouses equipped with modern installations was recorded in Romania in the last years, mainly thanks to the EU funds available. The EU funds are mainly used by producers of vegetables that construct new modern greenhouses or equip and modernise their greenhouses with automated heating and humidity systems, laminates for thermal insulation, renewable energy sources etc.

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More and more Romanian producers of vegetables seek alternative solutions for heating and cooling in their greenhouses or for new projects of greenhouses.

The majority of the companies that sell greenhouses in Romania are complex firms that offer complete and integrated services. These companies import and/or use internal suppliers of components and equipment, perform the technical project, make the complete construction with the installations etc. Some of these companies offer also consulting services for the EU financing of the projects.

3.2.4 Supply of agricultural equipment

The high price of the cereals determined in 2010 the increase of the investments in the quality agricultural machinery and seeds. The beneficiaries of the year 2010 were the producers of cereals that recorded high levels of the production and received a correct price for their work and the suppliers of the agricultural equipment that took advantage of the fact that the good production and prices allowed the farmers to invest in new machines and equipment.

According to the distributor Farm Tech, if the subsidies will continue to be granted and the cereal yield and price will remain at a high level, 2011 will be an even better year than 2010, and will be similar with 2008 in terms of the investments in the agricultural equipment.

The offer of agricultural equipment for vegetal production is diversified in Romania.

One significant domestic producer of agricultural equipment is Mecanica Ceahlau, with the headquarters in Piatra Neamt. In 2010, the company recorded a profit increase by 25% compared to 2009. For 2011, the company estimates a turnover growth by at least 15 - 20% compared to 2010. At the 2010 edition of the international exhibition IndAgra Farm in Bucharest, in the second day of the fair, the company signed contacts of over 500,000 RON.

Mecanica Ceahlau produces soil processing machines, seeding machines, irrigation machines, harvesting machines etc. Some 65 - 70% of the company's production is sold in Romania and the rest is exported in countries such as: Russia, USA, Sweden, Ukraine, Bulgaria, Hungary, Argentina etc.

Some significant distributors of agricultural equipment in Romania are Lantec Industries, Farm Tech, IKR Romania, Z&A Logistic etc.

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A. **Lantec Industries** launched a new concept of integrated projects and performs the entire agricultural project. The company provides the following integrated services:

- Setting up orchards and vineyards. The company supplies various types of fruit trees (produced in Romania or imported), perform analysis of the agricultural land and climatic conditions, offers rain and freeze protection systems etc.
- Construction of greenhouses with all the necessary interior components (systems of drip fertirrigation, ventilation, air circulation, humidification, heating etc.)
- Equipping with agricultural equipment. The company offers a wide range of agricultural equipment, from classic machines to ultra-specialised equipment
- Supplying irrigation and fertirrigation systems
- Construction of water treatment stations. The company offers solutions for the quality improvement of the water used in the agricultural activities, provides a wide range of equipment for water treatment etc
- Construction of frigorific warehouses
- Construction of fruit and vegetable processing plants and equipping them with the necessary equipment and technology
- Construction and equipping wine production plants

Lantec Industries provides important brands of agricultural equipment, such as Goldoni, Alma etc. The company is ISO 9001 and ISO 14001 certified.

B. **Farm Tech** brought on the Romanian market new products from England, Ireland or Germany. One new product is an excavator that makes one kilometer per hour of ditches of 1.200 mm (depth) and 150 mm (width), which is very useful for the construction of the irrigation systems, gas or electricity on the agricultural lands.

The company has in its offer also a wide range of straw shredders. In 2011, Farm Tech will bring on the domestic market the largest articulated telescopic frontal loader in the world, produced by Schäffer, with a lifting capacity of over four tons at the height of seven meters.

C. **IKR Romania**, the subsidiary of IKR Babolna Hungary, imports and distributes tractors, combine harvesters, tillers, trailers, harvesting equipments, irrigations systems, systems for drying, treating and storing of cereals, seeds and forage, spare parts for agricultural machinery etc. Some of the brands distributed by the company are: Uzel, Dondi, Breviglieri, Enorossi, Güttler, Köckerling, Kühne, Optigép, Tecnoma, Matermacc, Agrex, Agrikon etc.

For 2011, the company's offer includes a new range of self-propelled sprayers (Tecnoma brand) and seeders (Hatzenbichler brand).

3.3 Main producers of agricultural products

3.3.1 Interagro



Interagro SRL, with the headquarters in Zimnicea, Teleorman county, is part of the Interagro Group. The company's main activity is the cereal crop. Interagro invested so far over 100 million EUR in agricultural equipment.

Interagro Group has a complex and integrated activity that includes cereal crop, trade of agricultural products, production of chemical fertilizers, animal farms, meat production etc.

Financial data of Interagro SRL in 2009:

- Turnover: 39.9 million EUR
- Net profit: 0.7 million EUR
- No of employees: 898

3.3.2 TCE 3 Brazi



TCE 3 Brazi is specialised in the vegetal and animal production. The company exploits agricultural lands in the Neamt county and in Insula Mare a Brailei.

TCE Brazi has various vegetal farms where it cultivates wheat, barley, corn, sunflower, soya, rape, potatoes etc. Also, the company has farms of cattle, sheep and pigs, a slaughterhouse and a meat processing plant, a milk processing plant and a bread factory.

The company announced in the past years significant investments for the integrated rehabilitation of the irrigation system in Insula Mare a Brailei.

Financial data of TCE 3 Brazi SRL in 2009:

- Turnover: 64.7 million EUR
- Net profit: 0.9 million EUR
- No of employees: 874

3.3.3 Comcereal



Comcereal, with the headquarters in Vaslui, is part of the Racova Group. The Group has various activities such as: cereal crop, bread processing, animal feeding, viticulture, raw and refined vegetal oils processing, milk processing, construction works, security services etc.

The Comcereal's main field of activity is represented by the cereal crop. Also, the company expanded its field of activity by setting up a bread factory in 2003. The company invested over ten million EUR in the past years in order to acquire new agricultural equipment and to modernise the warehouse spaces.

The crop of cereals and industrial plants is performed in vegetal farms which exploit agricultural land located mainly in the Vaslui county, but also in the neighbouring counties. The company crops mainly wheat and barley, but also rape and soybean.

Financial data of Comcereal SA in 2009:

- Turnover: 31.1 million EUR
- Net profit: 0.3 million EUR
- No of employees: 312

3.4 Success stories

A. In the Matca village (Galati county), out of the 955 hectares of land, 685 hectares are covered with greenhouses. The village is almost entirely dedicated to the growing of tomatoes and other vegetables.

B. The Hortifruct organisation inaugurated 13.5 hectares of modern greenhouses in 2009, near Bucharest. The investment of 15 million EUR in modern installations of technologies ensures a production of 7,000 tones per year.

C. The company Leader International has a total surface of 230 hectares of greenhouses and agricultural lands. In 2009, the company produced over 25 million of canned fruits and vegetables and recorded a turnover of 15 million EUR.

D. The National Inter-Professional Organisation of Fruits and Vegetables has a project for the construction of modern heated greenhouses on a surface of some 500 hectares, with an estimated investment of 800 millions EUR, through a government guarantee' credit. This initiative will create over 10,000 new jobs. The production of vegetables will triple in these

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greenhouses, compared to the production in a normal greenhouse and can reach almost 600 tones per hectare per year.

4. Animal production

4.1 Statistics

According to the Ministry of Agriculture, the animal production in Romanian recorded some 5.5 billion EUR in 2009. In the first nine months of 2010, the animal production recorded:

- meat (live weight): 978 thousand tones
- milk (including calves consumption): 39,185 thousand hectolitres
- eggs: 4,703 millions pieces
- wool: 19.8 thousand tones

According to the Ministry of Agriculture, the number of animals in the first nine months of 2010 registered:

- bovines: 2,465 thousand
- swine: 5,423 thousand
- sheep and goats: 12,007 thousand
- poultry: 87,008 thousand

4.2 Equipment

4.2.1 Equipment for animal farms

In the recent years, mainly thanks to the EU funds available, an increase in the acquisition of imported equipments for animal farms has been observed. Various companies in the animal production field in Romania use imported equipment.

One example is, located in the Brasov county, which finalised in 2009 the works at a modern pig farm with the capacity of 4,000 pigs, using equipment from Germany. The German specialists were in charge with the project, execution and installation assistance.

The equipment of the NBM Sercaia's farm is in accordance with the EU general rules for animal welfare subventions. The construction works of the pig farm had the value of two million EUR and were part of the company's integrated development - the company also has a processing soybean plant and a small meat processing unit. The pig farm was constructed using SAPARD funds.

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With a surface of 6,000 sqm, the farm has a computerised feeding system (via liquid feeding) and animal watering, an automatic ventilation system based on ammonia sensors and a mechanised cleaning system of the boxes. The functioning of this complex system requires the presence of a single person. Working a full capacity, the farm is able to produce 10,000 – 12,000 pigs per year.

4.2.2 Animal manure collection systems

Due to EU waste management regulations and opportunities arising from the renewable energy sector and ecological farming sector, more and more animal farms in Romania use modern manure collection systems.

One example is Horticola International Sevis, located in the Sibiu area and part of the Atlassib Holding, which has one of the most modern dairy cows farm in Romania. The company's system collects the droppings from all the animal shelters and delivers them to the treatment plant.

The farm has two liquid collection tanks, of 5,000 cubic meters each, and one solid collection tank of 2,500 cubic meters in which the garbage is kept for almost six months, ferments and then it is used as a fertilizer on the company's land. Also, the urine is integrally used. In 2010, for a number of 475 cows, the company used 305 hectares of arable land and 121 hectares of pasture.

Horticola International Sevis developed its activity in the last years using EU funds, but also own resources. The company invested approximately one million EUR in 2008 for the modernisation of two animal stables and three million EUR for the complete construction of a new stable. Also, the company acquired all the necessary equipment for the fodder production: tractors, seeders, discs, plows etc and estimates that this investment will be covered in 2 - 3 years.

During the near future, the company intends to obtain funds also for the environmental projects and for a biogas installation.

4.3 Main producers of animal products

4.3.1 Kosarom Group



The Kosarom Group includes companies with integrated activities: Agricola (cereals production), Suinprod (pig farm), Avi-Top (chicken farm), Kosarom (production of meat products).

The Group has the following production capacities: 800 pigs / day (slaughtering), 50 tones / day (carving), 50 tones / day (meat products).

The Group made investments of over 40 million EUR in the past years. The group is EN ISO 9001:2008, ISO 22000: 2005 and SR EN ISO 140001: 2005 certified.

Financial data of Suinprod SA in 2009:

- Turnover: 13.6 million EUR
- Net profit: 0.2 million EUR
- No of employees: 253

4.3.2 Carmolact



The company's activities include animal breeding, production of milk and dairy products. The company has the production capacity of 40,000 litres / day for the production of fresh products and 50,000 litres / day for the production of cheese assortments.

Carmolact produces under the Monor brand. The company has a distribution network covering the entire country.

Financial data of Carmolact Prod SRL in 2009:

- Turnover: 10.9 million EUR
- Net profit: 0.6 million EUR
- No of employees: 241

4.3.3 Cris-Tim Group



The Cris-Tim Group has an integrated activity and includes the following companies: Eco-Ferm (four farms for swine, bovine and ovine breeding, a fish farm and a cereal farm), Recunostinta Prodcom Impex (production of meat and meat products), Cristim 2 Prodcom (logistics and sales), Impex Cris-Tim (a retail chain and the catering production and distribution).

Cris Tim announced investments of seven million EUR for 2011 in order to increase the production capacity and to modernise the logistics system.

Financial data of Eco-Ferm SRL in 2009:

- Turnover: 4.0 million EUR
- Net profit: -0.1 million EUR
- No of employees: 80

4.4 Success stories

A. **Agroindustrialia Pantelimon**, located in Ilfov county, has a cow farm and started to record profit following the decision to sell fresh milk directly from the dispenser, based on a French business model.

At the beginning of 2009, Agroindustrialia Pantelimon acquired a dispenser with 6,000 EUR. At present, the company has various dispensers located in the Bucharest area. The cows are milked in special spaces, the milk is collected in stainless steel tanks and stored at a temperature of 4°C. From these recipients, the milk is transported directly to the dispensers. At present, the company produces over 5,000 litres of milk per day. The milk complies with the EU regulations.

Another innovative decision of the company was to build an educational farm with ponies, ducks and goats for children to learn about animals, based on a UK business model.

B. **Bioterra** has a cow farm, a milk processing plant and agricultural lands in the Alba county. The company brought to Romania the most performing cows in the world in terms of the milk production.

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The company invested 1 million EUR in a room equipped with an automatic milking installation, that stores the biological data of the animals. In 2009, the company registered a record for a Prim Holstein cow in Romania, of 50 litres of milk in a sole day.

The company tried to convince also other producers in Romania to use various species of cows and developed a special type of business: the sale of genetic material of pure-blood race cows. Also, the company offered for free doses of genetic material for cow insemination to a cattle breeders association in the Apuseni Mountains.

Bioterra used EU funds for an irrigation system, a cow milking unit and for the acquiring of agricultural equipment.

C. **Rota Guido** offers complete services that include: zoo-technical consulting, engineering, design, supplying the structures, technologies, installations and equipment, technical assistance etc.

In 2010, the company launched seven new farms, out of which the farm in Valcelele, Calarasi county, is the most modern farm in the Eastern Europe. The farm has the capacity of 450 dairy cows and 500 young cattle and has the first rotary milking system AutoRotor Magnum in the Eastern Europe.

For 2011, the company plans for 4 - 5 new farms, the clients being companies that are eligible to receive a banking financing to complement EU grants already approved.

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