ASPECTS REGARDING THE BAKERY MARKET DIMENSIONS IN IAȘI COUNTY

Ștefan VIZITEU[1]
E-mail: stefan.viziteu@yahoo.com

Abstract

Bakery products market recorded before the new harvest high pressure caused mainly by increases in cereal prices (generated mainly by adverse climatic conditions in some major producing countries or poor strategies adopted) and by the inputs from the production process. Analysis of national consumption value shows the significant difference between European media and official reports and also the mismatch between the official reports and the facts- caused by the 'black market' which has a very high share in bakery domestic market. Demand for bakery in general and for bread particularly being inelastic, production companies must move towards diversification of the range and the quality increase while focusing on the potential benefits to health consumers.
The paper analyzes the global, national and local bakery products market by focusing on providing consumer needs of the population and highlights the importance of the production in terms of economic results in a comparative study of firms PANIFCOM, COMPAN and AFER- companies representative for the field in the county. It is highlighted the direct correlation between the implementation of strategies based on marketing mix (with emphasis on product quality, promoting efficiency and distribution intensity) and market shares that the companies own, affecting the turnover and respectively the profits achieved

Key words: bakery products, food security, market share, marketing mix

Bakery market research and and the way the crops structure optimization can influence through the food chain the consumption needs of the population for the bakery products is a necessity because knowledge of these correlations leads to positive effects both for producers who can properly size the activities and for consumers who can purchase their desired products in the required quantities, the price adequate to purchasing power and the range they prefer.

World food security situation coupled with population growth causes the bakeries grains and therefore the bakery products to constitute essential neuralgic segment of the global market, in which each fluctuation causes structural and psychological disturbance for both producers and consumers (Chiran A. et al., 2008; Sîrbu Alexandrina, 2009). The demand for bakery products in general and especially for bread being inelastic, production companies must move towards diversification of the range and increase quality while focusing on the potential benefits to consumer health.

Investigating household consumption needs help choosing appropriate market strategies leading to benefits both for producers and consumers. Diversification of the range and focusing on quality are the main directions of the field that producers follow, observing an increase in value and a decrease in volume of production, to this state of fact being oriented the marketing strategies (Chiran A., et al., 2007).

MATERIAL AND METHOD

The paper analyzes the global, national and local bakery products market by focusing on providing consumption needs of the population and emphasize the importance of the production in terms of economic results in a comparative study of firms SC. PANIFCOM SRL, SC. COMPAN S.A Iaşi and SC. AFER S.R.L. Iaşi - field representative companies in the county. The statistics were processed from EUROSTAT and National Institute of Statistics and economic results were taken from the balance sheet of each company in order to effectuate the comparison. Methods used were scientific documentation, diagnostic analysis, analysis and interpretation of statistical data and balance sheet analysis.

RESULTS AND DISCUTIONS

Global bakery market was worthed about 281 billion euro for 2010 with an annual average increase of 3.93% during 2001-2010. It is estimated it will reach 284 billion euro in 2015. Asia-Pacific has the highest annual growth of the market value of about 6.93%.

[1] University of Agricultural Sciences and Veterinary Medicine, Iaşi

European bakery market has a estimated market share in the global market of 43.85% (112.8 billion euro). Packaged bread sales in Europe increased by 0.4% in volume in 2010, reversing the 0.3% decline in the previous year

In Romania, in the past decade, consumption of bread was reduced by 10 kg /capita, reaching 108-110 kg/capita/ year, Romania being in third place among the biggest consumers in Europe after Albania and Bulgaria. The European average is 78-80 kg/capita/year. Studies indicate for the next period a 10% - 15% market increase in value value correlated with a decrease in consumption by 3% - 5%.

Ideal portion for an adult is about 150 - 250 g of bread per day and accordingly 54-90 kg/year. Romanian market value for bakery and pasta amounted to two billion euros in 2009.

With food weighting almost 37% (fig. 1). in the CPI basket, Romania is much more exposed to international commodity price fluctuations; it is important to mention that the highest negative impact on food prices in Romania is generated by the gap between supply and demand.

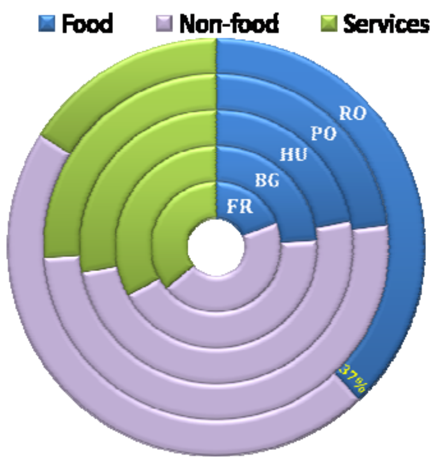

Figure 1 **Item weight in the CPI (consumer price index) basket (2010) (FR-France, PO-Poland, UN-Hungary, RO-Romania, BG- Bulgaria)**

Bread and cereals, vegetables and fruits contribute to more than 41% in CPI (from which about 25% determined by bread ad cereals) in Romania, while in France the combined share is lower (32%) (fig. 2).

According to and National Institute of Statistics the consumer price index for milling and bakery products bakery products in Romania slightly increased in September 2011 with 0.04% from August 2011 and with 4.8% in comparison to December 2010 (tab. 1).

Demand for bakery products reflects differences in consumer behavior, both between categories of the population in the same country and between countries. The size and structure of demand are influenced by economic (income and prices), demographic, social and geographical factors. In a market economy, quality of bakery products evidenced by a plurality of properties, reflecting their value on the market is one of the most important measure unit of a company state.

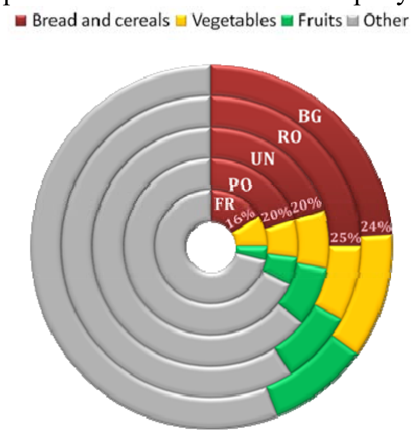

Figure 2 **Bread, vegetables and fruits in CPI basket (2010) (FR-France, PO-Poland, UN-Hungary, RO-Romania, BG- Bulgaria)**

Table 1

Consumer price index in for bakery products in Romania (September 2011)

Name of goods / services	September 2011 (%) in regard to	
	August 2011	December 2010
TOTAL	99.79	101.82
TOTAL FOOD GOODS	98.82	99.25
Milling and bakery products	100.04	104.80
-Milling products	100.22	107.71
-Wheat flour	100.19	108.80
-Maize flour	100.27	105.89
-Bread, loaf products and bakery specialties	100.03	104,65
-Bread	100,07	104.77
-Loaf products	100.03	104.28
-Bakery specialties	100.17	102.44
TOTAL NON-FOOD GOODS	100.24	103.58
TOTAL SERVICES	100.56	102.52

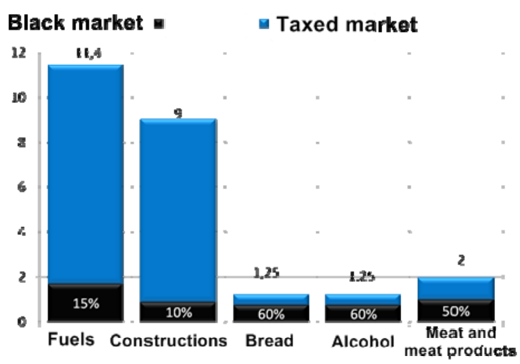

Figure 3 **Tax evasion in Romania, July 2011 - billion euro**

Analysis of national consumption for bread value shows the significant difference between European media and official reports but also the mismatch between the official reports and the facts- caused by the 'black market', which has a very high share in bakery domestic market estimated by ROMPAN to 60%.

With a harvest of 7.2 millions tons (tab. 2) Romania recorded one of the most significant increase from 2010 (26%) after Russia (35%) fact that can contribute to balanced ensuring of the consumer needs and to a relative stability in the bakery market.

Table 2

Wheat harvest evolution for the countries from the Black Sea (2007-2011) million tons

Country	2007	2008	2009	2010	2011	2011/2010 (%)
Russia	49.3	63.7	61.7	41.5	56.0	35.0
Ukraine	14.0	25.8	20.8	16.8	21.0	25.0
Turkey	15.5	16.8	18.4	17.0	18.5	8.8
Bulgaria	2.4	4.6	3.9	4.1	4.6	12.0
Romania	3.0	7.1	5.2	5.7	7.2	26.0

Producer price index for bakery products in the EU increased with a high percentage (15.19%) in 2008 from 2007 fact caused by the economic crisis and inputs prices increasing, being wih almost 20% higher than 2002 and 15.2% higher than 2005 (tab. 3).

The analysis of bakery market dimensions in the EU indicates in 2009 a number of approximately 150000 enterprises, approximately 1531293 persons employed anda turnover reaching 113255 million euro. In 2009 in Romania were recorded 4526 bakery enterprises with a number of persons employed of 68 520 and a turnover of 1260 million euro (tab. 4).

Table 3

Producer price index for bakery products in the EU (2005 = 100)

Year	2002	2003	2005	2005	2006	2007	2008	2009	2010
Price index	96.64	98.87	100.04	100.00	101.49	105.33	115.52	114.62	115.20

Table 4

Evolution of the bakery market dimensions in the EU and Romania (2001-2009)

	Number of enterprises		Number of persons employed		Turnover (millions €)	
Year	EU 27	Romania	EU 27	Romania	EU 27	Romania
2005	159492	4539	1344300	67478	68425.5	879.3
2006	159420	4566	1343200	67628	68642.8	1000.7
2007	162559	4422	1354800	66557	74822.7	1227.8
2008	157148	4477	1530700	71065	111827.1	1581.8
2009	156934	4526	1531293	68 520	113255.4	1260.6

The largest national producers in the bakery sector are SC VEL PITAR S.A. Râmnicu-Vâlcea- the most important national field producer (with a turnover of 274526306 lei), S.C. DOBROGEA GROUP S.A. Constanța (with a turnover of 215279957 lei) , and S.C.BOROMIR S.A. Buzău (with a turnover of 126690959 lei) with insignificant changes from 2008 to 2010 (fig. 4).

On 1 July 2010, the stable population of Iasi County was 824780 inhabitants of which 386755 are in rural areas (representing 46.89%) and 438025 are in rural areas (representing 53.11%). Population density is 150.62 inhabitants per km^2. Average monthly consumption in Iași county indicated in 2007 a consumption for bread and other bakery products of 7.6 kg per capita with a significant difference of 2.1 kg reported to the average consumption per capita on the country (tab. 5) caused mainly by self-consumption.

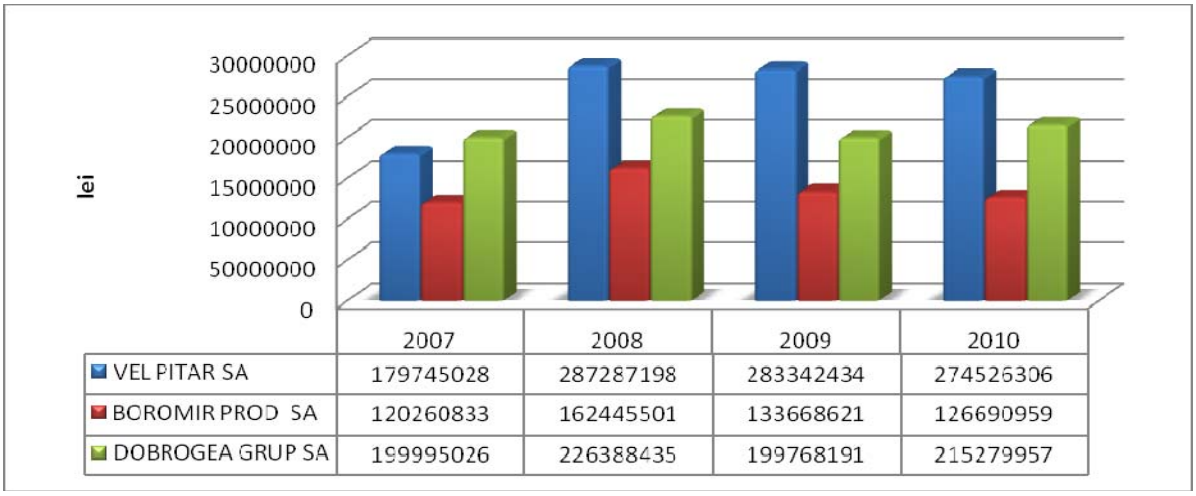

Figure 4 **Comparative evolution of the turnover for the main national producers of bakery products**

Table 5

Average monthly consumption in major food and beverage per capita in Romania and Iași county (2007)

No.	Product	UM	Total country	Iași county
1	Bread and other bakery products	kg	9.713	7.639
2	Maize flour	kg	1.210	2.858
3	Fresh meat, total	kg	2.534	2.428
4	Meat products	kg	0.958	0.891
5	Fish and fish products	kg	0.467	0.551
6	Milk	kg	5.962	7.223
7	Cheese and cream	kg	1.186	1.447
8	Egs	pieces	13.479	13.908
9	Corn oil and sunflower	kg	0.913	1.001
10	Fruits	kg	2.560	2.784
11	Beans	kg	0.452	0.624
12	Potatoes	kg	4.028	4.958
13	Vegetables and tinned vegetables	kg	6.769	6.621
14	Sugar	kg	0.819	0.802
15	Coffee, tea	l	0.127	0.126
16	Mineral water	l	3.067	2.082
17	Alcoholic beverages, total	l	2.056	2.498

The highest market share on the bakery market for 2007 in Iaşi county was owned by VEL PITAR S.A. Iaşi- a branch of the most important national producer (35%) (fig. 5).

The study focused on three companies from the county: PANIFCOM S.A. Iaşi, COMPAN S.A. Iaşi and AFER S.A. COMPAN S.A. Iaşi recorded the highest turnover -12221.7 thousand lei in 2010, folowed closely by by PANIFCOM S.A. Iaşi, with a turnover of 11778.1 lei (fig 6).

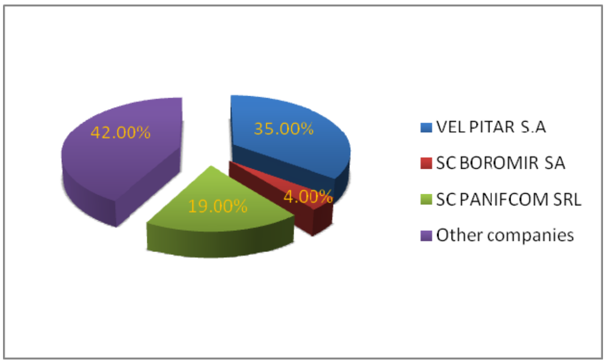

Figure 5 **Market share of main bakery enterprises în Iași town (2007)**

Development trend of food processors in Iasi county was determined by national economic strategies and short term strategies developed by the enterprises in urban and rural areas who tried upgrading the technology and the equipment, adopting a new policy of market, product, price and distribution.

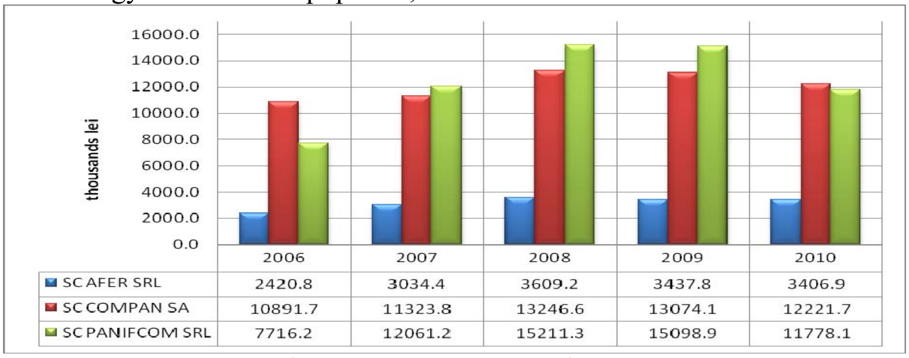

Figure 6 **Comparative evolution of the turnover**

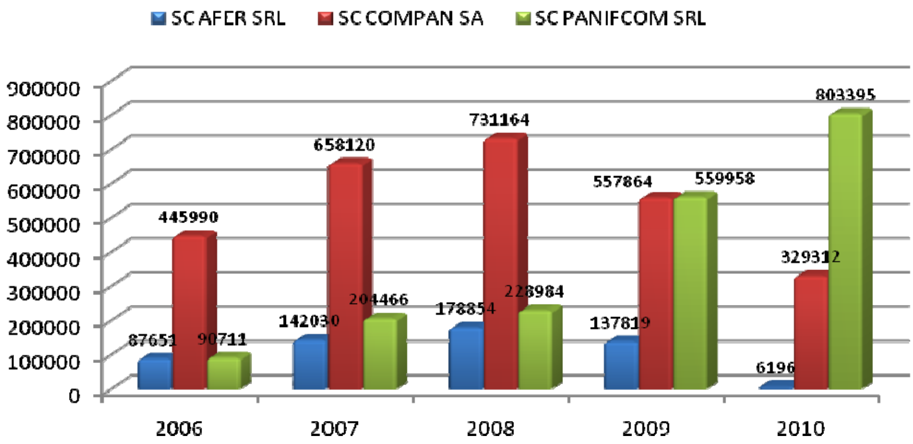

Figure 7 **Comparative evolution of net profit (lei)**

Comparative evolution of net profit indicates a constant increase for the PANIFCOM company which has adopted offensive market strategies reaching a net profit of 803395 lei in 2010 (fig. 7). On the other hand COMPAN company has been strongly affected by the economic crisis and recorded significant decreases from 731164 lei in 2008 to 329312 lei in 2010, the same trend being followed by AFER company with a smaller economic activity than the first two companies.

Regarding the number of employees all three companies analyzed recorded decreases in 2010 (*fig. 8*), the highest number being achieved by COMPAN SA Iaşi (140). The investments in new technology determined this reduction but also an increasing yield which can represent a base for better economic results and a competitive advantage in relation to the other field enterprises.

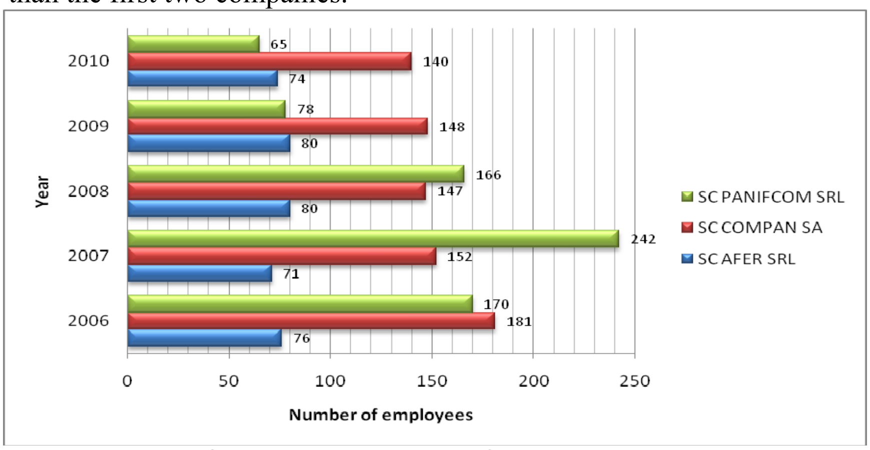

Figure 8 **Comparative evolution of the employees number**

Regarding the stocks evolution, the analyze emphasize the differences from the enterprises taken into consideration. PANIFCOM company recorded a fluctuation in value for stocks to 3408827 lei in 2010 with a stocks rotation speed of 105.6 days, COMPAN recorded a constant evolution to1348767 lei in 2010 with a stocks rotation speed of 40,28 days and AFER presented low values to 103895 lei in 2010 (*fig. 9*) with a stocks rotation speed of 11.13 days.

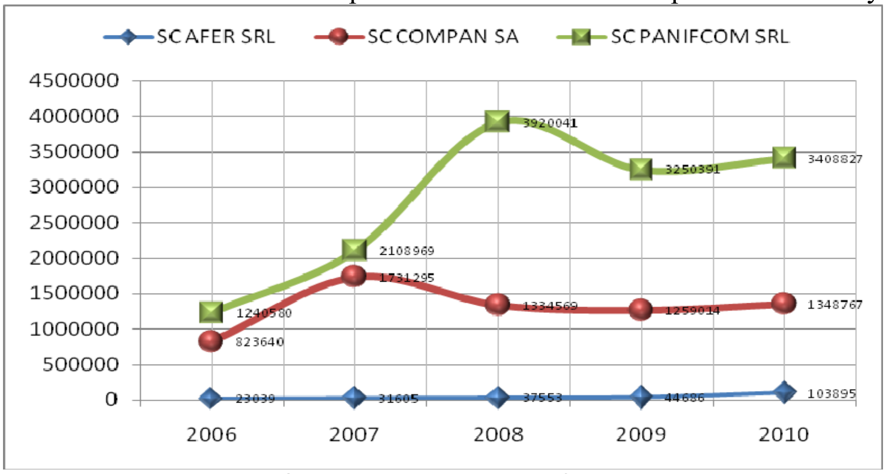

Figure 9 **Comparative evolution of stocks (lei)**

CONCLUSIONS

It is recorded a consumer orientation to packaged sliced - products and for bread) purchased in supermarkets (Carrefour, Kaufland etc.) and hypermarkets.

The analysis shows an increased interest in local products, traditional and/or natural and also a preference for specialty bakery and pastry.

At the county level but also to the national level it is recorded an increasing consumption of products that have positive effects on health.

Bakery market supports external pressures caused mainly by increases in cereal prices or poor strategies adopted.

Development trend of food processors in Iasi county was determined by national economic strategies and short term strategies developed by the enterprises in urban and rural areas who tried upgrading the technology and the equipment, adopting a new policy of market, product, price and distribution.

The most important producer of the bakery sector in Iaşi county are VEL PITAR S.A. Iaşi, PANIFCOM S.A. Iaşi, COMPAN S.A. Iaşi and AFER S.A. Iaşi From the analyzed enterprises COMPAN S.A. Iaşi recorded the highest turnover - 12221.7 thousand lei in 2010, folowed closely by by PANIFCOM S.A. Iaşi, with a turnover of 11778.1 lei

Comparative evolution of net profit indicates a constant increase for the PANIFCOM company which has adopted offensive market strategies reaching a net profit of 803395 lei in 2010.

Bakery products require continuous diversification and quality growth in order to best satisfy the consumer demands.

BIBLIOGRAPHY

Chiran, A., et al., 2007 - *Marketing în agricultură*, Editura Alma Print, Galaţi.

Chiran, A. et al., 2008 – *Prospects on the World Cereal Market.* Rev. Cercetări agronomice în Moldova, vol. 1(133), Iaşi, p. 77-83.

Drobotă, Benedicta şi colab., 2009 - *Economic-financial considerations on the consumption of cereal products (a case study on the population of Iaşi county)*, Revista Cercetări Agronomice în Moldova, vol. XLII , No. 1 (137), p. 78-83.

Ionescu-Bigioi, Diana Ştefania, 2005 - *Piaţa produselor de panificaţie în România*, Editura A.S.E., Bucureşti.

Marić, A. et al., 2009 - *Contribution to the improvement of products quality in baking industry*. International Journal for Quality Research, pag. 209-216.

Săseanu, Andreea, 2009 - *The bakery industry–a favourable environment for the Romanian entrepreneurs*, Analele Universităţii din Oradea, vol II, pag 201-207.

Sîrbu, Alexandrina, 2009 - *Merceologie alimentară. Pâinea şi alte produse de panificaţie*. Editura Agir, Bucureşti.

Turneanu, Mara şi colab., 2009 - *Trasabilitatea în industria de morărit şi panificaţie*, Lucr. şt. Management Agricol, volumul XI, Editura Universităţii de Ştiinţe Agricole şi Medicină Veterinară a Banatului Timişoara.

*****, 2011** - *Food: from farm to fork statistics,* European Commission, DG Health and Consumers http://epp.eurostat.ec.europa.eu/cache/ITY_OFF PUB/KS-30-08-339/EN/KS-30-08-339-EN.PDF.

*****, 2009** - *Strategia de dezvoltare economico-socială a judeţului Iaşi pentru perioada 2009-2014*, Consiliul judeţean Iaşi, 2009, http://www.icc.ro/Strategie.pdf.