

## PARTICULARITIES REGARDING THE EVOLUTION OF ROMANIAN BAKERY MARKET IN THE CONTEXT OF ECONOMIC CRISIS

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### Abstract

The unstable economic environment has prompted businesses to adopt security measures or to reconfigure certain courses of action, marketing policies being affected by some fundamental changes in terms of increased efficiency and competitive pressure in order to adapt to the transformation in consumer behavior related to the goods carried. The economic crisis drew attention to the micro and macroeconomic indicators that behave differently depending on the social, political and financial context. Monitoring continuously the harmonized indices of consumer prices, investigating the consumption trend and the structure of consumption basket and analyzing the imports and exports evolution it is possible to understand market situation and to forecast as accurately as possible future evolutions. The demand for bakery products is relatively inelastic and accordingly, manufacturing companies strategies aimed at diversification of the range and quality growth while focusing on the potential benefits to the consumer health. This paper aims to develop an diagnosis for quantitative and qualitative elements of bakery business at national level as response to the economic changes that have occurred and to highlight their reflection in the economic results obtained.

**Key words:** bakery market, economic crisis, Harmonized index of consumer prices, turnover

Crises are defined as situations characterized by a pronounced instability leading to increasing uncertainty. There are no fixed values that define an economic crisis, but recession is conventionally agreed that after two successive quarters when dealing with a lower GDP countries or regions, which usually decrease is accompanied by a decrease in individual income, reduction of employment, industrial production and consumption reduction.

The major purpose of economic activity is constituted by quantitative and qualitative correlation of the food production with the consumers demand. Specific for the food products is highlighting the influence of consumption variation factors (Chiran A., et al., 2007).

In this global agitated context, the companies have to learn the survival lesson and find their own way out of the crisis.

The companies overcoming the economic crisis and having a successful comeback, are those with a higher adapting capacity through change. This means they have the capacity of responding quickly and effectively to a new context. Disregarding the market, sets in danger not only the recovery of the company from the crisis but also its survival (Pandelică Amalia, Pandelică I., 2010).

Economic crisis since the end of 2008, has affected investments in the bakery sector, estimated at 100 million euro for 2009. Many potential investors have had to resort to loans to make investments, a possible restriction or inability to obtain credit leading to bankruptcy.

Another problem faced by the bakery industry, against the backdrop of economic crisis, is that the dealers who are granted merchandise credit, in the defense of problems in obtaining credit, they are unable to pay the freight and this strongly affects the sector (Oancea Olimpia, 2009).

The bakery market value in Romania is estimated at 1.8 billion € in 2012 and the number of employees in the sector is approximately 45 000 and this is the reason it requires careful monitoring.

### MATERIAL AND METHOD

The paper focuses on the national bakery market status indicating the structural changes that occurred in the context of economic crisis. The statistics were processed from National Institute of Statistics, EUROSTAT, European Central Bank and Market Access Database provided by European Commission. Economic results were taken from the balance sheet of each company in order to effectuate the comparison. Methods used were scientific

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documentation, diagnostic analysis, analysis and interpretation of statistical data.

## RESULTS AND DISCUSSIONS

The economic crisis was reflected in social but mainly in the macroeconomic financial indicator like Gross Domestic Product which has significantly decreased in 2009 (*table 1*).

GDP growth rates in Romania as a consequence of the crisis has decreased with 6.6% in 2009, with more than 2% in regard to European Union average, after an economic growth in 2009 of 7.3%.

The recovery was only recorded in 2011 when GDP was with 2.5% greater than the level in

2010, with 1% over the European Union average. In Romania the bakery sector has recorded significant fluctuations (*figure 1*).

A particularity regarding Romanian bakery market was the fact that even if the turnover decreased from 1582.8 mil. € in 2008 to 1260.6 mil. € in 2009, the number of enterprises increased from 4477 to 4526.

It is clearly highlighted the change of the turnover curve once with crisis started. The economic situation has determined also a certain change in the consumption basket, food products weighting differently in the population consumption basket (*figure 2*).

Table 1

**GDP growth rates in Romania, European Union and Eurozone (2006-2011) - %**

Country/ Region	2006	2007	2008	2009	2010	2011
Romania	7.9	6.3	7.3	-6.6	-1.6	2.5
European Union	3.3	3.1	0.5	-4.3	2	1.5
Eurozone	3.3	3	0.4	-4.3	1.9	1.5

Source: Eurostat

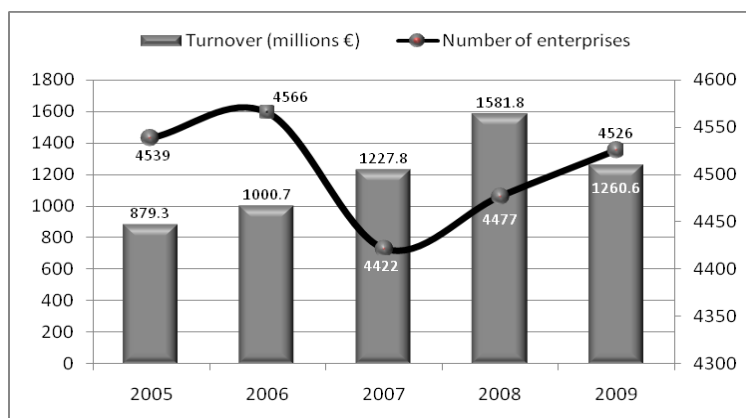


Figure 1 Evolution of turnover and enterprises number in the bakery sector in Romania (2005-2009)

Source: own calculations using Eurostat data

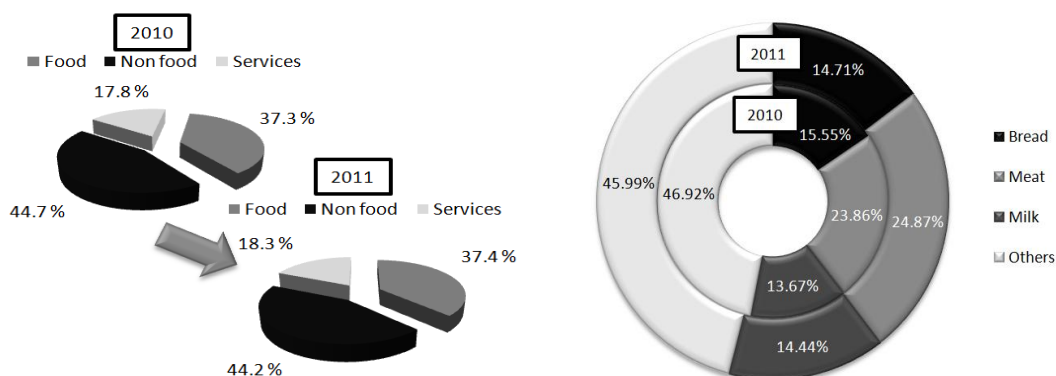


Figure 2 Evolution of consumption basket and products weight in food consumption (2010-2011)

Source: own calculations using Eurostat data

The unstable financial situations caused more careful spendings of the population and oriented people towards saving. The food products weighted in 2010 37.3% in the consumption basket, in 2011 slightly increasing with 0.1%. Regarding the structure of this percent (37%), the

statistics indicate for bread a participation of 15.55% in 2010 and of 14.71% in 2011, greater weight recording only meat and milk products, situation explained by the fact that bread is a basic product and consumer expenses has to cover first the basic needs even if price is increasing (*figure*

3). In comparison to the price evolution for bread and cereals in the European Union Romania has recorded an harmonized index of consumer prices with more than 10% greater than the average in 2012. Imports and export of bakery products were also influenced by economic crisis (*table 2*).

The import value for bakery products both from/to INTRA-EU27 and EXTRA-EU27 countries has diminished starting 2009 or recorded growth rate decreases, beginning to slightly recover starting 2010 and 2011. The quantity of imports and exports has followed the same trend (*table 3*).

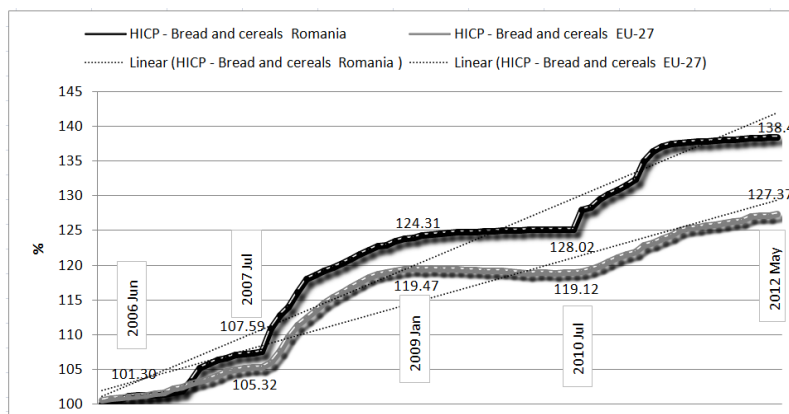


Figure 3 Harmonized Indices of Consumer Prices (HICP) for bread and cereals, monthly index, 2005=100  
Source: own calculations based using Eurostat data

Table 2

**Import and export value for bread, pastry, cakes and biscuits to/from Romania (1000 EURO)**

Years	Total INTRA-EU27		Total EXTRA-EU27	
	Import value	Export value	Import value	Export value
2006				
2007				
2008			7 139.030	
2009		8 014.810		8 014.810
2010		10 151.370		10 151.370
2011	104 924.720			

Source: Market Access database, European Commission

Table 3

**Import and export quantity for bread, pastry, cakes and biscuits to/from Romania (1000 kg)**

Year	Total INTRA-EU27				Total EXTRA-EU27			
	Import quantity	% to the previous year	Export quantity	% to the previous year	Import quantity	% to the previous year	Export quantity	% to the previous year
2006	20581.9	-	12922	-	2420	-	1824.1	-
2007	35054.3	170.32	14031	108.59	5104.9	210.95	3435.9	188.36
2008	45562.6	129.98	16499	117.59	6382.1	125.02	3394.7	98.80
2009	45613.1	100.11	15733	95.35	5835.1	91.43	3940.1	116.07
2010	46367.6	101.65	18370	116.76	8541.5	146.38	5549.4	140.84
2011	54332.9	117.18	23576	128.34	14484.5	169.58	6324.2	113.96

Source: own calculations using Access database- European Commission data

Import quantity for bakery products grew only with 0.11% in 2009 related to 2008 for the INTRA-EU27 countries and has decreased with 8.57% for EXTRA-EU27 countries. The exports diminished from 16499 to 15733 to in 2009 in relation to the INTRA-EU27 countries but grew with 16.8% for the same period relation to the EXTRA-EU27.

The bread consumption in Romania (*figure 4*) is 7.848 kg/person/month, being greater in the rural area (8.044 kg /person/month). A dependend variable for the bakery market is the wheat price (*figure 5*) which was the center of all food strategies.

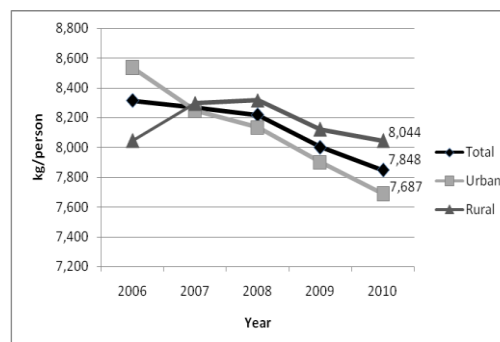


Figure 4 Monthly bread consumption in Romania

The evolution of wheat price in Romania indicates two peaks, first in the first quarter of 2008 when it reached the level of 0.84 lei/kg and

the second in the second quarter of 2011 when the price was 1.01 lei/kg. The fluctuations of wheat price has determined constantly direct changes in the bakery market. The main romanian bakery producers are VEL PITAR SA, DOBROGEA GRUP SA and BOROMIR PROD SA (table 4).

The economic crisis and the direct and indirect consequences determined a decrease in turnover for all three great producers in 2009 related to 2008, only DOBROGEA GRUP SA recovering in 2010 with an increasing turnover of 215279957 lei.

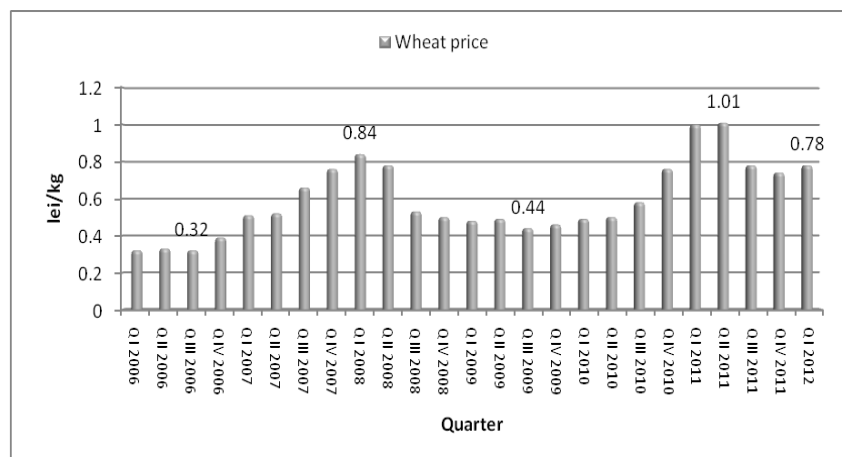


Figure 5 Evolution of wheat price in Romania (2006-2012)

Source: own calculations using data from National Institute of Statistics

Table 4

Evolution of the turnover for the main national producers of bakery products

	VEL PITAR SA	DOBROGEA GRUP SA	BOROMIR PROD SA
2006	259833852	158261020	79084874
2007	179745028	199995026	120260833
2008	287287198	226388435	162445501
2009	283342434	199768191	133668621
2010	274526306	215279957	126690959

Source: own calculations using data from annual balance sheet

## CONCLUSIONS

Bakery market in Romania was influenced by the economic crisis but less than other sectors of the national market.

There are not significant change in bakery consumption even if the weight in the consumption basket has slightly changed.

The bread consumption in Romania is by 7.848 kg/person/month, which means an annual consumption of 94.176 kg/person.

Harmonized Indices of Consumer Prices for bakery in Romania is much higher than the European Union average.

The economic crisis has affected Romanian imports and exports of bakery products both in volume and value.

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