

## STUDY ON ROMANIAN WINE-GROWING CHANNELS IN 2011

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### Abstract

*Wine-growing channels are the transformation process through which grapes turn into must, wine, till they reach the final consumer, with all the implied activities, endowment and institutions. Wine channels are one of the most complex agro-alimentary channels, because one and the same unit can integrate all activities: research, obtaining bedding material, grape production, obtaining wine, stabilizing and bottling it and distribution to the final consumer.*

**Key words:** *channels, wine-growing, organizations, producer.*

### MEASURES AND MEANS OF WINE-GROWING CHANNELS REGULATION

Co-ordination of wine-growing channels are based on institutions and regulations with the object of organizing their phases using measures and tools negotiated and materialized in a legislative framework that becomes compulsory for the whole channels.

Institutional organic structures to regulate wine-growing channels are:

- Minister of Agriculture, Forestry and Rural Development
- Council on product “Grapes, must, wine products and processed products”
- The Payment and Intervention Agency for Agriculture and Rural Development.

Institutions having a role in elaborating and implementing market policies in the wine-growing sector:

Professional organizations of the product

National Inter-professional Wine Organizations:

- Regional wine-growing professional organizations

Employer’s organizations

- National Vine and Wine Employers’ Association

Connecting organizations

- State Inspection for Viticulture Technical Control - ISCTV
- The National Office of Vine and Wine Products – ONVPV

Institutions of certifying and control:

- The Central Lab for Seed Quality

## **ANALYSES OF THE CHANNELS FOR GRAPES AND WINE CAPITALIZATION AND PRODUCTION IN ROMANIA**

Grape and wine production and capitalizing in Romania have particularities, starting with properties situation, dimension of areas, technological and technical endowment, the efficiency for associations and financing access.

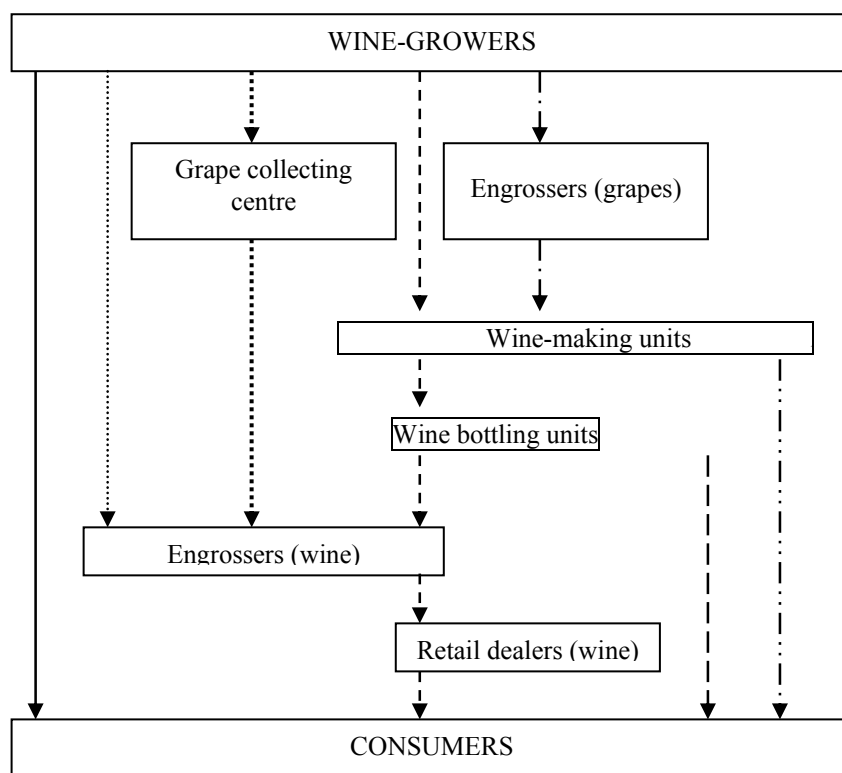
The properties situation in Romania follows the retrocession that happened too late in this field. Co-operative system was the first to be dissolved, being transformed into private property having wine-growing patrimony with low quality vines, both as sorts and sustaining. After 1997, enter the privatization process the vines of former IAS units, most of them having a good situation of area and sorts as well as plantations sustaining. The main IAS specialized in viticulture were transferred to the private system without fragmenting vine areas, these areas becoming emblematic for Romanian viticulture and wine-making (for example: SC Cotnari, SC Murfatlar România, SC Recaş, SC Jidvei etc.).

Size of areas can be considered a major problem, because of the excessive fragmentation of areas, as follows:

- Under 0.1 ha: 44.487 exploitations only (3%)
- 0.1-1.0 ha: 389.497 exploitations only (34%)
- 1.0-5.0 ha: 629.629 exploitations only (56%)
- 5.0-10.0 ha: 71.589 exploitations only (6%)
- Over 10 ha: 12.148 exploitations only (1%)
- Total: 1.142.347 exploitations (100%).

These 1.142.347 wine-growing exploitations totalize an area of 185.575,93 ha vines in bearing, 99% of exploitations (1.142.347) hold 134.557,12 ha, and 1% of the 922 exploitations hold 51.018, 81 ha vines in bearing, i.e. 28% of the total area. [1]

Grape and wine production and capitalizing have particularities regarding endowment, because of the perishable feature of the grapes and complex technology of wine production, clarifying and stabilizing. In this respect, harvest has to be executed at the wine technological maturity, the transport, storage and processing have to be done in the shortest possible time. As a conclusion, wine channels should have a very rigorously organized and planned level of vertical integrity able to deal with competition with the wine from European and New World countries.



(Source: Letiția Zăhău – Politici și piețe agricole)

In the case of small producers, grape production channels has multiple variants of capitalization, as follows:

- Producer sells grapes straight to the final consumer and the consumer traditionally vinifies purchased grapes, obtaining a quality deficient wine, but satisfying his ego as a level of mistrust in the wines from the organized trade;

- Producer vinifies grapes with his own household technology devices. Most of the resulted wines are of low quality. These wines are capitalized by self-consumption or traded to producer's acquaintances, circulating as bulk wines in an unorganized trade.

- Small producer sells grapes to a collecting centre, which resells them to an industrial wine producer. Due to this intermediate link, the harvest time is calculated by the small producer, the purity of the harvested sort is incidentally, depending on the purity of the plantation. Therefore, this raw material is used for inferior wines (table wine) and purchasing prices of the grapes will be very small.

- The small producer has a contract of capitalization with a society of wine production and industrialization. In this case, the integrator has a permanent relationship of counseling and financing, assuring a proper technology of vine sustaining, deciding the optimum time for harvest, having a possibility of integrating that area in a system of supervising ONVPV and obtaining a DOC certificate, thus creating great advantages of the capitalization price and category benefic for both parts.

At present, paradoxically, from a financial point of view, the best for a small producer is to sell grapes or wine to the final consumer. The explanation is that the price for grapes and wine has no economical reasons, being incidentally chosen by direct negotiation by both parts and takes into consideration the price of table grapes from the free market as well as the price of wine from the shelves. Also, these prices do not include taxes or VAT (Value Added Tax) and therefore they are not the subject to any circulation fee for goods and services.

Another situation is the case of small and medium producers associated in a form that lets them use mechanical means of sustaining the cultures. The production acquired from this associating system has the following channels:

- selling grapes to final consumers that traditionally vinify for self-consumption;

- selling grapes to specialized wine-making units in a direct negotiating system, without a pre-contract;

- vinifying in a unit built by association and capitalizing resulted wine for self-consumption straight to the final consumer in bulk or selling the wine to a unit of conditioning and bottling;

- Wine-making in a private unit equipped with modern technology and having conditioning and bottling tools. Under these circumstances, the association will sell its product in conditions of bottled wine.

The given situations have advantages and disadvantages, but the best solution is vinifying and bottling by associations that are able to create conditions of a capitalization at profitable prices having also the possibility of planning the entire channels as a private development strategy.

For the medium producers owning areas of over 50 ha, production, industrialization and capitalization are easier to control, due to the sustaining and financing possibilities. There is a single problem on these channels, and that is grapes industrialization and wine bottling, because of the high level of investments involved and because, in order to be possible, it requires at least 50 wagons. This difference of capacity can be covered by acquisitions from the small producers, integrated themselves this way in the process till the capitalization level.

In the case of big producers with areas of 100-1.000 ha and very big producers, having areas of over 1.000 ha, the channels of production and capitalization are relatively simple, they capitalizing bottled wine having sort, vineyard and producer personality.

In the last two cases, capitalizing channels has a great influence over price and product market and we have the following situations:

- capitalizing through private stores of bulk and bottled wine;
- capitalizing by sending bulk wine to specialized stores;
- capitalizing through national distributors having selling structure and regional market, as well as transport logistics that helps the product to reach the county or local distributor and distributes the product on detailers.
- capitalizing through regional distributors, implying that the producer has a selling and marketing department, as well as transport logistics, being responsible for wine delivery to the regional distributor deposit. The regional distributor, at his turn, can either have distribution logistics in every county or work with county distributors that take the wine to detailer and finally make the wine reach the consumer.

- A modern system of capitalization is using the super and hypermarket networks that have as targets both detailers and final consumer.

As a conclusion, the channels of grapes production and capitalization become efficient when they have a high level of integration, removing as many chains as possible that artificially raises the price. Evolution and integration of a controlled and programmed European system of production and capitalization will eliminate this relatively favorable situation for the small producer that directly capitalizes grapes or wine production, eluding both controlling system and purchase taxes.

In the case of small producers, the solution for the future is to associate in a system that can secure them both obtaining quality grapes and their processing in modern units having a high performance technology, helping them to get quality wines that will be able to compete on a more and more diverse and pretentious market.

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