

TRENDS REGARDING THE EVOLUTION OF THE TRADE MARKET FOR ROMANIAN MILLING AND BAKERY PRODUCTS

PhD Student **Sergiu-Bogdan CONSTANTIN**
The Bucharest Academy of Economic Studies

ABSTRACT

Romania must be harmonized with EU legislation regarding food products. The tendencies manifesting in the EU influence the Romanian market. The trends regarding the evolution of the trade market for Romanian milling and bakery products: there are mergers and acquisitions in the industry, the development of trade by large network of shops, the large network of super and hypermarkets, the registration on the milling and bakery products market of a consumption decline due to the negative way that these products are perceived among consumers, the constant preoccupation for healthy diet leading to the use of only low-calorie products, along with the use of soy based products, the regard for safety food and ecological products.

KEYWORDS: *Milling, bakery, trends, market, sales.*

In the past few years, the objectives of the Romanian milling and bakery industry have been redesigned, focusing on : the ensurance of food safety and security; implementing technologies and production processes able to compete on the European market; harmonizing the Romanian legislation corresponding to this area with the *acquis communautaire* and its putting in place; Romanian standards alignment to the European and international ones; the status and image improvement for the miller and baker profession, as well as a higher quality training for this profession.

In such a context, starting with the trends of the EU market for milling and bakery products, that we consider to also have great implications on the Romanian milling and bakery products market, we appreciate as necessary - in the years to come, for the activity in the milling and bakery area to be targeted and based on the following business and sector strategies: a higher preoccupation for health among the population; an increase in the interest for consuming ecological and nutritional products; the increase of the amount of milling and bakery products sold in supermarkets and hypermarkets, the costumers increasing preferences for packages, with a higher period of validity, in the place of bulk products; the target towards smaller, more convenient products; the development of the area of dietetic milling and bakery products, that are intended for a variety of diseased patients; the decline of bread consumption, that has joined in a few years the European average; the increasing interest for foreign kitchen¹.

The introduction on the Romanian market mainly of grain mill products and less that of EU bakery products has imposed the application by the Romanian authorities of quality standards for wheat harvested, as well as consumers' protection measures, at

¹ In the opinion of Popescu Aurel, „*News and views in the milling industry, bakery and pastry products in Romania*”, www.agriculturaromaniei.ro

European standard level. Therefore, since 1996 the Institute of Food Bio-sources is testing each year the wheat quality resulting from agricultural campaigns, for all arable land, on areas of culture and varieties, for each district of the country. The sampling is carried out in detailed methodology exposed in nr.102/28.03.2001 Order of the Minister of Agriculture Forestry and Water Environment. The wheat quality is characterized by genetic endowment of varieties and their adaptation to climatic zones, the contents of protein, specific weight, of impurities and defects composed of grains and inert material, technological tests (content and gluten quality, index drop) and rheological tests (farinograma, alveograma, etc..) and is addressed to all stakeholders in the grain area.

For Romania, the bread is the most important food, therefore, determining the quality of grain of annual crops in our country, has a special importance. The quality of wheat is determined by physical tests, chemical, organoleptic, from which useful information is obtained regarding the final turning it into a very efficient way¹.

A trend that is obvious today in Romania is to strengthen the milling and baking industry under pressure from rising consumer demand, the regulatory requirements in force under pressure of the industry itself. As a result, a series of mergers and acquisitions are recorded. This trend is detectable in Romania while milling and baking industry remain the most fragmented out of the processing industries. In this regard can be mentioned the actions that took place.

The experts also consider that the major foreign food companies are very interested in taking over some local players in the industry. The time of takeovers is now very appropriate: it can buy fairly inexpensive and moreover, which should not be neglected, the Romanian market of bakery has great potential, as Romanians are big consumers of such products, 22% of food budget is directed to milling and bakery products².

Another trend is the development of trade by large network of shops, super and hypermarket large networks.

In Romania the success of these large networks has generated a trade that promotes very civilized, unlike most conventional stores. However large retail area developed into a slower place compared with the neighboring countries. The explanation for the late entry of large international networks on the Romanian market was that the market wasn't mature enough for this new retail, for a hypermarket and/or a supermarket to be profitable requires a certain level of average wage and a certain level of culture and education of the population. However in the case of bread, Romanians have not changed their habits, and preferred – as shown above, to buy from the shop near home. That is why, in recent years, companies in the milling and baking industry began to invest in stores inherited along with factories that they had taken over or acquire. Currently the main producers of milling and baking industry have retail networks.

In order to be profitable, these stores sell a wider range of products: bakery products, packaged milling, pasta and pastry and other food. Investments in upgrading these facilities do not target a particular strategy of increasing producer's sales throughout their own stores, but simply an alignment on a modern, civilized trade.

Another trend on the market for milling and baking is the decline in consumption, due to the negative perception that these products have among consumers, that prefer low-calorie products. In these conditions, the market of the so-called "functional" food

¹ „The grain quality from annual crop” in the Grain Catalogue from Crop 2003, www.bioesurse.ro

² Ogarcă Radu Florin, „Methodes and technics of perfecting the decision approach in the enterprises in the milling industry of the area of Oltenia” – PhD Thesis, pag. 137, ASE, 2007.

(food or food ingredients for diet regimes which, in addition to their nutritional function, help maintain or improve the health of the body) continues to grow rapidly and is estimated to reach by the year 2010 a 5 % share of total world food market (following an annual growth rate of 14%)¹. Milling and bakery sector has remained a little behind on the dairy industry and soft drinks, concerning the supply of functional products, mainly due to its fragmented structure and its role of providing traditional products, most often at low prices. Also a number of bakery specialists argue that this industry was held in place due to technical problems related to the recipes used in manufacturing. Unlike milk, in the bread cannot be placed immediately flavors that mask the new ingredients, while the elimination of salt, fat and sugar have immediate influence on the structure of the finished product².

Both on a world and European level there is a trend of voluntary reducing the quantities of salt used in food industry in order to prevent cardiovascular diseases. The maximum amount recommended by the World Health Organization (WHO) and the rules of consumption in the United States and Britain provide 6 grams/day/a person of kitchen salt consumption. Current studies conducted on salty taste perception in humans tend to show good acceptability of the product less salty.

Another trend in the milling and baking industry is the use of soy-based products, following the discovery of the benefits they have for the health of consumers, regardless of the gender.

Also in the category of concerns for a healthy diet, in the benefit of consumers, is the right labeling of products.

Romania has not reached yet, intensively speaking all these waves of change, but it will not be long now till they're perceived. Traders milling and baking industry need to know in advance and seek to answer, to the extent that they have resources and solutions (though many may not resist new challenges and constraints).

There are a number of Romanian specific developments generated, in particular, by the integration in the EU, such as: ensuring food security and safety (the implementation of quality systems ISO 9001 series, HACCP, etc), that allow the setting of the traceability of Romanian products, certified by testing laboratories in Romania, approved by European standards; the introduction of technologies and production processes, competitive on the European market; the harmonization of sector specific Romanian legislation with the *acquis communautaire* and its implementation; align Romanian standards to Europe and beyond.

Ensuring food safety and security is a requirement to become urgent in the current period due to the greatly increase consumption of food prepared on an industrial scale, and because more often now consumers learn that food is the cause of many illnesses, sometimes even of death.

In general food security status in a transition country is poor for several reasons: a bad education and practice in the food industry and catering establishments in particular with regard to food hygiene; economic instability and desire of rapid enrichment of small entrepreneurs; lack of effective control.

Implementing a food safety management is a systematic approach to prevent or at least minimize the possibility of obtaining food security, also providing the answer to this challenge.

Among the various systems proposed to ensure hygienic and sanitary food production, HACCP system (Hazard Analysis and Critical Control Point) is the one to have

¹ In Ogarcă Radu Florin, „*Methodes and technics of perfecting the decision approach in the enterprises in the milling industry of the area of Oltenia*” – PhD Thesis, p. 139, ASE, 2007.

² nr. 147/15, ANAMOB NEWS Magazine, of december 2004, p. 6, www.anamob.ro

met the majority votes of international organization in the field. This is a food safety system based on prevention, assessing potential risks that may affect the quality of food or the process of obtaining it.

For this risk control system to give good results it is imperative that all personnel be well trained professionally speaking, as a result of attending in training on good manufacturing practices (GMP, Good Manufacturing Practices), and good hygiene practices (GHP, Good Hygiene Practices), prerequisites necessary to implement HACCP. Also, to achieve optimal results, it is recommended to combine foods safety system with a quality management system ISO 9001: 2000.

In Romania companies milling and baking industry, must comply, as of October 1, 2006, EU rules on food hygiene that became mandatory from 2007. Also in 2007 companies are required to implement the HACCP system. Another trend identified in the market in Romania, the introduction of technologies and production processes, competitive on the European market, and to this point it must be said that the milling and bakery industry is one that has received substantial investment in recent years, Romanian and foreign, materialized, at more frequently, with the purchase of equipment, generally from European countries with tradition in the field, both at formal large state enterprises and in the new emerging SMEs.

Unfortunately very few of the technical imports were accompanied by an import of the know-how. As a result Romanian producers found themselves in the position to be in possession of very modern equipment, highly efficient, not having the manufacturing recipes, or the people sufficiently qualified to operate them. These problems increased facing the difficulties that the Romanian higher education witnessed in this field.

Allegations made toss the Romanian bakery technology, with implications beyond the financial and economical factors (such as low productivity), concern the fact that most products resulting from their use, do not fall within the current trend, noticed at European and global level, regarding the consumers preoccupation for a healthy diet and also caring for the environment.

Market trends of milling and bakery products, both the EU and those in Romania, are targeted to achieve a high level of health protection, consumer safety and environmental protection, containing procedures for conformity assessment and market surveillance through a system of standards and appropriate legislation.

As for harmonization sector specific Romanian legislation with the *acquis communautaire* and its implementation, it must be said that this request was mainly completed, at present time, the quasi-totality provisions of EU legislation being applied. The legislation intended for the harmonization regard the labeling (for bakery products sold prepackaged), genetically modified food, use of food additives, the admissibility of the contaminants, the use of colors and flavors in bread and bakery products, and hygiene facilities and staff.

Trends in the milling and bakery products on the EU market are focused on consumer information such as between producers and consumers to have a full understanding of the consequences of consumption of grain mill and bakery. The legal obligation to be supplemented by a moral obligation to the consumer is to be informed about the products they consume, this information being made through the pack and label.

In terms of population we observe the fact that the first requirement of consumer products for milling and baking is to protect against unacceptable risk, certification of products and services, conforming compliance to applicable safety standards. Consumers are also interested in the life of the product or how the product meets the purpose of use. Legislation on food is applicable to products of the milling and baking industry and in

accordance with the laws of the field; operators are required to label these products with the following information: name under which the product is sold, the list of ingredients, the amount of certain ingredients or categories of ingredients, net quantity of prepackaged foodstuffs, the date of minimum durability, date consumer (shelf life), storage conditions or use, premises or distributors (imports of products enter the name and address of importer or distributor registered in Romania), place of origin or provenance of the product¹.

The purpose of labeling is to give consumers the necessary information, sufficient, verifiable and easily comparable, thus enabling them to choose that product which meets the requirements in terms of their financial needs and opportunities and to know the potential risks to which they are subjected. A distinction is necessary in this context, one that is based on the capacities of labeling, namely: nutrition labeling and eco-labeling.

Nutrition labeling of food offers consumer information that regard the energy and the following nutrients: protein, carbohydrates-sugar, fat, fiber, sodium, vitamins and minerals. Currently the European Commission is concerned with developing a unifying European legislation on nutrition labeling, simpler but more rigorous (all health-related claims will be based on scientific evidence).

Eco-labeling is adopted in order to assist consumers in choosing products with low environmental impact. Eco-labels are generally of two types: voluntary eco-labels and eco-labels requirements. Voluntary eco-labels are used usually as means of marketing promoting sales in the environmental requirements. Eco-labels requirements should be applied on the basis of legislation, national or international, being necessary to inform consumers of dangerous environmental qualities of the product.

In Romanian practice things are far from those rules. Domestic legally sells a single product 100%, but nevertheless there are many fakes coming from chemical agriculture, labeled so to induce the idea that it would be “clean”. Authorities are yet passive faced with these practices. In these circumstances manufacturers continue to inscribe products with terms of “eco”, “bio”, “100% natural”, etc. The legislation allows the labeling of “biological” and “organic” and derivatives of these words only if the manufacturer has a certify that is mentioned on the label. At the same time labeling “natural”, “traditional”...etc, not yet violates any law, as Romania doesn't have legislation that clarifies the standards for natural or traditional production. Normally natural produce is to not use fertilizers or other synthetic substance. Unfortunately, as long as there is close supervision, formalized, the market will be correct only under the ethical values of key decision makers.

In addition to consumers, certified organic producers are also affected by these practices. Fortunately most of these export, therefore do not compete with counterfeiters. More so as a lot of specialists see in this kind of products an opportunity that Romania ought to operate in the coming years. Romania should play on the fact that in Western Europe consumers look for products as natural as possible.

A sensitive issue in the legislative harmonization is genetically modified food. In order to resolve problems concerning food security many theories have been issued, and different technical solution have been tried out, as well as economic and social ones, by which to ensure and /or influence the production and consumption so that the world population should benefit of an adequate diet. Therefore in the processing of agricultural products the use of food additives and that of biotechnology imposed even more.

In the last three decades one of the most controversial biotechnology applications in obtaining food is that of genetic modification. GM foods are products obtained by the

¹ „Consumer's protection and standards”, www.maap.ro

processing of food materials, including genetically modified organisms, certain parts of these or of substances produced by these.

A final trend that will affect the Romanian market of bakery is to bring Romanian standards at a level with the European and international ones. In a globalized market, such as the European internal market, buyers are becoming more dependents on formal methods and procedures to ensure that product characteristics meet their requirements.

The European Commission has published guidelines to facilitate the implementation of European law of food safety, which came into force in January 1, 2005. The specific requirements contained in the Directive include traceability for all foods, animal feed and for all operations of the food chain from primary production in the agri – zootechnical to processing, transportation, storage, distribution and sale to consumers.

When all these will be implemented in junction with a valid system of monitoring, in compliance with standards, the pressure on manufacturers will be very strong. Analysts however believe that this can be an opportunity for Romanian producers working under the law to increase consumer's confidence in their products, actually increasing their profits¹.

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