THE ANALYSIS OF THE BEER SECTOR IN ROMANIA

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ABSTRACT: *This study aims to analyse a sector of the Romanian economy which is currently among the most sustainable. It is about production and marketing of beer, a product with a long and rich history around the world but also in Romania. The analysis covers a period of seven years and takes into account the dynamic evolution of those market-specific indicators such as: production, consumption, imports, exports, workforce involved, the contribution to the state budget, etc.*

KEY WORDS: *sector of activity; beer sector; beer market; production of beer; consumption of beer; beer sales; import and export of beer; workforce.*

JEL CLASSIFICATION: *E2; L66.*

1. INTRODUCTION

As the human society has evolved, our needs as well as the ways to satisfy them have evolved so that today we encounter only a few goods that we consume like thousands of years ago. Considered over time either a food or a drink, or even remedy against diseases beer held out until today.

The first beers dates back to the dawn of civilization when man became from nomadic a farmer and started to conserve grains, and will discover the drink that would become a true and vital "lymph" of a complex and evolved society. Babylonians knew over 20 different ways for making beer. Because beer is consumed in large amounts, the Babylonians developed the first regulation that regulate consumption of alcoholic beverages and operation of the profile venues. In medieval Europe, beer came to be manufactured in monasteries. Monks improved manufacturing technology, using flowers of hops as a preservative. In the nineteenth century, along with the industrial revolution, the process of manufacturing beer was mechanized, which has been a milestone in the history of this drink so popular.

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2. THE BEER MARKET IN ROMANIA

True mass production of beer on Romanian territory dates back to the early 19th century when Johann de Gotha inaugurated in 1809, on the outskirts of Bucharest, a beer factory which was destroyed by fire during the revolution from 1821. Starting with the second half of the 19th century, the emergence of several beer factories translates into the inauguration of numerous breweries, some of which have only ephemeral life. Very quickly brewery becomes an "institution" and especially an important meeting point for journalists, politicians and theater people.

Bucharest breweries ambiance from the turn between the two centuries, often transpires in the Caragiale's novellas thanks, in large part, to his experience of "beer salesman."

In more recent history, 22 years ago, the beer market in Romania meant only a few brands such as Azuga, Aurora, Mountains, Malbera, and those only with zonal spreading. In the '88-'89 for the Romanians from the province which did not attend in the summer at sea or in Bucharest, a few bottles of beer became a true delicacy.

After 90s, the situation began to change, the market being gradually invaded by numerous brands of beer, their number currently surpassing 50. This is explained by many regional producers and suppliers in the market that all tried to launch at least one, if not several brands in every segment of the market.

In the period after 1990, the beer industry has experienced a great development concretized in the following stages of development:

- In the period 1990-1994 there have been built by the local investors 74 beer factories, totaling a capacity of 1,101 thousand hl / year (small and medium capacities ranging between 5-100 thousand hl / factory), these companies being located throughout the country. These companies were later closed for financial reasons (undifferentiated excises being one of the most important) in the period 1995-2000.
- Since 1995 foreign investors have purchased a total of 15 large capacity beer factories for Romania (500-600 thousand hl / year / company) which accounted a total annual capacity of approximately 7,000 thousand hectoliters. Those acquisitions were motivated by the low price of these units, because of the way privatization was carried out in Romania in that period as well as by the need of these companies to transfer in Romania second hand equipment to upgrade factories that they have bought. This was followed by the 2000s period when the multinational companies have closed approximately 33.3% of the purchased capacities and proceeding to the expanding of other existing capacities.
- Should be noted that the SME group from the beer industry (companies incorporated before 1990) was not taken up by the multinational companies for capacity reasons. Currently from a number of 22 units existing at the end of 1999, only 6 companies have managed to stay on the market.

All beer factories organized themselves in the 4th quarter of 1991, in an employers' organization to which have acceded multinational companies, that have come in Romania after 1995.

In early 2004, independent brewers unhappy with how multinational companies have managed their interests, and how the the activity was directed in the former patronized of beer (in which decisions were taken by vote, depending on the amount of beer made), decided the separation from and the establishment of a the multinational patronized to represent their interests in dialogue with the state institutions or non-governmental ones [4].

The Independent Beer Producers Companies Patronized from Romania is an employers' non - profit association that represents the interests of independent breweries in Romania. It was founded in March 2004 through the association of approximately 25 local manufacturers, producers representing an important link in the Romanian beer industry, located in more than 20 counties of the country (Tg. Mureş, Prahova, Galați, Suceava, Teleorman, Neamț etc.).

But beer market boom began soon after 1990 when the first international group started its operations in Romania, Brau and Brunnen (B & B) purchased the beer factories from Ursus (Cluj) and Eagle (Pitesti), but in 1996 he decided to focus on other markets and withdrew from Romania. SAB Group (South African Breweries) bought from B & B its two factories and purchased Pitber (Pitești) and Timişoreana.

The next group which entered the local beer market was Interbrew, which in 1994 bought Bianca (Blaj) and Proberco (Baia Mare). In 1999, Interbrew concluded a contract with the Ephesus factory (Ploiesti), in 2001 becoming the sole shareholder.

United Romanian Breweries (Tuborg) initiated the first "greenfield" project and building a brewery near Bucharest.

The Austrian group BBAG through his division of beer - Brau Union, entered the Romanian market in 1996 by acquiring the majority stake from the beer factory Arbema Arad. In 1997 were purchased Bere Craiova and Malbera Constanta and in 1998 Silva Reghin. BBAG group made in 2000, a major acquisition, namely the one of the Brewery Holding group, with three factories - Grivița Bucureşti, Bere Miercurea-Ciuc and Haber Hațeg. All groups have a highly supported activity in all segments of the market, including in the non-alcoholic beer segment. Basically, there was no market segment that has not been attacked, except the mix drinks - mix of beer with cola or other sodas.

To enter the Romanian market a brewing firm must invest around 70 million euros. Out of the 125 small beer producers that existed ten years ago in Romania, only 26 were able to cope. Experts say that the market is already seated, and the emergence of a new competitor is highly unlikely. Only a global manufacturer can succeed, but only if it is willing to invest a fairly large amount of money. In Romania, the beer market is already consolidated, mature, highly competitive, a market where are present four of the top five global beer producers.

The major players in the beer market, which occupy more than 70 percent of the relevant Romanian market, constituted "Brewers of Romania" (BR), which is open to all producers who share the mission and objectives set. Brau Union Romania, Romania Beer Company (CBR), Interbrew Romania and United Romanian Breweries Bereprod (URBB) have established the "Brewers of Romania" with the mission to promote and develop in Romania a responsible and strong beer industry.

Romanian Brewers Association was established in 2004 with the mission to promote and develop responsible and strong beer industry in Romania.

From the desire to ensure a healthy business environment in the production of beer nationwide, five of the largest companies operating in the market in Romania are currently members of the association: Bergenbier, HEINEKEN România, Romaqua Group, Ursus Breweries and United Romanian Breweries Bereprod. Together these five manufacturing companies provides over 90% of the beer consumed in Romania.

With the correct and whole vision over the complexity of the process that it involves the production of a quality beer, in 2010, Romanian Brewers Association has opened its doors to welcome among its members the most important national producer of hops and malt, materials needed for the beer production: Association of Hops Producers and Soufflet Malt România.

Permanently eager to expand its membership, since 2011 a new brewer joined the existing ones: Beer Clinic. Headquartered in Timisoara, Beer Clinic is a microfactory that will successfully complete the joint efforts towards the development of beer culture in Romania.

As a consequence of its mission according to the one of the countries from the European Union since January 2008, the Association became a member of "Brewers of Europe" organization considered representative of the European beer industry before various international institutions and organizations. Founded in 1958 in Brussels, the organization now has 27 members and represents the interests of approximately 4,000 producers in the beer industry from Europe. Moreover, the Brewers of Europe represents and defends the interests of more than 2 million people who owe their jobs to the production and sale of beer (Broşura ABR, 2012, p. 4).

3. THE ROMANIAN BEER MARKET ANALYSIS IN THE PERIOD 2004-2011

3.1. The beer industry in Romania

The beer market in Romania is characterized by rapid growth sustained by the development of the economy and increasing purchasing power of the population. For several years, "Brewers of Romania" Association which brings together the largest brewers in our country is growing faster than the market.

In the analyzed period there has been a steady increase in beer sales both in the overall market, as well at the level of Brewers of Romania Association (BR), up to 2008. It is important to note that in 2004 "Brewers of Romania" owns about 67% of total market sales, and in 2011 they have come to cover 91.7% of total sales, aspect that is due on the one hand to the fact that Romaqua Group joined the Association in 2009, but also due to a decrease in recent years in the number of small beer producers in Romania.

The economic crisis started in 2009 has also been felt in the beer industry, which recorded its first decline in six years, from 20.2 million hectoliters (hl) sold in 2008 to 17.6 million hl in 2009. Overall, in 2009, the beer market fell below the figures recorded three years ago when have been sold 17.7 million hl. (Table 1). In 2010, the unstable economic environment that affected consumers and their habits determined a decrease in the beer market by 3.5% over the previous year, reaching a total volume of 17 million hectoliters. The total volume of beer market reached 17 million hl in 2011, remained at the previous year level, but still failing to reach even the level recorded in 2006.

Table 1. The beer industry in Romania during 2004-2011 (million hl)

Year	Beer market	The sales of the BR members
2004	14,5	9,73
2005	15,2	10,45
2006	17,7	12,6
2007	19,4	15,15
2008	20,2	16,46
2009	17,6	16
2010	17	15,3
2011	17	15,6

Source: Broşura Asociației Berarii României, 2007 edition, p. 5, Broşura Asociației Berarii României, 2012 edition, p. 20

The analysis of sales of the Romanian Brewers Association reveals an upward trend until 2008, followed by the 2009 crisis year when sales recorded about 97% of those of the previous year (Figure 1.). We can say that it is not in any way a disadvantage, given the problems that have faced other economic sectors.

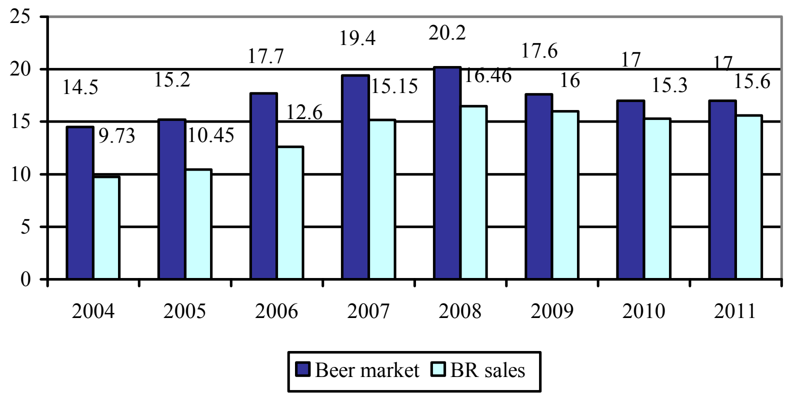

Figure 1. The beer industry in Romania during 2004-2011

"Brewers of Romania" members permanently support Romanian economy by investing significant sums in their production facilities, as demonstrated by their increasing value in the period 2004-2007 and even in 2008 (Table 2).

Table 2. The direct investments of the Brewers of Romania Association members (million euros)

Year	2004	2005	2006	2007	2008	2009	2010	2011
Investments	58	77	100	210	200	105	51	61

Source: Broşura Asociației Berarii României, 2010, 2011, 2012 editions

Members of "Brewers of Romania" developed significant investment projects in their production facilities proving in this way their permanent support to the Romanian economy. Basically they have doubled the amount of investments in 2008, compared to the previous year, thus registering the highest level of investments in the period under review (Figure 2.).

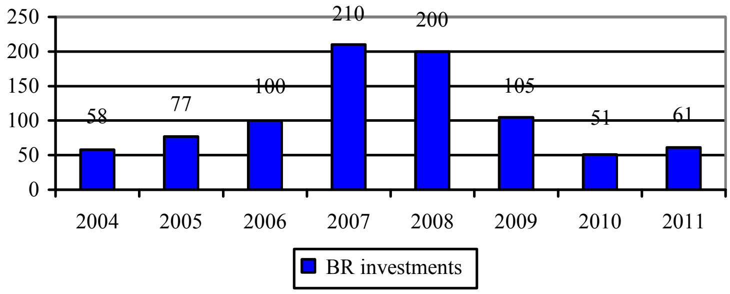

Figure 2. The evolution of Brewers of Romania Association direct investment during 2004-2011 (million euros)

Direct investments of the members in 2009 amounted to almost 105 million, representing a decrease of almost 50% from the previous year, and this in a year that has registered, unlike 2008, an overall decrease of net investments at the national economy level of 22.5%, according to INS (Broşura ABR, 2010, p. 8). Members operates in 11 beer factories on Romanian territory situated in: Blaj, Braşov, Buzău, Cluj-Napoca, Constanța, Craiova, Miercurea-Ciuc, Pantelimon, Ploieşti, Sebeş and Timişoara.

The sales made at the level of "Brewers of Romania" attained a volume of 15.3 million hectoliters in 2010, with less than 4.4% compared to 2009, while investments decreased due to lower investments in the national economy as a whole. These totaled an amount of 51 million euros, with less than about 50% compared to previous year.

The sales made at the level of Brewers of Romania Association have reached a level of 15.6 million in 2011. Considered a real recovery engine sales and a way to strengthen the business, the investments made by members of the Association in 2011 recorded an increase of 10 million euros compared to the previous year, bringing them to 61 million euros.

3.2. The beer consumption in Romania

Romanians consumed on average 81 l per capita in 2006, which means an increase of 16% compared to previous year. Average consumption rates in other European countries with a strong beer culture are: Czech Republic 160 l, 118 l Germany, Austria 111 l, 106 l Luxembourg, Belgium 96 l, 90 l Denmark, Finland 84 l, 81 l of Lithuania, Spain 79 l and Netherlands 78 l (Broşura ABR, 2007, p. 8).

A Romanian consumed on average 89 liters of beer in 2007, by almost 10% more than the previous year. Romanians consume, on average, a glass of beer per day, according to the "Brewers of Romania" (ABR). Well, it comes to all Romania, with children, women, elderly, vegetarians, etc. If we reduce the number of beer drinkers in half, we find a daily amount of a bottle (0.5 liters), figure closer to reality. But it comes to the reality of 2009because in 2009 consumption decreased by 13% compared to 2008. More specifically, the average consumption was 81 liters of beer in 2009 (per capita, not drinkers), down from 93 liters in 2008 and then returned to the figures recorded in 2006. In other words, the crisis that hit soundly consumption in general convinced us to drink less beer per week. The decrease in 2009 is the first after five years of climb. Beer consumption per capita has followed the same downward trend as the beer market, reaching the value of 78 liters in 2010 (Table 3.).

Table 3. The beer consumption per capita in Romania during 2004-2011 (liters)

Year	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Consumption	66	70	81	89	93	81	78	89

Source: Broşura Asociaţiei Berarii României, 2007, 2008, 2009, 2010, 2011, 2012 editions

Calculated having as reference the data provided by the last Romanian census, the consumption of beer per capita in 2011 reached the value of 89 liters.

Analysis of data concerning beer consumption per capita in our country retroactively recalculated corresponding to the latest data from census shows some differences from the values presented annually and shows that consumption has an upward trend during the period 2004-2008, after which it stabilizes around 89 liters in the next years, with about 10% less than the highest recorded value, which is in 2008 (Figure 3.). This is due of course to the fact that population incomes declined after 2009, bringing after them a fall in consumption.

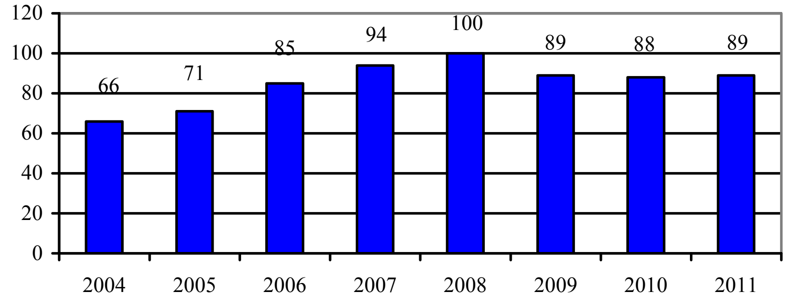

Figure 3. The evolution of beer consumption per capita in Romania during 2004-2011 (liters)

All market studies show that beer remains the preferred drink of the Romanians, nearly six out of ten people aged over 18 who consume alcohol choose this product when they are meeting with friends. Half of them are used to drink beer with food, according to an analysis made by GfK Romania, at the request of Brewers of Romania Association [5].

In a ranking by regions Oltenia inhabitants lead the way, they choosing beer for more than 78% when they meet with friends, followed by residents of Muntenia with a percentage of 60.34%, and the Bucharest inhabitants, which have a share of 58%, and the inhabitants of Dobrogea, with 56.5%.

At European level, in 2010, the Romanians were ranked the seventh among beer consumption per capita, with an average consumption of 88 liters of beer, compared to a European average of 80 liters per capita. First place was taken by the Czechs, which annually consumes with 56 liters more than the Romanians, exactly 144 liters of beer per capita, they being followed in ranking by the Germans with 107 liters of beer, Austrian with 105 liters of beer and Norwegians, who drink about 105 liters of beer per year per capita.

About 28% of all beer consumed in Romania is sold in restaurants and bars, the beer sales in this segment being approximately 800 million euros, according to an Ernst & Young study, which took into account the average price per liter for beer in bars and restaurants, of 1.7 euro per liter including VAT.

The same study also shows that the rest of the 72% of the total beer consumption in Romania - 12.2 million hectoliters - is sold in supermarkets and other retail units. Taking into account an average selling price of 0.8 euros per liter, including VAT, appears that Romanians have spent on beer bought from supermarkets 991.4 million euro.

In total, sales of beer in Romania in restaurants, bars and supermarkets reach about 1.8 billion euros, according to Ernst & Young.

3.3. The sales of beer by packaging types

On the Romanian beer market there are many types of packaging: returnable bottles, aluminum cans, barrels and PET containers. The PET packaging has a significant market share, which distinguishes Romania towards other European countries, and in 2007 recorded a slowdown in growth that it held in recent years, while the dose packaging climbs the top of the preferences of consumers.

In 2008, sales in the segment of dose packing increased 25%, Romanian consumers preferring this type of packaging. In terms of sales on the packaging segments, 2009 confirming the consolidation of the Romanian consumer preferences, the changes being minor: PET 46.7%, dose 14.8%, glass 35.3% and draught 3.2%. The same thing can be observed in 2010 (Table 4).

Table 4. The beer consumption by type of packaging in Romania during 2004-2011 (%)

Year	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
PET	24,4	31,4	40,4	45,6	46,5	46,7	49,3	51,3
Dose	8	7,8	8,7	10,4	13	14,8	16	14,8
Glass	61,9	54,5	46,2	40,5	37,5	35,3	31,7	30,2
Draught	5,7	6,3	4,7	3,5	3	3,2	3	3,7

Source: Broşura Asociaţiei Berarii României, 2007, 2008, 2009, 2010, 2011, 2012 editions

Observing the data in the table above, we can say that within just eight years preferences for beer in PET packaging have doubled in 2011, reaching to hold more than half of consumption in our country. The same situation, although not as spectacular is recorded for the beer on dose, but the situation is the opposite for glass, from 61.9% in 2004 to 30.2% in 2011. Only draught beer consumption remains relatively unchanged.

For 2011, consumer preferences regarding packaging of beer have had only small fluctuations from the values recorded in 2010, they recorded for PET - 51.3% (+2% from the previous year), glass - 30.2% (-1.5% from the previous year), dose - 14.8% (-1.2% yoy) and draught - 3.7% (+0.7% from the previous year). (Figure 4.)

The packaging that has revolutionized beer sales in Romania, PET, and which which has come to represent half of local consumption can not be ignored by traditional European brands, while producers face decreasing consumption and the need to maintain sales by products adapted to the new market order.

Recently, Bergenbier, number three on the local market, decided to use PET packaging for the Czech brand with a long tradition, Staropramen. Launched in 1869, Staropramen is a brand present on 30 markets worldwide and in Romania was brought to half of last year, and it was initially packaged in bottles of 0.33 liters, 0.5 liters, and at dose of 0.5 liters. [7] Staropramen Czech factory did not have in 2011 a packaging line for PET. However, from February 2012 the Romanian producer decided to package this brand in PET of one liter, packaging that will be available in both modern trade and in the traditional one and the targeted consumer is the one from the urban environment with average incomes and above average.

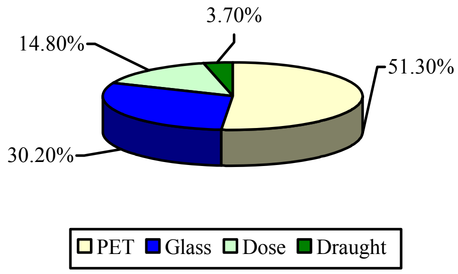

Figure 4. The share of beer sales by type of packaging in 2011 (%)

The movement may seem surprising for a Czech brand, especially since three or four years ago, the factories in the Czech Republic, the country with the highest consumption of beer per capita in Europe (160 liters), just experimenting "PET beer" and in 2008-2009 this segment did not reached even to 0.05% of the market. From more than 16 million hectoliters of beer sold in 2008 in Czech Republic, sales in the PET packaging have been 7,403 hectoliters.

On the other hand, the figures show that in Romania this type of packaging makes the law and come to represent half of a market of nearly 17 million hectoliters annually. In 2000 the PET packaging covered only 2% of the local market. Other European countries where this type of package has a stronger presence are Germany, Serbia and Ukraine.

Moreover, the PET helps Romania being placed among the cheapest beer markets in retail. A report on the beer industry conducted by Ernst & Young [6] and published on the website of European Brewers Association show that Romania is placed third in the ranking of markets where consumers find the cheapest beer in both retail as well as restaurants and bars, being surpassed only by the Czech Republic and Bulgaria. Thus, a liter of beer purchased from stores in Romania costs 0.8 euros, almost as in Bulgaria (0.79) and Czech Republic (0.75%), and half against the European average of 1.7 euro / liter, as shown by the survey data quoted. The strong presence in the local beer industry of PET makes that more than 70% of beer consumption to take place at home, unlike the Czech Republic, where the restaurants and the pubs covers half of the consumption. Thus the Romanians give nearly a billion euros annually on beer purchased in retail, while in Czech Republic this segment value is 575 million euros, according to the Ernst & Young report.

3.4. The import and export of beer

In Romania the share of imports in the beer market is still small, which clearly demonstrates that the Romanians prefer beer produced in the country. In 2006 imports were at a level of about 0.4%. As regards the exports this recorded spectacular increases in percentages in 2006, but still represents a small part of the entire production (Table 5).

Table 5. The import and export of beer during 2004-2011 (million hl)

Year	2004	2005	2006	2007	2008	2009	2010	2011
Import	0,059	0,028	0,032	0,076	0,5	0,17	0,22	0,27
Export	0,024	0,056	0,076	0,026	0,06	0,17	0,14	0,17

Source: Broşura Asociaţiei Berarii României, 2007, 2008, 2009, 2010, 2011, 2012 editions

Although the integration in the European Union from 2007 has led the market in Romania in the Community, the share of imports in the beer market is still insignificant. Romanians consume almost the entire domestic production of beer, the share of imports being below 1%. As for exports, they decreased reaching the level of 2004. In 2009, exports increased from 0.06 million hl in 2008 to 0.17 million hl, while imports declined from 0.5 million hl to 0.17 million hl.

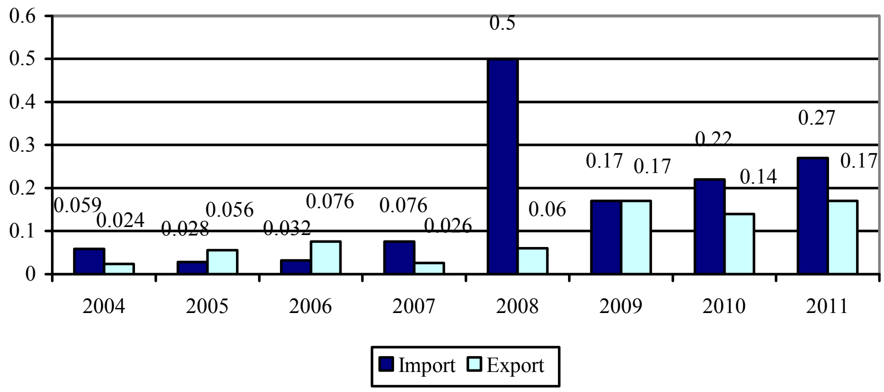

Figure 5. The evolution of beer imports and exports in the period 2004-2011 (million hl)

In 2010 the situation changed, so that the imported beer has increased, totaling 0.22 million hl, while exports decreased slightly, to 0.14 million hl, which indicates a consumer orientation to beer specialties (Figure 5).

The year 2011 is characterized by a slight increase in the import of beer, totaling 0.27 million hl and in terms of exports, they also showed a slight increase, reaching 0.17 million hl. The indicators presented in the figure above are mainly characterized by the fact that both imports and exports increased and decreased, the highest level for imports being recorded in 2008. In general, we can say that for the most part of the period beer imports exceeded exports, but in 2009 the two values were equal.

3.5. The beer industry contribution to the state budget

At national economy level, the beer industry emerges as a serious contributor to the state budget. Due to the large share that Romanian Brewers Association has in our country beer market, the data provided by them in the newsletters are relevant so that we can make a real picture of the level of these fees on the entire industry.

Taxes, representing excise, VAT and direct taxes for employees, which the Brewers of Romania Association members pay them every year, without delay, to the Romanian state, demonstrates their influence and importance to the state budget.

In 2009, members of the Romanian Brewers Association had over 6,300 employees across the country, contributing with more than 1.3 billion in the last six years to Romanian budget through various taxes - such as VAT, excise, personal duties and contributions to the social insurance. This year, in the context of increasing excise duty and of the competitive economic conditions, the direct contribution of the members to the state budget remained at over 263 million, with only 9 million less than in 2008 (Table 6).

Table 6. The Brewers of Romania Association members contribution to the state budget in the period 2004-2011 (million euros)

Year	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Contributions	122	167	214	264	272	263	270	272

Source: Broşura Asociaţiei Berarii României, 2007, 2008, 2009, 2010, 2011, 2012 editions

Although in 2010 the unfavorable economic conditions do not change, the contribution to the state budget through various taxes (VAT, excise, personal duties and social insurance contributions) of the Association members reached the threshold of 270 million euros, increasing by 7 million euros compared to 2009, and in 2011 the contribution reached the threshold of 272 million euros, increasing by 2 million euros compared to 2010.

It is noted thus a first period of sharp increase in contributions since 2004, then from 2007 their value shows only slight variations by the end of the analyzed period. So in 2011 contributions were nearly 2.5 times higher than in 2004.

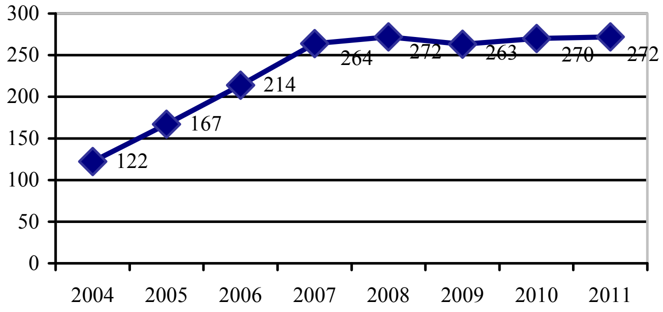

Figure 6. The evolution of the Romanian Brewers Association members contribution to the state budget in the period 2004-2011 (million euros)

3.6. The workforce in the beer industry

At this point, the five member companies of the Association offers a number of over 4,100 jobs within ten beer factories in different cities, such as Ploieşti, Constanța, Craiova, Miercurea Ciuc, Târgu-Mureş, Sebeş, Pantelimon, Timişoara, Buzău, Braşov.

Although the number of employees is quite important, even this sector has experienced a number of changes due to the effect of economic rebound, strongly felt at the investments level but especially at the labor force level, due to the closure of some important beer factories. Thus in 2011 the number of jobs provided by the Romanian Brewers Association is close to the value recorded in 2006 and represent 61.19% of the number of jobs offered in 2008 (Table 7.)

Table 7. The number of workplaces offered by the "Brewers of Romania" producers during 2006-2011

Year	2006	2007	2008	2009	2010	2011
Number of workplaces	4200	4400	6700	6300	4100	4100

Source: Broşura Asociației Berarii României, 2007, 2008, 2009, 2010, 2011, 2012 editions

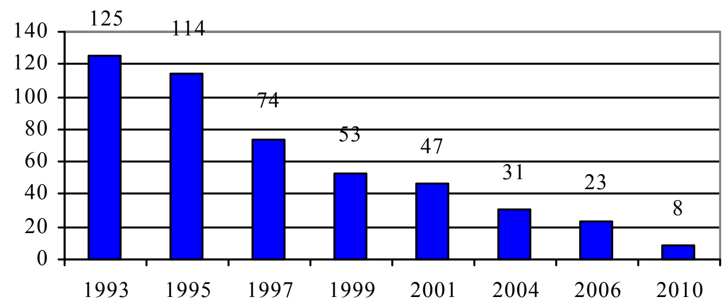

Figure 7. The evolution of the number of beer factories belonging to the small producers in Romania in the period 1993-2010

The two companies producing raw materials, members of the Association from 2011, Soufflet Malt Romania and Hops Producers Association from Romania, successfully support the efforts to promote the beer culture in Romania, to educate consumers about responsible consumption of beer and informing on benefits this drink made from natural ingredients.

The two producers of raw materials are operating in nine factories and farms and provides a total of 118 jobs, contributing to the state budget by more than 8 million euros. With regard to the small beer producers in Romania, their number has decreased significantly since 1989, reaching from a total of 125 factories in 1993, to only 8 in 2010 (Figure 7) [4].

4. THE BEER SECTOR CONTRIBUTION TO THE NATIONAL ECONOMY IN ROMANIA

Europe is the world leader in beer manufacturing sector due to a mix of small, medium, large and multinational producing companies.

With 3,638 breweries in all countries of the Union space, annual beer sales on the markets of all 27 Member States reached 106 billion. At the EU level, the production of beer create for 2 million jobs and generates income as taxes to the member states budgets amounting to 51 billion euros and an added value of 50 billion euros (Ernst&Young, 2011).

According to Ernst & Young study, contribution of the beer industry to the European economy, demand for goods and services generated by the beer industry in 2010 at the level of the Romanian economy, in sectors such as agriculture, transportation, utilities, equipment, media, marketing, services and packaging manufacturing industry, reached 331 million euro.

The number of jobs generated by the beer industry at the local level in 2010 was 76,000. The value added produced by the beer industry in the same year reached 509 million euros and the total contributions to the state budget due to the same sector reached 651 million euros.

In 2010, 0.14 million hl of beer produced in Romania have been intended for export, which means a decrease compared to 2009. The main export markets for Romanian beer are in Hungary, Bulgaria, and Italy. Also this year have been imported into our country 0.22 million hl of beer, the most important markets are Germany, Poland and Hungary. In 2010, the breweries have spent large amounts of money to improve packaging and less on the raw material for the finished product, and that due to the decrease of beer production volume compared to 2009.

The economic recession has led to an increase in the fuel prices. This is a burden especially for brewing companies which must to align with EU directives. This alignment increased pressure on distribution costs.

The most important threats with which the beer sector in Romania will face in the coming years are: creating a storage system for the non-returnable packaging; decrease in beer consumption; higher risk of increase in the number of unfavorable regulations for this sector; market trends; higher production costs due to higher prices of raw materials.

In 2010, the breweries in Romania have had approximately 4,200 employees who together produced 16.9 million hectoliters of beer, worth 605 million euros. (Ernst&Young, 2011)

A relatively high share from the total turnover of 605 million euros remains in the beer sector, as the value added. This added value represents 104 million euros, while the rest of 501 million represents expenditures with the production factors that are used for: labor cost, interest paid on loans and the profit (Figure 8.).

In Romania, 17% of the total production value has remained in the beer sector as value added. Other 83% of those 605 million euros representing the total turnover in this sector were accumulated by the suppliers of goods and services.

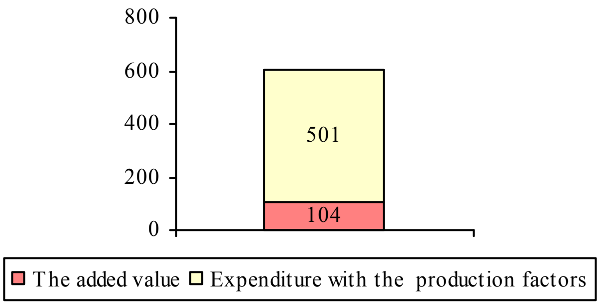

Figure 8. Total value of the beer production from Romania in 2010 (million euros)

In 2010, the majority of jobs created by the beer industry in the supply chain have been in agriculture. Also it is estimated that the overall effect of the beer sector from Romania on employment has led to the existence of approximately 17,900 employees.

The economic impact of beer producers on the hospitality sector is evaluated in this way:

- approximately 28% from the entire quantity of beer consumed in Romania is sold in the hospitality sector, which means that 4.8 million hl are sold in restaurants, bars, pubs etc.;
- the average price of beer consumed in bars and restaurants in Romania is estimated to be 1.7 euros per liter (including VAT), so that the total consumption expenditure for the beer in the hospitality sector is about 799.5 million euros (including VAT);
- the net expenditures for the beer consumption are estimated thus to 644.9 million euros (at a VAT rate of 24%);
- with an average turnover of 17,635 euros (excluding VAT) per person, this is reflected in the nearly 36,600 registered jobs in the hospitality sector and that can be attributed to the beer sales (Ernst&Young, 2011).

The importance of the beer sector for retail can be similarly assessed as:

- approximately 72% of the total consumption of beer (12.2 million hl) from Romania is represented by the beer sold in supermarkets and other retail sales markets;

- with an average consumer price of 0.8 euros per liter (including VAT), the total beer consumption expenditure in retail is estimated at 991.4 million euros;
- the total consumption expenditure, excluding VAT, therefore are 799.5 million euros, with a turnover per employee estimated at 104,122 euros (excluding VAT), this means that about 7,700 people owe their jobs to the retail beer sales (Ernst&Young, 2011).

Thus we can conclude that in 2010, approximately 4,200 people were employed in the beer factories in Romania. Moreover, 27,500 jobs were created by the providers of goods and services for the beer industry. Also have been registered 36,600 jobs in the the hospitality sector and 7,700 jobs in the wholesale and the retail thanks to the beer sales. Therefore, the total workforce employed due to the beer industry has been by 76,000 jobs (Figure 9.).

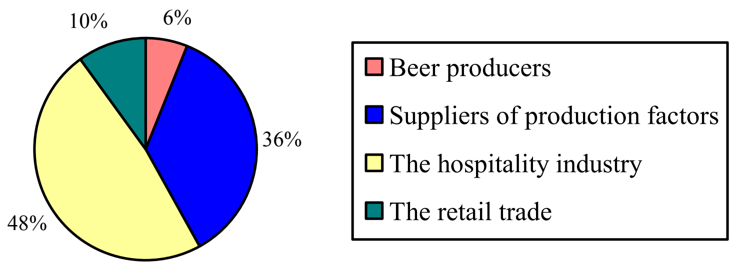

Figure 9. The number of jobs due to the beer industry in Romania in 2010

In 2010, the earnings accruing from VAT and earnings related to the contributions due to the beer production and sales have been estimated at 651 million euros: the earnings from VAT have been estimated at 347 million euros; total earnings from excise duties were 131 million euros; the earnings due to revenue realized in the beer production and sales, were approximately 164 million euros, including 36 million euros income tax, 49 million euros social insurance contributions paid by employees and 111 million euros, social insurance contributions and payroll taxes paid by employers.

After a difficult period which has been felt through a significant contraction in consumption, keeping the beer market volume for two consecutive years at the same level is the first positive sign that the efforts of producers have managed to counter a negative economic context and led to the strengthening of the market, creating the foundations for a future return of the sector.

5. CONCLUSIONS

Despite the unfavorable economic environment of recent years, the beer manufacturing sector remains the most patriotic production field, 99% of the beer consumed in Romania being produced locally. Moreover, the production of beer is one of the most sustainable economic sectors in the country, fact proved by the quality of the products that are available to consumers, by the number of jobs that it generates and by the high level of investment and significant contributions to the state budget.

Thus the statement that "The beer is the most patriotic sector of the economy" is due to the result of our analysis which showed that in the beer sector the consumption is covered in a ratio of about 99% by the domestic production, and can be supported by at least three key arguments.

First, it is worth noting the local presence of the major players in the global beer market, while the share of manufacture in GDP has dropped below 30% and many multinational companies coming from other industries have in Romania only sales offices. The domestic production is itself a rarity among the other sectors in Romania and represents an effort to involve thousands of employees, to pay local taxes and to the state budget or the involvement in community life.

Secondly, the beer sector is one of the few sectors in which the quantity imports into hectoliters is not significant, the consumption being covered by what is produced in the country. The fact that by 2009 the economy was dominated by the existence of an excessive consumption, based on "debt" reminds us the paradox according to which the exit from the recession or it will be based on consumption or will not be happen anytime soon. Served by the domestic production the consumption does not create problems in solving this paradox but on the contrary. The problem is the rest of the sectors where the consumption is covered mainly by imports, for their financing being necessary loans.

Thirdly, the beer sector has many indirect positive effects on the national economy such as: pays excise more than all other industries of alcoholic drinks combined; the segment of the underground economy is not developed; and ultimately supports retail development.

Finally one can easily conclude that the beer sector can be an example for other sectors of the economy and that the support of such a model can help Romania to be developed sustainably on medium and long term.

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