

EFFICIENCY AND MANAGEMENT OF THE TRANSYLVANIAN PLATEAU WINERIES

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Abstract: *The economic activity of wineries, wine domains or wine cellars in the Transylvanian Plateau geographical area is in the first place a challenge for the owners of vineyards and wineries they have invested in, for the consumers of this special food, but also for researchers of this business field – making wine from grapes. The purpose is to identify the economic indicators and the growth possibilities of this type of business. The disseminated information corresponding to the 2016-2018 period has been taken from the annual financial statements of the wineries located in the Transylvanian Plateau. Identifying the deviations by means of these ratios allows us to assess the management quality in the activity of the sampled wineries.*

Key words: wineries, wine from grapes, indicators, special food, Transylvania Plateau

INTRODUCTION

The economic activity of making wine from grapes is regulated by the national legislation and is conducted in a competitive environment. Competition between the wine market actors is justified by their varying number from one year to another, by creating new brands and new wines, all these being based on the superior quality given by the properties of the soil on which the vineyards grow, the weather factors and the craft of the winemaker for every single wine cellar [8,9].

The turnover dynamics for all the entities subject to the research – the Transylvanian Plateau wineries, enable us to know at the sampled group level the income resulting from wine selling [1,16]. Assessing the profitability of actors of the investigated group of wineries is made concrete by both the absolute profit size and the relative aspect of profitability ratios.

The quality of businesses covered by the terms: wine cellar, wine domain, cellars, winery is making the rules of competition also by creativity, innovation and participation to national and international fairs and competitions [5].

MATERIALS AND METHODS

The study has been made by processing the information taken from the annual financial statements of the businesses where the trading activity of the Transylvanian Plateau area is conducted for the period 2016-2018. The sampled group is made up of the wineries located in the Transylvanian Plateau, namely 15 entities, and the data has been taken from [16]. The research method is that of the economic and financial analysis, namely the profitability analysis by means of profitability ratios, grouped according to the functional criterion as follows:

- Analysis of commercial profitability ratio
- Analysis of economic profitability ratio
- a. Analysis of commercial profitability ratio

One of the most relevant indicators of the relative calculation of return, which emphasises the relation between the turnover, the expression of the commercial function of the entity and the profit corresponding to the turnover, as an economic result [3,6,7,12].

$$Rc = \frac{Pn}{CA} \times 100$$

where:

Pn - net profit
CA - turnover

b. Analysis of economic profitability ratio

An indicator expressing the capacity of the entity to generate outcome by the use of the entire engaged capital, especially under the form of assets funded by stable capitals [4,10,11,12].

$$Rre = \frac{Pn}{Asset} \times 100 \quad \text{where:}$$

Pn - net profit
Asset - total asset

RESEARCH RESULTS

The Transylvanian Plateau concentrates 21 wineries of the 148 existing on the Romanian territory. Some of them operate with large production capacities, set up mainly by projects benefitting from non-refundable funds awarded to renew the vine plantations, compliant, which enable and will enable to obtain the raw materials from good quality European and indigenous varieties[14], as well as for production capacities with modern technological lines enabling to achieve the quality indicators of the end product – wine.[5,13].

Table 1

The analysed vineries, winemakers and brands wine of Transylvania Plateau

Winerie name	Entreprise name	Exploited wine growing surface	Vinification capacity/year	Brands wine
Casa de vinuri Zaig	Vinifera Eco Zem SRL	8 ha	3 thousand liters	Ewa, Zaig, Eckrhardt
Crama Culpiu	Prescon Vineyard SRL	62 ha	40 thousand liters	Blazon de Lechinta
Crama Gorgandin	Augusta Consult SRL	41 ha	100 thousand liters	Gorgandin
Crama La Salina	Crama La Salina SRL	41 ha	100 thousand liters	ISSA, Rose and Pinot Noir
Crama Liliac	AMB Wine Company SRL	51 ha	100 thousand liters	Crepuscul, Liliac
Crama Vie-Vin Lechinta	Atelierele Banica SRL	15 ha	2 thousand liters	Paraul Uscat
Domeniul Ciumbrud	Domeniile Boieru SRL	130 ha	50 thousand liters	Vin de Ciumbrud, Vinul Boierului, Episcopal, Cardinal, Peratic
Crama Ascunsa din Teaca	Unic Silvagro SRL	20 ha	100 thousand liters	Crama Teaca
Crama Jelna	Drosera Comserv SRL	26 ha	30 thousand liters	Jelna
Crama Lechburg	Transylvania's Wine SRL	70 ha	100 thousand liters	Lechburg
Crama Villa Vinea	Castel Vinum SRL	70 ha	100 thousand liters	Vlila Vinea, Castel Vinum
Domeniile Vatra Rosia	Wine Barabas SRL	12 ha	50 thousand liters	1000-One Thousand, Vatra Rosia
Pivnitele Lagos-Crama Plebanos	Lagos SRL	20 ha	100 thousand liters	Plebanos
Crama Telna	Crama Telna SRL	43 ha	100 thousand liters	Colectia 1784, Corbul Alb, Crama Telna
Crama Jidvei Crama Blaj Crama Balcaciu Crama Tauni	Jidvei SRL	2400 ha	8 milion liters	Traditional, Premiat, Clasic, Grigorescu, Nec Plus Ultra, Tezaur, Castel, Jidvei, Mysterium, Owner's Choise Maria, Margaritar, Romantine.
Pivnita Sallai	PFA Sallai Iosif	2,5 ha	1 thousand liters	Pivnita Sallai
Pivnita Takacs	PFA Takacs Estera Johanna	17 ha	30 thousand liters	Pivnita Takacs
Crama Papp Peter	PF Papp Peter	2,2 ha	2.000 litri/an	Papp Peter
Pivnita Savu	PF Savu	3 ha	1.000 litri/an	Pivnita Savu

Source: author's processing [15], year 2018

From the whole area of the 21 identified wineries a batch of 15 have been sampled for research; their business is carried out as limited companies, and the rest of the wineries manage their economic activity through other forms of businesses such as individual, familial [1,15,16].

According to the vine-grown areas exploited by the investigated wineries, we can distinguish that:

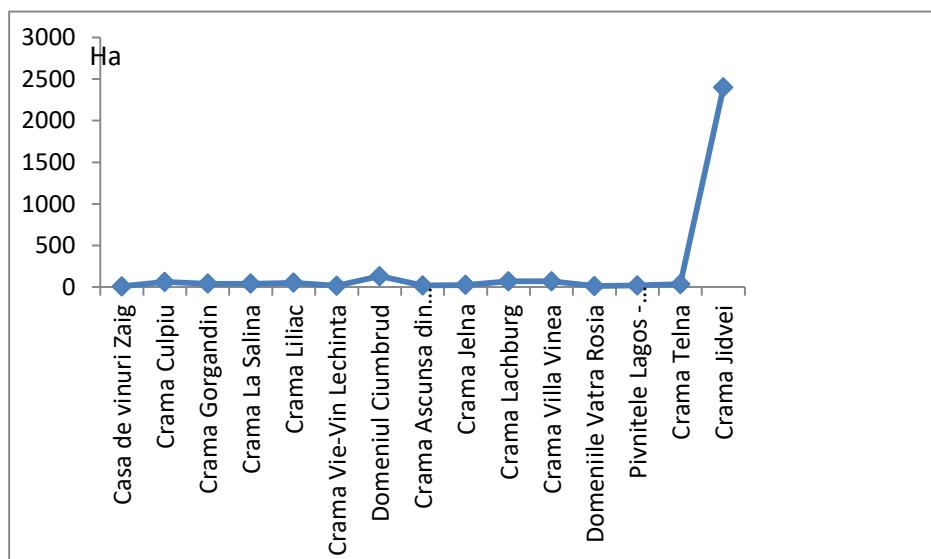


Figure 1. The wine-growing surfaces of the cellars from Transylvania Plateau

The Jidvei wineries are much wider than the other competitors of the researched area, the rest of the investigated entities do not exceed the limit of 500 ha of vine exploitation. Even so, there is still room on the wine market and the winery competition.

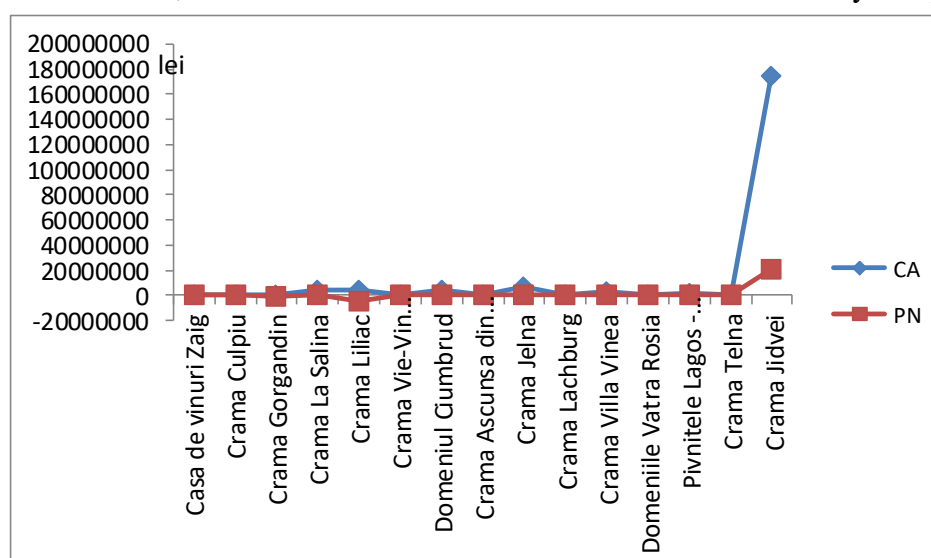


Figure 2. The income statement and the results of the wineries in the Transylvania Plateau at the level of 2018

Negative economic findings have also been noted within the sampled group, at the level of 2018, such as Culpin Winery, Gorgandin Winery, Liliac Winery and Hidden Winery of Teaca, which reveals the fact that the costs of such wineries are not very carefully managed.

a. Commercial profitability

The commercial profitability ratio or the return on sales ratio [3,6,7,12] indicator expresses the efficiency of the trading activity of the winery within a given period of time.

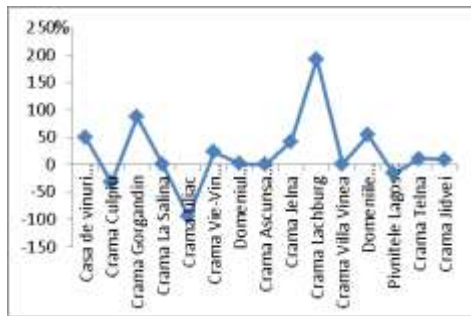


Figure 3/a. The rate of commercial profitability at the level of 2016

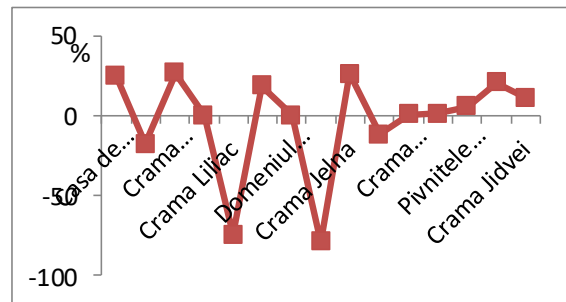


Figure 3/b. The rate of commercial profitability at the level of 2017

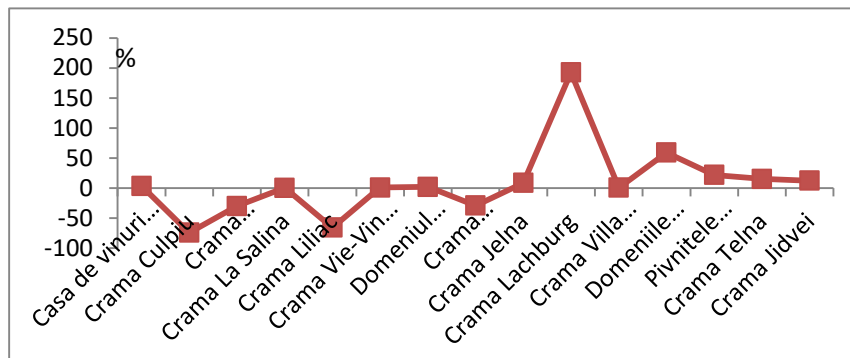


Figure 3/c. The rate of commercial profitability at the level of 2018

In 2016 (figure 3/a) extreme ratio levels are recorded by the Lachburg Winery, where the profit ratio exceeds the turnover, as an effect of selling assets that were taken over from another entity and generated only profit. Another deviation is noted at the Liliac Winery, where the profitability is a negative ratio, which will persist during the entire investigated period.

In the year 2017 (figure 3/b) interesting deviations of the sales ratio were recorded, with negative values, over 70% at the Liliac Winery and the Hidden Winery of Teaca.

In 2018 (figure 3/c) negative values of the commercial profitability are again recorded, obviously the Liliacul Winery, the Culpui Winery and the Hidden Winery of Teaca, but also abnormally positive value, as with Lachburg Winery, due to the selling of available assets. For the rest of the investigated wineries the trend of this ratio is about the same, influenced by minor deviations only.

According to the level and the evolution of the commercial profitability, managers can adopt decisions on how to increase the efficiency of the trading activity, but also the company's financial policy.

b. Economic profitability

The level of this ratio is of interest especially for managers, namely those managing the winery patrimony. Profitability ratio can be calculated by means of the net profit [4,10,11,12], which is revealing a net level of the total asset profitability.

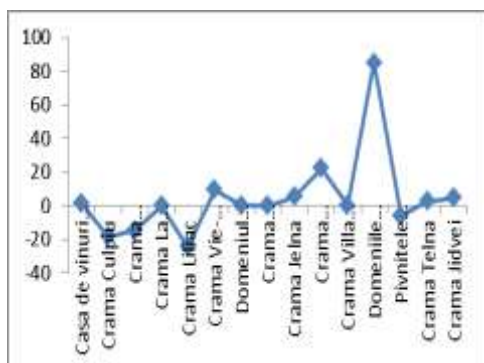


Figure 4/a The rate of economic return at the level of 2016

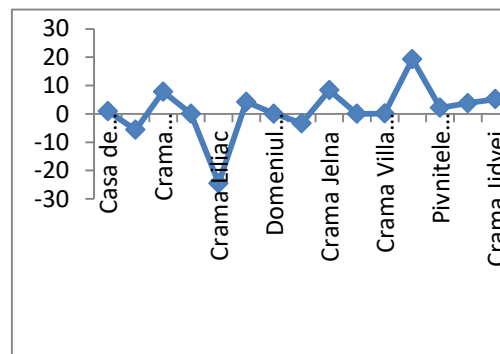


Figure 4/b The rate of economic return at the level of 2017

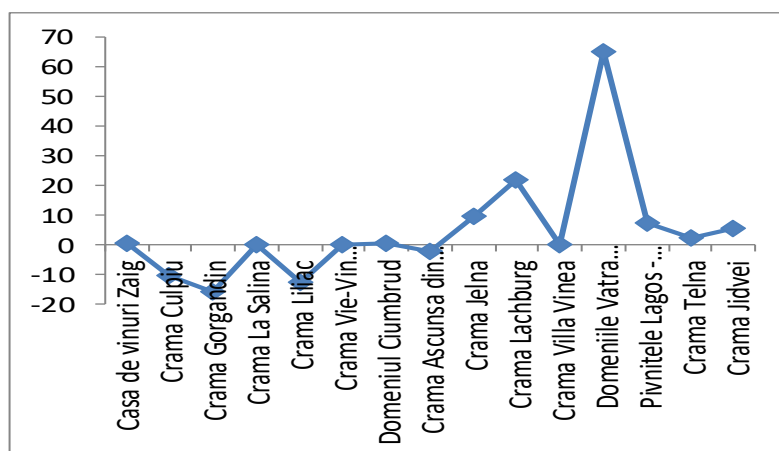


Figure 4/c The rate of economic return at the level of 2018

What is specific to the economic activity of the researched wineries is that their total assets incorporate lands with vine plantations, ongoing plantations and those bearing fruit, constructions, machines and equipment, stocks, debts and availabilities. The asset turnover is extremely low as compared to the stock turnover.

At the level of 2016 we cannot talk about economic profitability of assets for Liliac Winery, Culpui Winery and Lagos Cellars. Surprisingly, at Vatra Rosia Domains the profitability ratio is of 84.90%, which is explained by the fact that the owned assets amount to RON 26,489, this entity appears to be a wine-maker purchasing raw material without being a vineyard owner.

In 2017 Liliac Winery, Hidden Winery of Teaca, Lachburg Winery and Culpui Winery are still economically unprofitable. The highest level of profitability ratio was recorded by Vatra Rosia Domains.

2018' situation is similar to that of 2017. We should remark the increasing profitability ratio recorded by the Lachburg Winery, after being at a loss in 2017. No profitability was recorded by the following wineries: Culpui, Gorgandin, Liliac, Hidden Winery of Teaca.

CONCLUSIONS

The complex activity, called on the short chain, which integrates the economic activity of grape growing with the manufacturing of wine from grapes i.e. the end product designed for trading – bottled wine, requires being savvy in managing the exploited goods, even if they have been obtained from non-refundable funds. The complete management of

horticultural production with food production is a complex phenomenon, especially for the product “wine”.

In the researched region, the Transylvanian Plateau with its smooth hills covered with vines, both indigenous and European varieties are grown and the tradition of vine growing is continued out of passion, out of love for such activities.

From the commercial profitability perspective just four wineries register a slightly ascending trend during the researched period, thus within the 0.39% - 2% range are found the Ciumbrud Domains and the Villa Vinea Winery, and within the 10% - 15% range are found the Telna Winery and the Jidvei Winery. The rest of the investigated wineries either register great oscillations of the commercial profitability ratio within the three researched years or record loss every year, which puts the viability of these businesses under question in the future.

From the economic profitability perspective, considering that most wineries have made investments in establishing new vine estates and in wine-making technology, the situation is as follows: La Salina Winery, Ciumbrud Domains, Zaig Wine House and Villa Vinea Winery record a profitability ratio in the 0.03% - 1% range, Telna Winery in the 2% - 4% range, and Jelna Winery and Jidvei Winery in the 5% - 10% range. For the rest of the investigated wineries, due to the fact that they record loss, the profitability ratio cannot be expressed.

The entities recording loss every year are advised to change their management strategy by adopting urgent measures of business auditing, cost evaluation and control, from raw materials and materials for vine maintenance up to marketing costs for wine promotion and their effectiveness according to the wine bottle retail price.

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