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**Identifying alternatives for increasing the  
viability of a small-scale viticultural farm**

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# Introduction

-  An increasing number of winemakers are expanding their business towards diversifying the products they sell (e.g. grape juice, jam, grape seed oil, dietary supplements made from grapes), offering ideal conditions for tourism as well as leisure activities (Nemethy et al., 2016).
-  The unique elements offered by a family business do not lead to differentiation unless it is valuable to a buyer, and the basis for differentiation is the role of the product offered by a small enterprise in the market value chain in accordance with the buyer's needs (Porter, 1985).
-  This paper aims to identify solutions for increasing the profitability of a wine-growing farm, practically a family business that manages an area planted with vines of 25 hectares, of which only 10 hectares are owned.

## Objectives

- 🍃 Evaluation of the current situation of the wine-growing business 'La Butoaie'.
- 🍃 Proposal of a business plan that will bring in more revenue to increase the profitability of the farm.

## Methods

- 🍃 Economic and financial analysis and SWOT analysis.
- 🍃 Identification of good practice models and sources of funding for their implementation.

# A brief presentation of the farm...

The 'La Butoaie' Winery - Roșca Estates is located in Buzău County, in the Dealu Mare vineyard, and has in its portfolio native grape varieties for wine:

- Tămâioasă românească,
  - Fetească albă,
  - Fetească regală,
  - Busuioacă de Bohotin,
  - Fetească neagră,
- but also international, cosmopolitan varieties, such as:
- Riesling Italian,
  - Merlot.

The winery offers tourism and accommodation services and the place looks somewhat like a campsite, only you don't sleep in huts, but in huge barrels, very tempting especially after a visit to the winery.

The barrels have been refurbished and accommodation in the barrel-huts has been available since 2007. Since 2012, as demand for wine tourism has grown, accommodation solutions are also offered for those who prefer increased comfort, namely five double rooms with everything necessary.



# Results regarding the economic-financial analysis of the viticultural farm



## Facilities of the operation:

- ✓ Staff accommodation building - 80 sqm, 1964
- ✓ Storage building - 150 sqm, 2021-2022

## Second-hand equipment:

- ✓ Fendt brand vineyard tractor (1986)
- ✓ Mitsubishi space gear GLS passenger transport van (2013)
- ✓ Scarifier, milling cutter, disc (2012)
- ✓ Trailer-type crusher - destemmer (2018)
- ✓ Manually tiltable trailer (2005)
- ✓ Double-deck trailer (2017)
- ✓ Manual press (old vat, 1965), electric press (2019)

## Estimation of expenses and revenues (anul 2022)

Expenses	RON	Income	€/ha	RON
Agricultural works	497,494	Subsidies APIA	381,31	47,168.33
		Wine grape sales	Price/kg/l	Collections
Maintenance of equipments	4.200	Feteasca alba	1.3	152287.5
		Tamaioasa R.	2,5	105637.5
Lump-sum tax	1500	Feteasca regala	1.5	114150
Marketing	350	Riesling Italian	1,3	26912.5
Rent cost	10.632	Merlot	2	138275
		Feteasca neagra	1,3	73912.5
		Busuioacă de Bohotin	1,5	74375
Guesthouse rental rooms clean & maintainance	6000	Guesthouse rental	-	57600
<b>Total expenses</b>	<b>520,176 RON</b>	<b>Total income</b>	<b>743.150 RON</b>	
<b>Difference between income and expenses: + 222.974 RON</b>				

The source of the data is the owner of the winery - The € currency was calculated at the value of 5 RON

# SWOT analysis of the exploitation

## Strengths

Located in a renowned wine-growing area, steeped in history

The majority of the plantations are young and do not require conversion work

Good quality of grapes and wines obtained (=> loyal customers)

Possibility of involving family members in the development of the business

Owning functional buildings for the harvest campaign (staff accommodation and grape storage)

Increasing the economic efficiency of the activity carried out through the use of modern technologies

## Weaknesses

Currently reduced product range, which does not allow flexibility in adapting supply and demand on the market

High labor costs

High costs for inputs generated by global crisis situations

Difficult access to the wine market

Relatively small advertising and promotion budgets

Reduced purchasing power of Romanian consumers

Cultural barrier in terms of wine and alcoholic beverage consumption

Excessive bureaucracy in granting financial support in the wine sector

## Threats

Global economic instability

Rapid increases in prices for agricultural inputs, without adequate mitigation measures

Acceleration of the effects of climate change that generate production losses

Fiscal and legislative instability at the national level

Delay in implementing the National Strategic Plan 2023-2027

The existence on the market of counterfeit wines, of poor quality with low prices

Massive advertising campaign of competition

## Opportunities

Availability of European funds dedicated to the wine sector

The existence of advanced technologies for cost efficiency with labor and avoiding production losses

Increasing visibility of wine tourism

Increasing visibility of wine tourism

Development of the online environment for marketing and promotion

Increasing financing of associative forms

Opening of consumer preferences towards wines with a higher sugar content (semi-sweet and sweet wines)

Publication of Government Decision no. 798 of June 20, 2022 for the approval of the Program for supporting the production of table grapes for 2022



## The stage of identifying financial resources for business development

Given the strong point identified in the SWOT analysis regarding the possibility of involving the family in the activities of the operation, as well as the opportunity regarding the availability of European funds and the adoption of Government Decision no. 798 of June 20, 2022 for the approval of the Program for supporting the production of table grapes for 2022, which will grant a subsidy of 1,200 Euro/ha for table grapes, the first stage is represented by reviewing the available EU funds that could be accessed by the farmer and his family.

Considering the adoption of European Union Regulation no. 2115/2021 aimed at elaborating Strategic Plans related to the Common Agricultural Policy (CAP) for the period 2021-2027 and sending to the European Commission the first version of the National Strategic Plan (NSP) 2023-2027 for negotiation and approval, the list of financing measures is already accessible to the general public ([www.madr.ro](http://www.madr.ro)).



In version 1 of the National Strategic Plan (NSP) 2023-2027, financing is provided:

- ▶ Pillar I of the CAP - for granting direct payments and for sectoral "market" measures
  
- ▶ Pillar II - for investments in agriculture and rural development
  
- ▶ ▶ In addition to the direct payments that will continue to be collected for the vineyard areas in operation, the following support measures can be accessed, from which a selection of applicable operations has been made for the preparation of the new business plan model. Considering that the approval of the National Strategic Plan 2023-2027 is expected for the beginning of 2023, a new business plan model is proposed with a time horizon of **5 years**, starting with the spring of 2023, when the first calls for interventions of interest will open.





## Investments proposed through the new Business Plan model

Year 2023	Year 2024		Year 2025		Year 2026
DR-25 Support for the installation of young farmers	DR-15 Investments in primary production in the hops, flowers and table grapes sectors	DR-29 Cooperation and innovation in agriculture through EIP operational groups	IS-V-29 Investments in tangible and intangible assets aimed at increasing the sustainability of wine production	DR-30. LEADER - Local development placed under the responsibility of the community	DR-12 Investments in strengthening the farms of young installed farmers and recently installed farmers
<b>Acquisitions:</b>	<b>Investments:</b>	<b>Investments:</b>	<b>Acquisitions:</b>	<b>Investments:</b>	<b>Investments:</b>
Tractor Zetor Proxima GP 100	Establishment of 4 hectares of table grapes	Organizing a wine festival	Acquisition of drip irrigation systems with low water consumption	Expansion of the accommodation unit to 10 rooms	Precision agriculture equipment for plant protection.
Air conditioning system	Establishment/modernization of facilities related to ensuring hygiene and biosecurity at the farm level	Acquisition of a refrigerated motorhome for the transport of agri-food goods	Equipment for fertigation	Establishment of a blending laboratory	Local installations for combating hail falls, namely ground generators
Working capital	Establishment, expansion and modernization of conditioning units at the farm level	Acquisition of software and licenses	Seeders for sowing between rows		Production of renewable energy for own consumption and exploitation of biomass
Online marketing		Construction of a 124m <sup>3</sup> refrigerated warehouse			
<b>Amount (100%) 100.000 €</b>	<b>Amount (65%) 200.000 €</b>	<b>Amount (100%) 250.000 €</b>	<b>Amount (50%) 250.000 €</b>	<b>Amount (100%) 200.000 €</b>	<b>Amount (80%) 300.000 €</b>

# Conclusions

The Business Plan focuses on the following aspects, presented above, namely:

- u ensuring the performance of the current viticultural farm through the introduction of new technological equipment,
- u establishing a plantation of table grapes to increase the profitability of the farm,
- u increasing the interest of the population for activities in nature,
- u launching a wine festival that:
  - to increase the visibility of the region, the Dealu Mare vineyard and the Pietroasa viticultural center
  - to attract new customers who will purchase wine, but also other local products
- ▶ to make investments in tangible and intangible assets intended to increase the durability of wine production.



# Conclusions

- Viticultural farms must find ways to generate additional income in order to maintain their profitability. Among the complementary activities that can generate income are accommodation, organizing tourist, cultural, artistic and entertainment events, as well as culinary services.
- To ensure increased competitiveness and quality wine production at international standards, an investment of € 1,300,000 has been proposed, carried out over a period of 4 years. This investment will allow for resource efficiency, increased visibility of the area and increased notoriety of the wine producer.
- To achieve this investment, it is crucial to establish partnerships and create collaborations with specialists in development fields, to guarantee innovation and efficiency in resource use. Also, the notoriety and visibility of the wine producer on the market can generate substantial income through the production of limited edition wines, which can increase consumer interest in its products.

