ORGANIC PRODUCT MARKET DEVELOPMENT – FAVORABLE CONDITIONS AND LIMITS IN ROMANIA

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Abstract
The modern global tendencies, the care for environment, aspirations to a different lifestyle of an increasingly large group of people retain in the foreground of current preoccupations the organic products. During the last decade, the market of such products grows and the trends are constantly upwards in Europe and all over the world. Romania makes no exception. The Romanian market for organic products finds itself in an incipient stage. Obviously, there is a series of special features of Romanian market that might turn into favorable factors or limits for development.

Key words: organic product, organic product market, organic product market growth, organic product consumer

JEL: M40, M41

1. Introduction

The current, modern trends in society in general, in economy, business, marketing, are and will continue to be first and foremost interested in the goals of society’s general welfare. Here we may include the cares for sustainable activities, for maintaining and improving the quality of environment, for improving the health of people, etc.

The new human-centric models in marketing, that look consumers as multidimensional human beings, with high emotional, intellectual, spiritual needs, desiring to be inspired and creative [1], emphasize that goals similar to those previously mentioned, beyond their importance for the business environment, are important for the consumers. Thus, 87% of global consumers consider necessary for companies to place at the same level their own, direct interests and those of the society [2].

In such a context, the markets of ecological products develop as well, one of them being that of organic products. Demanded by those consumers adherent of the ‘healthy nutrition and life’ trend, an increasingly widespread global phenomenon, the organic products and their markets take a privileged position.

For many other “green” products the ecological features are intangible, invisible and of secondary importance to consumers. They fail to reflect the main benefit, the instant one, which actually represents the primary reason the product is bought for. These features rather reflect long-term ecosystems needs that eventually revisit customers in terms of improved quality of life. The consumers simply do not know or are not interested in these ecologic attributes as they neither are present within the product’s shape nor do frequently influence their function.

The situation of organic products is totally different. The threat of inappropriate or less healthy food is and becomes for ever-increasing number of consumers an issue of major, immediate concern.

2. Development of organic food market

In 2011, the global market of organic products totalized 62.9 billion USD, with a dramatic increase of 349% as compared to the year of 2000, when the amount was of 17.9 billion USD, as revealed by the research of 2013 carried out by The Research Institute of Organic Agriculture (FiBL). During all this time the trend of the whole market, was on the increase. In 2011, depending on the sales volume, the most important ten countries on the organic food market, in backwards order, were USA (44% out of total), Germany (14%), France (8%), Canada and UK (around 4% each), Italy, Switzerland, Austria, Japan and Spain. Seven of the ten countries are from Europe. Regarding the consumption of organic food per capita, the top-ranked countries are totally
different. Switzerland takes the first place (177 Euros per capita), followed by Denmark, Luxemburg and Austria (127 Euros per capita). The first 7 places are taken by European countries, and the first 10 places include USA and Canada [3].

In 2011, the market of organic food totalized in Europe around 21.5 billion Euros. Out of this total, the sales of organic food from the EU countries amounted 19.7 billion Euros, approximately 92%. And we had a continuously rising trend. All over Europe, as well as in EU countries, the organic food market doubled in 2011 as compared to 2004, recording a growth of approximately 11% as compared to 2010. In 2011, the European country with the highest volume of organic product sales was Germany (6.59 billion Euros), followed by France (3.75 billion Euros), UK (1.88 billion Euros) and Italy (1.72 billion Euros) [3].

Both on global market, and on the European one, the fact that there was no sale decrease from one year to another, not even during the economic crisis, proves the consumers’ interest in such products, more broadly speaking in a healthier lifestyle. For instance, the European market growth in 2009 as compared to 2008 was of 10%, similarly the growth recorded in 2011 as compared to the previous year. Obviously, we are not able to determine what would have been the progress in a different economic context.

This constantly growing trend of organic food market correlates with the results of a research performed by Boston Consulting Group, “Capturing the Green Advantage for Consumer Companies”. Its conclusions were published in 2009. One main conclusion of this study was that during recession, consumers remain interested in “green” products as they are aware of their benefits over environment and their own life. Consumers are concerned about the environment and willing to take part to its protection by buying “green” products [4].

Beyond the data presented above, the presence of ecological products on food markets weighs little. In 2007, it reached in the Occidental Europe 5% in Germany and 3% in Italy and United Kingdom [5]. Although the organic product weight on food market is little, for a specific category of consumers they represent a permanent item on their shopping list.

Market development was possible also thanks to the extension of areas used in the organic agriculture, among other things. Thus, across the globe, the areas included within the organic farming system grew from 15 million hectares in 2001 to 37.2 million hectares in 2011. Except for the year of 2005, when a slight diminution of organic agricultural areas was recorded, the tendency was upwards. Out of the total of 37.2 million hectares recorded in 2011, the main part was located in Oceania (12.19 million hectares), followed by Europe (10.64 million hectares) and Latin America (6.86 million hectares) [3].

Similarly, in Europe, the fields were we talk about organic agriculture grew from 5.4 million hectares in 2001 to 10.6 million hectares in 2011 – literally they almost doubled in surface. The largest ecologically certified area is held by Spain (1.6 million hectares), followed by Italy (almost 1.1 million hectares), Germany (1.02 million hectares) and France.

3. The organic food market in Romania

Simultaneously with the global and European markets for organic food, the Romanian market grows too. At the beginning of 2012, Marian Cioceanu, Chairman of Bio-Romania Association, stated: “The domestic consumption of ecological products amounts around 80 million Euros. Thus, Romania imports products of 35-40 million Euros each year, and the domestic production provides as much again.” [6] The growth recorded on this market is significant. In 2004 the sales of organic products in Romania totalized approximately 1 million Euros. We are talking about an increase of around 80 times during a period of seven years.

However, should we compare to the values recorded on organic product markets in other European countries, values previously presented (e.g. in 2011, the organic product sale volume in Germany was of 6.59 billion Euros), regardless the growth faced by Romanian market, it appears as insignificant.

The organic product market in Romania is a market which finds itself in an incipient stage of development, but a market with potential. Even within the context of a spectacular increase, as previously presented, the Romanian market for organic products is still at the beginning.

Experts estimated that East European countries would need 10 to 15 years after integrating into European Union in order to develop and structure their domestic markets of organic products. A relevant example in this respect is Spain which hardly after 17 years from its EU integration has started a complex organization of its domestic market for organic products. In 2006, Spain exported almost completely its organic products on the markets of countries in northern Europe. The suggestion of a governmental specialist from that time for the East European countries was to direct their organic production towards those products that EU is short of, i.e. vegetable protein and red fruits, as the Western countries had started a significant reduction of production in fields where high level of workforce was needed [14].
The organic product range includes vegetal agricultural products (cereals, fruits and vegetables, sunflower, pea, soya, etc.), animal products (milk and dairy products, cottage cheese and cheese, eggs, meat) and processed products (bread and bakery products, dairy products, cottage cheese and cheese, wines, juices, etc.), honey and apiarian products, etc. In addition to these, a series of imported organic products is present on the domestic market, mainly processed products (confections, pastes, cold cuts, dairy products, oils etc.)

3.1. Favorable conditions for organic product market development in Romania

Organic products developed in Romania benefitting from several favorable factors. Romania has a great development potential in respect of organic agriculture as a result of the fact that vast agricultural areas have not been farmed several years in a row and thus they are more appropriate for ecological agriculture than lands fertilized with synthesis compounds. Also the lack of funds turned very often impossible the use of large quantities of such fertilizers. “The reason why eco-agriculture would be a relatively easy-to-perform activity in Romania is just the poorness of farmers, who do not have enough resources to buy pesticides or chemical fertilizers”, considered Lucian Pavel, consultant for Expert Group [7]. This potential starts to be valued. The areas farmed in an organic system extend. If in 2005 there were more than 100,000 hectares, representing around 1% out of the total of agricultural lands in Romania, in 2012 these areas reached 2% of the total [8]. This happens despite the fact that, according to certain studies, our country could have farmed in an ecological system around 10-15% of the agricultural area [8]. Other studies reveal that Romania could introduce within the ecological farming system up to 15% of the total of farm land, i.e. approximately 2 million hectares [7].

The great potential for development in respect of organic agriculture is also reflected by the spectacular increase of the number of operators entered within the system in the last years. Their number grew from 2,000 operators in 2008 to 3,100 in 2009, and in 2012 to almost 26,000. As a matter of fact, Romania has as many farms as France, with the difference that the productivity in Romania is clearly inferior [11].

Another favorable factor for domestic organic product development is represented by the establishment of non-governmental organizations in the field. Here we can mention Bioterra – member of International Federation of Organic Agriculture Movements, Bio Romania – which had an important role in declaring Romania the country of the year in 2013, at Biofach, the largest international fair for “green” products, focused on organic products [10], The National Federation for Organic Agriculture (Federaţia Naţională pentru Agricultura Ecologică - FNAE). Their existence may significantly ease the information process and exchange of expertise, easier access to market, etc.

The external market is very interested in organic products obtained in Romania. Most of the Romanian products are exported. In 2004, the value of exports amounted 15 million Euros. Subsequently, significant increases of Romanian organic product exports were recorded. Thus, they totaled 150 million Euros in 2010, 10 times more as compared to 2004, and reached 200 million Euros in 2012, 13 times the amount of 2004 [8]. The exports consist mainly of raw materials obtained from the organic agriculture and their destinations are European countries such as Germany, Italy, Nederland, etc.

Moreover, the interest from abroad for organic products and organic farming is reflected in collaborations with some of the best effects for Romania. For instance, Ecoherba trading company, established in locality of Garba de Sus, county of Alba, Romania, is the result of cooperation between Word Wildlife Fund – United Kingdom, Word Wildlife Fund – Austria, University of Agricultural Sciences and Veterinary Medicine of Cluj Napoca – Romania, Town Hall of Garda de Sus and Weleda, a German company. Together they developed a system so as to sustainably use the Arnica Montana species [10].

3.2. Limits for organic product market growth in Romania

Beside the factors aimed to steer the organic product development and their related market in Romania, we may bound a series of limits as well.

Most of domestic production is sold abroad, fact which actually stimulated the internal production but not also the market. The prices of many imported ecological products may end three times higher than those of common products, while many domestic foods are only 30% more expensive, but basically they are exported [12].

In Romania, the market of ecological products is regarded with optimism; however, the low purchasing power of Romanians slows its progress down. This comes as no surprise considering the fact that organic food is 30 to 400% more expensive than the rest of food products on the market [13].

Consumers are sometimes poorly informed. Even now for a large group of Romanian consumers the
difference between natural food and organic food is not clearly stated. At the beginning of the 2000s, most of Romanians did not know what an organic product was, typically confusing it with the “natural” product, with the preservative-free product. Things did not change significantly. There is a group of interested consumers which knows what an organic product is. In contrast with them, a large part of consumers still fail to clearly make the distinction between organic product, traditional product and natural product.

In a study carried out in 2004, using the focus group method, the purpose was to determine whether the “green” products are known or not, whether ecological remarks were noticed on any product, and whether any price-related difference was observed. The guiding conclusion was that very little was known about the “green” products. Only three individuals mentioned they had seen organic products on store shelves. Several stated, however, that they concerned themselves with their health and nutrition, but the conclusion was that they generally looked for natural products or “from the garden” products and only sometimes they checked the label for chemicals added to the product.

Another research, this time carried out in 2010 and using the same research method, highlighted several important findings. Both the organic product buyers and those with a different buying behavior defined them as products for which no fertilizers and pesticides were used in order to be obtained and which do not contain artificial ingredients. There were several terms of designation, among which “natural” as well. This confusion still persists, although in this case the natural product is considered as valuable as the organic one and not the other way around. Two product categories were differentiated: “certified” sold in stores, associated especially imported to products, and “accidentally” organic, superior to those certified. Organic products are perceived as articles of luxury, intended for a narrow segment of consumers. The offer is perceived as accessible. A lack of trust is noted in respect of certified products. Consumers do not know for sure whether the certification is authentic or not. The problem is the high price – this is why the products are not bought. The ecologic product buyer is perceived as a young to middle aged, informed, educated individual, with an above-average income, coming from urban areas, interested in health and who expresses his/her concern related to the environmental issues [15].

Another limit is represented by the lack of domestic processors. Romania exports mainly raw material which is processed in countries like Germany, Switzerland or Nederland and subsequently imports finished organic products [16]. In Romania, a threat for the organic agriculture is represented by the existence of genetically modified crops.

Although Romania has a great potential and also numerous favorable conditions for organic farming development, these genetically modified crops may easily grow beyond control, especially due to the fact that in Romania there is a habit for farmers to keep the seed from one year to another and some of the plants are used for foddering the livestock.

4. Conclusions

The organic product market grows in Romania as all over the world. Despite the crisis and recession, on this market the trend was constantly upwards in Romania, as on the entire market, both in Europe, and around the world.

The volume of organic product sales goes up, the area farmed in an ecological system extends significantly, as well as the number of traders; we witness a spectacular increase of the number of certified farmers. Notwithstanding these evolutions, the Romanian market remains under formation, being way behind the occidental markets.

The consumer starts to turn into an informed individual, and those who aim a change towards a healthier lifestyle start to choose the certified organic products as well.

The consumer evolves from just reading the labels to actually buying products directly from small farmers and choosing the certified products available on store shelves or online, becoming more demanding, acquiring refinement as the offer varies.

5. Bibliography