

Organic market in Romania - Actual trends

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Abstract: This paper presents the main directions and trends which are manifested on the market of organic products in Romania in order to identify the industry's perspectives. The paper begins with a brief review of the data on the Romanian market of organic products. As a first step, we tried to identify the main trends of organic market in Romania. Then, we aimed to identify which are the main organic products preferred by the Romanian consumers. Also, we aimed to know who the main Romanian producers of organic products are.

Key-Words: organic products, organic agriculture, organic market, bio-products

1 Introduction

During the last period consumers show an increased interest in organic products.

In Romania there are currently over 20,000 registered organic producers. Total organic crops have increased more than 10 times since 2000 to date. There are over 300,000 hectares of pastures, cereals, vegetables and fruits grown in this system. However, for comparison, in Germany about one million hectares per year are organically cultivated, represents three times more than our areas. To cover internal and external demand, Romania should increase almost six times the cultivated area. In terms of volume, organic production in Romania exceeds, in total, 250,000 tons, which means a substantial increase, considering that at the beginning of the decade it was only 13,500 tons.

Thus, we can say that Romania has great potential for organic products, whatever they may be, given the tradition to consume natural products.

It can be noticed, however, that Romanian offer of organic products is focused almost exclusively on the production of raw materials and products of plant origin, while globally, there is a growing demand for organic animal products - eggs for consumption, meat, poultry meat, milk products, beef and sheep meat and meat products.

Romania's export of organic products is mainly oriented to Germany, Austria and Switzerland.

It consists especially of raw materials, used then by the producers in these countries to create value-added for products which are sold subsequently, including in Romania.

In 2013, Romania has the status of the country of the year at Biofach (the biggest fair for food, cosmetics and organic raw material), being represented by 55 exhibitors from the organic farming sector, the event being supported by the Ministry of Agriculture and Rural Development (MARD) and the Association the operators in Ecological Agriculture - "Bio Romania".

2 Problem Formulation

This paper aims to answer some important questions for those working in this market, namely:

1. What trends are manifested on the Romanian organic products market?
2. Which are favorite organic products for Romanian consumers?
3. Who are the main producers of organic products in Romania?

2.1 Premises

Organic market in Romania is generated primarily by the offer. This is because the presence of the specific products on the market arouses actually consumer interest.

Organic market formation actually involves changing some mentalities and lifestyles. Efforts to educate and inform are required, considering that it

is about new products for Romanians, products with a special character.

Amarjit Sahota, consultant for European Organic Monitor, made the following statement: "For the next five years, the organic market in Romania has the highest growth potential in the European organic industry." [1] The organic market in Romania reached in 2008, a value of about 15 million euros, increasing compared to 2007, when it stood at about five million euros.

On the Romanian market, the range of organic products is quite limited. The best sold organic products are milk, eggs, yogurts, fruits, vegetables, and meats.

Most food is brought from abroad (canned vegetables, fruits, some bread). Organic market in Romania is made up 80% of imports, while Romanian farming is increasing. Romanian organic products are more expensive than the imported ones; they are more appreciated abroad, where purchasing power is higher. Manufacturers and retailers, who were able to differentiate and bring assortments hard to find even in other parts, had made themselves their place onto the market. Thus, we can say that organic market represents a niche that grows from year to year because Western Europe is looking for clean products.

The biggest problem of the Romanian market for organic products is that there are not enough processors. Romanian raw material is exported, and the products are manufactured overseas and are returned four times more expensive.

According to representatives of the industry, total sales of organic products in Romania is about 10 million euros, which represents less than 1% of the retail market and very little compared to European average which is about 5-6%. [4]

Organic foods are more expensive than conventional (as everywhere in the world).

The reasons why the price is higher for organic products than for the classic ones are mainly the following:

- The ingredients used in the production are much more expensive.
- The ingredients needed are more difficult to obtain.
- Manufacture of them takes time and requires specialized people. It requires a large labour force.
- Manufacture must meet certain established standards to receive certification.
- Unlike conventional agriculture, in organic agriculture, pests must be eliminated by hand and plant diseases must be treated with tea.
- Most of the organic products are sold only in health food stores.

- There is a direct relationship between production cost and product price.
- Start of production requires a fairly long time, up to two years, in terms of the conversion period.
- The activity requires regular inspections of accredited inspection bodies and annual registration to the Ministry of Agriculture and Rural Development.
- The obtained harvest is 20-50% lower than in the case of traditional agriculture, but the export price for organic food can be two to three times higher.
- Organic foods have validity term lower than the ordinary foods, because it contains no synthetic additives - preservatives, dyes, thickening agents. Chemical preservatives are replaced by natural preservatives, lactic acid, for example. The lack of preservatives makes salami or biological fermented milk spoiling faster. Organic meat products are better, due to their natural taste. In order to be preserved some foods require heat treatment.

2.2 The current trends on the Romanian organic market

Trends on the international organic market have been relatively constant for many years (fig.1).

"The only occurred change is that there are increasingly more manufacturers, the market grows, the demand is increasingly growing and the products are diversifying," said Marian Cioceanu, president of Bio Romania for the startups.ro. [2]

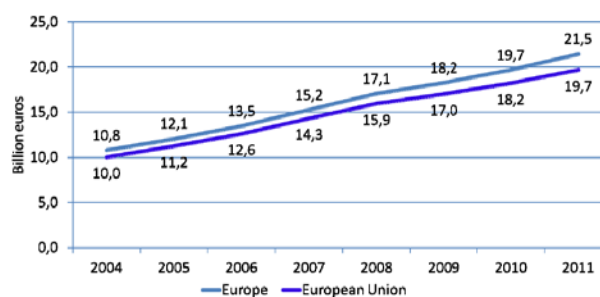


Fig.1 - Europe: Growth of the Organic Market 2004-2011

Source: FiBL-AMI-IFOAM Survey 2013, based on data from governments, the private sector and market research companies [8]

According to a study conducted in 2013 [7], Romania entered in the top ten countries with the highest rate of growth of organic agriculture in 2010-2011 (fig.2).

"Also the number of registered operators in organic farming in Romania recorded a spectacular growth,

their number being raised by three times, from 3,155 in 2010, to 9,703, in 2011” [4].

“The internal market for organic products has seen a steady annual growth of 20% in 2011”. [5] “The exports of these products increased constantly, the estimated figure for 2011 reaching 200 million euro, a volume twice higher than in 2010. On the same year, the internal market reached only 80 million euros”. [6]

“The total sales of organic products in Romania in 2011 reached 10 million euros, which represents less than 1% of the entire Romanian food retail market and consumption, recording in 2011 - 80 million euro, a very low rate compared with the European average, which is about 5-6%.” [3] Thus, the Romanian organic product market generated total revenues of 80 million euros, while the average per capita expenditures was about 4 euros. [14]

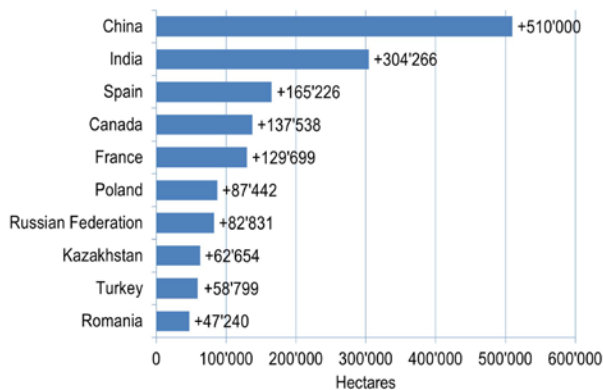


Fig. 2 - The ten countries with the highest increase of organic agricultural land 2010-2011 (in hectares)

Source: FiBL-IFOAM survey 2013, based on national data 29 sources [7]

A study conducted in 2011 [11] showed that there are certain products that can be found in all stores surveyed regardless of the specifics of each of them. Thus, the products for babies and children, as well as the products of flavor or cosmetics or detergents are bio products available in all stores in Bucharest. On the second position, as availability in stores, were the dry products and semi-prepared ones. The fresh food products and non-alcoholic drinks are situated at a short distance on the third position.

The same study showed that most of the sold products in health food stores are imported, (between 70-80% of the sold products). Most of these are purchased from other importers, only a small percentage being imported and sold by the store itself. The main countries from where they purchased these products are: Germany, France, Austria, France and Italy or Greece (cosmetic products). For the few local products that we can find in specialized shops,

areas of origin are: Bucharest, Timisoara, Suceava, Cluj, Sibiu and Buzau.

The offer of fresh organic food (such as fruits and vegetables or dairy products) is very low. The main causes for this are inability of steady supply, high storage costs and fluctuating demand for such products. Also, traders believe that organic products have 25-30% losses, which are inevitable when fresh products are sold. [11]

2.3 Which are favorite organic products for Romanian consumers?

In European Union countries 6-8% of the food industry is represented by the organic products, while at the local level it is close to 1%.

In Romania, eating organic food is low compared to other European countries, representing about 0.5% of total food consumption. It is expected, however, that in the next 5 years, it will hardly reach 2%. This figure is explained by the higher price of the goods (to compensate the loss of production compared to conventional agriculture).

In value, the organic market increased in 2009 compared to 2008 by approximately 30%. However, bio segment represents less than 1% of the food trade, compared to 22% as it is, in Germany, for example.

Currently, Romanians are among the most concerned about sustainability consumers, being ranked the fifth Global Metaconsumer Index. [13] Thus, Romania obtained 120 points, being surpassed only by Mexico (147) Brazil (142), Turkey (129) and China (123), positioning itself ahead of developed countries such as the United Kingdom (49), Denmark (54), Germany (56) and Spain (61), whose consumers are less willing to adopt sustainable practices.

Study results showed that 26 percent of Romanians are willing to pay up to 10 percent more for an eco-product compared to conventional one, a percentage that is ranked above the global average of 24%.

On the other hand, the study proves that the Romanians concern for sustainability is not reflected in their behavior. Romania is situated on the last place among the countries that adopt sustainable practices in everyday life, convenience being the main obstacle. Thus, 38 percent of Romanians state that they are willing to adopt those practices which do not affect their comfort level.

The study was conducted in 17 countries - Germany, Argentina, Australia, Brazil, Canada, Chile, China, Denmark, Spain, USA, France, Italy, Mexico, Portugal, The UK, Romania and Turkey - on a sample of 8,500 people.

Features of the Romanian consumer of organic products

“People want an ecologic approach of everyday life, but they claim personal benefits [...] to be translated into incentives or facilities. Beyond awareness, these issues must be assumed.” [9]

The Romanian bio consumer is a person having a high degree of culture, who wants to do more for his health. He wants a new civilized, hygienic, healthy, dynamic lifestyle. He is oriented for both physical and mental care, giving him an increased physical and psychological comfort. He is generally represented by a person from the urban environment with higher education, aged 25-45 years with high incomes over 4,000 ROL. Mostly, organic products are purchased by women. There are various reasons for this such as concerning for the silhouette, health. Another important reason is the fact that the woman usually makes purchases for the whole family, for kids, too. [12]

The largest sales for organic products are registered in major Romanian cities, and among them are Bucharest, Constanta, Cluj, Timisoara and Bacau.

The most popular organic products are brown sugar, flour, oil, waffles with honey, maple syrup, Romanian honey, royal jelly, dairy products. [10]

In terms of categories of frequently purchased products, a study conducted in 2012 showed that the organic fruits and vegetables are purchased by 50% of respondents, followed by dairy products (46.34%), oil and vinegar (45.73%), bakery products (45.12%). On the shopping list of those who cross the threshold of specialized stores there are also cosmetics face care (42.07%), dried fruit and cereals (39.02%), pasta (34.76%), juice (32.32%), and household and cleaning products (21.95%), perfumes and fresheners for personal use (12.80%). [12]

Traders of organic products estimate that these products represent only 5% of the daily shopping cart of a family trying to adopt an organic lifestyle. But there are consumers who had run buying habits “of supermarkets”. They supply from time to time with large quantities. They are part of reasonable consumers who know exactly what they want to buy. Share of sales to loyal customers for certain health food stores is very high. Over 60% of those who make a purchase come back for another purchases.

According to the volume of consumption and the level of involvement, three categories of customers were identified:

1. *The Interested Buyers* - 23.17%. They are "beginners" about consumption of organic products and they buy occasionally. They buy driven by curiosity, to follow trends, because they keep a particular regime or simply because the products taste is better than that of

the usual ones. The price, media and convenience are the main influencing factors for them.

2. *The Concerned Buyers* - 59.15%. They moderately consume organic products, but steadily. They are concerned with health issues, even forced to adopt a diet because of any disease. They are less influenced by price and convenience. They choose depending on their previous experience with the products. Also, they use knowledge gained from various sources.
3. *Followers* - 17.68%. They only eat almost entirely organic products and are concerned about health, both at physical level and mental level. In their choices they are influenced by the authenticity of the products, their local character and previous experience. Price represents the main barrier to consumption for them. [12]

The Internet plays a key role in documenting regarding the organic products. Thus, 75% of respondents get inform online. The press is the second source of documentation – 29.88%, followed by the direct information obtained in store - 27.44%. Although the frequency of organizing specialized trade fairs is increasingly higher, only 10.98% of respondents get document here.

Despite the fact that online information prevails, 65.85% of respondents prefer to buy the products directly from the store. Those who buy organic products online (22.56%) are young people aged up to 34 years (43.24%) and have an income above 4,000 ROL / household (54.05%). [12]

2.4 Who are the main producers of organic products in Romania?

In 2011 in Romania, 350,000 hectares of land were planted with organic products. Unfortunately many of the products produced are sent to other countries, but, to our joy, there are increasingly more manufacturers who give us the chance to buy the organic fruits and vegetables.

At this point, the problems faced by the retailers of organic products are: the low number of domestic producers, the low number of importers, lack of funding (money for promotion, acquisition, development etc.), deregulation of supply patterns, poor information of most consumers and, mainly, the lack of sufficient critical mass of consumers. For this, both starting a business with organic products, and the existing ones development, should be based on the solid market analysis and studies which can

help in developing or improving the business plan, and communication strategy.

There are a number of proves which support the organic current. We can mention the growing number of Romanian organic products under already known brands, such as Dorna, creating of dedicated spaces in supermarkets and hypermarkets, the appearance of increasingly more stores increasingly more specialized - for organic food, cosmetics or detergents - and restaurants with organic menus, too. Also on this list we can put launch of transitional products, between traditional and organic, like *Covalact de tara* or *Puiul Fericit*.

Selling Channels for Romanian organic products:

- Farm gate sales
- Seasonal markets sales
- Traditional retail - specialized stores
- Modern retail - hypermarkets, supermarkets, cash & carry
- on line shopping: www.rangali.ro;
www.organikshop.ro (organic cosmetics)
www.biomania.ro
- Network Marketing (Life Care)
- Sales through online stock for organic products (www.agricultura-ecologica.ro).

According to market experts, in the near future, 60% of organic products marketed in Romania will be sold in organic stores, 30%, in supermarkets and 10%, in other types of stores.

The chains of stores that have organic products in the range and have arranged special areas for them are: Carrefour, Cora, Gima, La Fourmi, Mega Image. Best-selling organic products through organized commercial network are eggs and dairy products.

Natura Land (importer of organic products) distributes its products in almost all store chains: Carrefour, MegaImage, Cora, Real, Metro, Auchan, Super Market Nic, ANGST, G-Market, La Fourmi, crystal, Anapan, Quickdeli, Supermarket Ok, Ki-Life, Agip gas stations, etc.

Associations and Professional Organizations:

- Bio Romania Association (<http://www.bio-romania.org/despre-noi/>) founded in September 2008 (18 members)
- National Federation of Ecological Agriculture (<http://www.fnae.ro/>)
- BIOCOOP Sibiu, an association between producers, processors and traders
- Delta Dunarii Organics (Danube Delta Organics), an association of ecological Romanian farmers and Italian traders
- Organic Farmers Association of Romania "Bioterra" (<http://www.greenagenda.org/bioterra/>)

- Agroecologia (<http://agroecologia.ro/>)
- Romanian Association for Sustainable Agriculture.

The Agriculture Ministry had 3,532 of organic producers, 75 processors, 76 merchants, 30 importers and 47 exporters registered in October 2008.

In 2012, 26,700 operators in organic agriculture were officially registered by MARD, exploiting over 850,000 hectares of bio-certificated land. These figures placed Romania on the 5th place in the EU. In the period 2014-2020, by smart using of the agricultural policy instruments, the potential of this sector can be maximized, and Romania can reach the top of global players in this field.

Currently, most manufacturers are represented by the individual producers (individuals), but the number of producer companies (farms) is increasing. They conduct organic farming activities: crops of vegetables, fruits, grains, and soybeans etc., animal farms: sheep, cattle, poultry, swine, and goats, beekeeping, and grasslands.

Over 90% of the Romanian organic production is exported.

Manufacturers from ecological agriculture receive since 2009 compensatory bonus, to cover loss income during the conversion of the fields. Also, in order to promote organic products, Community support is granted through co-financing programs, with 50% funding from the European Commission and 30% from the state budget.

Processors are much less numerous than producers (around one hundred).

The main weaknesses of the organic food industry are represented by the processing, packaging and marketing. These weaknesses of the industry are mainly determined by the high costs of the industrial and packaging installations which are required to meet the standards of organic farming.

In Romania there is a severe lack of processors focused on this domain. The increasing demand and lack of processors in Romania, determine the organic raw material to follow external routes. Thus, only a small part of such foods find their place on the internal market.

The following types of organic material are processed in Romania:

- Vegetable products - wheat based products, sunflower, corn, peas, soybeans, fruit (sour cherries, cherries raspberries blueberries, cathine, nuts, etc.)
- Animal products - eggs, milk, meat
- Dairy products - feta cheese, cheese,
- Bee products- honey, honeycomb, beeswax, propolis, pollen.

Some of the main processors registered in Romania are: LaDorna, Can Serv Radix DELTANAV, Apidava, Arfungo Comimpex, LTA Mondial, Petras Bio - first processor of organic pasta and whole grains in Romania.

3 Conclusion

In order to develop Romanian organic agriculture the following measures are required:

1. Analyzing and improvement of MARD skills in inspection and certification of bio products, in Romania;
2. Organizing and control on the entire systematic of bio products, from producer to consumer;
3. Running of programs for consumer information to eliminate confusion regarding "green" products "natural" and so on;
4. The awareness of the importance of organic farming in rural areas, as a solution to revitalize the rural area;
5. Specialized training of the organic producers in terms of specific technologies and quality standards and specific issues related to the marketing of organic products;
6. Eliminating the possibility of forgery of organic certificates the in Romania;
7. Obtaining the maximum financial support provided by the EU for the farmers in Romania through appropriate economic background;
7. Developing a coherent system of subsidizing the organic production and especially the the processing for obtaining added value to the organic products;
8. Diminished VAT rate at basic organic products;
9. Stimulation of processing sector of the organic products by providing financial support;
10. Developing a national action plan for organic agriculture.

Also, in order to develop and implement a coherent and rapid specific legislation, the establishment of a National Agency for Organic Products is required.

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