

## The Romanian Organic Food Products Market in the Context of European Union Integration

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**Abstract:** *Within the European Union, the preoccupations for developing organic foods products are justified, they have important ecological characteristics which can ensure benefices both for consumers and for the environment. Organic agriculture can contribute to meaningful socio-economic and sustainable ecological development. In the last years, Romania has done important efforts in the application of organic principles and has taken some steps in improving the management of its agricultural resources. The paper makes an analysis of the organic foods market in Romania and at EU level. The market for organic products has tremendous growth prospects and offers producers excellent opportunities to improve their income, and for consumers and the environment it ensures better existing conditions.*

**Keywords:** *organic foods, organic agriculture, organic principles, market, consumers.*

### 1. Market trends for organic products in Europe

At the level of the European Union the concerns for the quality of the food products has been going back a few years and through Regulation (EEC) no 2092/91 the basic requirements for organic products were regulated: the agricultural production methods for plant growing and animal breeding, permitted substances, processing regulations, labelling and control norms for the products to be certified as organic products.

Manifested under the capacity to meet the demands of the specific market, *the supply of organic products* depends on the production potential ensured by the allotting of lands for growing plants or breeding animals in corresponding production systems.

At the level of the European Union (25 countries, the last countries that joined are not listed yet in the statistics of the EU at the chapter of organic agriculture) the agricultural area destined for organic agriculture was 6115465 ha in 2005, registering a rise of 6% from the previous year [3].

Grouping the EU-25 countries in accordance with the rate of the owned agricultural area from the total of their agricultural area, we can find out the stage of the organic production potential within the European Union (table no. 1).

On the Western-European market, a significant potential for the production of organic products is found in countries with large land areas for the practicing of organic agriculture. Countries like Italy, Spain, Germany, England and France own a high rate of the total area destined for organic agriculture within the EU, because of the high economic development level, climate conditions, extended agricultural areas, mentalities and adequate consumption models. Although Austria owns a smaller portion of the agricultural area from the EU-25's total (approximately 8%), it excels with having the largest area for organic agriculture from the total of its own agricultural area (11.3%), and is followed by Switzerland, Italy, Denmark, Sweden, the Czech Republic (5.06%). [9].

The recent manifested trends showed a powerful dynamic in the rise of agricultural areas used for organic agriculture in countries like Malta (a rise of 13 times) and Latvia (3.5). Significant rises were recorded also in countries like Cyprus, Slovakia, Ireland, Greece, Italy and Spain.

Table 1. The classification of EU-25 countries in relation with the organic area rate, 2005

The rate of the organic area from the agricultural area's total	Number of countries	Countries
0 % - 4 %	17	Portugal, Serbia, Finland, Denmark, Hungary, Latvia, Slovakia, Poland, Lithuania, Holland, Norway, Ireland, Slovenia, Belgium, Luxemburg, Cyprus, Malta
4 % - 8 %	3	Austria, Greece, the Czech Republic
8 % - 12 %	2	England, France
12 % - 18 %	3	Italy, Spain, Germany

Source: Statistics in focus, Agriculture and fisheries, no.69/2007

Many of the recently EU joining countries have a high potential for increasing the organic production. They own important agricultural areas which have entered a process of conversion and in the following years will be able to substantially contribute to the development of the organic agricultural sector (EC no. 2091/92).

There are differences within the European Union concerning the size of the agricultural holdings' orientation phenomenon towards organic production (table no. 2).

Table 2. The organic producers' rate from the agricultural holdings' total within the EU-25, 2005

Rate	Number of countries	Countries
0 % - 2 %	15	MT, PL, HU, SK, CY, PT, LT, IE, BE, ES, UK, NL, EL, CZ
2 % - 4 %	5	FR, LV, SL, IT, LU
4 % - 8 %	4	DE, SE, FI, DK
8 % - 12 %	1	AT

Source: Eurostat Organizing Farming Statistics Farm Structure Surveys (processed data)

It has been ascertained that most agricultural producers who shifted towards organic production are in Austria (almost 12%), followed by Germany, Sweden, Finland and Denmark (4% to 8%). But in most countries, the rate of the organic producers is under 2%, and in Malta, Poland, Hungary and Slovakia the rate is under 0.3%.

When it comes to the evolution of the organic producers, a study conducted at the European Union's level shows that in most countries (except Finland and Denmark) an increase of the organic producers' rate manifested from the year 2003 to 2005.

An analysis made at the level of the organic operators shows that most of them are working inside the vegetal or animal organic production segment, surpassing in different proportions the number of economic agents who handle organic production. Thus, in countries like the Czech Republic, Cyprus, Lithuania, Latvia, Hungary, Poland, Slovakia and Slovenia, the number of organic producers is much higher than the number of processors, which shows that in countries with an average economic development level there is a less developed transformation and commercialization chain for organic products. In some countries, like Germany, France, Luxemburg, Great Britain, Belgium, Holland, the number of organic processors tends to get closer to the number of organic producers, therefore we can consider that the dimension of the organic products' market is as big as the economic development degree is high. On the other hand, it is possible that the lowest dimension of the organic producers, specific to countries like Norway,

Austria, Italy, Finland, Ireland (under 13%) is owned especially to the consumers' preferences for organic products originated from agricultural farms. [4].

If we refer to the structure of the organic producers, we can see countries are making specializations on different kinds of products, which is reflected in the structure of the crops. The biggest organic cereals productions are in countries like Portugal (93% of the annual crops), Greece, Lithuania, the Czech Republic and Hungary. The specialization on the production of fresh vegetable is in Holland (14% of the annual crops), Great Britain, Cyprus, Slovenia and Belgium. Norway (76% of the annual crops), Latvia, Belgium, Great Britain, Denmark, Sweden and Italy are important producers in the sector of organic fodder. For crops of industrial plants, Hungary (20%), Cyprus and Slovenia are the leaders. [4].

In the field of animal husbandry, the largest number of cattle raised organically is in Austria (333826 cattle), Italy, England and Denmark; and for organically breaded swine the leader is Greece (126003 pigs), followed by Denmark, Austria and Italy. The most significant number of sheep breaded in organic agriculture is in Italy (738737 sheep), Great Britain and Greece.

In the majority of European Union's member states a rise in the demand for green products is noticed. In the developed EU countries, the market segment represented by ecological agricultural products had a weight of 5-10% in the year 2005 [9]. The largest distribution market for green products is in Germany (2.5 billion Euros in sales in 2005), which is also the third producer of green products at European level. The highest average consumption of green products per habitant is in Denmark and Switzerland.

At the European Union's level, the market for green products amounts to approximately 23 billion Euros and practically includes all the primary and processed agricultural productions (bread, wine, meat, milk, oil, fish, etc.). The prices for green products are usually higher than for conventional products with 25-30% and sometimes it reaches even 400%, depending on the demand and supply. [10]

The present reforms for the joint agricultural policy stimulate the orientation of the agricultural production towards making quality products that will correspond completely with the consumer's behaviour. [1]. Thus, we are catching a glimpse of the size the ecological production sector will take as the domestic market for green products continues to develop and function in an adequate manner.

## **2. The current situation of the organic products market in Romania**

In Romania the buyers' interest for organic products is relatively recent; therefore the agricultural producers were stimulated only after the year 2000 to transform their conventional production systems in ecological production systems, or to set up such systems.

*The organic production potential* (green) in Romania can be showed with the help of the data communicated by inspection and ecological certification organisms from the Ministry of Agriculture and Rural Development, starting with the year 2000. Because Romania joined the European Union only in January 2007, it is no yet presented in the statistics published by the EU regarding organic agriculture (table 3).

Romania's total area destined for organic agriculture in 2006 was 143000 ha, which is a growth of over 8 times in comparison to its size in 2000, which was the year when the legal and institutional frame-work regarding organic production was created. Although its dynamic is spectacular, the area allocated for organic agriculture represents very little from Romania's total agricultural area.

Table 3. The structure and dynamics of the green vegetal production's potential

Categories of green areas	Rate(%)		Average rhythm of growth (%)
	2000	2006	
Areas cultivated with cereals	23	11,4	19,2
Areas cultivated with oleaginous and protean plants	23	16,6	25
Areas cultivated with vegetables	0,2	0,5	44,4
Fruit-growing areas	-	0,2	103
Pastures and fodder plants	53,3	35,8	24
Other destinations (for picking spontaneous flora + other crops)	0,5	35,5	120
<b>Total</b>	<b>100</b>	<b>100</b>	<b>30</b>

Source: MADR (processed data)

The average growing rhythm for the organic production's potential between the years 2000 and 2006 was 30%, but significant variations were recorded for categories of areas cultivated in a green system. Significant annual average increases were recorded for fruit-growing areas, for areas used to pick spontaneous flora and for areas cultivated with vegetables. The slowest growing rhythm was registered for areas cultivated with cereals (19.2%), while pastures, fodder plants and areas used for industrial plants had an average rise of 24-25%.

The structure of organic areas in 2006 indicates the direction of agricultural producers towards obtaining green products like fodder for animals, medicine plants from the spontaneous flora and technical plants for different industries. Cereals are targeted in a smaller amount, which raises certain questions, because it's a known fact that Romania has favourable climate and soil conditions for growing cereals. A possible answer could be the deficiency in merging separate areas, because presently there is a large number of a small area of less than 5 ha, which represent approximately 91.6% of the private arable area.

At the level of the European Union the average size of a cultivated area by an organic agricultural holding is 38.7 ha. It is considered that the economic efficiency grows at the same time with the dimension of the organic area, because proper agro-technical works can be executed in a unitary manner. [3].

The agricultural area in Romania sowed in a green system represents 2.3% of the EU-25's total organic area, and is approximately the same with that of Sweden, England or Finland (table 4)

Table 4. Romania's comparative potential for organic production (%)

The surface of the areas cultivated organically	Romania	Sweden	England	Finland
Cereals	11,4	38	26	35
Fresh vegetables	0,7	1	7	-
Fodder	35,8	53	61	46
Industrial plants	16,6	2	1	2
Other areas	35,5	6	4	16

Source: MADR, Eurostat Organic Farming Statistics, 2006

The comparison with other countries with the same potential for organic production shows that Romania hasn't found yet a suitable structure for agricultural production, because our country gave up on the advantages that could have resulted by growing cereals, for which there are favourable conditions (quality soil, propitious climate). Instead, countries like Sweden, England or

Finland, although they have a less favourable climate, with fewer sunny days, they use between 26 and 38% of their organic areas for cereals.

The supply for green products has grown continuously (table 5)

Table 5. The green production in Romania, 2006

<b>Green products</b>	<b>2000</b>	<b>2006</b>	<b>2006/2000</b>
<b>Total vegetal production, tons, which includes:</b>	13502	166574	12
Cereals	7200	48441	6,7
Oleaginous and protean products	5500	73082	13,3
Vegetables	600	8708	14,5
Fruits	-	340	1,7*
Spontaneous flora	200	24962	125
Other crops	2	11041	5520
<b>Animal production</b>			
Cow milk, hl	58367	112000	1,9
Eggs, thousands	-	1075	2*
<b>Processed products</b>			
Sheep cottage cheese, t	18	520	29
Pressed cheese, t	-	642	5,3*
Schweitzer, t	23	576	25
Honey, t	10	1242	124

Source: MADR (processed data)

\* a different year, for which there is information

The vegetal green production has risen by 12 times in 2006 compared to 2000. An emphasized dynamic, that surpassed the growing rhythm of the total production, was recorded for plants reaped from the spontaneous flora, green vegetables and oleaginous plants. A more modest rise was registered for cereals, and especially fruits. The milk and the eggs processed in a green system almost doubled, and ecological honey had the strongest dynamic out of all the processed products.

One conclusion could be that in spite of the preoccupations being recent and the legal, normative and institutional frame-work regarding organic agriculture being recent, the Romanian organic market is dynamic because of the productive potential given by the size of the ecological areas and by the number of animals bred in a green system, but also because of the accentuated growing trend of the green agricultural and food production.

The grown interest for the green production sector is proven also by the apparition of a large number of individual agricultural producers, producer organizations, professional or scientific associations which contribute to the development of this sector. There are presently 4000 organic producers working, most of them situated in Transylvania, and a number of 31 organizations, such as: the National Agricultural Consultancy Agency, the National Green Agriculture Federation, "Agri-eco" Green Agriculture Association, "Agroecologia" Professional Organization, "Bioterra" Green-farmers Association, the Romanian Sustainable Agriculture Association, "Terra Verde" (Green Earth) Association, the Green Bird-fancier Association – BIOAVIROM, "Ecofocus" the Green Agriculture Development Association, Ecorural, "Ter" Environment and Green Agriculture Protection Association, "Mama Terra" Foundation, the National Agriculture Counselors Association, "TERRA NOSTRA" Academic Foundation for Rural Development, The Ecologist Society from Maramures, the Bucovina Ecologic Collaboration Group, etc. [7].

Some producers understood the importance of having access to different opportunities and specialized information in the field of green agriculture and joined IFOAM Internet Training Platform. These producers are: Bioterra, ICEA Romania, Ecocert Romania and Eco Forest. ([www.ifoam.org/organic\\_facts](http://www.ifoam.org/organic_facts))

Studying the characteristics of the domestic market regarding the green products' demand shows that it has a reduced dimension. This appreciation is made on the basis of the distribution network for these products. The list of specialized stores in commercializing green products from the MADR site includes only two names: BIOCOOP and the Naturalia network. Nevertheless, consumers can purchase products from outside the specialized distribution system for green products, because they can also be sold in supermarkets, green-product stores or on-line ([www.naturalmall.ro](http://www.naturalmall.ro); [www.naturashop.ro](http://www.naturashop.ro); [www.elemental.ro](http://www.elemental.ro); [www.naturaland.ro](http://www.naturaland.ro); [www.radixplant.ro](http://www.radixplant.ro)).

Achieving the objectives formulated at European level in the frame-work of the legislation regarding green production [1], namely directing production in accordance with the market by satisfying the consumers' preferences for green products, puts at the centre of the operators' attention the knowledge of the consumption characteristics presented on the green products market. Conducting marketing studies contributes to the adjustment of the green products' supply depending on the characteristics of the demand, by putting at the disposal of the buyers the wanted products in the demanded quantity and quality, without neglecting the optimization of the profit for producers and tradesmen [6].

The necessary investigations for knowing the green products market aim at getting the information that is at the basis of establishing production and marketing programs.

Stimulating the green products' demand and the development of the specific domestic market are closely tied to the consumer's perception regarding the advantages offered by these products, and by the volume of knowledge owned by the buyers, in general. Among consumers there is often a grave confusion between green products, nature products or diet products, and the role of the ecological certification system for food products is not known enough.

In Romania, MADR is the authority responsible for the green agriculture sector and has the role to grant to agricultural and food products ecological certification through an accredited specialized organism, in accordance with the national legislation. Presently, there are a number of 15 organizations that inspect and give certificates to green products, and which act on the basis of the regulations in OM no. 527/2003. The products which are certified can be recognized after the "ae" logo.

In order to promote the concept of green agriculture, private persons or legal persons must write the "ae" logo on the communication and information materials that are directly connected with green agriculture or with the green food products. The "ae" logo is put on the products, labels or wrappers of the products manufactured in Romania or imported.

The right to use the "ae" logo on products, labels or wrappers belongs only to producers, processors and registered importers with M.A.D.R. They are subjected to controls from an inspection and certification organism accredited by M.A.D.R. [8].

The mandatory use of the "ae" logo allows the operators who abide the rules to particularize their products in a specific and advantageous manner, because the logo helps the buyers to rapidly guide themselves and to choose the green products through visual identification.

The green products which are certified with the "ae" logo represent a warrantee that they correspond to the principles, standards and methods which are at the base of the green agriculture concept, having a minimum impact on the environment.

At European level the green label is given only to the products which meet a series of ecological and performance criteria, so that it's a guarantee of quality for the buyers and for the fact that it isn't harmful for the health. For the producers and processors this label is a warranty that their products are at least as efficient as conventional products.

In order to avoid confusions and to ensure clarity for all the consumers on the entire Community market, the recent Regulation EC no. 834/2007 of the European Union Council recommends the promotion of a harmonized green production concept.

The main characteristics of green products are:

- they are the result of a production method which abides by the norms settled within the legal community frame-work for the ecological sector in all the stages, starting with the primary production and ending with the product reaching the final consumer;
- they are products that have at least 95% ecological ingredients and thus have the necessary quality for certification;
- in the ecological production the use of genetically modified organisms is forbidden;
- in the ecological production it's not allowed to use ionized radiations for the treatment of green food products, for animal foods or for processed raw material;
- the stages of production, processing and distribution for green products are the object of a control system in accordance with the legal frame-work provided by the EU;
- the following ingredients are chemical additives free: conservatives, colourings, flavours, emulsifiers, taste improvers, thickening agents, etc.;
- fertilizers and soil improvements, pesticides, raw materials for preparing fodders, ingredients for preparing foods are used in accordance with the list of permitted products in green agriculture.

By synthesizing these characteristics, the green products can be presented as being healthy products, free of diseases and harmful bacteria, free of noxious residuals, with a content balanced in bioactive and mineral substances. These products result from ecological technologies, technologies that don't use chemical fertilizers and pesticides and which also contribute to the protection of the agricultural ecosystem.

Thus, we can say that the efficient functioning of the domestic market for green products depends on the method of implementation for the principles, norms and ecological production methods established at the Community's level, which guarantees the implementation of a sustainable system in the agriculture of every European Union member.

Although *the Romanian organic food products market* is the result of a short forming period (only 7 years), according to the manifested trends it shows *important growing perspectives* for the next period. The arguments which support this statement are the following:

- the restructuring mechanism of the agricultural sector has had as side effects the abandonment of large land areas or the practicing of sowing systems in an almost traditional manner. In the absence of technical endowments and the diminishing use of chemical substances for fertilization and treatments for plants' health (usually expensive), the agricultural areas need a relatively short conversion period (2-3 years) to be transformed in areas destined for obtaining green products;
- it is estimated that the ecological agricultural areas will grow to 400000 ha until the year 2010, which is a growth of almost 2.72% since 2000 [9]; this is an important factor in the development of the organic food sector;
- there is a legal, institutional and normative frame-work which regulates and stimulates the organic production;
- the recent joining of Romania to the European Union facilitates the free penetration on the organic products market in conditions of fair competitions, which can constitute an advantageous export opportunity for the Romanian producers;
- green products guarantee for operators the achievement of an economic performance which is at least similar with the one resulted from conventional production;
- the perception of Romanian consumers about green products is favourable, they are considered healthier and less harmful for the environment;

- the population's demand for green products is growing (the turnover of commerce with food products has grown in December 2007 with 162.3% in comparison to the year 2000), incomes are also growing (in January 2008 the real salary earning has grown with 21.9% since January 2007), which can constitute a basis for the consumption's development;
- the recently introduced system of certification for green products allows an easier identification of these products and contributes to increasing the trust of the consumers in their quality;
- green products start to make their presence felt in more and more stores.

In spite of all these arguments, the experts think that a period of 10-15 years will be necessary for Romania to develop a proper level for a green products market. To prove this point the example of Spain is given. Spain is a country that joined the EU over 17 years ago, but has cantered upon the export of products on Northern markets and only now is starting to address its own segments of consumers for these products. [10]. Also, it is considered that a free corridor for Eastern-European countries, among which Romania is, should be the sectors that need big work force, like vegetal production, fruits and vegetable, and which are no longer popular in EU developed countries.

Taking into consideration the advantages associated with green production and the manifestation of a grown interest in the development of this sector, are basic elements which will contribute in the next period to the essential transformation of the food sector. This will become a managing system of food-ecosystems capable to offer to consumers more "clean" products for a longer period of time, without affecting the present or future economic, ecologic or social potential.

Putting into practice the concept of "you can't tame nature unless you submit to its laws" (F. Bacon) means applying the principles of economic rationality in complete harmony with the laws of the natural and social environment, with positive consequences for all the factors involved.

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