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THE MARKET POTENTIAL OF THE ORGANIC PRODUCTS AND NICHE COMPETITIVENESS

DAN-MARIUS VOICILAŞ[1]

Abstract: *We are presenting the organic farming in Romania, the general background, the legislation bearing on it, the institutions created to coordinate this activity, the evolution of areas and productions, organization of producers, trade, the new challenges in the filed, tendencies and traditions. By this paper we would like to put in evidence the importance of the organic products on the present market characterised by high competitiveness and niche opportunities. For the analysis, we use long time series data based on statistical data provided by the National Institute of Statistics of Romania, the Ministry of Agriculture and various publications in this field. The conclusions and results of the paper will underline the present market tendencies, the opportunities of the Romanian business environment, the benchmarks for policy makers, niches alternatives and the level of the Romanian organic products market on a competitive global market.*

Key words: *Organic products, Niche market, Competitiveness*

INTRODUCTION

Organic foods are foods that are produced using methods of organic farming – with limited modern synthetic inputs such as synthetic pesticides and chemical fertilizers (http://en.wikipedia.org/wiki/Organic_food). Organic foods are also not processed using irradiation, industrial solvents, or chemical food additives.

A niche market is a focused, targetable portion of a market. By definition, then, a business that focuses on a niche market is addressing a need for a product or service that is not being addressed by mainstream providers. You can think of a niche market as a narrowly defined group of potential customers. According to the University of Arizona (Archer,C., 2013), niche markets are segments within your larger target audience that have similar demographic, buying behavior and lifestyle characteristics. Small business owners often function as niche companies, targeting a specific industry or type of consumer. Through strategic marketing tactics, specialized industries can use marketing and advertising to directly appeal to their niche market. Some advantages of using niche marketing include lower levels of competition, and the ability to set products and services at premium prices. Reaching target markets are more effortless and more directed. The main disadvantage of niche marketing can be attributed to greater difficulty in gaining high profit levels due to smaller market size (truetobusiness.com).

According to "businessdictionary", competitiveness is the ability of a firm or a nation to offer products and services that meet the quality standards of the local and world markets at prices that are competitive and provide adequate returns on the resources employed or consumed in producing them.

The paper evaluates all the concepts mentioned above on present Romanian market.

MATERIAL AND METHODS

For the analysis, we use long time series data based on statistical data provided by the National Institute of Statistics of Romania, the Ministry of Agriculture and various publications in this field. Last but not least, we use the partial results from the FP7 Project COMPETE (International comparisons of product supply chains in the agro-food sectors: determinants of their competitiveness and performance on EU and international markets), financed by European

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Communities and National Ministry of Education, leaded by IAMO (Halle/Saale-Germania). The Institute of Agricultural Economics-Romanian Academy is partner in this consortium.

1. **Legal framework**

The legal basis of the organic farming system was established in the 1990s by the Commission Regulation (EC) no. 2092/1991 regarding organic farm production and the indications for their presentation as agricultural and agri-food products.

At the national level, together with the signing up of the Association Agreement and the initiation of the EU accession negotiations – Romania's legislation had to get in line with the EU legislation. Following this process, at present, Romania's legislation complies with EU requirements and orientations.

The main normative acts, produced are: Government's Emergency Ordinance (OUG) no. 34/2000 on the organic agri-food products, approved by Law no. 38/2000; Government's Decision no. 917/2001, for the approval of the Methodological Norms for the application of provisions from OUG no. 34/2000 regarding the organic agri-food products; The Joint Order no. 417/2002 and no. 110/2002 of the Minister or Agriculture and of the President of the National Authority for Consumers' Protection; Order no. 70/2002 of the Minister of Agriculture on the establishment of the Commission for Organic Farming Development in Romania; Order no. 527/2003 of the Minister of the Agriculture for the approval of the Rules on the inspection and certification system and the accrediting conditions for the inspection and certification bodies in organic farming; Order no. 721/2003, of the Minister of the Agriculture for the approval of Rules on the import and export of organic agri-food products; Order no. 153/2006 regarding the approval of the componency of the Commission for the accrediting of inspection and certification bodies in the organic farming sector, which inspects and controls the operators on Romania's territory; Order no. 317/2006 regarding the modification and completion of the Annex to the Order of the Ministry of Agriculture and of the President of the National Authority for Consumers' Protection no. 417/110/2002, for the approval of the Specific labelling rules for the organic agri-food products; OUG no. 62/2006 for the modification and completion of OUG no. 34/2000 on the organic agri-food products; Law no. 513/2006 on the approval of OUG no. 62/2006 for the modification and completion of OUG no. 34/2000 regarding the organic agri-food products; Order no. 219/2007 on the approval of Rules regarding the organic farmers' official registration. All these provide information, rules and norms necessary in this field like: the authority responsible for organic farming; the general rules and principles of organic production; the duration of the conversion period; the inspection and certification system; the list of accepted products to be used by the organic farming practice; the list of ingredients and processing methods that can be used in the preparation of organic foodstuffs; sanctions etc.

2. **Institutional framework**

In Romania, the government, the civil society and the business environment are becoming increasingly aware of the need to promote organic farming.

The governmental policy is elaborated and coordinated by Ministry of Agriculture and Rural Development (MADR), under which the Office of the National Authority for Organic Products (ANPE) is operating, which is the authority in charge of the organic farming sector. ANPE is collaborating (or collaborated) with different agencies, education and research institutions, foundations, among which we can list the following:

- The National Agency For Agriculture Consultancy – ANCA (no longer exist nowadays);
- The Academy of Agricultural and Forestry Sciences – ASAS;
- Higher education institutions, agricultural research institutes and stations;

• The National Organic Farming Federation, whose activity is based on the "sustainable development principle", a development type which should not disable the next generations' access to a clean environment.

The Ministry of Agriculture establishes an action plan for the development of the domestic market of organic products, which includes:

- The intensification of actions promoting the organic farming concept;
- The improvement of information on organic farming practice, and the qualification of the participants in this sector;
- The increase of areas under the experimental modules "organic micro-farms";
- The delimitation of organic farming areas;
- Support to farmers during the conversion period;
- The creation of an information system accessible to farmers.

RESULTS AND DISCUSSIONS

As organic farming contributes to sustainable development, through an increase of biodiversity, soil fertility and environmental protection, the organic farmers are supported through the agro-environmental programs of the European Commission (EC). Thus, starting with 2007, the year of Romanian accession into EU, organic farmers benefit from a compensatory premium per hectare (and by crops), in order to make up for the income losses incurred during the conversion period and for the certified production, through the National Rural Development National Plan (PNDR) – Axis 2 – the agro-environmental sub-measure, from the European Agricultural Fund for Rural Development (EAFRD), non-refundable support in conformity with the Commission Regulation (EC) no. 1698/2005.

At the same time, EU provides support for the promotion of organic products, through co-financing programs, with a 50% funding from the EC, 20% from professional organization, and 30% from the state budget, in conformity with the procedure of the Commission Regulation (EC) no. 1071/2005.

1. Organic farming analysis in Romania

The data supplied by MADR reveal the increasingly importance of this activity sector for the domestic producers. The positive evolutions of the areas and production in the organic farming sector prove the existing potential, initiative, development prospects and increasing demand from the consumers' part.

In the following tables (Table 1, 2 and 3) we shall present the dynamic of the field, which proves the above statements.

Table 1–Evolution of areas under the organic farming system before accession (2000-2006)

Specification	Index						**2006**
	2000	**2001**	**2002**	**2003**	**2004**	**2005**	
Total area, out of which:	100 (17,438 ha)	1.65	2.51	3.28	4.23	6.33	***8.20***
Cereals	100 (4,000 ha)	2.00	3.00	4.00	5.12	***5.52***	4.08
Pastures and fodder crops	100 (9,300 ha)	1.51	2.15	2.58	3.37	4.55	***5.51***
Oilseeds and protein crops	100 (4,000 ha)	1.58	2.50	3.90	5.02	5.65	***5.97***
Vegetables	100 (38 ha)	2.63	18.40	5.26	7.89	11.58	***18.95***
Fruits (sour cherries, cherries,			100	2.00	4.00	***8.64***	5.84

Specification	Index						2006
	2000	2001	2002	2003	2004	2005	
apples)	-	-	(50 ha)				
Spontaneous flora collection	100 (50 ha)	2.00	6.00	8.00	10.00	352.60	***774.00***
Other crops	100 (50 ha)	6.00	16.00	18.00	18.00	97.68	***242.00***

Source: Own calculations based on MADR database

Land areas increased in the mentioned period. The trend is increasing and the perception of these crops as an alternative activity and income source is positive (Voicilas,D.M., 2007). Comparing the objectives established by the government's strategy with the field results, we could say that the objectives were reached, the bases were created for the development of this activity and for the use of the market niches, both on the domestic and world markets.

As in the case of land areas, productions continuously increased in the investigated period. Although the production levels are much higher than those obtained 5-6 years ago, the domestic supply cannot totally meet the demand yet, which makes it possible for the imported organic products to penetrate the Romanian market, as we shall see later on (Voicilas,D.M., 2007).

Table 2–Evolution of organic farm production before accession (2000-2006)

Specification	Index						2006
	2000	2001	2002	2003	2004	2005	
Total crop production, out of which:	100 (13,502 to)	1.81	2.39	2.25	6.46	9.77	***12.34***
-**Cereals**, out of which:	100 (7,200 to)	1.74	2.22	2.00	5.69	***7.64***	6.73
Export	-	-	-	-	100 (7,100 to)	1.56	***2.55***
-**Oilseeds** and protein crops, out of which:	100 (5,500 to)	1.31	2.00	2.27	6.73	8.29	***13.29***
Export	-	-	-	-	100 (9,800 to)	1.23	***2.26***
-**Vegetables**	100 (600 to)	6.67	6.67	3.33	5.00	12.00	***14.51***
-**Fruits** (sour cherries, cherries)	-	-	100 (200 to)	1.50	2.50	***5.00***	1.70
-**Spontaneous flora** collection, out of which:	100 (200 to)	2.00	1.50	1.60	22.50	83.74	***124.81***
Export	-	-	-	-	100 (3800 to)	***3.74***	-
-**Other crops**	100 (2 to)	150.00	400.00	450.00	600.00	3175.00	***5520.50***

Source: Own calculations based on MADR and INS database

In the Table 3, we present the evolution of the organic agriculture in last years, after the accession into EU.

Table 3–Evolution of areas and producers in organic agriculture after accession (2006-2010)

Indicator	2006	2007	2008	2009	2010
No.of farmers	100 (3409)	1.12	1.23	0.95	0.93
Area in arable area (ha)	100 (45605)	1.43	1.90	2.41	3.25
Area - permanent crops of pastures and fodder (ha)	100 (51200)	1.12	0.90	0.77	0.62

Indicator	2006	2007	2008	2009	2010
Area - permanent crops of orchards and grapevine (ha)	100 (294)	3.24	5.16	6.36	10.52
Spontaneous flora collection (ha)	100 (38700)	1.52	2.10	2.30	2.00

Source: Own calculations based on MADR database(County Agricultural Departments)

According to the data from MADR, in 2011 the number of organic operators increased fantastic being over 10.000 (http://www.eco-ferma.ro/performantele-agriculturii-ecologice/).

2. **Organization**

Organic operators (farmers) were registered at MADR and classified by three large categories of products: crop, livestock and beehive products. The farmers are organized either as independent producers, physical entities, or as family associations or commercial companies as legal entities under the form of limited liability companies or joint stock companies. Not all the counties are included in this evidence. Most organic farmers are from a few counties: Suceava (North), Mureş and Sibiu (Center), Tulcea and Constanţa (South-Est).

Following the presentation of these statistical data, the organic farming could be considered as a dynamic sector in Romania (Voicilas,D.M., 2007), with an increasing trend in recent years. As a result, the organization of the marketing (www.agricultura-ecologica.ro) of the organic products is an increasingly important element in this sector. The sale of organic products can take place directly from the farm, or through the traders registered at MADR. The organic products are found both in the large store network and in the small-specialized shops.

At the beginning of the year 2007 (Romanian accession into EU), only two shop networks were registered at MADR: the shop "BIOCOOP" (Sibiu) and the shop Naturalia (www.naturalia.ro), with units both in Bucharest and in the county Ilfov (Voluntari). After one year, there were 6 shops (MADR).

At the beginning of the year 2007, the following organizations were registered at MADR, with attributes or concerns in organic farming, rural development, environment protection and sustainable development: The Association for ecological agriculture "agri-eco", with the headquarters in Cluj Napoca, the professional Organization „Agroecologia" – Cluj Napoca, the Association of the bio-farmers in Romania „BIOTERRA" – Cluj' county, the Romanian Association for Sustainable Agriculture – Călăraşi County, the Association „Terra Verde" – Bucharest, the Association of the Bio-poultry breeders in Romania – BIOAVIROM – Ilfov County, the Association for the organic farming development in Romania, "Ecofocus" – Bucharest, Ecorural – Bucharest, the Association for the Environmental Protection and ecological agriculture „TER'' – Bucharest, the Foundation „Mama Terra" – Bucharest, „The National Association of the Agricultural Consultants" – Bucharest, the Academic Foundation for Rural Progress „TERRA NOSTRA" – Iaşi, „The Ecologist Society in Maramureş" – Baia Mare, „The Foundation for Rural Development in Romania" – Bucharest, „The Ecological Group for Cooperation Bucovina" – Suceava, the Foundation „Business School Mehedinţi" – Drobeta Turnu Severin, the Society „Avram Iancu" – Cluj Napoca, the Foundation „The Operation Romanian Villages" – Bacău county, „The Ecological Club Transylvania" – Cluj Napoca, „The Romanian Rural Foundation" – Timişoara, „Bioclub Cluj" – Cluj Napoca, „the Group of Gardeners Biodynamics" – Târgu Mureş, „the Romanian Association for Applied Biofarming" – Arad county, „the Centre for Ecological Consulting Galaţi" – Galaţi, „the Association for Environmental and Nature Protection" – Târgu Mureş, the Foundation „Divers Eco" – Maramureş county, the Foundation „Noema Consulting" – Cluj Napoca, the Association „Albina" (the „Bee") – Bucharest, the Association for Environment Protection and Preservation of Resources – Bucharest.

At the end of 2012, the list of the organizations in organic agriculture, rural development, environmental protection, and durable development contains 32 bodies. In the same time, there were already 25 shops registered (MADR).

Except for the processors that have their own presentation shops, not all shops respect the storage/handling/presentation rules for organic products. The organic products are found in the same place with the conventional products, they are handled and stored together. In a study conducted by the Expert Group company in 2007, it is also shown that on the domestic market there is confusion between "natural product" and "organic product" (most often maintained by the producers of the former), which makes it more difficult to promote an organic product under the conditions of the price difference. The World Bank and the Ministry of Agriculture and Rural Development through the ASSP Program, also conducted the study within the project ExtEco - „Extension for Eco-Profit".

3. **Organic products trade**

An important role in market promotion and obtaining new market shares and segments of consumers is represented by the marketing activity. The presentation of products, the beneficial effects upon the human body, the gains obtained by buying clean and healthy products, even though they are more expensive than the conventional products, as well as consumers growing aware of their importance, are the main concerns that the producers and sellers of organic products should have in their development policy. The participation in exhibitions, fairs and other national and international manifestations is a modality to present the organic products and to establish new contacts for marketing these products. It is only a promotion modality among several possibilities, with a special impact upon consumers.

The fact that the organic products have a market in Romania is proved by imports, which are doubling almost every year. In 2007, the market of organic products was estimated at 2.5 mil EUR (1 mil EUR more than in 2006, before accession). At that time, about 70% from the organic products on the market were from import. Meantime, the imports decreased and at the end of 2010 the exports were about 150 mil. Euro and imports were about 35 mil. Euro (http://www.eco-ferma.ro/performantele-agriculturii-ecologice/).

The Expert Group study (2007) reveals that only 30% of the organic production is sold on the domestic market (the rest was exported). The main organic products sold through the organized commercial network were eggs and dairy products.

The sale on the domestic market is through the wholesale networks Metro, Selgros mainly by retail shops. The main stores that introduced organic products in their assortment of goods are: Carrefour, Cora, Gima, La Fourmi, Mega Image, Nic, Primavera, OK.

The Romanian organic products are mainly exported to Western Europe (Germany, Italy, Switzerland, Netherlands for example) and attempts are being made to penetrate the US market. The wild berries, either organic or non-organic, have a much higher export price, and the price is even higher if these are organically certified. Main exported products are: cereals, oilseeds and protein, berries, herbs, honey and sheep cheese.

The reaching of the export targets is linked to other objectives as well (on the short, medium and long-term), which can contribute to the improvement of the competitiveness of the Romanian organic sector in the next period:

- The increase in the number of operators in this sector, receiving financial support from the Romanian Government Programs;
- Increase of the role of the non-governmental organizations (NGOs) in this sector through programs for the development of trade with organic products;
- Increase in the number of exporters who are actively involved in programs for organic agricultural trade development in the less-favoured areas;
- Support provided to organic commercial farms, so as to be more active on the market;
- The association of the small organic farmers so as to co-operate in the marketing of organic products;
- The increase in the number of municipal and regional organizations directly involved in the implementation of the National Export Strategy in its initial stage;
- The increase in the number of local processing units and foreign direct investment projects;

- The increase of investments in related activities in rural areas;
- The increase in the number of employees in the exporting units which are implementing the organic farming regulations;
- The increase of investments in the activities related to exportable organic products from the less developed rural areas;
- The increase of the organic farm output;
- The increase in the number of new companies involved in export activities with primary and processed organic agricultural products;
- The increase in the number of optimal operation modules by the association of crop and livestock farms;
- The development of processing capacities for the organic farming sector;
- Capacity improvement in terms of products and value added;
- The development of services oriented towards the export of organic products;
- The diversification of the exportable cultivated species (for example: vegetables, fruits) and of the range of processed products (e.g: bakery and pastry products);
- Increase in the number of new approved investment projects.

CONCLUSIONS

Unfortunately, not all the producers are satisfied with the evolution of this market and with the government's involvement in the activity to support organic farming. In the opinion of some farmers who had initiatives in this field, organic agriculture became a non-efficient business in Romania, not because the outlet is not large enough, but rather because the government has not shown interest in this activity so far; on the other hand, this activity was given as an example of opportunity to conquer the foreign markets. The lack of financial support from the state, in addition to the extreme weather phenomena in the last years, is the main factor which determines the producers to think giving up their business. In many reports made by the producers or in the communications at the scientific events organized by them, it is mentioned that farmers are confronted with the problem of higher production costs as well as with the problem of products distribution.

The problem of the ratio of the production cost to the price of the product is not the only problem for organic farmers. The consumer is interested more in the price than in the quality of the product, and this constrains the development of the sector.

As always happens in such conflicts, on the other side, of the state institutions, the announcements are optimistic, satisfactory, and even praiseworthy. All governmental statements and the official documents show the favourable evolution of this sector and government's active implication in its development. For example, the documents elaborated by Romania's Government in the last years regarding the strategy in this field in the future, comprise concrete references on the next steps and have clearly identified objectives. We can easily remember what was stated in the past, before accession: Romania has great opportunities for promoting and developing organic farming due to its large agricultural land area, i.e. 14.9 mil ha and its non-polluted soils; the increase of organic farmers' participation to the economic events in the country and abroad (BioFach 2006). By the examination of the valoric chain and of the consumers' requirements on the world market, the following critical success factors could be identified: price, assortments, package, branding, and availability.

In conclusion, two factors are adjudged to be responsible for consumer demand to be concentrated in the most affluent countries of the world. The price premium of organic products restricts demand to countries where consumers have high purchasing power. This explains why most sales are in countries where there is a sizeable middle-class in the population. The second factor is education and more specifically awareness of organic products. As consumers become more educated and informed of food issues, they are more inclined to buy organic products whether it is because of factors like food safety, concern for the environment, or health reasons.

As production of organic crops increases across the globe, regional markets are also expected to develop in which organic farmers will produce organic products for consumers in their region. This is expected to stimulate sales of organic products in many developing countries, especially in countries like Brazil, China, India, and South Africa where economic development is increasing at a rapid rate and a more educated and affluent middle-class of consumers is developing (Willer,H. and Yussefi,M.-Eds., 2004).

The main conclusions resulted from this analysis, as regards the ways, which can contribute, to the improvement of the competitiveness of the Romanian organic sector in the next period are, as follows: the increase of the number of operators in this sector, receiving financial support from the Romanian Government Programs; the association of the small organic farmers so as to co-operate in the marketing of organic products; an increase in the number of municipal and regional organizations directly involved in the implementation of the National Export Strategy in its initial stage; an increase in the number of foreign direct investment projects and investments in related activities in the rural area; an increase and diversification of the organic farm output; capacity improvement in terms of products and value added; the development of services.

The questions which still remain under discussion for specialist and policy makers: mass/conventional or niche products? If niche, which is competitive and must have support in Romania: organic products, nostalgic products/traditional products, MGOs or … ?

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