COMPARATIVE ASPECTS CONCERNING THE EUROPEAN ECOLOGIC MARKET AND PARTICULARLY ROMANIA'S MARKET

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Abstract: The requirements as far as the environment is concerned will be more and more obvious in the future. The consumers do not ask the firms to insure only the alimentary self-sufficiency. They want more sanitary guarantee, more quality, more environment's protection, but without assuming the consequences that these things could have on the price of the products [2]

1. THE EUROPEAN MARKET OF ECOLOGICAL FOOD PRODUCTS

The market has quickly expanded beginning with the mid '90s, and now it records lower growth rates as certain sectors close maturity. The offer-demand balance has become a characteristic of the European ecologic alimentary industry. Certain countries record over productions in some sectors such as ecologic meat and dairy products, while other sectors such as ecologic cereals and seeds are for now adverse. One of the reasons is that many of the certifications have been given to milk factories and farms for raising cows, while the conversion rate of arable lands has been generally low. The German market is the biggest one in Europe. The English market of ecologic food products and beverages is the third in the world. The Italian and French markets follow as importance. Other important ecologic markets are in Switzerland, Denmark, Sweden, Austria and the Netherlands. The Swiss market is the 5th in Europe. The expenses for ecologic products in Switzerland are the biggest in the world. The Swiss consumer spends around 105 dollars per year on ecologic products. Danish are on the second place on ecologic products consume with an average of 71 dollars per year [1].

The European average of expenses on ecologic food and beverage is of 27,2 dollars per year. There is a big difference between the rates of expenses on inhabitant in the European countries, between 7,3 dollars (Spain) and 105 dollars (Switzerland). Countries such as Switzerland, Denmark and Sweden record a arte of expenses bigger than 40 dollars per year, and if this thing is to be seen as an aspiration for the other European countries, than it is an extra opportunity for the future increase of the markets.

The increase of the average expenses to 40 dollars would increase the market of ecologic food and beverages which is evaluated to 15,4 billion dollars in Western Europe. From the data given by the FiBL Institute (Research Institute for Organic Agriculture - Forschungsinstitut für biologischen Landbau), that were collected by the experts in the ecologic sector in November, 2003, using reasearch methods that differ from one country to another, almost half the sales of ecologic food in the entire world being registered in Europe, the increase being estimated from almost 8% in 2002 to 10-11 billion Euros (FiBL analyses 2003).

After years in which the sales have strongly increased in many European countries the market is now close to maturity. This thing is due to the strong penetration of ecologic products on the market that has come to a final stage in countries such as Denmark, Austria or Germany and to the advanced development of ecologic assortments within the detail sales companies. Still the number of ecologic consumers remains stable and it has not increased as a result of the new scandals connected to conventional food products. Making a comparative analyses in the European countries, Germany still represents the biggest national market in Europe with almost 30% of the total volume of the European market. National markets with a volume of ecologic sales bigger than one billion Euros are represented by France, Great Britain and Italy. Still there isn't yet a common market for ecologic food products for the entire Europe. Individual national ecologic markets are in different stages of development. In countries such as Greece or Portugal, the ecologic market is still at the beginning. In Italy, France and Great Britain, a first explosion in the development of ecologic products has taken place a few years ago. In a third group of countries such as Austria, Switzerland, Denmark or Sweden, where ecologic markets are close to maturity, the activities are sustained by the national government as well as by measurements of active development for the market sustained by the main shops chain.

This clarifies the differences in consume terms per inhabitant as far as ecologic products are concerned, in the entire Europe. Switzerland could be considered the cleanest ecologic market in Europe or even in the world. Even when we take into account the biggest prices for ecologic food products, We have Switzerland again with the highest level of prices in Europe, and an almost double consume per inhabitant compared to Denmark or Sweden, countries that come on the second and third place. The difference between Switzerland and Denmark has strongly increased over the last two years. While in Switzerland an almost mature market has been pushed towards the shops chain COOP Switzerland and Migros, this development has been missing almost entirely in Denmark in the shops chain COOP Denmark and the Supermarket Dansk. In Switzerland, the entire ecologic market represents 4% of the market, still some sub-markets have a greater importance on the market (eggs 12%, milk 11%, vegetables 11%, bread 8%, fruits 7%). Generally we can not see bigger sales of ecologic products than the ones in the countries where the important chains of super stores brought assortments with more than 500 ecologic products. In the majority of the countries, at least 75% of the ecological products are sold using different store's chain. When, as well as it happened in Germany, the creditors will dominate over the food market and there will be various types of ecologic products offered by small salesman, oriented towards certain regions, there will still be a technical barrier for a maximum penetration of ecologic products. We have noticed a considerable increase in Europe, over the last few years of the market of ecologic products. Still, the competition between the European countries is rising. The biggest increase rates in the last years have been noticed in the Great Britain and France. In both countries, the ecologic market has annually increased with an average of more than 40% during the last 3 years. Within the same group with Italy, Switzerland and the Netherlands, the average growth is between 20 and 30% per year. In Austria and Denmark where the markets are closed to maturity there was no increase in the sales of ecologic products.

Sales and ecologic areas have developed during the last years with different dynamics in many European countries. More than that, two countries have developed in different directions. While the ecologic demand was decreasing in the last 3 years in Denmark, the areas that were in the conversion period necessary for ecologic production were rising. A different development has been noticed in Austria. The best equilibrium in the development of offer and demand has been noticed in France and Germany.

The main results of the market study that could be presented as: "Fragmented and underdeveloped markets" and "lack of knowledge in marketing" have received many points from a list of possible restraints for resource development. More than 70 out of 129 experts consider that there is a "low communication and cooperation" and "reduced rewards for producers", which represents important restraints, while "the lack of involvement of the supermarkets" and "competition with conventional production" have not been considered that important. "Big price of the products at the consumer", "low offer of ecologic products", "lack of informed and aware consumers" are considered as being important by more the two thirds of those investigated, while "competition with conventional systems" and "the lack of credibility of the certification systems" are considered to be not important.

Still we can say that none of the ecologic markets that already exist in Europe for the period 2002-2007, the growth rates will register percentages bigger than 10% per year. If we are talking about the expected increase of the market for the following 5 years, the rates will differ , with lower percentages in Denmark (around 1,5% per year) and higher in England (11% per year). The group of products that will register the lowest increase rate will be the cereals. The biggest growth is expected to be for meat and meat products. Most experts anticipate a bigger demand than the offer for fruits and vegetables, but no other clear tendency has been underlined for other types of products.

The experts agree that the structure of the ecologic market needs to be improved considering the expected increases, those being able to stimulate the demand by attracting new groups of consumers. The experts think that promoting does not have to base on risks associated to conventional food products [3].

What is certain is the fact than in the last 15 years, the consumption of ecologic products registers an accelerated growth. The last statistics don by Eurostat (European Statistical Data Support) show that the farms which use organic agriculture cover around 4% of the total of arable land of the European Union (Figure 1, 2).

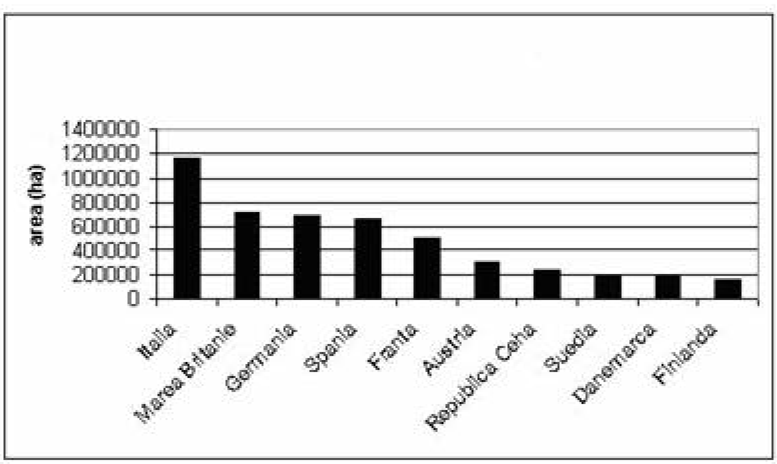

Figure 1: Areas used ecologicaly in Europe. Source: (SOEL, statistics, February, 2004), [1]

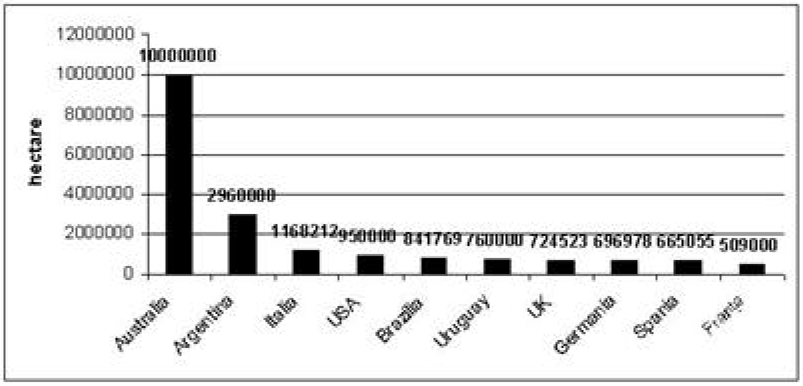

Figure 2. The ten countries with the largest areas in ecologic agriculture [1]

The same study reveals that out of the total of products used in the EU, the ecologic ones represents 1,75%, that is over 8 billion Euros. The experts of the European Commission estimate that the market of bio products will reach in 2005 - 23 billion Euros in the EU.

In Germany the ecologic production has least increased between 1999 and 2000 (8,6%), while at European level it is by far the main outlet for bio products and the third producer in the EU. The estimations of the European Commission for Germany in 2010 are 20% of the European market of food products.

Conclusions: Even if the number of ecologic farms continues to grow all over the world, most part of the sales of ecologic food and beverages are restricted for the industrial world. Other important markets are Japan and Australia. Two factors are considered to be responsible for focusing the request of the consumers in the most influent countries of the world. First of all the ecologic products restrict the demand in countries where the consumers have money, thus having a great power for buying. This is one of the reasons why most sales are being done in countries where the middle class is the majority. The second factor is education, especially the appreciation for ecologic products. The more educated and informed become the consumers on the existing food products, they are more tempted to buy ecologic products due to some factors such as food safety, environmental concerns or health. Because the ecologic production is growing worldwide, the regional markets are expected to grow in each ecologic region that produces ecologic merchandise for the inhabitants of that area. This thing is expecting to stimulate the sales of ecologic products in many developing countries, especially countries like Brazil, China, India and South Africa, where economic growth is quick and the middle class of the educated consumers is growing. (Source: Helga Willer and Minou Yussefi (Eds.) "The World of Organic Agriculture Statistics and Emerging

Trends, 2004). The expansion of the ecologic sowed surfaces is being influenced by the ever growing demand of ecologic food products and fiber products in Europe, Asia (especially japan) and North America, (Figure 3).

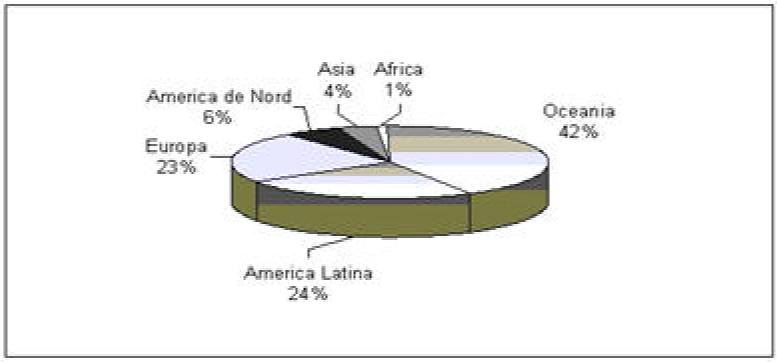

Figure 3. The total area in ecologic agriculture – participation of each continent [1]

Eastern European countries will need 10 to 15 years after the integration in the Euto be able to structure an internal market. A good example is Spain which, after 17 years after the integration begins to structure an internal market, meanwhile exporting almost totally on the northern European markets. The sector could still be stirred by the request of bio products by supermarkets (Carrefour). Eastern European countries will have to direct mainly towards the deficient productions in the EU, that is a vegetal protein and fruits. Western countries have begun to significantly reduce production in sectors that require a lot of working force. The large areas in Eastern Europe that have not received high chemical inputs during the last few years out of lack of financial means could become from a “Cinderella”, a Snow White”, within the context of the deficient European bio market. Such countries could go on one of the few passages where there are no real European competitors, from a technical, as well as economic point of view. The difficult situation of those countries could be put in good use by the pure agricultural potential, in what it is almost the only domain where the European Union is not in competition with the Eastern countries.

2. ROMANIAN MARKET OF ECOLOGIC PRODUCTS

Romanian ecologic food products are looked for over the borders. In the last four years, the production of food without any chemicals has increased nine times. Last year registers sales of ecologic food products of 15 million Euros, while in the country we have reached 1 million Euros. It is estimated that the Romanian market will grow this year 3 times, and six times until 2006. From the data obtained from the Ministry of Agriculture, Forests and Rural Development it can be seen that 95% of the vegetal ecologic products and 20% of the ones with animal origin have been delivered to export during the last year.

Together with the increase of quantities, the production has also diversified. Foreign people “smelled” Romania’s potential to produce food without chemicals, and some of them have already invested in this domain. Due to the fact that these products are quite expensive compared to the incomes in Romania, they will probably go to the Western markets. The lack of a culture of consume of ecologic products makes the products to be designated especially to export, the main partners of Romania being Germany, The Netherlands, Italy and France. But the fashion of ecologic products is beginning to gain more and more space in Romania. The export is obviously a perfect escape for these productions. It increases the production, but it also doubles the import, which means that the internal consumption has also increased. Meanwhile the number of assortments increases: from cereals to strawberries, radish, spinach and grapes for wine. There are also ecologic vegetables canned. Soon, consumers of such products will be able to buy ice-cream, mozzarella from buffalo cow milk, all made in Romania. We will open ecologic restaurants, and the big chains of shops begin to register themselves as tradesmen of ecologic products. Those who wanted to open a small business with ecologic products have their reasons: beginning with 2007, a big part of the subsidies will disappear, going to those who practice ecologic agriculture.

Relatively new in Romania, the sector of ecologic agriculture begins to develop beyond expectations. If in 2000 the area occupied with ecologic crops was only 17.438 ha, in 2004 outruns 73.000ha, and for 2005 104.000ha. “The growth has been felt not only in the number of ha, but also in the productions. Thus, if in 2000 the production of ecologic products was 13.502 tones, in 2004 was almost 100.000 tones”, as it comes out of the data provided by the Ministry of Agriculture, Forests and Rural Development.

It is easier for the big firms to sell their products, a part of the small farmers, organized in family farms, continue to sell their products at the market, where the prices are not bigger than the ones for conventional products, but the this is a niche of the potential market and they also believe in the principle that “people need to eat healthy, not to earn more money”.

The problem that the Romanian producers confront is the one of the sale market, because, unfortunately, the only ones who can afford to buy ecologic products are Romanians that have big incomes. On the Romanian market ecologic products are with 20-50% more expensive than the conventional ones and thus it is difficult to find an internal sale market. Due to these conditions and due to the fact that sales do not go well in the country, the majority of the big producers have oriented towards export. As far as the ecologic potential is concerned, Romania is doing much worse than the countries around it. Italy has reached 12% of the agricultural area cultivated ecologically, Austria 8%, the Netherlands and Germany have outrun 5%. Romania has below 1% and if we look around, all our neighbours have over 2%. Romania's agro-ecologic potential represents, according to the studies that were made, 10-15% of the agricultural area, which means 1.5 million to3-4 millions hectares of agricultural land for ecologic agriculture.

The sums that are paid for inspection and certification, and those for warehousing, biodegrading packing, labelling and transportation in ecologic conditions can reach up to a few tens of thousands Euros each. In order to be inspected by the representatives of an organism from abroad, the Romanian farmer has to pay for the expenses of movement, housing, meals, and also for the applications for certification and taxes. The ecologic production is relatively small and a great working force needs to be insured, necessary to supervise the production. International certifications are usually recognized, because a Romanian organism is also submitted to European certification. The ones who make export ask for the certification given by foreign organisms, recognized in the EU or in the country where they export.

One of the major problems in Romania is the certification's cost of the products. Right now there are two national organizations that give the ecologic certificate. The tests are being done annually until the soil is ecologic, and the sums that need to be paid are extremely high. Certification for ecologic production is really strict. First of all, the farmer is not allowed to use for three years any chemical substances on the land for which he requests certification. The animals are not to be treated with antibiotics or hormones. The sorts genetically modified or the use of additives in the final product is not accepted. The costs of the conversion towards ecologic production vary in report to the size of the farm and the organisms that certifies. The lowest prices, for cereals and pasture lands start at 15 Euros per year. For viticulture, the prices can go up to 50 Euros per year for a hectare.

The steps needed in starting a business with ecologic products are: choosing an organism for certification, inspection and accrediting ecologic products (table1); making contact with the person responsible with ecologic agriculture within the agriculture direction in the area; filling up an application at the agriculture direction, that will be sent to the Ministry of Agriculture; signing up a contract with the organism for certification; carrying out the inspection by the chosen organism for the place where the ecologic culture will be.

Tabel 1. The List of inspection and certification organisms acredited by the Ministry of Agriculture until December the 21st, 2004

INSPECTION ORGANISM	**COUNTRY**	**HEADQUARTERS/PLACE**
SC Ecoinspect SRL	Romania	Cluj Napoca
BCS OKO Garantie	Germany	Branch in Romania - Târgu-Mures
Biokontroll	Hungary	Branch in Romania - Zalau
Suolo e Salute SRL	Italy	Branch in Romania - Timisoara
Instituto per Certificazione Etica ed Ambientale (ICEA)	Italy	Timisoara
QC&I GmbH	Germany	Branch in Romania - Timisoara
SC Ecocert ESE	France	Branch in Romania - Bucharest
Control BIO Ellas – Institute of Control for Biological Products	Romania	Bucharest
Bios SRL	Italy	Branch in Romania - Bucharest
Lacon SRL	Germany	Branch in Romania - Bucharest
SC Bio Cert SRL	Romania	Bucharest
SC Bioinspecta SRL	Switzerland	Branch in Romania - Cluj-Napoca

But the major problem is that without an attractive image, the ecologic offer of Romania remains at a low level, under 30 million Euros per year [5]. Private investments and state's involvement could change this situation. "Ecologic exports are dominated by roar materials such as cereals and forest fruits. I believe that these will reach in 2005 between 17 and 18 millions Euros", appreciates Radu Panait, the director of Natura Land Bucharest. Roar materials in Romania are manufactured in countries such as Germany, Switzerland or the Netherlands and then imported as packed products. In 2005 the estimations are over one hundred thousands hectares certificated for bio production, and the number of animals will be three times bigger than last year. Bigger profits, up to 10%, brought by bio products packed are harder to get. The consumer needs absolute safety when he pays twice as much for an ecologic product, compared with a regular one. The method of ecologic production that does not use chemical substances during the entire chain of production represents only partially a guarantee of the quality. The most important sign of quality remains the area where that product comes from. The known regions for favourable conditions to obtain high quality products help the sale. An example of such a region is the Carpathians (e.g.: ecologic milk from the Carpathian Mountains). “The Carpathians could become for ecologic milk like the Bordeaux region is for wines.” We can thus associate the product and derived products a special value in the eyes of the Western European consumer [4]

Romanian animal’s breeders can make the change towards ecologic agriculture in one year, compared to their competitors from West, who are forced to wait up to four years to be declared producers of ecologic milk. But the advantages of price and quality need to be communicated as well to the consumer. The export strategy would not be complete unless it would really support ecologic products. When the internal market “hibernates” at a level of 2 million euros, exports remain the only income source of the ecologic industry. Over 90% of the products obtained in the country are going in the European Union. If the manufacturers and the authorities don’t hurry up, we might eat more and more food products that contain roar materials made in Romania. Bio wheat is twice as much as the one obtained using classical methods, so is milk. For ecologic honey we pay with approximately one third more than we pay for the regular one. Forest fruits are two-three times more expensive than the products obtained in the intensive system. The vegetables obtained in the ecologic system are with 20-30% more expensive, while for cheese products the consumers pay with a third more money.

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