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Organic Market Overview - Romania

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Product Brief

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Report Highlights:

While Romanian consumer interest in organic food continues to expand, domestic processors remain unable to meet growing demand. Imported products are positioning to increase its current 60 percent market share in coming years. U.S. products are increasing sought to satisfy local demand for high-value processed organic products such as coffee, tea, wine, dried fruits and nuts, sweets and syrups, ready-to-eat food and certain fruit and vegetables.

General Information:

I. MARKET OVERVIEW

In 2011, the Organic Market in Romania was valued at 80 million USD and there are positive factors supporting an upward trend in the coming years. Romanian products, namely honey, wine, bakery products, accounted for 26 million USD of this sum, the rest being covered by imported products, sold particularly by major chains of shops. The Romanian organic market is characterized by intense competition between producers and traders aiming to meet the consumers' needs, among which there is an increase demand for guaranteed high quality food and goods considered safe for consumption.

According to recent estimates released by the Ministry of Agriculture, in 2012 the arable organic land surface grew by 45 percent compared with the previous year, reaching 3.38 percent of the total arable land used in Romania. Despite the fact that only a low percent of arable land is utilized in the organic system, the country is ranked 16th worldwide for total area of certified organic farming land. Although it has limited surface of farm land used by organic crops, Romania is in the top 20 exporters of organic raw materials in the world.

Most operators are small subsistence farmers who own plots of land of 3 to 20 hectares or who have 3 to 5 cows, or 50 to 100 sheep. It is also worth noting that during 2011, the plots of land used for organic farming increased from 642,200 acres to 741,000 acres.

The dynamic of organic farming and operators is shown below:

Indicator	2006	2007	2008	2009	2010	2011
Number of registered operators in organic farming	3,409	3,834	4,191	3,228	3,155	10,253
Area of cultivated land in organic farming, crops on arable land (acres)	112,644	160,827	213,541	271,737	365,644	392,300
Area of cultivated land in organic farming, hay crops (acres)	126,464	142,272	113,635	96,903	78,003	221,040
Area of cultivated land in organic farming, permanent crops - orchards and vineyards (acres)	726	2,356	3,750	4,619	7,642	11,323
Collecting spontaneous flora (acres)	95,589	145,058	200,759	219,544	190,919	116,342

Source: Romanian Ministry of Agriculture and Rural Development

According to national legislation, Romanian organic food should contain at least 95 percent of ingredients from an organic farming environment (which have not used any chemical inputs material, such as: pesticides, herbicides, fungicides, or other). Organic agriculture and products are regulated by EU laws, while national certification entities implement and observe these regulations. Starting on June 1, 2012, when the new EU-U.S. Organic Equivalence Cooperation Arrangement came into force, the EU recognize the USDA National Organic Program (NOP) as equivalent to the EU

Organic Program and allows U.S. organic products to be marketed as “organic” in the EU using the EU organic logo. If a local producer has been properly certified, his/her products may carry the national organic label approved by the Ministry of Agriculture.

Recent estimates for 2012 released by the Ministry of Agriculture indicate a tremendous growth in registered operators in organic farming occurred with the total now of 26.736 entities, or an increase of 261 percent compared to the previous year. Of the total number of organic operators a very small number represents the processing industry, namely 103 companies, of which only 62 are processing units with the rest being storage spaces. A great investment opportunity exists in the processing industry for raw materials and for selling products on the local market.

II. CONSUMPTION AND MARKET SECTORS

Despite a restrained behavior with consumption, Romanian consumers’ interest in organics continues to increase and is gaining market share at the expense of conventional food products. Local production mainly consists of organic hay and other feed crops, cereals, honey, sunflower oil and organic milk. Although Romania’s self-sufficiency in some types of organic products is high (e.g. honey, tea, bakery, dairy products and eggs), U.S. export opportunities exist for a number of products, specifically highly processed products such as coffee, wine, dried fruits and nuts, sweets and syrups, ready-to-eat food, fruits and vegetables. Imports account for about 60 percent of the organic sales in Romania, a percentage that is expected to increase due to domestic processors’ inability to satisfy local demand for processed foods.

Domestic consumption consists mainly of fresh and processed fruits and vegetables (30 percent), beverages and milk (24 percent), basic food (sugar, flour, etc – 20 percent) and biscuits and cereals (10 percent). The main driver for organic production remains foreign demand though domestic consumption is on an upward trend. Currently, Romania exports over 80 percent of its organic products, mainly raw materials such as oilseeds, grains, honey and forest fruits. Imports grew moderately in 2011, reaching 51 million USD from about 45 million USD in 2010. Retail stores contributed to this expansion, as they have dedicated shelves to organic products, making them more visible and attractive to consumers. Organic products are available at select outlets and are in demand mostly by customer segment that have medium to high income and education.

VALUE (million USD)	2006	2007	2008	2009	2010	2011
Imports	3.3	6	10	12	45	51
Exports	64	107	129	135	193	257
Domestic market (estimated)	6	6	10	14	17	26
Total domestic consumption (Imports + Domestic market)	9.3	12	20	26	62	77
Population (million)	21.5	21.5	21.5	21.5	21.5	21.5
<i>Spending per person (USD)</i>	<i>0.43</i>	<i>0.55</i>	<i>0.93</i>	<i>1.21</i>	2.88	3.58
No. of operators	3,409	3,834	4,191	3,228	3,155	10,253
Organic Share of Total Food Market (%)				0.21	0.29	0.33

**Sources: National Statistics Office, Organic Association, Ministry of Agriculture, estimated by FAS*

In terms of financial support for organic producers, the support package offered starting with 2010

encouraged many farmers to enter this market segment and organic production grew significant in 2011. Small farmers in Romania have signed up for an organic conversion program, motivated by the financial subsidies, worth around 3.8 million USD in 2011 and around 5.8 million USD in 2012. Farmers' subsidy depends on the land surface and number of animals on their farms, and range vary between 1,900 to 7,700 USD.

The distribution of local organic products is underdeveloped primarily because products are almost unknown to most nationals and also because they are used as raw material by the food industry. Main distribution channels are hypermarkets, supermarkets, and online specialized shops.

Although the organic products segment has grown about 15 percent annually over the past several years, bio-products are still representing a niche market of less than one percent market share. However, following the modern retail dedicated shelves and specialized bio-products stores, consumer confidence, and awareness of these products will increase. Private labels in the organic products segment will play a key role in market penetration bringing not just diversity on the retailer's shelves, but also a price difference for the consumer.

Market offer is not equally distributed for food and non-food products. On the food products sector, the offer is diverse in the retail stores starting with basic food (bakery, milk, soy deserts, cheese, oil, eggs, sugar and meat), sweets (cereal bars, honey snacks, chocolate and soy desserts), syrups, juices, teas, honey, breakfast cereals and wine. On the other side, the non-food sector, products such as cosmetics, detergents, and organic clothes can be found mainly in specialized stores or online shopping websites rather than hypermarkets or supermarkets.

Main challenges of this category are:

- The price is 50 percent higher than conventional food
- Lack of information about organic certified products
- No message dissemination on the advantages of organic products.

According to recent consumer research developed by BCG-Advisors, Romanian organic producers and processors consider growing their business through product quantity (33 percent of respondents), exporting-diversifying commercial activities (30 percent), developing a new line of organic products (17 percent), and extending their current line of products (20 percent).

Based on the same study, the most important buying criteria on which the Romanian consumer bases his decision are the organic product label (43 percent), followed by product appearance (33 percent) and product smell (23 percent).

III. MARKET ACCESS

Beginning on June 1, 2012 products certified as organic in the United States or European Union can be sold as organic in the other market, reducing costs and removing burdensome barriers for U.S. organic farmers wanting to export their goods to Europe.

More details on the new EU-U.S. Organic Equivalence Cooperation Arrangement can be found in USDA [Report The EU-U.S. Organic Equivalence Cooperation](#).

BEST MARKET PROSPECTS FOR U.S. ORGANIC PRODUCTS

There is an increasing market in Romania for imported organic products, which can open new opportunities for U.S. exporters. The recent E.U.-U.S. Organic Equivalence Cooperation Agreement opens a new niche market opportunity for U.S. products, consisting mainly of high-value processed products, such as: coffee, tea, wine, dried fruits and nuts, sweets and syrups, ready-to-eat food and certain fruit and vegetables.

Advantages and Challenges facing U.S. Organic Products in Romania

Advantages	Challenges
A growing retail industry that is looking to diversify its range of organic food products	An under-developed processing industry for organic products translates to a limited number of locally produced consumer ready products.
The retail expansion and online specialized shops allow more Romanians to access organic food products	Local customers tend to have more confidence in imported products, rather than local ones. Little brand loyalty with customers likely to switch between products.
Increasingly wealthy and sophisticated consumers desire an expanded organic product range	The relatively low purchasing power of consumers, only a small segment of the population can afford to buy organic products consistently
New E.U.-U.S. Organic Equivalence Cooperation Agreement opens the market for US organic producers (small and medium size entities)	Additional EU funds available specifically for the development of organic products sector.

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