

The Organic Food Market in Romania

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Abstract

Consumers' concerns in the direction of maintaining personal health and environmental protection, together with the reevaluation of these trends by worldwide organizations, have led to the intensification of entrepreneurial initiatives in Romania in the field of organic products. Therefore, we are observing the growth of the organic food market, although at a slower pace than in countries with a tradition in this field. Hence, this paper aims to provide an overview of the Romanian food market, not before highlighting the general context in the European Union. The analysis focuses on the presentation of the development of sales on the marketing channels available at the market level and on the identification of the elements that led to the current market context. Thus, the supremacy of modern retail is noticeable, as a result of the intensified efforts of general retailers in this direction. Finally, we present the defining elements of the Romanian market and highlight the importance of marketing in its development.

Keywords: green marketing, organic food, marketing channels, retail.

JEL classification: M00, M10.

1. Introduction

Green marketing has been a natural development of traditional marketing, as a result of increasing societal concerns about climate change, mass extinction of species, deforestation and accelerated loss of natural habitats. Organic farming is one of the solutions agreed to take care of the natural environment, representing a production system that takes into account biodiversity, biological cycles and increased biological activity of the soil. Organic food is the end result of the organic agricultural sector. The organic food market is constantly growing

worldwide, with countries where it is no longer considered a niche market. However, in many countries there is still a low consumption of organic food, given the impact of economic, institutional and political factors. This pronounced discrepancy is also noticeable in the countries of the European Union, an aspect very well highlighted by the consumption of organic food in each country. Therefore, the current challenge is to reduce these disparities, by trying to boost consumption in less developed markets in this sector.

This paper aims to present the general coordinates of the organic food market in the European Union, together with the analysis of the current situation in the Romanian market. Whereas Romania has engaged in a continuous process of integration into the European Union, it must perform sustained efforts to get closer to the economic and social development and the European standard of living.

Therefore, understanding the current situation and relating it to the context in the region can be a way to see what steps need to be taken to develop this market.

2. Literature review

Over the last three decades, in which researchers and practitioners had a particular interest in it, the concept of green marketing (also known as ecological marketing) has undergone a continuous development, which has led to different views on its meaning in marketing theory. “Green marketing has been used to describe marketing activities which attempt to reduce the negative social and environmental impacts of existing products and production systems, and which promote less damaging products and services” (Peattie, 2001). Hartmann and Apoalaza Ibanez (2006) point out that ecological marketing generally focuses on the efficiency of cognitive strategies of persuasion and on the increased involvement of the consumer in environmental issues. Also, green marketing “promotes the environmental benefits of products, or a company’s sustainability initiatives” (Sekhar, 2016) by “employing claims about their environmental attributes or about firms that manufacture and/or sell them” (Prakash, 2002).

Currently, the American Marketing Association, cited by Sulphrey and Safeer in 2017, uses three perspectives to define green marketing. First, from a commercial perspective, ecological marketing is described as “the marketing of products that are presumed to be environmentally safe”, secondly from the perspective of social marketing, green marketing implies “the development and marketing of products designed to minimize negative effects on the physical environment or to improve its quality” and thirdly, from the point of view of environmentalists, green marketing is characterized as “the efforts by organizations to produce, promote, package, and reclaim products in a manner that is sensitive or responsive to ecological concerns” (Sulphrey & Safeer, 2017). Therefore, “green marketing should not be understood as a mere series of procedures, activities and techniques to design and commercialize green products, it should also be regarded as a philosophy that guides the behaviour of the entire organization” (Chamorro & Bañegil, 2006).

The concepts of “green product” and “green package”

Consumers' concern for the healthiest and most environmentally safe food consumption has led organizations to develop products to be considered “an alternative that precludes the use of chemical pesticides, fertilizers and growth hormones” (Dean and Pacheco, 2014), thus contributing to the reduction of pollution and the rapid depletion of natural resources. The ecological product (also known as “green product” or “environmental product”) is the product “that strive to protect or enhance the natural environment by conserving energy and/or resources and reducing or eliminating use of toxic agents, pollution, and waste” (Ottman, et

al., 2006). Lin and Chen (2016) recently shown “that among the attributes of environmentally friendly products are:

- eco-friendliness;
- harmlessness to the human body;
- avoidance of experimental testing on or killing of animals.”

Also, another particularity of a green product is that it “is certified as such by a recognised organisation” (Gurau & Ranchhod, 2005). Consequently, a product can be called a “green product” if the production process or method is considered to be environmentally friendly and also less dangerous or toxic to the environment. Also, the raw materials utilized to manufacture the product must be obtained in such a way as to secure the protection of natural resources and supplies.

Regarding green products, we must not forget the problem of packaging, which is very important in the product-environmental protection relationship. The package of green products is described as “environmental friendly package, which is completely made by natural plants, can be circle or second use, be prone to degradation and promote sustainable development, even during its whole lifecycle, it is hurtless to environment as well as to human body and livestock’s health” (Zhang and Zhao, 2012). Also known as “sustainable package”, green packaging is the use of materials and production techniques and processes of packaging different types of goods in order to have a lowering level of impact on energy consumption and also to preserve the environment. As we can see, “a green product, in contrast, is a manifestation of a firm’s specific ecological effort” (Sony, et al., 2015).

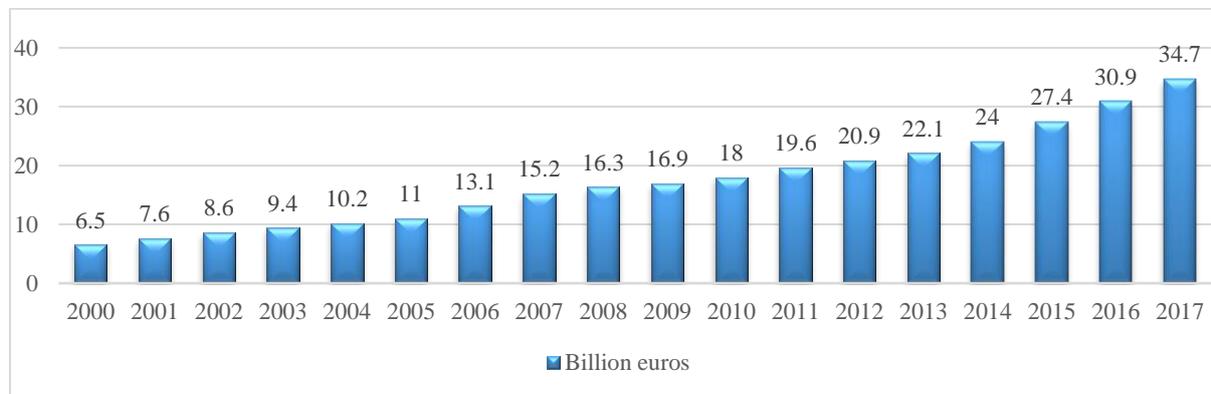


Figure 1. The evolution of sales of organic food in retail trade, in the European Union, from 2000 to 2017.
Source: based on data from FiBL survey (2019)

3. Organic food market in the European Union

In the European Union, over the course of 10 years, from 2008 to 2017, the market for organic products doubled, rising from 16.3 bn. to 34.7 bn. euros, as we can see in Figure 1. Also, from 2000 to 2017 the market has grown steadily every year, on average by 1.5 billion euros per year.

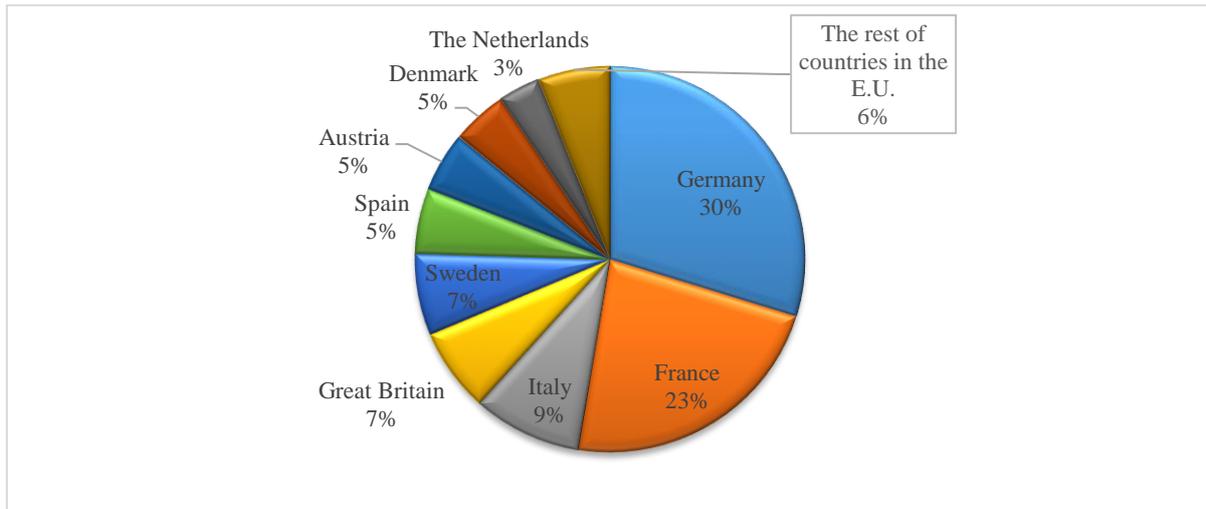


Figure 2. Retail distribution of organic food at E.U. level, 2017

Source: based on data from FiBL survey (2019)

Figure 2. shows the main countries of the European Union in terms of sales of organic food, by presenting their share in the total sales of the member countries. Germany, which is also the largest country in the European Union based on population, is the greatest market in the European Union (over 10 billion euros) and, after the United States, is the second-largest market of green products in the world. Also, the German market represents 30% of the sales on the market in the European Union. France, the second most populated country in the European Union, ranks second with 7.9 billion euros and 23% of the total market for green products. In third place is Italy with 3.1 billion euros, accounting for 9% of total sales in the European Union. The first 3 countries account for 62% of total sales in the European Union, and the first 8 countries account for 91% of the EU organic food market. These data show that there is a significant difference in the degree of development between the countries of the European Union, taking into account the fact that the rest of the 20 countries in the European Union represents only 6% of the total sales of the market of organic food in the European Union.

Apart from the countries mentioned above because they hold a significant share of the market for organic food, we can see that the market is below 100 million euros in a significant number of countries, mostly in the Central-Eastern and Eastern Europe. In the countries of Central and Eastern Europe, the consumption of organic food is still very low.

Based on data from FiBL survey (2019), many of these countries have a per capita consumption of less than 10 euros (Czech Republic, Poland, Bulgaria, Hungary, Romania and Slovakia).

4. Organic food market in Romania

Increased interest in organic products is the result of a mixture of factors, including Romania's growing economy, a greater focus among retailers on green products, and increased awareness among consumers.

In 2005, Romania has gone through a VAT reduction process for food products by 15%. This decision, along with fiscal-related choices “lowered food costs and positively affected consumer demand for food products perceived as more healthful” (Dobrescu, 2019). In particular, the VAT reduction from 9% to 5%, on June 1, 2019, for **organic**, traditional and mountain products was an initiative aimed at stimulating the consumption of healthy products and the development of this market. Official data on sales of organic products (food and non-food) are not available to the public.

Based on industry sources, it is estimated that “organic food sales in 2018 reached \$ 65 million, up 30% from two years before” (Dobrescu, 2019).

Regarding the total retail trade, the sales of organic food are at 1% of the total market (Toma, 2015; Saracin and Vasile, 2015; Dobrescu, 2019), but the percent can be higher when farms, home delivery services and farm gate sales are taken into account. It is estimated that the annual growth of sales for organic food will eventually reach 10-15% and will increase along with consumer purchasing power, production efficiency and efficiency of marketing campaigns (Dobrescu, 2019).

Therefore, official data show a less favorable situation in terms of consumption. The level of consumption is low compared to other European countries. At the level of European Union countries, the average consumption of organic food was 67 euros/capita, while at European level it was 47 euros/capita in 2017. Also, individual consumption in Europe has reached values over 200 euros/capita in 4 countries (Switzerland, Denmark, Sweden and Luxembourg). Romania is at the opposite pole, the average consumption being 2 euros/capita (Willer & Lernoud, 2019; FiBL Statistics, 2019). Because of this, a large part of domestic production is directed to export, in countries such as Germany, Switzerland, the Netherlands, Denmark, Italy or Austria (Toma, 2015).

Table 1 presents the sales of organic food products by different product categories representative of the analyzed market, based on data provided by Euromonitor.

Table 1. Sales of Major Organic Packaged Food

Food Categories (million \$)	2012	2013	2014	2015	2016	2017
Organic Baby Food	2.4	3.5	4.3	4.1	4.8	5.7
Organic Bread	1.8	2.1	2.4	2.3	2.5	2.7
Organic Breakfast Cereals	2.9	3.1	3.1	2.3	2.3	2.5
Organic Confectionery	0.1	0.2	0.1	0.1	0.1	0.2
Organic Dairy	3.7	5.3	6.7	5.9	6.6	7.4
Organic Edible Oil	0.3	0.3	0.4	0.3	0.4	0.4
Organic Rice, Pasta and Noodles	2.5	2.8	2.9	2.4	2.5	2.6
Organic Savory Snacks	1.0	1.1	1.3	1.2	1.3	1.5
Organic Spreads	0.1	0.2	0.3	0.3	0.4	0.6
Organic Sweet Biscuits, Snack Bars and Fruits Snacks	1.1	1.6	2.0	2.1	2.5	2.9
Total Organic Packaged Food	16.0	20.2	23.5	21.2	23.5	26.5

Source: Euromonitor International; FAS conversions, cited in Dobrescu, 2019.

In terms of value, certified organic dairy products dominate the market, registering a 100% increase in 2017, compared to 2012. Also on the dairy market are present most brands that have in their portfolio organic products (Napolact, Zuzu, Olympus, La Dorna, Covalact, Artesana, etc). Public data Euromonitor (2019) shows that Friesland Campina Romania has maintained its leading position on the market of packaged organic food in 2018, due to the extension of its flagship brand in the organic products sector, Napolact. Advertising, extensive distribution on all channels, the popularity of the Napolact brand and its presence in several categories have contributed to increasing the organic extension of the brand. In addition, Covalact de Țară brand, part of the Lactalis Group, which entered this category in 2017, enjoyed the strongest growth in 2018, thanks to the launch of Covalact de Țară Bio. Organic baby food ranks second, followed by organic sweet biscuits, snack bars and fruits snacks the latter almost tripling in value in six years. Over the next five years, sales of organic packaged food are expected to increase by 45%. The forecasted growth is based on the fact that an increasing number of consumers will reflect on the high level of additives and chemicals

applied to crops, but also in terms of excessive processing of conventional products (Dobrescu, 2019).

The growth of the organic food market is also occurring in the food services sector. Although not yet widespread, some restaurants serve organic food in Bucharest and other major cities. Many of them are associated with natural and ecological product stores (Dobrescu, 2019) or directly with local producers. Also, some restaurants adapt their menu according to the season, taking into account the raw material they can get from local producers.

Romanian organic farming still represents a relatively modest percentage of the country's total agricultural area and production value, although current figures show a steady increase. The organic sector remains export-oriented as farmers choose to take advantage of higher margins in export markets as well as a lack of processing technologies. Increasing consumer demand and the limited variety of domestic products lead to imports, especially processed products, with high added value.

The increase in demand from Romanian consumers is due to a combination of factors, especially Romania's growing economy, increasing retailers' concern for organic products and consumer awareness (Giusca, 2015; Dobrescu, 2019).

The best development prospects in Romania are for organic milk and dairy products, horticulture, dried fruits and nuts, pastries, biscuits and snacks and fruits (Giusca, 2015; Dobrescu, 2019).

5. Marketing channels for organic food in Romania

Ion (2012) and Sîrbu et al., (2016) shown that “the main marketing channels for the delivery of organic food are:

- farm shops;
- peasant markets;
- online organic shops;
- trade fairs and exhibitions;
- specialized retailers: specialized organic stores, specialized health food shops;
- general retailers: hypermarkets, supermarkets, hard discounters, proximity stores, traditional stores, etc.;
- HoReCa (hotels, restaurants, cafes)”.

According to Euromonitor data, modern retail remains the dominant marketing channel for organic food sales. This marketing channel represented about 69% of the sales in 2018, compared to about 54% in 2012 (see Table 2). As a result, “Romanians make efforts to consume more organic food, being more and more careful with what they purchase and consume” (Dabija, *et al.*, 2018) and many retailers have extended their variety of organic food over the last few years (Dabija and Pop, 2013). Therefore, diversifying the variety of organic foods and increasing the number of consumers concerned with a healthy lifestyle will continue to grow sales in modern commerce, to the detriment of traditional formats. However, in the case of modern retail, there is a very large discrepancy between discount stores and supermarkets or hypermarkets. In addition to the significantly larger number of supermarkets or hypermarkets, this situation is also due to the fact that in the case of discount stores the variety of organic products is relatively small. Also, organic products are often positioned as premium products with relatively high prices, which is somewhat contrary to the positioning of these trade formats. Trying to offer organic products, at lower prices, can diminish the confidence of consumers in the trader and the products sold.

Table 2. Distribution of Organic Packaged Food by Retail Format

Percentage retail value	2012	2013	2014	2015	2016	2017	2018
Total Store-Based Retail	91.7	90.8	90.6	90.9	91.7	91.9	92
Modern Grocery Retailers	53.7	56.2	60	63	64.7	66.6	68.5
-- Discounters	1.9	2.5	3.2	4	4.8	5.1	5.5
-- Hypermarkets	23	24.8	26.9	28.9	29.6	31	32.5
-- Supermarkets	28.8	29	30	30.1	30.2	30.5	30.4
Traditional Grocery Retailers	38	34.6	30.6	27.9	27	25.3	23.5
-- Independent Small Grocers	15.2	14.1	12.8	11.5	11	10.2	9
-- Other Grocery Retailers	22.8	20.5	17.8	16.4	16	15.1	14.5
Non-Store Retail	8.3	9.2	9.4	9.1	8.3	8.1	8
-- Ecommerce	8.3	9.2	9.4	9.1	8.3	8.1	8

Source: Euromonitor, cited in Dobrescu, 2019

Instead, hypermarkets “are establishing separate store sections and are offering wide varieties of (mostly imported) organic products. Many retailers try to position organic as affordable and accessible, as to encourage price sensitive consumers to purchase these products” (Dobrescu, 2019). Some authors (Stanciu, 2014, p. 310) believe that , “the increase in the number of organic products on the domestic market can be explained by the hypermarket action in the food domain retailing”. Organic stores are located especially in Bucharest and in the big cities of the country, their number is still quite small. Many of these include not only organic products, but also traditional, vegan, raw vegan products, all of which are often touted as healthy products.

Concerning traditional retail, sales of organic products decreased by approximately 40% from 2012 to 2018. Poor adaptation to the needs of consumers interested in healthy eating and reduced development of organic product ranges led to lower sales. Surprisingly, online sales have not enjoyed the same growth as modern retail, but rather stagnated.

“Organic market growth is also occurring in the food-service sector. Although still not widespread, some restaurants are serving organic dishes in Bucharest and other large cities. Many of these are associated with the above-mentioned natural and organic product stores” (Dobrescu, 2019) or directly with local producers. Also, some restaurants adapt their menu according to the season, taking into account the raw material they can obtain from the local producers.

Conclusions and recommendations

In recent years, interest in organic products has grown steadily in Romania, both in terms of consumption of organic food and concerns for renewable energy sources. As a member state of the European Union, Romania must pursue the development of a sustainable economy, and environmental protection must become a priority for authorities and companies, in order to guide consumer behavior in this direction.

While the interest in organic products has a long tradition in developed countries, Romania is still in the market development phase, still needing efforts to make more efficient marketing and more adapted to the specifics of the market, but also for educating and attracting consumers to adopt a pro-ecological behavior

Amid increasing consumer attention to what they buy and consume, general retailers have expanded their range of organic foods in recent years. If at the beginning the major retailers introduced with predilection ecological products from import, now they try to increase the assortment with local products, as a result of the increased interest for the Romanian products. However, due to the fact that the local market is not so developed in the direction of production and processing of organic products, retailers are beginning to develop partnerships

with producers, to support them in this direction and to benefit in turn from a wide range of products and the warranty of the existence of product continuity on the shelf.

In the future, the diversity of organic food in the sales areas owned by general retailers and the growing number of interested consumers will continue to increase sales for this marketing channel, to the detriment of specialized retailers and direct marketing channels. In this regard, small producers will have to invest in developing strong brands to impose on this market or partner with large retailers to produce for their private labels.

Also, the increase of the processors' preoccupations in the direction of the development of organic food products can determine the decrease of the exports of organic raw materials. Besides, as the range of locally manufactured products diversifies, the value of imports is expected to decrease. Instead, the development of quality and competitive local products, represented by brands with a good image, is expected to boost Romanian processors to export finished organic products (and not raw materials), with high added value. This can be one of the options to help them achieve higher productivity, amid a local market that may not grow at a very fast pace. Even though the organic food market is constantly growing, marketing practices still fail to support the true potential of the market. Therefore, organic marketing must play an increasingly important role in promoting the benefits of consuming organic food, contributing to the development of organic products business, and also to the development of Romanian agriculture.

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