

BIO PRODUCTS MARKET – GREEN LIGHT IN RETAIL

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Abstract:

In the following period, Romanian bio products will be sold at a rate of 60% in specialized shops, 30% in supermarkets and 10% through other distribution channels. Right now most eco products are sold in specialized shops where consumers can study them, read their labels and even savor them or taste them. Ecologic produce are a niche segment and usually consumers are loyal to the brands that meet their own needs. This is why eco products are not affected by the economic crisis as long as consumers pay the right price for a quality product.

Key words: *bio-products, market, retailer, economic crisis*

JEL classification: *Q13*

Eco agriculture (similar to organic or biologic agriculture) is a modern procedure to grow plants and animals, to produce foodstuff which is fundamentally different from conventional agriculture. The role of this agricultural system is to produce cleaner food, more adequate to human metabolism while at the same time completely correlated to the needs of the environment. Ecologic agriculture adds to the growth of economic activities that have a greater added value and contributes to the development of rural areas.

According to „green market” specialists bio, eco and organic all define the same principle. In brief, the ingredients that make up these products haven't had pesticides or chemical fertilizers used on them. A bio/eco/organic product contains only natural preservatives and colorants. Genetically modified organisms and their derivatives are banned in ecologic agriculture.

Bio represents everything that is natural and healthy. Both bio and natural products need natural components. Without a clear definition of natural products, these can be treated before reaching the consumer with hormones, pesticides or other substances in spite of considering the product as having a natural origin. Usually the requirements are for 2% natural components, which means the rest can have another source.

This type of product are 100% natural, which means special processes that are related to ecologic agriculture laws. These products are put under rigorous testing according to laws that govern eco agriculture principles.

There is also a strict difference between products that have organic composition and the strictly organic ones. Organic composition products have a minimum of 70% natural compounds while organic products are 100% natural.

Although not very much said, ecologic agriculture has the purpose of bringing gains to everyone. Firstly to people, consumers that feed on natural products, to growers that not only work the land in a clean way, but also protect their health, to those who process and sell the products, to the soil that is treated only with natural fertilizers and mostly to everyone, to the Earth, that which is natural being treated only with something natural.

Ecologic agriculture is considered a modern branch of agriculture, but this is natural agriculture, the one that people have used for centuries, having a normal relationship between nature and people, without intermediaries.

Ecologic agriculture has a few underlining principles. Maybe the most important one is that ecologic agriculture needs not genetically modified organisms, chemical products, fertilizers, pesticides, antibiotics or colorants. Respect for the earth is what comes first in ecologic plant and animal growing, therefore animals have to be fed natural feed and have to be kept in open shelters.

Quality for ecologic products is recognised by the seal they carry, a seal that has been given after careful testing and inspections that guarantee production methods.

Starting from this, we need to tackle some confusions that consumers sometime have: equating between „bio”, „natural” and „naturalist”. This is an error just like equating bio with vegetables and or diet products. There are many causes that lead to this: bio products reached Romania later than the other EU countries and the first reactions were to the high price tag they carried, the limited number of specialised stores, a limited penetration of such products in large scale retail, incorrect signalling in the shelves and not being presented distinctly from other categories; lack of stimulation for potential consumers and limited offer, centered mainly on Bucharest and the major cities.

At this time most eco products are sold in specialised shops where consumers have the possibility to test and study them, read the labels and even savour or taste them.

In regards to market development, info campaigns in the media that show advantages and general information, have most positive impact.

Most important way to promote such products are the recommendations made by clients to friends, promotional materials and the Internet.

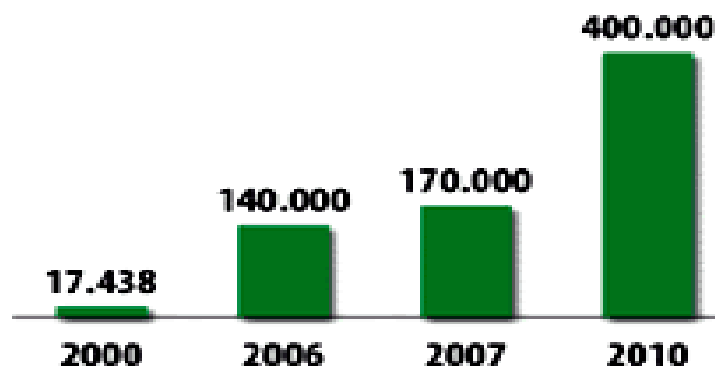


Figure no.1. Evolution of ecologically cultivated areas in Romania (hectares)

Source: Info Mino, Market magazine / no.54 / April 2009

Between 2000 and 2008 the total of ecologically cultivated land has grown more than 10 times, taking Romania to the 16th place worldwide.

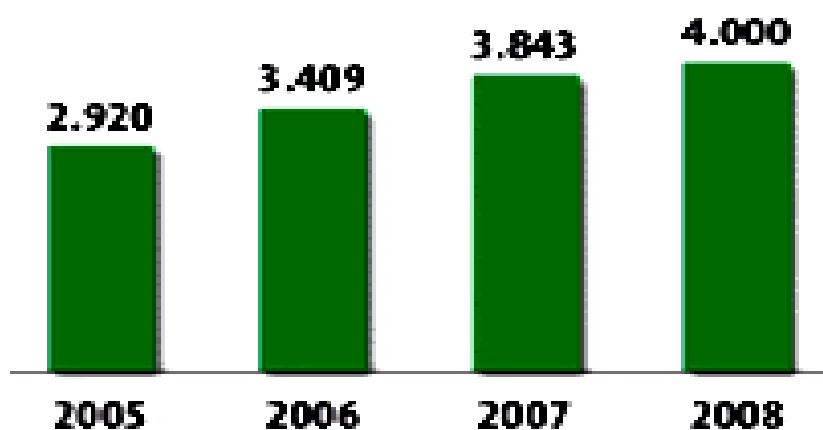


Figure no. 2. Number of ecologic operators in Romania
 Source: Info Mino, Market magazine / no.54 / April 2009

Currently there are 4200 registered ecologic agricultors, 89 of them being processors and retailers.

Table no. 1

Main markets for ecologic products (2008)

Market	Sales (mil. USD)	Predicted growth (%)	Ecologic market/Total market (%)
Germany	1.800	5-10	1,2
France	720	20	0,5
UK	450	25-35	0,4
Netherlands	350	10-15	1
Switzerland	350	20-30	2
Denmark	300	30-40	2,5
Sweden	110	30-40	0,6
Italy	750	20	0,6
Austria	225	10-15	2
Other European countris	200	10-15	2
All Europe	5.255		
USA	4.200	20-30	1,25
Japan	1.000	-	-

Source: Info Mino, Market magazine / no.54 / April 2009

According to the above data, biggest sales were in Germany and Italy. In terms of precited growth, first place is taken by Sweden and Denmark with 30 – 40%.

Romanian bio market are characterised by:

- Most sold eco products: dairy, eggs, fruits, vegetables, meatstuff.
- Total bio product sales reach about 10 – 15 million EURO/year, which is less than 1% from the total retail market(European average is 5-6%)
- Market development will mean changing the way of life and mentality.
- Biggest problem for the local market is lack of processors.
- Raw materials are exported from Romania and find their way back as finished products
- Over 90% of national bio production is exported

Other specialised shops are: Biocoop (Sibiu), Naturalia (Bucuresti and Voluntari), Leacul (Bucuresti), Bio Markt (Timisoara), Natura Food (Bucuresti), Cosul Verde (Cluj), Dr. Ogheria (Bucuresti and Bacau), Ki-Life (Bucuresti), Bio-Bazar (Tg. Mures). Main retailers that have ecologic products in their stores and have a special are for them are: Carrefour, Cora, Gima, La Fourmi, Mega Image.

Some players in this market, especially importers, are present in all important distribution channels like: Real, Metro, Selgros, Auchan, Billa, Super Market Nic, Angst, G-Market, Cristim, Supermarket OK, Ana Pan, Agip gas stations etc.

As product range has been extended, sales have gone up, national suppliers have appeared, consumers have started to pay more attention to what they eat, income has risen, making it possible to buy such products. Dairy and eggs have the biggest share in ecologic product sales in Carrefour.

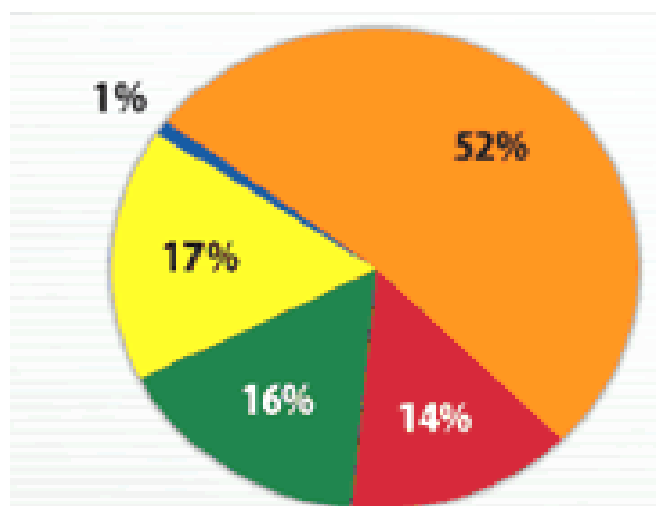


Figure no. 3. Main bio foodstuff processed in Romania (%)
Source: Info Mino, Market magazine / no.54 / April 2009

Honey has first place with 52%, followed by cheese with 17% and cheddar with 16% on the third place. Last places are occupied by sheep cheese with 14% and fruit and vegetable cans with 1%. Lack of internal processors drives raw ecologic products to external routes, only a small portion being found in local markets.

Hypermarkets are a successful segment in bio product distribution, big retailers having been very open from the start to such products. Market size for bio products is very small in Romania, income levels being relatively low. This is the reason why this product category hasn't had the success that it enjoys in developed societies, but the potential is growing.

Ecologic product consumption is below 1% at present while set the target for 2013 was 5% with a cultivated area of 750.000 hectares. Global economic crisis and the fact that bio products carry a 20 – 40% higher price tag have kept optimism in check.

Despite the crisis, some loyal consumers remain and they will permanently look for diversity, quality and natural taste. Prices will remain high as long as consumption does not rise and logistic costs are at a high level. The market will develop and international retailers with product ranges of at least 2000 will come.

Bio restaurants and cafes in Romania and Bulgaria, bio markets in Hungary and bio section in Polish supermarkets show that that trend for such products is growing.

Increased living standards for certain categories and increased interest for healthier lives, an example of which are the green pages in newspapers, explain this trend.

At present bio products are less than 1% for Romanian and Bulgarian markets, main centers for consumption being the capital cities.

Eco products are a niche segment, to which consumers are loyal as long as they meet their needs. This is the reason why this business will not be affected by the economic crisis at least as long as the consumer pays the price for quality.

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