

ORGANIC FOODS TRADE - A CRITERION FOR ECOLOGICAL CULTURE AND THE CHALLENGES BULGARIA FACES

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Abstract

The market of organic foods demonstrates a considerable development in the recent years – from a small niche serving a limited number of customers, today it is a market with increasing consumption. The demand of organic products is the result of consumers' informed needs for healthy and safe foods and their ecological requirements. This is the most dynamic sector of the foodstuffs market in the world but the share of organic sales compared to the total amount remains around 2 percent.

The paper examines in comparison the possibilities for development of organic agriculture and the organic foods market in Bulgaria in the period of accession to the European union. Based in the assumption that by buying organic products consumers take into account the need of sustainable development of the planet, ecological methods of agriculture in particular, the authors analyse the attitudes existing among Bulgarian producers and consumers of organic foods. The trends in the customers' preferences and their ecological culture in Bulgaria are also studied. Conclusions about the state and the options of this market are drawn.

What is Organic Agriculture?

Organic agriculture is a production management system that aims to promote and enhance ecosystem health, including biological cycles and soil biological activity. It is based on minimizing the use of external inputs, and represents a deliberate attempt to make the best use of local natural resources. Methods are used to minimize pollution of air, soil and water [1], although they cannot ensure that products are completely free of residues, because of general environmental pollution. Organic agriculture comprises a range of land, crop and animal management procedures. Unlike food labelled as “environmentally friendly”, “natural” or “free-range”, organic agriculture is circumscribed by a set of rules and limits, usually enforced by inspection and certification mechanisms. Other terms used, depending on the language, are “biological” or “ecological”.

Synthetic pesticides, mineral fertilizers, synthetic preservatives, pharmaceuticals, GMOs, sewage sludge and irradiation are prohibited in all organic standards. Plant nutrient or pesticide inputs derived directly from natural sources are generally allowed, as is a minimum of pre-treatment before use (water extraction, grinding, etc.).

The growing interest in organic crop, livestock and fish products is mainly driven by health and food quality concerns. However, organic agriculture is not a product claim that organic food is healthier or safer, but rather a process claim intending to make food production and processing methods respectful of the environment.

Europe seems to continue to lead the development of the organic sector. A number of countries already have impressive organic proportions, with organic land already in the range of 10 percent (e.g. Austria, Switzerland, Sweden). German's Minister of Agriculture has set a 20 percent target by the year 2010. Sweden is trying to achieve this goal by 2005. The European Union's “Action Plan for Organic Agriculture” is taking shape and has the potential to make a significant positive impact on the further development of the organic sector.

Organic Foods Trade

The largest markets of organic foods are in Western European countries (Germany being the most important market at present), Japan and the United States. The UNCTAD/WTO International Trade Centre [2] estimated retail sales of organic foods in the largest markets at US\$ 20 billion in 2000, of which US \$8 billion in Europe and the United States each, and US\$ 2.5 billion in Japan. In spite of dramatic growth rates, sales of organic agricultural products in industrial countries in 2000 represented less than 2 percent of total food sales at the retail level. However, in particular countries and for particular products, the market share of organic agricultural products can be appreciably larger. Organic food sales in Germany are 3 to 4 percent of total sales, while individual commodities such as organic milk products have over a 10 percent market share, with the figure for

organic ingredients in baby foods in the range of 80 to 90 percent. ITC [2] estimates an annual sales growth of organic food between 10 and 40 percent over the medium term, depending on the market.

Thus, organic food retail sales could grow from an average of 2 percent of total sales in 2000 to a share of 10 percent in major markets in a few years.

The objective of the present paper is to study the relation between the level of development of organic agriculture and trade and the ecological culture of the people. Eco-challenges which organic food producers and consumers in Bulgaria face are analysed comparatively and in relation with the development of organic production and market.

Eco-traditions among producers and government support

Globally organic agriculture and trade are very well developed where there is clearly defined ecological awareness among producers. The work of the pioneers in this agriculture forms the basis for the development of organic products and foodstuff in **Europe**: Biodynamic, Steiner, Germany, 1926; Organic, Howard, United Kingdom, 1940; Biological, Rusch & Mueller, Switzerland, 1950; Biological, Lemeire-Boucher, France, 1950. Several forms of organic farming have been developing in the **USA** and **Japan**, after the teaching and experiences of different people, who were working and living in various environments: Permaculture, USA, 1970; One straw, after Fukuoka, Japan, 1970.

Ecological production attitudes and traditions in these countries would have remained very much limited without active government support. The European example shows that a favourable political environment, including subsidies for organic farmers, can help to attain substantial percentages of agricultural land. The agrarian policy of the European Union stimulates and regulates the existing production attitudes. European Union's Action Plan for Organic Agriculture, developed by the European Commission on Agriculture is expected to come into effect in 2004.

The informed needs of consumers

Organic foods market is well developed in the industrialised countries where the ecological considerations are stronger when buying food as well as the negative attitude to industrialisation and environment pollution. When buying an organic product consumers take into account the need for sustainable development of the plane and the ecological methods of agricultural production in particular [3]

Concerns about growth-stimulating substances, GM food, dioxin-contaminated food and livestock epidemics (such as bovine spongiform encephalopathy) have given further impetus to organic food demand as consumers increasingly question the safety of conventional foods. The most recent outbreak of foot-and-mouth disease has added to concerns over the soundness of industrial agriculture. Several governments have responded with declarations of targets for the expansion of organic production. Many consumers perceive organic products as safer and of higher quality than conventional ones. Support of local (regional) production is another major reason for the purchase of organic foods.

Proper demand and supply

On the demand side, promotion and marketing strategies of retailers and supermarkets, in particular of major food-retailing chains, have created new market opportunities for organic agriculture in industrial countries. Food-retailing chains, which also stock and promote organic foods as a tool to improve their public image, account for a major share of the retail markets for fresh as well as processed organic foods.

The major tenors for this steadily developing market in **Europe** are the obligatory requirements of many food-retailing chains as well as the appropriate statutory framework. In addition to this conditions for balance in the supply and demand have been created. The adoption of the European organic standards [4] facilitated the trade in this products. Thus problems related to excessive production in some countries can be easily resolved by creating export opportunities within the union.

European retailers have responded by advertising food safety and health aspects of organic foods, with this theme dominating retail messages in 12 countries [5]. Environmental protection is the second most important argument presented by retailers in Europe. Taste and freshness are not important parts of retailer's message in Europe, although consumers rate organics higher in this regard [5].

Japanese retailers have focused store promotions on food safety issues, touting perceived advantages of organic foods, which corresponds to the greatest concerns of their clientele. Japanese consumers are also very concerned about freshness, which is believed to be linked to the nutritional content and functional value of foods. This is also part of the message that Japanese retailers appear to be more attuned to their consumer interests than European retailers. The newly implemented stricter procedures for certification and labelling [6] should have a considerable influence on the Japanese market of organic foods

In the **United States**, retail managers who demonstrate personal interest in environmental and human health are more likely to offer organics in their stores. Retailers can educate about production methods, which may be interpreted by consumers as safer, healthier, or better for the environment than conventional production methods

[7]. It is expected that the national organic standards, officially adopted in December 2000, will create greater confidence in consumers that the product, branded as organic is in fact produced and processed in compliance with these strict regulations.

The future growth of organic agriculture will depend more on supply constraints than on developments in demand, at least over the medium term. The tendency so far has been for the rate of demand growth to outstrip the rate of growth in available supplies.

Challenges to Bulgaria faces

Our country has good prerequisites for development of organic agriculture. The extremely *favourable soil and climatic conditions* for productions of agricultural goods in Bulgaria including organic products as well gives reasons for this. According to data from the Ministry of the Environment and Waters over 80 percent of the agricultural land is suitable for organic production. The *traditions*, which the country has in the agricultural production should not be overlooked – Bulgaria is famous for its tasty fruits and vegetables of excellent quality. *The restricted use of fertilisers and pesticides* in the last decade is also a good prerequisite for the development of organic agriculture

Eco-traditions among producers

During the socialist era our country had a well-defined policy for encouragement of the so-called “ecologically clean” production. In 1975 Programme of the Council of Ministers of the People’s Republic of Bulgaria connected with the formation of regions for ecologically clean production of baby and children’s foods and the development of means of biological protection. Two regions were formed – Southern, specialized in children’s foods from plants origin and Northern – for animal products (primarily milk and dairy products). The state supported this production within the framework of this programme, by giving subsidies to producers who used products for biological protection.

The transition to functioning market economy has lead to the development of organic agriculture in the countries form Central and Eastern Europe. This interest has started to revived in Bulgaria as well. Producers see in it a good opportunity to occupy a market niche in the over satisfied European markets. The process of accession to the European Union has lead to the necessity to harmonise the standards of organic agriculture in the country. In 2001 two major documents [8, 9] were adopted harmonising the statutory basis for organic production of agricultural products and their labelling with the European legislation.

The results of the survey we conducted in 2003 [10] on a representative group of food producers, gave us the opportunity to analyse the actual attitudes to organic production in the country.

Ideas about organic agriculture

The results showed that half of the interviewed producers have the wrong ideas about organic production, which is a long way from the idea of sustainable agricultural practices. They thought they produced organic (“ecologically clean”) products, because they used in small quantities only or did not use at all pesticides, antibiotics and chemical fertilizers.

Are the specific rules of organic agriculture known?

More than half of the people interviewed (58 percent) state that they are familiar with the rules (standards, statutory regulations, etc) for production of organic products. The *inspection of their knowledge*, done during the conducting of the survey showed that the producers are to familiar with the rules of organic production to some extent: the greater part of them perceive it as a system of strictly and continuously controlled production practices; the people interviewed did not distinguish the organic product according to its specific way of production; there is a common perception of the label “Organic”, as a proof of this method of production. The data is not surprising considering the existing lack of uniformity of the terms used for naming this type of products in the country.

Motivation for organic production

The survey established that the participants place the *demand for this type of products on the market* in the first place among the motivating factors for organic production. The *possibility for making big profits* comes next as a motive for undertaking such type of production. Unlike the case with the European producers here the *ecological considerations are at a bay*. Producers of wine and dairy products place the *possibility for preserving regional or traditional productions* higher in the ranking of factors influencing the undertaking such type of production. The motive that they *have already started such production* was indicated by most of the interviewed producers from all groups, which participated in the survey.

Informed needs of consumers?!

Difference between organic and conventional foods

The conducted national representative survey among Bulgarian consumers [10] has established that the majority of them have a wrong idea about or are not familiar at all with organic production. Only 42.6 percent of the people interviewed answered correctly that the difference between organic and conventional foods is in the method of their production. About one fourth of the interview (26.4 percent) connects organic foods primarily with the low content of nitrates.

Reasons for buying organic products

Consumers indicated the healthful effect of the organic foods, their better quality, etc., and better taste as a reason for buying them. More than half of the interviewed (55.3 percent) pointed out concerns about their own health as the primary reason for the purchase. The problem with environment protection is not yet appreciated enough in our country. Only 16.8 percent of the interviewed point this out as a serious reason for the purchase. This answer was given primarily by the better-educated participants - 34.5 percent of the interviewed who have higher education and 18.3 percent of those with secondary education.

Organic labelling

The knowledge of the interviewed in the area of labelling is quite insufficient. Different types of labelling are not distinguished and no difference is made between concepts such as “ecologically clean” and “organic”. Bulgarian consumer *cannot identify organic labelling and does not appreciate its role during purchase*. That is why the organic logo, needs promotion and advertising, aiming at making organic products distinct on the market.

Conclusion

The development of trade with organic foods confirms the need of balance between demand and supply of this specific type of goods. Clearly visible growth in this sector is noticed where there is a good combination between the ecological considerations among producers, traders and consumers of organic foods.

Our survey showed that in Bulgaria both producers and consumers still do not have the level of eco-culture, which can make them appreciate the benefits of organic production development. There are traditions in the production of “ecologically clean foods”, which are a very good basis for the development of organic agriculture in our country.

In conclusion, organic agriculture is the right choice for the future development of the agrarian sector in Bulgaria and the preparation for the accession to the European Union. This goes along with the conclusion that there is a great necessity for undertaking measures for its promotion in the country in order to win the confidence of the public with relation to organic agriculture. Better information and the adoption of uniform label for organic productions are among the most significant factors for increasing the ecological culture and the development of the local organic market.

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