

Development of Consumption of BIO products on the Romanian Market: an Entrepreneurial Approach

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Abstract: In a world dominated by the process of globalization and the accelerated process of population growth, organic products are often seen as a luxury. This type of product has seen an increase in consumption and marketing. People want to be healthier, live longer and be more environmentally friendly. In Romania, the trend is similar to what is happening worldwide, but there is a certain peculiarity: organic raw materials are exported and organic finished products are imported. The increase in the consumption of organic products has and will have a positive impact on the Romanian market, including on the economy and on the health of citizens, which is anticipated and benefited by young entrepreneurs who have developed small businesses from growing and selling organic products. In this article, an exploratory research of the specialized literature and a case study on the present situation regarding the production and consumption of organic products at global, European and Romanian level were carried out. Also, the situation of young Romanian entrepreneurs who invested in businesses with organic products was analyzed, by applying a specific set of questions through which it was wanted to identify the reasons that were the basis of the business decision in the field of organic products.

Key-Words: BIO products, organic product, sustainability, consumer behavior, entrepreneurship

1 Introduction

Organic products, which are also called ecological or bio, are gaining more and more ground. The reasons that led to the increase in the share of these types of products are numerous. One of these reasons is related to humanity's desire for sustainability, to use technology to produce renewable goods, to protect the environment and to increase people's life expectancy, including their health.

In order for a product to be considered bio / organic / ecological it must be certified as such by an authority and must comply with certain rules, mainly it must not be produced with the help of chemicals. In other words, the finished product should contain only natural products and the raw materials of the product should not have been subjected to chemical treatment by humans. And for a production to be organic, 3 conditions must be met (Yu et al., 2018, p. 53): 1 - not to use genetically modified products or organisms; 2 -

do not use chemical fertilizers, pesticides or other types of additives and fertilizers; 3 - to use a technology based on sustainable agriculture and to keep the ecosystem intact, based on the rules of nature and ecological principles.

When mentioning the name of bio / organic products, most consumers think of food because it is directly related to their health and concerns them directly, industrial products being less in their attention. Today, the global organic food market has reached a value of \$ 80 billion (2014), after at the end of the twentieth century (1999) it was worth \$ 15.2 billion. This increase was also due to the awareness of the benefit of consuming an organic product: improving health and protecting the environment, but also due to the fact that the products are tastier, have different flavors and look better (Hidalgo-Baz, Martos-Partal and Gonzalez -Benito, 2017, p. 31).

Due to these characteristics presented above, but also because it was found that consumers are willing to pay more for organic products, large chain stores have refocused and added sections of organic products or opened specialty stores exclusively for these types of products. Consumers are willing to pay more because they charge products as having a higher value. Studies have also shown that only for certain types of food consumers pay more: virtuous ones (yogurt, fruits, vegetables) and less for those that are considered a vice (chocolate, beer and juices). Another aspect that needs to be considered for organic food is the fact that they are perishable, so they do not have a long shelf life, so they can not stay on the shelf of a store very long, compared to other products (Ozinci, Perlman and Westrich, 2017, pp. 74-75).

Organic food has also led to the development of organic farming, which has been supported in Europe by the European Union since the early 1990s (1991). Many countries have developed organic farming through European Union funds. Among the best examples of countries that have developed organic farming is Greece. Cultivated organic food products include olives, wheat and vines (Argyropoulos et al., 2013, pp. 324-325).

2 Organic food all over the world

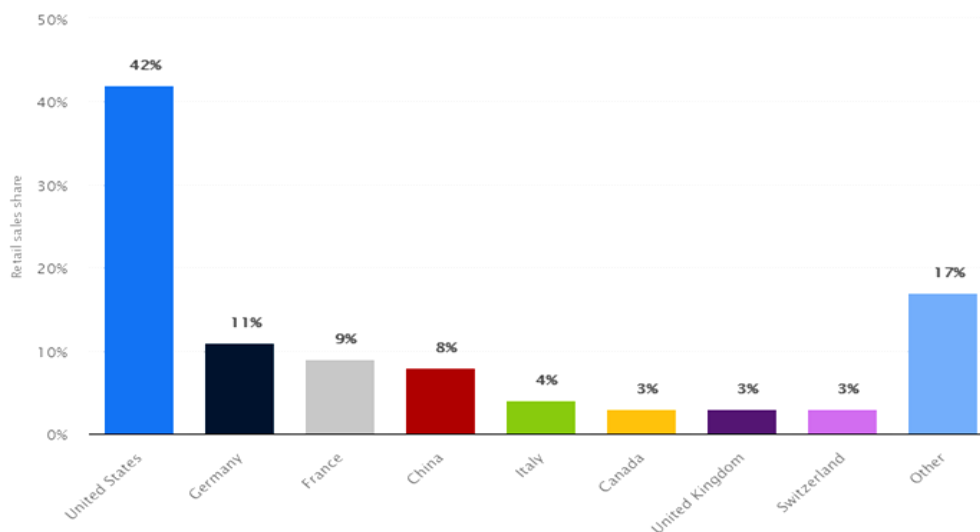
The natural development is perhaps the greatest pattern over the most recent couple of decades that is staying put. Despite the fact that there is a progressing banter about the advantages of devouring and utilizing natural items versus traditionally delivered items, natural nourishment is an installation in supermarkets over each of the fifty states and one can locate various natural corrective and individual consideration marks in stores and on the web. As of June 2016, almost 68 percent of American shoppers bought natural nourishment at any rate once in the previous 30 days, while just 25 percent never bought any. Demographically, by far most of customers of natural nourishment are Caucasian and under 29 years old.

Probably the most widely recognized cases related with natural nourishments in the US are that they are liberated from additives, hormones, added substances, and hereditarily altered life forms. Among customers of natural nourishment, there has all the earmarks of being a degree of doubt for present day mechanical cultivating and nourishment preparing strategies, as 76 percent of American natural shoppers refer to the medical advantages of natural nourishment as the fundamental explanation behind buying it. Other regular variables affecting the acquisition of natural products of the soil are that they have less of an ecological effect and that they taste better. An overview of U.S. customers found that 55 percent of Americans accept that natural produce is more beneficial than routinely developed nourishment. In any case, natural nourishment is quite often more costly than ordinary food sources, which factors into the dynamic procedure of most Americans considering a natural nourishment buy.

Notwithstanding the greater expense and uncertain proof about the advantages of natural items, the utilization estimation of natural bundled nourishment in the US is relied upon to develop from 15.5 billion U.S. dollars in 2017 to more than 18 billion dollars by 2020. A 2017 study found that 31 percent of female U.S. customers and 38 percent of male U.S. customers were happy to pay up to 20 percent more for natural excellence and individual consideration things. Obviously, this extent increments in size with pay.

Regarding strictly the diet of organic products, we can see a significant difference between buying and consuming in the United States and the rest of the countries analyzed. This measurement shows the natural nourishment retail deals share worldwide in 2018, separated by nation. As indicated by the report, the US represented roughly 42 percent of worldwide natural retail deals that year.

Figure 1. Retail sales share of organic food worldwide by country, in 2018



Source: The World of Organic Agriculture 2020, page 66

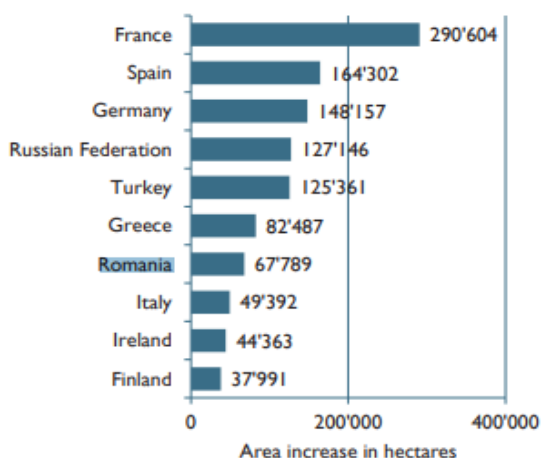
The organic food industry in Europe is a worthwhile market, with a retail deals estimation of 29.8 billion euros in 2015. While the settled Western European market experienced development of 5.4 percent somewhere in the range of 2015 and 2016, Eastern European deals are finding a development pace of 8.8 percent in a similar period. Germany is the main market for natural items in Europe with a 11.4 percent portion of worldwide natural deals, trailed by France with 7.3 percent.

All nations in Europe, aside from Belarus, Russia, Ukraine and Kosovo, had completely actualized enactment characterizing natural creation principles starting at 2019. The aggregate of Europe saw natural retail deals of roughly 37.3 billion euros in 2017. The market has been reliably developing since 2004 with a prominent ongoing increment in development beginning in 2014.

Figure 2. The ten countries with the highest growth in organic agricultural land in hectares and percentage in 2018

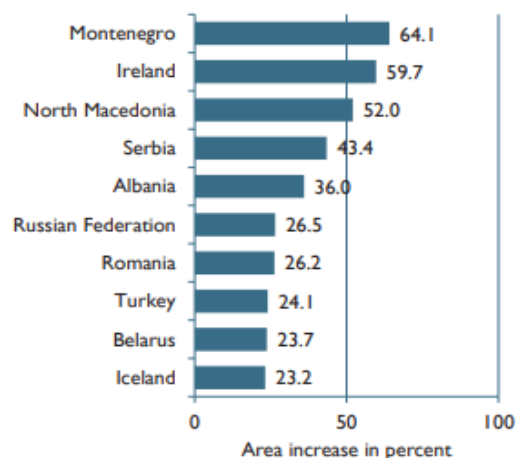
Europe: The 10 countries with the highest growth in organic farmland in 2018 (hectares)

Source: FiBL-AMI survey 2020 based on Eurostat and national data sources



Europe: The 10 countries with the highest relative growth in organic agricultural land in 2018 (%)

Source: FiBL-AMI survey 2020 based on Eurostat and national data sources



Source: The World of Organic Agriculture 2020, page 236

The German market was the greatest European market for natural items in 2017, with more than ten billion euros in deals. Regarding the production and production area of BIO products in the European Union, we can analyze the next top according to which France is on the first place, but Romania appears on the top 10 list which leads to an encouraging forecast for the development of BIO products.

3 Romanian organic products market

Romania was admitted as a member of the European Union in 2007, together with Bulgaria. Among the conditions that had to be met by Romania were those related to agriculture, including those related to organic / organic products and their labeling.

Romania is one of the countries in the European Union that is based on agriculture, with a cultivated area of 9% of the cultivated area of the European Union. However, agricultural production is only at the level of 5% of total production, because the land is fragmented in terms of ownership, and the owners do not associate to be able to produce more. Most of the times a rich production of cereals in Romania is due to the weather conditions (rich rainfall), just as a bad climate can bring a poor harvest. When there is such a situation, Romania resorts to imports. There are years when there is a deficit in terms of trade balance in agriculture, such as 2010-2012 and 2015-2016. Another problem is that most of the time finished products are imported and raw materials are exported (Export.gov, 2017).

Table 1. Trade on Romanian agriculture (2012-2016)

Millions of US dollars	2010	2011	2012	2013	2014	2015	2016
Agriculture Imports	5,200	6197	6161	6579	6797	6710	7512
Exports Agriculture	4122	5581	5193	7042	7371	6572	6823
Agriculture trade balance (deficit / surplus)	-1.078	-615	-967	463	575	-132	-689

Source: Global Trade Atlas

The export of raw materials and the import of finished goods is also confirmed in the case of organic products. Domestic consumption of organic products is increasing in Romania, being estimated in 2016 at 45 million US dollars (USDA, 2017). As in other countries, an important role in the growth of this market is played by store chains, which have dedicated districts to organic products, involving the promotion of these products and their presentation in an attractive way for consumers. The increased demand and supply of organic products in Romania was also due to the fiscal facilities offered by the state: VAT on food was reduced to 9% from 24%, and VAT on non-food products was reduced to 19%. The increase in the guaranteed minimum income, which increases every year, has also contributed to these tax cuts.

In Romania, the release and authorization of organic products is carried out by the Ministry of Agriculture and Rural Development, with annual controls and inspections to verify the maintenance of the rules.

Areas cultivated with organic products have decreased in recent years, from 301 thousand ha in 2013 to 245 thousand ha in 2015.

Areas cultivated with organic products are divided into (Eurostat quoted in USDA, 2017):

- one third are grown with cereals and hay;
- 20% for industrial crops of sunflower and rapeseed;

Wheat is the most cultivated (52%), followed by corn (28%) and barley (11%).

Romania is a favorable market for organic products, but due to low demand, over 80% of domestic production, estimated at 250-270 million US dollars, is exported.

Of the total food industry intended for the population (retail) less than 1% is represented by organic products, a very low level in the European Union, where countries like Germany have 5%.

Despite these figures, the Romanian market is an attractive one, being growing due to the fact that the educated and high purchasing power population has increased in the big cities and in Bucharest, the demand being directly influenced by these variables (purchasing power and level of education).

Among the main trading partners regarding the import of organic products for Romania are Austria, the United States, Japan, Germany, France, Italy and Denmark.

The main types of organic products consumed in Romania are currently consumed food products, followed by baby products, cereals and pastries. Among the least consumed products are garments, oils and fats and sweets (Euromonitor quoted in USDA, 2017).

At the distribution level, organic products are placed for sale most often in modern supermarkets, hypermarkets and discount stores (63%), followed by other types of stores (16.4), traditional stores (11.5%) and the Internet (9.1%). Large stores have the advantage of offering organic, natural and vegan products in the same place, the consumer being advantaged. A disadvantage in terms of distribution channels is also the fact that there are no collection centers for fresh products, which disadvantages small producers because they have nowhere to sell their production, being forced to sell it in large quantities at a price smaller or sell it close to the place of production.

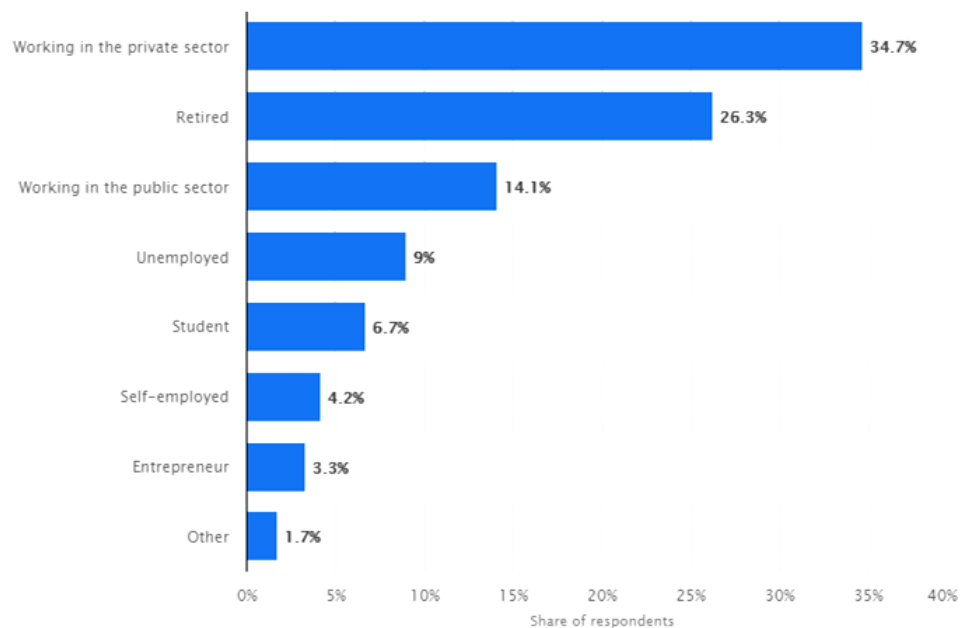
In the future there are the premises for an increase in consumption of organic products, the main consumers being women. They buy organic products for children: food (50%), detergents, cosmetics, but also cosmetics for women. The European Union supports and will continue to support the production of organic products by providing subsidies for arable land (US \$ 240-320 / ha), for herbs and medicinal plants (US \$ 385-400 / ha) and for vegetables (US \$ 475-550). Americans / ha) (European Commission cited in USDA, 2017).

4 Organic products entrepreneurship

As we discussed, the number of small and medium enterprises with the field of activity of production and sale of organic products has increased considerably in recent years, becoming one of the most desired businesses by young entrepreneurs.

Entrepreneurship in Romania can be used in recent years, data on the desire of young people to be independent and equipped for themselves and data that offers several offers of European subsidies for start-up companies. At the end of 2019, the situation of the employed in Romania shows approximately 3.3% of the employed population is represented by entrepreneurs.

Figure 3. Main occupations in Romania 2019



Source: INSCOP Research; April 12 to May 3, 2019

Of these, only a small part were oriented towards entrepreneurship with BIO products, having small production greenhouses or contracts with local farmers for the distribution of organic food, relying mainly on fresh fruits and vegetables and less on prepared foods.

Asked why they chose this business idea, most of the entrepreneurs we talked to (64%) said that they are passionate about a healthy lifestyle and that they want to promote and pass this on to others. BIO products being recognized for their beneficial effects on the body and on their health. Another part of them said that they saw on the market the opportunity to develop in this area of activity, the demand for organic products marking an upward trend.

5 Conclusion

Organic products have developed worldwide and are constantly expanding. Romania is no exception to the rule, even if it is considered an emerging economy. People want to have better and better health and have realized that this is possible by changing the behavior of consumption: by switching from classic products, mass-produced, to organic / organic, which have no chemicals in their composition and which respects a natural technological process. The change in consumption will take time due to the high price of organic products and because they are not manufactured in large quantities. Many consumers do not know how to distinguish an organic product, so they are often deceived by the packaging of products and the advertising that these products have.

At the level of Romania, organic products have an increasing impact, but still at a low level if compared to the one in the European Union. The poorly developed manufacturing industry causes most organic products grown in Romania to start exporting and return in the form of finished products, but at a much higher price. The consumption of organic products has developed in big cities and in Bucharest, due to the increase in the number of people with a high level of education and implicitly of incomes. Another element that must be taken into account is the fact that the woman is the main consumer of organic products, but she buys not only to consume it, but also with the babies.

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