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Positive Prospects for Organic Food and Agriculture in Romania

Report Categories:
Special Certification - Organic/Kosher/Halal

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Report Highlights:
Romania’s total organic area increased by 14 percent in 2017, driven mostly by strong demand for organic grains and oilseeds. 2.1 percent of Romanian agricultural land is now under organic production, still below the EU average. Consumer demand is rising for organic products, which is commensurate with higher levels of disposable income and increasing urbanization. Post estimates that 2018 organic food and beverage sales reached approximately $65 million, which is 30 percent higher than 2016’s $49 million. Market growth is poised to achieve 10-15 percent annually, depending on the segment.

Summary

Romanian organic agriculture still accounts for a relatively small percentage of the country's total agricultural area and value of production. The organic sector remains export-driven, as farmers look to take advantage of higher margins in export markets, as well as the lack of local processing facilities. Rising consumer demand and the limited variety of domestic products is driving imports, particularly for value-added products. Consumer-demand growth is due to a combination of factors, notably Romania's growing economy, increasing retailer focus on organic products, and consumer awareness. The best market prospects in Romania are for organic milk and dairy products, horticulture, dried fruits and nuts, confectionery items, biscuits, and snack and fruit bars.

Disclaimer: This report was prepared by U.S. Embassy Bucharest's Office of Agricultural Affairs for exporters of U.S.-origin food and agricultural products. Official data about organic markets are scarce and not publicly available. This report is based on information gathered from various sources, such as the Ministry of Agriculture and Rural Development (MARD), Eurostat, Euromonitor, domestic certification bodies, organic industry, organic organizations, and specialized food magazines. While every possible care was taken in the preparation of this report, information provided may not be completely accurate due to scarcity of data.

A. Organic Area and Production

Romania has small organic production and processing segments. After several years of decline, the organic area increased in 2017 by 14 percent, from 226,000 hectares (HA) to 258,000 HA for both certified land and land under conversion (see Table 1). The share of the total area under organic farming in Romania rose from 1.8 percent in 2016 to 2.1 percent in 2017. Better access to inputs and technical information have spurred farmers to expand the number of organic acres. Despite this growth, Romania's organic area remains one of the lowest among EU member states and is far below the EU-average of nearly seven percent of total land under agricultural production.

Grains and oilseeds account for about two-thirds of all organic area, while forage crops and pastureland accounted for about 20 percent, per the recent data published by the MARD. The number of certified-organic operators fell by 20 percent in 2017, down to only half of the number of certified operators from the peak in 2012 when Romania allocated generous subsidies for organic production (Table 2). Difficulties in finding customers for their products, certification fees, and stringent regulations are factors that have discouraged many producers.

Table 1: Romanian Allocation of Organic Area

	2010	2011	2012	2013	2014	2015	2016	2017

Total organic area (HA) - fully converted and under conversion:	**182,706**	**229,946**	**288,261**	**301,148**	**289,252**	**245,924**	**226,309**	**258,471**
Cereals for the production of grains	72,298	79,167	105,149	109,105	102,531	81,440	75,198	84,926
Oilseeds	47,851	47,879	44,789	51,771	54,145	52,583	53,397	72,388
Pulses and protein crops	5,560	3,147	2,764	2,397	2,314	1,834	2,204	4,995
Plants harvested green from arable land	10,325	4,789	110,283	13,184	13,494	13,637	14,281	20,351
Horticultural crops (including leafy greens)	11,059	5,703	11,979	14,252	15,422	14,847	15,456	21,810
Hayfields and pastureland	31,579	78,197	105,836	103,702	95,685	75,854	57,612	50,686
Permanent crops	3,093	4,167	7,781	9,400	9,439	11,118	12,020	13,165
Idle land	10,217	9,759	8,811	9,516	9,059	7,226	9,457	9,748
Root crops	504	1,075	1,125	741	627	668	707	666
Other crops	579	851	28	264	30	356	258	88

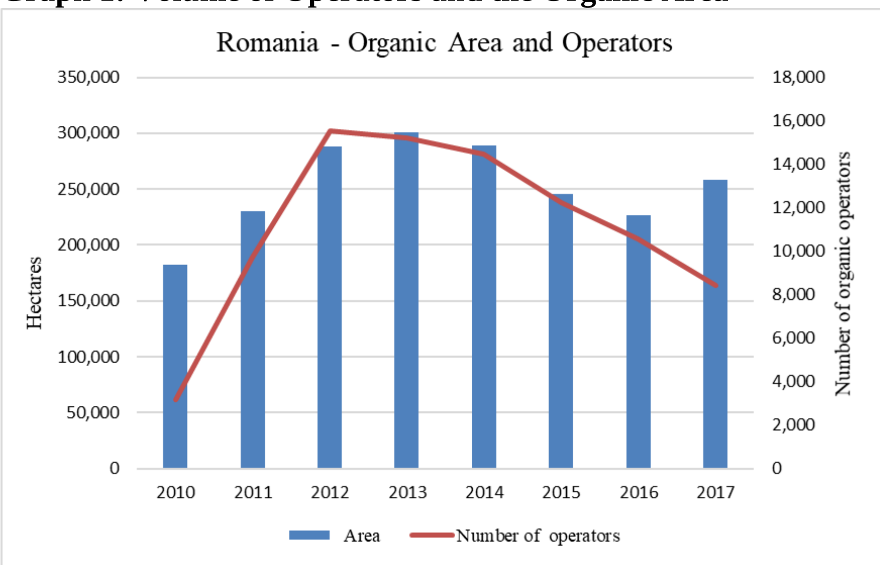
Source: Ministry of Agriculture and Rural Development

Table 2: Romanian Organic Operators

	2010	2011	2012	2013	2014	2015	2016	2017
Number of registered organic operators (producers, processors, traders, etc.)	**3,155**	**9,703**	**15,544**	**15,194**	**14,470**	**12,231**	**10,562**	**8,434**

Source: Ministry of Agriculture and Rural Development

Graph 1: Volume of Operators and the Organic Area



Source: Ministry of Agriculture and Rural Development

According to Eurostat data, organic cereal production declined to 218,318 MT in 2016 (the most recently available data) from 255,000 metric tons (MT) in 2015, mostly due to unfavorable weather conditions (see Table 3). Wheat accounted for about half of total organic grain production in 2016, followed by corn at 25 percent, and oats at 14 percent. For oilseeds, sunflower accounted for 45 percent, followed by rapeseed, and soybeans.

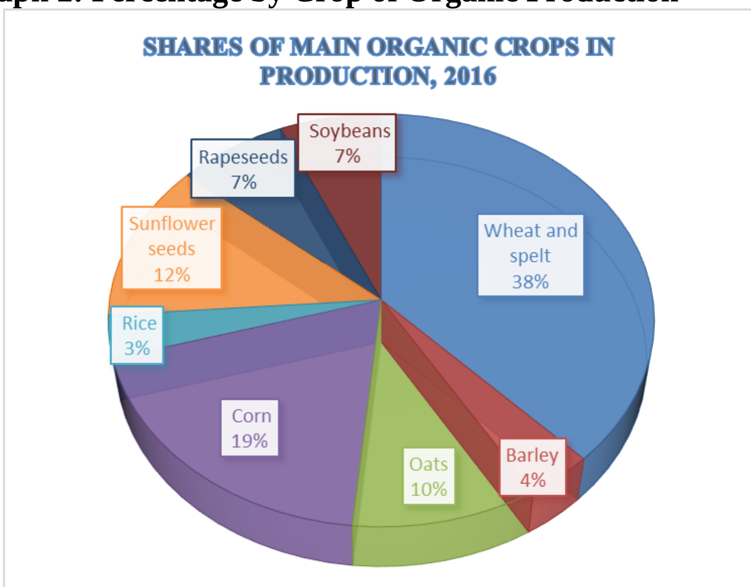
Table 3: Romanian Organic Production (MT)

Organic Production	2013	2014	2015	2016
Cereals for the production of grain (including seed)	153,989	290,081	254,867	218,318
- Wheat and spelt	74,285	137,474	127,231	110,552
- Rye and winter cereal mixtures	246	298	154	327
- Barley	13,476	34,916	20,259	10,571
- Oats and spring cereal mixtures	1,568	2,394	3,486	29,464
- Corn	55,476	95,403	86,581	55,405
- Rice	6,158	12,521	15,473	9,743
Pulses and protein crops	1,966	3,659	2,276	2,009

Root crops	2,134	6,571	7,766	9,936
Oilseeds	47,126	88,463	83,043	81,174
- Sunflower seeds	N/A	38,731	37,262	36,290
- Rapeseeds	N/A	28,031	20,401	20,772
- Soybeans	N/A	17,164	22,036	19,376
Horticultural crops (including melons and leafy greens	N/A	46,307	50,058	55,071
Fruits from temperate climate zones	5,749	8,277	6,434	11,695
Grapes	2,722	2,368	6,405	2,904

Source: Eurostat

Graph 2: Percentage by Crop of Organic Production



Source: Eurostat

Post estimates that approximately 8,400 Romanian farmers produced organic agriculture valued at upwards of $200-225 million of in 2017. There were 150 organic processors in Romania in 2016 according to the [Research Institute of Organic Agriculture](#) (FiBL), which equates to about 70 producers per processor. Also according to FiBL, the average rate at EU member state is about five producers per processor. The disparity in the number of processors to farmers in Romania forces producers to market 80-90 percent their products in foreign markets.

B. Policies and Regulations on Production and Labeling

The competent authority for regulating organic production is the MARD. In Romania, the term "ecological agriculture" is the legal expression for defining organic agriculture. It is similar to "organic" and "biological agriculture" used in other member states. For the purpose of this report, the terms "organic" and "organic farming" will be used.

Operators must register with MARD prior to engaging in any organic production activity, as well as renew their organic registration annually. To become organic certified, farms undergo a conversion process which lasts at least two years. During the conversion period, the farmer has to comply with national and EU legislation and no fertilizers, synthetic pesticides, growth regulators, hormones, antibiotics, or genetically-engineered seeds are allowed. For processors, local and EU requirements prohibit food additives or chemical substances to be added during organic food processing. More specific details can be found here.

The national logo "*ae*" and the EU organic logo may be used on organic-product labels. All producers, processors, and importers are eligible to use the national logo "*ae*" on products, labels, and packaging material once they are registered with MARD. Importers can also use the EU organic logo, although the label must specify the ingredients country of origin (EU or non-EU). Organic products bearing the Romanian logo or the EU logo must ensure that 95 percent of the ingredients are produced and distributed through organic means. Organic-product labels must indicate the names of the producer/processor/trader and the name or code number of the inspection body which oversees and issues the certificate for that organic operator. Additional information about organic farming, logos, and labeling is available here.

Private MARD-approved inspection and certification bodies conduct organic oversight and certification in Romania. Organic operators (producers, processors, traders) are audited at least once a year by these inspection and certification bodies to verify compliance. The list of organic certifying bodies is posted on MARD website. The list of organic operators certified by each of the approved organic certification body is available here.

C. Organic Trade and Consumption

Demand among Romanian consumers for organic products has trended upward in recent years and is poised to expand further. Increasing demand for organic products is the result of a combination of factors, including Romania's growing economy, more focus among retailers on organic products, and consumer awareness. Measures adopted in June 2015 to reduce the value-added tax (VAT) for food products from 24 percent to nine percent, along with other fiscal policies related to wages and pensions, lowered food costs and positively affected consumer demand for food products perceived as more healthful.

In terms of product origin, industry sources indicate that 80 percent of organic retail products are imported. In the absence of specific tariffs for EU organic products, it is difficult to fully determine countries or origin among EU suppliers. However, according to industry sources, the leading organic food suppliers are Germany, the United Kingdom, Italy, Austria, France, and Spain. While U.S. trade data does not reflect Romania as a notable organic destination, some U.S.-origin organic food products are shipped to Romania via other EU member states, as often regularly happens with other food products.

Locally-produced organic products, such as milk, eggs, honey, rice, and cornmeal account for the remaining 20 percent of market share. As mentioned above, a large proportion of domestic production is exported. Major export markets for Romanian organic products are Austria, the United States, Japan, Germany, France, Italy, and Denmark.

Official organic sales (food and non-food) data are not publicly available. Based on the organic industry sources, Post estimates that 2018 organic food sales reached upwards of $65 million, a 30-percent increase over two years ago. In terms of total food retail, organic food sales are less than one percent, although sales are much higher when farmers markets, delivery services, and on-farm sales are considered. Price sensitivity remains a significant factor. At the retail level, price differences between some similar organic and nonorganic products can reach up to 250 percent (e.g. honey, rice, eggs, hazelnuts). The lowest prices differences between organic and nonorganic still range between 30 to 100 percent (e.g. milk and dairy products, almonds, tomato paste). The share of organic foods sold in Romania which contain organic meat (such as burgers, chicken, beef cuts, hams) is negligible, as these products are four times more expensive than similar conventional products. Post expects annual sales growth for organic food will ultimately reach 10-15 percent and will grow in conjunction with consumer spending power, production efficiencies, and effectiveness retailer marketing campaigns.

D. Main Organic Categories

Main product categories available in Romania are provided in Table 4, based on *Euromonitor* data. In value terms, dairy products dominate the market, having achieve 100-percent growth over six years ago. Organic baby food ranks second, followed by organic biscuits, snack bars and fruits snacks, with the latter nearly tripling its value in six years. Over five years, organic packaged-food sales are forecast to increase by 45 percent. Growth among different categories often reflects consumer perceptions about the level of additives, processing, or chemicals applied on crops.

Table 4: 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

Organic beverages are a niche segment due to high prices and strong competition from regular freshly-squeezed and no added-sugar juices. Even so, according to the figures provided by *Euromonitor*, sales have increased continuously over the past six years (Table 5) and are forecast to double over the next five years. The better availability of organic inputs and potential consumer demand are encouraging farmers to increase organic fruit production. Moderate growth is anticipated for organic coffee and tea.

Table 5: Sales of Major Organic Beverages

Beverage Categories (million $)	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**

Organic Coffee and Tea	0.0	0.4	0.6	0.6	0.7	0.7
Organic Soft Drinks	0.2	0.8	1.3	1.6	2.0	2.5
- Organic Concentrates	0.0	0.5	1.0	1.1	1.3	1.6
- Organic Fruit/Vegetable juice	0.2	0.2	0.4	0.5	0.6	0.9
Total Organic Beverages	**0.2**	**1.2**	**2.0**	**2.2**	**2.6**	**3.2**

Source: Euromonitor International; FAS conversions

E. Marketing and Distribution

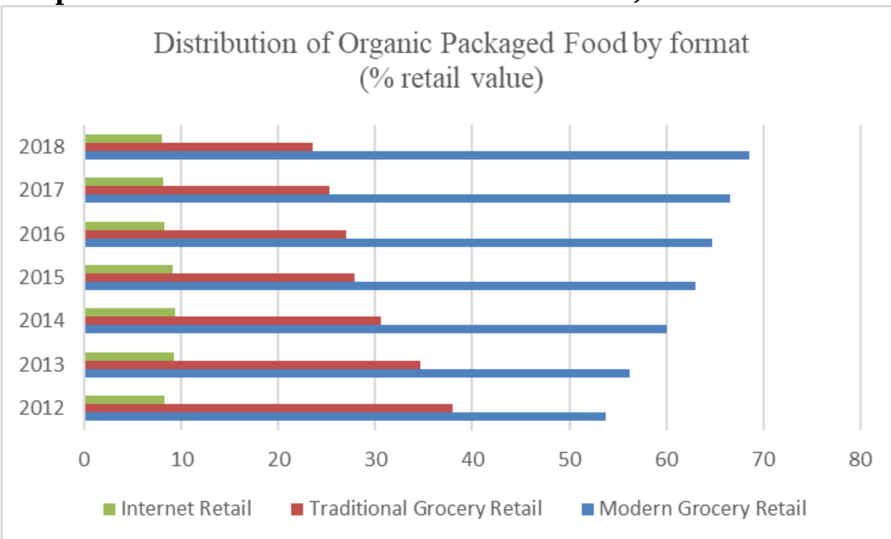
Modern retail remains the dominant channel for organic sales. According to *Euromonitor* data, this channel accounted for about 69 percent of sales in 2018, versus 63 percent in 2015 (Table 6). The diversity of organic foods in modern retail and the increasing number of interested consumers will continue to increase sales in modern retail at the expense of traditional markets. Large retail chains are establishing separate store sections and are offering wide varieties of (mostly imported) organic products. As a result, more shoppers are purchasing organic items more frequently, largely due to better offerings and more stores carrying organic. Many retailers try to position organic as affordable and accessible, as to encourage price sensitive consumers to purchase these products.

Table 6: 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

Graph 3: Main distribution Channels-Modern, Traditional and Non-store Retail



Source: Euromonitor

Urban farmers markets remain a favorite, as these allow for direct interaction between consumers and producers. Most Romanian farmers markets offer fresh bulk products with limited packaging and labeling. Even though only a small percentage of the food products sold in farmers markets is certified organic, consumers perceive these products as more traditional, more natural, 'almost organic'. Temporary vendors offering natural, vegan, or health products for both food and non-food categories are also increasingly popularity.

Specialized organic stores are not widespread In Romania, although there are a few small organic, "natural", and vegan stores. For certain products, such as fresh produce, small farmers often develop connections with their customers and provide direct, fresh organic produce. E-commerce is increasingly popular among Romanian consumers. On-line suppliers also offer detailed descriptions about the products and related claims about health benefits.

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.

F. Market Access

The rising demand for imported organic products in Romania provides new opportunities for U.S. exporters. The U.S. and the EU have had an equivalency agreement since 2012. Prior to that agreement, trans-Atlantic organic trade meant separate certifications to both standards, additional fees, inspections, and paperwork. Currently, as long as the terms of the 2012 agreement are met, USDA organic or EU organic standards may be labeled and sold as organic in in the United States and throughout the EU. More information may be read at the here.

The small size of Romania's organics market means that competition is fierce for U.S. products, particularly as large EU firms are geographically much closer and can consistently deliver smaller volumes. Nevertheless, Romania's growing retail sector is seeking to diversify its range of organic food products, which may offer U.S. exporters market opportunities. Post suggests that U.S. exporters should carefully assess these opportunities and review the existing brands, packaging, and price ranges for any organic products intended for the Romanian market.

G. Support for Organic Agriculture

In the past, organic agriculture was substantially funded by the Romanian Government. Subsidy levels depended on the area under production, the number of animals on farms, and varied between $1,900 and $7,700. This level of support led to a high interest for registration, hence the peak in the number of organic operators in 2012. As the support package faded and competition increased, farmers found organic production less profitable.

The funding level allocated to organic farmers under the Common Agricultural Policy (CAP) in 2018 is listed below:

- $240-320/HA/year for arable crops (for instance, wheat)
- $475-550/HA/year for vegetables
- $485-700/HA/year for orchards
- $525-580/HA /year for vineyards
- $385-400/HA/year for medicinal and aromatic herbs
- $85-135/HA/year for permanent pastures.

These payments are in addition to the regular payments received by farmers. The payment levels vary with the stage of the organic production (farmers to convert to organic agriculture or for maintaining farmers' interest for this type of agriculture) and the type of crop. Apart from the government production subsidies, the Romanian Government offers organic operators support in terms of assisting with domestic and international trade shows and exhibitions.

Appendix I

Government competent Authority
Ministry of Agriculture and Rural Development
http://www.madr.ro/agricultura-ecologica.html

Certification bodies
List provided by the Ministry of Agriculture
http://www.madr.ro/agricultura-ecologica/organisme-de-inspectie-si-certificare.html

List of non-Government organizations in organic sector
http://www.madr.ro/agricultura-ecologica/organizatii-non-guvernamentale.html