



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

Date: 12/20/2006

GAIN Report Number: RO6023

Romania

Organic Products

Organic Agriculture in Romania

2006

Approved by:

Susan Reid

U.S. Embassy

Prepared by:

Robert Heilmayr

Report Highlights:

Since the first regulations regarding organic agriculture in Romania were issued in 2000, the country has seen a steady and rapid rise in the amount of land and number of processing facilities adhering to organic standards. In 2006, 170,000 ha or one percent of all farmland was cultivated organically. Exports currently account for over 90 percent of Romania's organic plant, honey and dairy sales. Consumption of organic products, although growing slowly, is still a small fraction of total food purchases.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Sofia [BU1]
[RO]

Regulatory Framework

Romanian ecological (organic) agricultural law is based on a collection of ministerial orders, parliamentary decisions and emergency ordinances. The resulting regulatory body requires independent organizations, approved by the Ecological Agriculture Department of the Ministry of Agriculture, to conduct initial certifications and regular inspections to guarantee that all principles laid out in applicable ordinances are being followed at farms and processing facilities. Currently there are 12 certification agencies operating in Romania. Producers have commented that the resulting competition has driven certification and inspection prices to very low levels.

If a producer has been properly certified, his/her products may carry the national organic label approved by the Ministry of Agriculture (Figure 1).



fig.1

Before certification, farms must undergo a conversion period during which organic principles are implemented to reduce non-approved input residues in the fields. Due to minimal use of fertilizers and pesticides on Romanian farmland over the past fifteen years, reduced transition periods are frequently offered to potential producers. While farmers in EU countries can face transition periods of five or six years, a typical conversion period in Romania is as low as one or two years. As a result, the potential for rapid growth in the sector is significant.

Production

In 2006, 3,676 organic farmers cultivated 170,000 hectares, or one percent of all farmland. This number is expected to exceed 200,000 ha by the end of 2007. Of this, cereals such as wheat, maize, sorghum, rye and millet make up more than half of the certified area. Organic hay and animal feed crops are grown on 50,000 ha and industrial crops take up 22,000 ha.

Organic animal husbandry has developed rapidly over the past six years. Organic apiculture produced more than 600 tons of bee products in 2006, an 88 percent growth rate over 2005. Between 2000 and 2006, the numbers of sheep, cows and hens raised organically have grown from 1,700, 2,100 and 0 respectively, to 76,100, 9,900 and 7,500. This rapid growth is an example of the growing interest among farmers in organic production, and is a positive sign of market-oriented behavior and innovation in the Romanian agriculture sector.

Currently, one of the biggest problems facing Romanian organic producers is an inability to add value to their products. Most EU importers will only purchase products in bulk, eliminating the need for Romanian processing and reducing margins for producers.

Nevertheless, changes in the dairy sector show that Romanian companies can be successful in processing organic products. Dornalactate, the largest dairy processor in Romania, is

currently collecting organic raw milk from 1,800 small organic farms. Another processor, Camilact, has opted to work solely in the organic sector and has contracts with 600 farms. The rise in production of the organic versions of three popular cheeses - emmenthal, cascaval and telemea - emphasizes this growth. Six years ago, in 2000, processors produced only 41 tons of organic emmenthal, cascaval and telemea; last year, 2005, production jumped to 1,078 tons.

Consumption

Although organic production has rapidly increased, Romanians have shown little interest in purchasing the products themselves. Organic consumption makes up significantly less than one percent of all food purchases.

Three reasons explain this lack of local demand. Most importantly, low average incomes are a brake on demand. Only a relatively small number of people have the means to buy more expensive alternatives to cheap staples. Minimal awareness of organic agriculture and its benefits to farmers, to human health, and to the environment further reduces product marketability. Finally, the selection and availability of products is extremely limited, with only a small number of stores selling products with the Romanian "ecological agriculture" logo.

Nevertheless, some companies such as Inedit have begun to take advantage of rising incomes in parts of Romania. By processing organic soy into tofu, soymilk and related products, they have been able to target high-income populations, primarily at dedicated health-food stores within Bucharest.

Exports

Approximately 95 percent of organic plant production is exported. The products are usually exported in bulk to EU markets for further processing. Organic honey and cheese production are also produced primarily for export. Almost 100 percent of organic honey products are exported.

Organic meat trade, however, offers a striking contrast. Due to EU SPS requirements, only 20 percent of Romanian organic meat production can be sold within the EU. Since there is minimal interest domestically in paying a premium for organic meat, producers typically do not receive a price premium for raising animals organically. As a result, organic meat frequently is not differentiated from conventionally-produced meat.

Although some companies have expressed interest in selling organic products in the American market, the U.S. Department of Agriculture's National Organic Program (NOP) certification is often seen as prohibitively costly. The NOP requirement for a strict three-year compliance period is a significant obstacle, since producers can become certified in as little as one year under most EU laws. Also, a lack of familiarity with the NOP among Romanian certifying bodies and farmers can increase the cost of compliance.

Demand for American organic seed, fertilizer and chemicals may offer a valuable opportunity for new trade with Romania if and when production intended for the U.S. market develops.

Government Policy

The Ministry of Agriculture has set objectives for organic cultivation at 200,000 ha (1.34 percent of agricultural land) in 2007 and 400,000 ha (2.70 percent of agricultural land) by

2010. The government's national export strategy highlights the potential for organic production within Romania. Currently, organic agriculture is ranked as the second highest priority product group for export. However, the government's policy positions on organic production are accompanied with little, if any, direct support from the budget.

The European Union's pre-accession rural development funding (SAPARD) has recently played a larger role in encouraging farmers to transition to organic practices. However, these funds, as well as the Common Agricultural Policy's rural development funds which will start in January 2007, are usually seen as benefiting larger enterprises more than the small farms so common in Romania. Minimum size requirements for farms and limits on the fragmentation of farmland mean that smaller farmers will not be eligible for the majority of payments. Furthermore, large operations are usually the only ones capable of providing the necessary initial capital required to start up new organic operations. Post's view is that private funds can and should play a significant role in creating large-scale organic farming operations and processing facilities.