Grant Agreement no. 212579
FOCUS-BALKANS: Food Consumer Sciences in the Balkans: Frameworks, Protocols and Networks for a better knowledge of food behaviours

FP7 Cooperation Work Programme:
Theme 2 – Food, Agriculture and Fisheries, and Biotechnology
Activity 2 Fork to farm
FP7 KBBE 2007 2.1-02

DELIVERABLE N°7.1

NATIONAL REPORT PER COUNTRY ON THE ORGANIC PRODUCTION ON THE BASIS OF BIBLIOGRAPHY AND DATA COLLECTION

June 2010

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FOCUS-BALKANS, FP7 KBBE 2007 1, GA 212579, is supported by the European Commission, DG Research

Project co-funded by the European Commission within the Seventh Framework Programme (2007-2013)		
Dissemination Level		
PU	Public	**X**
PP	Restricted to other programme participants (including the Commission Services).	
RE	Restricted to a group specified by the consortium (including the Commission Services).	
CO	Confidential, only for members of the consortium (including the Commission Services).	

TABLE OF CONTENT

TABLES

FIGURES

GENERAL INTRODUCTION

The objective of this report is to give an overview of the current situation of the organic sector in Western Balkan countries: Bosnia-Herzegovina, Croatia, Macedonia, FYR Montenegro, Serbia and Slovenia. It contains, for each of the countries, information on

- trends and perspectives of organic production
- raw and processed organic products issued from domestic production
- distribution of organic products
- main domestic marketing channels and if possible, the importance of exports and imports
- main stakeholders in the domestic market for organic products.

The report is based on the results of a market research done by the Focus-Balkans - partners in the above mentioned countries.

The present deliverable is composed of ten parts. After a general introduction in the second and third part the short summary and the methodology of this report will be given. Part three through eight are dealing with the market research results on the organic sector in each Western Balkan Country. The ninth part contains a comparison between the five countries, and in the tenth part conclusions and perspectives are presented.

This market research on organic production and market relies partly on the basis of information obtained in Work Package1 (WP 1). WP1 focussed on preparing a global overview of consumer and market oriented studies and statistical data in the Balkans.

1. SUMMARY

Authors: Natasa Renko, Burkhard Schaer, Nina Berner

The WBC organic markets are, compared to some of the organic markets in Western Europe, relatively young, very small and in an early stage of market development.

In the last twenty years "organic production" existed in form of single farmers or small groups of farmers, who experimented with alternative ways of agriculture, without using agrochemical input. Their main concerns were their own health, the quality of the products and the health of customers. They searched actively for new ways to produce, process and market food but, at this early stage, the alternative ways of agriculture were not necessarily called "organic" production.

During the last decade, from the year 2000 onwards, the organic movement in most WBC countries experienced new dynamics, pushed by farmers associations, market supply chain actors, consumer groups, or agro food policy.

Significant influence comes from the legal framework established in the EU, that WBC policy makers often want to adapt to. But, as well, entrepreneurs and market actors from WBC and foreigners, who invest in WBC organic supply chains, want to have a EU-compatible legal framework established in WBC. These forces pushed towards official recognition and labelling of organically produced and processed products.

Once a legal and institutional framework on production and labelling established, an enhancement of produced quantities and qualities can be observed.

Among the WB countries Slovenia was apparently the first to establish a legal framework about organic agriculture. Slovenia is, today, the only WBC being member of the European Union. It is well developed with regard to the GDP per capita and other macro-economic criteria. As well, the share of organic production is higher than in the other WB countries and very close to the EU-European average. However, the domestic supply does not cover the demand. That's why a lot of imported products, mostly processed food items, are sold in supermarkets, health shops and online shops.

The distribution of organic products started very early in conventional retail and now dominates with a market share of 60% the distribution channels. The conventional supermarkets play an important role in raising awareness of Slovenian consumers on organic products. The number of specialized organic shops is growing slowly.

The first consumers of organic products were a small group strongly motivated by ecological and health concerns. Around the year 2000 organic consumption started to broaden. Now, Slovenian organic consumers can be characterized as trend-followers with high-income. To know the origin of the products, with preference to domestic products, and the producers, is important for them. They mostly consume organic products for health raisons.

In the future it is important to strengthen the domestic supply, to increase the offer of Slovenian organic products.

Croatia is the second bes developed economy in WBC, with regard to macro-economic criteria .

As the other countries in WB, Croatia has good predisposition for organic production because of a low level of agrochemical usage in agriculture in general. Farmers are, thus, less dependent on the agrochemical input and can more easily convert towards organic agriculture, and the conversion rates are elevated The channels of distribution are also quite much developed, with wholesalers, retailers, specialized supermarkets for organic products, specialized retail shops and even on-line selling. Consumers are more and more interested in buying organic products and further market growth is expected in Croatia.

In Serbia, after the Law on organic food was established, the production, labelling and selling of organic products was regulated so that the organic food is available now in all bigger towns, as well in supermarkets, specialized retail shops and in the traditional open green markets. The most important organic products are wild and cultivated fruits and berries, but also wild and cultivated medicinal and aromatic plants. The lion's share of the production is exported as raw material to EU countries. In Serbia, organic products are traditionally sold directly (farm-gates and open markets) or health food shops. On the contrary, conventional retail plays a minor role in the marketing of organic products. Consumers or organic products are described as being younger (aged 20-40 years), well educated, urban people, mostly female and with high income level. Organic products are in concurrence with products from specific regions. Most Serbians are unwilling to pay elevated price premiums for organic products. Awareness rising of consumers and the amelioration of the infrastructure are important future tasks.

Bosnia and Herzegovina seems to have a big potential for more organic farming. Because of the low consumption of fertilizers and pesticides, BiH's traditional small-scale agriculture can quite easily convert towards organic farming. But today, mainly wild collection for the export of raw plant materials markets is developed. Due to the complex politico-administrative situation of the country, a legal framework for the organic sector exists only in one entity of BjH (in Repbublika Srbska). Farmers' associations for organic agriculture push towards a better structuring and a better framework for organic farming. A control body is working according to IFOAM standards. The organic sector is dynamic and linked up internationally. There is a wide panoply of small market actors who are mainly implemented in the collection of wild fruits, plants and mushrooms, in the conditioning and processing of these products and their export to western European countries. The scope of production is very wide, with a lot of different products, but often small quantities. The domestic supply chains for main commodities like milk, cereals, beef, and vegetables are still in an early stage of development, like on farm sales or sales on green markets, with often no price premium for the organic produce. The practices of organic farming and processing and the quality of products have still to be improved. Consumers are increasingly aware of health and sustainability issues, but their willingness to pay more for organic products is strongly limited, due their low purchase power. A national regulation, better labelling and clearer information about organic could enhance consumption.

In Montenegro the starting position in terms of preconditions for organic agriculture is similar to BiH's. The organic production is still in its beginning and dominated by wild collection. But the important in-conversion surfaces show the high potential and growth perspectives of organic agriculture in Montenegro. The organic market has started in 2001. In this time, priority was given to information and education. After that the focus lay on the establishment of laws and certification structures. The absence of expertise and infrastructure for distribution and processing and the fact that most activities are done by foreign companies give distinction to an export orientated market. The domestic market develops slowly so that just a few selling points of organic products exist.

Macedonia is, as well, in an early stage of organic agriculture and food marketing. Further growth and development of organic food are expected. A well structured NGO for organic farming and a committed national policy push the organic sector. Domestic processing is concentrated on the conditioning of the products of wild collection. The sector is traditionally linked to international supply chains and is export-oriented. Domestic supply chains are short and lack, on the hand, sufficient quantities to produce and, on the other, sufficient marketing possibilities. Organic distribution is in its beginnings, farmers' markets play a pioneer role. There is little knowledge about the Macedonian consumers' position towards organic products.

Generally spoken, regarding all the food markets in WBC, there is a growing interest by the consumers to buy organic food products. This goes along with the overall trend towards a more health-oriented life style and growing concerns about sustainable development.

Committed market actors, farmers associations, stakeholders in rural development an environmental protection, consumer associations and policy makers act in favour of the expansion of the organic sector.

But a series of major problems still constitute hindering factor for further development, more or less strongly from country to country:

- lack of information about organic products,
- the distrust to the information on the label and
- lack of promotional activities that could inform consumers more about organic food

- lack of purchase power and little acceptance of paying price premiums for organic products,
- lack of the availability of the organic products,
- lack of domestic supply chains foremost with regard to main commodities

Once these barriers removed, the organic sector in WBC is likely to undergo comparable developments as in other European countries.

2. METHODOLOGY

Authors: Natasa Renko, Burkhard Schaer, Nina Berner

The method used in this survey is mostly based on secondary data which are gathered from different sources like: the data from State statistical bureaus, internet, books, published scientific papers and literature review from the other sources. Primary sources are based on experts' estimation for the parts that were not possible to cover by the secondary data.

For each country the same template for collecting data was prepared in order to gather all available information on the organic sector in each Western Balkan Country. The homogenous data collection method was meant to facilitate cross-country comparisons. It lies in the nature of our work that these comparisons are still limited, as definitions of technical terms, data quality and data availability differ from country to country.

The template is voluntarily rather detailed, in order to get, already from the beginning of the study, a complete overview of the most important data necessary to fully describe the sector. However, given the fact that organic supply chains are more or less structured in the different countries not all requested information has been found in all of the countries.

Table 1: Types and examples for data sources used in this report

Through available official data	Ministries, specific organic statistics (like Organic World) certification bodies, professional organisations,
Through specific bibliography	professional reviews, internet (IFOAM website, MOAN website, companies websites, Ministry of Agriculture and Ministry of Commerce, Country Statistical Offices publication and websites, Eurostat websites).
Through explorative expert interviews	With the same form for each country so that the data can be comparable as much as possible.

Source: own compilation

Each country chapter on the organic sector in WBC contains the following information.

- General data on the country (e. g. GDP, household size)
- Data related to the organic agricultural production (areas under organic production, number of farms, plant and animal production).
- Imports and exports of the main product items.

- The history of the organic market development and the specification of the different certificates and labels.
- Estimations of the market shares of different marketing channels with regard to organic food.
- Main actors of the organic supply chain (such as wholesalers and processors), as well as the actors in conventional retail involved in organic distribution. .
- Information on the customers and on consumption trends with regard to the organic segment.

At the end of each chapter, the country-specific sources and expert contacts are listed.

The chapter organisation differs slightly from country to country, following the importance, absence or presence of the information.

3. THE ORGANIC SECTOR IN BOSNIA AND HERZEGOVINA

Authors: M. Dimitrije and L. Tomic

3.1. Bosnia and Herzegovina country figures

Table 2: Country data of Bosnia and Herzegovina

Country Data	
No. of inhabitants:	3,842,265 (2008)
No. of households:	150,000 (2009)
Average household size:	2.9 (2009)
Gross domestic product per capita (€)	€ 3,287 (2009)
The Food Market	
Annual per capita expenses for food (including non-alcoholic beverages and food): €	€ 980 (2007)
Food Expenditures as % of Gross Domestic Product/capita:	38.26 % (2007)
Volume of the food market (€):	n/a

Source: http://ww2.unhabitat.org/habrdd/conditions/southeurope/bosnia.htm, Agency for Statistics of Bosnia and Herzegovina, ISSN 1840-104X, Sarajevo, 2009, Agency for Statistics of Bosnia and Herzegovina, Anketa o potrosnji domacinstva u BiH 2007

3.2. Organic production in Bosnia and Herzegovina

3.2.1. Development of the organic agriculture sector

Bosnia and Herzegovina has good preconditions for organic production and wild collection. Large parts of the country are uncultivated open land or forests, two thirds of the territory are considered mountainous or hilly. Here, wild collection of fruits, herbs and mushrooms has an important traditional place and can easily provide raw material for certified organic supply chains.

Only 20% of BiH's agricultural surface is suitable for intensive farming. The agricultural production is traditionally oriented, and the use of pesticides is considered as lower than generally in Europe. Additional advantages are the relatively low labour costs and the rare use of mineral fertilizers and plant-protection chemicals in BiH over the last ten years[1].

[1] Source: European commission

However, Organic agriculture is at an early stage of development and there are no national standards yet being enforced.

3.2.2. *Legislation and certification*

A national Law on Organic Farming is being prepared and is in the phase of adoption. This law will be fully harmonized with the new EU regulation on organic farming, food processing and marketing (834/ 2007 and 889/2008).

Organska Kontrola is the first certification body in Bosnia and Herzegovina (BiH), established in 2004 by the 'OK Association' for development and support of organic agriculture in BiH. Organska kontrola" ("OK") has developed a certification programme and OK standards for organic production and processing in accordance with demands of IFOAM[2] basic standards, as well as with EEC legislation for organic production.

In BiH there are currently two Ministries of Agriculture at the entity level (one in Republika Srpska and one in the Federation of BiH). But in the same time, within the Federation, most of the cantons have also Ministries of Agriculture on canton level. Currently only in one of the governing entities of BiH, in Republika Srpska, a Law on organic food production exists (The Official Gazette of Republika Srpska number; 75/04).

3.2.3. *Production*

Organic production in BiH is geographically concentrated in some clusters: in the Sarajevo region, in the Central Bosnia region, in the Herzegovina region and in West and North Bosnia region, with some points in East Bosnia. These regions correspond to the areas suited for wild collection of fruits, herbal plants and mushrooms and the certified organic processing units for organic products are situated in these areas.

The average organic farm size in BiH is very small: only 1.2 ha of cultivated land per farm. Having in mind the small-scale BiH farmland structure (the average farm size is 3 ha which are divided into 5 to 7 plots) it has to be outlined that these 1.2 ha are not in one plot. The small plots could have negative effects on productivity and efficiency.

The organic agriculture surfaces in BiH cover 262 ha (2009). According to the latest data, the increase of land surface devoted to organic production is 17% for this year. Despite of this strong growth, the organic sector is still a small niche that covers only 0.02 % of arable land.

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[2] IFOAM: International Federation of Organic Agriculture Movements. IFOAM's mission is leading, uniting and assisting the organic movement

On the other hand it has to be outlined that in BiH more than 440,000 ha (2006 data) are certified as surfaces for wild collection of medical and aromatic plants. Organic production from wild forests makes up a significant share of total organic production in BiH.

Table 3: Organic agriculture in Bosnia and Herzegovina

Organic agriculture	2007	2008	2009
Total agriculture area (ha)	2,415,624	n/a	n/a
Organic agriculture land use (converted area controlled according to country regulation in ha) according to data from the Ministry of agriculture of Republica Srpska (ha)	10	205	202
Number of organic farms (converted and controlled according to country regulation) data from the Ministry of agriculture of Republica Srpska	2	n/a	n/a
Organic agriculture land use (fully converted, data from IFOAM / FIBL) (ha)	426	n/a	n/a
Organic agriculture land use (in-conversion, according to data from IFOAM / FIBL) (ha)	265	n/a	n/a
Number of organic farms (according to data from IFOAM / FIBL)	304	n/a	n/a

Source: Ministry of agriculture of Republica Srpska, (IFOAM, FIBL)

The use of organic surfaces in BiH is structured as follows (data for the entity of Republica Srbska).

Table 4: Organic crop production in Bosnia and Herzegovina

Crop Production	hectares
Cereals	187 (2009)
Other crops from arable land	n/a
Pastures and prairies	n/a
Vegetables	18 (2008) 15 (2009)
Fruits	8 (2007)
Wine	n/a
Other crops (please define): buckwheat	2 (2007)

Source: Ministry of agriculture of Republica Srpska

3.2.4. Imports and exports

Presently the biggest sellers within the range of organic food products from BiH are fruits in both fresh and frozen form, which are being exported to western markets.

On the other hand, smaller amounts of organic exotic fruits or transformed products are imported into BiH.

Table 5: Imported and exported organic products in Bosnia and Herzegovina

Imported Products	Exported Products
Kiwi, biscuits, juices, various flours and meals, pasta	Tea, dried mushrooms, dried forest fruits, essential oils, row plant material (sage for teas).

Source: expert estimation, own compilation

Approximately 50-60 products of different kinds of herbs and tea are also being produced and exported, mostly to western European markets; the following table gives some examples:

Table 6: Organic producers in Bosnia and Herzegovina

Products	Producer company	Production place
Essential oils (sage, juniper, white pine, yarrow…)	Andjelic d.o.o.	Trebinje
Blackberry syrup, nettle syrup, blue elderberry syrup, peppermint syrup, blackberry wine, vinegar crap apple)	Belladonna	Banja Luka
Essential oils (sage, immortelle, mountain savoury, chaste, oregano, thyme…)	Elmar d.o.o.	Trebinje
Tea mixtures, tinctures and extracts, cosmetic products)	Faveda	Sarajevo
Chamomile tea, peppermint tea, rose hip tea and tea mixtures	GM	Banja Luka
Herbal teas (sage, savoury, national tea, chamomile tea, peppermint tea)	Hercegovina bilje d.d.	Trebinje
Chestnut puree, nettle syrup, apple vinegar, marmalade	Kap po kap	Banja Luka
BiH traditional tea, tea for long life, fruit tea, APC tea	Klas Sarajevo	Sarajevo
Marigold tinctures, marigold tea, marigold oil, marigold cream	Neven	Rudo
Spices (oregano, lavender, rosemary)	Roing	Ljubuski

Source: own compilation.

3.3. The organic market in Bosnia and Herzegovina

The organic market in BiH is almost nonexistent. There are several reasons for this with the dominant factor being the low purchasing power of the BiH population. It is estimated that only around 3 % of the population with a monthly income over $1,000 can afford to buy organic products that cost 20%-30% more than conventionally produced products[3].

When organic products are sold on the domestic market, the price is usually not much higher than the price of conventional products. Due to consumers' low purchase power in some cases producers sell their certified organic product at conventional prices when organic quality is not requested on the market. This is foremost the case for all unprocessed items of agriculture and wild collection.

Also, most consumers believe that locally produced foods are similar to organic because of Bosnia's traditional agricultural practices with a very low level of chemical fertilizer and pesticide use. Therefore, most of consumers are unwilling to pay higher prices for certified organic products.

A market research done by BETA and Maleteser (a German consultancy) in 2002 (the latest findings) found the following facts:

- consumer lack of information about organic products,
- existence of consumer base for organic products who are willing to pay 10–30% higher prices
- lack of promotion to inform consumers about organic food.

In this study, a profile of the BiH organic product consumer is suggested and it includes the following characteristics:

- the typical organic consumer in BiH would be a woman
- between 25 and 55 years of age
- with higher school or university background
- she's married and has children
- she disposes of a monthly income of 100 – 180 € per family member
- she is shopping regularly in supermarkets.

Consumers' willingness to buy organic products is associated with an interest in healthier nutrition and the search for higher quality products, but not with environmental or social concerns[4]. Available data on the willingness of consumers in BiH to pay premium on organic food are rather scarce.

[3] Source: GAIN report

[4] Source: GAIN report: http://www.fas.usda.gov/gainfiles/200503/146119234.pdf

3.4. The organic market actors

There are only few places in the country where organic products can be found. Furthermore, so-called healthy food is often misinterpreted as organic food. In BiH there are no organized distribution channels for organic products.

The organic sector production is still very small and therefore the supply chains are not developed. The organic sector is too small to be able to afford services of existing BiH marketing agencies. The services of those agencies are considered too expensive and therefore not used.

Because of that, some producers have started with promotion of organic food and have made arrangements with shops to sell their organic products.

According to some sources, the organic market in BiH is growing at an annual rate of 10 to 20%. It is hard to give an evaluation of market capacities and opportunities because there is not enough reliable data available.

Big supermarket chains like Mercator and Tempo, some drugstores and selling points at green markets in Sarajevo, Banja Luka and Mostar are the main outlets of the organic food retail sector. Furthermore, organic herbal teas and para-pharmaceutical products are sold in most pharmacies. This represents only about 0.4% of the value of the total food market, compared to a 2% average in the EU.

Organic wholesale is at the beginning of development. In BiH market, specialised outlets for organic products do not exist, and organic products are not separated from conventional products on the retail level. Conventional supermarkets started selling organic in 2001, but the product range is very narrow. Generally, the distribution channels for organic products in BiH are the following:

- Conventional supermarket chains: Mercator, Tempo
- Drugstores
- Pharmacy
- Green markets in Sarajevo, Banja Luka and Mostar
- Direct selling

No estimation of the market shares of these distribution channels can be given.

Imported organic food products (juices, whole meal cookies, pasta or cereals) can be found in major supermarkets, pharmacies and specialized stores. The overall estimated market share of organic product in the BiH food market is less than one percent.

Despite that the market with organic products is still very small in BiH, local people prefer to buy locally produced food (they appreciate its taste and put trust in its good quality) and so there is a good potential to sell locally produced organic food.

Stakeholders in BiH organic food sector recognized the lack of regulatory and institutional framework as one of the strongest weaknesses and constraints for future sector development.

Organic food processing started in 2001 mainly based on essential oil production, forest fruit processing (mushrooms, berries, cranberry, blueberry, rose hip etc.). This sector is still under development. Nowadays, some of these products can be found at local market but still in small quantities. There might be some 20 small and medium enterprises active in this sector.

Comparing to situation 10 years ago we can say that organic food processing sector had been improved in terms of quantity and quality. Unfortunately, some products are partially processed in Bosnia and exported as such for further processing. Further investment in this sector is needed in order to finish production cycle for some specific products (essential oil and some medicinal products).

There are number of local processors that produce so called “healthy foods” meaning traditionally produced food products that originate from unpolluted areas and contain no preservatives (i.e. wild forest berries jams and marmalades, pasteurized vegetable salads etc.). These products are not certified as organic, and there is almost no price difference between them and similar products.

However, imported quantities are still insignificant, and there are few companies that import and distribute organic products to supermarkets and specialized stores. Products are mainly imported directly from EU member countries, but according to importers, a large portion is sourced from neighbouring Croatia (where they might have been imported to from EU countries). The range of products includes “lactose-free” soy drinks, tofu, soy pate, biscuits, various flours and meals, pasta, juices etc.

3.5. Final comments and sources

However, there is a need to enhance understanding and provide more information on the whole concept of organic agriculture production and also to secure institutional and financial support to develop this rather new sector.

In order to raise public awareness the concept of organic food production needs to be promoted amongst general public and specifically amongst local population to ensure markets for local products

Agriculture specialists believe that BiH has all the natural prerequisites for organic food production, but they also recognize the importance of the farmers’ willingness to produce such a food, which requires special knowledge and long-term investment.

However, foreign agencies, governments and non-governmental organizations have been active in supporting this sector. Currently, a projected called the “Development of Organic Agriculture in BiH” is being supported by the Swedish

International Development Agency (SIDA) and implemented by Grolink (a Swedish based consultancy).

In BiH there is a need to enhance understanding and provide more information on the whole concept of organic agriculture production and also to secure institutional and financial support to develop this new sector. Also, there is a need to society raise public awareness at large to appreciate the externalities of organic farming such as production with no pesticides and artificial fertilizers use, minimized use of non-renewable resources making organic production environmentally-friendly.

It can be also noticed, that more awareness and further promotion of organic products is needed to raise the interest among consumers to buy and pay premium for organic products. This should be done through promotion on media, especially at a local level. Organization of farmer's fairs and local farmer's markets should be also way of support in development organic food market.

3.6. Sources of information

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FiBL and IFOAM (2010) The World of Organic Agriculture. Statistics and Emerging Trends 2010. Bonn, Frick, Geneva

GAIN report: http://www.fas.usda.gov/gainfiles/200503/146119234.pdf

Martina Eiseltová and Ana Sabljo. 2007. Marketability and potential range of organic products from Blidinje area

Ministery of Agiculture of Republica Srpska

Interviews Person: Mrs Solena Sojanic, author of GAIN report

Expert's name	Expert's company	Expert's field of expertise
Zoric Milan	Mushroom d.o.o.	Ograanic processing and marketing
Maric Nada	Elmar	Essential oil production
Amulic Dubravko	Ministery of Agriculture – Republica Srpska	Legislation, subsidies for organic production
Jokic Predrag	Jokic farm	Organic dairy farming
Markovic Dimitrije	University of Banja Luka, Faculty of Agriculture	Farm Management, Pest, Disease and Weed Management, Quality, Safety and Post-Harvest Handling of Organic Crops
Websites:		
Producers		
www.boletus.nu www.celikovic.com www.elmartb.com www.faveda.com www.halilovic.co.ba www.kappokap.com www.klas.com.ba www.roing.net www.smrcak.freehomepage.com www.organskiproizvodi.ba http://www.organicbih.net		
Wholesalers		
http://mbl.mercator.ba/prodajna_mjesta/mercator_centri/mercator_centar_banja_luka		
Labelling / certification organisations		
www.organskakontrola.ba www.imo.ch www.krav.se www.icea.info		
Others		
http://www.vladars.net/sr-SP-Cyrl/Vlada/Ministarstva/mps/Pages/Splash.aspx www.agrofabl.org		

4. REPORT ON ORGANIC SECTOR IN CROATIA

Authors: Natasa Renko, Sanda Renko, Ruzica Butigan, Ante Vuletic

4.1. Croatia country figures

Table 7: Country data of Croatia

Country Data	**2008**
No. of inhabitants:	4,434,000
No. of households:	1.47 million
Average household size:	3
Gross domestic product per capita (€):	€ 10,678
The Food Market	
Annual per capita expenses for food (including non-alcoholic beverages and food) (€):	€ 1,123
Food Expenditures as % of Gross Domestic Product/capita:	9.5% (Experts estimation)
Food Expenditures as % of all consumption expenditures:	32.09%
Volume of the food market (€):	€ 4.98 billion

Source: Republic of Croatia – Central Bureau of Statistics, www.dzs.hr

4.2. Organic production in Croatia

4.2.1. Development

The organic market in Croatia started to exist in 1996. Its development accelerated in 2001 after the national law on organic production, which is similar to the EU regulation 2092/91, was accepted. The organic market continued to grow ever since.

Small organic food shops, as well as supermarkets, started selling organic products simultaneously. From the beginning, most of the processed products were imported from the EU, and overseas. Comparing to other countries undergoing transformation in the Balkans, the Croatian organic market is well developed and consumers can buy organic products in every bigger town.

The main reason for buying organic food among consumers in Croatia are health aspects as well as taste of organic food. Organic food items are often regarded as luxury products due to the high prices.

4.2.2. Legislation

Organic production develops well in a strictly regulated environment. The Act on Organic Production (Official Gazette 12/01, 14/01) was adopted in 2001 and regulates the organic production of agriculture products and foodstuff, its processing, trading, labelling and inspection. A significant number of ordinances were adopted, based on the EU Regulation 2092/91 and the IFOAM Guidelines.

The growth of organic farming is one of the objectives of Croatian agriculture policy, as reflected in various Governmental programs. For example, the ambitious objective to get 10% of agricultural land to be certified as organic within 10 years, has been set by the Rural Development Strategy in 2003, and is, thus, to be reached in 2013, three years after the completion of this report.

The MAFWM (Ministry of agriculture and water Management) is the competent authority for the coordination and implementation of organic production policy.

4.2.3. Certification

The National label for organic products is called „Hrvatski Eko Proizvod“.

Figure 1: The Croatian label for organic products

Source: http://www.kontkod.hr/ekomed/katalog08.html

The sign "ekoproizvod" (literally translated: “Croatian organic product”) is a guarantee that the product is manufactured in accordance with the regulations on organic production. The right to use the label is being accorded for one year or one growing season and with a declaration confirming the quality of the product. Producers and processors have, consequently, to re-itinerate their demand for accreditation every year.

Manufacturers get the right to use the label “Ekoproizvod” if their production is certified by a certification body and if this certification is documented. In Croatia, the accredited certification institutions are the following.

Table 8: Certification bodies in Croatia

Certification Body	Address	Website
AGRIBIOCERT d.o.o.	Veli dvor 11, 51513 Omišalj	http://agribiocert.awardspace.com/hr/index.php?id=clients
BIOINSPEKT d.o.o.	ĐakovŠtina 2 31000 Osijek	Partner of ProCert (Switzerland)
BIOTECHNICON PODUZETNIČKI CENTAR d.o.o.,	Teslina 10/III, Zagreb 10000	www.biotechnicon.hr
PRVA EKOLOŠKA STANICA I BIOTECHNICON d.o.o	Hrvatskih iseljenika 30, 21 000 Split	http://prvaekoloska.hr/

Source: own compilation according to: http://www.akreditacija.hr/min_registar?param=akreditacije&id=224

4.2.4. Production

Table 9: Organic agriculture in Croatia

Organic Agriculture	2007	2008	2009
Total agricultural area (ha)		2,956,000	3,150,000
Organic agriculture land use (converted area controlled according to EU regulation in ha)*	7,577	Ca 10,000	14,193
Percentage of land use for organic agriculture (%)	0,05	0,1	1,29
Number of organic farms (converted and controlled according to country regulation)	477	630	885
Number of organic farms (in-conversion and controlled according to country regulation)	n/a	n/a	n/a
Number of all farms (organic + conventional)	n/a	n/a	n/a

Source: http://www.hr/hrvatska/gospodarstvo/poljoprivreda; http://hrcak.srce.hr/index.php?show=clanak&id_clanak_jezik=41673, http://www.poslovni.hr/142346.aspx; www.mps.hr; www.focus-balcans.org

Table 10: Organic crop production in Croatia

Crop Production	2008
Cereals (foremost wheat and corn)	2,503
Other crops from arable land (e. g. herbs, alfalfa)	7,085
Pastures and prairies	1,739
Vegetables	96
Fruits	839
Grapes	213
Olives	78

Source: http://www.hr/hrvatska/gospodarstvo/poljoprivreda; http://hrcak.srce.hr/index.php?show=clanak&id_clanak_jezik=41673, http://www.poslovni.hr/142346.aspx; www.mps.hr; www.focus-balcans.org

4.2.5. *Imports and exports*

Table 11: Imported and exported organic products in Croatia

Imported Product Items	Country of Origin	Comments /Sources/ Tendencies
Baby food	Austria	http://moan.iamb.it/FCKeditor/UserFiles/File/MOAN%201st%20meeting/MOANPosters/15croatia.pdf
Cereals		
Legumes		
Fruits and vegetables	EU	
Processed vegetables	BiH	
Olive oil	Italy and Germany	
Sweets		
Marmelade		
Fruit juice		
Exported Product Items		
Pumpkin seed	Holland	http://moan.iamb.it/FCKeditor/UserFiles/File/MOAN%201st%20meeting/MOANPosters/15croatia.pdf
Fresh vegetables		

Source: own compilation

4.3. The organic market in Croatia

Table 12: Data on the organic market in Croatia

The organic market	2008	2009
Number of wholesalers and importers for the organic retail market	51	64
Number of processors of organic products	691	885
Total turnover of the organic food market on consumer level (€)	4.5 (Experts estimation)	n/a
Annual amount of money spent for organic food per capita (€)	1€ (Experts estimation)	1
Market share of the organic market compared to the entire food market (%)	0.1% (Experts estimation)	n/a

Source: Republic of Croatia - Official gazette http://narodne-novine.nn.hr/

4.3.1. Distribution channels

The analysis of the literature on distribution channels of organic products suggests that there is no common classification of distribution channels of organic products. Distribution is crucial for the growth of the organic sector.

Organic supply chains are not established for all food commodities.

At the retail level, an initial phase was driven by small food specialties shops and health food stores.

Direct selling from producer to consumer via farm shops or weekly markets exists since the beginning of the organic movement in Croatia. This market channel has important advantages for farmers, thanks to the direct to consumers and low marketing costs because there are no other participants in the supply chain. Thanks to an increasing level of eco consciousness, more and more customers are buying on farm level. Specialized shops sell only organic food.

Supermarkets are important partners in developing sales as they represent the entrance to the mass market. They have the capacity to provoke domestic production by securing large sales.

Table 13: Qualitative assessment of market channels in Croatia

Market channel	Assessment
On Farm selling	This is the most ancient form of marketing organic products, directly to the consumers. It started probably in the 1980ies or early 1990ies. Sometimes they developed into farm based organic food stores with a broader assortment.
Farmers' markets	Mostly the same actors then in direct selling: Farmers who sell at the farm gate later develop a marketing activity on weekly markets in nearby towns. Narrow assortment of fresh and farm-processed items.
Specialised shops	Started in the mid-1990ies. Today, there are organic food stores in most of the bigger cities. Broad assortment of 2000 or 3000 items
Supermarkets	The Croatian branches international retail chains, like DM or Mercator, started in 2002 to market organic products. Small assortment of normally less then 200 items.

Source: own compilation

4.3.2. Conventional retail

Conventional retail is supermarkets, hypermarkets and small stores. Supermarkets and hypermarkets are gaining increasingly important role, especially in Zagreb and Rijeka.

Some of them have specialised sections for "health food" and some of them have organic products next to another products (for example: Konzum has Bio&Bio shelves; Mercator has section with organic products).

Table 14: Important actors on conventional retail

	DM	Mercator	Konzum	Billa
Total turnover:	n/a	n/a	n/a	n/a
Organic food turnover as a share of total food turnover:	n/a	n/a	n/a	n/a
No. of organic food products:	200	200	Several hundred	n/a
Most important organic product groups:	Non-perishable food	Basic foods processed plant products	Non-perishable food	n/a
Start of organic sales:	Around 2002	Around 2002	2005	n/a

Source: own compilation

Although the Croatian organic products can be found in every supermarket, the assortments are still restricted. It seems that supermarkets take up organic products more because of their image than because of the profit.

4.3.3. Organic wholesale

Biovega is the first organic wholesaler and owns the Bio&Bio-food-store-chain with the biggest organic shops in Croatia. Biovega started in 1996, has their own import system and is the main player on the market. Please see further information about Bio&Bio under „Specialised organic retailers“below.

Today we have several wholesalers, and most of them have their own health food retail store (like Biovega). In other stores (mixed outlets where conventional and organic products can be found), their products are separated, so consumers can see which one is organic.

Table 15: Important actors in organic wholesale

	Biovega
Total turnover:	n/a
Organic food turnover as a share of total food turnover:	100%
Range width (no. of organic food products):	2500
Most important organic product groups:	1. bio&bio homebrand for grains and beans 2. Integral food supplement, e.g.Green magma 3. Cosmetics (holistic face & baby care), e.g. Rose facial cream- from Dr. Hauschka
Start of organic sales:	1996
Main challenges:	Recertification of imported products; supply with domestic products; rising demand for organic products

Source: own compilation

Organic wholesalers have an important influence on increasing the availability of organic products. They often cooperate with the conventional supermarket chains in order to organise imports and logistics for organic products in the Croatian market.

All of the wholesalers import bulk raw material, and then do the packaging and labelling. Domestic producers are not well organised for packaging and labelling, so wholesalers are active here as well in order to prepare the products for selling in longer supply chains (for example Biovega prepares fresh products for Konsum markets).

4.3.4. Organic food processing

Organic food processors do not only process food but they promote as well healthy lifestyle. The number of products is rising, so consumers can find all the components of a full meal in organic quality.

But, organic processors are so much more than just processors; like "Zrno" for example, they engage into education, rural development and eco-tourism.

Table 16: Important actors in organic food processing

	Sever organic farm	**Zrno**
Total turnover:	n/a	n/a
Organic food turnover as a share of total food turnover:	100%	100%
Range width (no. of organic food products):	n/a	n/a
3 most important organic product groups:	1. fresh fruit and vegetables 2. pickled and processed vegetables 3. cereals and flours - organic meat	1. fresh fruit and vegetables 2. homemade long-lasting bread 3. spices and marmalades
When did the company start selling organic products?:	2000	1988
Main challenges:	Meet the growing demand for organic products; price setting	Expand more in tourism; open more shops all over Croatia

Source: own compilation

The Sever Family started to develop its own business on a 50ha farm near Zagreb. During the last seven years, they established their own grain and vegetables processing unit (pickled vegetables) and sell the products directly to consumers, organic food shops and supermarkets, such as DM. Moreover, they started a box delivery system to consumers in Zagreb. They sell on-line as well.

This family owned company is a pioneer in Croatia. The situation for small processors is comparable with organic market actors in Germany or other Western European countries in the 1970ies. However, a few big processors started to produce organic products in Croatia such as the baby food company Hipp. This company does not give any information about products, turnover etc. of their Croatian branch.

Estate „Zrno" is the oldest organic farm in Croatia (from 1988). Seven years later, they got an „Ekološki Oscar" for environmental protection. They started an Eko-educational centre where they teach how to grow plants the organic way and how to make healthy food and more. Also, they started the tourism business, all with health-oriented theme. They started the association „Živa zemlja“ (“living soil”).

4.3.5. The specialised organic retail market

Organic food shops

These shops sell 100% organic products, such as dry food, fruits and vegetables, nutritional supplements, natural cosmetics and cleaning products. Most of it, about 90% is imported from abroad. They are mostly opened in shopping malls or where is many consumers who could be interested in buying organic products.

Direct-selling (on-farm, farm gate, farmers markets)

On the green markets in Zagreb, Osijek and other bigger towns organic products are available at the stall of producers. These products are mostly fresh or lightly processed homemade goods (pickles, salads). Consumers put more confidence in products they will buy there.

Delivery-box-system

The Sever farm, see description above, has established the first and still only delivery system for organic products in Zagreb. They sell fresh and processed (flour, pickles) products from their farm.

Strong food brands in organic/health stores

Some strong food brands foreign and domestic are: Alnatura (brand in DM stores),

Bio&Bio (homebrand of Biovega), Oatly, Molenaartje, Mitoku, Rapunzel, Davert.

4.3.6. Customers in organic/health stores

Organic products are more expensive than non-organic products but still, there are reasons for buying them. Here are some of these reasons:

- Quality: strict criteria in product selection, important for Croatian customers
- Health care: many people started to be conscious of their healthy nutrition. They want to prevent certain health problems. And those that have problems are finding the solution in organic food and supplements.
- Natural lifestyle: many young, conscious, people are buying in organic shops because the products and the mission of these shops are closely related to their lifestyle.

GfK (Market research agency in Zagreb) did an omnibus survey (n=1 000) about organic food which started with a question whether the people had ever heard of organic food.

According to the results, 83% of interviewed people have said that they have heard of organic and 17% that they have not. In the group of "did not hear of" These t young people between 15 and 17 years old (35%) and persons older than 65 years (36%) were over-represented, followed by people with lower levels of formal education (55%), mostly in the northern part of Croatia (Slavonia).

There are still not many regular and frequent buyers of organic products, and one of the main reasons is, for sure, the higher prices (they are up to 30% higher than conventional products). Although the awareness of these products is quite high, research shows that in this time of crisis the share of consumers of organic food falls from 14% to 10%. However, in the long run, and regardless of the price, these products will find its place on our menus.

4.3.7. Specialised organic retailers (detail)

Specialised organic retailers offer everything for healthy life, and that is their goal-not only that you eat organic food but to make "health" your lifestyle. They try to have a trained staff to offer advice and help when purchasing. It is also important to build loyalty and expand assortment to the consumers' desire.

Table 17: Important actors in organic retail (1)

	Bio&Bio
Total turnover:	n/a
Organic food turnover as a share of total food turnover:	100%
Range width (no. of organic food products):	2500
3 most important organic product groups:	1. bio&bio home brand for grains and beans 2. Integral food supplement, e.g. Green magma 3. Cosmetics (holistic face & baby care), e.g. Rose facial cream- from Dr. Hauschka
Company's history:	Biovega the company which owns the Bio&Bio shops have been developed since 1996 its own natural products trade considering the principles of high quality selection of products with organic certificate. Due to that, it gained the customer's credibility as well as their reliance and is the most successful „health food store" in this area with seven shops in Croatia. Bio&Bio stores were established under that name in 2003, which was the year of starting and further expanding the franchised business.
Main challenges:	Recertification of imported products; supply with domestic products; rising demand for organic products; advices of consumers

Source: own compilation

Biovega is, for sure, the pioneer and still has a dominant role, But there are at least two more companies important in Croatian organic retail:

Table 18: Important actors in organic retail (2)

	Garden	**Gea**
Organic food turnover as a share of total food turnover:	100%	100%
Range width (no. of organic food products)	3000	Over 100
Most important organic product groups	1. all kind of food, vine and non-alcoholic beverages 2. cosmetics 3. cleaning products	1. food 2. nutrition supplements 3. cosmetics
Company's history	Garden opened in September 2009 and is the first organic supermarket in Croatia. By that, it is the right place for everybody who wants to eat and live healthy. Assortment is very wide and deep, so every customer can find something.	In 1988. Gea was opened as a first health food store in this part of Europe. They were first who had organic packaging. Today there are many stores all over Croatia with educated staff who can held every customer to find the best product for themselves.
Main challenges	Recertification of imported products; supply with domestic products; rising demand for organic products; advices of consumers	Recertification of imported products; supply with domestic products; rising demand for organic products; advices of consumers

Source: own compilation

Biovega has established its own business standards and sells European and worldwide brands of organic products. Moreover Biovega has its own brand of organic products (Bio&Bio), owns a special vegan restaurant, a publishing house and seven health food stores under the name of Bio&Bio.

According to the company, Bio&Bio shops have a high quality image and offer of highest quality of organic certified food. Especially the grains and beans under their own Bio&Bio brand are very popular.

To become a partner in the Bio&Bio franchise concept, the previous business knowledge is not required. The central franchise office is in charge to accompany the projects of new Bio&Bio stores from the very beginning, offering the whole logistic support as well as the necessary know-how.

The sales staff in Bio&Bio shops is taught and trained and, consequently, able to give advice on healthy nutrition, natural cosmetics and many other different products due to their own experience.

Biovega respects the principles of Fair Trade, respecting the labelling systems active in all the countries worldwide. It tries to communicate the importance of these principles to the customers.

4.4. Conclusions

Comparing to other countries- undergoing transformation in the Balkans- the Croatian organic market is well developed. But the proportion of domestic product of all organic food sales is still low: Germany, Italy and Spain are among the most important countries of origin for the imported products.

The demand for organics is rising; especially the conventional supermarkets/chains influence the organic market by a continuous expansion of the assortment. The future challenge lies in increasing supply from local producers, either through direct supply contracts or via national distributors. T

he aim is to decrease the imports and simultaneously to increase the offer of domestic products, in particular of fresh organic products. Some of the most efficient supply chains (berries, wild fruits) seem to be working for the export only, wile other, domestic, supply chains still need improvement. In addition bureaucratic structures still complicate the market establishment: every imported organic product has to be recertified by a Croatian authorised certification body and the certification has to be applied for each year.

Despite the growing influence of the conventional, larger supermarkets/chains in shaping the organic market, the specialised organic retail, the pioneer driver of the organic sector, is well developing, too.

This expansion is especially driven by a rising demand for certified and high quality food connected with an increasing awareness of the different consumer target groups as well as a new comprehension health and taste issues. At present „Bio&Bio" is the most successful „health food store" in the specialised organic sector with seven shops in Croatia (franchised business).

4.5. Source of information

Expert's name	Expert's company	Expert's field of expertise
Vesna Brčić – Stipčević	Savez potrošača Hrvatske	Consumer rights, organic food
Jadranka Boban Pejić	Bio Vega	Retailing – specialized organic
Ana Mitrović	Konzum	Retailing
Darija Musulin	Ministry of Agriculture	Organic regulation
Ivica Kisić	Faculty of Agronomics, University of Zagreb	Food marketing
Jasmina Ranilović	Podravka	Food quality
Sanda Rašić	Faculty of Economics & Business, University of Zagreb	Organic
Websites:		
Producers		
www.eko-sever.hr www.bio-zrno.hr		
Wholesalers		
www.biovega.hr		
Retailer		
www.biobio.com.hr		
www.mojgarden.hr ; http://www.zdravakrava.hr/clanak/275/prvi-hrvatski-organski-supermarket		
www.gea.com.hr		
Others		
www.dzs.hr www.focus-balcans.org http://hrcak.srce.hr/index.php?show=clanak&id_clanak_jezik=41673 http://www.hr/hrvatska/gospodarstvo/poljoprivreda http://moan.iamb.it/FCKeditor/UserFiles/File/MOAN%201st%20meeting/MOANPosters/15croatia.pdf www.mps.hr http://www.poslovni.hr/142346.aspx		

5. REPORT ON ORGANIC SECTOR IN FYR MACEDONIA

Author: Vladimir Kendrovski

5.1. Macedonia country figures

Table 19: Country data of Macedonia

Country Data	
No. of inhabitants:	2,048,619 (2008)
No. of households:	567,296 (2009, in accordance with Census 2002)
Average household size:	4 (2009, in accordance with Census 2002)
Gross domestic product per capita (€)	€ 2,242 (2008)
The Food Market	
Annual per capita expenses for food (including non-alcoholic beverages and food): €	€ 2,380 (2009)
Food Expenditures as % of Gross Domestic Product/capita:	58% from average net monthly salary (2009)
Volume of the food market (€):	n/a

Source: http://www.stat.gov.mk/

5.2. Organic production in Macedonia

5.2.1. Development of the organic agriculture sector

The first significant, that means strategic and systematic activities in the field of organic agriculture happened around the year 2000. Organic farmers started organizing themselves locally in civil associations. Initiated by FIBL (Research Institute of Organic Agriculture in Switzerland) and SIPPO (Swiss Import Promotion Programme) in connection with organic kaki production activities, the first organic inspection took place by the end of 2003, and the first organic certificate was issued in 2004.

In 2003 these local associations joined together in a national organic federation, called Biomak, headquartered in Kavadarci. Soon the federation was joined by trade companies and processing enterprises, which were interested in processing and trade of organic food, but also by associations which only declared they intended to do organic production, but had not regulated such an intention legally (with their statutes, etc.). Such developments were not welcomed by the farmers i.e. by the producers of the primary agricultural production. Therefore, in July 2006 a new – purely farmers' and purely organic – federation was registered, the Macedonian Federation of Organic Producers "Biosan", headquartered in Skopje.

Biosan's primary role is to guide and coordinate the activities of local organic farmers' associations, according to the Development Strategy of the Federation.

Further more BIOSAN represents the interests of organic farmers and is active in promoting organic agriculture on national level. Biosan operates on the entire territory of the country and is open to admit new member organizations as long as they can fulfil the minimum criteria for admission – to be registered in court as organic associations (de jure) and to have in their own membership at least one farmer who has received an organic certificate for their production (de facto). At the moment Biosan brings together 8 local organic associations from Valandovo, Gevgelija, Strumica, Pehčevo, Sveti Nikole, Kumanovo, Skopje and Gostivar.

Biosan's activities are mainly focused on:

- Compilation of a general, common and unified data base of organic producers and products;
- Education and training of own advisors;
- Advisory services in organic agriculture;
- Advisory services on utilization of agricultural land on economic, ecological and sustainable principles;
- Marketing of organic products on domestic and foreign markets;
- Establishment of distribution links and common purchase of allowed inputs;
- International cooperation with similar organizations; and
- Educational and training of other clients.

At the moment Biosan is the basic, the biggest and the leading engine of the organic movement. As such, Biosan is in close cooperation with the Ministry of Agriculture, Forestry and water Economy, Ministry of Environmental and Physical Planning, with research and education institutions, and with other relevant players in the sector. Biosan also develops fruitful cooperation with international donor projects dealing with organic agriculture. [5]

5.2.2. *Legislation*

Macedonia has a national regulation for organic agricultural production (Official Gazette No. 16/2004 and 89/2008). In order to make Macedonian organic production competitive in comparison to international markets, the law on organic agricultural production, which was adjusted to the EU regulation, was adopted by the parliament in April 2004. It regulates the general provisions related to the production, processing, marketing and labelling of organic production and applies to all types of organic agricultural products intended for human consumption and animal feeding. The Law also provides the basic conditions for inspection and certification of organic agriculture. The reasons for the law are human health protection, biological diversity protection, consumer protection, guarantee of safety,

[5] Source for this chapter: http://www.organic-europe.net/country_reports/macedonia/default.asp

food monitoring and quality. The by-laws on the Law on Organic Agriculture provide a complete legal framework on the organic agriculture production.

The national legislation "Law for organic agriculture (Official Gazette No. 146/2009) valid from 01/01/2010 is fully harmonized with EU ACQUIS (European Regulation (EC) No 834/2007 and 889/2008 on organic production and labelling of organic products)" is providing the legal bases for the organic production.

To enhance organic production in the country, the Macedonian Ministry of Agriculture, Forestry and Water Economy (MAFWE) has introduced financial governmental support. As organic production requires financial resources during the whole production process, especially in the less developed and most environmental region farmer s are not able to pre-finance organic certification costs.

The MAFWE marked 97.500 EUR for the Program to support the organic agriculture for the first time in 2005. Fifty organic farmers registered at MAFWE in 2005 to receive state support. In 2008 the budget of government support for the organic agriculture increased to 815.000 EUR. As result 226 organic farmers successfully registered at the ministry and receive d the state support for their production.

Table 20: Financial governmental support for organic production in Macedonia

Year	Number of beneficiaries	financial support
2005	50 farms	97,500 EUR
2008	226 farms	815,000 EUR

Source: MAFWE, 2010

The implementation of the political strategy for the development of organic agricultural production is ongoing. The program includes direct support and public-awareness campaigns for organic production. Manuals have been devised on the registration of producers, processors and traders of organic products, on the labeling of organic products and on officially recognized certification bodies from third countries.

5.2.3. Certification

According to the national law on organic agriculture has the expert control of organic producers, processors and traders is to be conducted by registered inspection bodies. These bodies must have headquarters in the country, employ at least three staff persons and be accredited. Several foreign international certification bodies are present in the country. Since 2005 Balkan Biocert, a product of international partnership (FiBL (Research Institute of Organic Agriculture, Switzerland), IMO (Institute for Market Ecology, Switzerland) and Bioselena (Foundation for Organic Agriculture, Bulgaria)), has a branch office in Macedonia. In 2009 the first Macedonian certification body PROCERT started its activity. It has been accredited by the National accreditation institute in charge (www.iarm.gov.mk).

5.2.4. *Production*

Organic production in Macedonia is still in an early stage of development. Out of the total agricultural area in Macedonia, the organic share is around 1%.

According to governmental statistics the organic agricultural area increased from 226 ha in 2005 to 1,056 ha in 2009. The number of organic farms expanded from 50 in 2005 to 264 in 2009. By 2011, the Macedonian government would like the overall share of organic agriculture to account for 2% of agricultural area.

Table 21: Organic agriculture in Macedonia

Organic Agriculture	2007	2008	2009
Total agriculture area (ha)***	n/a	n/a	1,320,000
Certified surfaces for organic wild collection*	11,162	50,000	204,830
Organic agriculture land use (converted area controlled according to EU regulation in ha, according to national sources)*	714	1,029	1,056
Organic agriculture land use (converted area controlled according to EU regulation in ha according ti)**	1,333 ha	n/a	3,380
Number of organic farms (converted and controlled according to country regulation)*	150	226	264
Number of organic farms (in-conversion and controlled according to country regulation)**	n/a	n/a	99
Number of all farms (organic + conventional)	n/a	n/a	n/a

Sources: *) http://www.mzsv.gov.mk/files/DATA_organic%20production_2009.pdf

) The world of organic agriculture 2009; *) http://www.auswaertiges-amt.de/diplo/de/Laenderinformationen/Mazedonien/Wirtschaft.html

IFOAM and FIBL mention in "The world of organic agriculture 2009" slightly different data. 2005: 249 ha, organic share 0.002%; 2006: 509ha; 0.04%, 2007: 1,333 ha, 0.11% (IFOAM, FIBL). In 2009 there are 99 organic producers cultivating 3,380 ha organic agriculture land. That is a share of total agricultural land of 0.31 %.

Table 22: Organic crop and animal production in Macedonia

Crop Production (in ha)	2009
Cereals	402 ha
Other crops from arable land	129 ha
Pastures and prairies	106 ha
Vegetables	142 ha
Fruits	211 ha
Wine	60 ha
Animal Production (head of animals)	
Dairy cows	377
Sheep	22,058
Goats	1,039
Pigs	5
Bee families/Beehives	15,455

Source: Ministry of Agriculture http://www.mzsv.gov.mk

Organic regulation: Country regulation established in 2004.

Two certification bodies: Procert (started 2009) and Balkan Biocert (started 2005)

Producers' organisation: Biosan founded in 2006, today Biosan brings together 8 local organic associations.

Organic production: around 3,000 ha.

5.3. The organic market in Macedonia

Organic production in Macedonia is still not developed sufficiently in volume and diversity in order to be able to implement sustainable marketing activities of organic products.

There are single initiatives for selling organic products locally, on green markets and on farm sales, but yet there is little demand and insufficient knowledge about organic agriculture among consumers. For the moment being, there are no organic shops with the exception of several specialized and health shops, where consumers can find mostly domestic organic products. In recent years organic products could be found also in supermarkets from time to time and this trend is increasing.

It is a vicious circle: there is not sufficient market for organic products to stimulate production on the one hand and on the other hand market development is hindered by the lack of quantity and quality.

Distribution channels:

green markets, farm-gate, specialized and health shops, supermarkets

5.3.1. The organic market actors

In 2009 MAFWE added new measures in order to promote organic farming – financial support for processors and for traders who start going organic. Companies like Alkaloid (organic herb teas from wild collection), Vitalia (organic jams), Vinarija Grkov (organic wine), Kastel, Intermak (mushrooms) are pioneers in processing of organic products.

There are few processing companies operating in organic industry. Two companies are processing and trading wild collected products and producing for example dried herbs/tea and mushrooms preserved and processed fruits (mostly wild berries) as well as juices, juice concentrate and jams. Most of these productions are export oriented. Another company is producing vinegar. Furthermore there are some capacities for processing on the farmers level (e.g. honey, juice, bread, essential oils).

Other activities include selling freshly squeezed fruit juices in several cafe bars and direct selling of selected products (e.g. honey, bread, fruits) from farmers to supermarkets.

Most of such activities so far were aiming at the national promotion of organic food. In Prilep, Bitola and Rosoman over the past few years, and this year also in Skopje, organic market stands were opened where organic food was sold under the logo "Tasty Organic Food". With the purpose to promote organic food among consumers some events were organized, such as the Organic Day in Strumica.

Since there is no continuous supply of domestic organic processed products in adequate quantities it is difficult to build lasting supply chains for the domestic market. Furthermore most processing companies are demanding organic raw materials (not in conversion) and they have difficulties to process small and not standardized quantities of organic products. Fresh vegetables and fruits are often sold as conventional since the costs for distribution in the organic supply chain are high and there are limited financial resources on primary producer level. In order to be competitive, in the future, organic producers need to plan jointly and organize better access on domestic and international markets[6].

Seven companies producing, processing and trading dried herbs/tea, mushrooms, preserved and processed fruits (mostly wild berries), juices, juice concentrate and jams, vinegar and wine. Aside there is some production and marketing on farmers level (e.g. honey, juice, bread, essential oils). Most of production is exported Organic markets stands in bigger cities, logo "Tasty Organic Food" Organic Day in Strumica

5.4. Final comments and sources

In Macedonia exists an association of organic producers that strongly influences the development of organic production in the country. There is a national law on organic production, which had already been established in 2004. Meanwhile there is a national certification body, Procert, controlling the organic production. Furthermore a governmental financial support programme promotes the development.

Organic production in Macedonia is still not developed sufficiently in volume and diversity in order to be able to implement sustainable marketing activities of organic products.

5.5. Source of information

[6] Source for this chapter: http://www.avalon.nl/data/asp/document.asp?volgnr=134&type=pdf

Expert's name	Expert's company	Expert's field of expertise
Blagica Sekovska	Veterinary Faculty	organic
Olivera Bicikliski	Ministry of Agriculture, Water Economy and Forestry	
Goran Angelovski	USAID Contractor AgBiz Program	
Websites:		
Producers		
http://www.vitalia.com.mk/ http://www.arbotravel.com/mk/2009-11-03-19-37-39		
Retailer		
http://www.macedonia-export.com/CompetitiveProducts-Healthy.html		
http://www.ramstore.com.mk/hypermarket/en/zdrav-zivot.html		
Labelling / certification organisations		
www.procert.mk		
www.balkanbiocert.mk		

6. REPORT ON ORGANIC SECTOR IN MONTENEGRO

Authors: Borko Bajic, Sanja Scepanovic

6.1. Montenegro country figures

Table 23: Country data of Montenegro

Country Data	2003	2008	Source
No. of inhabitants:	626,188		MONSTAT-* DATA FROM CENSUS IN 2003
No. of households:	180,517*		MONSTAT-* DATA FROM CENSUS IN 2003
Average household size:	3.43*		MONSTAT-* DATA FROM CENSUS IN 2003
Gross domestic product per capita (€)	€ 4,484 (2007)	€ 4,908	MONSTAT
The Food Market			
Annual amount spent on food per person (includes non-alcoholic beverages as well as food): €	€ 54*	€ 61*	* MONSTAT-Household Budget Survey harmonized with international standards

6.2. Organic production in Montenegro

6.2.1. Development of the organic agriculture sector

Until now, the development of organic agriculture in Montenegro can be divided in two phases: first, in the period 2001-2004, second in the period since 2004.

The first phase is characterized by activities whose primary goal was to inform producers and consumers on the advantages and disadvantages of organic agriculture, market inquiry, education and agricultural engineers to identify problems faced by organic agriculture.

The second phase is characterized by: initiation of the preparation of drafting laws and bylaws, education of local experts from agriculture (departures abroad on training, etc.) and the establishment of certification body called "Monteorganica. Some of the activities that were started at the beginning of the second phase of conduct referred to the motivation of domestic producers to switch from traditional to organic agriculture, using experiences from other countries.

The activities of the Ministry for Agriculture, Forestry and Water Management (MoAFWM) have led to the formation of three growers associations.

6.2.2. Legislation

The development of organic agriculture is one of the objectives of Montenegrin agricultural policy. The Law on Organic Agriculture (Law 01-1006/2) was adopted in 2004. The law provides a legal framework for the organic production according to EU regulation 2092/91 (now 834/2007). It regulates production according to organic methods and the control of processing, transport, storage, certification and labelling of organic products.

Bylaws were enacted in 2005 and 2007. They enable regular innovation and coordination with European and international standards. A revision of the organic law is currently under preparation.

To support organic agriculture the government spent 165,000 Euro in 2009 and 65,000 Euro in 2010. With this support the work of the certification body Monteorganica has been financed. Furthermore the producers get direct payments:

Table 24: Governmental support for organic production in Montenegro

Type of production	2009	2010
arable crops	120 €/ha	150 €/ha (and medical plants)
vegetables and fruits	220 €/ha	250 €/ha
cattle	40 €/head	50 €/head
poultry	2 €/head	2 €/head
beehives	20 €/beehives	30 €/beehives

Source: Agro budget, Ministry of Agriculture, Forestry, and Water Management

6.2.3. Certification

According to the national law Monteorganica provides a complete service in the inspection of organic products and other food quality systems according to standards and to the EU regulation.

Founded in 2005 this body is located in Podgorica, capital of Montenegro. Montenegro has all the necessary requirements concerning the procedure of certification and inspection in the field. Through a clearly defined procedure, potential producers of organic products may be familiar with all the details necessary for getting certificate. Below is an overview of the necessary steps.

The main prerequisite to a farmer engaged in agriculture and organic production of the manufacturer is to have a basic knowledge of organic production methods, establish good cooperation with professional services-Advisory service in plant production, Service selection of livestock, which are located within the Biotechnical Faculty and to be familiar with the valid legal regulations and laws in this area[7].

Figure 2: Labels for organic products in Montenegro	
Organic logo for Montenegro	Logo of the certification body Monteorganica
	Monteorganica: Vasa Raickovica 18, 8100 Podgorica, Internet: www.orgcg.org

Source : http://www.organic-world.net/montenegro.html

[7] Producer has to have contact with the certification body after which the certification body required to provide customers the application kit that contains: request; copy of the laws and regulations on organic agriculture the Law on organic agriculture; the Regulation on methods of organic plant production and gathering berries and herbs; the Regulation on organic livestock production methods; Contribution of funds allowed for use in organic plant and animal production; Regulation on the processing of transport and storage of products of organic production; Applications for organic production/processing Log on vegetable production Registration of farm production Application of processing Log on beekeeping Application of forest fruits; Standard procedures; Sanctions Policy; Contract Control and Certification After submitting applications and necessary documents and their analysis "Monteorganica" will be negotiated with the manufacturers of the appropriate term for the execution of the initial or the first control.

6.2.4. Organic production

Table 25: Organic agriculture in Montenegro

Organic agriculture	2007	2008	2009
Total agricultural area (ha)	518.000 (Source MONSTAT)		
Organic agriculture land use (converted area controlled according to EU regulation in ha)	133,800*	101,800*	101,800*
Organic agriculture land use (converted area controlled according to country regulation in ha)	134,804**	103,608**	102,911**
Organic agriculture land use (area in-conversion controlled according to country regulation in ha)	43	67	3,493
Number of organic farms (converted and controlled according to EU regulation)	1	1	1
Number of organic farms (converted and controlled according to country regulation)	3	6	6
Number of organic farms (in-conversion and controlled according to country regulation)	10	20	28
Number of all farms (organic + conventional)	n/a	n/a	n/a

* wild collection areas

**including wild collection areas

Source: Ministry of Agriculture, Forestry and Water Management

In 2009 total number of registered producers (producers in the process of control and certification, including the producers in conversion) of organic agriculture is 34 (out of 34 registered producers, two producers are carriers of group certification and responsible persons for 54 contract farmers). All together there are 88 active producers in organic production in 2009.

Table 26: Organic crop and animal production in Montenegro

Crop Production	**2007**	**2008**	**2009**
Wild collection	133,800	101,800	101,800
Arable land (organic)	-	3	1
Arable land (in conversion)	40	59	28
Permanent crops (organic)	3	4	3
Permanent crops (in conversion)	3	9	16
Pastures & grasslands (organic)	1,001	1,001	1,106
Pastures & grasslands (in conversion)	-	-	3,449
Animal Production (head of animal)	2007	2008	2009
Cows	-	54	56
Cows (in conversion)	-	-	79
Goats	100	450	530
Goats (in conversion)	-	-	150
Sheep	-	-	160
Sheep (in conversion)	-	160	910
Bee hives	-	-	31
Bee hives (in conversion)	11	40	11

Source: Monteorganica

The report "The world organic agriculture" of IFOAM & FIBL mentions in 2009 25 organic producers and 1,876 ha of organic cultivated land, which is a share of 0.36% of all agricultural land in Montenegro.

Table 27: Organic crop production in Montenegro (2008, IFOAM & FIBL)

Organic Agriculture 2008	hectares	hectares in conversion
Cereals (Barley, Buckwheat)	-	32
Medicinal and aromatic plants	-	2
Plants harvested green	1	3
Potatoes	3	15
Vegetables	-	6
Arable crops	4	59
Grapes	-	1
Fruits	4	7
Berries	-	1
Permanent crops, total	4	9
Permanent grassland	1,800	-

Source: IFOAM & FIBL 2010

Table 28: Overview of registered and certified producers of organic agriculture and issued certificates in Montenegro for 2009.

No.	Municipality	No. of registered producers	No. of certificated producers	No. of organic certificates	No. of certificates in conversion
1.	Podgorica	6	1	1	-
2.	Nikšić	7	3	1	2
3.	Kolašin	2	1	1	-
4.	Pljevlja	4	1	1	-
5.	Mojkovac	1	-	-	-
6.	Berane	3	-	-	-
7.	Bijelo Polje	3	-	-	-
8.	Bar	2	2	2	-
9.	Herceg Novi	2	-	-	-
10.	Plužine	3	-	-	-
11.	Žabljak	1	-	-	-
Total:		34	8	6	2

Source: Monteorganica

6.3. Organic market in Montenegro

In Montenegro there are Healthy Food Shops, which also offer some organic products, but there are not specialised shops for organic food.

Organic producers, mainly sell their product directly to hotels, restaurants etc, or privately. In large supermarkets, (Merkator, Voli, Delta maxi) there are organic food sectors.

The total turnover with organic products is estimated to count for 55,000 € in 2008.

The company INSPE is involved in the processing and trading of medical plants.

Table 29: Strong brands of organic products in Montenegro

Brand name	product
Agrovita	Production of bread and pastries from integral flavour , growing and processing of buckwheat as an organic product
Bubulj	cheese made from coat milk
Mirjanic	jam and juices of cornel berry
Nika	diary products
HM Durmitor-Zabljak	hard cream- kaymak

Source: own compilation

6.4. Final comments

Environmental conditions in Montenegro provide preconditions for organic agriculture, but in the further period we expect better usage of them for development of organic agriculture. The number of organic food producers is growing.

Monitoring the organic agriculture growth in Montenegro is a complex task, due to the heterogeneity and unreliability of data and the difficulty in obtaining detailed statistical information about foreign trade, consumption and processing. In order for overcome these deficiencies, public institutions need to take responsibility for the collection and dissemination of this information, ensuring linkages between all parties engaged in the production, processing and trade of organic products.

The slow development of the domestic market, represents a significant constraint to growth and an obstacle to the long term sustainability of the sector. Many farmers lack information and support, and in export oriented markets, the traders play the biggest role. Moreover, due to the absence of expertise and infrastructure for the distribution and processing of organic products, raw goods are traded and exported by foreign companies, who in turn process and label the products for sale outside these countries. It is not unusual to see, for example, that raw goods are exported to European countries, only be imported back into major cities as processed products into originating countries, thus blocking further developed of processed products there and taking market share and the economic benefits from local producers

7. REPORT ON ORGANIC SECTOR IN SERBIA

Authors: Zaklina Stojanovic, Dragana Stoikovic, Mirjana Gligoric, Svetlana Popovic

7.1. Serbia country figures

Table 30: Country data of Serbia

Country Data	2007	2008	2009	Source
No. of inhabitants:	7,381,579	7,350,222	7,334,935 *	Statistical office of the Republic of Serbia. Mid-year population, *Beginning of the year estimate (2009/01/01).
No. of households:	2,536,714*	2,536,714*	2,536,714 **	Statistical office of the Republic of Serbia.*Estimate.**Estimation for third quarter of 2009.
Average household size:	2.95	3.04	3.07*	Statistical office of the Republic of Serbia. *For third quarter of 2009.
Gross domestic product per capita (€):	€ 4,002	€ 4,661*	€ 4,304*	Statistical office of the Republic of Serbia, *Ministry of Finance RS's estimate, Bulletin Public Finances.
The Food Market				
Annual per capita expenses for food (including non-alcoholic beverages and food) (€):	€ 736	€ 738	€ 743*	Calculated by authors according officially available data. * For third quarter of 2009.
Food Expenditures as % of Gross Domestic Product/capita:	18 %	16 %	17 %*	Calculated by authors according officially available data. * Estimation for third quarter of 2009.
Food Expenditures as % of all consumption expenditures	40.3 %	41.3 %	41.8 %*	Statistical office of the Republic of Serbia. * Estimation for third quarter of 2009. Source Household budget survey 2007-2009. (at household level)

7.2. Organic production in Serbia

7.2.1. Development

Organic production first started in Serbia in the late 1970s. During the past ten years, the production and the processing of organic products has become more popular and economically more important. In 2000, a law on organic production was passed. The respective law was to provide that authorized organizations, including state inspectors, could make inspections, and that the Ministry of Agriculture, Forestry and Water Management was the single authority to issue certificates. New organic associations were founded, such as farmers' associations and local and regional associations for rural development, regional cooperation, and the promotion of organic production. Foreign buyers and investors brought local companies and farmers to work according to organic principles. Several companies started to produce to export. A new law on organic production and organic products was announced in July 2006.

7.2.2. Legislation

The Law on Organic Production and Organic Products was adopted by the Serbian Parliament in July 2006, and harmonized with the EU Council Regulation 2092/91. The new Law on Organic Production was adopted in May 2010, and it is fully harmonized with the EU Council Regulation 834/2007 on organic production and labelling. However, certification still has to be improved according to the new legislation.

Rules and standards, in the field of organic production in Serbia, are set out by representatives of the Ministry of Agriculture, Forestry and Water Management. A special department has been created within this Ministry, dedicated to the organic field (named Department for Organic Production).

After the adoption of the new Law on Organic Production and Organic Products in 2006, the Ministry of Agriculture issued six ordinances that were adopted by the end of 2008. Currently, there are three revised additional ordinances in connection with organic production waiting to be adopted by the Serbian Parliament.

7.2.3. Certification

By ordinance a national organic label was introduced at the end of 2006. Every Serbian organic product, which is properly certified, must be labelled with it (A in the following table). The label is authorized and maintained by the Ministry of Agriculture. In addition to this label, the Ministry of Agriculture introduced another label for products that are in the process of conversion from conventional production to organic production (B in the following table).

Table 31: Organic labels in Serbia

	PROIZVOD IZ PERIODA KONVERZIJE
A: Label for organic products	B: Label for products that are currently under the process of conversion

In addition, there are many different labels and brands like natural, eco, bio, etc. Some of them do not have any connection to organic production in the Serbian market. The government introduced the common organic label that is mandatory for all organic products with the goal of introducing organic products to consumers and separating organic from non-organic products. This initiative shall contribute to the development of the domestic market in Serbia.

The Law on Organic Production and Organic Products introduced some new procedures concerning the certification of organic production. Certification authority is given to different accredited organizations, while the Ministry of Agriculture is responsible for issuing accreditation to these organizations, registering organic producers, inspecting the certified bodies and proposing measures for the further development of organic agriculture in Serbia.

In Serbia, there are the following authorized organizations to certify organic products:

Table 32: Certification bodies in Serbia

Certification Body	Address	Website
OCS - Organic Control System Subotica d.o.o.	Trg Cara Jovana Nenada 15, 24000 Subotica Phone: + 381 24 554 600 Fax: + 381 24 553 116	
SGS-Beograd d.o.o.	Boze Jankovica str.39, 11000 Belgrade Phone: +381 11 3978 773 Fax: + 381 11 3874 092	www.sgs.com/organic-certification
Evrocert d.o.o.	Desanke Maksimović 4/3, 11000 Beograd, Republika Srbija Phone: + 381 11 324 4142 Fax: + 381 11 3341 649	www.evrocert.rs
Bioagricert d.o.o.	Djordja Milovanovica str 5, 11000 Belgrade Phone: + 381 64 315 8905	www.bioagricert.org/english

Source : own compilation

7.2.4. Production

Table 33: Organic agriculture in Serbia

Organic Agriculture	2008	2009
Total agricultural area (ha)	5,093,000	n/a.
Organic agriculture land use (converted area controlled according to country regulation in ha)	330	488
Organic agriculture land use (area in-conversion controlled according to country regulation in ha)	266	2,388
Percentage of land use for organic agriculture (%)*	< 0,01%	n/a
Number of organic farms (converted and controlled according to country regulation)	218	224
Number of organic farms (in-conversion and controlled according to country regulation)	n/a	n/a
Number of all farms (organic + conventional)	778,981	778,981[8]
Percentage of organic farms (%)*	n/a	0,03%

*) own calculation on the basis of the provided data

Source: Statistical Yearbook 2009, RZS; Ministry of Agriculture, Forestry and Water Management, Republic of Serbia; Census 2002

The most important Serbian organic products are wild and cultivated fruits and berries. The main regions for organic fruit production are Central and Southern Serbia, where the most important organic certified cooling plants are located.

Other important organic crops are cereals (wheat, maize, barley and oats, as well as pumpkins and sunflowers. Cereals are mainly produced in the region of Vojvodina. These crops are produced on fields of 100 and 300 ha. This is significantly above the average agricultural field size which is around 3 ha according to the Statistical Office data or around 10 ha according to the Register of agricultural holdings.

The operators hold individual organic certificates. Production is certified by two types of certification bodies:

- Certification bodies approved by the Ministry of Agriculture: only the products certified by these certification bodies can be sold in Serbia.
- Certification bodies not approved by Ministry of Agriculture: these certification bodies work in international supply chains, the products that they certify can not be sold in Serbia.

8 Number of registered agricultural producers in the Ministry of Agriculture Household Record is around 450000.

The collection of certified organic wild mushrooms is also well developed, primarily in the Southwestern parts of the country. Donors (International donor organizations oriented towards rural development, for example USAID Agribusiness Project is one of the donors for the fruit chain development in Serbia) and investors (private companies that are trading with organic products) are very interested in the further development of organic fruit production in Central Serbia.

Certified organic vegetable production is relatively small. Fresh, frozen and preserved vegetables, especially ground red peppers, are mainly exported but some fresh vegetables are also destined for the domestic market.

In the following table, the estimations on organic surfaces in Serbia differ quite widely.

Table 34: Organic crop and animal production in Serbia

Crop Production in ha	2008	2009
Cereals (ha)	30	91
Other crops from arable land (ha)	11	n/a
Pastures and prairies (ha)	241	n/a
Vegetables (ha)	36	33
Fruits (ha)	7	354
Wine (ha)	n/a	n/a
Cultivated dried medicinal and aromatic herbs (ha)	4	10
Wild dried medicinal and aromatic herbs; Frozen, salted and dried wild mushrooms (ha)	1,000,000	n/a
Animal Production (heads of animals)		
Cattle	n/a	184
Horses/mare	n/a	52
Pigs	n/a	49
Poultry	n/a	50
Bee-hive	n/a	320

Source: Ministry of Agriculture, Forestry and Water Management, Republic of Serbia

The total organic production was about 30,000 tons in 2008. Raw agriculture products had a share of around 25,000 tons and high value products had a share of around 5,000 tons (USDA Foreign Agricultural Service GAIN Report Number: RB9002). Organic certified livestock production started last year.

Data on organic livestock production has been collated since 2009. The statistical data is mainly achieved through the evidence of organic producers provided to the

Ministry of Agriculture, Forestry and Water Management of the Republic of Serbia. This data relies merely on data provided by the organic certifiers that are accredited by the Serbian Ministry of Agriculture ("SGS-Beograd" d.o.o., "Evrocert" d.o.o., "Bioagricert" d.o.o. and "Organic Control System Subotica" d.o.o.). However, in practice, there are more than three companies included in the certification of organic production. Therefore, the official data might be underestimated.

A central database on organic land was established in 2008 when the Ministry of Agriculture, Forestry and Water Management started to provide evidence of organic production. Figures given in other, secondary sources (publications and articles) can be used as estimations. However there are different certification companies that are certifying the same regions and the same producers. IFOAM (The International Federation of Organic Agriculture Movements) estimated that the wild collection area was about 450,000 ha, and the cultivated land area 0.14% (2,411 ha) of the total arable area in Serbia, while 2,155 ha were in the transition phase towards organic production in the year 2006

(http://www.ifoam.org/growing_organic/2_policy/case_studies/serbia_cases_studies.php).

MOAN (Mediterranean Organic Agriculture Network) estimated that Serbia's total organic production area is 368,091 ha, of which 99.8% is wild collection area (367,500 ha) and 0.16% is on arable land (591 ha) (2009).

SIEPA (Serbia Investment and Export Promotion Agency) stated that organic production covers 200,000 ha (2009).

The number of agents certified organic by the Ministry of Agriculture is much less than the total number of agents involved in organic production. According to official data, certified organic production is conducted on around 500 ha. But, it is estimated that organic production in Serbia covers a much larger area of about 5,000 ha. Additional 9,000 ha of land are in the transition towards organic production. Consequently, the total amount of organic production is estimated on 0.33% of the total arable land available in Serbia.

In the following table, the estimations on organic surfaces in Serbia differ quite widely. This is due to different sources. The most reliable data come from the ministry of Agriculture, but here only the data delivered by the certification bodies approved by the Ministry. There is reason to believe that the real data are quite higher.

Table 35: Overview of different data on organic production in Serbia from various sources

IFOAM	land in transition is 2,155 ha cultivated land area 2,411 ha wild collection area is 450,000 ha
MOAN	wild collection 367,500 ha arable land 591 ha
SIEPA	200,000 ha
Ministry of Agriculture	certified organic production: 500 ha officially (5,000 ha estimated) transition / conversion: 2388 ha officially – (9,000 ha estimated)
FIBL/IFOAM 2010:	Organic agricultural land 4,494 ha Share of total agricultural land 0.09% 224 producers

Source:
http://moan.iamb.it/FCKeditor/UserFiles/File/MOAN%201st%20meeting/MOANPosters/14serbia.pdf
http://www.ifoam.org/growing_organic/2_policy/case_studies/serbia_cases_studies.php

7.2.5. Imports and exports

Certified organic products are exported primarily to the EU (especially Austria, Germany, the Netherlands, Great Britain, Belgium, and Switzerland) and the USA. The exporters are: cooling processing plants, companies involved in wild collection and traders. They usually establish long-term contracts with their foreign buyers.

At the International Trade Fair for Fruit and Vegetable Marketing – Fruit Logistica 2010 in Berlin 13 Serbian companies presented their products at the fair BioFach 2010 in Nuremberg 7 companies presented their products. Their activities (These exhibiting companies) are related to the production of organic products from Serbia. Foreign buyers were offered organically produced fruits and vegetables. The biggest export figure was achieved for exports to the Russian Federation. These exports total $8 million of contracted production and the negotiations for exports totalled an additional $5.9 million in 2010.

There is no official data of imports of organic products to Serbia. Serbia mainly exports raw organic products, while processed high value products are mainly consumed locally on the domestic market (supermarkets, special organic food shops and direct sale from farms to homes).

Table 36: Imported and exported organic products in Serbia

Imported Product Items	Comments /Sources/ Tendencies
Baby food	Country of origin - Germany
Organic spaghetti	Country of origin - Slovenia
Organic rice	Country of origin - Macedonia
Organic juice	Country of origin - Switzerland
Exported Product Items	
Berries	Exports are primarily frozen berries (raspberries, strawberries, blackberries and blueberries) and smaller amounts of frozen and dried plums and sour cherries, organic certified jams, sweets, apple concentrate, vinegar and juices.
Wild and cultivated dried medicinal and aromatic herbs	Several south-east Serbian companies deal with wild and cultivated dried medicinal and aromatic herbs for export purposes.
Frozen, salted and dried wild mushrooms	The collection of certified organic wild mushroom production is also well developed primarily in the south-western parts of the country.
Organic cereals like wheat, maize, barley and oats, as well as pumpkin seeds and sunflower seeds	Mainly produced in the region of Vojvodina. Several big companies and farms contracted for export purposes.
Ground red peppers	Certified organic vegetable production is relatively small. Fresh, frozen and preserved vegetables, especially ground red peppers, are mainly exported but some fresh vegetables are consumed on the domestic market.

Source: own compilation

7.3. The organic market in Serbia

Table 37: Data on the organic market in Serbia

The Organic Market	2008	2009
Number of processors of organic products	12	25
Total turnover of the organic food market on consumer level (€)	€ 40,000,000	n/a
Market share of the organic market compared to the entire food market (%)	0.01 %	n/a

USDA: Organic Agriculture in Serbia, GAIN Report Number: RB 9002

http://www.chilealimentos.com/medios/Servicios/Normas_internacionales/Norma_otros_paises/Normativa_Serbia/Food_and_Agricultural_Import_Regulations_and_Standards_Certification_Serbia_USDA.pdf

The domestic market is still small, invisible and export driven (almost 90% of the total organic production is exported). All studies have shown that Serbian consumers aged 25-40 years, who are well educated and with higher income levels are ready to buy organic products and to pay more for certified organic food. Consumers choose and pay higher prices for locally grown fruits, vegetables, meat and milk products, and products from specific regions because they know that they are produced without chemicals.

Market Shares of Different Marketing Channels

Market channels for organic products in Serbia are: on-farm selling, farmer's green markets, large supermarket chains and specialized health food stores.

In Serbia organic food products are traditionally sold outside the conventional distribution system. The main distribution channels are e.g. farm gate sales, open-air markets, specialized grocery shops and natural products retailers. In addition, small and medium sized companies are more important for processing and packaging than major food manufacturers.

Some companies built up their organic business from the outset while others developed organic product lines in addition to their conventional product lines. The single biggest product group traded is fresh organic produce (fruit and vegetables). Organic fresh produce importers/distributors import, store and distribute products and supply retailers, wholesalers and the food service industry. The food service industry is a small industry for organic produce and usually focuses on regional markets9.

There is a permanent green market for fresh vegetables and fruit in Subotica and Novi Sad, where organic products also are sold. There is a house delivery system for organic products in Subotica. The green market spaces for fresh organic products have rather promotional than economic value. A small amount of processed products (flour, tea, oil and cream) are sold in health food shops. Certified organic oils are also supplied to supermarkets. There are no uncertified organic products sold in the domestic market. Only certification bodies approved by the Ministry of Agriculture can certify organic production. All products available at the domestic market are certified by approved agencies.

7.3.1. Conventional retail

Conventional retail channels such as supermarkets and hypermarkets as well as small stores do not focus on selling organic food.

Some of the main retailers, mainly within the supermarket business offer certain organic products. These products are usually positioned next to products of the same category (organic juice is next to the regular fruit juice). However, in some stores

[9] Kostic-Nikolic,S. and V. MIlanovic-Golubovic, Healthy and safety food origin from Serbia as the base of region's competitive advantage, CERS, 2007.

organic products can be found in the health food section. They are offered with other foods perceived as healthy.

It should be point out that there are no many organic products in conventional retail stores. Some retailers are willing to expand shelves' space for healthy food. This is a chance for organic food products. Conventional retail stores are the way to mass market. However, it should put a lot of marketing efforts in order to organic food become important segment of retail sales in conventional objects.

Important Actors

There is no significant selling of organic food in conventional retail in Serbia. However, the following retailers carry some organic products (But a very limited number):

- Mercator
- SuperVero
- Real
- Maxi

The turnover of organic food is an extremely small share of the total food turnover. Exact data could not be found.

Some conventional retailers add organic food to their assortment to enhance their store's image. It is not an important category in terms of sales and profitability. Therefore, the influence of organic products on conventional retail is rather insignificant in Serbia, for the moment.

7.3.2. Organic wholesale

Health food stores also have a few wholesale distribution centers of their own, mainly concentrated in urban areas. The most well known are listed below:

- Biospajz (Molerova 29 A, Belgrade)
- Viva Tref
- Bios (Trg Oktobarske revolucije 7, Subotica)
- Lucar (Milenka Grcica 8, Novi Sad)
- Natura (Temerinski put, Novi Sad)
- Nutricia (Vicnjicka, Belgrade)
- Boneda (Bulevar Avnoja 12v, Belgrade)
- Beyond (Voždova 76b, Nis)

Table 38: Important wholesalers in the organic market

	Biospajz	"Natura" Ltd
Total turnover:	n/a	n/a.
Organic food turnover as a share of total food turnover:	n/a	n/a.
Range width (no. of organic food products):	116 – less than 10% of all products	Around 50 organic products, mostly seeds. All organic products are imported. In fruit juices Biotta is the most important.
Most important organic product groups:	Cereals, fruit juices, baby food, sweets, oils, spaghetti…	Seeds, juices.
Start of organic sales:	1986	1997, the first health food wholesale in Vojvodina. They have been successfully cooperating with hundreds of companies from Serbia and the Region.
Main challenges:	To become an exporter of health food products and biological breeding from Serbia.	To develop their own production & further sale, less emphasis on buying raw materials.

Source: own compilation

Wholesalers often govern retail as well, for their specific category of products. They have their own small health food shops. Organic products in Serbia are recognized under the common umbrella of 'health foods', along with other products with nutritional/health claims; and specific traditional products.

7.3.3. Organic food processing

The production of organic food is not the only motive of the food processing industry. They are trying to promote healthy and safe food, as well as increasing consumers' motivation and understanding of the advantages of consuming such food ('organic lifestyle'). Important producers of organic products in Serbia are listed in the table below.

Table 39: Overview of organic producers in Serbia

Name of producer	Main organic product
Agroekonomik, Belgrade	Frozen fruits, fruit juices, fruit juice concentrate
Atle, Belgrade	Frozen fruits
Biosil, Ugrinovci	Pasteurized vegetables
BMD, Arilje	Mushrooms
Radoslovi, Nis	Fruit jams
ML fruit, Valjevo	Frozen fruits
Sirogojno Company, Sirogojno	Frozen fruits
Donimpex, Velika Plana	Frozen fruits
Suncokret, Hajdukovo	Esential oils
Marni, Krusevac	Mushrooms
Zdravo ORGANIC, d.o.o., Selenca	Fruit jams, pasteurized vegetables
Foodland, Belgrade	Fruit jams, pasteurized vegetables and marmelades

Source: SIEPA

However, at the official Serbia Investment and Export Promotion Agency (SIEPA) site a list of important producers of organic products from Serbia can be found, mostly concentrated in the fruit sector. The most important actors are selected from the SIEPA list.[10]

Table 40: Important actors in organic food processing

[10] Fruit Industry in Serbia, http://www.siepa.gov.rs/attach/FruitIndustryInSerbia.pdf , UNDP, Government of Netherlands and SIEPA,

	Royal Eco Food	Mondi
Total turnover:	n/a	€ 4.5 million
Organic food turnover as a share of total food turnover:	n/a	n/a
Range width (no. of organic food products):	17	n/a.
3 most important organic product groups:	Ayvar Tomato sauce and Kechup Plum sauce	Frozen red organic fruit
When did the company start selling organic products?:	n/a.	n/a
Main challenges:	The fulfillment of consumer requirements and increasing quality beyond their expectations.	Export

Source: Fruit Industry in Serbia, http://www.siepa.gov.rs/attach/FruitIndustryInSerbia.pdf , UNDP, Government of Netherlands and SIEPA

Processors are recognized as the main pooling factor for the development of organic production in Serbia. They are mainly concentrated in sectors seen as being of comparative advantage in Serbia – fruit and vegetables, as well as wild collection.

Producers are promoting their organic products as a part of a healthier lifestyle. By forming the habit of consuming tasty, healthy and safe organic food, a step forward is made towards an 'organic lifestyle' - a lifestyle close to nature, which cherishes special values, including the awareness and care of health and improving one's quality of life.

They are also trying to correlate both traditional and health food with organic products. Some of them produce organic ayvar or organic plums, while others state that their products contain useful and necessary substances for health (e. g. minerals and oligo-elements, dietetic fibres and Pro-Vitamin A, a low glycaemic potential etc.). Most of them simply *perceive* their products as organic.

7.3.4. The specialised organic retail market

Organic food shops are small stores mainly located near so-called green markets – open market-places where fresh fruit and vegetables, as well as cheese and meat products are sold. In some cases, these stores are located at very exclusive places in large cities, targeting the high income and well-educated population. Most of them operate in large cities in Serbia – Belgrade, Novi Sad, Subotica and Nis. These stores are not only dedicated to organic retail. They also sell other products considered as health foods. A list of the most important and well-known specialized stores in Serbia is presented below:

- Bioteka (Trg Oktobarske revolucije 7, Subotica)
- Sunčev cvet (Petra Drapšina 17, Subotica)
- Biona (Dunavska 23, Novi Sad)
- Biošpajz (Kalenica pijaca, Njegoševa bb, Belgrade)
- Macrobiotic (Kicevska 30, Belgrade)
- Nutricia (Skadarska 47, Belgrade)
- Ivago (Bratstva i jedinstva 30/5, Belgrade)
- Hema-Kheya-Neye (Hilandarska 24, Belgrade)
- Maslina (Kataniceva 2, Belgrade)
- Bio Market Tartufo (Vozdovac, Belgrade)
- Beyond (Vozdova 76b, Nis)

Direct selling on the farm is found in the region of Vojvodina where most organic farms are located. Producers are willing to sell their products to consumers at their farm gate. The most famous example is that of organic producer Mamuzic Josip from Subotica who runs an experimental organic farm in Subotica. He sells his products at the farm gate, but equally at the large market-place in Subotica („Suboticke pijace“, place no. 204; TERRA'S - bio producer Mamuzic Josip Subotica). In addition to the organic farmer Mamuzic Ljutovo, an equally successful story can be found in the case of the family-run farm Maluščik, Kelebija. These two examples are among 224 registered farms in Serbia, but show significance through promoting their products on the internet. It does not necessarily mean that other producers do not sell their products at farm, too.

Other important specialized green market-places for organic products are „Moj salas“ in Novi Sad, sponsored by the Green network of Vojvodina and the green market - Kalenic Pijaca in Belgrade.

Specialized retail stores, so-called "health food shops" are highly concentrated in urban areas of Serbia. Out of 138 registered health food shops 109 are found in Belgrade.11 They function as private small shops on the local level. They sell specifically: wholegrain products and cereals, diabetic products (products without added sugar or with fructose), pure juice made from fruits and vegetables, soy products, honey etc.. In both small (single) and commercial packs - sold in grams and kilos according to the consumers needs. Organic products account for around 10% of all products in these stores.

[11] http://www.yellowpages.rs/search/simple/sr/delatnost/zdrava+hrana/left_search_proizvod/zdrava+hrana/left_count/104/page/1

The retailers' promotional activities are concerned with health and longevity. They argue therefore that food has to meet the basic principles of a healthy, balanced diet. The quality of our life depends on the quality of food that we use everyday. Therefore, these stores offer a wide range of products that meet the principles of healthy eating. The organic products are seen under the common umbrella of health-food products, found on the Serbian market.

Both foreign and domestic organic/health stores food brands are equally strong. Biotta and SoyaYoya are the most famous foreign brands, while some of the domestic well known brands are only present nationally (for example, Zdravo Selenca) and some of them are regionally recognized and important exporters of organic food products (for example, Foodland). Other brands, present at the national level in organic food are BMD, Marni, Zaduggar, Suncokret, Zitohem and Status.

7.4. Organic consumers

With the average income of less then USD 400 per month, most Serbians are generally unwilling to pay the additional 30-40% price premium for organic products. Studies show that the Serbian consumers who are between 25 and 40, urban and educated (and mostly female) are ready to buy organic products and to pay more for certified organic food[12].

Some consumers are ready to pay higher prices for locally grown fruits, vegetables, meat and milk products; and products from specific regions because they know that less or no chemicals are used. Supermarkets, health food shops, and specialized open markets for organic products (such as "My farm" in Novi Sad); and ethnic and fancy restaurants have a constant demand for organic products.

7.5. Conclusion

In the last decade, the production and procession of organic food has increased. Because of a very extensive agriculture with almost no use of chemical fertilizer the conversion to organic production is comparatively easy. At present 9,000 ha of agricultural land are in conversion. This shows the fast growth of organic production in Serbia. But the organic production in still export driven, most of the production is exported as raw material and the added value is not realised within the domestic supply chains. In addition the costs for organic certification are high.

Currently the weak point in the development of the organic sector in Serbia is the domestic demand. Because of high prices for organic products as well as missing knowledge/education of the consumers, the demand is very low. Positive indications

[12] Organic Agriculture in Serbia, USDA Foreign Service, GAIN Report Number: RB 9002

for a prosper development and a high potential are the commitment of organic processors and initiative and the establishment of organic restaurants or organic bakeries as well as the establishment of an organic umbrella organization Serbia Organica.

7.6. Sources of information

Source of statistical information:

Statistical Yearbooks and online data from Statistical office of the Republic of Serbia

Household budget survey 2007-2009, Statistical office of the Republic of Serbia

Organic Agriculture in Serbia, USDA Foreign Service, GAIN Report Number: RB 9002

Certified organic producers, Ministry of Agriculture, Forestry and Water Management, Republic of Serbia

Experts

Expert's name	Expert's company	Expert's field of expertise
Branislav Raketic Jelena Milic	Ministry of Agriculture, Forestry and Water management, Republic of Serbia	Adviser for organic production Department for Analytics and Agrarian Policy Group for Food Quality
Tatjana Maslac	Foreign Agriculture Service Belgrade US Embassy, Serbia	Agriculture Specialist
Gordana Klanscek	Ministry of Trade and Tourism, Republic of Serbia	Head of Trade Department
Nada Miskovic	Wholesaler Biospajz	Director
Jelena Sesto	Retailer Bio Market Tartufo	Director
Goran Lazic	Retailer IVAGO	Director
Websites:		
Producers		
Mondi Web: www.mondiserbia.rs ROYAL ECO FOOD Web: www.royalecofood.com Zdravo ORGANIC d.o.o. Web: www.zdravo.rs Foodland d.o.o. Web: www.foodland.rs See also http://www.serbianfruit.com/industry/organic.htm		
Wholesalers		
Biospajz, Web: www.biospajz.rs Beyond, Web: www.beyondhealthfood.com Natura, Web: www.naturadoo.co.rs		
Retailer		
Boneda, Web: http://www.zdravahrana.com/index.php?option=com_content&view=category&layout=blog&id=81&Itemid=177 Nutricia, Web: www.nutricia.rs		
Labelling / certification organisations		
"Evrocert" d.o.o. Web: www.evrocert.rs "Bioagricert" d.o.o. Web: www.bioagricert.org/english "SGS-Beograd" d.o.o. Web: www.sgs.com/organic-certification		
Others		
Serbia Organica Association Web: www.serbiaorganica.org Green Network of Vojvodina Web: www.zelenamreza.org TERRA'S Association Web: www.terras.org.rs		

8. REPORT ON ORGANIC SECTOR IN SLOVENIA

Authors: Marija Klopčič, Jurij Pohar

8.1. Slovenia country figures

Table 41: Country data of Slovenia

Country Data	**2007**	**2008**	**2009**	**Source**
No. of inhabitants:	2,019,406	2,022,629	2,042,335	http://www.stat.si/letopis/2009
No. of households:	685,023*	n/a	n/a	http://www.stat.si
Average household size:	2.8*	n/a	n/a	http://www.stat.si
Gross domestic product per capita (€)	€ 21,453	€ 22,270	€ 20,934	https://www.cia.gov/library/publications/the-world-factbook/geos/si.html
The Food Market			**(2005)**	
Annual per capita expenses for food (including non-alcoholic beverages and food): €			€ 1,051	http://www.stat.si
Food Expenditures as % of Gross Domestic Product/capita:			7.6 %	http://www.stat.si
Volume of the food market (€)			€ 3.7 billion	http://www.stat.si

* Data from 2005

8.2. Organic production in Slovenia

8.2.1. Development of the organic agriculture sector

The beginning of organic farming development in Slovenia lies in the 1990s. First "health food shop" opened in 1989 in Ljubljana; in the 1990-ties, few more such shops opened. In the beginning, organic was not the most prominent feature of their offer, more important was selection and type of products, i.e. diverse whole-grain cereal, soy products, etc. Organic quality became increasingly more important after 1998 (first certified organic farms in Slovenia) and especially 2001 (state Rules on Organic Production), when press started to report more. Similar was the development in conventional retail.

First consumers were "eco & health freaks", while around the year 2000 the group started to broaden. The consumers find the origin important (majority prefers domestic products) and often seek direct contact with farmers/producers. In the last couple of years, another group of consumers appeared: high(er)-income trend-followers, buying in organic supermarket (currently one in Slovenia). Currently, most of organic products are sold in largest conventional chain Mercator (40% market share in conventional food). Spar and Tuš, the second and third largest conventional chains are increasing their organic products portfolio, Spar in particular with fresh fruits and vegetables. Some organic products are sold in DM chain. Lidl and Hofer (Aldi) are only starting with few products, mostly dairy and some vegetables (carrots, onions).

Purely organic shops are rare, ten at the most in whole Slovenia. The largest one is the only supermarket: Kalcek in Ljubljana with several thousand organic products. Total shop area of specialized organic shops is less than 1.000 square meters. Domestic supply does not cover demand. Import products taken into account, in the largest cities (Ljubljana, Maribor) the shops can usually meet the customers' needs. Elsewhere, supply is not so good, especially not for fresh foods. Organic open air markets and farm shops) do not have enough supply to meet all customers' organic needs.

8.2.2. Legislation:

The preparation of Slovenian standards for organic production and processing on basis of the IFOAM Standards and the EU Council Regulation (EEC) No. 2092/91 started in 1996. A Law on organic production, labelling and import of organic products exist from 1998. In 2001 state rules on organic production were established.

In order to stimulate the domestic organic production and to advance the domestic supply chain a long-term development plan for organic farming in Slovenia (2005-2015) has been set up by the Slovenian agriculture policy, with the following elements:

- By 2015 an organic farms share in Slovenia of 15% is to be reached, and a 20% share of utilized agricultural area (UAA) under organic control;
- By 2015 a 10% share of organic foodstuffs of Slovenian origin on the national market is to be achieved;
- In the next 5 years the number of organic tourist farms is to triple;
- Organic farming is one of the priorities in agriculture for accelerating the sustainable development of agriculture and establishing the conditions for sustainable development of the country;
- Providing better integration of non-governmental organisations;
- Cooperation with foreign organisations and IFOAM;
- Providing for conform, objective and multifunctional information actions on CAP measures to secure the overall policy image;
- Establishing close contacts with Member States and exchange of information
- Monitoring the realisation of individual measures under the Action plan

(Source: Action Plan for the Development of Organic Farming in Slovenia by 2015)

This policy plan, which seems to be ambitious and exhaustive, can surely bring new dynamics to the development of the domestic supply chains in Slovenia.

8.2.3. *Certification:*

In Slovenia next Organic certification labels are used:

BIODAR (private – national, USOFA – Union of Slovenian Organic Farmers' Associations)	DEMETER
State logo "ekološki"	EU logo (former version)
Biosiegel (German state logo)	Austria Bio-Zeichen (Austrian logo)

In general, all products in compliance with the minimum requirements under the European regulation in all Member States can be labelled as "organic" without an additional logo. It is important, however, that the label or code indication of the inspection body which had issued the certificate for a product or foodstuff (SI-_____-EKO) is present.

By means of promotion and public awareness the EU logo, in combination with the national/private logo, can contribute to an increased organic foodstuff sale.

To many consumers national/private logos are still the only recognisable symbol of organic products. But most of all, they enable the well-informed consumers to choose products which meet the requirements of additional (stricter) certification systems.

8.2.4. Production

Table 42: Organic agriculture in Slovenia

Organic Agriculture	2007	2008	2009
Total agricultural area (ha)	498,466	492,424	n/a
Organic agriculture land use (converted area controlled according to EU regulation in ha)*	29,322	29,836	29,388
Percentage of land use for organic agriculture	5.9%*	6.1%*	n/a
Number of organic farms (converted area and controlled according to country regulation, year)	1,610	1,789	1,853
Number of organic farms (area in-conversion and controlled according to country regulation, year)	390	278	243
Number of all farms (organic + conventional) – with conventional?	2,000	2,067	2,096

*) own calculation on the basis of the provided data

Source: http://www.stat.si, www.mkgp.gov.si

The organic land is mainly used for pastures prairies, indicating a high importance of extensive animal husbandry.

Table 43: Organic crop production in Slovenia

Crop Production (in ha)	2007	2008	2009
Cereals (ha)	2,305.04	1,843.79	1,987.17
Pastures and prairies (ha)	26,035.54	26,983.49	26,251.34
Vegetables (ha)	107.8	90.72	114.29
Fruits (ha)	668.64	711.52	782.39
Wine (ha)	184	190.68	203.30
Oleaginous plant (ha)	21	16.22	49.95
TOTAL (ha)	29,322.02	29,836.42	29,388.43

Source: www.mkgp.gov.si

Table 44: Organic animal production in Slovenia (2004)

Animal production (head of animal)	2004
Dairy cows	1,004
Suckling cows	4,659
Sheep	17,946
Goats	3,465
Pigs	1,162
Sow	73
Poultry	14,236
Other (please define): bees families	2,072
Other cattle	7,435

Source: http://www.mkgp.gov.si/ANEK_slo.pdf

8.3. The organic market in Slovenia

Table 45: Data on the organic market in Slovenia

The Organic Market	2007	Source
Number of wholesalers and importers for the organic retail market	13 wholesalers and 1 importer (2007)	Anamarija Slabe
Number of processors of organic products	40 (2007)	Anamarija Slabe
Total turnover of the organic food market on consumer level (€)	< 4 Mio € (2007)	Anamarija Slabe
Annual amount of money spent for organic food per capita (€)	~ € 6 (2008)	Specialised Organic Retail Report Europe 2008, ORA, 2009
Market share of the organic market compared to the entire food market (%)	less than 1% (2009)	http://www.stat.si

8.3.1. Market shares of different marketing channels

Table 46: Market shares of different marketing channels in Slovenia

	Market share1	Number of outlets	Range width	Range focus
Conventional supermarkets	75 – 80%	600	Approx. 2,000 products	Basic foods* Processed plant products Fresh vegetables, fruits
Specialised organic shops	15 – 20%	20	Approx. 2,500 products	Fresh vegetables, fruits Basic foods* Processed plant products
Craft (ie. bakery, butchers…)	Less than 1%	5	Approx. 150 products	Bread and pastry Meat (much smaller)
On-line sales	Less than 1%	n/a	Approx. 1,000 products	n/a
Organic Farmers Market**	Less than 1%	14	Approx. 150 products	Seasonal vegetables, fruits, cereals, juices, vinegar, oils (olive oil, pumpkin oil), herbs, spices…

*Basic foods: grain and milling products, pasta, oil etc.

**The vendors are organic farmers coming from all over the country. A certificate on the stall is a guarantee of the organic status of the farm and the organic origin of the products. In Ljubljana, there is also an offer of organic products in the covered part of the market place, where there is one shop with organic bread and one with organic meat. Opposite the open farmers' market in Ljubljana, in the small shops under the Plecnik's Arcades, one of the shops is offering also organic cheese.

Source: own compilation

8.3.2. Conventional retail

In the mid 90's the supermarket chains Mercator (Slovenia-based) and Spar (German-Austria-based) started selling organic products. The volumes of organic products sold over the different market channels started to increase very slowly.

The characteristics of the Slovenian domestic market are:

- Limited purchasing capacity,
- Lack of target-oriented education/information/communication by organic market actors
- Little consumers awareness,
- Relatively frequent supply by relatives and acquaintances from rural areas.

These factors limit the potential of the organic market.

Table 47: Important actors in conventional retail

	MERCATOR	TUŠ	ŠPAR	HOFER, LIDL
Total turnover:	n/a	n/a	n/a	n/a
Organic food turnover as a share of total food turnover:	Almost 1%*; (< 0.6% in 2007 bottom-up calculation derived from major suppliers)	< 0.5% (< 0.1% in 2007 bottom-up calculation derived from major suppliers)	< 0.5% (< 0.3% in 2007 bottom-up calculation derived from major suppliers)	< 0.1%
No. of organic food products:	Almost 1,000 (listed, but less on the shelves)	Approx. 200	Approx. 700	Approx. 100
Most important organic product groups:	1. Basic foods 2. Processed plant products 3. Fresh vegetables, fruits	1. Basic foods 2. Processed plant products	1. Basic foods 2. Fresh vegetables and fruits 3. Processed plant products 4. Dairy products	1. Basic foods 2. Fresh vegetables and fruits 3. Processed plant products 4. Dairy products
Start of organic sales:	mid 90's**	2005	mid 90's*	2007

* this is company's estimate; author of this report believes that it is a bit optimistic

** in a bit larger extent and with some strategy only since 2000-2001

Source: own compilation

Mercator holds ca. 40% of conventional food market in Slovenia and was the organic pioneer among conventional retailers. the retail chain is selling organic products in all of its 600 outlets, while the range of products depends on the size of the outlet. Half of all organic product sold in Slovenia (including conventional, specialized, discounters, open-air markets and farm shops) are sold through Mercator outlets.

Mercator introduced first domestic organic products in 2001. A group of organic farmers was organised through a project developed by two organisations (not dircectly linked to Mercator). However Mercator soon started to seek domestic organic products and started to cooperate with individual organic producers, as there wasn't (and still isn't) any organic producers' organisation. At the same time, the range and the amount of foreign organic products have been increasing constantly. Mercator doesn't have its own organic trademark, but they are occasionally promoting organic products.

After BioFach 2007, Mercator started a much more visible marketing of organic products. They now have several organic products under their own brand. Today, some 10 organic wholesalers supply Mercator, Prema being the strongest one and three further ones being relatively big.

End 2007 Tuš started promoting organic products in its supermarket, presented in a concentrated way in special Tuš-Organic shelves. Most of their customers are not typical organic customers.

Spar is selecting some of the organic products they market in other countries and recently supplementing this offer with fresh fruits and vegetables.

Mercator and Spar have contributed to raising awareness of Slovenian consumers on organic food due to the large number of outlets with (a less or more broad) offer of organic products all over the country. During the last couple of years they did also some promotion for organic. They contribute to a better availability of organic foods all over the country. They stimulated other retail chains to introduce organic foods too.

8.3.3. Organic wholesale

The biggest organic wholesaler is **KALCEK**, who started selling organic products in 1989. Other organic wholesalers are Prema, Mediacor, Biosi and Sonital.

Table 48: Important actors in organic wholesale

	KALČEK	**PREMA**	**Mediacor**
Total turnover:	n/a.	n/a.	n/a
Organic food turnover as a share of total food turnover:	> 98%	50%	50%
Range width (no. of organic food products):	ca. 2,000	n/a	n/a
Most important organic product groups:	Vegetables & fruits, grains, sweets	n/a	n/a
Start of organic sales:	1989	n/a.	n/a

Source: own compilation

Kalček (since 1989 - until 2005, when it was renamed “Duena d.o.o.”) was the pioneer in organic specialised retail as well as in wholesale. They have a very consequent approach towards organic and health foods, incl. quality aspects. They were following the developments in international organic food market and stimulated the development of a national market by introducing many novelties and trends, which has been happening also through their wholesale activity and thus had a broader influence. They have been informing and educating consumers, offering advice, and also stimulating domestic organic production by actively seeking Slovenian products. In 2005, the 1st Slovenian organic supermarket was opened successfully.

8.3.4. *Organic food processing*

Processing is one of the weaker elements in the Slovenian organic sector. In 2004, there were 27 processing factories which were integrated into the control system, passed the control procedure and obtained a certificate. Thereof, 12 processing factories are also engaged in the import for further processing or only for further sale.

Prevailing among the processed products are pasta, flakes, oil (of pumpkin seed), olive oil, vinegar, milk products, apple and grape vinegar, herbs in pots, vegetable seedlings and others.

As soon as in 1998-2000 the first problems related to processing and marketing of organic products and foodstuffs were identified. Therefore, a trans-border project "processing and marketing of organic products" (PHARE CBC 99) was initiated and implemented within the range of the activities of the "Chamber of Agriculture and Forestry of Slovenia" – Institute Maribor in 2002.

Table 49: Processing factories of organic products in Slovenia

Product category	Number of processing units
Cereals	7
Vegetable	1
Fruit	3
Oil	1
Cheeses	1
Meat	5
Feeding stuffs (import)	1
Honey/honeycombs (import)	1
Trade	3
Seeds (import)	3
Gastronomy	1
Total number of processing factories in 2004	27

Source: own compilation

Organic Milk and milk production industry: In spite of a large amount of meadows and pastures and organic livestock it is not possible to find organically produced milk or meat, or milk and meat that are at least labelled as organic, in Slovenia. The problem with organic milk lies in the collection of milk and the individual dairies' choice for such a production line. So far, there were only a few unsuccessful arrangement attempts. There are nearly no other domestic organic milk products (cheese).

The only exception is a small dairy plant KREPKO (http://www.mlekarna-krepko.si/bio-mlecni-izdelki) from Logatec, which collect organic milk on Slovenian farms in the area of Gotenica, Kočevsko, Notranjska and Karst. This organic milk is produced on organic farms with regular control and certification as “organic farms”. The dairy plant KREPKO produces following organic milk products:

- Bio milk
- Bio milk with vanilla taste
- Bio Kefir Krepko
- Bio sour milk
- Bio probiotic yogurt
- Bio cheese “Krepka juzina”
- Bio cheese “Notranjska Kajla”

  Bio ration “I eat, therefore lose weight – a special product line for weight loss” , the original Slovenian slogan goes: Bio obrok “Jem torej hujšam”)

Organic meat production industry: Some years ago the trade mark “Pohorje Beef” entered the market and also the organic yearling beef packaged by the Celjske mesnine meat establishment.

In 2004 some 65,000 kg of organic meat were bought in, but only 39,450 kg were sold as organic and the rest as conventional.

Milling industry – organic flours: A similar problem is present in the milling industry where bakeries have shown great readiness for baking organic bread, but not enough raw materials (cereals or flour) are available.

Krejan Bakery was the first bakery that started to use mainly organic ingredients (in 2005); first from imports but as soon as possible from domestic sources. They are important in the region of Ljubljana which is the largest organic market in the country. They have very good innovative promotion by addressing the consumers directly with show baking etc.. That has helped to increase the interest and trust of consumers in organic products. Krejan Bakery is selling both via its own shops and by selected retailers.

Table 50: Important actors in organic processing

	Pekarna Krejan (Krejan Bakery)	Zel – Zvonko Pukšič	Lipej	Atelje sadja Irenee	Dairy plant Krepko
Total turnover:	€ 400,000	n/a	n/a	n/a	n/a
Organic food turnover as a share of total food turnover:	> 70%, trend increasing	100%	100%	100%	40%
Range width (no. of organic food products):	88	20	20	50	8 - 10
3 most important organic product groups:	Bread (different types), grain, cookies	Pickled vegetables, sauer kraut	Pesto (wild garlic basil, parsley)	Dried-fruit candies, pastry	Milk, yogurt, cheese
When did the company start selling organics:	2005	2003	2001	2006	2003

Source: own compilation

8.4. The specialised organic retail market

In this report we define specialised organic retailers as retailers whose assortments covers fresh organic produce (dairy, fruit & vegetables) and organic food makes up at least 50% of their total turnover.

Organic supermarkets (market share of the specialised retail: 60%)

Larger shops selling only or predominantly organic food products with a wide range of products both from domestic as well as from foreign production; in addition offering also (certified) natural cosmetics, cleaning products, textile etc. Foreign products market share amounts to some 90 - 95%, although the management and consumers are interested to have as many domestic products as possible.

Health food shops (market share of the specialised retail: < 40%)

Small shops selling at lest 50% but generally over 80% of organic food products with a bit more limited range of products both from domestic as well as foreign production; in addition offering also some (certified) natural cosmetics and nutritional complements. Foreign products are over 90%. On principle they do not offer any fresh produce, due to more complicate regulations for selling of fresh products.

On-line shops (market share of the specialised retail: < 1%)

Selling predominantly organic food products with a wide range of products prevailingly from foreign production; in addition offering also (certified) natural cosmetics, cleaning products and nutritional complements. They do not offer any fresh produce.

Direct-selling (on-farm, farm gate, farmers markets)

Quite a few organic farms are selling their products directly on the farm and/or on farmers markets. Sales on the farms are done in specially suited farm shops and often in the context of agro-tourism. In the year 2004, 39 organic farms had some kind of agro-tourism. The number of organic farms with agro-tourism increases slowly.

Table 51: Selling of organic products on organic farmers markets in Slovenia (2005)

Location of organic farmers markets	Year of start selling organic products	No. of all sellers	No. of permanent sellers*	No. of at times sellers*	Market days
Ljubljana	1999	33	20	13	Saturday, Wednesday, Friday
Maribor	2000	30	20	10	Friday, Saturday
Celje	2000	9	6	3	Saturday, Wednesday
Naklo / Kranj	2000	15	5	10	Tuesday
Domžale	2001	2	1	1	Saturday
Novo mesto	2002	5	3	2	Friday
Total		**94**	**55**	**39**	
Total farms**		**85**	**49**	**36**	

* Permanent sellers are farmers, which sell organic products at least once per weak, at times sellers sell organic products less than once a weak respectively seasonal.

** Several farms sell products on two different farmers markets

Source: own compilation

Table 52: Market channels (% of organic sells) for different agricultural products produced on Slovenian organic farms

Food products	Market channels (% of organic sell)					
	Conventional shops with food	Baker's shops and Butcher's shop	Health food shops	Direct selling on the farm or farm markets	Restaurants	Others
Products on the base of cereals	85	5	5	5		
Oils	85		10	5		
Potato	20			80		
Vegetable	20			80		
Fruits	25			75		
Wine	2			96	2	
Milk products	10			90		
Beef	5	10		80		
Lamb and goat's meat				100		
Pork meat				100		
Poultry meat				100		
Eggs				100		

Source: own compilation

8.4.1. *Strong food brands in organic/health stores*

Foreign: Provamel, Moolenartje, Rapunzel, Ecor, Lima, Denree

Domestic: Kalček; Biotop, Biodar; several years presence on domestic market; a wide range of product; Biodar is the 1st organic brand of Slovenia.

8.4.2. *Customers in organic/health stores*

The main reasons for buying in specialised organic shops are choice of products – wide range, trust and the personal relationship to shopkeepers and staff.

Organic consumption started in the mid 90's, mostly by people with health problems; by people who were particularly caring about their health and by a group of "ecologically oriented customers".

In the last years, young families with small children who are aware of a healthy life style, elderly people, people with illnesses or recovering from illness, environmentally aware consumers, higher share of female consumers and high-income trend-followers become important consumer groups.

In the future health and nutrition-aware consumers, families with small children, elderly people, environmentally aware consumers, a bit over the average earners or better-off consumers will be important drivers. In general: more "average, normal" consumers, also because the general level of awareness will be higher.

8.4.3. Specialised organic retailers (detail)

A specialised organic retailer started in the beginning of the 1990ies.

Table 53: Important actors in organic retail

	Kalček
Total turnover:	n/a
Organic food turnover as a share of total food turnover:	> 98%
Range width (no. of organic food products):	Approx. 2,000
3 most important organic product groups:	Vegetables & Fruits Grains Sweets
Company's history:	1989
Main challenges:	growth

Source: own compilation

Particularities of this outstanding actor:

- Consequent approach towards organic origin and quality of products,
- Both retail as well as wholesale,
- Making an effort to offer also domestic products,
- Active information / awareness-raising / promotion activities.

Table 54: Imported and exported organic products in Slovenia

Imported Products	**Exported Products**
Basic foods (grain, pasta, oil, etc.), processed plant products, fresh vegetables, fruits, dairy products.	Honey, meat, herbs, pumpkin oil, organic bread (Company Mlinotest), organic short crust pastry
Expansion of organic sales	All in a small amount

8.5. Final comments

The organic market in Slovenia is quite young, but steadily growing; most of organic products are sold in the conventional retail. The strong market leader "Mercator" sells organic products in all of its 600 outlets, whereas the range of products depends on the outlet size.

Specialised organic shops are still rare, at the most ten in whole Slovenia. There's only one organic supermarket in Ljubljana. But a growing number of outlets is being planned and these plans are based on excellent growth forecasts.

The domestic supply does not cover the demand for organic food, especially for fresh food. Future challenges lie in the increase of demand connected with an improving consumer knowledge and awareness. Furthermore the domestic supply must be advanced to increase the offer of Slovenian products.

8.6. Source of information

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9. COMPARISON OF THE ORGANIC SECTOR IN WBC

Authors: Natasa Renko, Burkhard Schaer, Nina Berner

In the following chapter we attempt an analytic comparison between the WB countries, with regard to the criteria evoked on the country reports.

Where it is useful, we compare the situation in WBC with three reference countries in Western Europe: Denmark, France and Spain. The choice of these reference countries is reasoned by the following arguments:

- Denmark is one of the best developed organic markets in Europe, with the highest market shares of organic products and strong domestic supply chains. Danish agriculture policy is pushing organic farming in many ways. Denmark is, today, a mature market with relatively low growth. Conventional retail plays a pioneer role in Denmark. Consumer expenditures for organic food are high and Danish consumers are strongly committed to an organic consumption, mainly for health and environmental motivations.
- France is, during these last years, a fast developing market for organic products. At first carried by agriculture movement and specialised retail, it developed high quality supply chains and spreads today rapidly into conventional distribution. French policy only recently engaged more strongly into the development of organic farming. French consumers like organic for health reasons, but as well for taste, tradition and quality.
- Spain is a young market for organic products, but an important producer country. Most of the production is exported, while pioneer specialised retailers still struggle with the creation of a more developed domestic organic market. Spain's agriculture policy is, with regard to organic farming, pragmatic and export-oriented. Spanish consumers are more attached to rural life traditions, traditional specialities, and artisanal quality than to organic food. Organic consumption is low and a phenomenon of the big cities.

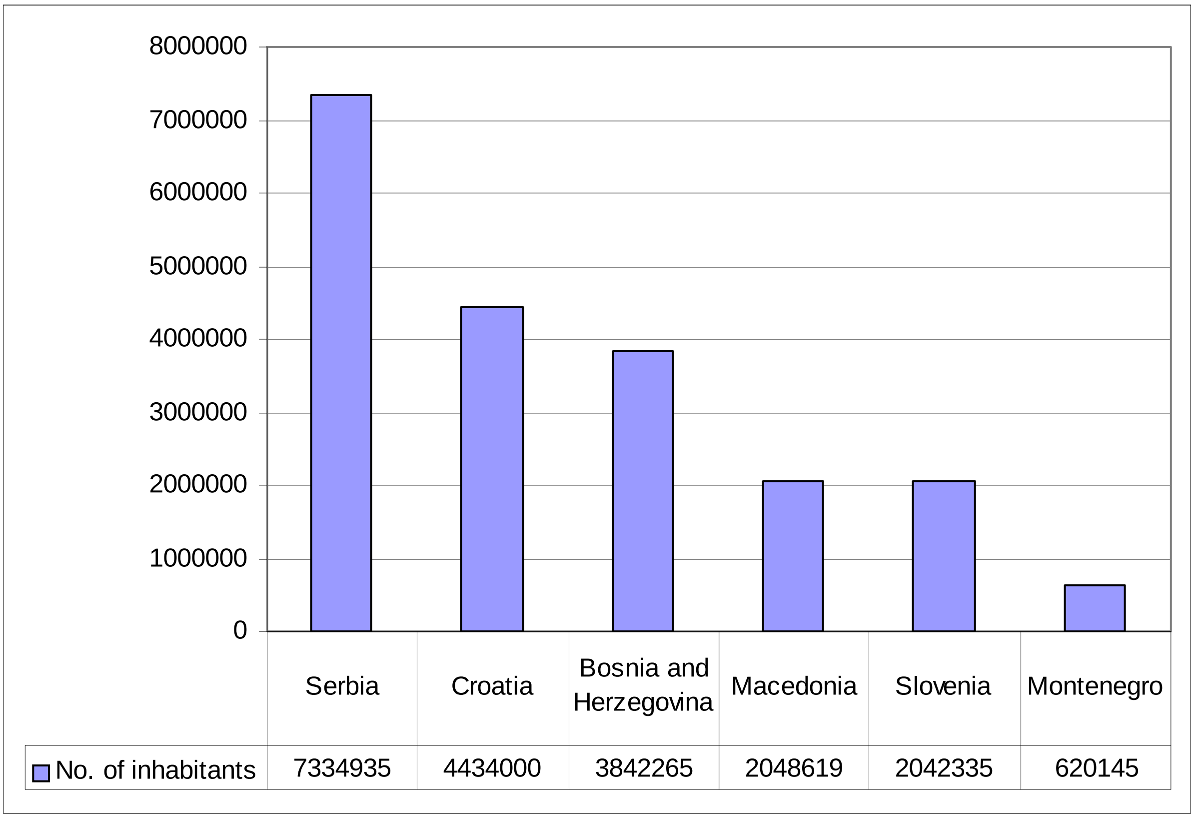
By choosing these three countries, we tried to have a set of comparison criteria that one the one hand match with situations found in WBC and differ strongly on the other hand. The cross-comparison shall bring examples, how, in very different societal and market contexts, barriers for the organic development on supply chain or political/ societal level can be removed or reduced. This is meant to trigger strategic reflection about the future development of the organic sector in WBC.

9.1. General country data

At first we try a comparison on the basis of the general data about WBC which includes: number of inhabitants; number of households; average household size; gross domestic product per capita.

Serbia is the most populated country with about 7 millions of inhabitants followed by Croatia with about 4.5 millions. Bosnia and Herzegovina follows, with about 3.8 millions and Macedonia and Slovenia with about 2 million (respectively). Montenegro is the smallest Western Balkan country with about 620 000 inhabitants.

Figure 3: Number of inhabitants in the WBC



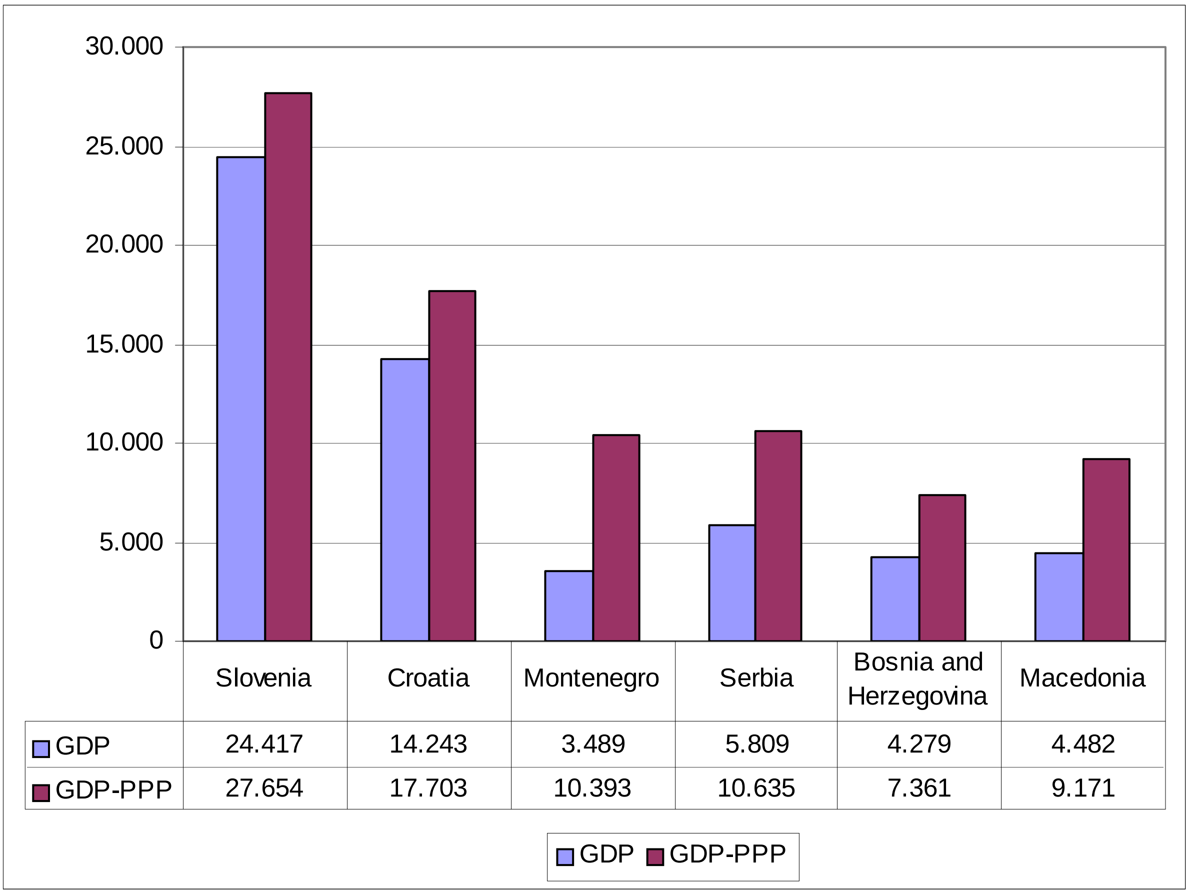
Source: own compilation according to country reports

There are some trends concerning the size of population amongst the countries. In Serbia as in Croatia the size of population is on the decrease, while Slovenia's population is growing. In the other countries the population is stagnating. The average household size is about three persons per household, with the exception of Macedonia, which has an average household size of four members.

The differences on the basis of the level of Gross domestic product per capita are pretty high. Slovenia has the highest GDP which is about 21,000 €, followed by Croatia with about 11,000 €, Montenegro with 4,900 € and Serbia with about 4,500 €. Bosnia and Herzegovina have about 3,300 € and Macedonia's GDP / capita amounts to some 3,000 €.

A slightly different picture results of the comparison of the GDP-PPP (gross domestic product corrected by purchase power parity).

Figure 4: GDP / PPP per capita in US $ (2009)



For comparison:

	Denmark	France	Spain
GDP	56.115	42.747	31.946
GDP-PPP	35.757	33.679	29.689

Source: own graph on the basis of: http://de.wikipedia.org/wiki/Liste_der_L%C3%A4nder_nach_Bruttoinlandsprodukt_pro_Kopf and own calculations

The purchase-power – corrected GDP in the reference countries Denmark, France and Spain is, for most WBC, three or four times higher, indicating clearly a higher level of wealth.

The average purchase-power – corrected GDP in the WBC is 13,820 US $, while the average value of EU-27 countries reaches 23,600 US $

9.2. The food market in WBC

The data available on the importance of food expenditures are not harmonized between the countries. The following table compiles the different data sets, but the comparison is limited.

Table 55: The weight of food expenditures in WBC and in selected EU countries

Country / region	Weight of food expenditures as % of all expenditures	Sources	Comment
BiH	33.4 %	http://icsc.un.org/resources/pdfs/2009/pp/bosnia%20and%20herzegovina-09.pdf	Comparable data set
Macedonia	35.6 %	http://icsc.un.org/resources/pdfs/2009/pp/macedonia-09.pdf	
Montenegro	33.7 %	http://icsc.un.org/resources/pdfs/2008/pp/montenegro-08.pdf	
Croatia	32.1%	Central bureau of statistics of Croatia	Comparability limited
Serbia	41,8 %	Statistical office of the Republic of Serbia	Comparability limited
Slovenia	19.0 %	EUROSTAT	Comparable data sets
EU-27	19.4 %		
Denmark	15.2 %		
France	15.7 %		
Spain	20.3 %		

Source: own compilation according to Country reports and (1) (2) EUROSTAT (*)

According to these data, in most WBC about one third of all consumption expenditures are spent for food. In Serbia, the share of food consumption seems to be higher (42 %) and in Slovenia, significantly lower and reaches the level of the EU-27 average.

9.3. Organic production in WBC

From available data it can be seen that Slovenia has the most developed organic production amongst the WBC, with the highest values for organic farms and organic surfaces. Surfaces are foremost extensive grassland. Slovenia is almost reaching the average of European production but domestic production does not cover the domestic demand.

Croatia is another WB country which has important organic surfaces and organic farms. Organic surface use is varied, indicating development potential in different sectors (cereals, wine and fruit).

The expectations are that Serbia's organic agriculture will grow further, conversion rates are elevated. Today's surfaces are still small, but indicate a capacity of varied production (agriculture, horticulture and permanent crops).

Organic production in Macedonia is still in an early stage of development. According to governmental statistics the organic agricultural area as well the number of organic farms almost quintupled from 2005 to 2009.

Organic surfaces in Bosnia and Herzegovina are still small, given the size of the country. The weight of the actual surface use lies on cereals.

In Montenegro policy makers, associations and market stakeholders push towards more organic farming. Organic surfaces reach already a level of much bigger countries.

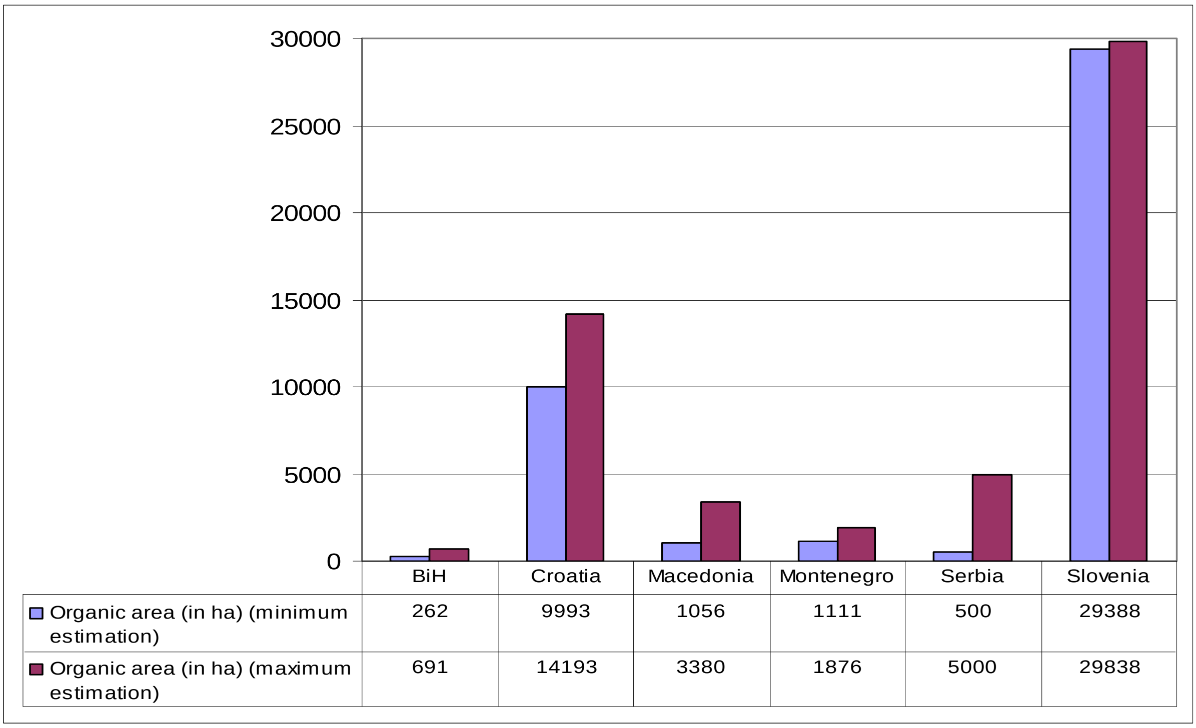
Table 56: Organic production in WBC

Country	Bosnia and Herzegovina	Croatia	Macedonia	Montenegro	Serbia	Slovenia
Total Agriculture area (in ha)	2,400,000	3,200,000	1,320,000	518,000	5,093,000	500,000
Organic area (in ha) (minimum estimation)	200	14,000	1,056	1,200	500	29,400
Organic area (in ha) (maximum estimation	400	n/a -	3,380	1,876	5,000	n/a
Share of organic (min)	> 0,1	0,4%	0,1	0,2 %	0.01%	5.9%
Share of organic (max)	> 0,1	n/a	0,3	0,4%	0,01%	n/a
Wild collection (in ha)	n/a	n/a	n/a	101,800	1,000,000 – 4,500,000	n/a
Organic Farmers	304	630	264	25-88	224	1,800

Source: own compilation according to country reports

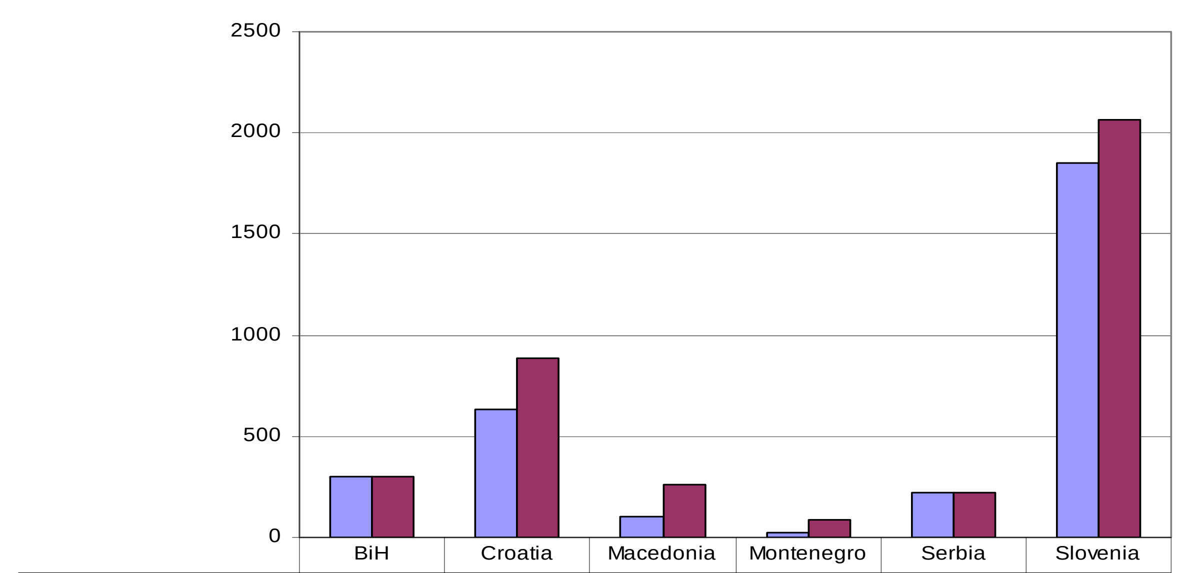
The data on organic farming vary significantly according to different sources. The following graphs reproduce, for each country, the minimum and the maximum data available.

Figure 5: Organic surfaces in WBC



	BiH	Croatia	Macedonia	Montenegro	Serbia	Slovenia
Organic area (in ha) (minimum estimation)	262	9993	1056	1111	500	29388
Organic area (in ha) (maximum estimation)	691	14193	3380	1876	5000	29838

Figure 6: Organic farms in WBC



	BiH	Croatia	Macedonia	Montenegro	Serbia	Slovenia
number of organic farms (minimum)	304	632	99	25	224	1853
number of organic farms (maximum)	304	885	264	88	224	2067

Source: own compilation according to country reports

9.3.1. *Organic surfaces and surface use*

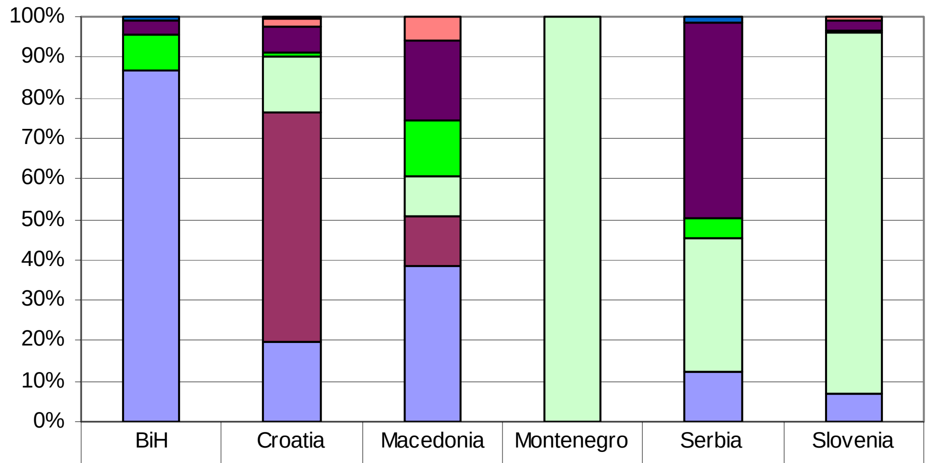
Wild collection of fruits, berries, mushrooms and aromatic and medicinal herbs are the most important activity in the majority of WBC.

When it comes to agricultural production, organic surfaces in WBC are most frequently cultivated with cereals, pastures and prairies, vegetables, fruits and grapes.

The most varied production is to be found in Croatia and in Macedonia. With regard to absolute surfaces, Croatia has the most important surfaces for fruit, wine and cereals. In Slovenia and Montenegro, the very high share of permanent grassland indicates organic husbandry. Serbia has important fruit production.

Croatia is specific in production of organic olive oil, Slovenia in oleaginous plant and Serbia in cultivated dried medicinal and aromatic herbs.

Figure 7: Organic land use in WBC as % of organic surfaces (2008/2009)



	BiH	Croatia	Macedonia	Montenegro	Serbia	Slovenia
Other crops	2	78			10	50
Wine		213	60			203
Fruits	8	839	211	4	354	782
Vegetables	19	96	142		33	114
Pastures and prairies		1739	106	1800	241	26251
Other crops from arable land		7085	129	3		
Cereals	187	2503	402		91	1987

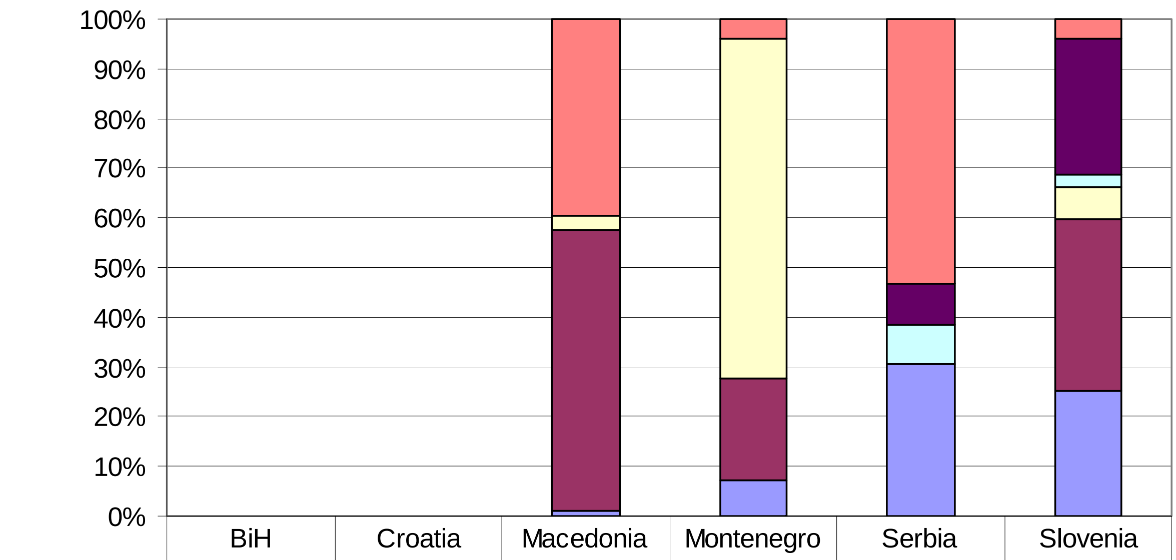
Source: WBC reports, own calculations

The organic surfaces being still small and expecting a strong growth in the next years, the patterns in surface use might change importantly with the rising importance of organic farming.

9.3.2. Organic animal production

The available data on animal production show quite different patterns from country to country.

Figure 8: Organic animal husbandry in WBC (relative importance)*



	BiH	Croatia	Macedonia	Montenegro	Serbia	Slovenia
Beehives			15455	31	320	2072
Poultry					50	14236
Pigs			5		49	1235
Goats			1039	530		3465
Sheeps			22058	160		17946
Cattle			377	56	184	13088

***)** Note: Of course, the comparison of the relative weight of different species of animals can be misleading the interpretation. It is difficult to compare the numbers of beehives, of poultry and of cattle. But the columns still show the variety and the pattern for each country. For interpretation, the absolute figures have to be taken into account.

Source: Own compilation according to country reports

Regarding the animal production, bees are the most raised in Macedonia, Slovenia and little less in Serbia and Montenegro. Slovenia is important in the domains of dairy cows, suckling cows, goats, pigs, sow, poultry, while Serbia has the least production of all these animals.

9.3.3. *Production and domestic processing*

The comparison of agricultural production of raw material and the domestic processing activities shows that the most important processed items are: frozen berries (raspberries, strawberries, blackberries and blueberries) and smaller amounts of frozen and dried plums and sour cherries, organic certified jams, sweets, apple concentrate, vinegar and juices.

Table 57: Production and processing of organic

	Raw production	Processed products
BiH	Herbs, spices, fruit, mainly of wild collection, cereals, vegetables	Essential oils, Syrups and juices, dried herbs, mushrooms and fruits, tinctures and extracts,
Croatia	Cereals, vegetables, fruits, grapes	Processed vegetables and fruit,
Macedonia	Cereals, vegetables, fruits, grapes, milk, beef and meat, honey	Dried herbs, teas, processed fruit and mushrooms, fruit juices
Montenegro	Cereals, vegetables, fruits, milk, beef and meat, honey	Bread and pastries, cheese and dairy products, jams and juices
Serbia	Cereals, vegetables, fruits, herbs, beef and meat, poultry, honey	Frozen wild berries, frozen and dried fruits, jams, sweets, apple concentrate, vinegar and juices. Wild dried medicinal and aromatic herbs; Frozen, salted and dried wild mushrooms
Slovenia	Cereals, vegetables, fruits, herbs, milk, beef and meat, poultry, honey	Flours, bread, processed vegetables and fruit, oils, cheese, meat products

Source: own compilation according to country reports

All these items are foremost exported. Processing of raw material on the main commodity sectors (milk, beef and meat, cereals) is lacking.

9.4. Institutional framework

In this chapter we compare the framework conditions with regard to legislation and certification on the one hand and with regard to agriculture policy support and the influence of associations / NGO's on the other hand.

9.4.1. *Legislation and certification*

A national Law on Organic Farming in **BiH** is being prepared and is adopted in 2004. This law will be fully harmonized with EU new regulation (834/ 2007 and 889/2008). For the moment being, only the entity "Republika Srbska" has a law on organic farming. Organska Kontrola is the first certification body in Bosnia and Herzegovina (BiH), established in 2004 by the ‘OK Association’ for development and support of organic agriculture in BiH. Organska kontrola” (“OK”) has developed a certification programme and OK standards for organic production and processing in accordance with demands of IFOAM[13] basic standards, as well as with EEC legislation for organic production.

Organic production in **Croatia** develops well in a strictly regulated environment. The Act on Organic Production (Official Gazette 12/01, 14/01) was adopted in 2001 and regulates the organic production of agriculture products and foodstuff, its processing, trading, labelling and inspection. A significant number of ordinances were adopted, based on the EU Regulation 2092/91 and the IFOAM Guidelines in 2007. The MAFWM (Ministry of Agriculture and Water Management) is the competent authority for the coordination and implementation of organic production policy. The sign "ekoproizvod" is a guarantee that the product is manufactured in accordance with the regulations on organic production. The sign is accorded for one year or one growing season only. Several certification bodies are accredited.

In **Macedonia,** certification for organic products exists since 2005, at first as a result of international cooperation. In 2009 the first Macedonian certification body PROCERT started its activity which has been accredited by the National accreditation institute in charge (www.iarm.gov.mk), which has applied for accreditation in the field of organic agriculture.

The Ministry of Agriculture in **Montenegro** adopted the Law on Organic Agriculture in the middle of 2004. This law provides a legal framework for the development of organic agriculture in Montenegro according to the EU regulation 2092/91 (now 834/2007). In Montenegro, a national agency for Certification and control was founded by the Ministry of the Agriculture In 2006: Monteorganica.

In **Serbia**, the Law on Organic Production and Organic Products was adopted by the Parliament in July 2006, and harmonized with EU ordinance 2092/91 and EU ordinance 834/2007 on organic production and labelling. The organic production in Serbia is ruled by the Ministry of Agriculture, Forestry and Water Management’s representatives. A special department within Ministry is dedicated to the work in the field of organic production (named Department for Organic Production). Serbia has several authorized organizations for organic products certifying.

In **Slovenia** the Law on organic production, labelling and import of organic products exists since from 1998. After entering EU the Slovenian law was completely adapted to EU regulations. In Slovenia different organic certification labels are common:

private, EU and the Slovenian government logo. In general, all products in compliance with the minimum requirements under the European regulation in all Member States can be labelled as "organic" using European logo without any additional logo.

Table 58: legislation and certification for the organic sector in WBC

Country	National regulation since	National Label for organic products	Certification body working in the country
Serbia	2006	YES	YES
Croatia	2001	YES	YES
Slovenia	2001	YES	YES
Montenegro	2004	YES	YES
Macedonia	2004	NO	YES
Bosnia and Herzegovina	(only Republika Srpska since, 2004)	NO	YES

Source: own compilation according to country reports.

Generally spoken, the institutional framework for organic farming seems to by satisfying in all WBC. Farmers can rely upon legal regulations and can adopt the certification schemes. The normative force of EU-regulations on organic farming is evident in WBC as most countries develop frameworks compatible with EU-27.

9.4.2. Agriculture policy and NGO influence

The initiative taken by agriculture policy makers and the influence of farmers associations, industry associations and other NGO's in the different WBC are compared in this chapter.

In **BiH** the complex politico-geographical structure of the country renders strategically policy work on organic agriculture difficult. No action plan is known for the moment being. As far as we know, no market actor associations or other NGOs dealing with the subject of organic farming exists.

In **Croatia**, there is a pro-active policy plan for the development of organic farming, heading for a surface share of 10 % for organic farmland before 2013). Incentives from the government and the presence of the different organic associations enhance the development.

Macedonia is an excellent example of a country where the development of organic farming was initialised and pushed by civil associations. Farmers and processors run an efficient association that co-develops the governmental strategy for organic farming. The national agriculture policy provides subsidies for organic farming and engages into actors' advisory.

In **Montenegro** the development of organic agriculture seems to be policy-triggered. Policy action plans and direct payments for farmers seem to have significant influence on the development and the organisation of the production.

In **Serbia** the agriculture policy looks for an efficient framework with regard to labels and regulations, but seems not to pursue a specific development plan for the organic sector. No civil associations are reported.

Slovenia has a very ambitious plan for further development of the organic sector. The plan is based on a "Plan of Long-Term Development of organic farming in Slovenia (2005-2015)". Associations seem to have minor influence.

The experiences made in Western European countries shows that pro-active policy plans, like in Denmark or Germany, can significantly push the sector development. The lobbying work of NGO's has strongly influenced the sector development, e. g. in France or Italy.

9.5. The general organic market development in the WBC

Slovenia has the most developed organic market in the WBC. It was the country which first started organic production and consumption, the first organic shop opened in 1989. Conventional market actors (supermarket chains) have an important role. Domestic supply chains are being reinforced, but still capacities lack for main food commodities. Demand seems to exceed supply.

Regarding the level of market development, **Croatia** holds the second position. The organic market development based on the shops with "health food" started in 1996. Comparing to the other countries undergoing transformation in the Balkans, the Croatian organic market is well developed and consumers can buy organic products in every bigger town. The demand for organics is rising; the conventional supermarkets/chains impact positively on the organic market by a continuous expansion of their assortments. Finally Croatian consumers seem to adopt organic consumption trends.

Serbia registers continues growth of market actors and an increase in consumer demand. Domestic drivers in processing and local marketing push the consumption at least in the cities, where consumer awareness is rising. Most of the domestic production is exported as raw material; some conditioning is done for the export of fruits and vegetables. Domestic supply chains and processing units are generally lacking, supply chains are still short and mainly constructed for export. The way to more complex supply and distribution chains for main commodities (e. g. cereals, milk) seems still to be long

In Macedonia, dynamic NGO and committed policy push the development, but domestic distribution is strongly limited. Domestic demand is concentrated in bigger cities and the existing supply chains are export-oriented.

There is a potential to further develop the **BiH** organic market. Today, two market channels grow slowly: direct selling via green markets and conventional retail. The basic problem is low purchase power and the resulting limits to pay higher price for organic food.

The very young country of **Montenegro** has few infrastructures for organic production and consumption: some direct selling exists, but domestic processing and domestic distribution are lacking.

9.6. Imports and exports

There are generally no specific customs codes for organic products (they are not distinguished in the Eurostat nomenclature). Therefore, no detailed quantitative data on the import- and export balances with regard to organic products are available. The following table shows the main products, which are imported into or exported from WBC.

Table 59: Imported and exported organic products in WBC

	Export	Import
BiH	Tea, dried mushrooms, dried forest fruits, essential oils, raw plant material (sage for teas)	Kiwi, biscuits, juices, various flours and meals, pasta
Croatia	Pumpkin seed, fresh vegetables	Baby food, cereals, legumes, fruits and vegetables, processed vegetables, olive oil, sweet, marmalade, fruit juice,
Macedonia	n/a	n/a
Montenegro	n/a	n/a
Serbia	Frozen berries, frozen, salted and dried wild mushrooms, Organic cereals like wheat, maize, barley and oats, as well as pumpkins and sunflower, Ground red peppers	Baby food, organic spaghetti, organic rice, organic juice,
Slovenia	Basic foods (grain, pasta, oil, etc.), processed plant products, fresh vegetables, fruits, dairy products.	Honey, meat, herbs, pumpkin oil, organic bread (Company Mlinotest), organic short crust pastry

Source: own compilation according to country reports.

Certified organic products are exported primarily to the EU (especially Austria, Germany, Netherlands, Great Britain, and Belgium) and Switzerland, the USA and to other WBC. WB countries are exporting mainly raw organic products, while processed products with high value added are mainly imported.

9.7. Supply chains and distribution channels

Concerning the level of development of distribution channels for organic food in WBC to groups can be distinguished:

1. more developed channels of distribution (like in Slovenia, Croatia, and Serbia) and
2. less developed channels of distribution (like in BiH, Macedonia and Montenegro).

9.7.1. Organic food processing

Throughout the WBC, first organic food processors started to process the agricultural organic products at the beginning of 21st century.

In **Croatia** are the most known processors are farm-based enterprises like Sever, Zrno and Eko Mavrović which started with certificated organic production in 2002.

The most important processors in **Serbia** are Royal Eco Food and Mondi, which are as well very much involved in promotion of organic products as a part of healthier lifestyle.

Slovenians are not very satisfied with organic food processors in terms of supply although there are about thirty processors which make the biggest number in WBC.

In 2001 **BiH** started with organic processing focused on ethereal oil and forest fruits.

Macedonia has a very small market with some processors as is Alkaloid (with organic tea), Grkov (with organic vine), Vitalia (with organic marmalade), Kastel i Intermak (with mushrooms). In **Montenegro** the company INSPE is involved in the processing of medical plants.

9.7.2. Conventional retail

Conventional retail is supermarkets, hypermarkets and small convenience and neighbourhood stores. In all WBC organic food is mostly sold through conventional retail shops.

Mercator is the first supermarket chain that introduced organic food in **Slovenia** already in 2001 and has about 75-80% share of all channels of organic distribution. The other conventional retail chains which sell organic food in Slovenia are Špar, Tuš and DM.

Supermarkets and hypermarkets are gaining an increasingly important role in **Croatia** as well, especially in big cities. Some of them have specialized sections for "health food" and some of them have organic products next to another products (for example: Konzum has Bio&Bio shelves; Mercator has a special section with organic products) and all the other supermarkets in Croatia selling organic food.

In **Serbia** is almost the same situation as in Slovenia and Croatia. Some of the bigger outlets of Mercator, Super Vero, Real and Maxi are selling organic food in the main cities.

Montenegro large supermarkets like Merkator, Voli and Delta maxi sell some organic products, but exact data are still not available.

In BiH supermarkets (like DM) started recently to sell organic food through but the assortments are still very small and the prices are high.

In **Macedonia**, only some of the supermarkets sell products from local organic farmers.

9.7.3. Organic wholesale

Organic wholesale in WBC started in **Slovenia.** The biggest organic wholesaler is KALCEK, which started with selling of organic products in 1989. Other organic wholesalers are Prema, Mediacor, Biosi and Sonital.

Biovega is the first organic wholesaler and owns the Bio&Bio-food-store-chain with the biggest organic shops in **Croatia**. Biovega started in 1996, has their own import system and is the main player on the market.

In **Serbia** the most important wholesalers are Biospajz, Viva, Bios, Lucar, Natura, Nutricia, Boneda i Beyond.

In BiH, Montenegro and Macedonia there is actually no specialised organic wholesaler.

9.7.4. The specialized organic retail market

Specialized organic retail shops are to be found in all WBC, under different forms. A specific type of the specialized organic retail is organic supermarket, the first ones opened in **Slovenia** in 2005 and **2008** in Croatia (Garden).

Direct-selling (on-farm, farm gate, farmers markets) is a way of selling, developed in all the WB countries and is very good opportunity for creation long-term relationship with consumers.

On-line shops representing specific type of selling organic food also called delivery box system is available in **Slovenia, Croatia** and in **Serbia**. The less developed markets as are **Macedonia, Montenegro** and **BiH** do not have this kind of retail selling of organic food.

9.8. Organic consumption

Organic consumption in **Slovenia** started in the mid 90's by people with strong concern about their health and their nutrition, or even with health and nutrition problems. Another pioneer and core group are "ecologically oriented customers". In last years important consumers group become young families with small children who are aware of healthy life style, elderly people, and people with illnesses or recovered from illness, environmentally aware consumers, higher share of female consumers and high-income trend-followers. In the future will be important drivers' health and nutrition-aware consumers, families with small children, elderly people, environmentally aware consumers, a bit over the average earners or better-off consumers. In general: more "average, normal" consumers, also because the general level of awareness will be higher!

Most consumers in **Croatia** are familiar with the terms of “organic farming” and “organic food”. Middle-agers seem to be more interested in organic, youngsters end seniors less. There are still not many regular and frequent buyers of organic products, and the main reason is in higher prices. Although the awareness of these products is quite high, research shows that in this time of crisis the share of consumers of organic food fall from 14% to 10%. However, in the long run, and regardless of the price, these products will find its place on the Croatian menus.

With the average income of less then USD 400 per month most **Serbians** are generally unwilling to pay the additional 30-40% premium for organic products. But all studies show that the Serbian consumers that are between 25 and 40 years old, urban and educated (and mostly female) are ready to buy organic products and to pay more for certified organic food. Some consumers are ready to pay higher prices for locally grown fruits, vegetables, meat and milk products and products from specific regions because they know that less or no chemicals are used. Super markets, health food shops, and specialized open markets for organic products such as “My farm” in Novi Sad, ethnic and fancy restaurants are in constant demand for agriculture organic products.

In **BiH** consumer researchers found that consumer lack information about organic products and that only few people are willing to pay 10–30% higher prices for organic. The profile of an average organic product consumer reads like: woman, between 25 and 55 years of age with high school or university background, married with children, having a monthly income of 100 – 180 € per family member, and shopping regularly in supermarkets. Consumers’ willingness to buy organic products is associated with healthier nutrition and higher quality products and not with environmental or social concerns.

Organic consumption in **Macedonia** is still in its beginnings. Consumers discover the organic offer on green markets in bigger cities.

Consumers in Montenegro are, as well, just discovering the organic offer on green markets and, still quite rarely, in health stores and supermarkets.

In all WBC countries organic consumption is a phenomenon of the cities. Bute even in the cities consumers do not easily distinguish between organic on the one side on-farm processed food, traditional food, locally produced food and typical specialities on the other. A clear distinction depends on the distribution channels: it is easier for consumers to identify organic products in specialized retail or in supermarkets than on green markets. In rural areas the consumers’ preference for artisanal, on-farm processed or local food is even stronger.

In a context of emerging economies, in most WBC, the willingness to pay more for organic is strictly limited to small core groups of particularly committed consumers.

Nonetheless, overall consumption trends with a rising importance for purchase motivations like health or sustainability are visible in WBC and will lead, in a mid- and long-term perspective, to further market growth.

When it comes to quantify key figures about the WBC organic food markets, there is almost no data available, neither on companies' level in terms of turnover nor on consumer's level in term of amount spent on organic food products. The following table relies very much on expert estimations.

Table 60: Organic market data

	BiH	Croatia	Macedonia	Montenegro	Serbia	Slovenia
Turnover organic food market	n/a	€ 4,979,000	n/a	€ 55,000 (2008)	€ 40,000,000	< 4 Mio € (2007)
Organic market share	n/a	0.1%	n/a	n/a	0.01%	< 1%
Annual amount spent	n/a	1 €	n/a	n/a	n/a	4 à 6 € (2008)
Source: own compilation according to country reports. Note: These values are based on experts estimations						

For comparison	Denmark	Spain	France
Market share	6.8	0.5	1.8
Annual amount spent	140 €	8 €	45 €

Source: Specialised Organic Retail Report 2008.

Slovenia has per-capita expenditures which are close to some Western European countries. In the other WBC, the organic market is still confidential.

9.9. General assessment of organic sector development in WBC

Table 61: Assessment of organic sector development

	Bosnia and Herzegovina	**Croatia**	**Macedonia**	**Montenegro**	**Serbia**	**Slovenia**
Export of raw material / processed items	Raw material export, but as well export of processed items	Export of raw material and processed food.	Export raw and processed items	raw goods are exported by foreign companies	Mainly raw material	Export raw and processed items
Domestic processing	In the processing of wild collection products	Mainly farm-based. One international company.	In the processing of wild collection products	Very few	In fruit, vegetables and in wild collection, for domestic market	All sectors, but weakly developed
Direct selling	Few farms – green markets	Since the 1990ies	On-farm and on green market	Most important marketing channel	On-farm and on green market	On-farm and on green market
Health food stores	No	Yes, since the 1990ies, pioneer role and still very active.	Health shops but no specialised organic shops	Health shops but no specialised organic shops	Yes, about a dozen shops in bigger cities.	1.shop in 1989 in Lubljana. 10 shops in Slovenia.
Organic in Supermarkets	Yes, but scarcely, and with imported products	Yes, in almost every supermarket	Yes, but rarely and with small assortments	A few	Yes, but rarely and with small assortments	Start in mid 90's. Similar development as in health shops.

Source: own compilation according to country reports

9.10. Options and action for further development

In this final part of the comparison chapter, we try to identify key barriers and options for actions to overcome these barriers in the future.

Table 62: Options for enhancing the organic sector in WBC

Barrier	Options for policy and stakeholder action	Comments / examples
Lack of available organic commodities	Organize producers in associations and cooperatives. Teaching and training on organic production, quality management, marketing. Know-how transfer on regional, national, international level. Encourage regional production basins, foremost for milk, cereals, vegetables and beef & meat. Market research. Teach organic farming in schools and universities.	International farmers associations can be facilitators and platforms. Partnerships with farmers associations. Mutual visits and excursions. Online networking and database facilities
Lack of domestic processing	Encourage vertical link-up with agriculture on the one side and distribution on the other. Strategic positioning of processing units in the production centres. Teaching and training about organic food processing, resourcing, quality management and marketing. Industry associations, know-how transfer from conventional to organic. Market intelligence services, market research. Teach organic processing in schools and universities. Benchmarking studies.	International seminars, workshops for existing enterprises In the conventional sectors and for newcomers. Handbooks on organic processing, management, marketing, etc. Online networking and database facilities.
Lack of domestic supply chains	Encourage vertical integration. Encourage cooperation between sectors. Form supply chains councils / networks. Teach organic supply chain management in schools and universities.	Supply chain meetings per sector (with inter-sector and international linkage. Seminars, workshops, partnerships with international organic food branch organisations.
Lack of domestic consumer demand	Clarify labelling and certification. Enhance trust and knowledge about organic. Provide online information.	Information campaigns, organic food in schools.

Source: own compilation

Generally spoken, as it reads in the country reports, the future development of the organic sector has positive preconditions with regard to several factors:

WBC agriculture and food policy in WBC is rather in favour of organic farming and food. This is certainly a good precondition for establishing action plans for the organic sector that could integrate some of the above-mentioned elements.

Farmers associations and other NGOs are strongly pushing the organic sector in several countries and are ideal partners for the realisation of the above-mentioned action elements.

Committed market actors, in production, processing and retailing, will continue to spread the information and the products themselves. They are often linked to international networks and might thus facilitate the sharing of experiences and know-how.

Consumption trends are basically in favour of a growing demand for organic products.

Further growth for the organic sector is, thus, more than likely. But the speed of this growth process depends, to a bigger part, on macro-economic factors, like the development towards a higher purchase-power or the establishment of relatively wealthy middle classes.

10. CONCLUSION AND PERSPECTIVES

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The conclusions to be made on the organic food sector development of the WB Countries have to take into account the past and the present situation.

Compared to developed European markets and the other western markets the WBC markets are relatively young and very small.

In the last twenty years organic production was often available but was not called officially organic production. During the last ten years, market actors and their associations, but as well foreign market actors and policy makers often pushed the sector evolution with regard to different aspects:

Official regulation: in most WBC, national laws give a framework to the production and marketing of organic products. The legal framework is often adapted to the model of EU regulations.

Certification: in all WBC, domestic or international certification bodies control the organic production and guarantee the respect of the domestic law or / and of international standards.

As a consequence of these to elements of a sound framework (legal frame, certification) production has risen in all countries.

Wild collection plays an important role in the overall organic raw material production, mostly dominating the agricultural production. Furthermore, plant production is more significant than animal production.

Supply chains are generally short, with much direct selling on the domestic market. The best developed supply chains, with intensive and high quality processing industry, are to be found in the export-destined sectors.

Domestic supply chains do often still have pioneer character, with few very committed market actors who develop the "model for the future"

Market structures lack particularly in the main commodity sectors: cereals / flours, dairy products, beef and meat processing.

Consumers are often aware of organic production. Consumption trends are, basically, in favour of the organic agro-food sector. But there is no clear image of organic and the willingness to pay more is strictly limited. Mostly in rural areas, but as well generally, organic competing with traditional and artisanal farm products.

This development could happen thanks to a number of strengths, like the commitment of pioneer market actors, the influence of farmers associations, the interest of foreign actors in a structured product offer and policy makers.

Among the hindering factors are the general economic situation and the low purchase power in WBC. But as well the strong export-orientation of the supply chains, insufficient domestic infrastructure, a lack of information and expertise among farmers and processors and costly and complicated certification hinder the development. On consumer level, a lack of information and a traditional preference for local and artisanal farm products limit the potential of organic products.

The potentials for further development of organic in WBC are significant. The steps to make towards a more performing organic sector are higher number of producers, in order to reach critical levels of product volumes that enable the construction of domestic supply chains for main commodities. This goes along with better information and more know-ho-transfer among processors, a better structuring of supply chains and distribution channels. Information about organic and organic labelling could enhance consumers' readiness to pay price premiums and, thus, stimulate the domestic markets.

Generally spoken, the organic markets in WBC struck the observer by their heterogeneity. Some elements remind the early beginning of the organic sector in Western Europe, with direct selling, short supply chains and little processing. But on the other hand, committed, strategic and highly professional market actors show within the WBC organic markets successful examples for the marketing of organic products and for the efficient organisation of supply chains. These actors develop models for vertical cooperation with farmers and for transnational market action.

It is today's heterogeneity that illustrates best the potential of the organic sector in WBC, both on production as on consumption level.