

Constraining reasons and factors for the development of the organic food market in Russia

Elena Anatolyevna Firsova, Yuriy Teodorovich Farinyuk, Stanislav Sergeevich Firsov

FGBOU VPO "Tver State Agricultural Academy", Vasilevsky (Sakharovo) St., 7, Tver, 170904, Russia

Abstract. The article describes the main constraining factors for the development of the organic food market in Russia, such as high prices for organic products, the lack of a certification system and lack of general knowledge about organic products. Based on the analysis of the main problems in the field of organic production in Russia, conclusions and proposals are formed that will ensure the dynamic development of the market and make the organic food market in Russia available for both domestic and foreign producers and consumers.

[Firsova E.A., Farinyuk Y.T., Firsov S.S. **Constraining reasons and factors for the development of the organic food market in Russia.** *Life Sci J* 2014;11(12s):257-259] (ISSN:1097-8135). <http://www.lifesciencesite.com>. 51

Keywords: market, organic products, constraining factors, consumer demand, legislative regulation, certification, and awareness

Introduction

In the past two decades, the global organic food market is developing rapidly and is becoming a popular alternative to the consumption of environmentally sensitive products. Annual growth rate of the organic food market in developed countries is 20-30%. However, there are several constraining factors for the efficient development of this market in Russia.

The main part

In 2012, the sales of organic products in Russia reached 148 millions of dollars, which is 7.8 percent more than in 2011. However, organic products are in demand by extremely limited number of people, and occupy only 0.2 percent of the total share of food sales [1]. The main reason for this situation is the high cost and the lack of the certification system, which is the main problem of sustainable development of this market. Due to these circumstances, many Russian producers tend to work under the auspices of the official organic certification organizations to be formally certified in the USA or in the European Union, or to import products from abroad, which increases the final price of the product.

The main documents regulating the organic food markets in different countries are: in the EU – Council Regulation (EC) No. 834/2007; in the USA – the National Organic Program; in Japan – the Japanese Agricultural Standard. It has been found that each of these documents takes into consideration their national and regional conditions. One of the mandatory requirements of these documents is the certification of the organic standards concerning products manufactured by an enterprise.

Thus, Council Regulation (EC) No. 834/2007 in the UE includes the operating requirements for the production, processing, sales and import of organic products within the EU. To

ensure that organic products from countries outside the European Union also meet these requirements and are monitored comparable with the European requirements, the control method for imported products was regulated in more detail with this regulation [2-3]. The certification in accordance with this regulation eases the sales of organic products produced outside the European Union.

The recent event in the Russian Federation legislation was the Additions and Amendments No. 8 of SanPin 2.3.2.1078-01, approved by Resolution No.26 of Chief State Sanitary Inspector of the Russian Federation dated 21.04.2008 – SanPin 2.3.2.2354-08 related to organic products.

There was an attempt to give a first description of what may be an "organic product", as well as indicate permitted and not permitted means of organic agricultural production in these Additions of SanPiN 2.3.2.1078-01 operating in Russia since July 2008. However, based on the experience of foreign regulations it can be claimed with confidence that this legal framework in production, certification and sales of organic products is not enough for full regulation of this sector.

Although at the moment Russia has no discrete legislative document governing the production and sales of organic products, in recent years there is an active discussion topic related to organic production, discussing the possibilities for federal law on agro-ecological manufacture, which is still in the draft stage. Individual Federal subjects of the Russian Federation (Ulyanovsk region, Belgorod region, etc.) alone in the absence of federal legislation formulate and adopt regional laws in this sector.

In November 2012, Russian producers together with Ministry of Agriculture of the Russian Federation participated in the discussion and elaboration of a draft law on organic production of

agricultural products. According to expectations, the law will come into force in 2015. It is assumed that this will give a necessary impulse for the development of the organic market in the coming years and provide quality assurance at an affordable price for consumers buying organic products. Experts believe that the sales of such products may reach 167 millions of US dollars in 2013, and 225 million of US dollars already in 2015. Such a rise is due to the qualitative and quantitative development of the market, as well as increasing demand for products from consumers.

Currently, most organic products in Russia is imported from the EU countries such as Germany, France, Italy, and positioned as products for the privileged class. Such products can be purchased in most major cities with a high concentration of people of the upper middle class, in retailers specializing on including organic products, such as "Azbukha Vkusa" or "Globus Gourmet". Organic products are usually at 20-400% more expensive than their common equivalents, and they account for between 2 and 5 percent of sales of supermarkets. The main consumers of these products in Russia are mainly residents of Moscow and St. Petersburg with high-income, trying to maintain a healthy lifestyle. In the absence of the Russian standards for organic products, consumers can only trust the foreign quality standards when buying organic foods.

Due to the fact that the level of income of Russian citizens continues to grow, there is an expectation of increasing the share of consumers buying organic products that will be willing to pay a higher price for environmentally friendly and safe products. It can be claimed that the sales growth in Moscow and St. Petersburg is mostly due to greater openness of capitals to Western trends combined with a high income level of the population [4-6]. Growth in consumer income and developing the legislative framework in the field of organic matter will not only increase the demand for organic products, but also encourage manufacturers to invest in the infrastructure development of organic production. Transnational corporations are likely to play a leading role in this regard, but it also opens up new opportunities for small domestic companies, especially in niche categories of organic production, which are still underdeveloped. "Euromonitor International" predicts that already in 2015 the sales of organic products will reach 225 millions of US dollars. This growth will be driven by the greater availability of organic products and the increasing demand from Russian consumers.

There are three main barriers to the expansion of the organic market in Russia: high prices for organic products, the lack of the

certification system and lack of general knowledge about organic products. "CIS Insight" conducted a survey in several cities in Russia (including Moscow and St. Petersburg) which showed that the major barrier to the expansion of organic food market in the Russia is a price gap between conventional and organic products. Since more than 90 per cent of organic products in Russia are imported from abroad, the price of these products is much higher, due not only to the organic nature of products, but also transport, customs and other charges.

No less serious barrier is the fact that the Russians do not trust the local certification systems. This attitude dates back to the post-perestroika period, when real composition of products was often not matched by more than 50% of what was stated on the package. According to the market research conducted by "AgriCapital", about 60 percent of customers in Moscow supermarkets are willing to pay more for products if they are confident in their contribution to the health and safety to the environment. The study also shows that currently 45 percent of Russian manufacturers put a label "Organic", "Natural" or "Environmentally friendly" on a sign without any specialized certification of its products, while establishing a price for these products by 20-35 per cent higher than similar products. Only 54 percent of the respondents answered "Yes" to the question: "Do you trust the information on the package which states that the product is natural, organic or environmentally friendly?" Consumer needs confirmation that the products sold as organic were really produced using organic methods, which must be identified and protected by the federal law. Development of the organic legislation and certification as expected may satisfy consumers' requirements and increase confidence in the quality of purchased products [7-10].

One of the fundamental barriers for the development of the organic food market in Russia is the lack of general knowledge about organic products both at the governmental level (there are no reliable data on existing organic production) and at the consumer level (about half of the respondents have an idea of what is "organic"). Under the draft law the government plans to conduct educational activities for consumers and producers about organic agriculture and manufacturing, which is expected to have a positive impact on the development of the Russian organic food market.

Conclusion

Thus, the situation in the Russian organic food market, unfortunately, is not quite favorable due to several factors. However, the joint participation of the state and manufacturers in solving these problems

will term stable development perspective of this market in Russia.

Conclusions

1. Lack of the certification system slows the expansion of demand for organic products in Russia. Because of this, a few domestic "organic" producers tend to operate according to the international rules.

2. Certification of products to the USA or EU standards, or importing products from abroad influences the price of organic products and makes it much more expensive for the consumer.

3. Under modern conditions, one of the most important goals of the state is to support the legislative regulation of organic production and consumption in Russia, which should contribute to the appearance Russian production on the organic food in Russia at affordable prices and as a consequence the development of organic production as an alternative direction of agricultural production in Russia.

4. It is necessary to conduct educational activities to ensure that producers and consumers have the required level of knowledge about organic products and their features.

Corresponding Author:

Dr. Firsova Elena Anatolyevna
FGBOU VPO "Tver State Agricultural Academy"
Vasilevsky (Sakharovo) St., 7, Tver, 170904, Russia

References

1. Kolchevnikova, O., 2013. Russian Organic Market Continues to Grow. Moscow, ATO report of 25.02.2013 #RSATO1302.

2. Howard, A., 2007. The Soil and Health. A Study of Organic Agriculture. The University Press of Kentucky, pp: 356.
3. Dubgaard, A. and H. Nielsen, 1989. Economic aspects of environmental regulations in agriculture. Kiel: Wiss.-Verl. Vauk, pp: 329.
4. Borodin, K., 2008. Competitiveness of the Russian market of environmentally friendly products: opportunities and barriers. Economics of agricultural and processing enterprises, 7: 83-87.
5. Goncharov, V., 2001. Formation and functioning of commodity markets in Russia. M.: AgroiNITEIPP, pp: 166.
6. Kozlova, O., 2011. Theory and methodology of formation of the organic food market on the basis of holistic marketing, PhD thesis, Omsk, pp: 391.
7. Gorchakov, Y. and D. Durmanov, 2002. Global organic farming of the XXI century. Moscow: Publishing House "PAIMS", pp: 402.
8. Gorchakov, Y., 2004. Trends and market aspects of the global organic farming. Barnaul: "Az Buka", pp: 256.
9. Zybalov, V., 1999. Fundamentals of ecological agriculture: Tutorial for beginning professional education. Chelyabinsk: South Ural Publishing house, South Ural publishing-bargaining house, pp: 144.
10. Kondratyev, I. and A. Khodus, 2004. Eco-certification: path to responsible biomarket. Bulletin of the center for Russian environmental policy, "Towards Sustainable Development of Russia", 28: 7-8.

7/25/2014