DETERMINANTS AND POSSIBILITIES OF DEVELOPMENT OF THE ORGANIC PRODUCTS MARKET IN POLAND

Marzena Lemanowicz, Joanna Szwacka-Mokrzycka

Abstract. The aim of the study is to present the current situation in organic farming in Poland. In the paper, the market of organic food is described with a particular focus on increase in the number of organic farms and processing companies in this field. The authors have identified some significant barriers of this market development and have described law regulations of organic farming. It was also stressed that there exist perspectives for development of the organic products market with emphasizing the necessity of co-financing for organic producers, increase in consciousness of customers as well as development of new distribution channels.

Key words: organic farming, organic food, organic farms, Poland.

JEL code: Q13, Q18, Q57

Introduction

The market of products of organic origin is nowadays one of the most quickly developing food markets in the world. The proportion of the sector of organic farming has been increasing not only in Poland but also in all the European Union countries. Customers, who have been expressing their significant increase in the demand for organic products, have influenced these changes. At the same time, an opinion on food health properties apart from only a nutritional function has been developing. That is why new producers offering organic products have been established, and already existing producers have been changing their conventional production into organic; all these activities have been taking place in order to meet increasing requirements of customers. The aim of this paper is to analyse the market of products of organic origin in Poland. The scope of the study includes issues connected with characteristics and development of organic farming and the organic food market in Poland. The authors have identified barriers and perspective for development of the organic food market. In order to realize the aim of the study, there was conducted a review of literature connected with the research subject. Moreover, Polish and European Union law regulations that determine functioning of this market were important sources of information; the authors also used reports of institutions focusing their interest on the organic products market.

Research results and discussion

Organic production is a general system of farm management and food production, which combines the best practices from the environmental perspective, a high level of biological diversification, protection of natural resources, use of high standards of animal welfare, and a production method which meets requirements of some customers preferring goods produced with use of natural substances and natural processes. As a result, the organic production method fulfils double social function; on the one side, it provides products for the specified market formed by demand for organic products, and on the other hand, it is an activity performed for public interest because it contributes to protection of the environment, animal welfare, and rural development (Council Regulation nr 834/2007).

Organic plant production contributes to maintaining and increasing in soil fertility and prevents its erosion. Plants are fertilized by soil ecosystems. Artificial fertilizers are not used. The basic elements of the system of organic plant production management are: soil fertility management, selection of kinds and varieties, multi-annual crop rotation, recycling of organic substances, and suitable farming techniques. Animal production plays a basic role for farming in organic farms because it provides organic substances and nutritional substances for the cultivated soil; in that way it contributes to improvement of soil state and sustainable farming development. Animal husbandry is based on obeying of high standards of animal welfare. Special attention is paid to animal health through diseases prevention. There are some important elements such as conditions in animal enclosure, husbandry practices, and stocking density (Council Regulation nr 834/2007).

To sum up, organic farms have:
1) not to use chemical plant protection treatments; first of all a good crop rotation, biological and agrotechnical methods are used in order to prevent diseases, pests, and weeds;
2) not to use multi-hectares monocultures; cultivations are implemented in a mosaic system, on small plots, separated by cover crops as well as barriers established with trees and bushes, which are shelters for natural allies of farmers (birds and insects eating pests) improving microclimate;
3) to use green manure, especially of legumes, which combined with compost, manure and with liming allows to maintain a structure and fertility of soil at a proper level;

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4) to use machines and instruments protecting soil, improving its structure, saving energy;
5) not to use active substances in animal breeding, such as antibiotics and hormones; fodder comes from own farm (it has known properties);
6) to run barn-reared animal production (Siebeneicher, 1997).

The most general approach to organic farming is a way of farming, which aims at saving and stability of the surrounding environment and protection of human health.

1. European Union and Polish legal regulations on rules of organic farming

Systematic increase in significance of organic production in the European agricultural sector forced improvement of legal regulations in this field. Since 1 January 2009, there have been in force the following EU regulations:


Significant changes took place in regulations of the European Union concerning organic farming as a result of introduction of these regulations. They were connected especially with labelling of organic products, control of organic farms, and issuing certificates as well as changes of arrangements concerning import of organic products from third countries.

Together with changes in the EU regulations, it was necessary to prepare new domestic regulations in this field. The new Act on organic farming of 25 June 2009 (Journal of Laws 2009 No 116 Item 975) entered into force on 7 August 2009. After that, there were published regulations of the Minister of Agriculture and Rural Development, which described in details tasks of different institutions connected with organic farming. The mentioned act increased the role of the Agricultural and Food Quality Inspection as a state supervision in organic farming.

A control system based on private control (certification) was implemented in Poland, similarly as in majority of the EU countries. The Polish control system in organic farming consists of:

— Minister of Agriculture and Rural Development;
— Agricultural and Food Quality Inspection;
— certifying bodies – authorized to control and issue and withdraw certificates of organic farming.

Nowadays, there are 11 of such bodies.

A label of each product that has received a certificate has to include a name and code of a certifying body supervising a producer. In the period since March 2000 until Poland’s accession to the European Union, each packaging had to have a symbol “organic farming”. In 1 July 2010, there was introduced a new EU organic farming logo “Euro-leaf” (Figure 1).

Before this symbol became compulsory for all products, a two-year transitional period was planned to enable companies to adjust to the new rules of labelling as well as to avoid wasting of existing packaging. The transitional period according to the EU rules of food labelling ended on 1 July 2012. The EU logo is now present on all organic packaged food within the European Union. It is also possible to use the logo on a voluntary basis for non-pre-packaged organic goods produced within the EU or any organic products imported from third countries. In that case, it is not obligatory and will not be in the nearest future. Private, regional, or national signs can be still placed next to the new EU organic logo, a code number of the control body should be displayed as well as the place where the agricultural raw materials composing the product have been farmed.
2. Development of organic food market in Poland

Organic farming is a base of production of organic food; it provides raw materials for this production. It is worth noticing that the popular term “organic food” is often used interchangeably with “health food”, “natural product”, “obtained from ecologically clean areas”, “from green meadows” or simply “health”. However, the first term means certified food, the next ones are generally only names for marketing purposes and do not introduce any defined standards.

Simplifying, it can be stated that purchasing food with the European logo we can be sure that:
- at least 95% of ingredients of this product were produced with organic methods,
- product fulfils requirements of the official certification system (Tyburski, Zakowska-Biemans, 2007).

Organic farming in Poland has had nearly 80 years of history. In 1924 in Kobierzyce, in the Lower Silesia, Rudolf Steiner presented a set of lectures with principles of bio-dynamic agriculture. Farming according to this method was started in 1930 by count Stanislaw Karlowski in Szelejewo, who operated there until the beginning of the war. The interest in this kind of agriculture occurred again at the turn of the 80s, especially from an initiative of a small groups of researchers and farmers clustered around professor Mieczyslaw Gorny (Kus, 2004).

In 1989, the first organization of organic farmers was established – EKOLAND Organic Food Producers Association. In 1990, this association ran a first inspection of farms and issued 27 attests for farms (http://www.fadn.pl).

Until 1998, the development of organic farming was very slow because this way of farming was not supported by the state, besides the possibilities of obtaining a higher price for these products were limited because of a low level of market organization. In 1998, 182 farms were under control; they used only 5.5 thousand hectares of farmland, i.e. about 0.03% of farmland in Poland. More dynamic growth of organic farming can have been observed since introduction of the payments for areas of organic crops in 1998 and after that introduction of legal regulations on organic farming in 2001 (Kus, 2004).

In 2000, 338 organic producers were registered in Poland, whereas one year later there were even 1977 of them. In 2009, this number was at the level of 17 thousand and in 2010 – 20 956. Figure 2 presents the number of organic farms in Poland in the period 1990–2010.

As far as the size of organic farms is considered – in 2010, the majority (24.3%) was represented by crop areas from 5 to 10 hectares. Farms with less than 5 hectares constituted 23.7%, whereas the largest ones with more than 100 hectares – 4.5% of the total number of farms. When the area of organic crops is analysed in particular regions (voivodships), it can be concluded that their spatial distribution is diversified. The largest area of organic crops takes place in such regions as: Westpomeranian Region, Warminsko-Mazurskie Region, and Mazovia (Table 1). These three mentioned regions had 42.3% of organic farmland in Poland. The lowest proportions of such activity were registered in such regions as: Opole Region, Silesian Region, and Lodz Region.

The highest proportion of organic farmland is represented by meadows and pastures (42.3%). Plants for feedstock (20.6%) occupy the second place. Cereals represent 19.6% of organic farmland, and the rest of the groups together form 17.5%, respectively. The detailed structure is presented in Table 2.

In 2010, the majority of organic producers is represented by agricultural producers. In the period 2009-2010, they constituted about 98% of the total number of producers. Organic producers who run such activities as:
- processing of organic products;
- introduction of organic products imported from third countries;
- supply of certified seed;
- fruit harvest from the natural conditions (bilberries, mushrooms);
- bee-keeping represent only 2% of all organic producers.

The highest proportion of organic enterprises running activities in 2010 was engaged in fruit and vegetable processing – 32.4%. Production of other agricultural and food commodities was run by 32.1% of enterprises, whereas production connected with grinding of cereals...
was respectively 19.4%. The proportion of tea and coffee processing was significantly lower – 6%, meat – 5.1%, and milk 2.7%.

In the European Union, there were 190,700 organic farms in 2009. They were the most popular in Italy (43,000), Spain (25,300), and Greece (23,700). The area of organic farmland was 8.39 mln ha (Zdrojewska, 2011). The market of organic food in Poland has been quickly more and more popular among customers in Poland. In 2010, the value of the market of certified organic food was estimated for 300-350 million PLN. It is forecasted that this market can double within a few years. Increased demand causes that production of organic food has been more and more popular among farms and processing enterprises. The most significant volume of organic food is sold in specialized shops – there were about 400 of them in Poland in 2010. This kind of products has become also more often accessible in super and hypermarkets. In addition, other channels of selling have been developing. The offer of eco-food delicatessen chains in Poland. The largest one – Organic

### Table 1

<table>
<thead>
<tr>
<th>Region (voivodship)</th>
<th>Area of organic crops (ha)</th>
<th>Number of organic farms</th>
<th>Number of organic processing entities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lower Silesia</td>
<td>39,781.83</td>
<td>1,248</td>
<td>11</td>
</tr>
<tr>
<td>Kuyavia-Pomerania</td>
<td>7,661.70</td>
<td>340</td>
<td>13</td>
</tr>
<tr>
<td>Lubelskie Region</td>
<td>34,754.60</td>
<td>2,013</td>
<td>36</td>
</tr>
<tr>
<td>Lubuskie Region</td>
<td>36,376.21</td>
<td>839</td>
<td>5</td>
</tr>
<tr>
<td>Lodz Region</td>
<td>7,656.53</td>
<td>436</td>
<td>16</td>
</tr>
<tr>
<td>Malopolska</td>
<td>20,908.72</td>
<td>2,183</td>
<td>27</td>
</tr>
<tr>
<td>Mazovia</td>
<td>44,748.16</td>
<td>2,013</td>
<td>47</td>
</tr>
<tr>
<td>Opole Region</td>
<td>2,724.09</td>
<td>83</td>
<td>3</td>
</tr>
<tr>
<td>Podkarpackie Region</td>
<td>31,950.43</td>
<td>2,127</td>
<td>22</td>
</tr>
<tr>
<td>Podlaskie Region</td>
<td>42,692.44</td>
<td>2,040</td>
<td>6</td>
</tr>
<tr>
<td>Pomorskie Region</td>
<td>23,222.19</td>
<td>665</td>
<td>15</td>
</tr>
<tr>
<td>Silesian Region</td>
<td>4,443.57</td>
<td>243</td>
<td>13</td>
</tr>
<tr>
<td>Swietokrzyskie Region</td>
<td>13,276.36</td>
<td>1,255</td>
<td>10</td>
</tr>
<tr>
<td>Warminsko-Mazurskie Region</td>
<td>76,768.57</td>
<td>2,288</td>
<td>10</td>
</tr>
<tr>
<td>Wielkopolskie Region</td>
<td>31,346.57</td>
<td>791</td>
<td>36</td>
</tr>
<tr>
<td>Westpomeranian Region</td>
<td>100,215.10</td>
<td>2,392</td>
<td>23</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>518,527.10</strong></td>
<td><strong>20,956</strong></td>
<td><strong>293</strong></td>
</tr>
</tbody>
</table>

Source: the data of www.minrol.gov.pl/

### Table 2

<table>
<thead>
<tr>
<th>Crop category</th>
<th>Crop proportion in farmland area, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>cereals</td>
<td>19.6</td>
</tr>
<tr>
<td>potatoes</td>
<td>0.4</td>
</tr>
<tr>
<td>plants for feedstuff</td>
<td>20.6</td>
</tr>
<tr>
<td>legumes</td>
<td>0.9</td>
</tr>
<tr>
<td>industrial crops</td>
<td>0.7</td>
</tr>
<tr>
<td>vegetable</td>
<td>1.0</td>
</tr>
<tr>
<td>meadows and pastures</td>
<td>42.3</td>
</tr>
<tr>
<td>orchards and berry crops</td>
<td>13.3</td>
</tr>
<tr>
<td>other crops</td>
<td>1.2</td>
</tr>
</tbody>
</table>

Source: Zdrojewska, 2011
Farma Zdrowia SA has 22 shops in nine biggest Polish cities. However, despite dynamic growth and increasing interest of customers, the Polish market of eco-food is still immature. It is confirmed by a very small share of eco-food in the total food market and relatively low Polish customers’ expenditures for organic food. Polish customers’ expenditures for organic food have still been a few times lower than the expenditures of such European countries as Germany, Sweden, or Switzerland. Moreover, Poles often confuse terms of health, traditional, and organic food with products coming from countryside and they do not appreciate certificates. Nowadays, the certificate with the EU logo proves that a product is organic.

A high price of organic products is a problem of the Polish market of organic food; this aspect is often mentioned in many attempts of research as a main barrier of growth (Luczka-Bakula, 2007). Polish producers of organic commodities declare obtaining of prices higher by 10-20% than prices of conventional substitutes of products (Tyburski, Zakowska-Biemans, 2007). There are some factors that determine higher prices of organic products: undoubtedly higher input, higher quality of these products as well as use of production methods in accordance with requirements of the natural environment.

3. Perspectives of organic food market development

Organic food market development depends to a significant extent on co-financing for both producers, who will decide for a change from conventional farming to organic, as well as co-financing for present organic producers. Of course, increase in the demand for this category of food is an important factor deciding on growth of this market.

Elaboration of the national plan of activities concerning this sector was an advantageous operation for organic food market development. It was prepared by the Polish Ministry of Agriculture and Rural Development and named the Action Plan for Organic Food and Farming in Poland in 2011–2014. The plan was elaborated basing on "The European Action Plan for Organic Food and Farming". The objective of the plan implemented in June 2011 is to determine a set of actions that can contribute to the development of the market of organic products, increase in awareness of customers in the field of organic products, improvement of accessible production technologies and accessibility of information in this area. There are some activities proposed in the document aiming at organization of promotion campaigns of products of organic farming, promotion of organic food (participation in fairs and exhibitions, elaboration of promotion materials), organization of competitions, for example for the best organic farm, tests of knowledge on organic farming, etc. As far as foreign markets are concerned, there are undertaken actions allowing for establishment of business contacts in order to increase sale of organic products abroad.

Development of organic products sale in Poland will be more dynamic, if sales channels become diversified. It is necessary to establish partnerships between organic producers and large retail chains. Increase of organic products’ sale in these distribution channels will allow to lower distribution costs and a profit margin; it will result in decrease in prices for final customers and, as a consequence, these products will become accessible for a wider group of customers (Pilarczyk, Nestorowicz, 2010).

Conclusions

1. Organic farming and production of organic food have been dynamically developing. Increase in awareness and the wealth level of the Polish society has been accompanied by increase in interest in organic products.

2. Customers attribute high quality to organic products, appreciate them for tasting values, and stress their positive influence on health. However, the low level of knowledge of organic products’ labelling, the certification system, or rules of organic farming are still present.

3. Organic farming is an alternative method of farming for many farmers. It could be a chance of gaining income through sale of health and organic products. Commodities produced without use of chemical substance, preservatives and, what is more, are not genetically modified are searched, especially by a richer part of a society.

4. The data on increase in the number of organic farms and organic processing enterprises confirm the development of the organic products market. To sum it up, it should be stressed that the number of organic farms was at the level of 338 in 2000, whereas in 2011, there were respectively 23500 of such farms. Growth in the number of organic processing enterprises also took place from 55 in 2004 to 293 in 2010. These data prove the thesis on dynamic development of the organic products market in Poland.

5. Significant effort should be taken to ensure accessibility of eco-products for a possible largest part of customers both taking into account an assortment aspect as well as issues of prices and accessibility.

6. The attention should be paid to spreading knowledge about the essence of organic food and advantages that result from its consumption. This kind of knowledge is necessary to avoid confusing products of organic origin with conventional products.

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