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TOOLS OF MARKETING SUPPORT OF THE ORGANIC FOOD MARKET

NÁVRH MARKETINGOVÝCH PROSTŘEDKŮ PRO PODPORU TRHU S BIOPOTRAVINAMI

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Abstract

This master's thesis is focused on organic food products market in the Czech Republic. It analyses the market and used marketing tools. It contains recommendations of improving marketing tools performance to support the market growth of organic food products in the Czech Republic.

Abstrakt

Tato diplomová práce se zaměřuje na trh s bio potravinami v České Republice. Analizuje trh a použité marketingové nástroje. Práce obsahuje doporučení pro zlepšení působnosti marketingových prostředků pro podporu růstu trhu s bio potravinami v České Republice.

Key words

Organic, food products, agriculture, farmer, market, marketing tools, demand, supply, consumer, development, support, product, price, promotion, place.

Klíčová slova

Bio, potraviny, zemědělství, farmář, trh, marketingové nástroje, poptávka, nabídka, spotřebitel, vývoj, podpora, produkt, cena, propagace, místo.

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Brno, 31st August 2012

Ing. Marta Jindrová

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Content

Introduction

The intensive methods of conventional agriculture have affected the environment recently. As a result of the massive production focused on squeezing costs, the environment has been polluted by intensive fertilisation. The natural non-renewable sources have been running low, therefore there has increased need for keeping sustainability of the agricultural development and also renewal of the natural environment. Recent food and agricultural scandals have harmed customers' trust in food quality, perception of food security and its impact on consumers health and also arose public perception of livestock well being.

Organic agriculture can take part on this situation resolving. From the long-term perspective, objective, organic agriculture can contribute on development of sustainability of the environment and agriculture, natural diversity, enhancement of food security and gaining back the trust of consumers in food products,

Since organic food products have entered the food market, the demand fur such products has expanded rapidly over past decade. The organic food products have gained consumers' attention throughout the world.

Organic agriculture in the Czech Republic has been developing since 1990s and recorded rapid growth as well as the demand for organic food products has increased considerably. However organic food market remains only a small part of the overall food market not exceeding more than 1% share.

On the other hand, the potential of growth of the organic food products is obvious and supported properly on the long-term basis with suitable marketing tools, state support and with respect to ethical concerns.

The thesis goals and used methods and approaches

This master's thesis works with the topic of marketing tools as a the support of the organic food market in the Czech Republic. The thesis provides the overview of organic food market development and analysis of marketing tools of the organic food market in the Czech Republic in comparison with the organic food market development and marketing tools of the well established and saturated organic food market in the United Kingdom and aims to find the instruments for the organic food market support in the Czech Republic.

The theoretical part is dedicated to summarising the theory used in the background, used methods and approaches. In the analytical part secondary data are analysed to receive review of the market situation and marketing tools and also primary data from research are analysed to further investigation of the current situation on the Czech organic food market to conclude the findings and suggest recommendation for the marketing tools improvement and market growth support.

It is necessary to explore the organic food market situation in the European Union and world context. Foret *et al.* (1999) notice that marketing environment within EU becomes more important to be considered by Czech companies, mostly those entering foreign in EU. The authors state the producers need to learn how to predict customer's needs and afterwards demands of the consumer. (2)

The micro – environmental analysis is based upon Poster's five forces analysis. (12) Blažková (2007) in addition suggests to analyse the market, the industry, the competitors, the suppliers, the customers, the segmentation, the product, the competitive advantages in the Czech Republic. (1)

Mapping the values driving organic food choice of the consumers is another factor playing an important role for the marketing tools and their definition. The method of research based upon questionnaires is needed to be performed, as the primary data source as well as the secondary data sources analysis help to understand the customers patterns and behaviour to bring the value to the customers as well as to establish the proper marketing mix as a tool of the successful marketing strategy.

1 The theoretical part

Through effective use of knowledge of market and marketing research the organisations are able to identify the needs and wants of the customer and deliver benefits that will add value to the customer, while at the same time ensuring that the satisfaction of these needs results in the main goal - organisation's profit.

Marketing objectives and goals need to be monitored and met, competitor strategies analysed, anticipated and the competitors left behind.

Kotler and Armstrong (2010) point out, that the first steps of marketing process focus on creating value for customers. The authors state, that the companies first gain a full understanding of the market by investigating customers' needs and managing the proper information. Together with the gained information, the companies need to design a marketing strategy based upon two important questions: What customers do we serve? and How can we best serve targeted customers? After the marketing strategy definition, the company creates the marketing mix, which transforms the marketing strategy into real value for the customers.

Another important step is to create a valuable and profitable long – term relation with the target customers and to provide them with satisfaction and delight. To create the value for customers, the company needs to cooperate with its business partners. The final step is to create the value from the customers towards the company, capture the customers' lifetime value and greater market share. (6)

1.1 The market definition

Samuelson and Nordhaus (1991, p. 39) describe market as a system where buyers and sellers of a certain product enter into reciprocal interactions to set the price and quantity, which is going to be sold and bought. (10)

Kotler and Armstrong (2010) define market as a set of all current and potential buyers of products and services. The potential buyers are those who are interested in certain product or service. (6)

Zamazalová *et al.* (2010) describe the market as the total volume or value of the products or services, which satisfy the same customers' needs. (12)

1.2 The market analysis

When performing the market analysis, Zamazalová *et al.* (2010) highlight factors suitable for the purpose of the market analysis:

- Market size,
- Market definition,
- Rate of market growth,
- Market attractivity,
- Market profitability,
- Demand development and predictions,
- Prediction of needs,
- Business and market trends. (12)

1.3 The market segmentation

Kotler and Armstrong (2010) suggest, that organisations are aware, they cannot serve the whole market, at least not all the customers in the same way, as the different customers also have different needs and wishes about the products. (6)

Machková (2006) suggests, the segmentation is based on a theory, that the market is composed from different customers, who have different needs, wishes and shopping practices. According to the author, the market segmentation means, that the market is divided into homogeneous groups, which are being influences by the chosen marketing tools. (7)

Kotler and Armstrong (2010) suggest, that most organisations are able to serve some particular segment better than other ones. Every market can be divided into segments, however, not all of the segments are useful for all companies. Market segment consists of a group of customers, who react in the same way to a particular marketing effort. Therefore, the companies need to divide up the total market and choose the most suitable segment and create a strategy to serve this segment in the most profitable way. The process of the dividing the market into particular groups with similar needs, characteristics or behaviours, which can be served with separate products or marketing strategies, is market segmentation.

Customers can be divided into groups on the basis of factors as:

- Geographic factors,
- Demographic factors,
- Psycho-graphic factors,
- Behavioural factors. (6)

1.4 The marketing definition

Kotler and Armstrong (2010) state, marketing more than any other business function deals with customers and the goal of marketing is to attract new customers by providing them with value and keeping and growing current customers' group by delivering satisfaction. They define marketing in a simplest way as a managing the relation with customers profitably. (6)

1.5 The marketing environment

Kotler and Armstrong (2010) maintain, marketing environment consists of the actors or forces, that are outside the marketing and they effect the the ability to build and keen the relationship with the target customers. (6)

Zamazalová *et al.* (2010) state, the marketing environment changes frequently and is rather complex. (12)

Machková (2006) adds, the marketing environment has a causal relation to the marketing mix formation. (7)

1.5.1 Micro-environment perspective – Poster's 5 competitive forces

Kotler and Armstrong (2010) remark, the micro-environment consists of actors close to the organisation, that effect the ability to serve the target customers and suggest, the factors influencing the micro-environment are: the organisation, the competitors, the suppliers, the customers, the marketing intermediaries and the public, generally the stakeholders. (6)

Zamazalová *et al.* (2010) add, the micro-environment can be divided into internal and external. (12)

From the view of industry, where the factors perform, the Porter's five forces model provides an analysis of the competition. The Porter's 5 forces tool is a simple but powerful tool for understanding the company's business situation. The model assumes that there are five important forces that determine competitive power and threats, that shape the competitive nature within the industry (Porter, 2008):

- <u>Threat of new entrants</u>

  New entrants bring new capacities into the industry and desire to gain a market share. Power is also affected by the ability of people to enter your market. The threat depends on the entry barriers. The entry barriers mean advantage for the existing competitors relatively to the new entrants. The entry barriers can be: economies of scale, customers' switching costs, capital investment requirements, unequal access to distribution channels, legislation and restriction by government.

- Buyers' power

  Buyers have the power if they have negotiating leverage relative to the industry, especially, if they are price sensitive. The buyers power grow, if there is a small number of buyers with large volume of purchases; the products are standardised and no differentiation is applied and equivalent products are available; small switching costs.

- Threat of substitutes

  The substitutes play the same or similar role as the original product and has similar functions. Substitutes limit the industry's profit potential, because they place a ceiling on prices. The threat of substitutes grow if: they offer attractive prices relatively to the products at the market; the buyers' switching costs to the substitute are low.

- Suppliers' power

  Suppliers are powerful, if they are able to charge higher prices, limit the quality of producer services or shifting costs. The suppliers' power grows, if there is higher number of companies being supplied; the suppliers revenues does not depend heavily on the industry; industry participant face high switching costs in changing suppliers; suppliers offer products, that are differentiated; no substitutes for the products provided by the suppliers.

- Overall competitive rivalry

  The rivalry among existing competitors can include price discounts, new products launching, advertising campaigns or services improvements. The degree of the rivalry intensity depends on the intensity of the competition and on the way of competition. The intensity of the competition grows if: there are many competitors performing at the market and their size and power are roughly equal; industry growth is slow; exit barriers are high; the competitors are highly committed to the business and aspire to be the leaders; the companies do not possess information about competitors, because they lack the familiarity witch each other, cannot read the signals or have completely different approaches. (9)

1.6 Marketing mix - 4P

Marketing mix represents the set of marketing tools that the company uses to gain its marketing objectives in the target market. The mix is a set of controlled tactical marketing tools to response the target market needs. Marketing mix consists of variable, that can be influenced by the company to influence the demand for its product at the target market by customer. As they all begin with “P”, they are also know as 4P. The four P's are: Product, Price, Place and Promotion.

- Product

  Product the is the most important part of the marketing mix. It is a commodity or service and also additional services of the product offered to the target markets. The product includes: variety, quality, design, features, brand name, packaging or services.

- <u>Price</u>

  Price is the amount of money, that customers pay to obtain the product. The price is the only tool in marketing, that creates earnings and is also the most flexible one, whilst other tools create only costs. The price includes: list price, discounts, allowances, payment period or credit terms.

- <u>Place</u>

  Place consists of the organisation's activities to make the product available to the target market. The aim of the place is to deliver the product from the producer to the customer. The place includes: channels, coverage, assortments, locations, inventory, transportation or logistics.

- <u>Promotion</u>

  Promotion determines the communication activities to persuade the target customers to buy the product. The promotion includes: advertising, personal selling, sales promotion or public relation. It includes the communication mix, which includes: advertising, sales promotions, public relations, direct selling, direct marketing. (3), (5)

1.7 SWOT Analysis

SWOT is quite simple tool that enables the company to find strategy that helps distinguish from the competitors on market. Kotler *et al.* (2000) state that SWOT analysis consists of an analysis of the external and internal environments. The SWOT analysis brings overall evaluation of a business's strengths, weaknesses, opportunities and threats. (4)

1.7.1 External Environment Analysis

All companies need to monitor key macro-environment forces (demographic-economic, technological, political-legal, and social-cultural) and micro-environment factors (customers, competitors, distributors, and suppliers) that affect its ability to earn profits. For each trend or development, the associated marketing opportunities and threats need to be identified.

- <u>Opportunities</u>

  Marketing opportunity is an area of buyer's needs in which a company can perform profitably. Opportunities can be classified according to their attractiveness and their probability. The company's success probability depends on whether its strengths match the key success requirements for performing on the target market, but also if they exceed those of its competitors. The opportunities can consist e.g. of: interesting trends, changes in technology and markets, changes in government policies, changes in social patterns, population profiles, lifestyle changes.

- Threats

  Environmental threat is a challenge coming from unfavourable external trend or development that would lead, in the absence of defensive marketing action, to decrease in sales or profit. Threats should be classified according to seriousness and probability. Minor threats can be ignored, however most of the threats should be carefully monitored. Major threats require the development of plan to be used in emergency if the threat affects the company. Threat can come e.g. from:competitors, quality standards, products or services changing, changing technology, bad debt, cash-flow problems. (4)

1.7.2 Internal Environment Analysis

Each business needs to periodically evaluate its internal strengths and weaknesses in marketing, financial, manufacturing, and organisational competencies.

- Strengths

  Company strengths can come from advantages the company has, what does better than anyone else, unique or lowest-cost resources.

- Weaknesses

  Company weaknesses include things that could you improved, that the company should avoid or factors that would cause lost of sales. (4)

1.8 The customer

Kotler and Armstrong (2010) state that for every marketer the goal is to create more value for customers. Through marketing, the companies create value for customers and build relationship with customers by satisfying customers needs. Customers needs and wants are being transferred into customers demand in terms of buying power. The authors suggest that the most successful companies understand their customer wants, needs and demands, because they research and analyse customers data regularly. This enables the companies to create a customer-driven marketing strategy with the aim of getting, keeping and growing the target customers group. (6)

Mooij (2010) considers important to understand what motivates consumers to buy products or services for positioning brands on certain markets. The author names brand loyalty, brand preference and brand image play considerable role and also consumers emotions influence the decision making process and that these patterns vary across different cultures. (8)

Also Světlík (2003) finds out that marketing approaches need to be adapted and different use of marketing tools is to be used in different countries. (11)

1.8.1 Target customers/markets

The companies first need to choose, who is going to be served. Kotler and Armstrong (2010) describe this process as involving the market segmentation, and after that, selecting a target market.

Market targeting involves evaluation of the chosen segments' attractivity and selecting the most suitable segments to enter. In case of limited resources, the company can decide to enter only a special segment or market niche. Niche is a special segment serving those customers, who are being overlooked or ignored by the major competitors. (6)

1.9 The marketing research

Machková (2006) defines the marketing research as an organised, hierarchically ordered collection of information obtained on the base of certain methods with the aim of bringing the support for decision making to help the organisation grow. (7)

Zamazalová *et al.* (2010) characterize the main activities included in the marketing research as data collection, analysis of the information with the aim to find the causes of the current condition at the market and to find the effects, that influence the market, and generalisation of the information about the market, supporting the marketing decisions. The authors suggest that the marketing survey:

- Provides important information for determination of the targets of marketing activities,
- helps to define the key points of the strategy,
- enables to determine the target market and the the more accurate, the larger part the psychological factors hold,
- is important for the efficient usage of the marketing mix tools – the product development and its presentation, logistics, economic tools and for the communication mix,
- helps to view the feedback of the past marketing activities and plan in the future. (12)

Machková (2006) states, the marketing research resources are generally classified in different ways:

- Primary resources – data gained by own research and never published before,
- Secondary resources – data collected by another subject for different purpose, however

relevant for the researched topic.

- Internal resources – data obtained by the employees or the organisation intradepartmental documentation,
- External resources – data covered by all resources outside the organisation.

- Qualitative – data representing volumes, sizes, amounts, levels or intensity of the researched phenomenons,
- Quantitative – data reflect the researched phenomenons with conceptions and categories, directly unmeasurable. (7)

Zamazalová (1998) suggests two methods of marketing research for obtaining the information from the customers – questioning and observing.

- Questioning

  Questioning can be performed by face – to – face, written, telephone, on – line or combined communication. Questionnaires contain questions, which have variable functions and forms – closed questions with variations of questions, open questions with larger freedom to express the answer, direct or indirect queries.
- Observing

  Observing is a method of marketing research, which does not include questioning the respondents, but observe the subjects in certain situations. The observation can be performed with or without acknowledgement of the observed subject. After data collection, results of the research are analysed and evaluated to bring the view of the marketing environment of the company. (12)

Machková (2006) points out, the companies operating mainly at the home market base their marketing strategies mainly on intradepartmental information and market research and the marketing environment topics are being solved only in case of their changes. The marketing survey should bring studies divided into four areas:

- The dimension of the target markets

  One of the research goals is to set the dimension of the target markets and according to the results to avoid the dimension of the potential markets. The market potential can be established by estimation of the sells volume based on the market survey of the sales volume, usually for previous 3 years.

- The competitors' performance

  The information about competitors can be usually gained by the market observation and brings information about the competitors' position at the market, the prices, distribution or the communication mix used by the competitors.

- The impact of the marketing environment

  The business transactions are influenced by the effect of economic, political, legislative, socio – cultural, demographic and geographic factors.

- The efficiency of the marketing strategy

  The efficiency of the marketing strategy can be influenced by the the proper choice of the marketing mix and the efficiency of the costs included in the marketing budget. It can include the comparison of the price analysis, the distribution channels analysis, evaluation of the advertisement. (7)

1.10 The organic food topic

1.10.1 The organic agriculture

Shi-Ming and Sauerborn (2006) state organic agriculture is holistic production management system which promotes agro-ecological system health, biodiversity, biological cycles and soil biological activity, taking into account regional conditions which require locally adapted systems. The authors suggest that although organic agriculture is a methodology based on specific and precise standards, there are several different names used as related to organic agriculture such as: organic, biological, organic-biological, bio-dynamic, natural, ecological. (28)

1.10.2 The organic farming

The farm is the place, where the organic process begins. Organic farmers try to work with nature when they produce their crops and to keep the animals at the farm as close to nature as possible. Organic farmers strive to produce food and at the same time try to preserve their surrounding landscapes by using procedures close to those, that occur in nature. The organic farmers seek to keep agriculture in touch with its traditional roots and work in harmony with nature, reflecting a tastes and the culinary preferences of modern consumers. Organic farmers try to preserve nature as much as possible by using practices with only low impact on the environment, such as weeding mechanically instead of using herbicides. Organic farmers follow some common principle as follows:

- Maintain long term soil fertility through biological mechanism,

- Recycle wastes of plants and animals origins in order to return nutrients to the land and minimizing the use of external inputs from outside the system,
- Prohibit the use of synthetic materials, such as pesticides, mineral fertilizers, chemical ingredients or additives,
- Using natural mechanism and rely on renewable resources to protect the natural resources,
- Raise animals restricted in certain areas and guarantee their welfare,
- Adapt local environment and diversified organisation,
- Produce high quality products. (28)

1.10.3 The organic food

Organic farmers and, by extension, marketers and food distributors, enforce the same goals – the provision of fresh and authentic processed high quality food designed to respect nature and its systems. With the range of fruits, vegetables and meats, modern organic products include: Baby food, wine made from organic grapes, beer, yoghurt, cakes, pastries, bread, breakfast cereals, biscuits, cold meats, fruit juices, tinned fruits and vegetables, prepared meals, coffee or tea. The main principles for the processing of organic products include:

- Strict restriction of which additives and processing aids can be used,
- Strict restriction of chemically synthesised inputs,
- Prohibition of the use of genetically modified organisms (GMOs) as well as products made from animals treated with growth hormones. (25)

Like farmers, also the processing sector must follow certain legal requirements, so that the products can carry the organic logos and labelling of the EU or different EU Member States. Farms and processors are inspected to insure that they meet the organic standard and products that meet the organic standard are allowed to use the organic logos. In the new EU organic farming regulation, these include:

- Producing goods mainly from ingredients of organic agricultural origin,
- Using only non-organic agricultural ingredients authorised by the Commission or EU member states,
- Using only a very limited number of additives or processing aids, which are authorised, under certain conditions, by the Commission,
- Prohibiting artificial flavourings and colourants,
- Ensuring organic and non-organic food ingredients are stored, handled and processed

separately at all times. (25)

1.10.4 The organic agriculture legislation from EU perspective

Regulations on organic products within EU production 2092/91 considerable protection for both consumers and producers had been achieved.

In June 2007 the European Council of Agricultural Ministers agreed new Council Regulation on organic production and labelling of organic products. This new Council Regulation contained clearly defined goals, principles and general rules for organic production. In January 2009 new EU regulations went into effect for the production, control and labelling of organic products. However, some of the new provisions on labelling did not take effect until 1 July 2010. The goal of this new regulation was to set a new direction for the continuous development of organic farming. Sustainable cultivation systems and a variety of high-quality products are the aims at this point. In this process, even greater emphasis is to be placed in future on environmental protection, biodiversity and high standards of animal protection. Sustainable production should be achieved insofar as possible with the help of biological and mechanical production processes, through land-related production and without GMOs.

Food products may only be marked as "organic" if at least 95% of their agricultural ingredients are organic. Organic ingredients in non-organic food may be listed as organic in the list of ingredients, as long as this food has been produced in accordance with the organic legislation. In order to ensure better transparency, the code number of the control body must be indicated.

The use of GMOs and of products manufactured from GMOs is still prohibited in organic production. Products containing GMOs may not be labelled as organic unless the ingredients containing GMOs entered the products unintentionally and the GMO proportion in the ingredient is less than 0.9%. According to the new legislation, producers of packaged organic food must use the EU organic logo as of 1 July 2010. (17)

Picture 1: EU Organic Logo

(European Commission, 2010)

Starting on 1 July 2010 the logo is mandatory. An advantage of the EU organic logo is the fact that consumers in all Member States can more easily recognise organic products, regardless of their origin. (17)

Several EU countries have, in some cases even long before the EU regulation on organic production, came into developed their own national regulations and also national logos for organic products as per below. (25)

Picture 2: Examples of national organic products logos

(Organic farming world, 2012)

The use of the logo on organic foods from third countries is optional. When the EU organic logo is used, the place of production of the agricultural ingredients must be indicated. The distribution of organic products from third countries is only permitted on the common market, when they are produced and controlled under the same or equivalent conditions.

The import regime has been expanded with the new legislation. Previously, only organic goods from third countries recognised by the EU or goods whose production was controlled by the Member States and which had received an import licence could be imported. The procedure for import licences will in future be replaced by a new import regime. Control bodies working in third countries will then be directly authorised and monitored by the European Commission and the Member States. This new procedure should help the EU Commission to supervise and better monitor the import of organic products and the control of the organic guarantees.

In addition to a new Council Regulation, two new Commission Regulations were adopted in 2008 regulating organic production, the import and distribution of organic products as well as their labelling. (17)

1.10.5 List of regulations

- Council Regulation

Council Regulation (EC) No. 834/2007 of 28 June 2007 on organic production and labelling of organic products and repealing Regulation (EEC) No. 2092/91

- This regulation establishes the legal framework for all levels of production, distribution, control and labelling of organic products which may be offered and traded in the EU. It determines the continued development of organic production through the provision of clearly defined goals and principles. General production, control and labelling guidelines were established by the Council Regulation and can therefore only be changed by the European Council of Agricultural Ministers.

- Commission Regulations

  Commission Regulation (EC) No. 889/2008 of 5 September 2008 with detailed rules on production, labelling and control.

  Commission Regulation (EC) No. 1235/2008 of 8 December 2008 with detailed rules concerning import of organic products from third countries. (17)

Control bodies that intend to perform controls must apply to the EU Commission to be authorised by the Commission and the Member States for this purpose. Their supervision is directly related to the Commission in cooperation with the Member States. These control bodies must also be directly approved for this purpose by the EU Commission and the Member States and remain under their direct supervision.

Also Guidelines have been published that explain how control bodies can apply to get approved, how they should be supervised and which other measures are necessary in relation to imports of organic products and their control.

In future, the new import regulations will facilitate organic imports into the EU on the whole whilst at the same time promoting better monitoring and fraud prevention. (17)

1.10.6 Other bodies

The European Commission also cooperates with two additional bodies that support its decision-making related to organic agriculture:

- The "Organic Farming" advisory committee

  The advisory committee brings together representatives of different technical and economic interest groups such as IFOAM to perform an exchange of experiences and opinions on different topics relating to organic production in order to promote the continued development of organic legislation.

- The group experts for the promotion of organic farming

  The group of experts for the promotion of organic farming for its part advises the Commission in questions concerning information and promotion campaigns for organic agriculture, which are implemented as part of the European Action Plan for Organic Food and Farming. (17)

2 Analytical part

2.1 Development of organic farming – historical overview

Shi-Ming and Sauerborn (2006) state that organic farming development has shown a strong growth since the beginning of the 21st century. Consumer demand for quality and natural products increased and also the number of organic farmers increased considerably worldwide. The authors state, organic agriculture is being practised in almost all countries in the world and also share of the share of land used for organic farming. They suggest organic food market grows across Europe, North America, Japan and also in developing countries.

The authors suggest, there are three stages of development, that the world organic farming had gone through:

- Stage of emergence (1920s – 1970s)

  The beginnings of organic farming are dates back in 1920s. During this stage, explanation of relationship among health of the soil, health of animals and health of plants as a step towards biological balance. First experiments and studies started comparing conventional and natural farming methods. The main thoughts were to respect and emphasize the function of nature and soil in the agricultural production and to coordinate to coordinate the relationship between human and nature.

- Stage of expansion (1970s – 1990s)

  During the stage of expansion, research and practise of organic agriculture expanded worldwide. With the oil crisis in 1973 agro-ecological issues became more discussed and the situation lead to sociological transformations and and alternative approach to life style became popular. The ecological agriculture gained its first logos and legally formulated specifications and quality controls to provide the customers with better guarantee of quality of food and also developed guidelines for organic farming. Also the largest non-governmental organisation for organic agriculture in the world IFOAM was founded in 1972.

- Stage of growth (since 1990)

  Organic farming experiences a rapid development during this stage worldwide. During this stage trade organisations for organic products were founded, organic farming regulations were implemented and organic farming was promoted by both governmental and non-governmental organisations. (28) EU regulation 2092/91 on organic agriculture was adopted by the European Commission in 1991. The regulation became a law in 1993 and since 1994 it was granted in almost all EU countries. Also IFOAM (The International Federation of

Organic Food Movements) and FAO (Food and Agriculture Organisation of the United Nations) set out Guidelines for the Production, Processing, Labelling and Marketing of organically produced food in 1999. Obviously these guidelines were important for international harmonisation of organic production standards. (20)

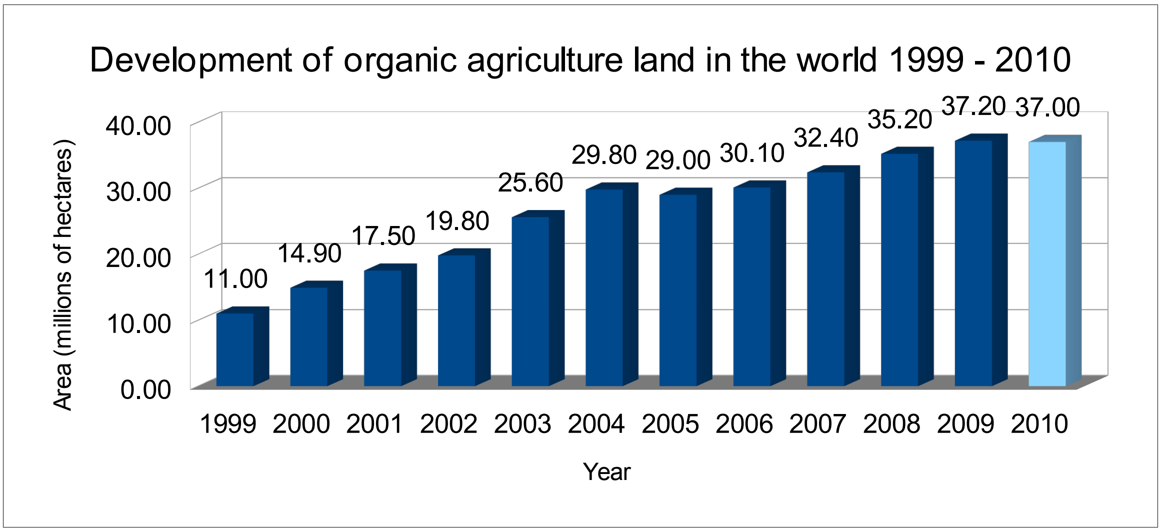
2.2 Recent development of organic food market and agriculture worldwide

2.2.1 Development of organic agricultural land worldwide

Organic agriculture is being practised in almost all countries of the world and the overall shares of organic farmland are growing. Most recent available worldwide statistics on organic agriculture relate to year 2010.

Organic farming was reported to be kept in 160 countries across 37.2 million hectares of organic agricultural organic land which is predicted to remain at similar level.

The organic agricultural land area has been incensing steadily every year by around 2%, apart form 2003, 2004 and 2005 when the increase was 5.8% and 4.2% and also slight decrease was recorded and also in 2010 the land area remained at same level or decreased slightly by around 0.1%. In 1999 the area was 11 millions of hectares, whereas in 2010 it was 37 millions, therefore more than 236% increase. (25)



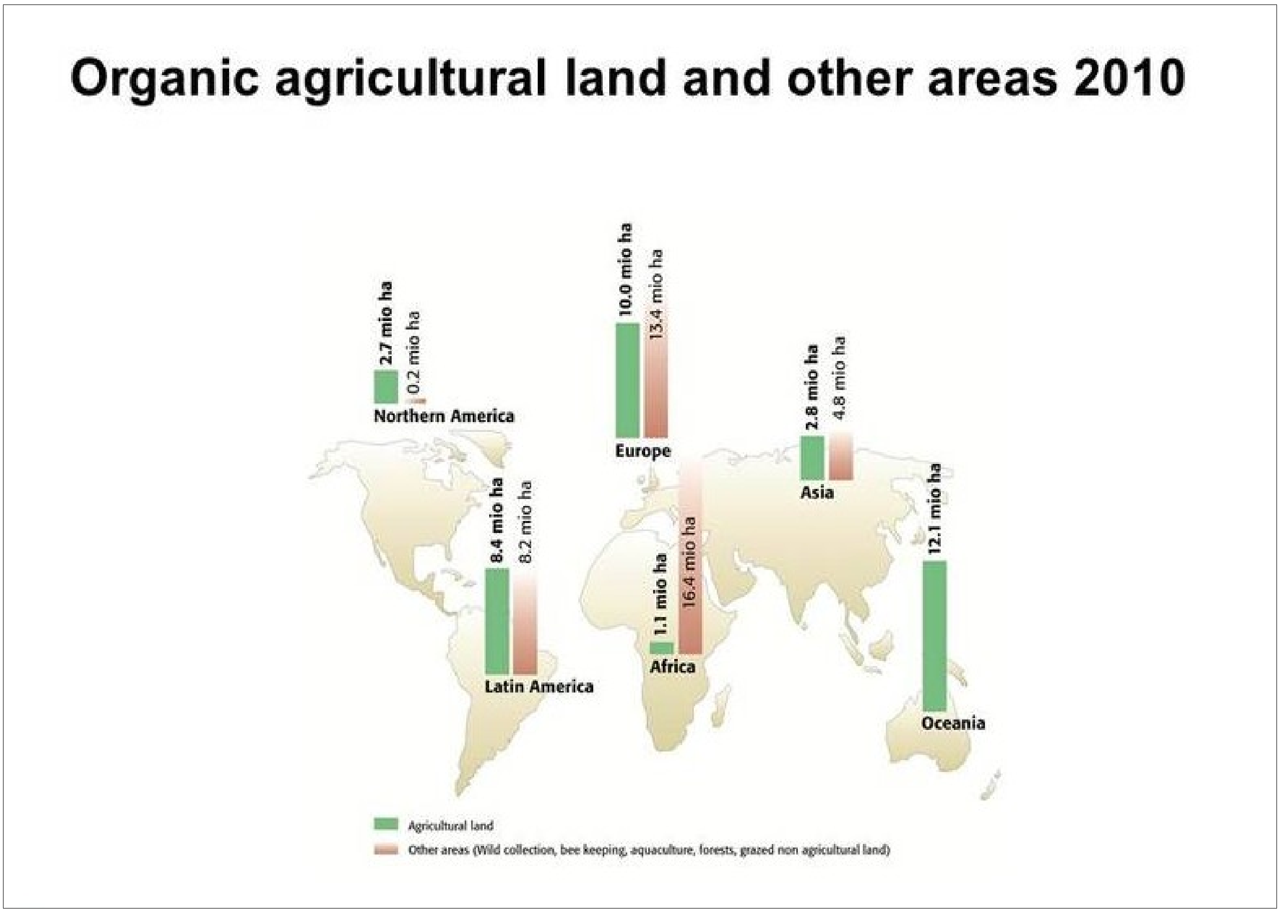
Picture 3: Organic farming area development worldwide 1999 – 2010

(SOL, FiBL&IFOAM 2012)

Number of producers using organic farming methods reached 1.6 million and approximately 80%t of these are in developing countries. The countries with the most producers are India with 400,551 producers, Uganda with 188,625 producers and Mexico with 128,862 producers.

The largest area of organic agricultural land can be found in Australia and Oceania, where 12.1 million hectares of agricultural land are being used for organic agriculture followed by Europe with 10 million hectares and Latin America with 8.4 million hectares.

Considerably smaller organic agricultural land area is in Asia, where 2.8 million hectares of agricultural land are organic, followed by Northern America with 2.7 million hectares and Africa with 1.1 million hectares. (25)



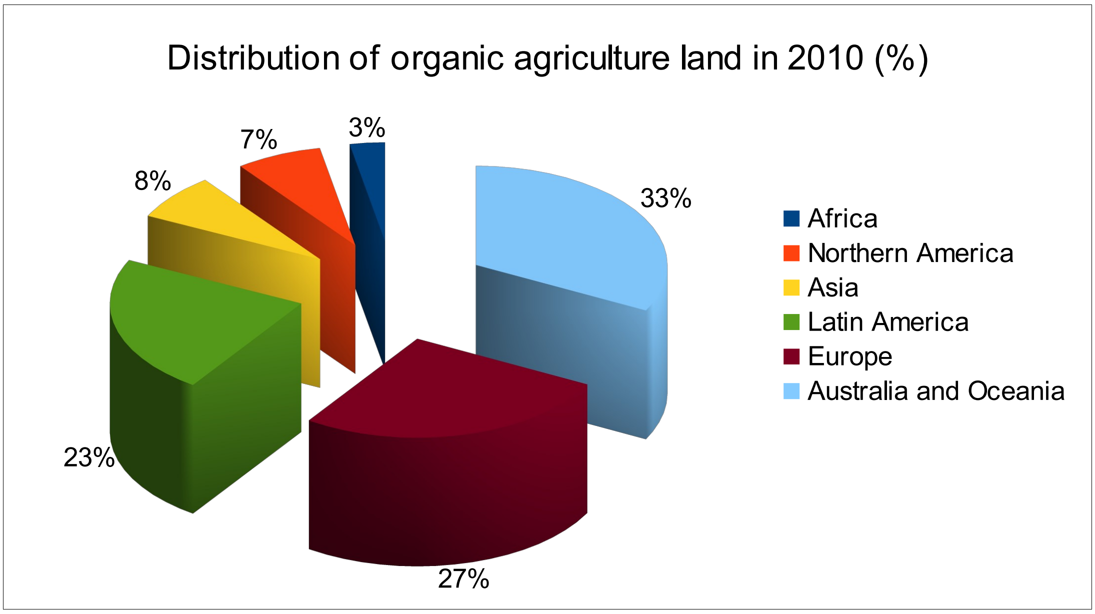
Picture 4: Organic agricultural land in 2010

Source: SOL, FiBL&IFOAM 2012

To demonstrate the distribution in percentages the total area of 37.2 million hectares has been taken as 100% and the single shares have been interpreted.

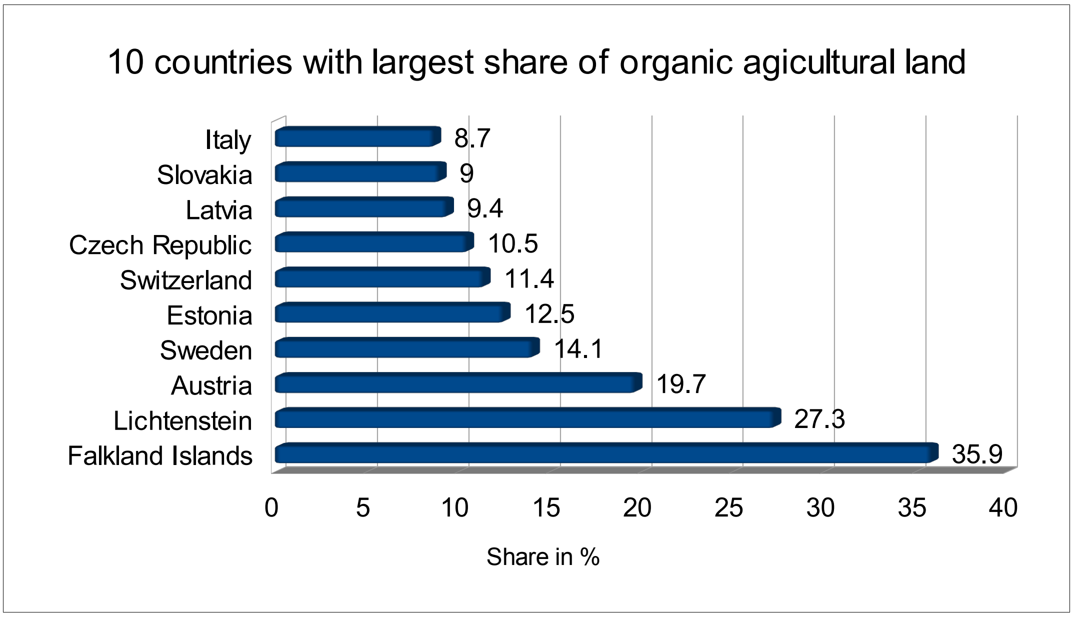
Australia and Oceania have the largest share of organic agriculture in the world with 33% it corresponds to almost one third, Europe's share has reached 27% and together with 23% of Latin America, these three largest share mean 83% of the world organic agricultural land.

The remaining 17% of worlds agricultural land consist of three shares of Asia 8%, Northern America 7% and the smallest share belongs to Africa with 3%. (25)



Picture 5: Distribution of organic land by continents in 2010 (%)

Source: SOL, FiBL&IFOAM 2012



Picture 6: 10 countries with largest share of organic agricultural land

Source: SOL, FiBL&IFOAM 2012

Currently, there are 7 countries with share of organic agricultural land on total agricultural land more than 10% - leading by Falkland Islands with 35.9% share, followed by Lichtenstein with 27.3% share and the third largest share has Austria with 19.7%. Among these countries also belongs Czech Republic with 10.5% share of organic agricultural land on total agricultural land. (25)

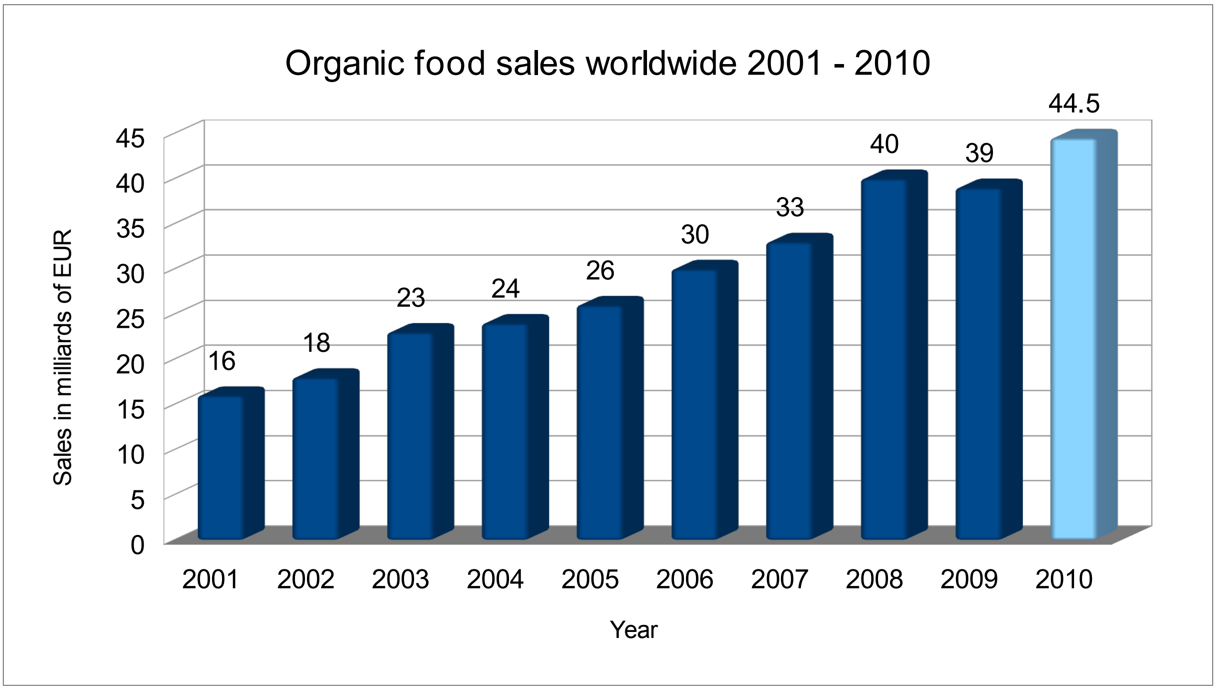
2.2.2 Development of organic food market worldwide

The market with organic products keeps growing at relatively fast rate, not only in Europe, Japan and North America (which are the major, but also in developing countries.

In 2010 the organic food sales were evaluated to 44.5 milliards EUR which indicates an increase by 5.5% from previous year. In 2009 the sales of organic food products dropped by 1%, this was probably caused by the world crisis and as presumed, the sales increased again.

Since 2001 when consumers spent 16 mld. EUR, the sales of organic food products have been increasing consistently and in 2010 the sales increased by 178%. (25)

Strong growth has continued in all other major European organic markets and in the US, the world's leading organic market. Market analysts predict that organic sales in Asia will grow by 20% a year over the next three years. (29) The market is predicted to continually grow in next years. (23)

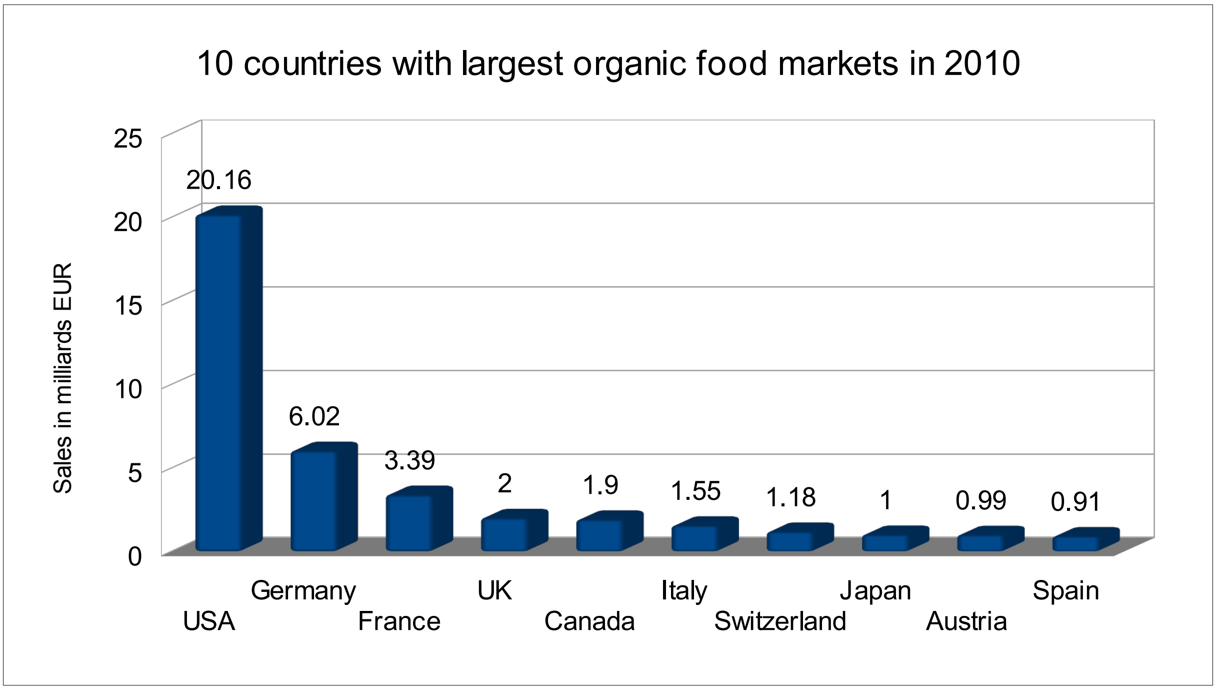


Picture 7: Organic food sales worldwide 2001 - 2010

Source: SOL, FiBL&IFOAM 2012

Demand for organic food and beverages is growing rapidly, especially in the developed economies such as North America and Europe. Despite North America (49% world consumption) and Europe (47% world consumption) are the largest regions of consumption of organic food products, the demand is not satisfactory and the products need to be imported into these two regions from e.g. Africa, where most of the organic food production is dedicated for export, as the local organic food market is insufficiently developed and the demand remains low.

The largest consumption and therefore largest market in 2010 was in USA with sales 20,155 milliards of EUR in organic food products followed by Germany with 6,020 milliards EUR of organic food products sales and third largest market of organic food products was found in France with 3,385 milliards EUR spent in 2010. (25)



Picture 8: 10 countries with largest organic food markets in 2010

Source: SOL, FiBL&IFOAM 2012

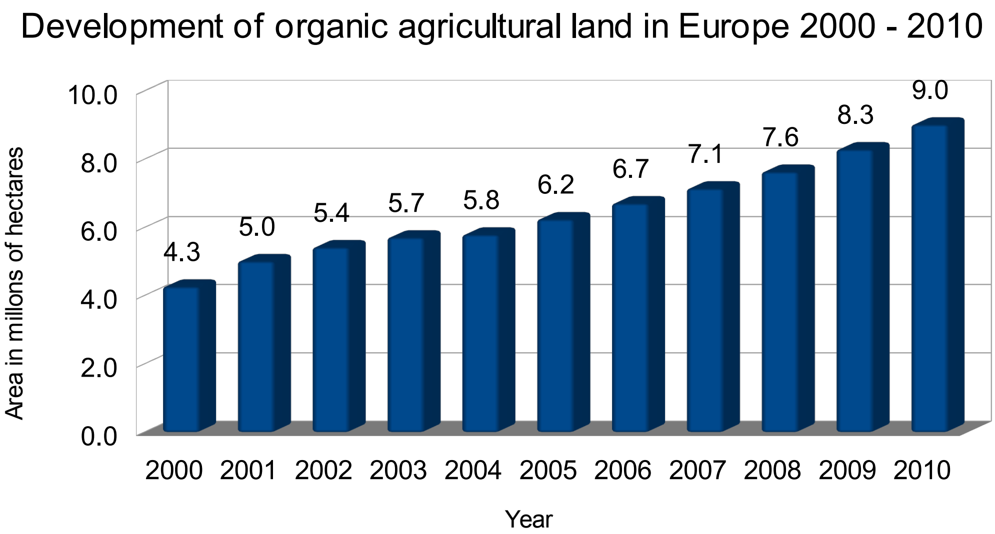
2.3 Recent development of organic food market and agriculture in Europe

2.3.1 Development of organic agricultural land in Europe

Organic agriculture continues to develop dynamically in Europe. Europe is region that has had constant growth of organic land over the years and has more than one quarter of the world's organic agricultural land. In most countries the organic land use is on the increase and the market continues to grow. This development is being supported several EU policies.

In Europe there are now 9 million hectares managed organically. In 2009, there were 8.3 million hectares dedicated to organic farming, constituting 4.7% of the European whole agricultural land. High growth rates were recorded mostly in Spain, Italy and France. In recent years, growth rates were higher in the new member states compared to those in the EU 15.

The country with the largest organic agricultural land area in 2010 was Spain with 1.5 million hectares, followed by Italy with 1.1 million hectares, with Germany in the third place (more than 1 million hectares in 2010). (25)

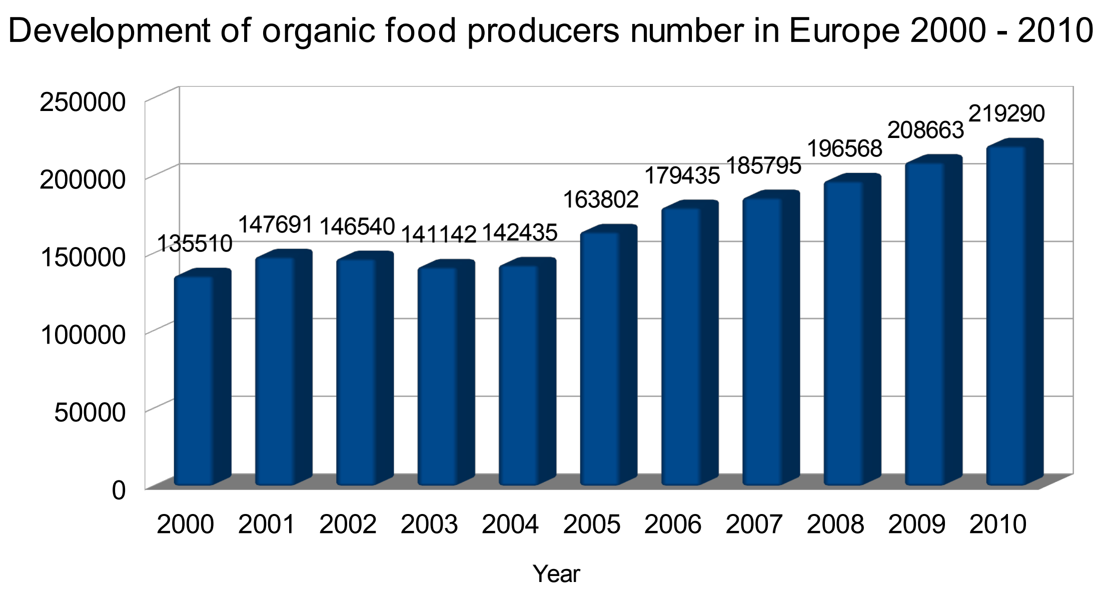


Picture 9:Development of organic agicultural land in Europe 2000 - 2010

Source: SOL, FiBL&IFOAM 2012

There were also six countries in Europe with more than ten percent organic agricultural land as on p. 28: Liechtenstein (27.8%), Austria (19.7%), Sweden (14.1%), Estonia (12.5%), Switzerland (11.4 %), and Czech Republic (10.5%). (25)

The development of organic food producers number has also increasing trend and in 2010 the number of organic producers within Europe was 219,290. In 2000 there were only 135,510 organic food producers in Europe, therefore the number increased by 62%. (25)

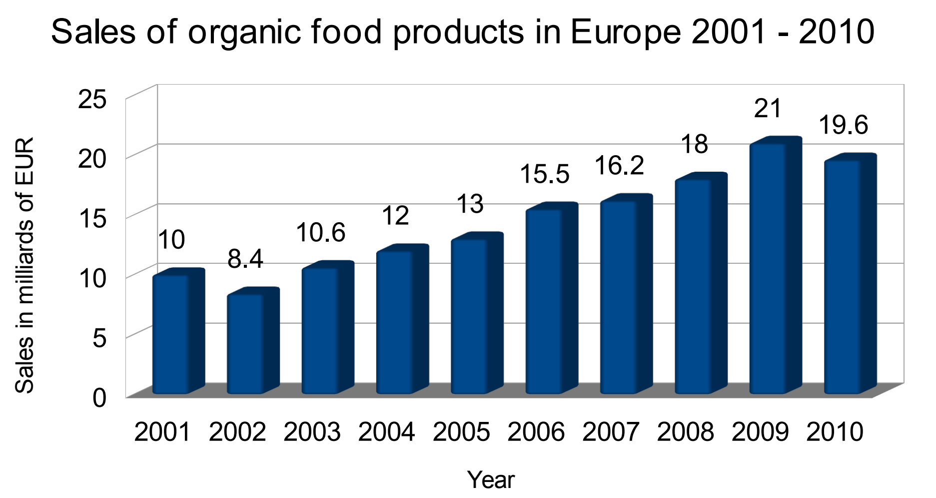


Picture 10: Development of organic food producers number in Europe 2000 - 2010

Source: SOL, FiBL&IFOAM 2012

2.3.2 Development of organic food market in Europe

Sales of organic food products were approximately 19.6 mld. EUR in 2010 and therefore recorded a decrease by 0.4%. (25)



Picture 11: Sales of organic food products in Europe 2001 - 2010

Source: SOL, FiBL&IFOAM 2012

The largest market for organic products in 2010 was Germany with a turnover of 6 milliard EUR, followed by France (3.4 milliard EUR) and the UK (2 milliard EUR). In 2001 the sales of organic food products were recorded 10 milliard EUR, however the year after they decreased by 1.6 milliard EUR. The next year however the sales increased again to 10.6 and until 2009 the sales has increasing tendency with 21 milliard EUR in 2009 and apart some separate years with decrease, the market is expected to have growing tendency. (25)

2.4 Development of organic food market and agriculture in the UK

2.4.1 Historical overview

The United Kingdom has a long tradition in organic farming, with the foundation of the Soil Association in 1946 as an important moment in organic market development. The first organic standards were published as guidelines by the Soil Association in 1967. The Soil Association Organic Marketing Company, now Soil Association Certification Ltd., was set up in 1973 to inspect and certify organic food. The EU Regulation on Organic Production is the basis for UK organic standards. These are implemented under the Organic product Regulations that was updated after the total revision of the regulation in the UK.

Despite an early start, the organic market has developed only slowly compared to other European countries in the mid 1990s. This has been explained by the poor interest of British consumers and the modest government support given to organic farms compared to other European countries.

Since the late 1990s that demand for organic products has increased significantly, particularly for dairy and meat products. This relates mostly to chain retailers effort into organic products promotion. By 1993 the biggest supermarket chains like Tesco or Sainsbury, as well as smaller retailers such as Waitrose, began selling organic food products, very early in comparison to most other European countries. The three supermarkets with the biggest share in organic products are Sainsbury, Tesco and Waitrose and all continue to develop their range of organic products. (25)

The most prominent UK certification body is The Soil Association. It claims that more than 70% of all UK organic products are now certified by its certification and inspection arm – Soil Association Certification Ltd. (33)

In 2008, the UK became the third largest market for organic food in Europe. (25)

2.4.2 Development of organic agriculture

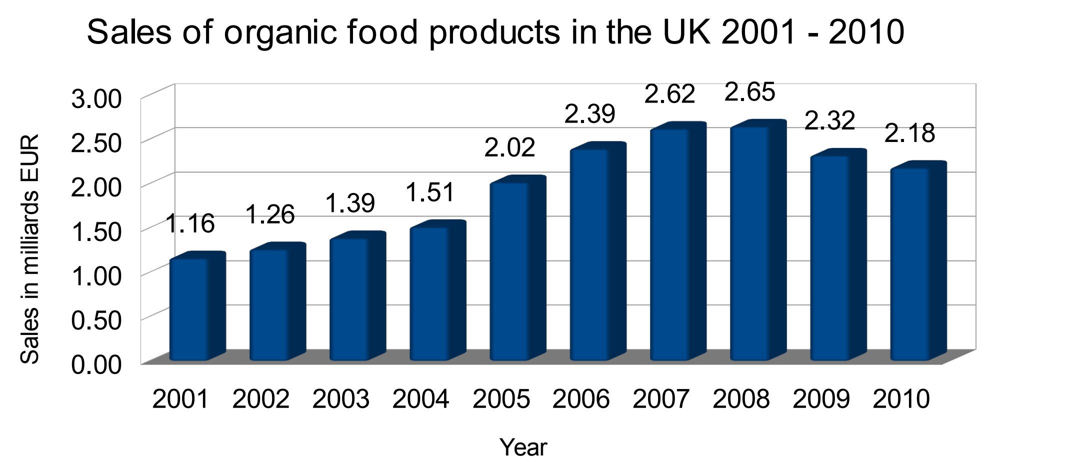
In 2003 the organic agricultural land accounted for 4% of the total agricultural land area with nearly 4000 farms managing around 720,000 hectares and the area has demonstrated consistent growth, even though there was a slight decrease of one percent in 2009. In 2009 there were 738,707 hectares were under organic methods management. (30)

In 2009 there were 4,946 organic producers and 2,411 processors of organic food products in the UK. (25)

2.4.3 Organic food products market

The UK organic food market is has faced drop of sales, despite areas of strong growth and improvement in the long term trend. Reduction of choice, lack of communication about the reasons to buy organic products and a lack of investment in own-label organic ranges are the key factors of this decline. (29)

In 2001 the sales of organic food products were 1.16 milliard EUR and stable growth continued until 2008. In 2002 the sales grew by 9% and in 2003 there was another increase by 10,3%. In 2004 the recorded increase was by 8.6 with total of sales 1.51 milliard EUR. In 2005 the market experienced a rapid increase by 34% to 2.02 milliard EUR followed by another increase in 2006 by 18.3% to 2.39 milliard EUR. The last considerable increase was recorded in 2007 as growth by 9.6% to 2.62 milliard EUR. In 2008 the sales of organic food products increased slightly by 1.15% to 2.65 milliard EUR and the market growth stopped at this level followed by decrease of sales in 2009 by 13% to 2.32 milliard EUR and another drop in 2010 to 2.18 milliard EUR. (25)



Picture 12: Sales of organic food products in the UK 2001 - 2010

Source: SOL, FiBL&IFOAM 2012

2.4.4 Organic food market trends

The main cause of the market's overall decline was a 5% decrease of in multiple retail sales, driven by three key factors:

- Another challenging year on the high street: as the economy slowed down, families continued to look for opportunities where to save money,
- Nearly all retailers continued with reductions in ranges and shelf space, reducing choice and availability.
- A lack of investment in own private label organic ranges, reflected by minimal marketing activity: own-label sales dropped by 9.5%; organic brands dropped by 2.9%.

Despite the overall decrease, some sectors continue to grow, for example sales of organic baby food are up 6.6% and it has also been a good year for meat, with lamb and poultry facing increases and beef holding the position. Also a trend of buying organic products for special occasions has been noticed.

There are some interesting trends in some of the shopping habits of consumers. Sales of organic food and other products continue to be bought by a much broader demographic than the traditional image of 'posh' organic might suggest – with eight out of ten households buying some organic items.

Some multiple retailers are decreasing the range and shelf space of organic food products, however many farm shops and other specialist independent retailers are remaining positive about organic sales. This is is visible on local and direct sales of organic fruit and vegetables and supermarket sales of organic fruit held their own, despite a drop in sales of organic vegetables and salads through multiple retailers. Also the trend for doorstep delivery and online sales is significant.

Organic food products businesses continue to be amongst the most pioneering and creative around, constantly looking for innovative ways to make their products more available and accessible to consumers. (29)

2.4.5 Marketing tools – 4P

Product

The UK organic food market is dominated by fresh produce, with fruit and vegetables accounting for over 50% of total organic sales. Cereals, dairy products, and increasingly, baby foods are other important sectors. (33)

The organic products purchased by the highest number of consumers were fruit and vegetables (53%); eggs (52%); meat, fish and poultry (49%) and dairy (43%). Another popular food products available at the market was lamb (sales increased by 16%), baby food (sales increased by 6.6%). Despite the organic farmers experienced increasing costs related to energy prices and feed prices, the sales of chicken increased by 2.6% and turkey even by 56% partly reflecting a trend towards buying organic food for special occasions. (29)

Packaging for organic foods must conform to EU regulations with respect to materials used and labelling. Materials should be possibly recyclable (and carry the appropriate symbol) and organic products should strive to eliminate all unnecessary packaging.

Labelling should also include:

- Certifying body stamp,
- country of origin,
- EU accredited registration number,
- use by date,
- name of product/brand,
- weight (in metric),
- name and address of producer/distributor,
- ingredients listing. (33)

Price

Arable crops were affected by a dry, hot spring and wheat yields were 5-10% below expectations and this affected prices for feed wheat, which increased by 24% in the first quarter, then fell back to late 2010 levels by year end because of reduced demand from dairy, pig and poultry farmers. Beef and lamb producers benefited from an improvement in livestock prices through the year and increased demand from multiple retailers, with lamb sales increasing by 16%. Some organic beef producers also sold finished beasts and store cattle through the non-organic market, which helped to keep organic supplies tight and prices high.

Meat, meat products,fish and fresh products are among the products where the supermarket price differences between organic and non-organic can be most pronounced. Soil ass Average retail prices for organic milk were reduced by 1.2% (a penny a litre) but this was only a little affect on demand. Non-organic salmon prices decresed while organic prices remained constant at around £5-£6.50/kg. (29)

For an example of common shopping basket – to buy organic 1kg of potatoes, 500g of cornflakes, mince, and cheese, the cost woud be around £14.27, the non-organic total £9.93. (24)

Promotion

UK supermarkets have played a valuable role in broadening availability and awareness of organic food products. They were investing heavily in promoting UK organic production and encouraging their suppliers of conventional foods to convert to organic. Recently it was Waitrose onlyt to report any significant promotional activity or investment launching more than 50 new products in its own-label.

91% consumers would buy organic food more often if the organic food was not that expensive. This underlines the importance of promoting value-for-money options. 21% of consumers doubted whether organic food was any healthier. This shows the value to the organic sector of publicising research that points to health benefits, such as higher levels of essential fatty acids in organic milk. (29)

Non-governmental organizations in the UK have a long tradition and have been promoting organic food successfully.

- Soil Association

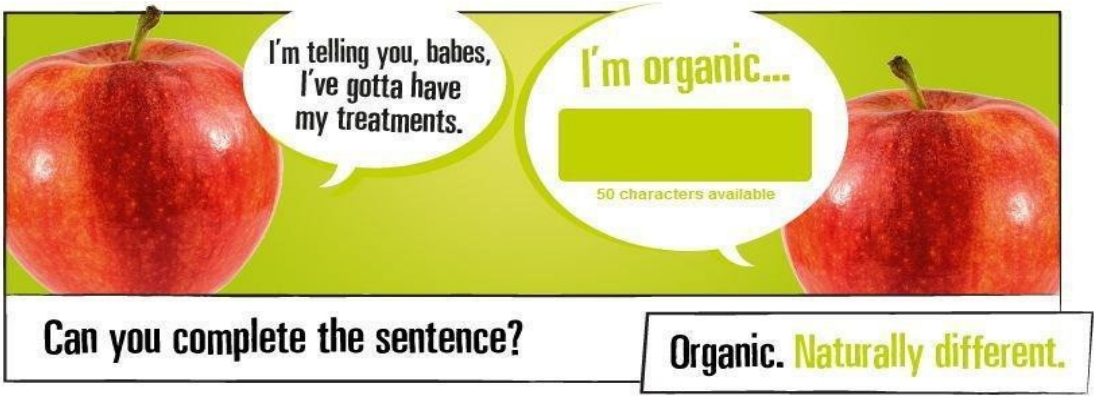
  The Soil Association was founded in 1946 by a group of farmers, scientists and nutritionists who observed a direct connection between farming practice and plant, animal, human and environmental health. Today Soil Association UK's leading membership charity campaigning for healthy, humane and sustainable food, farming and land use. This organisation os not being donated by the governemnt. Soil Association has been campaigning for organic food promotional activities to raise awareness and to develop entire organic sector. The organisation works with businesses of all scales to drive forward the promotion of organic benefits. They have also developed some useful resources to help you businesses to communicate with their customers like summarising top five good reasons why to choose organic, top ten ways to go organic on budget, provding with promotional logos and leaflets explaining why to choose organic products. (29)

Picture 13: Discover Organic Logo

Source: Soil Association, 2012

- Organic UK Food

Another organisation promotes organic by focusing on food products and recipies. The amusing tune can attract slightly different groupt of audince that the Soil Association as well as taking advantage of using Facebook profile, so that even wider scale of public is being addressed. Appart from the educational content, there is also competition taking place on the web pages - every month the participants can win 100 GBP voucher voucher to spend at award winning organic wine merchant by contributing on creating advertisements – quirky double-meaning conversations between some organic and non-organic foods. (26)



Picture 14: Organic UK Food advertising competition

Source: Organid UK Food, 2012

Place

Retail distribution in the UK is dominated by a relatively small number of large multiples including Tesco, Sainsbury, Waitrose and Safeway, all of which are active in the organic sector. Another distribution channel, in general independet outlets, serve the remaining demand. (29)

- Multiple retialers

  Multiple retail sales amounted to £1,189.6 million which accounted 71.4% of the organic market. Supermarkets Waitrose preformed best as its organic sales fell by 2.2% only, compared to a 9.5% drop in the combined sales of the six largest muptiplne retailers. Sales at Sainsbury's and Tesco, the two biggest organic retailers, decreased by 5% and 5.9% respectively. The leading organic retailer in terms of market share was Tesco, with 27.1% of multiple retail sales. (29)

Sales through independent outlets (including box schemes, mail order, farm and health-food shops, farmers' markets and catering establishments) remainded on same level in tough trading conditions, falling by 0.5% to £477.4 million.

- Box schemes and home delivery

  There are currently over 500 home-delivery box schemes for organic products in the UK. These range from individual producers with under a hundred regular customers to large operations delivering tens of thousands of boxes each week. Box scheme, home-delivery and mail-order sales grew recently by 7.2% to £167 million. The growth in sales was driven by the bigger operations.

  The two leading companies delivering vegetable boxes, Abel & Cole and Riverford, increased their turnover by 28% and over 5% respectively. Box schemes with a turnover above £2 million saw their combined sales grow by 15%. Abel & Cole increased its customer base by 28.5% and now makes an average of 40,000 deliveries a week.

  The sales for smaller box scheme companies decreased by 1.8% reflecting a relative lack of resources for marketing and promotion.

- Restaurants and catering trade

  The restaurant and catering trade faced an increase by 2.4% at time when people are eating out less and contract caterers are still relatively new to the organic market and the calue of the organic restaurant and catering sector was £15.7 million. The number of schools, nurseries, universities and hospitals serving organic food continues to increase. Also to mention a success that deserves consideration is in the restaurant sector is the increasing demand for organic milk at McDonald's reaching 20 million litres for the first time. All the milk in tea and coffee served in McDonald's restaurants in the UK is organic, and the company reports positive feedback from consumers All this milk comes from UK organic dairy farms.

A number of other high-street catering chains are also using organic milk for tea and coffee, most notably Pret A Manger, creating an opportunity for further growth in this sector in the future. (29)

- Independent retailers

  There are an increasing number of independent retailers selling organic products, not only fresh food, but also a wide range of dairy products, bakery goods and other processed foods and drinks. The last few years have also seen the development of dedicated organic shops, selling a full range like Planet Organic Ltd. Or Portobello Wholefoods.

- Farm Shops and Farmers' Markets

  Farm shops and markets offer the opportunity to buy fresh organic food directly from the producer. Some farm shops produce to supplement what they grow themselves. Many farm shops keep regular customers in touch through newsletters and open days to help build up a loyalty. (33)

2.4.6 Organic food consumers

Many consumers were clearly looking for a deeper connection to the production values behind their food, as support for farm shops, animals on farms, food markets and independent retailers.

Eight out of ten households (83%) bought organic products in 2010. On average consumers bought organic products 13 – 14 times during the year.

The demand for organic products extended across the social spectrum, however there was also decline in spendings pacticularly on lower-income households accounting 33%. Majority group - 67% - consumers were with higher incomes in 2010. Women in the UK are more concerned about price when making a food purchase than men. Nearly 68% of women and 63% of men say they would buy more organic products if prices were lower. (29)

Families with children living at home account for a smaller proportion of the organic market than they do of overall food and drink sales. This indicates simply that families with children tend to be on a tighter budget.

Consumers aged 35-64 years account for 60% of spending on organic products – a significantly higher proportion than this age group accounts for in the food and drink market as a whole. Under age of 35 and over age of 65 represent 16% and 24% of spending.

For most consumers the motivations for purchase were avoiding potentially harmful chemicals, so that health, taste and environmental factors are the biggest motivations for purchase overall, while animal welfare is a factor for a third of consumers. (29)

UK consumer awareness of food safety and environmental issues has increased significantly during the past few years. Highly publicized food scares have led to a growing concern about food eaten, and the environmental consequences. There is a general perception by the UK consumer that organic food is safe and natural. (33)Free-range meat and eggs have become attractive for some shoppers due to satisfying ethical concerns. (29)

2.5 Recent development of organic food market in Czech Republic

2.5.1 Historical overview

Organic food entered the Czech organic market in the early 1990s after the „Velvet revolution“ took its part in the Czech Republic historical development.

The organic agriculture has faces a significant development in the Czech Republic in recent years, especially in relation to renewal of the state support since 1998.

The organic food market in Czech Republic has been developing considerably indicating rapid development especially between 2003 to 2008. With the new millennium, the conventional retailers gradually became interested into organic food products and started offering small range of them, mostly imported. (32)

2.5.2 Development of organic agriculture

In 1991 the total area of organic farming land was 17,507 ha and in 2009 the area reached 400,000 ha, which is an incredible increase by almost 23 times, and is expected to reach 630,00 by 2015.

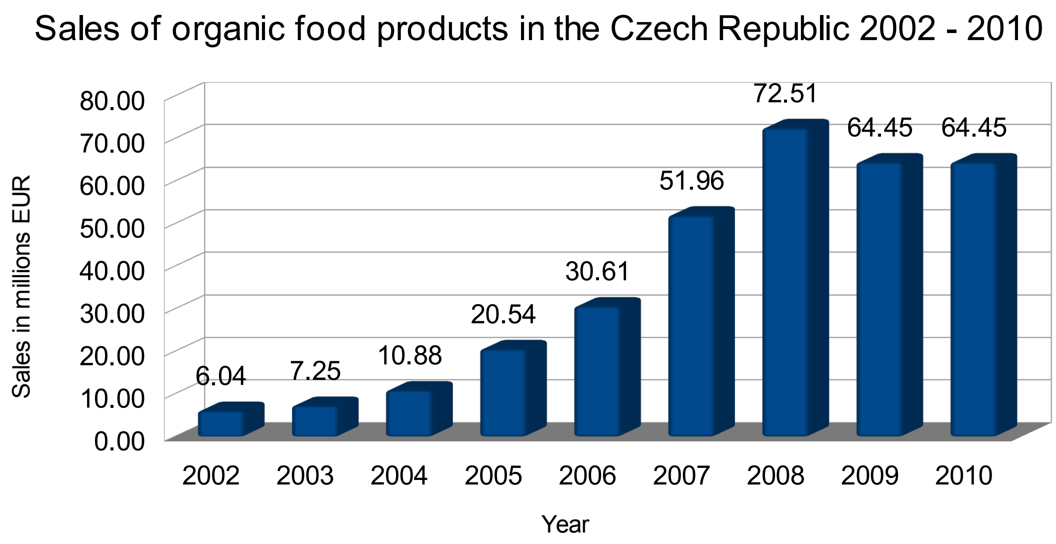
Organic farms in the Czech Republic have increased from 3 in 1990, to 3,517 in 2010, this represents a massive increase by 1172 times. The number of organic food producers has increased significantly as well, from 75 in 2001 to 626 in 2010. (14)

Currently, the Czech Republic belongs to top ten countries in terms of the share of organically farmed land area in Europe. (25)

2.5.3 Development of organic food market

The sales or organic food products in the Czech Republic have been developing consistently and the market growth was rapid by 2008. In 2002 there were sales more than 6 million EUR on the Czech organic food market, followed by increase of 20% to 7.25 million EUR. In 2004 there was another increase in sales of 50% to 10.88 million EUR followed by almost doubled sales in 2005 representing increase by almost 10 million EUR to 20.54 million EUR. Another 10 million EUR growth was recorded in 2006 to 30.61 million EUR. In 2007 the organic food products sales grew by more than 20 million EUR to 51.96 million EUR and finally in 2008 the total sales reached 72.51 million EUR thanks to another 20 million EUR increase.

In 2009 the sales of organic food products dropped by 11% to 64.45 million EUR and in 2010 the level of sales was reported to keep approximately the same levels. (14)



Picture 15: Sales of organic food products in the Czech Republic 2002 - 2010

Source: Václavík, 2009

2.5.4 Organic food market trends

The Czech organic market remains reliant on imported products, approximately 60 percent of total organic food supply, to satisfy the local demand the main suppliers being Western European countries like Germany and Austria. Most of foreign origin organic products enter the country through multi-national retail chains. Imported items mainly include non-alcoholic beverages, pasta, and dairy and meat products. Regarding processed products baby foods represented the largest share on imports followed by oils, condiments, spreads, sweeteners and sweets, and snack food. Products typically imported from third countries such as China, Canada, India, Turkey, and the U.S. include teas, herbs and spices, molasses, and dried fruits and nuts. On the other hand organic food products made in the Czech Republic are being exported to Slovakia and other Eastern European countries. Major export items are grains for food and feed (nearly 50 percent of domestic organic grains production). (32)

There is an insufficient supply of the domestic organic food for chain store companies mainly because of the small production volumes and the problems with delivery. Moreover, in spite of an effort of the chain store companies to offer a wider range of organic food, the availability of processed food products is still very limited. The number of organic food processors is highly limited and the enlargement of the processing capacities is obstructed mainly by the strict hygienic regulations and norms that require the separate processing of the organic and conventional products. On the other hand the lower processing amount of the organic products makes the building up of the specialized premises uneconomic and lot of the organic products is at the end processed as conventional. In spite of that, the amount of organic processors is rising. While in 2001 the number of organic processors was 75, in 2004 the number has increased up to 116 and in 2005 the number of organic processors in the Czech Republic was 125. The processing capacity is, however, still insufficient. (32)

In general, the domestic organic food products market would be classified as undeveloped – for example ready-to-eat organic meals are not produced locally though consumer demand for ready-to-eat organic meals is growing. At the same time this means the market has not reached maturity yet and this is relatively significant opportunity for the local producers to increase their sales and earn profit. (35)

The increased popularity of direct on-farm sales, organic boxes (direct deliveries of seasonal fruits & vegetables) and farmers markets is supporting the expansion of local product share in the Czech organic food market. (32)

Also the systematic support on the part of the state and government is considerably missing.

2.5.5 Marketing tools - 4P

Product

In the Czech Republic the organic farming is called "ecological farming" and the organic food products are called "bio products". Domestic organic production is represented mainly by beef, bread and pastry, milk and dairy products, and spices, however the offer of meat and milk, eggs, fruits and vegetables, soya products (meat, tofu, and yoghurts) and spreads are remaining insufficient.

In total, chain retailers were offering 1,869 items of organic food production in 2010. In terms of number of offer range of products, child and baby food has a dominant position with 225 available items available in this category. Also milk and dairy products provide wide range of items – 167.

The highest annual growth in sales volumes were recorded on bakery products – by 133%, coffee by 175% or viands by 300%. (14)

The share of durable and fresh organic food products in retail chains is 77% and 23%

respectively. This is related to easier manipulation in warehouses and also distribution and import distances.

Some multiple retailers sell also organic food with their own brands – private labels and the private labels share accounts more than 30% of the offered organic food products in chain retails and increased the offer of organic food products. Organic private labels can be found in Tesco - Tesco Organic label offering 108 items, Interspar – Natur pur offering 98 items, Albert with Albert Bio offering 60 items and Billa with Naše bio offering 18 items. (30),(36)

Picture 16: Tesco Organic label

Source: Tesco, 2012

Mostly developing countries also offer organic food products joined in program Fair Trade. Fair Trade supports small organic food producers and stresses social and ecological aspects. The goal of this project is to bring organic food products into retail chains together with support directed to developing countries and especially children living there. In 2010 there were 60 different products offered in chain retails in the Czech Republic. (14)

<u>Price</u>

In general, organic products are priced higher in the local market due to their higher cost of production. Compared to conventionally grown products, organic products on average are priced 40% higher, but some commodities prices of organic quality products are higher up to 600%, but approximately by 80-100%. (32)

This is caused by organic production methods which are more expensive than methods for conventional food production, they are more time consuming and need higher input of farmer's work. Also the volume of production is much lower than in conventional production.

The price premium can be perceived as a cost of better quality, the organic food has to fulfil and also the ethical aspects.

The price depends also on the place of purchase. Generally, in retail chains the organic food can be purchased slightly cheaper than in specialized shops.

When comparing prices of organic and conventional food products, the differences varies among different product ranges.

- Price comparison

  When comparing 500g packages of pasta, the price of organic pasta was 25 CZK and price of conventional pasta was around 23 CZK, depending on brand, so that the price of organic pasta was around 8% higher.

  More significant differences were remarkable at fresh food products. In case of 1 Kg of carrot the price for organically grown was 49 CZK and the conventional carrot price was 17 CZK for 1 Kg, so that the organic carrot is more expensive by 188%. The largest difference in price can be recorded on meat and meat products when the price of 200g conventional pork ham price was 33 CZK and the package of organic pork ham price was as high as 116 CZK, which indicated price higher by 251%. (14)

Promotion

As organic food products are rather difficult for being promoted, the principles of organic food agriculture need to be introduced to customers, the features of organic food products and the differences between organic and conventional, the most challenging task remains to explain customers why they need to pay price premium in order to buy organic products.

For public the most of organic food products promotion can be met in stores. Many chain store companies started to use organic products also to improve their image as a number of certain private labels for organic food are being advertised together with a certified label of a product of organic farming. The chain retailers use organic food promotion in store by placing point of sales with organic food products there. The most used way of organic food promotion is through the leaflets or company newspapers.

Organic food products are also being promotes on trade fares as BIOSTYL which is the largest organic food and health oriented fair in the Czech Republic, taking place once a year. The food organic product of the year is being elected there.

Also local festivities are popular events to promote organic food products, especially for small local producers.

Some web pages also try to promote organic farming production where information regarding organic agriculture and products, recipes also information regarding local festivities can be found. (36)

Campaign “Žiju bio” to promote knowledge about organic food products and agriculture supported by government and EU funds totalling 28 million CZK took place in the Czech Republic from 2007 to 2010. (34)

Since this campaign finished, no new campaign has taken place in the Czech Republic.

Place

Chain retailers are the major distribution channel for organic food products in the Czech Republic with share of around 75%, followed by specialized organic stores with around 18%. A share of 4% on the market is also being served by drug stores, independent retailers with 2%, farm and other direct sales channels like popular box schemes accounted for 1.4% only and restaurants and other catering facilities had smallest share of 0.6%, however these distribution channels have faced the largest annual increase by 66%. The chain retails have played a significant role in bringing organic products to a wider market. The largest offer of items 458 was recorded in dm, Albert was offering 275 items and third largest offer was recorded in Interspar – 252. (15)

Although the most experienced in selling organic products are the specialized shops offering also the widest assortment of organic products (35), they loose their positions constantly and since 2005 they have already lost 19% of the share on the market. (13)

One of the main advantages of selling in chain stores is the possibility to sell organic foods for a lower price than in the specialized shops. The particular chain store companies differ one from another by their approach to the organic food selling. Some chain store companies have prepared development programs aimed at the organic food.

The considerable increase of sales in 2006 was caused particularly by an increased supply of organic foods by the chain store companies when e.g. the Billa supermarkets and the Interspar hypermarkets have extended their offer of organic foods by fresh fruits and vegetables, dairy products and baked goods.

Most of the chain retailers cooperate with organic food wholesalers due to permanent delivery of larger volumes which means in practice cooperation mostly with foreign suppliers, therefore cooperation with regional producers is not so common. (16)

2.5.6 Organic food consumers

The average annual spendings on organic food did not reach 200 CZK/8 EUR and the share of organic food on overall food consumption was around 0.7% in 2010.

The sales of organic food products have been influenced by incresing sophistication of the consumers. Nowadays in the Czech Republic consumers are more interested into ethical aspects of the production, country of origin.

Organic products consumers have mostly higher education – secondary school or university degree. Another group are young families with small children. (36)

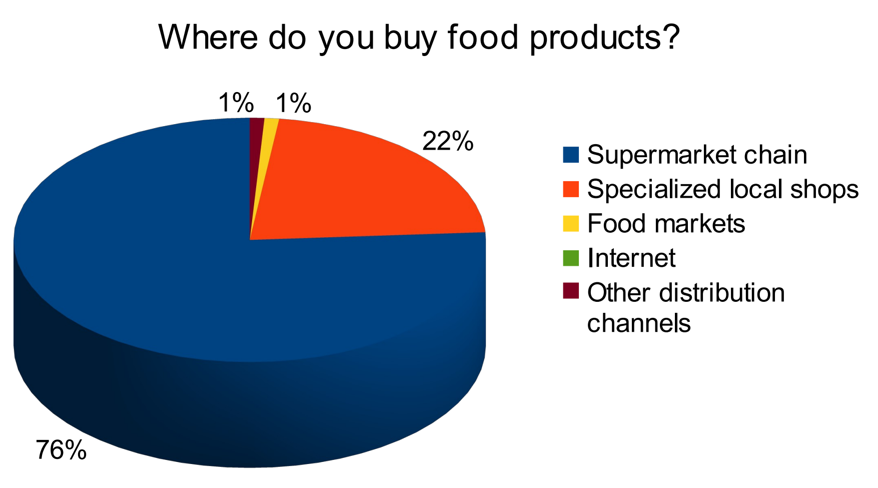
2.6 Research

As price appears to be one of the most important factors in decision making of customer on the organic food market in the Czech Republic, a research was performed to evaluate the customers' perception of organic food products and their prices. 102 respondents took part in the research. The research was performed through personal interview in Brno and also through electronic questionnaire placed on internet.

Most of the gained data have been viewed in cake graphs as the 102 respondent represent 100% and the answers are being viewed as parts of the total. Some data are also viewed in line/point graphs and these graph are being used for viewing prices and their differences in particular. Interestingly, when putting these data through b-spline smoothing method, the prices graphs appear to copy Gaussian normal distribution model.

2.6.1 Results of research on consumers' perception of organic food prices in the Czech Republic

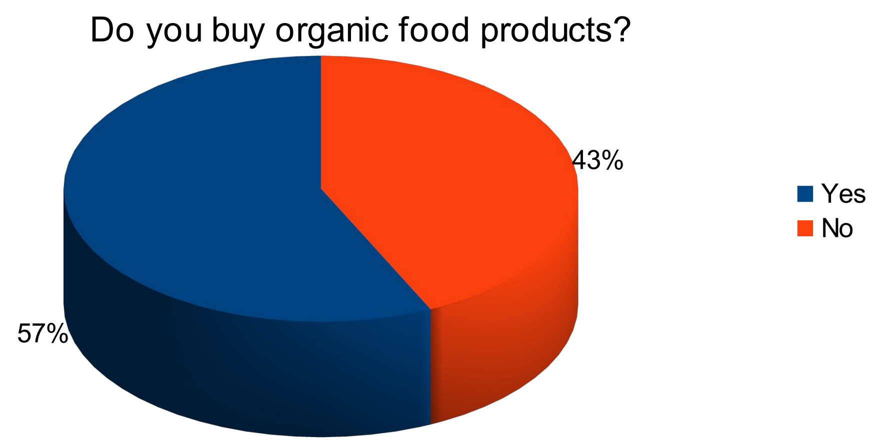
To start the research first question was directed to place of buying food in general, making no difference if buying organic or conventional food products. Most respondents answered to shop food products in supermarkets with 76%, second largest group of respondents 22% were shopping food in local stores. Other channels for food shopping were minor with least common Internet to be used by 0% of respondents for shopping food.



Picture 17: Research - Where do you buy food products?

Source: Own data, 2010.

Next question related to shopping or not shopping organic food, larger group of respondents stated they buy organic food – 57%, whereas 43% of respondent did not buy organic food. Most of the consumers of organic food were women. Also the positive answer was mostly related to age range 27 – 45 years. The negative answer appeared mostly in male respondent group aged over 55 years.

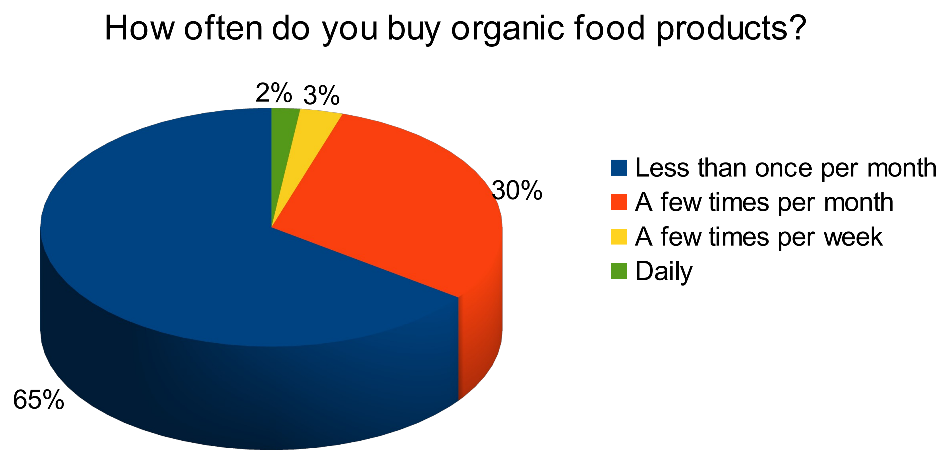


Picture 18: Research - Do you buy organic food products?

Source: Own data, 2010.

Majority of respondents, 65%, answered they buy organic food less than once per month, followed by second largest group of consumers, 30%, who stated they buy organic food products a few times per month. 3% of respondents buy organic food as often as a few times per week and 2% actually buy organic food on a daily basis.

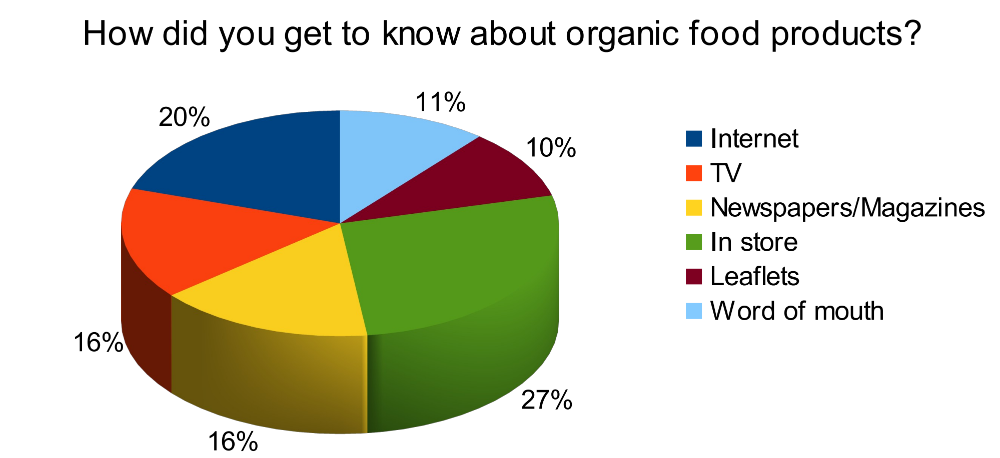
The respondents who buy organic food a few times per week or every day were mainly women and majority of the respondents were aged under 35 years.



Picture 19: Research - How often do you buy organic food products?

Source: Own data, 2010.

Most organic food consumers (27%) received information regarding organic food products in stores, follow by internet (20%) and TV or newspapers and magazines with same weight 16%. Also word of mouth (11%) is a common way to get the knowledge of organic food products as well as leaflets (10%).

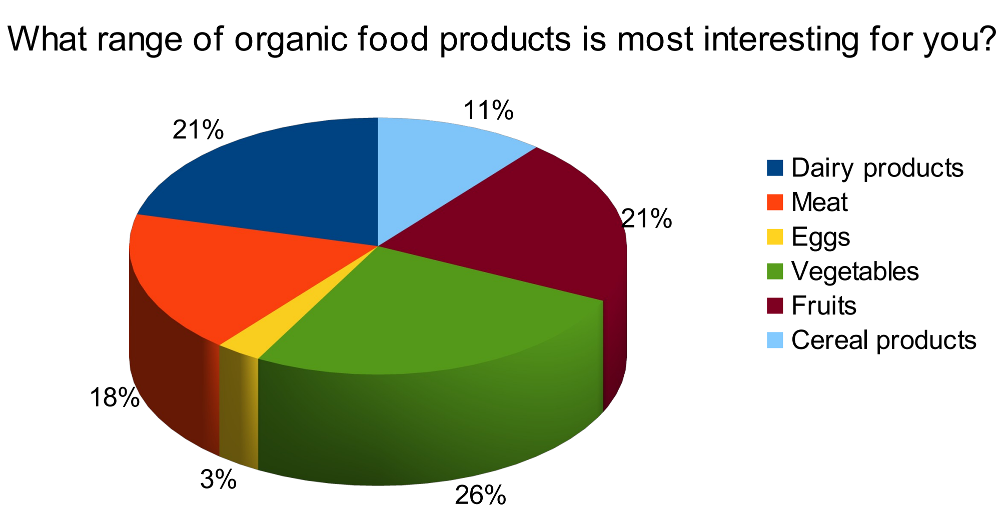


Picture 20: Research - How did you get to know about organic food products?

Source: Own data, 2010.

Most interesting range of products were vegetables with 26% of positive responses, also fruits and dairy products gained high score with 21% each.

18% of respondents were interested in organic produced meat, 11% cereals and 3% of consumers were interested in organic production eggs. Vegetables, dairy products and meat gained approximately same attention from both male and female groups of respondents, cereal products were mainly attractive for female respondents.



Picture 21: Research - What range of organic food products is most interesting for you?

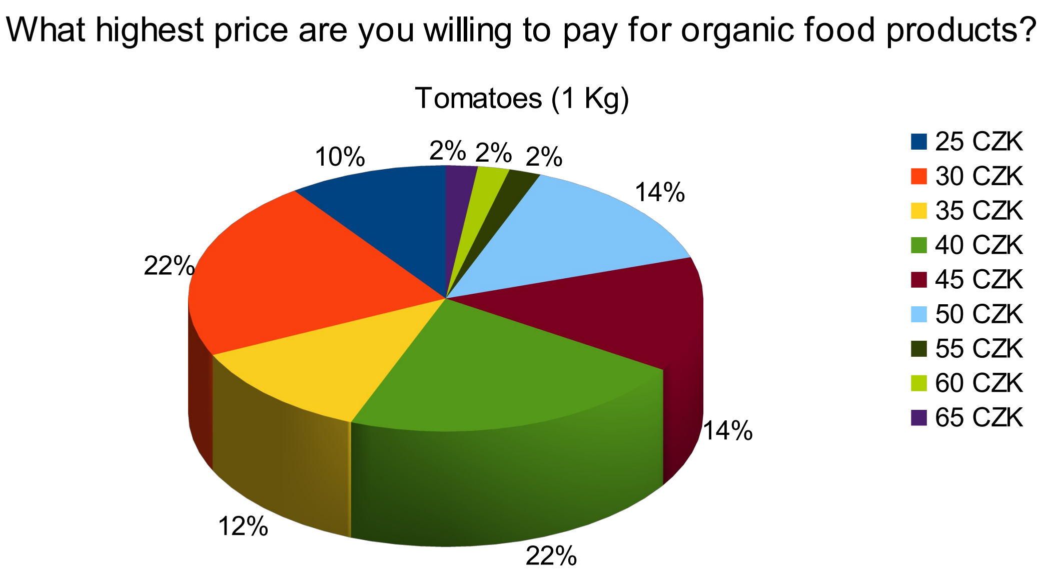
Source: Own data, 2010.

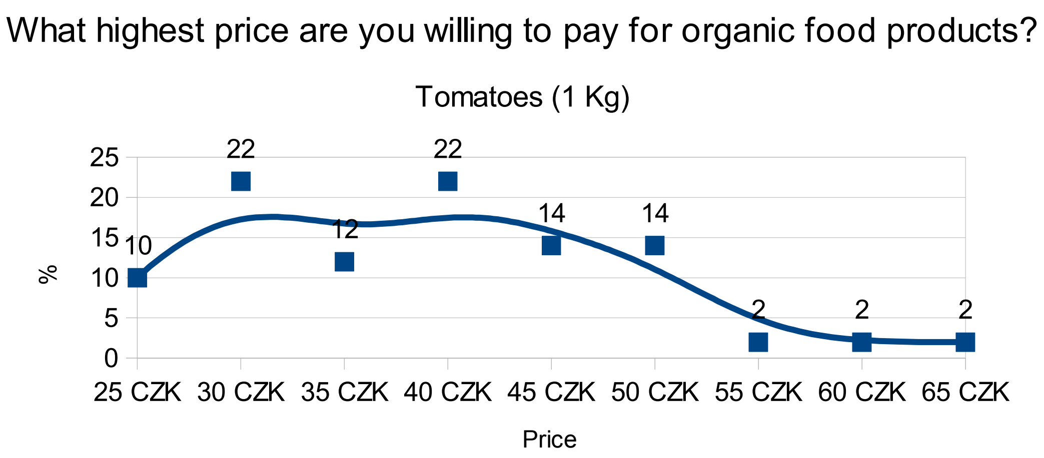
The rest of the questions were related to organic food products highest prices and willingness of the customers to pay price premium for products of daily common consumption picked randomly to represent most of the ranges: Tomatoes, apples, potatoes, carrot, semi-skimmed milk, white yoghurt, eggs and pork meat.

Tomatoes

Two major groups of respondents, both 22%, were willing to pay 30 CZK and 40 CZK for 1 Kg of organic tomatoes. Another large groups of respondents, 28% in total, were willing to pay 45 CZK to 50 CZK. 2% of respondents were willing to pay as much as 65 CZK.

Price of 1 Kg of conventionally grown tomatoes was around 30 CZK.





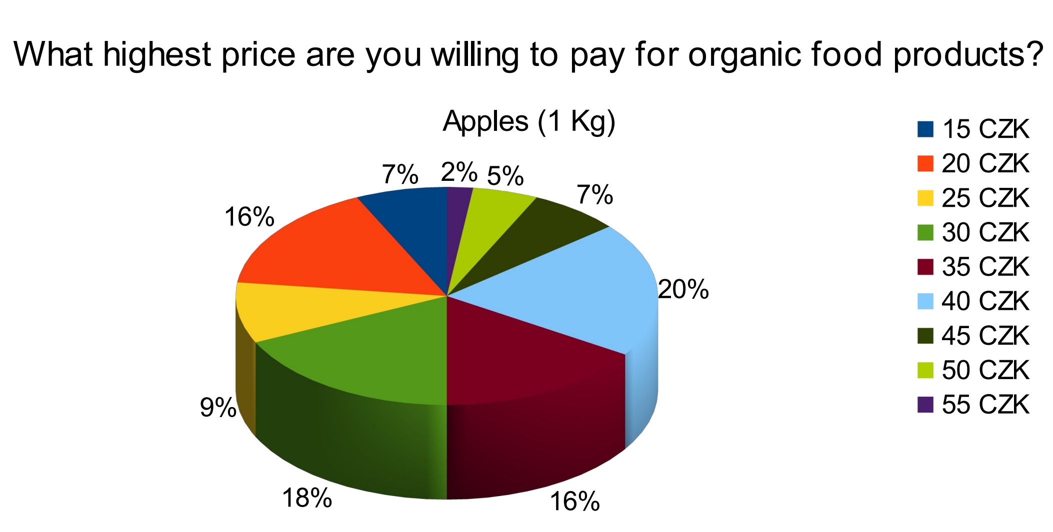
Picture 22: Research - What highest price are you willing to pay for organic food products? (Tomatoes)

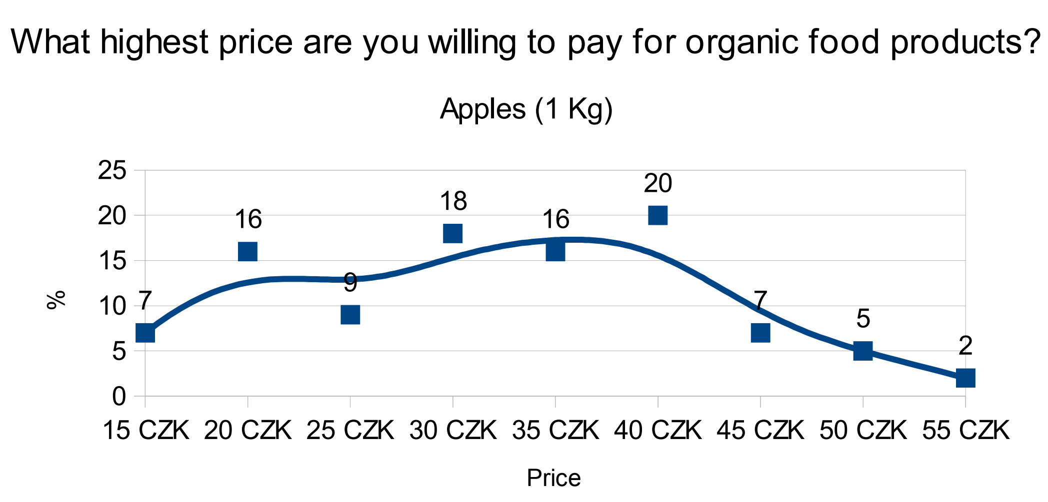
Source: Own data, 2010.

Apples

For organic grown apples, there were 20% of respondents who were willing to pay 40 CZK for 1 Kg, 16% of respondents were willing to pay 35 CZK and another 16% were willing to pay 20 CZK. 7% of respondents would be willing to pay 45 CZK, another 5% would pay 50 CZK and 2% of respondents would be willing to pay even 55 CZK for organic apples.

Price of 1 Kg of conventionally grown apples was around 30 CZK.





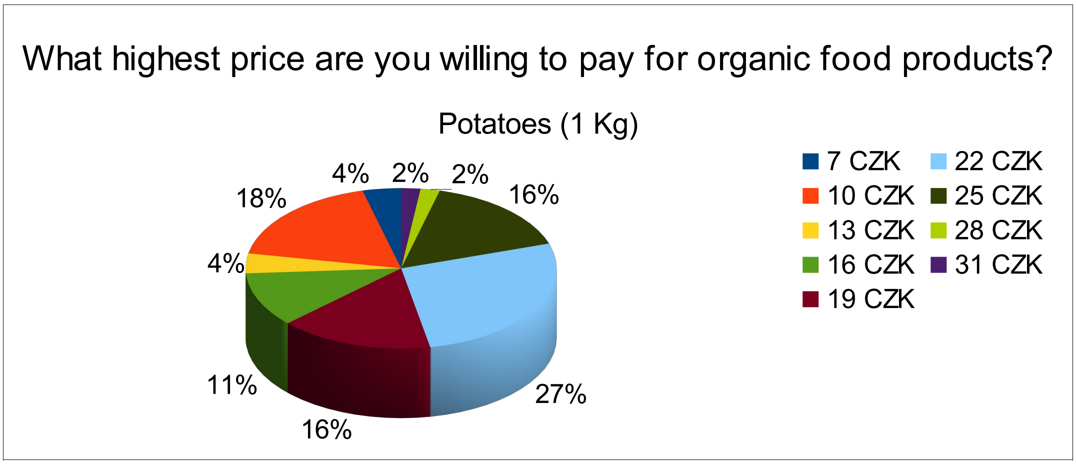
Picture 23: Research - What highest price are you willing to pay for organic food products? (Apples)

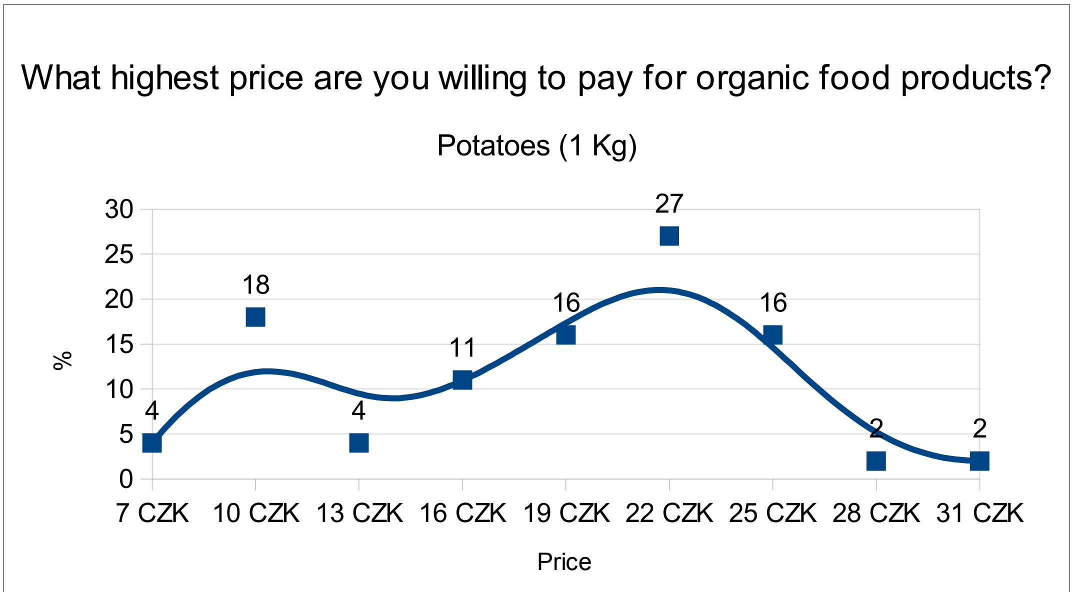
Source: Own data, 2010.

Potatoes

Most respondents, 27%, would be willing to pay 22 CZK for 1 Kg of organic grown potatoes, another large group of respondents represented by 18% would be willing to pay 10 CZK and 16% of respondents would pay 19 CZK, another 16% group would be willing to pay 25 CZK. 2% of respondents were willing to pay 28 CZK and another 2% would pay as much as 31 CZK for organic potatoes.

Price of 1 Kg of conventionally grown potatoes was around 9 - 10 CZK.





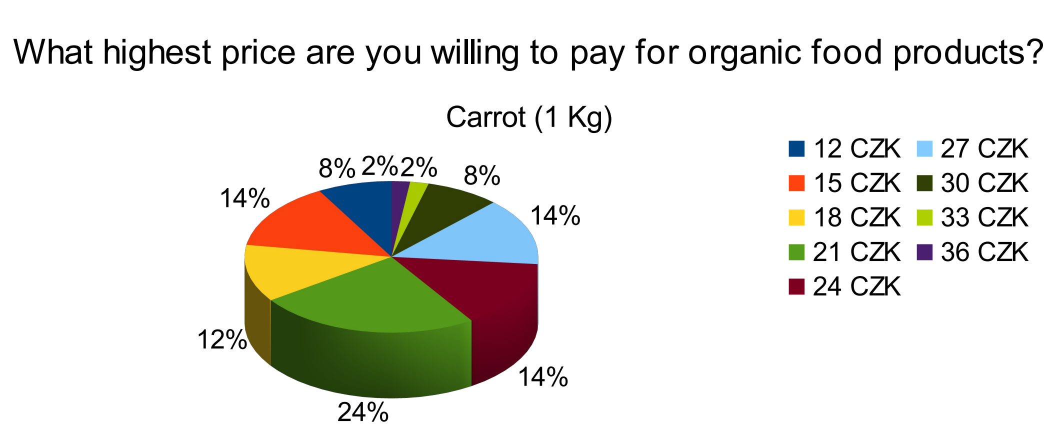
Picture 24: Research - What highest price are you willing to pay for organic food products? Potatoes)

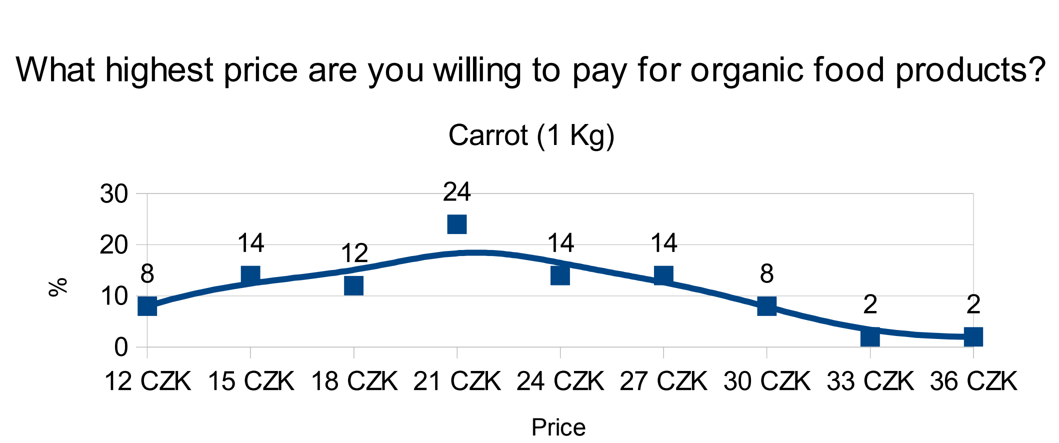
Source: Own data, 2010.

Carrot

The largest group of respondents, 24%, were willing to pay 21 CZK for 1 Kg of organic carrot. Another 3 groups, representing 14% of respondents each would be willing to pay 15 CZK, 24 CZK and 27 CZK. Also 8% are willing to pay even higher price 30 CZK, 2% are willing to pay 33 CZK and another 2% of respondents are willing to pay even 36 CZK for organic carrot.

Price of 1 Kg of conventionally grown carrot was around 17 CZK.





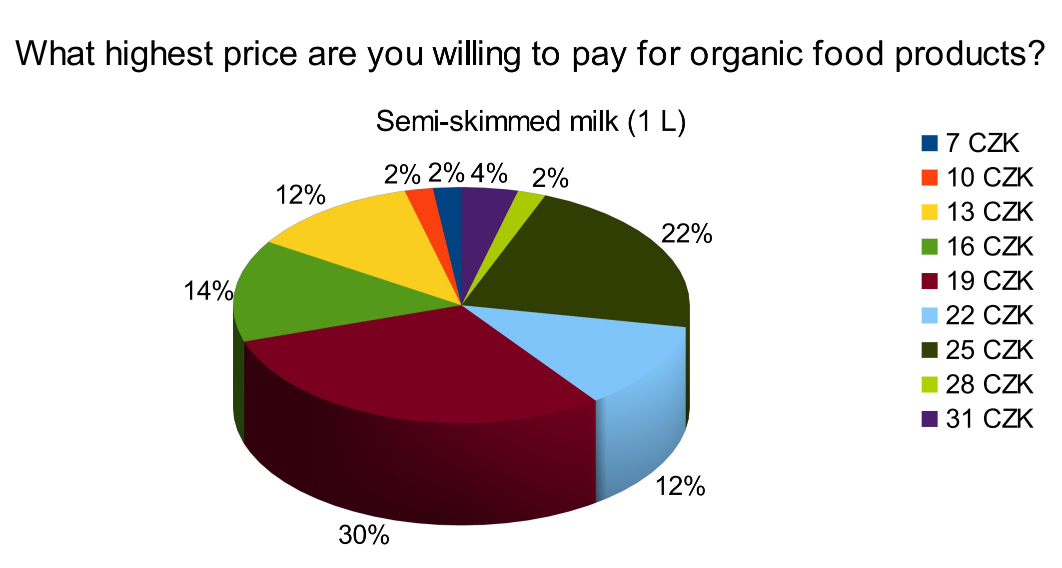
Picture 25: Research - What highest price are you willing to pay for organic food products? (Carrot)

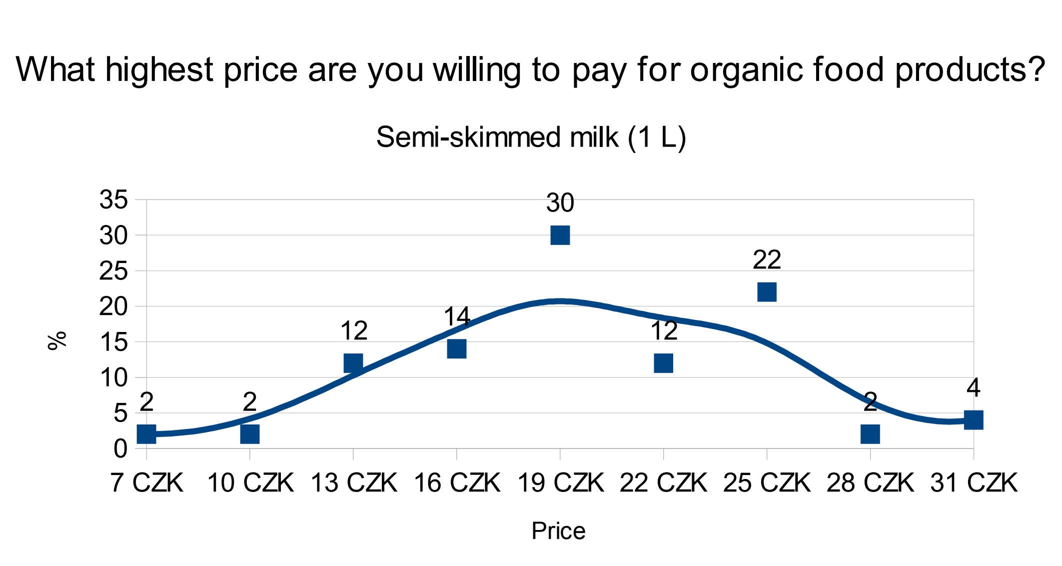
Source: Own data, 2010.

Semi-skimmed milk

For 30% of respondents 19 CZK would be acceptable price for 1 litre of semi-skimmed organic milk. Another 22% would be willing to pay 25 CZK, for 14% the maximum price willing to pay would be 16 CZK, 12% or respondents would pay 22 CZK and another large group of 22% respondents would be willing to pay 25 CZK. 4% of respondents would be willing to pay as much as 31 CZK.

Price of 1 L of conventional semi – skimmed milk was around 20 - 22 CZK.





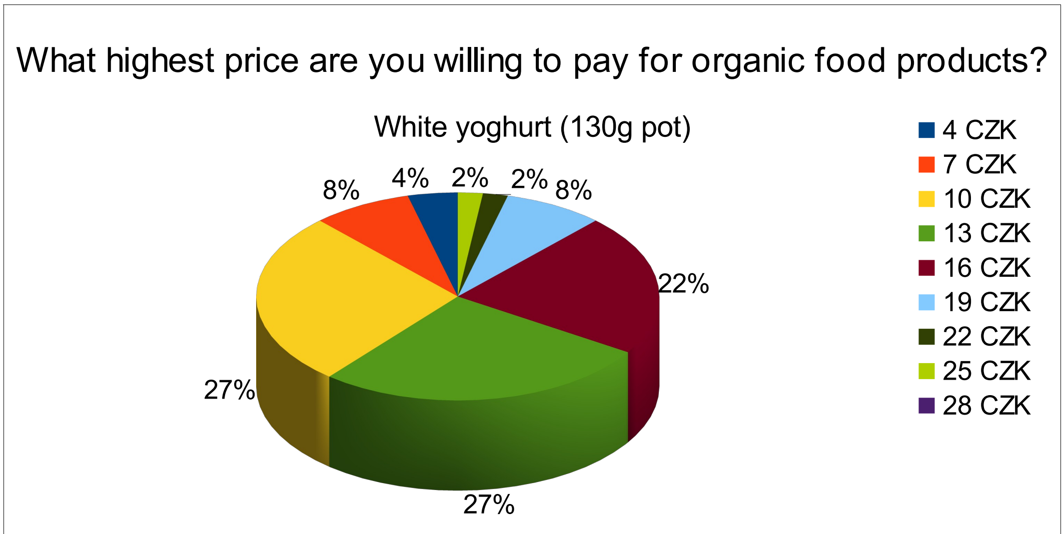
Picture 26: Research - What highest price are you willing to pay for organic food products? (Semi-skimmed milk)

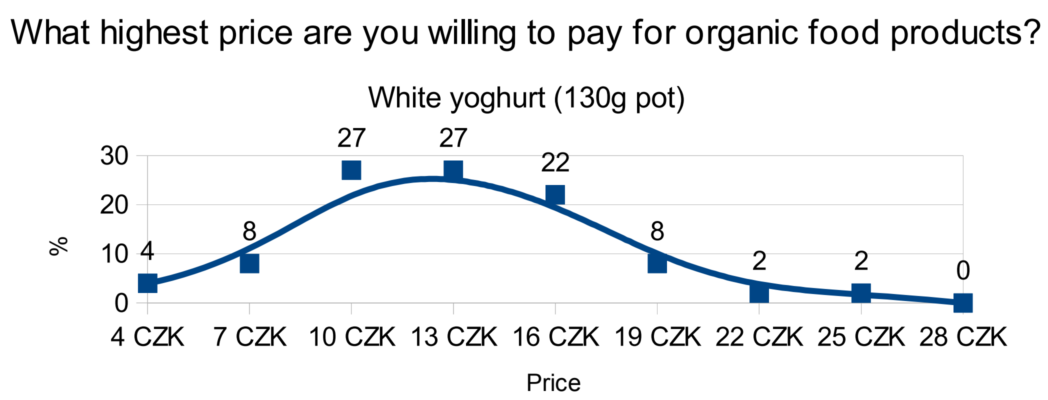
Source: Own data, 2010.

White yoghurt

Majority of respondents, 54%, would be willing to pay from 10 CZK to 13 CZK for one pot of white yoghurt (approximately 130g) and another large group of respondents with 22% would be willing to pay 16 CZK. Interestingly, 8% of respondents would pay only 7 CZK, on the other hand another 8% would be willing to pay 19 CZK and there are also 2% of respondents who would pay 22 CZK and another 2% who would be willing to pay as much as 25 CZK for an organic white yoghurt pot.

Price of 1 pot of conventional white yoghurt was around 8 - 10 CZK.





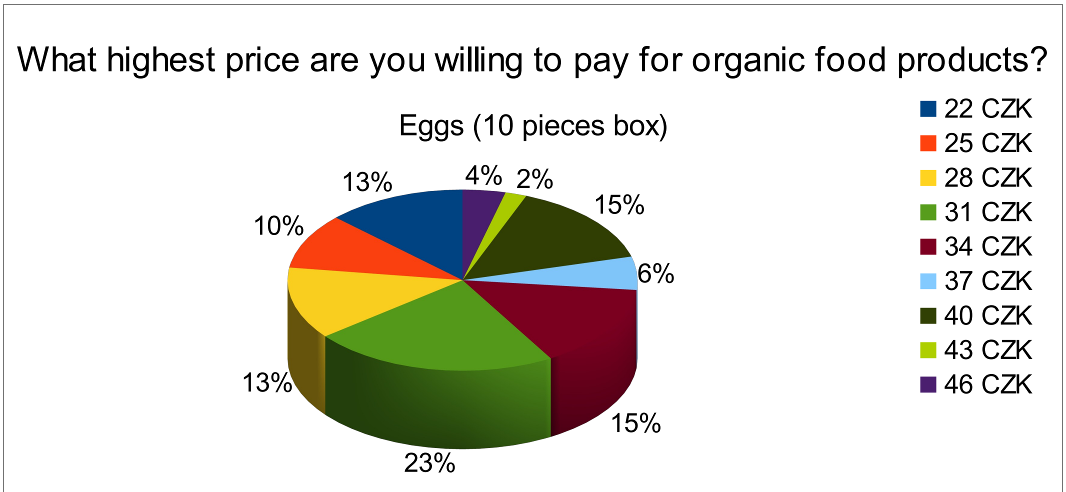
Picture 27: Research - What highest price are you willing to pay for organic food products? (White yoghurt)

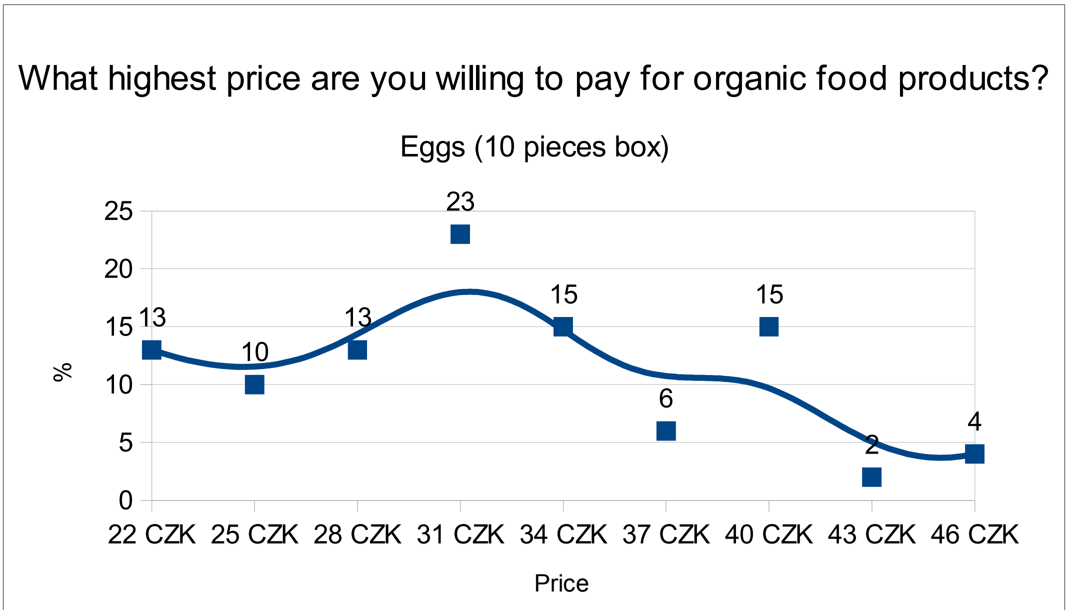
Source: Own data, 2010.

Eggs

The largest group of respondents, 23%, were willing to pay 31 CZK for a box of 10 organic eggs and second largest group, 15%, would be willing to pay 34 CZK. 6% of respondents would be willing to pay 37 CZK and another group of 15% respondents would pay 40 CZK, only 2% would be willing to pay 43 CZK, however 4% of respondents would be willing to pay as much as 46 CZK.

Price of 1 box of 10 conventionally produced eggs was around 35 CZK.





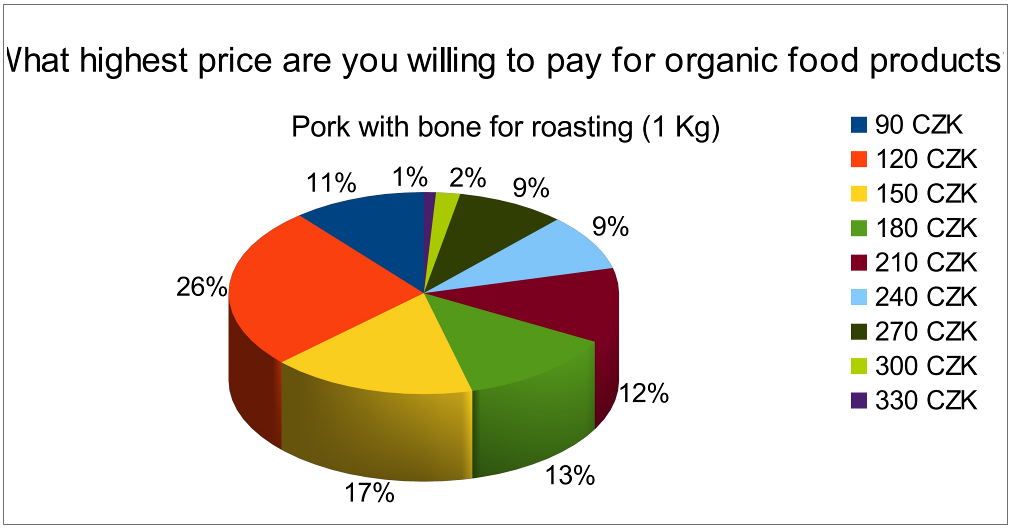
Picture 28: Research - What highest price are you willing to pay for organic food products? (Eggs)

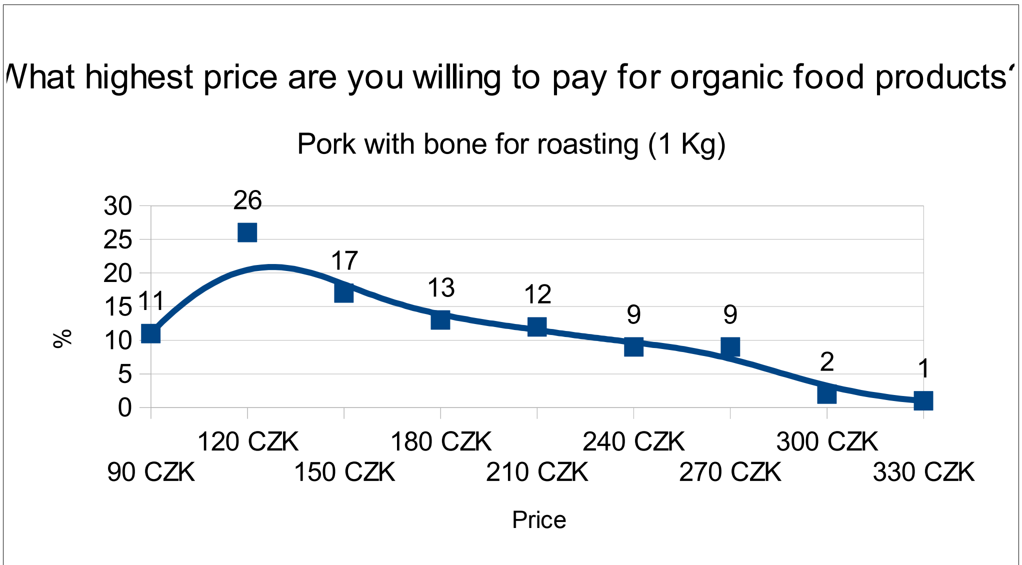
Source: Own data, 2010.

Pork meat

Most of the respondents, 26%, were willing to pay 120 CZK for 1 Kg of pork with bone for roasting, 17% of respondents were willing to pay 150 CZK, 13% of respondents would pay 180 CZK and another 12% would pay 210 CZK. Two groups of respondents, 9% each, would be willing to pay 240 CZK and 270 CZK. There were another respondents whore were willing to pay even more money – 2% would be willing to pay 300 CZK and 1% would be willing to pay as much as 330 CZK.

Price of 1 Kg of conventionally produces pork was around 120 CZK.





Picture 29: Research - What highest price are you willing to pay for organic food products? (Pork)

Source: Own data, 2010.

2.6.2 Evaluation of the research results

According to the researched data, organic food products were of higher interest of female respondents. The organic food consumer were aged by 50 years, with middle to higher incomes and with secondary school or university education.

Only 30% of respondents were buying organic food products more times per month and also the majority of sales being made in chain retails was confirmed by 76% of respondents.

Most of respondents – 27% - got the knowledge of organic food products in store, however also internet 20%, TV 16% and newspapers or magazines 16% were considerably important sources of information, as well as word of mouth 11% and leaflets 10%.

The respondents were mostly interested in organic vegetables, dairy products, fruit and meat, which are all non – durable products.

For most of the organic food products were willing to pay higher price than the usual price for conventionally produced food.

2.7 Porter's five competitive forces

- <u>Threat of new entrants</u>

The organic food products market in the Czech republic is considerably attractive for new entrants for several reasons: the market has not reached saturation yet and demand exceeds supply, the development of the market has had increasing trend and apart from last years inhibition, it is expected to continue growing, also the price premium resulting in higher profit as well as possibility to gain financial support from EU.

The costs of entry are considerably high as specific equipment is needed and strict criteria of production have to be fulfilled. Despite this the threat of new entrants remains rather high.

- <u>Buyers' power</u>

  As mentioned previously the demand is higher than supply at the market and most of the products have to be even imported. Due to production process the products are not standardized. Despite price is one of the main decision making factors and consumers might be price sensitive, the negotiating buyers power is rather low.

- <u>Threat of substitutes</u>

  Conventional food products can be considered substitutes to organic food products. As the prices of conventional food are lower, therefore switching costs are low and consumers can switch easily, therefore the threat of substitutes is high.

- <u>Suppliers' power</u>

  The number of retailers on the market is limited and as already mentioned, most of the product need to be imported. On the other hand not every supplier is able to provide the retailer with desired volumes and quality of products, therefore the suppliers' power is probably median.

- Overall competitive rivalry

  As the market is far from reaching the saturation level yet, competition is still developing, there are no obvious leader on the market and also exit barriers are not high, the overall competitive rivalry in the market remains low.

2.8 SWOT

STRENGTHS

- Fulfilling high standards relates also to high quality of products,
- Price premium,
- Organic production is thrifty to environment and points out animal-welfare.

WEAKNESSES

- Lower production volumes, lack of economies of scale,
- Production can hardly reach standardized units,
- Higher costs,
- Higher purchase price of raw materials and problems with continuity of supply.

OPPORTUNITIES

- Organic production complies with increased concern in health matters,
- Financial support from EU,
- Growing market and unsatisfied demand.

THREATS

- Lack of state support,
- Insufficient promotional activities,
- Credit crunch impact on spending habits,
- New regulations from EU can bring complications to organic food producers,
- Food scandals can disturb trust in organic food products.

2.9 Findings

The organic food market in the Czech Republic has recorded massive growth recently and there is still potential for growth. It still remains small part of the overall food products market as it participates with less than 1% share. The UK organic food market on the other hand appears to reach the level of saturation and with its long tradition in organic farming and foundation of several organisation supporting organic food agriculture, there can be identified certain knowledge and trends which can be applied as a base for further development also in other countries.

As Knudson (2007) suggests, organic food consumers are concerned about food from GMOs and also believe that organic food is healthier and better for environment than conventionally produces food. Also in the Czech Republic consumers are more concerned about safety of food what they eat and also in the livestock industries than in the past - how animals are treated is an important consideration for consumers. Other possible reasons to prefer organic food products are better taste, preference of the healthy life style, higher quality of organic products. (21), (22), (27)

- <u>Product</u>

  Chain retailers tend to offer organic foods as product extensions of their own lines of branded food products in the UK and recently also in the Czech Republic.

  Ginsberg and Bloom (2004) point out the trend of ageing of "baby boomers" who are highly concerned about living longer and therefore about healthier living, which leads them to prioritize the environmental quality of products that are being consumed within their families. (18) This trend is visible on the UK market and on the Czech Republic market as well. The UK organic food market offers considerably wider range of organic food products, especially fresh food and ready to eat food. Interesting trend has been recorded on the UK marked – increased sales of organic food products connected to special occasion. This can involve occasions of e.g. Christmas dinners or Easter food and the products can be perceived as a "treat". This trend has not been recorded on the Czech market yet, however is to be expected to hit this market as well.

- <u>Price</u>

  Even though economic aspects remain among the most important when decision making on purchase, customers' willingness to pay the higher costs associated with the production of organic products is rising. (19)

  The organic food products remain more expensive than conventionally produces food in both UK and the Czech Republic and discourages consumers from buying the organic food products. Knudson (2007) suggests that the increased demand for organic foods and better unified standards would allow larger number of farms and processors to enter the organic market. This can also result into costs reduction of the producing of organic food and decreased prices. In some markets organic foods have already become commodities, where only the lower cost producers and processors will be able to stay in the business. This trend is being accelerated by mergers and acquisitions that have become common in the organic food industry. (21)

Also the research confirmed that despite the price remains one of the most important decision making factors, the respondents were willing to pay higher price for organic food products in most cases. The respondents also seemed to overestimate the organic food products prices to be higher than they were in reality. (14)

- Promotion

In the Czech Republic the organic agriculture and food products are being insufficiently promoted. When it comes to information channels, consumers gain most information in stores, however the message obviously is directed to sell certain products, not to educate public about the whole organic food and agriculture problematic. Some information can be found interned web pages, however these are usually purely informational and do posses any attractivity and cannot raise attention of the public. The promotion activities need to be performed by to state on the base of complex campaigns as in the past.

One of the organic food market drivers in the UK are NGO organic farming and food organisations which aim to increase consumers awareness of organic. For example Soil Association acting on the UK market indicates high performance in terms of organic food and agriculture promotion and support. There are also organisations in the Czech Republic sharing similar vision, however their performance and influence has not reached the level of those on the UK market yet.

- Place

A visible trend is increase of number of organic products that are being offered in supermarket chains. Chain retail stores are during the last years very popular among the customers in the Czech Republic and they take advantage a from competitive advantage in comparison with the specialized shops as they dispose of a larger selling area and better technical equipment. On the other hand, specialized shops offer wider range of products and closer personal contact with customers. The chain retailers are the main distribution channel, however organic products are here the marginal products only. For the increase of the supply, the advertising and advertisement should be intensified.

From the processors or manufacturers perspective there is a problem with variability of organic food quality, as it is more difficult for them to keep the quality consistent and deliver products of the same quality on longer distances, especially for fresh products. Knudson (2007) suggests there is a potential to sell organic food for individual farmers interested in direct sales to customers. Local products offer opportunity of using local suppliers separately for each store within the chain. (21)

In the distribution chain, an ongoing trend visible in the UK is direct delivery from the farmer to the consumer. Such a system can also strengthen the link between farmers and consumers, which falls within the basic ideas of organic farming.

Also restaurants and other catering facilities offer increasing number of organic menus and are becoming fast growing distribution channel in the UK as well as in the Czech Republic.

Finally to mention, as long as state interest in organic agriculture is generally low, there are hardly any statistical information existing on national basis – it is rather difficult to get reliable figures on the state of organic agriculture.

The current data on organic farming is neither complete nor available for all current EU countries, since the statistical information is limited for many Member States and hardly any complex informational system is to be found. There is a lack of readily available statistical information about organic markets, despite this being a crucial issue for the supply chain. Apart from the importance for policies or regulation creation, the industry needs additional information in order to plan its marketing strategies. (35)

2.9.1 Proposals and contribution of suggested solutions

LEGISLATION

- To strengthen and improve the legislation and policy work for organic agriculture. This means the regulation and policy for organic agriculture, including support regulation and policy for organic farming and national organic farming guidelines, which need to be kept updated and harmonized with international standards, to gain stronger competitive ability on the international market. To build working control system for organic certification is crucial for the standardisation of organic production, processing or marketing.
- The regulations should lead to overall standardisation of organic food production, which would lead afterwards to decrease of prices and therefore greater accessibility of organic food products and market growth.

DATA MONITORING

- Organic farming research should be also supported not only to record the results for future further researches and studies, but also to improve the technologies and extension system.
- To strengthen the popularity of science work. This would make a significantly positive impact on the expansion of the organic food market and the development of organic agriculture to enhance the awareness of public and especially potential consumers for foods and health impact. At present, no sufficient official statistics are available on the sales of organic products that would be available to public. Some statistical information about organic production volumes can be collected from inspection bodies but much important information about trade in organic products etc. does not exist. Trade data are usually only available from national statistical offices, but in most Member States no differentiation is made between organic and non-organic products.
- In order to get a complete picture of the state of certified organic farming all over the world a survey among the organic certifiers would have to be carried out. It is therefore important to intensify the collection of the relevant information and economic data with the existing tools, but also to prepare harmonised methods for collecting additional official statistics on organic farming, organic food and its markets.
- Internet database created for this purpose would help solving this problem.

DIRECT SUPPORT OF PRODUCERS

- To strengthen the state direct support of organic farmers as a support and also motivation factor in terms of grant form the EU. The state has a leading role in regards to support policies and measures. Also the conversion from conventional to organic farming should be supported by the state. Through the conversion to organic farming the producers have to maintain the organic food growing norms, however sell the products still as conventional, so the higher costs are not reflected in the costs of sold production. Also the initial investments need to be covered.
- To decrease and simplify the paperwork use for organic farmers when requesting grants or converting from conventional to organic farming.

PROMOTION

- To strengthen the promotion activities, especially from government. It is important to continue to educate public about the organic agriculture and food products, the difference from conventional food products and also the benefits that organic food can bring to the consumers. As health is one of main concerns related to organic food, promotional leaflets could be for example placed in hospitals or medical centres and schools or pre-schools, based on children organic food boom records.
- Also promotional activities should be supported to continue in retail chains, as these distribution channels can pass the message to large share of consumers in relatively short time. The target group should be those, who already know and buy organic food products, as these are easier to convince to buy the products again. Information campaigns about the principles, the practices and the environmental and other benefits of organic farming should be established. They should target consumers as well as farmers, but also operators in the processing industry, retailers, large-scale kitchens as well as schools. To be efficient, the main target should not be the general public, but the occasional buyers who quite regularly buy a limited range of organic products.

NGOs

- To support development of organic food focused NGOs. The NGOs play an important role in organizing and supporting the local or regional organic production. Their importance is based mainly on services and marketing of the organic food. The state support in this case is necessary in order to initiate the market mechanism to work properly and efficiently.

NEW DISTRIBUTION CHANNELS

- To support non-conventional distribution channels and direct sales. Kitchens of schools or hospitals could be encouraged to offer organically produced food alongside non-organic food. Experience has shown however that, to be successful, the staff concerned need to receive appropriate information and training.

Conclusion

Organic agriculture is practised in most of the countries worldwide, and its shares of agricultural land and farms is growing. Also consumption of organic food products is growing, especially in North America, Europe and Japan. In the Czech Republic rapid development of the organic food market has been recorded, however remains a niche only as contributes less than 1% on the overall food market.

Despite the demand exceeds supply, consumption of the organic food in the Czech Republic is, in spite of its permanent growth, still on a very low level. The reasons are both on the side of supply and demand of organic food.

The reasons on the side of the supply are especially the insufficient number of suppliers and undeveloped market competition. Most of the products need to be imported. The offer of organic food products is still limited in the Czech Republic, mostly for fresh and ready to eat products. The main distribution channels are chains retailers, however also alternative and direct sales channels should be also supported to target wider range of consumers. An important restrain is lack of the processing capacities, especially for meat and dairy products.

On the other hand, there is a positive trend in consumers awareness of organic food products and their benefits. Consumers are not only increasingly aware of the potential health risks from poor diets but area also taking more responsibility in optimizing their own health. Bad publicity given to the use of pesticides and fertilizers is directing consumers to look for food alternatives and organic food is the obvious option. However the awareness needs to be strengthened and supported, only consumers who are sufficiently aware of organic food benefits and organic agriculture topics, would be willing the price premium for the higher quality of food products due to positive health influence, animals welfare, protection of nature and further ethical aspects.

As a result biggest threat of the organic food products market can be identified as further food scandals causing lack of trust of the consumers. Therefore the legislation and regulations need to be continuously improved and the system developed to get increasingly transparent.

3 List of resources

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4 List of illustrations

Illustrations and graphs