

# THE ORGANIC EGG MARKET IN ROMANIA: FEATURES, PRICES AND TRENDS

**BOZGĂ ALEXANDRU NARCIS**  
ASE Bucharest

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## ABSTRACT

The eco-egg is one of the most present organic products in Romanian stores. Although it has a high price, it is an alternative to conventional egg for many consumers. For a better understanding of the market, I conducted a research focused on two components: one to monitor the evolution of prices on the shelves and one to investigate among consumers, using in-depth interview method.

In the first phase of the study resulted that the price of organic egg is much larger and it does not present a significant seasonal variation, as well as in the case of conventional eggs.

In the second stage of the research I tried to identify the main reasons leading to the high prices of the organic products, as well as explaining the differences in the evolution of the price in the case of organic eggs compared to conventional ones. It was also identified a number of problems faced by chicken breeders in the Romanian organic system, some special features of the market as well as some trends in terms of market development for organic eggs.

## INTRODUCTION

The organic eggs seem to be the most sold product on the Romanian market. According to data of the Ministry of agriculture, in 2013 were recorded in the organic farming an actual total of 80,000 layers, while in the previous year there had been registered not less than 120,000 poultry. If in terms of organic products sales volume there is no official statistics, the organic egg is definitely the most available product on the Romanian market. All the major supermarket chains have organic eggs in their offer.

Also, a number of smaller shops, especially in Bucharest and other major cities, sell this product.

The price of the organic eggs is significantly higher on the shelves than those from conventional agriculture, accomplishing in the interval 13-15 GBP for a casserole of 10 pieces, the only form of packaging existing on the market.

Of note is the fact that the price of organic egg shows insignificant variations throughout the year round, without any seasonal variation, as in the case of conventional egg. In this context, I made a case study for organic egg market, trying to identify the main factors that lead to the determination of the price, as well as the reasons why organic egg became the most present bio product on the Romanian market.

## METHODOLOGY

The research comprised two components:

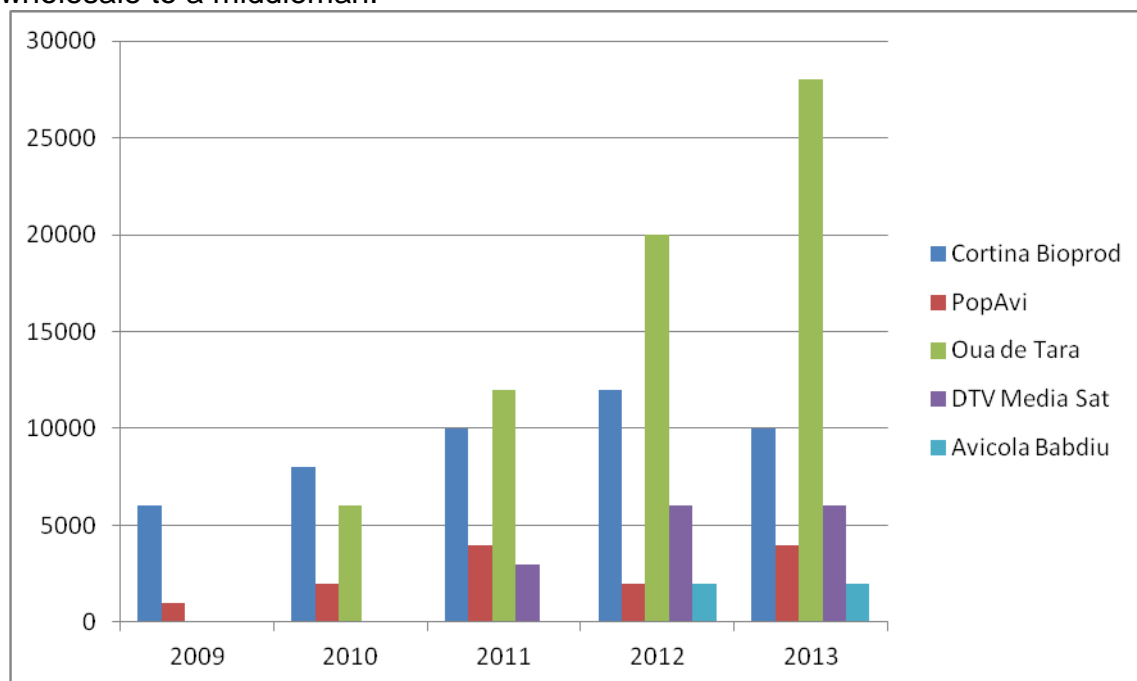
- The observation of shelf prices during November 2012-October 2013.
- The egg prices were monitored in two chains of organic stores in Bucharest, Kaufland and Megaimage, calculating the average price for the brands of organic eggs available for each month. Also there have been monitored and calculated the average prices for two brands of conventional eggs from the same stores, presented in similar packaging (containers of 10 units) and placed on the top of the price list of that store supply.

○ The completion of in-depth interviews with 5 of those 6 organic egg producers present on the Romanian market. This stage took place in august 2013. The interpretation of the results was done by the method of content analysis.

## RESULTS AND DISCUSSION

In order to have a comprehensive image on the market as possible, we tried interviewing all operators presented on the shelves in the carrying out time research. In august 2013 there were present on the market 6 manufacturers of organic eggs, of which only five have agreed to offer information.

Of the total of 6, 5 manufacturers were selling under its own brand eggs, while one sold by wholesale to a middleman.



**Figure.1. The Dynamics of the Hen Effectives declared by the Organic Egg Producers in Romania**

Those declared by the respondents reveal that the overall populations of hens have seen a constant increase, each operator trying to develop the capacity of production from one year to another.

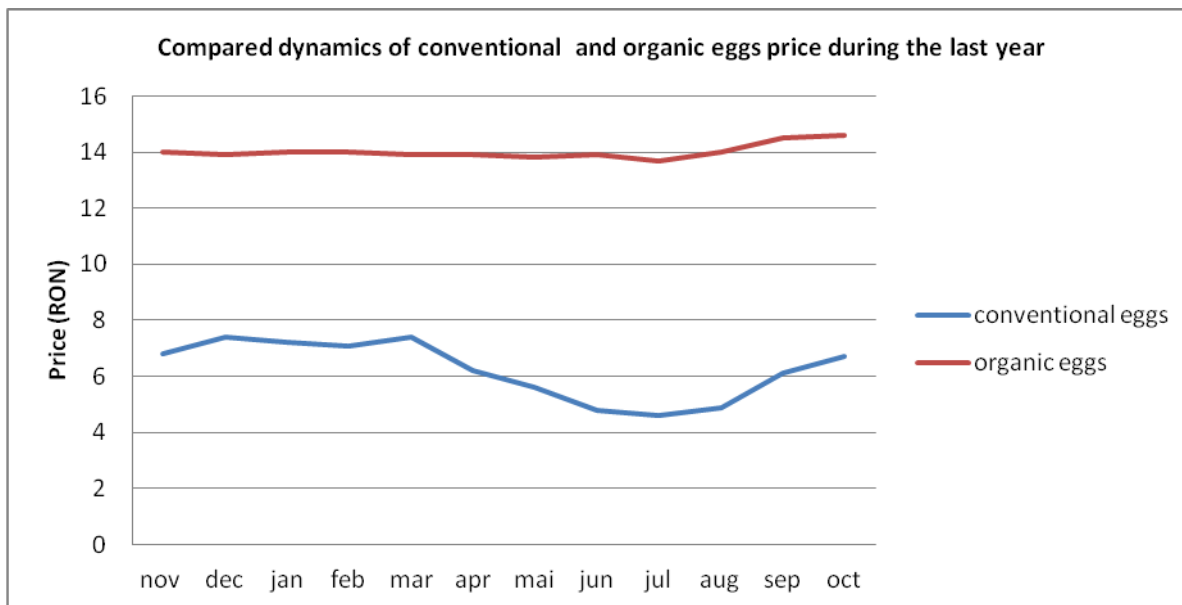
Also, it can be seen from the chart above that the number of organic farms market continued to increase in recent years. In 2013 a new important entrant announced himself on this market, with a flock of 15 000 birds, still in the conversion period at the time of the research.

Regarding the market trends, the majority of respondents are of the opinion that this is a positive development and that will continue to grow in the next years, although at a slower pace than in the former period. 60 percent of manufacturers say they intend to further increase their production capacity, while 40% say they either do not have the opportunity to do so, or it is not advisable in the near future.

The vast majority of those interviewed (80%) say they have their own distribution network and they deliver directly to stores.

They said that they would rather prefer to work with major supermarket chains, than with small shops. The main market outlet for organic eggs is the capital. Even brands of Cluj reported that they deliver 80-90% of the production in the shops of Bucharest.

In terms of price, its evolution in the period November 2012-October 2013, compared to that of conventional farms in the premium category, it can be seen in the chart below.



**Figure.2 Compared dynamics of conventional and organic eggs price during the last year**

The price of conventional egg shows large variation throughout the year. The variation is seasonal and is caused mainly by the particularity of Romanian agricultural system, where there is a huge number of holdings of sustenance. Since March, when the peasant farms hens start to lay eggs, the demand on the market drops sharply. Thus, during the summer months, the conventional egg price is very low.

In the context of the discussion regarding prices, all surveyed brands of the eco environment declared that they set the price according to the cost. They negotiated the contracts for sale to retailers at a fixed value for an entire year. At the same time, all of them think that the biggest problem for their business is the chickens from people's backyards. At the time when the request for eggs on the market is very low, there are two different ways of dealing with the situation:

- The most respondents say they prefer to sell stocks as conventional eggs. This practice, although it does not cover the production costs, it is seen as an inevitable way to limit losses, given the fact that the egg is a perishable product. In some cases, the price obtained for a conventional egg covers less than half of the production costs. Another way to overcome the period with low demand is changing the flocks of chickens, often before they have exhausted its optimum production cycle. The respondents of this group declare to be reluctant to the offer price discounts or other promotions, most saying that they have never even taken into consideration the application of such marketing tools.

- The second type of approach met is the providing discounts for retailers. These vary between 20 and 35 percent, but, according to the producers who profess these reductions, and in accordance with the prices on the shelves, the monitored retailers do not transpose into the final price reductions, or apply them in a very small extent, preferring to get higher profit margins. In such a situation, the practice becomes ineffective, leading to significant losses for the producer.

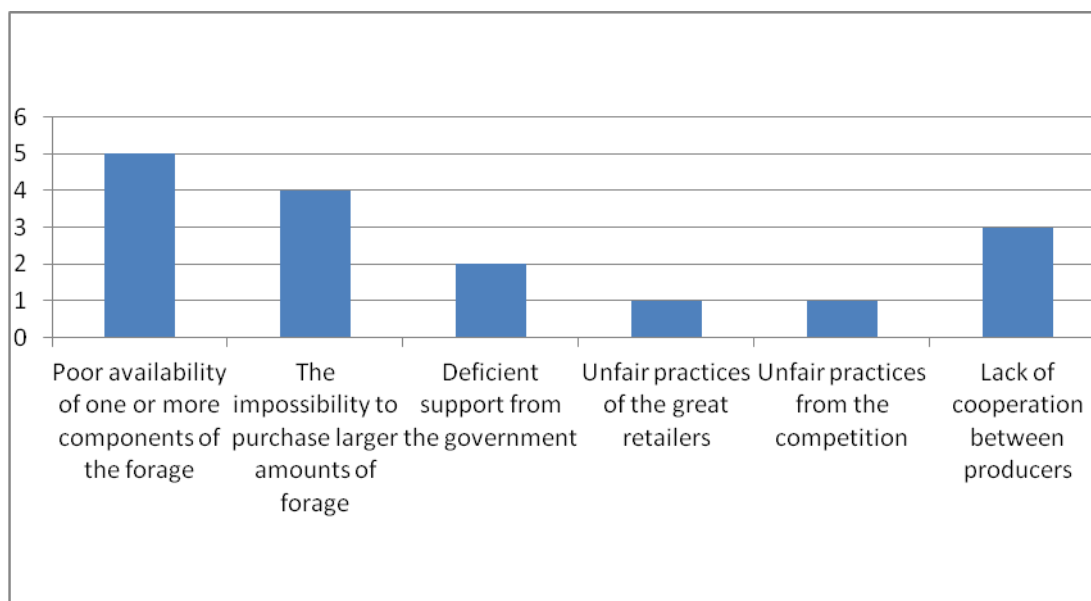
In the chart above it can be seen the price of organic eggs, which is much higher than of the conventional ones. One of the main objectives of the qualitative research was to know the explanation for this fact. Thus, all brands that have significant production costs higher than they had in the conventional system. The main factor leading to the increase in

the price of organic egg is feeding costs. The respondents estimated that feed is 30 to 70 percent more expensive than usual. I could not, however, clarify why there are differences in the cost of feed so big between organical producers, considering the fact that we all made it inside the farm, buying components.

Another factor leading to the increase in price is the large infrastructure investments. Organically grown, chickens need space, allowing for between 4 and 6 hens per square metre of hall. Also, the birds must be kept on the ground and need 4 square feet for grazing. The depreciation costs of investments proved very difficult to bear, especially for manufacturers who have opted for the contraction of bank credits. They say they have big problems, especially during the summer, when demand for eggs on the market is low.

The lower productivity than conventional system was also mentioned by all respondents. Thus, they declare that get a production of eggs with 8-12 per cent increase compared to poultry production reduced in the intensive system. According to them, the main cause is the fact that it is very difficult and expensive to ensure the demand for protein from organically grown feed. Other causes of declining productivity are the lack of incentives and hormonal additives for poultry, as well as higher energy consumption of poultry reared organically, they have full freedom of movement.

During the research, organical eggs producers mentioned a number of other problems or disadvantages faced in their work. The frequency with which they occurred can be observed in the following chart.



**Figure. 3. Other problems affecting the organic egg producers in Romania**

The reduced availability of some components of the feed, as well as organic soybeans, makes the optimal recipe not to be always respected, which leads to a significant decrease of laying. The impossibility to purchase food in large quantities, for reasons such as lack of liquidity or adequate storage capacities, has an important role in increasing feeding costs.

Also, a significant number of respondents would like a better cooperation between manufacturers and even founding an association. The goal of this approach would be, in their view, the sale of the product under a single brand and a greater power to negotiate with retailers.

In discussions with the brands were spun off a number of positive aspects in terms of market eggs. The egg is one of the first organic products sold in Romania. It sells for

more than 13 years and enjoys a favorable image among consumers. Also the important chains retailers are very interested to have in their offer this product, especially in Bucharest and the major cities of the country. The organic egg, at least in the vision of the producers, tends to be a niche product.

### CONCLUSIONS

The number of layers, but also that of bird breeders, had a fast and constant growth in recent years. Organic egg market continued to expand and the producers declare themselves optimistic regarding the future. Today, all major chains of retailers have in their offer this product.

The organic egg price is significantly higher than the conventional ones. The main factors that determine the price of high feed costs are increased with the amount of necessary investments and productivity is lower than in the intensive growth system.

Unlike conventional egg, the organic egg shelf price shows no significant seasonal variations, according to the manufacturers, the demand on the market shows a marked seasonal variation. This would be explained by the reticence of most producers to apply marketing tools such as price discounts or other sales promotion techniques. To limit losses, the organic chickens farm managers prefer to sell eggs at the price of conventional product to various processors in the period in which demand is low. Price policies are, in the vast majority of cases, established exclusively in terms of costs and seem to take little or no account of market demand.

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