

# Organic market in Lithuania

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## Introduction

Action plan for development of Organic Agriculture in Lithuania forecasts increase in the number of organic farms and anticipates that by 2006 the area under organic production will constitute 5% of the country farmland. In order to achieve this goal among the others problems, solving issues related to market will have to be addressed.

Although organic production is still relatively small, the sector of organic agriculture has recently rapidly increased. In 2005 there were 1811 organic operators certified. The area of certified land was 69 430 ha, which is 2,7% of total area of agricultural land in Lithuania. In the organic land use structure 27% of land is currently occupied by pastures and animal feeding crops, 60% by grain and legume crops, 1% by vegetable and potatoes crops and 6% by fruits and orchards (Ekoagros data, 2005). Processing of organic food develops slowly but a wide range of organic processed products can be found on Lithuanian market. In total there are about 500 different processed products, including bread, mill corn, grain mixtures for children, pasta, juice, herbs tea, milk, yoghurt.

In Lithuania as in others EU countries production of organic food continuously increases, but their demand is still higher the supply [Rutkoviene et al, 2003]. Organic market growth is influenced by a number of factors, such as consumer behaviour and marketing policies. Food safety has become an important food quality attribute within the last decade. Consumer surveys conducted in Germany [Rohr et al, 2006], Poland [Zakowska-Biemans, 2004] and in Lithuania [Aleksandravicius, 2001, Danilcenko et al, 1998, Rutkoviene et al, 2005] determine actual consumer perceptions to food quality and safety. Summarising recent studies it may be concluded that consumers show increasing interest in organic products because they expect to minimize food related health risk via consumption of organic food.

The aim of this paper is to present recent research results on analysis of organic market in Lithuania and factors that influence organic market growth.

## Materials and method

The main focus of the research results presented in this paper was to study the market for organic products in Lithuania. The study was carried out in 2004 and 2005 and was based on data coming from as well primary as secondary sources such as statistical data on organic

farming, questionnaire survey, organic food prices collection and in-depth interviews with selected market actors. The organic food prices collection was conducted every week during the year 2004 and 2005 in supermarkets and market places of both conventional and organic products to develop a data set of information about product prices. The interviews were conducted in organic sale channels. The questionnaire addressed to consumers covered aspects such as: 1. retrospective reports of shopping behavior (availability of products, barriers to purchase, price differences); 2. willingness to pay; 3. socio-economic and demographic variables (income, place of residence, education level). The program 'STATISTICA' was used to calculate Pearson correlation coefficient. The significance level (p 0.5) of 0.05 was chosen for verification of statistical hypotheses.

### Results and discussion

Despite of recent growth, organic production remains relatively small and fragmented and this is hampering effective marketing. All organic food is going on the domestic market so there is still no export of organic products. Structure of organic crop production is very similar to conventional and could be considered as very traditional. Analysis of certified organic crop production structure shows that cereals are dominating in organic production and their share is estimated to reach 60% of the organic production. The most frequently grown cereals are rye and wheat. There are several companies engaged in processing of cereals, there are certified mills, bread bakeries and other processing plant. However, the processing of organic food is still at the early stage of development. Potatoes and vegetables have the share of about 1%. Diversity in vegetables production is high. The most frequently grown crops are: carrots, beetroots, cabbage, and onions. The range of other organic products is also increasing. There are new products emerging on the market such as sheep, goat and rabbit meat. It is expected, that in the near future there will be organic fish and more dairy products available. The most important distribution channels in Lithuania are supermarkets, which have achieved a substantial share in market of organic food though until now a lot of organic products are still sold through direct marketing channels. The share of various sale channels for selected organic products, based on estimates of experts from Lithuanian Institute of Agrarian economics, is presented in Table 1.

**Table 1.** Main sales channels for organic products in Lithuania.

Product	Sale channel (% of total organic sales)			
	General food shops	Organic food shops	Direct sales of farmers	Market places, fairs and other

Cereal based products	60	5	5	30
Potatoes	20	5	25	50
Vegetables	20	5	5	65
Fruit	25	10	5	60

In comparison with our previous investigations carried out in 1999, when only 14% of organic products was sold in shops an increasing number of organic products are sold in supermarkets, where they are located separately and additionally advertised by the supermarkets. There are 108 general food stores in different regions of Lithuania that carry organic assortment and the most important products categories are cereals based products, vegetables, potatoes. Approximately 200 organic processed and fresh products are in the assortment of supermarkets. Important arguments to promote organic products, according to the retailers are food safety, non GMO and environment friendly production methods (Fig. 1).

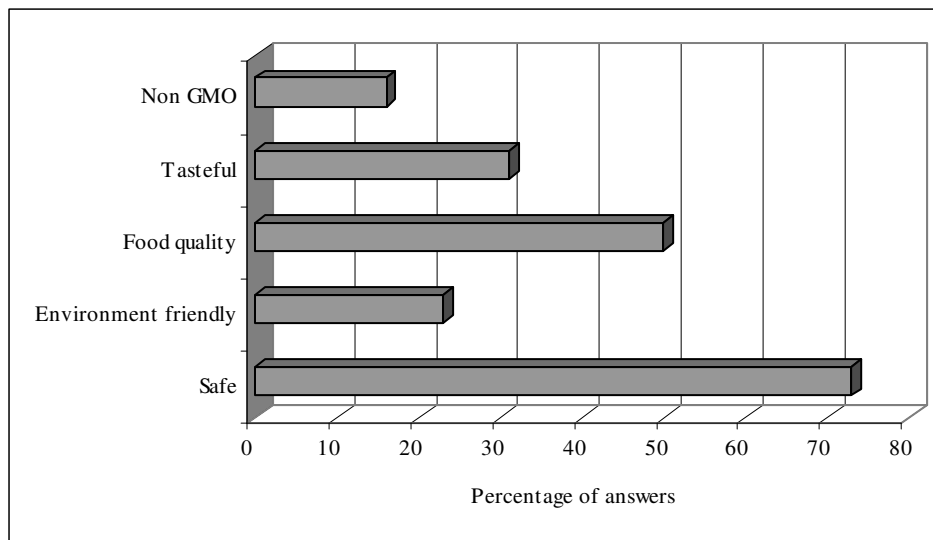


Figure 1. The attributes associated with organic food in the opinion of consumers.

The price level can be identified as an important factor for market development. With respect to the willingness to pay for food safety, two groups of consumers emerged, price-sensitive and safety-sensitive. The higher price level for organic food varies with the type of food, market share and marketing channel [Hamm et al, 2002]. The average consumer price premium for organic food in 2004 and 2005 at general food shops are presented in Table 2.

**Table 2.** Price premium (%) for organic potatoes and vegetables in Lithuania supermarkets in 2004 and 2005.

Year	Potatoes	Beetroots	Carrots	Cabbages	Onions
2004	105	162	101	184	101
2005	70	24	50	55	168

The price of the respective products groups varies a lot. The highest price premium was recorded for vegetables, and much lower for cereal based products (10 - 45%), apples (27%), honey (14%).

The consumer survey was conducted with a sample of 610 consumers in sale channels that offer organic food. There were two age groups with the highest share among the respondents - 47% of respondents were in age group between 21- 30 years and 33% were until 21 years old. Majority of the respondents (67%) had secondary or higher education and used to live in towns (23%), cities (38%) and metropolitan areas (23%). There was a significant share of consumers who declared to buy organic food (73% of the respondents) while 37 % did not declare to buy any organic food.

Most of the respondent could be considered as occasionally consumers of organic food. 20% of consumers declared to buy organic product every day, 33% - one or few times per week, 15% - once per month, 32% - occasionally. There was a high share of consumers who expressed willingness to pay higher prices for organic food - 80% of consumers were ready to pay price premium up to 25%, 18% up to 50%, and 2% of respondents were willing to pay more than 50%.

The respondents were asked to specify, what organic food products they buy. The results show that vegetables (84%), fruits and berries (66%) are the most frequently purchased organic products (Fig.1.). Another important issue influencing the market development is determination of factors limiting the willingness to buy organic food. The most frequently mentioned reasons not to buy organic food were high prices of organic products, insufficient advertisement, availability and unclear labelling.

The price level is perceived as a main barrier to increasing consumption of organic food among Lithuanian consumers. Higher involvement of general food shops in sale of organic products result in decreasing of price premium for organic food [Hamm et al, 2002]. However, in case of Lithuania one of the major obstacles for further development of organic food market is the low supply of organic products, high distribution costs and as a result high prices for organic products.

## **Conclusions**

Further development of organic farming in Lithuania depends on the development of market for organic products. Consumers expectations regarding foodstuffs quality and preference for purchase of organic products in Lithuania have increased. The study reflects the market development tendencies in Lithuania and consumers attitude to organic products. Consumers prefer organic food and they are willing to pay price premium for organic products. The re-

search results show that price premium for organic vegetables are much higher than for cereals products. Price premium for organic vegetables in 2005 decreased comparing with 2004. And the price of organic vegetables become close to the price of conventional vegetables. Prices of organic vegetables are significantly lower in 2005 comparing with 2004. The most important factor limiting consumers organic food purchasing was high price of organic food. Organic food prices are going down with growing supply of organic products. To stimulate demand for organic products in Lithuania the price premium, price level should be decreased and there must be more efforts to increase supply, develop processing and various sale channels for organic products.

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