Pannonia Organica analysis

STUDY ON THE ORGANIC POTENTIAL IN BAČKA VOJVODINA

A Working Paper
Industry Report

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Executive summary

The purpose of this study

Organic agriculture uses sustainable production methods. The market for organic products in Europe has been growing continually and has doubled its turnover in the last 10 years and has reached now € 20 billion! Although the countries in Southeast Europe (SEE) have a lot of potential in organic agriculture, mainly due to cheap labour forces especially in rural areas, favourable climate, soil fertility and lack of intensive agricultural production, most countries in the region haven't yet fully utilized this potential. Links among producers and suppliers are very weak and there is not much information on supply and demand available on a regional level.

This study is to provide mapping of farmers and producer companies in the organic sector and the assessment of market potential for organic products in the region and in the European Union (EU) in order to elaborate sound recommendations for further promotion and development of this sector. It starts with the organic production in the agricultural sector in Backa, moves further to processing and retailing sector and does an analysis of the market potential in Backa and the EU. At the end the study comes up with some conclusions and recommendations to increase the trade with organic produce and make better use of the sector potential. As the main target is mapping, this paper provides a lot of data, also as a basis for upcoming activities; as the sector is not well developed and documented, figures show sometimes great deviations but it was tried to harmonize them.

The findings

The organic sector in Backa is still in the beginning and can be considered as a small niche market. There is some visible organic movement and area under organic methods but the number of organic farmers is relatively low.

Apart from some large scale farming areas which fit also for cereals and dairy cows growings, majority of organic production is focussed on horticultural activities like fruit and vegetables, partly in green houses. As farms are usually small (often not more than 3 ha and divided in several parcels) farmers have to look for opportunities to grow added-value produces and organic products are often making economically sense.

However the local customers are not buying much organic products, which are available in on-farm shops, green markets, specialised shops and big retail markets – and furthermore some of the offered organic products are imported: Especially the retailers need bigger and uniform quantities and usually the organic producers are not well enough organised to submit such products yet.

Besides the final consumers there is a chance for processing or organic products.

The driver for organic food could become the retail sector as it happened in other countries too. Organic farmers from the Backa will have to pay attention, that they will be the main suppliers of organic products when local customers are asking more for organic food.

The recommendations

Finally the study makes the case for a better production (higher yields) and bigger revenues (better prices or more products for the same prices) which will require a more market oriented approach. In total there are ten points how to improve the organic sector performance and it seems that organic farming does not need primarily more subsidies (even if this might help to start up and promote organic agriculture) or better production know-how but more customer oriented production; there will always be niche markets like on-farm sales and green markets but for a broader audience organic production will need joint efforts in bulking up raw materials, transport, storage, grading, cleaning and packaging so that organic farmers – as farmers' groups – will become reliable partners for trading or processing companies. Just if the processing with value adding will be in place, organic will see a better performance. Actually the processing is limited in volume and value-adding and the better-off citizens are too few to enable many organic farmers a living.

The proposed activities are targeting the organic sector but different actors will face different challenges. The governments of the seven countries - mainly through the Standing Working Group (SWG) - might support the sector by focusing on items such as improving the land market, facilitating organic advisory services, creating a stable business environment and trade within CEFTA and finally up-to-date weekly market information.

The private sector might focus on establishing commercial farmers' groups to bulk up, transport, store, and sort and partly process the organic produce. That requires also necessary inputs and better linkages of organic farmers to the markets through improved organic supply chains (farmer ⇨ on-farm shop, green market; farmer ⇨ farmers' company (cooperative); farmers' company (cooperative) ⇨ retailers / supermarkets; farmers' company (cooperative ⇨ export companies; ...). These activities will need support from commercially trained advisors.

The remaining activities like certification, branding & awareness rising – and regionality as well as knowledge transfer in organic agriculture within the region will require the involvement of all stakeholders and also a long term strategy for organic farming towards healthy food and to a sustainable food production for 9 billion people has to be based on a common approach of all stakeholders.

Coming back to the Backa it seems that there are good opportunities for organic farming but it needs more support efforts, mainly in marketing and other business services.

Its eco-climatic and technical resources provide favourable conditions for the production of organic fruit and vegetables, cereals and oil seeds as well as organic livestock production.

The climate is continental, with an average annual temperature of 11.5° C and the average annual rainfall in the plain part is 600 - 800 mm and in the mountain part of 800 – 1,200 mm.

- The plain part of Pannonia region; the North of the country – the Vojvodina Province - is dominated by plains with rich, fertile soil and plenty of sunny days throughout the year. This region is suitable for organic crop growing.

The total organic agricultural area in Backa , organic certified areas and areas in conversion, covers 2615 ha.

The country has actually officially listed 119 organic farms and processors; 78 are certified organic and in the conversion process. Main production is covered with cereals (incl. maize) with, sunflower, soybeans, forage, fruit, potatoes, tomatoes, paprika, carrots beets, herbs and spices.

The certification is offered in 2013 by Ecocert Balkan doo, Belgrade under supervision of Ecocert, France; Etko Panonija doo, Novi Sad under supervision of Etko, Turkey; Control Union Danube doo, Belgrade under supervision of Control union, Netherlands; SGS –Beograd doo, Belgrade under supervision of SGS, Switzerland; Suolo e Salute Balkan doo, Belgrade under supervision of Suolo e Salute, Italy; Tuv Sud Serbia doo, Belgrade under supervision of Tuv-Sud, Germany and by Organic Control System doo, Subotica – the first domestic certification company.

The sector is still only marginally organised despite the existence of organic associations at national, local and regional level. The level of productivity is low compared to EU countries, mainly due to a lack of inputs, modern technologies, processing and marketing strategies. The integrity of the organic farming system is a problem, resulting in insufficient protection against fraud. The quality of research and education is low, and these areas disconnected from application in practice.

Agricultural production is the main activity of a large number of the population. About 44 % of the total population lives in rural areas. Agriculture is an important factor of the economy in Serbia particularly in export. Trade of agricultural products is approximately 12 % of total Serbian export.

The highest yields of field crops Serbia has in Vojvodina Province. In eastern and western parts of Serbia, along river valleys is developed vegetables and fruit production (characteristic for hilly areas). In addition, in the mountains is developed wild fruit, herbs and mushroom collection. In the mountainous regions is developed livestock, especially sheep, cattle and goats breeding. Production of eggs and poultry is characteristic to the large farms in Vojvodina and Central Serbia.

In Serbia there are about 779,000 registered farms, 510 companies linked to agriculture production and 218 agricultural cooperatives. However, the most dominant form in Serbia are small farm households (82 % up to 6 ha). The average farm size is 3 - 5 ha. Approximately 90 % of arable land is privately owned and more than 26 % of the total employees in Serbia are active farmers. The largest number of farms belongs to category from 1 - 5 ha, total number 389,993; 15.341 farm households own more than 15 ha. The largest numbers of agricultural big farms (registered often as limited company) belong to the category of up to 50 ha and according to statistic data there are 123 such farms. In Serbia there are 121 farms from 1,000 to more than 5,000 hectares. The largest number of cooperatives (59) belongs to the category of 100 to 300 hectares while only 15 farms belong to category of more than 1,000 ha. The biggest problems of agricultural production in Serbia are small plots of arable land. Average farm household in Serbia own four separate plots.

Around 1990 the organic farming began to develop in Serbia and the first trainings / educations were organized within the non-governmental organizations such as Green Network of Vojvodina (Novi Sad), Terra's (Subotica), Centre for Organic Agriculture (Selenča) and Natura Vita Cooperative Council of Serbia. Since then, non-formal education has been focused both on farmers and consumers. The organic movement was pushed further after the new bill on Organic Agriculture was adopted in 2001; a new one followed in 2006. The adoption of the Law on Organic Agriculture in 2010 and Book of Rules in 2011 impact organic production to intensify. Education then started to get the institutional forms. Teachers from secondary agricultural schools were included in education as well as agronomists in extension services. The Faculty of Agriculture in Novi Sad in 2010 opened a Department for organic agriculture. In addition agricultural secondary schools introduced organic production as an elective/optional subject. Along with those was established National Association of Organic producers Serbia Organica (2009), the National Council and the Competent body at the Ministry of Agriculture.

About 272 small-scale farmers are involved in organic production. Yields on such farms cannot be the same as in conventional agriculture, and prices obtained are usually not identical to those obtained for conventional crops. In the absence of clear empirical data, a first approximation comes to the conclusion that the farm-gate value of all organic crops grown in 2009 ranges from € 20 -25 million. Furthermore Serbia is exporting to the EU alone organic products with a value of € 40 million and is the spearhead in the organic movement; however there is room for improvement.

Overview of the demand for organic products of retailers and wholesalers as well as of processing industries

Local demand from the trading sector

The annual per capita expenses for food (including non-alcoholic beverages and food) have been around € 743 in 2009 (€ 630 in 2008); that makes € 62 per month for food! To make this figure even worse is that it represents around 42 % of the consumer expenditures! (data for 2012).

The local demand for organic food in Serbia is still underdeveloped. 70 % of all food products are sold through around 30,000 small grocery shops all over the country. There are only a few "organic" outlets in Belgrade and Novi Sad. Organic food with local origin can be found on few green markets and specialized health food stores.

Tempo, a cash and carry market, was the first to open a retail chain and Intermarché/ Interex, Mercator, MAXI, Metro, Super Vero and Univerexport followed. The appearance of such supermarkets triggered a rise in consumer food prices, at the same time lowering producer prices. These supermarket chains have a growing number of health counters wherein products claiming health advantages are sometimes intermixed with organic products.

Organic products are coming often from abroad; baby food from Germany, organic spaghetti from Slovenia, organic rice from FYR Macedonia, and organic juice from Switzerland and so on.

In supermarkets organic products are always on separated shelves.

- Imported fresh fruit and vegetables: citruses and kiwi (Spain,Greece, New Zealand); apples and pears sometimes from Slovenia; sometimes potato or carrot from Italy.

- Fresh fruit and vegetables from Serbia – tomatoes, potatoes, different varieties of lettuce, zucchini, cucumbers, chicory, rocket, parsley, carrots, beets, daikon, different varieties of onion and garlic, leek, apples, pears, apricots, barriers, chary.

In biggest supermarket chains in Backa (Mercator, Maxi, Univerexport, Tempo, DM drogerie, Idea) could be found domestic processed organic food (jams, marmalades, juices, wheat flower, herbs and species) together with imported goods (rice, grains, sugar, olive oil, pasta, juices, chocolate, different varieties of beans, lentils etc). Like in other countries also in Backa the shopping and eating habits are determined by demographic variables: age, education, income, gender, place of residence. Due to financial constraints also Serbians have to come along with a reduced household budget and spending for organic products is very limited. Local organic product range includes fruit, vegetables and cereals but there are almost no organically certified animal products on the market – despite the Serbian preference for meat consumption.

Traders/Distributers	Web page
"GLOBAL SEED" DOO	www.globalseed.info
"DIMITRI TRADE"	www.dimitritrade.com
"RURAL ENERGY COMPANY" DOO	www.ruralenergysystems.com
BEYOND	www.beyondhealtfood.com
"UNIVEREXPORT-INPORT" DOO	www.univerxport.rs
"REPROTRADE" DOO	www.reprotrade.co.rs
"SUNCOKRET" DOO	hwww.suncokret.rs
MOJ SALAŠ	www.zelenamreza.org
"ZDRAVO ORGANIC" DOO	www.zdravo.rs
Green market places	
“Detelinara” green market, Novi Sad	www.nstrznica.co.rs
“Riblja pijaca” green market, Novi Sad	www.nstrznica.co.rs
“Liman” green market, Novi Sad	www.nstrznica.co.rs
“Moj salas” specialized green market, Novi Sad	www.zelenamreza.org
Supermarket chains	
Univerexport	www.univerexport.rs
Mercator	www.mercator.rs
Tempo	www.tempocentar.rs
Maxi	www.maxi.rs
Metro	www.metro.rs
Idea	www.idea.rs
DM drogerie markt	www.dm-drogeriemarkt.rs

Company (name, product range)	Website	Contact details (name)	Contact details (email)	Contact details (phone)
Zdravo organic- fruit and vegetables	www.zdravo.rs	Jozef Gasparovski	office@zdravo.rs	381 21 774648
Nectar - fruit	www.nectar.rs	Jelena Pavic	bojan.radun@nectar.rs	381 64 8684158
Suncokret - cereals	www.suncokret.rs	Ivan Percic	proizvodnja@suncokret.rs	381 24 758052
Foodland - fruit and vegetables	www.foodland.rs	Lazar Igrutinovic	office@foodland.rs	381 11 3182119
Opulent - cereals, livestock	www.opulent.rs; www.globalseed.info	Jovica Kosanovic	office@opulent.rs	381 63 1074526

Analysis of the market potential

The analysis of the organic markets shows clearly that it is still a niche market; however there is a growing interest by the consumers to buy organic food products; however due to the tight economic situation, most consumer are looking for affordable food. In at least three cities in Serbia (Novi Sad, Belgrade, Subotica) exist awareness on organic food where NGOs are intensively educating both consumers and farmers.

On a local level there is a potential for developing special local organic markets during the summer (like “Moj salaš” farmers’ market in Novi Sad) and all over the year small organic grocery shops are usual places for purchasing organic produce. At a moment demand for organic products is increasing and Serbia does not have enough organic fresh produce on the market. Limiting factor in developing organic agriculture (consumption and production) is unstable economy. However, the most usual buyers of organic food are young couples with small children, pregnant women and people with health problems. At 2010 Green Network of Vojvodina made “The survey on organic agriculture” in order to educate consumers and to raise consumer awareness. The survey was made during the season of farmers market “Moj salaš” from June to September 2010.

The survey covered a total of 320 citizens of Novi Sad. Citizens of Novi Sad were surveyed by the method of random sampling. From the total number of surveyed citizens, 61% confirmed they were buying organic food, 15% said they were planning to buy it, while 24% said they had never bought organic food.

In addition Green Network of Vojvodina made *one day consumer survey* on November 2012 in the organic grocery store "Moj salaš" and local supermarket "Roda" in Novi Sad. The survey included 30 randomly selected consumers. The survey was made in order to gain more clear picture on frequency and diversity when buying organic products after three years. From the total number of 30 citizens 30 % are regularly buying organic products, occasionally buy organic products 40 % and 27 % do not buy organic products. It should be noted that an increasing observed number of people have been observed who are buying organic products despite the crisis; however the number of those who do not buy organic food is also growing. Visible is the raising awareness of the importance of eating organic food.

Due to the importance of the agricultural sector in general and the slowly growing sector of organic food, Serbia has a lot of potential. To make use of this potential motivation of the organic farmers and processors is important as well as capacity building and training.

Regional export potential could also be seen in the large scale farming activities, especially cereals. Due to the competitive milk sector, Serbia could find also in the Western Balkans markets for organic dairy products.

Conclusions and proposals for next steps to use the potential and increase trade

Coming to an end and based on the previous chapters one could draw the following conclusions and submit proposals. The primary question was to find ways to increase trade of organic products. As the production very limited, strong efforts have to be directed on increasing the production.

Organic farmers could be best supported when moving the existing product range from “commodities” like herbs, dried mushrooms and frozen berries towards high value products – usually fresh products like fruit (berries in small consumer packages), vegetables, mushrooms and meat (fish); furthermore processed products like dried meat (proscut) and hard cheese.

This will work out if production will take into consideration the existing natural and human resources but of course also the markets. Production must be organised according to market demand; the old way of farming where the farmers produce something and then try to get rid of it is not profitable any longer. Upfront planning is needed and planning needs information about the market but also about production costs including wages, fuel, rental costs for land and so on. Transparency and dissemination of information (by emails and also by cell phones) could improve market transactions and reduce transaction costs.

<u>Demand and offer</u>

In the Backa region there is a very limited demand for organic products by individual customers. This demand is often satisfied by local on-farm sales and green markets but the demand does not require “imports” of organic products from neighbouring countries.

Retailers like supermarkets could become the driving force for a local organic product range.

On the other hand supermarkets will not build up an organic local offer with a very limited product range and with very small quantities. To become a trustful partner supermarkets need counterparts like farmer organisation which could handle the bulking up, transport and other services including issuing just one invoice for a group of farmers.

Therefore it will be extremely important for organic farmers to join forces and set-up their commercial and legal vehicles that could satisfy the demand from the fast growing big retailers.

The market potential could be summarized as follows:

Medicinal and aromatic plants as well as spices and other herbs (also for tea) are demanded in large quantities by Western companies that are cooperating with local purchasing companies or are handling the raw materials through their own subsidiaries. This production does not allow a high added-value and is often not sustainable as based on wild picking. The same is partly true for forest berries and mushrooms which are not exported by organic farmers but rather by several trading companies and here again too often in dried, canned or frozen form but not as fresh product.

The demand for fruit and vegetable juices exist among local people but products are too heavy to be shipped over bigger distances.

Organic cereals and flours are exported and could be extended; however that requires plain and larger fields which are available just in few areas over the Balkans.

Finally the production of organic vegetables and meat is very limited due to the limited local market; potential to grow exists especially if farmers will get organised and will cooperate with supermarkets which are expanding quite fast all over the regions; cooperation could be based on contract farming.

To make use of the organic potential in Backa region, the following recommendations are submitted for further discussions:

10 proposals

⇨ **Knowledge transfer in organic agriculture within the region**

Besides all interested individuals a specific role will have the two organisations GNV/Zdravo Organic; whereas GNV will focus on all official aspects like legislation, removal of trade barriers, increasing food safety, governmental support, establishing certification bodies recognised by the European Union and among intends to

a) identify operators engaged in organic agriculture such as production, marketing, research and consultation and to develop joint activities;
b) promote capacity building and development of joint projects – not only in the framework of IPA funding;
c) harmonize regional regulations and standards for the production and marketing of organic products;
d) engage in regional conferences and fairs and

Eventually both groups – that are already forming a kind of Organic Agricultural Cluster or a coordination body - should analyse more in depth this organic production and processing potential; important will also be the function of traders especially where farmers' group will not be able (financially, language-wise) to perform the trade activities by themselves. Most likely export business will be organised by traders whereas local business on the regions could be done by producers themselves as they have to strengthen their position towards customers and could generate additional income by bulking up goods and doing first processing steps which are actually often done by traders. However the development potential is big enough and leaves room for all interested stakeholders.

Peer-to-peer meetings, seminars, local fairs etcetera along the organic agricultural supply / value chain would speed up know-how transfer, bring people with same interests together and build networks to commonly solve the problems organic agriculture is facing. Relevant topics for such workshops would be:

a) Joining forces by forming farmers' groups;
b) Provision of necessary inputs;
c) Linking smallholders and farmers to the markets through improved organic supply chains;
d) Organic advisory services taking local knowledge into consideration;
e) Certification, branding & awareness rising;
f) Getting information about international success stories which could be an example for the project;
g) Organizing technical missions at national and international level to see successful entrepreneurs in the production and processing sector and report the results;
h) Networking and communication;

⇨ Linking smallholders and farmers to the markets through improved organic supply chains

Farmer to consumer chains are the shortest connections to the clients; organic farmers sell their produce either on their farm / at the farm gate or on nearby daily or weekly, mostly public green markets. To market products on the farm requires a good and highly frequented location which could be close to a city, on a main road or in an established agro tourist region; however it involves usually an older member of the family who is in charge of the sales activities during the long opening hours (could be reduced to weekends too). Also for markets the farmer needs to have some sales and presentation skills.

Farmer to retailers or supermarkets are already an advanced form of marketing, often based on contract farming. In most cases the producer has no chance to brand his product as it is sold as "organic commodity" or under a private label. Sales to supermarkets often require some logistic efforts (such as transport to collection points) and that could be done by farmers association or commercial farmers' business companies or by traders; often also bulking up, storing, cooling, grading and packing needs to be done. – The continuous supply of goods is essential.

Besides branding it seems to be more fruitful to link farmer's groups to big retailers and processors than looking for the final consumer on green markets or in specialised shops.

Farmers to food processor chains are a good sign as processors usually need big volumes on a regularly basis which then go into the local market or into export.

Bulking up raw materials is the 1st priority when it comes to commercialisation. The logistic component could be done by farmers (and enable more revenues for them) or by the processing company itself.

With respect to infrastructure, there are two major issues. Firstly, the individual farmer does not have the resources to invest in transport, storage or processing facilities in order to provide good quality products for the market. Therefore, the trend has been to form farmer groups who can establish a collection centre or a group packing facility and organise transportation of the products to their processor, exporter or directly to the consumer.

As efforts to produce organic food first and then try to sell it have not been very successful, it might be better to coordinate production with the buyers already from the beginning. Contract farming with big processors and retailers for local market (and export) is reducing the risks and make the commercial future of farms more predictable.

⇨ Joining forces by forming farmers' groups

Traditionally farmers are individual fighters and often do not want to join forces (for input and output marketing). Nevertheless it would be helpful to encourage - on a voluntarily basis! - cooperation among smallholders; that might start with input supply, could continue with joint transport activities as well as storage facilities and end – eventually after joint processing (including packing, grading,

labelling ...) - in a joint marketing company, cooperative or farmers association; the legal form depends very much on national tax regulations.

Such a vertical integration would increase the value adding process and result in higher revenues for farmers - also in the attempt to bypass as many as possible intermediaries. Furthermore the formation of larger commercially oriented groups might help to reduce also the organic certification costs which are sometimes still a burden for the farmers.

Most important will be that organic farmers including smallholders will get more active in developing products and searching costumers; in case that organic farmers will just react on local or international demand, their role could remain limited to raw material suppliers.

To push the performance of organic farmers it would be good if the best farmers will become organic farmers; organic farming is not about low-tech and alternative forms of life, it is furthermore a way to produce higher value products. So eventually some good farmers could be attracted by this new business opportunity and join such organic farmers' groups.

⇨ Improving the land market

Due to communist history, civil war and other reasons land titles are often questionable as (electronic) ground books are often not updated so that the purchase of agricultural land risky becomes risky; the same is true for rental agreements, especially when covering several years. Therefore farmers willing to expand their operations are often blocked and the land market remains intransparent and is rarely moving ahead.

If abandoned land would be brought back into production then there would be an increase of output, most likely conventional and organic, and also economies of scale would take place as farming gets cheaper per hectare the more land is under cultivation.

⇨ **Provision of necessary inputs**

Organic production requires among others good, organic and uncoated seeds, specific bio-chemicals according to the organic regulations and more. In most countries these products have to be registered and because the registration process is expensive and often time consuming, potential importers do not go for these products especially if the demand is not high as it is often the case with organic items.

As it is not possible to force the private sector to undertake non-profitable actions, it would be the responsibility of the Government to find practical solutions; in the extreme case also to take over registration fees to make the required inputs available for organic farmers.

⇨ **Organic advisory services**

Good extension services especially for organic farmers are a necessity to push a specific production method; due to the still small organic production, farmers are not yet in the position to pay cost-covering fees for extension and consulting services. Therefore Government might assist advisory services, eventually by co-financing private local service suppliers; that could be done by vouchers to pre-qualified service providers.

The content of the offered and provided advisory services should be along the value chain, starting with organic production; demonstration plots on advanced organic farms should be set-up, assisted and used as meeting places for the interested community to see in practice what works – following the saying “A picture is worth a thousand words”. Cross-farm visits would encourage farmer-to-farmer exchange of knowledge and techniques.

Besides organic production techniques and post-harvest operations, also support regarding certification costs (for example for a free accreditation process for certifying companies) for smallholders, and training in food safety and quality management would be crucial to lift the farmers’ knowledge to “export level”.

In many cases the governmental budget does not allow financing or not even subsidized agricultural credits; however affordable credits might not be that important, especially if the Ministry of Agriculture is instead providing the necessary rural infrastructure, from rural roads to silos and rural mobile communication.

Other business support services like marketing and accounting should be added as well, as in all these countries the (organic) farmers do not know their production costs. Without detailed calculations and accounting farmers cannot act as entrepreneurs and if farming is done on a non-entrepreneurial approach then we are talking about subsistence farming and subsistence farming will have no chance on the market, regardless if on conventional markets or organic markets.

What started with production and appropriate technologies in organic farming for the region should continue to marketing and sales and finally cover all the internal business and management skills.

Facilitating demanded advisory services might be a task for GNV.

⇨ **Certification, branding & awareness rising – and regionality**

Many customers are not aware of the meaning of “organic products” or “organic products in conversion” and get confused about different words like natural food, healthy food, pure food, unpolluted food and other vague terms. Some awareness rising would help the organic movement, especially by pointing out that only officially certified organic products are organic products. Persons dealing with trade are fully aware of the organic production methods or requirements.

This basic information - Make it public! - has to spread as well and should somehow harmonize with branding. Too many quality seals and logos would confuse the clients.

Actually many items are marketed as generic organic products and thus can be easily replaced by traders. Geographical indications are intended to designate product quality, highlight brand identity, and preserve cultural traditions. Examples of well-known geographical indications include Champagne, Prosciutto di Parma and others. Branding and geographical indication will be a tool to show where the products are from and to differentiate the offer and therefore get less replaceable.

When certified organic food is the first step than regionality (from within the region) is the next step when consumers start thinking more about their daily nutrition.

Finally this trend in favour of locally grown food is also helping to substitute imports, regardless of conventional or organic products. Tackling food import substitution will need governmental support and could be assisted by the GNV.

⇨ **Stable business environment and trade within CEFTA**

Agriculture is dealing with changing weather and also market conditions and all governments want to protect their farmers in case of any upcoming troubles. Governments should promote a stable business environment to facilitate the development of organic supply chains for both export and domestic markets. However it seems that governments often turn back to old policy instruments like

fixing prices or intervening by other ways in the market – and provoking negative consequences. Farmers as entrepreneurs need a stable and predictable business environment and agricultural policy could help in this respect. So agricultural policy should become transparent; for example subsidizes should not fluctuate much and should follow EU CAP requirements. This might also help potential investors and make the sector more attractive.Besides a stable environment within a country also favourable conditions for facilitation of trade exchange with organic products are needed. The main strategy is getting unlimited access to the EU Member States but also regional trade within the WB countries would support the sector. CEFTA trade requirements should be compatible with EU requirements; whatever is accepted by the EU should be automatically accepted by the CEFTA countries – when talking about certified organic products produced within the seven SEE countries.

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⇨ Market information

Efficient market information is essential for sound decision-making: farmers, traders and policymakers benefit from up-do-date and timely information, and businesses need information to make appropriate investment decisions, including whether or not to enter or leave the organic sector. This is particularly relevant for SMEs, which have limited market intelligence resources and for which capital is often the most significant limiting factor. Access to timely information on prices and quantities plays a crucial role in reducing the risk of losing money on a market transaction, and this applies to farmers, traders and consumers. Policy makers need information to determine the appropriate levels and nature of regulation and support measures.

Market information can be regarded as a public good, particularly for the numerous SMEs which are unable to pay for information. The rationale for running public Market Information Services and for providing statistical data is based on the fact that lack of information can lead to sub-optimal functioning of markets through information asymmetry, absence of transparency (particularly in price setting) and increased costs and investment risks. The availability of timely and accurate information to all interested parties is therefore essential, whether it be provided by the government itself or by the private sector. Unfortunately, Market Information Services are quite costly and increasingly become targets of budget cuts in a world of spending reviews and diminishing public resources.

However a market information system would be a key for transparency and would fit very well for GNV and others to join forces and have a transparent, accessible and up-dated system in place. It would be essential that traders contribute data but will not influence the price reporting mechanism.

⇨ Trend towards healthy food and to a sustainable food production

Summarizing it is noteworthy making better use of the organic potential, add more value to the agricultural produce and increase the trade volume.

- There is sufficient arable land for more organic farming.
- There is still sufficient labour force at cheap prices available.
- There are some local customers.
- There is export potential for plant products for raw material
- There will be export potential for plant products as final consumer goods
- There are chances to grow – based on contract farming – with big retailers like Mercator, Metro, IDEA and Univerexport on the local market and then to expand further to neighbouring markets with these retailers.
- There are chances to cooperate closer with organic processors, especially when applying some kind of contract farming.
- There is potential for organic meat, especially when talking about ruminants and poultry.

The organic potential is definitively there but it will need strong efforts to use it for the sake of the farmers in both Serbia and Croatia.

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