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## PROBLEMS AND OPPORTUNITIES FOR REALIZATION OF BULGARIAN ORGANIC PRODUCTION

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### ABSTRACT

The modern ecological crisis that the world is experiencing today is much more threatening than economic and threatens us all because of the increased exploitation of the Earth's natural resources.

This is why there is a growing talk of organic production and more precisely organic farming.

Organic farming is an important priority in agriculture development policy in the Republic of Bulgaria and one of the highlights of the common agricultural policy for the period 2014-2020. It is a fact that interest in organically produced food and drink is strengthened in Global scale.

The **purpose** of our research is related to the study of the market environment in Bulgaria for the realization of organic production.

The research **methods** used in the study include: general scientific research Methods, survey, generalization and synthesis, logical method, tabular, graphical and schematic representation of characteristics and trends.

**The results** of the survey can be systematised in several directions: the growth of production and the number of farmers in the bio-production sector in recent years is mainly due to increased market demand, as well as to The increase in interest on the question "food quality with which we eat"; There is still an underdeveloped market for organic production in Bulgaria; The main problems are related to limited channels for distribution of production in the country, low market share of organic products, difficulties in the production process, presence of counterfeit organic products; High cost; Not sufficient consumer information, etc.

The fact that the number of bio-based products is growing is an indicator that agro-entrepreneurs see potential for development in this direction, despite the general negative trends in economic development as a whole, and consumers remain interested.

**In conclusion**, measures to improve the supply chain of organic products in Bulgaria should be directed towards a strong horizontal and vertical integration between the key figures in the sector. The effect of producer associations on a territorial/regional scope would be particularly pronounced.

**Keywords:** organic farming, State, biological products, market environment, distribution channels, possible solutions

### INTRODUCTION

In recent years, the production of quality food products has become a cause for innovative entrepreneurs in the agro-sector, as well as an important necessity for today's consumers of guaranteed certified bio-foods. On the one hand, this is a prerequisite for the continuous growth of bio-operators in bio-production.

On the other hand, it requires certain state commitments on the development of the internal market, widespread advertising, promotion, support for the biological processing of primary organic production, etc.

For sustainable rural development in Bulgaria and the country as a whole, a new insight into the development of organic farming as well as other integrated agro-ecological activities is needed.

These are specific practices that can lead to stabilization of ecosystems, preservation and

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development of natural and land resources, revitalization of the rural economy (14).

It is clear to everyone that in a market economy, with unsuccessful marketing of food and beverages of biological origin, unthinkable sustainable development and satisfactory economic performance are unimaginable. In this regard, our research is related to the study of the market environment in Bulgaria for the realization of organic production.

A major problem for non-traditional technology practitioners in agriculture is not so much the lack of knowledge about how the different goods and services are produced from a technological and biological point of view and knowledge of the essence of the market economy, the organization of the production process and product realization and the implementation pricing, marketing and advertising policy (12).

The spatial location of business structures is determined not only by the optimal deployment of resources but also to a large extent by the impact of the support and control policy and tools (4).

The choice of a location for the location of an innovative bio-farming is determined by the availability and condition of certain factors and conditions, leading to an increased competition between regions to attract investment and materialize the pursuit of sustainable socio-economic development.

The opportunities of measure 11 of the RDP in the new programming period and the development of the local initiative for development of individual regions (10) are particularly prominent for the conditions of our country.

For the successful development of organic production in Bulgaria, it is necessary to impose a regional approach as well as to assist the local authorities to close the cycle of production on the basis of more associations, associations and partnerships in the bio-production (11).

A common necessity for all regions in Bulgaria is the realization of activities aimed at encouraging investment and increasing regional competitiveness, as each is lagging behind in comparison to the EU regions (2).

In this respect, the implementation of organic production and the drive to increase farm value added will lead to an increase not only in its own economic indicators but also in greater regional competitiveness.

On the other hand, in strengthening the partnerships between producers, depending on their production direction (grain, essential oils, fruits, etc.), the capacities of individual regions will increase by creating regional competitive advantages.

A major factor in this is not only bio-operators but also local authorities and communities. This will ensure the overall strengthening of the socio-economic situation in the region, but also the improvement of the quality of life in the region (10).

In Eastern European countries, incl. Bulgaria generally lacks a well developed organic product market. The distribution system for such production is insufficiently developed, as a result of which most of the organic production is directed to the external market. In most cases, sales dominate in specialized health food stores; specialized stands in the major stores such as Billa, Metro, Kaufland and others, as well as direct marketing in open markets (7).

From a survey of the bio-products market in Bulgaria (2009) under a project of the Department of Agrarian Economics, CA "D. A. Tsenov "Svishtov found that the market for organic products in Bulgaria has great potential for development and is still under development. However, to realize this potential, coordinated efforts of all actors in the chain of implementation, the state and non-governmental organizations (6) are required.

## **MATERIAL AND METHODS**

The research methods used in the study include: general research methods, survey, synthesis and synthesis, logical method, graphical representation of characteristics and trends. The survey was conducted during the period December 2018-May 2019. The survey covered questions about the realization of raw materials and bioproducts, as well as questions about the general problems.

The purpose of our research is related to the study of the market environment in Bulgaria for the realization of organic production.

The objectives of the study include revealing the potential of the bio-products market as well as the problems and opportunities in the realization of organic agricultural products. To this end, we are monitoring the state and development of bio-production over two main reference periods (2007-2013 and 2014) and the distribution channels used for the products produced at this stage.

**RESULTS AND DISCUSSION**

The state and the potential for development of Bulgarian bio-production in recent years is the subject of studies by a number of authors (3, 5, 7-9,13,15). In this publication we look at the development trend over a ten-year period, covering the characteristics and trends of two reference periods of the Rural Development Program (RDP), in the part related to the development of organic farming (2007-2013 and 2007 - so far - **Figure 1**).

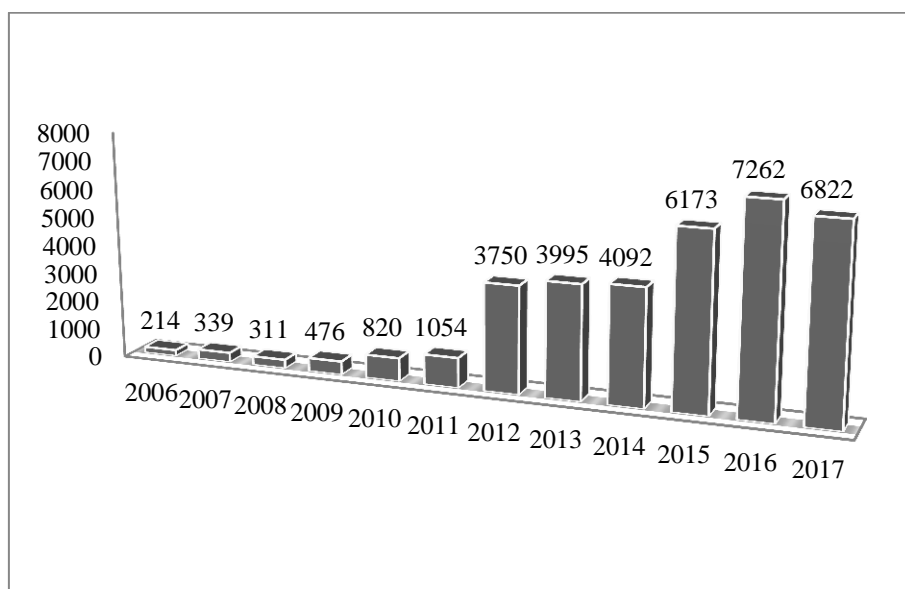
As is evident from the figure in the initial stage of the development of organic farming (2006), entrepreneurship initiatives are limited by a total of 214 bio-operators. For the period 2007 - 2014), their number is steadily rising, albeit at a slower pace.

Analyzing this period, there is a steady upward trend. The relative value of the number of bio-operators in 2007 was only 32.2% of their number in 2011, ie. the increase is more than 3 times. There is a marked increase in the number of employees in the biosector for 2012. In just one year, the increase was 2,696 new initiatives.

From 2012 until 2014, the number of biologists in Bulgaria is relatively constant and the positive dynamics ranges from 6% to 9%. The period 2014 to date is characterized by maintaining growth almost to the end of the period.

After 2014 (4092) there is again a significant growth of the Bulgarian bio-operators compared to 2015 (6173). 2016 is characterized by a positive growth (around 15%) of the number of operators employed in the organic sector.

The positive trend is replaced by a negative trend only in 2017 (6822), a decrease of just over 6% compared to the previous year. We can summarize that there is a steady tendency to increase the number of bio-operators in Bulgaria, despite their decrease for the last year.



**Figure 1.** Number of bio-operators in organic production by years  
Source: Authorized figure by data from Agrarian reports (1), MAFF

**The development of the bioproducts market** in our country is supported both by European and national policy, as well as by two important Bulgarian organizations - the Association of Biotourists (ABT) and the Bulgarian Bio-Products Association (BAB).

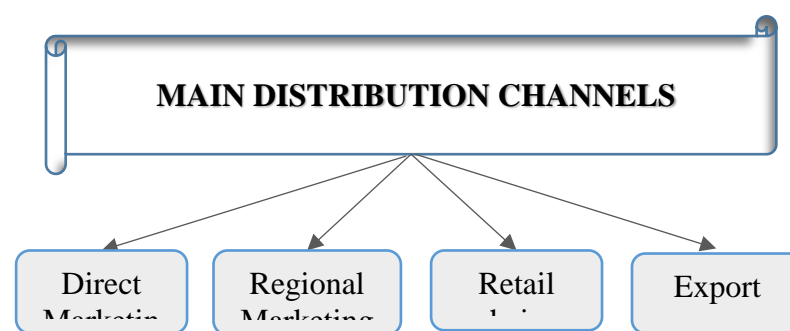
The main objectives of the associations are to support, protect and promote the growth of the organic products market in Bulgaria, for the benefit of the environment, farmers, society and the economy, as well as support for the agricultural bio-producers.

With the increase of the number of organic producers, the realization of the bioproduction is at the forefront. At this stage, still a large percentage of the biomass is exported outside our country mainly to the advanced countries of the EU. Thus, no final (processed) local product and rich Bulgarian assortment are available.

In a survey in the Rousse Region (7) in 2012, it was found that from the possible channels for distribution of organic products, a smaller part is offered directly from the farm to visitors and through the subscription of companies. Typically, organic farming products are

distributed through four main channels (**Figure 2**).

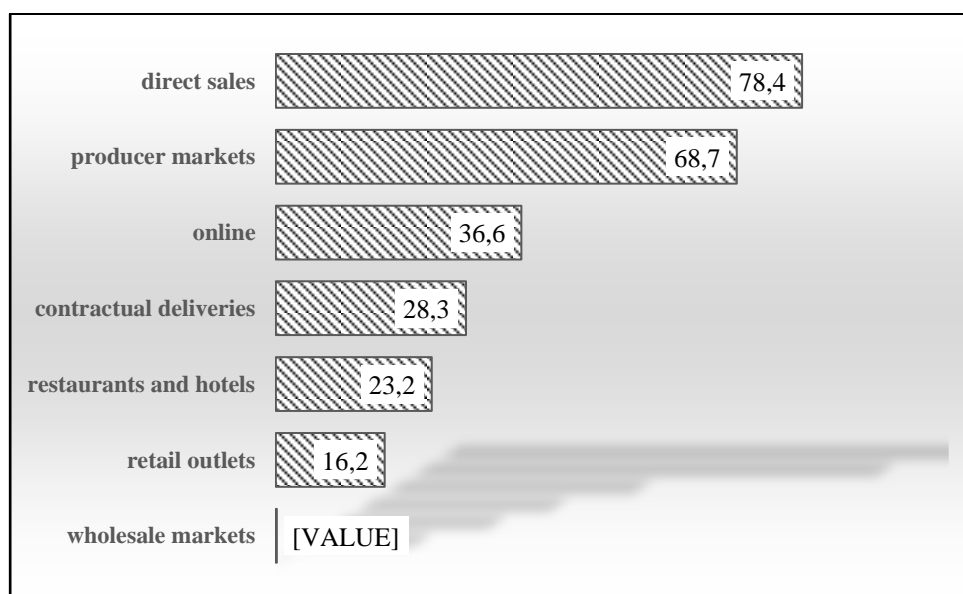
One of the biggest advantages of the first two channels of realization is direct contact with users and a higher price for production is realized with the first and last channel of realization. The different channels for realization of Bulgarian biofoods and bio-drinks besides advantages are characterized by some disadvantages. For the successful functioning of each one, specific conditions are required for the realization of an effective product realization activity.



**Figure 2.** Most distribution channels for organic agricultural products

According to the surveyed farmers, the opinions on the realization of the produced bioproducts, through direct sales from organic farms and producers' markets (farm local / regional markets), are the most supportive of the question "What domestic markets you use" (**Figure 3**).

To a lesser extent, the preferences of organic farmers for sale, by offering wholesale markets and in retail outlets, are the least. An intermediate situation is the realization, through online deliveries, of contracts to companies or individuals, as well as supply in the chains of restaurants and hotels.



**Figure 3.** Degree of use of domestic markets for the realization of bioproducts

Undoubted advantage of large retailers (Billa, Kaufland, etc.) is the good organization of transport and regular deliveries, warehouses, storage conditions and opportunities for diversity throughout the year. Here, however, there is a need for a variety of deliveries in a sufficient volume, which is a solvable problem under the conditions of co-operation between the producers themselves.

Difficulties with small farmers to realize the quantities produced are to a large extent the lack of opportunities for storage, transport and the provision of their own channels of realization.

In recent years the development and functioning of local farm markets (16) in different regions of Bulgaria have shown that this form of realization is increasingly preferred by consumers as an opportunity for direct communication and guaranteed quality.

Specialized shops for bio products, though to a lesser extent according to respondents, are becoming popular among the public and are expected to be used more often as a possible channel for realization. In these, as well as in the agricultural markets, confidence in origin and quality is proven and is usually served by highly qualified staff.

The realization of organic products in the restaurants and hotels (23.2%) is still an insufficiently used option. On the one hand, the products prepared with organic products are increasingly preferred in fine hotels, and on the other hand they can be used in spa procedures (essential oils, etc.). Practicing alternative tourism (ecotourism, agrarian, etc.) is tied to the growing demand for family hotels and guest houses that offer food with their own bio-products.

Internet commerce has great potential to reach the majority of consumers, but the lack of direct contact explains their intermediate preference (36.6%) in the realization of bioproducts. However, online stores (Biomag, Bio Life Online Store, Online Green Store, etc.) have become a preferred channel for realization and easement for consumers with higher incomes. The subscription system (28.3%) based on contractual relationships (home / office supplies) is also gaining more

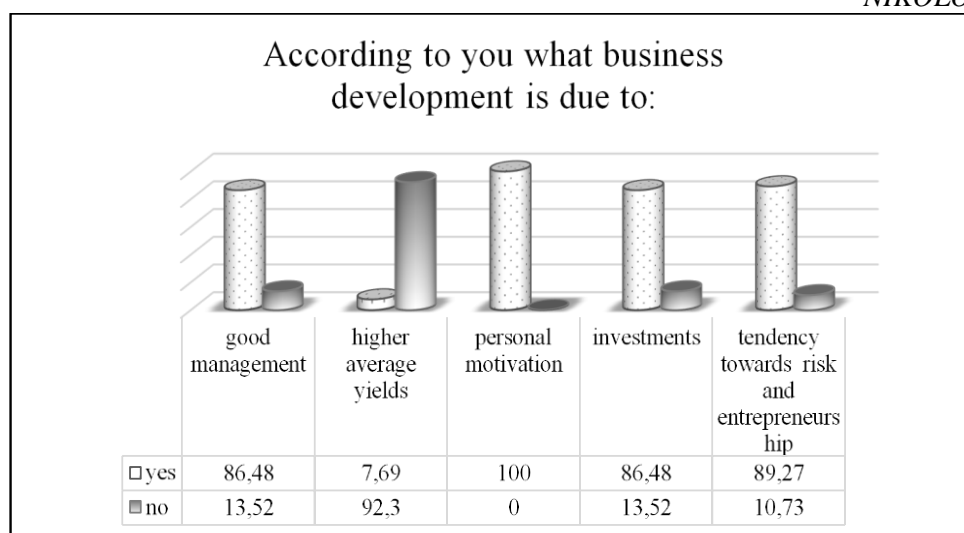
preference from families and people who are very engaged in their work.

At the same time, the producers' desire for export of packaged and processed Bulgarian products on the foreign market is strongly expressed. On the question "What external markets do you use", the respondents point out first of all the existence of competitive advantages, the strategic geographic location of the different regions and the creation of conditions for development of inter-territorial and / or cross-border cooperation. This allows the export of certified fresh seasonal vegetables and fruits. The successful realization of organic products on the foreign market is also due to the fact that the certified bio-operators also hold a number of international certificates (GLOBALGAP, BCS Öko-Garantie, CERES, etc.) (7).

From 86.48 to 89.27% of the organic farmers in transition from conventional to organic production and the transitional period already indicate the main reasons for the development of their business - good management, investments and their risk and entrepreneurship. All bio-operators put their personal motivation to develop environmentally friendly production first (**Figure 4**).

This shows that modern agribusiness developers are truly convinced and environmentally conscious individuals for business with multifaceted benefits - environmental, economic, health, and social. They are proof of the growth of the green economy in a priority for our country and Europe, such as agriculture.

In the group of questions "Do you participate in the organization of organic producers or traders" the participants' opinion on the current and desired level of inclusion in organizations related to organic production has been studied. It is noteworthy that the research trend in 2012 in the Rousse region remains in this study. I.e. certified holdings give a definite positive response and participate in BAB. For other farms that are in transition, this issue is not of prime importance, but further (after certification) would also be involved (7). This means that their participation helps in solving most problems related to the realization of the production.



**Figure 4.** Assessment of business development in organic farms (in transition and certified)

**Identification of problems and opportunities for realization of Bulgarian organic production.** Conversion from conventional to organic farming takes several years (as required by organic farming regulations) through which farmers are limited to producing their produce as a proven bioproduction and can not benefit from offering quality products with higher conversion price.

For small farmers and small family farms, this constraint is further increasing in cases of lower yields and higher production costs. Market functioning is hampered by the fact that it is unable to provide a decent financial benefit to farmers despite the environmental benefits of the development of the organic sector.

This fact increases regardless of the type of holdings (bio- or conventional) in the case of failure to take into account the environmental impact of the activity. Unfortunately, the assessment of such external environmental impacts is difficult. Another reason for market disruption is, in general, the partial or total lack of information for all market participants / stakeholders, which is a reason for inefficient allocation of available resources and the creation of opportunities for increasing reliance on intermediaries and processors.

*Problems in the realization of organic agricultural products* include separate production, consumption and distribution characteristics that have a significant negative impact and are likely to become threats to the development and successful functioning of the organic market in the future. The non-

disclosure of the potential potential of the bio-products market is due to several major factors:

- √ low market share;
- √ Insufficient awareness in society;
- √ attracting potential consumers out of the market;
- √ presence of imitation products;
- √ insufficiently established brands of bioproducts;
- √ need for a more effective quality control system;
- √ production problems;
- √ insufficient supply in the hotel and restaurant network;
- √ high price of organic products.

The bio-products in our country compared to the traditionally manufactured ones occupy a lower market share, which on the one hand is a normal process because the entrepreneurial niche is limited and in no case the purpose and purpose of this model of production is not to displace conventional practices. On the other hand, this means that carefully selected instruments can be used and the market for these high-quality products can become more attractive and show its full potential by meeting the requirements of the value system of more and more farmers and consumer groups.

*Awareness* is an important part not only for the development of the market with the efforts of the participants themselves (broad advertising, by including in various initiatives), but it also influences the growing popularity of this already established model of innovative production. The more informed consumers

(current and future) will be more likely to recognize possible imitations, and bioproducts will become an important part of family food.

Non-governmental institutions in the field of bio-production (BAB, Bioselena) are the most active in undertaking information campaigns and activities to increase the popularity of organic products. In a number of universities<sup>1</sup> together with them are held separate events, farmers' markets and others. However, the state's involvement in promoting the consumption of organic food from schools, hospitals, kindergartens is insufficient.

"*Out-of-Market*" consumers are part of the public who are not interested in or aware of the concept of organic production and therefore of the multi-dimensional qualities of the organic product. In this direction, it is possible to make efforts to attract them to the group of potential consumers in the bio-products market.

The spread of *counterfeit products* is another problem that has a negative impact on the development of the bioproducts market. Due to the fact that the consumption of biofoods and beverages is understandably limited by the Bulgarian consumers (lower number of consumers, lower production volume, non-use of all possible distribution channels), the presence of imitation products ("from the grandmother's garden" from our village ", "from an ecologically clean area ", etc.) is likely to repel part of consumers and create distrust of the organic market. Recognizing bioproducts is another factor with a negative impact. In many cases the mandatory marking (name and code of the certification body, logo) is read and recognized only by well-informed consumers and experts in the field.

*Insufficient well-established brands at national level* and lack of diversity is a factor that also shows insufficient development of the Bulgarian organic market and reveals opportunities for development in this direction. At this stage, there is a more widespread option in which companies offer a bioproduct alongside traditionally produced ones. Due to the smaller batch of organic farmers'

production, it is difficult to identify the brand with its own funds. This further requires farmers to co-operate and produce branded produce (for example, in a specific regional scope).

*The control of organic products* is an important factor for creating consumer confidence and hence developing a better market by strengthening the sustainability of the development of the biosector in Bulgaria. The effectiveness of the quality control system, according to EU auditors, is not at the necessary level and, although improved, further improvements are needed. Action must be taken to remove the remaining weaknesses in the Member States and import surveillance and the traceability of products (17).

The Commission intends to develop an internal electronic certification approach for the internal market that will be integrated into the future information control system for official controls in order to improve cross-border access to data on organic production certificates.

*Production problems* also occupy an important role as a factor for wider development of the bio-products market, by minimizing them sufficiently. Given that the production process in organic farming is more labor-intensive (certification and inspection costs, manual labor, processing, sufficient skilled labor and management), the efforts of bioproducts should focus on seeking appropriate mechanisms for their reduction.

The initiative of the farmers to offer organic products in the hotel and restaurant network in our country is likely to increase given that more and more of the modern hotels and restaurants implement a marketing strategy for offering food prepared from quality organic products. There are more and more small hotels that offer meals with organic products from their own farms.

*The high consumer price* of bio products is a major barrier to expanding the market and facilitating the realization of the produced products. However, there is a target group of users with high environmental consciousness who prefer these products regardless of price. Today, consumers' preferences are shifting in favor of Bulgarian rather than imported bioproducts (often produced by a Bulgarian bio-resource).

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<sup>1</sup>one of the examples is the partnership of D. A. Tsenov Academy of Economics – Svishtov (Bulgaria), Department of Agricultural Economics and BAB, which together with the Municipality of Svishtov have transformed the local market and organic products into a tradition.

**The aforementioned problems, impeding the realization** of Bulgarian bioproducts, can be minimized only by the joint efforts of the state, the local authorities, the business and the farmers themselves in this field. In this way, agriculture will increase its sustainability and meet the conditions for a real "greening" of the agricultural economy.

The possibilities of the market of organic products in Bulgaria are limited because of the specifics of the entire production process and the difficulties in the realization of the product range. However, defining it as developing in practice means that at this stage the opportunities for expanding the consumption, production and distribution of these products in our country are not fully utilized.

The potential of this specific market is likely to increase if the following more important directions are developed:

√ *expanding the range of distribution channels used* (spreading to more and more types of retail outlets with the inclusion of a larger range of bioproducts);

√ a bigger and diversified supply of organic products (food, cosmetics, essential oils) in the shops of *hotels and restaurants*;

√ *attract new users and stimulate demand* by using broad advertising campaigns and information in meetings with different target audience groups.

## CONCLUSION

Successful marketing of organic production is the most important condition for the sustainable development of organic farms. The problems and opportunities for realization of Bulgarian organic production could be summarized as follows:

1. The increase in production and the number of farmers in the organic sector in recent years is mainly due to increased demand on the market and also to the growing interest in the quality of the food we eat. The growth in the number of organic farmers in Bulgaria is indicative of the fact that agribusinesspeople see potential for development in this direction, despite the general negative trends in economic development as a whole, while consumers remain interested;

2. The bio-products market in Bulgaria is still under development. The fact that the market niche of these products in the EU and the world is still incomplete implies the development and expansion of the potential of the market with the participation of Bulgarian

innovative agro-entrepreneurs. The main problems in the implementation are related to the use of limited distribution channels for the production in the country, low market share of the organic products, difficulties in the production and processing process, presence of counterfeit bioproducts; high cost; insufficient awareness, etc .;

3. It is possible to improve the supply chain of organic products in Bulgaria through the use of measures aimed at a strong horizontal and vertical integration between the key players in the sector. Good practice is the establishment and functioning of organic producer organizations of territorial / regional scope, partnership throughout the whole production chain and cooperation of the participants for effective realization of the offered products and foods.

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