

ECO-FOOD PRODUCTION AND MARKET PERSPECTIVES IN CROATIA

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Abstract

The importance of ecological production and ecological products has significantly increased during the last decade especially in the domain of food products. The main reason for this trend is increasing environmental and health awareness of consumers. The purpose of this study is to identify main determinants for the future development of ecological agriculture and all of its market dimensions in Croatia. To understand current state and perspectives for development of eco-food production in Croatia, the study investigates present trends on the eco-agricultural product market on both the demand and supply side. On the demand side, it is crucial to understand basic characteristics and present changes in consumers' behavior, attitudes and preferences. From supply aspect, it is necessary to identify basic determinants and changes in the production process. Special attention was paid to distribution channels since distribution channels are often referred to as a key problem by eco-food producers in Croatia. Apart from supply and demand trends on the home market, the study analyzes main trends on the global market which directly or indirectly affect direction of eco-agriculture development in Croatia and perspectives of eco-food market. The paper puts forward the systematized overview of above mentioned trends in the "Eco-food market trends matrix" which has been developed

for the purpose of this paper based on the analysis of strategic documents and relevant literature review. An additional, third dimension of the matrix is the dimension of expected future trends. This matrix can indicate strategies and marketing activities needed for optimization of marketing program for effective satisfaction of consumer needs and for fostering the undoubtedly desirable social change in the direction of greater demand (and consequently supply) of ecologically acceptable food. It also enables the recognition of main challenges and issues which need to be considered when designing strategies on macro level.

Key words: eco-food, eco-agriculture, food production, distribution channels, trends

1. INTRODUCTION

In order to understand the situation and prospects for the development of eco-food in Croatia, it is important to understand the key trends present in the organic agricultural products market. These trends can be viewed from several different aspects. Present trends can be observed from the aspect of demand, i.e. the fundamental characteristics and the present changes in behavior, attitudes, needs and preferences of existing and potential consumers of organic agricultural products. Current trends on the demand side indicate strategies and necessary actions in order to optimize the marketing mix of organic agricultural products, to effectively meet the needs and demands of consumers and to encourage the general social change in the direction of greater demand (and consequently a greater supply) for environmentally friendly and sustainable food production mode.

The second dimension of this market consists of organic agricultural products' suppliers. On the supply side, it is also possible to identify key trends, i.e. underlying determinants and directions of development of organic agriculture or the fundamental characteristics and changes in the process and the structure of production and distribution channels. In this way it is possible to identify the fundamental challenges and issues that need to be taken into account when designing strategies at macro and micro level in order to improve and direct the synergy effect of all stakeholders in the desired direction.

In addition to the existing trends in supply and demand that are present in the Croatian market, it is necessary to examine the main trends in the global market, which directly or indirectly affect the trend of the organic agriculture development in Croatia and its market prospects. Croatian membership in the European Union further strengthened and formalized the influence of the European market conditions on the bases of the organic agriculture development. A certain influence on the attitudes of consumers is also present. In addition to the primary impact of the European market, specific global flows should not be neglected, which are particularly important for designing long-term general strategies.

Based on an analysis of existing trends of the supply and demand of organic agricultural products on both the domestic and international markets and on the basis of the general social, political, technological and economic trends, it is possible to

identify the basic future determinants that will in the near and distant future mark the development of the eco-agriculture and all of the dimensions of its markets.

2. ECO-AGRICULTURE DEVELOPMENT

According to the Research Institute of Organic Agriculture (2015), the country with most organic agricultural land is Australia (97% of the farmland is extensive grazing area). Argentina is second, followed by the United States on the third place. Countries with the highest organic share in the total agricultural areas are Falkland Islands (36.3%), Liechtenstein (31%) and Austria (19.5%).

When it comes to European Union market, according to European Commission Report (2013c) in the EU-27 (27 countries as members of European Union), total organic area amounted to an estimated 5.4% of the total utilized agricultural area (UAA) in 2011 increasing from 3.1% in 2002. With a share of about 19%, Austria is the Member State where the importance of the organic sector in the total UAA is the highest in 2011. Sweden and Estonia follow with 15.7% and 14.1% respectively. The Czech Republic in which 13.1% of its total area was dedicated to organic farming is followed by Latvia where this share amounts to 10.1%. It is interesting to note that among the EU-N12, five Member States (the Czech Republic, Estonia, Latvia, Slovenia and Slovakia) already exceed the EU-27 average of 5.4%. These Member States have experienced an extremely fast development of the organic sector in terms of area. (European Commission, 2013c, p. 12). Croatia, with the average of 3.12 % also belongs to abovementioned group with organic farming area shares bellow European Union average of 5.4%.

Due to its preserved nature and environment, Croatia has an advantage over other developed countries and can produce diverse consumer safe high-quality food. The agriculture is followed by the diverse and developed food and processing industry with capacities that not only satisfy domestic needs, but also the market needs of neighboring countries. (Croatian Chamber of Economy, 2010, pp. 1-3) Foods which are safe to use, have fine quality, are nutritious, take into account concerns for the welfare of animals and are grown and produced in line with the principles of sustainable development, are known as green food (Saleki & Seydsaleki, 2012).

Given the characteristics of Croatian agriculture marked foremost by small capacities compared to the competitive countries, and the aforementioned comparative advantage reflected in the protection of environment, but also foreign influences (opportunities) arising from being the tourism-oriented country and aforementioned changes on the tourist market in the sense of growing ecological awareness of the tourists, the logical way of development of agriculture and food industry which should be focused on is eco-agriculture and the organic food production.

Domestic organic agricultural production is growing year after year. According to official statistics in the Republic of Croatia there were only two registered eco-producers in 2002, whereas only a year later there were up to 130 producers registered in the Register of eco-producers. In 2005 this number amounted to 269, and according

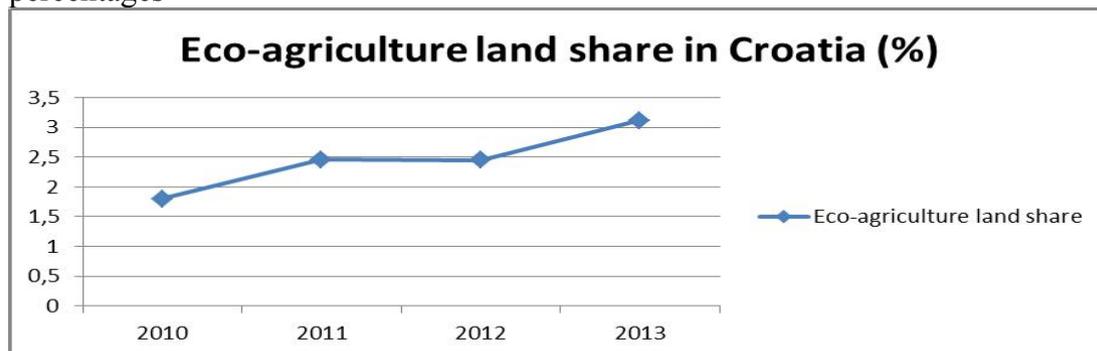
to the latest available data, in 2013 there were 1609 registered eco-producers (Ministry of Agriculture, 2013).

At the same time the number of hectares under eco-agriculture is rising. According to the data provided by the Croatian Ministry of Agriculture, in the 2010 this number amounted 23.282,37 ha i.e. 1.80 % of the total arable land. According to the last available data, the amount of hectares under eco-agriculture in 2013 was 40.640,65 ha which means 3.12% of the total arable land (Ministry of Agriculture, 2013).

If we take into consideration that European Union demands that the share be a minimum of 10 %, which means that Croatia is supposed to have 130,000 hectares, it is obvious that it will take a lot of time to reach the European standards in that sense.

Despite of the aforementioned encouraging growth trend concerning the share of eco-agriculture, Croatia still belongs to the group of rare European countries which have insufficiently developed this type of agricultural production. This is even more surprising having in mind the extraordinary natural conditions and high agro-ecological diversity of regions.

Figure 1. The share of eco-agriculture land in the total arable land in Croatia in percentages



Source: Authors' work based on the data of Ministry of Agriculture (2013)

Croatia disposes of several undoubted and important comparative advantages concerning the production of organic food consisting foremost of relatively well preserved environment (soil, water and air quality). Hence, it is possible for Croatian agriculture to take advantage of its former deficiency and weakness (lagging behind in using mineral fertilizers, additives and agricultural mechanization) as the basic advantage i.e. the opportunity. The existence of long-time neglected agricultural areas was formerly often regarded as weakness due to high arrangement costs of such a land. This also refers to huge surfaces which have more than ten years been inaccessible due to the fact that they were marked as suspected landmine areas. After demining and clearing, those pieces of land represent an extraordinary potential for eco-agriculture application. In addition, among comparative advantages the existence of native, quality agricultural crops, tourism orientation, and great number of protected areas (11.43% of terrestrial area) should be emphasized.

A market for these types of products exists in Croatia, which is confirmed by the amount of imported goods sold in our country. However, although Croatia could be one of the more important exporters of organic goods, rather than importers, this is

not the case. Croatia's annual import value of organic products amounts to Kn 200 million despite the fact that 90 % of those products could easily be produced in Croatia (Prica, 2011). Hence, it is clear that next to the aforementioned comparative advantages and supporting factors there are also problems, which to a certain extent overlap with the problems present in conventional agriculture and food industry and which represent structural problems.

Some of the basic problems related to organic food products comprise of the following: domestic eco-agricultural supply is mostly related to the domestic market, there are no diverse products, and the quantities are too low for a serious appearance on the export market. The very issue of quantities is the biggest problem regarding a more significant development of both eco-agriculture and conventional agriculture. Small surfaces of individual producers make their appearance on the market and better competitiveness harder (Krpeljević, 2011). Participants in the eco-agricultural system in the Republic of Croatia consider that the weaknesses of the entire eco-agricultural development are: frequent changes of law and development strategies, and the nonexistence of institutional cooperation between State and County bodies (Ministry of Agriculture, Fisheries and Rural Development, 2011, p. 14).

The main factor for the development of organic farming is the market itself, in which the agricultural holding as a basic unit of the organic food market encounters with a series of problems such as inconsistent legislation (Zanoli & Jukić, 2005.), lack of education about the methods of eco-agriculture and organic food production (Petković, 2002), high costs (Ribić Dugandžić, 2007; Štefanic et al., 2001) and narrowed distribution channels (Richter et al., 2000; Richter, 2005; Zanoli & Jukić, 2005).

Having the export in mind, the growing problem lies in the double certification. Namely, the products bearing the Croatian eco-certificate are not recognized as such on the international market. Hence, in order to export goods one should additionally obtain international certificates and eco-labels.

3. DISTRIBUTION CHANNELS OF ECO-FOOD

Distribution channels are often referred to as a key problem by eco-food producers in Croatia. Comprehensive analysis of ecological food products' distribution channels in Europe is discussed in the publication *Specialized Organic Retail Report Europe 2008* (Vaclavik, 2009). According to the publication, in EU member states ecological food products are mostly being sold in traditional channels of food distribution, and are available in supermarket chains. In addition to the traditional channels of distribution, ecological food products are sold in specialized stores and other distribution channels. The above is a result of market development from the early 1990s (Aertsens et al., 2009, p. 138), i.e. the changes that have affected the market - many scandals associated with conventional food (Fitzpatrick, 2002; Blanchard & Shuping, 2007) when some of the large European retailers offered organic food products as an alternative in the supermarket chains (Jonas & Roosen, 2005, p. 637).

Supermarket chains became channels of distribution with the largest market share and, therefore, are considered to be the main driver for the further development of the European market of ecological food products (Richter, 2005, p. 54), both in urban and rural areas. According to Richter (2005, p. 5), there are three basic levels of ecological food products' market development within Europe: matured markets, growing markets and emerging markets.

Leading distribution methods differ in countries with different levels of ecological food products' market development. In countries with matured markets, supermarkets have an important role, and the market is dominated by a small number of retailers and distributors of ecological food products. To stimulate matured markets, Richter (2005) proposes product related marketing, branding and unpremeditated buying activities.

Growth rates in growing markets range from 5% to 15%, and the market is growing continuously (Richter, 2005, p. 5). In these countries, specialized stores and direct sales are the primary methods of distribution of organic food products.

Emerging markets are markets that will grow rapidly. On these markets activity of organic farming is represented by a marketing niche; players on the market are the pioneers of organic farming, and a common feature of these markets is the lack of organized structure (Padel & Midmore, 2005, p. 631).

The aggravating fact for the development of Croatian organic food producers is that most of the organic food offered by supermarket chains is from foreign origin. Supermarket chains are the leading distribution channel for food in Croatia and further development of the organic food market is inconceivable without supermarkets significantly entering in that area. Croatian producers of organic food must increase their production capacity and/or join together in an umbrella organization. Only large independent producers or association of organic food producers could guarantee adequate quantities and quality for retail chains, and most likely it would be umbrella organizations made of organic producers. By increasing the supply of organic food in supermarkets, physical availability of organic food, which was identified as the biggest obstacle to further expansion of the market, would also increase. If Croatian producers of organic food don't find a model which would enable them to increase their presence in supermarkets, they will not achieve significant benefit from the expected market expansion. Except of supermarkets, it is necessary to develop other distribution channels.

When analyzing the country of origin of organic food products, the research conducted by Petljak (2010) showed that 50% of leading food retailers in Croatia offer imported ecological products in their stores. 30% of leading food retailers offer domestic and imported ecological food products, and only 20% of food retailers offer exclusively local organic food products. From the stated results, it can be concluded that the market of ecological food products in the Republic of Croatia is still emerging, as given in range of products, leading food retailers still did not recognize the importance of this category.

Initially, the biggest role in the distribution of organic agricultural and food products had markets and organized delivery per order or sale at the eco-estate itself. However, nowadays there has been a certain progress related to the distribution and

reaching the consumers. An important role in that process played the specialized organic food stores.

Apart from chain stores, the increased interest for eco-agricultural and food products can also be seen by drugstores and restaurants. Motivated by the demand side requirements, but also by the need for differentiation on the increasingly demanding gastro market, a certain number of caterers introduced their menus with dishes prepared from organically grown groceries. So far those have been rather isolated cases than the trend in catering industry of the Republic of Croatia.

HORECA channel (channel of hotels, restaurants and café bars) is at this moment quite neglected and insignificant distribution channel of organic food, but with great unused sales potential. Various institutions - customers, such as schools and kindergartens, are also a great potential distribution channel. Organic producers would through them ensure safe placement, and children would eat healthy foods and learn the benefits of organic food from an early age (Renko & Bošnjak, 2009).

4. ECO FOOD MARKET

Every day consumers around the globe are making a shift toward healthier and more environmentally conscious lives, especially concerning their food preferences. It can be said that there are undoubtedly strong positive trends on a demand side both on the domestic and global market which are expected to be even stronger in the future (Salleh et al., 2010) under the influence of consumers' increased and continuously growing interest in nutrition, health, and environmental protection (Brčić-Stipčević et al., 2013; Gil et al., 2000) and also due to the influence of consumer education, strengthening of trust based on certification, and based on improvements concerning the availability of those products by means of their growing penetration into standard distribution channels. In line with that, many food producers focus their efforts on targeting prospective green food buyers in the best possible way.

For the purpose of depicting the trend some other data from the global statistics are taken out. The value of the global organic products market in 2012 reached 50 billion €, with the leading US market (22.6 billion €), followed by Germany (€ 7 billion) and France (€ 4 billion). The European market recorded a growth of 6% and the market value of organic products reached 22.8 billion € (Poslovni dnevnik, 2014).

Of all the forms of environmentally-oriented consumer behavior in Croatia, the most accepted and widespread is precisely the behavior related to the purchase of green food products, and this kind of behavior has recently become one of the main research focuses for Croatian scientists from the different scientific disciplines. Another reason for this lies in the fact that the Republic of Croatia's strategic development directions are based on factors that are closely related with the production of healthy food and the preservation of the environment.

An individual's attitude towards consuming a product is one of the most important antecedents for predicting and explaining consumers' choices across products and services, including food products (Honkanen et al., 2006). Previous studies have associated organic food consumption with behavioral attitudes such as health consciousness, environmental consciousness, trust of organic food claims,

desirability of organic food attributes such as taste, texture, freshness (Voon et al., 2011, Salleh et al., 2010; Michaelidou & Hassan, 2008; First & Brozina, 2009) and other attitudes such as attitudes toward local origin of products, fair trade (Tanner & Wölfling Kast, 2003) and reference knowledge (Amran & Nee, 2012; Saleki et al., 2012).

Trust of organic food claims is a strong determinant of intention to consume due to the credence nature of organic food. Credence products are those for which consumers are not able to evaluate effectively as the benefits of consumption cannot be directly or immediately observed. Consequently, consumers may rely on product labeling, advertisements and certifications as signals of the trustworthiness of product claims. The extent to which these engender consumer trust will therefore influence the intention to consume organic food (Voon et al., 2011). The lack of consumers' confidence in the credibility of environmental products and producers is often identified as one of the main barriers to increasing the purchase of ecological products in general (Kalafatis et al., 1999, p.459).

Furthermore, the growing level of interest, awareness and knowledge about health and nutrition, and easier access to all information in this regard leads to increasing levels of so-called health awareness. Consequently it leads to greater willingness to adopt healthy lifestyles. As green food is generally believed to be more nutritious, healthier and safer than conventional food, it is likely that the health-conscious consumer will have positive attitudes towards green food which will drive the greater demand for this type of products. Accordingly, many studies found that health benefits are the main motives for buying green food products (Wier & Calverly, 2002; Roitner-Schobesberger et al., 2008). Salleh and his associates (2010) determined that health consciousness factor has more impact on customer purchase intention of organic food products rather than the environmental concern.

According to the research of Voon et al. (2011) health and environmental concerns together with trust of organic food claims and desirability of organic food attributes form Malaysian consumers' attitude towards organic food. The importance of health and environmental concerns reflect the growing affluence of consumers. The rising educational levels coupled with better access to worldwide communication and information channels have raised their awareness of health and environmental issues. Following Tanner and Wölfling Kast (2003), it is also important to consider the attitudes toward local origin of products.

Zanoli & Jukić (2005) conducted a research about the purchase of organic food in Croatia. The results showed that the purchase of organic food was especially influenced by the level of information and knowledge of consumers with reference to these products. Those with greater knowledge and information buy organic products more frequently. When asked about reasons why they don't purchase organic food, price was the main reason for 22% of the sample, difficulties in finding organic products for 13%, poor offer for 26%, and scarce information about the places where organic food products can be purchased for 13%.

In the research findings of Radman (2005) it is indicated that Croatian consumers think of organic products as healthy, of good quality and tasty. However, they perceive organic food as expensive and are not satisfied with its appearance. Furthermore, the

research has shown that consumers do not know where organic food is typically being sold.

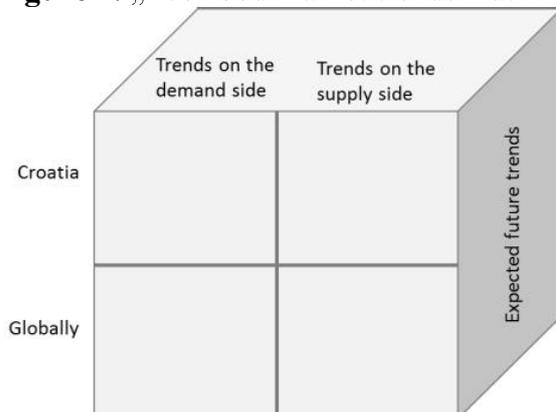
Brčić-Stipčević & Petljak (2011) found that among the characteristics of a place of purchase of organic food, the regular buyers of organic food consider supply diversity and availability of a place of purchase to be the most important. Results have shown that higher monthly household incomes and a higher level of education of the respondents predict more frequent purchases of organic food. Moreover, the perception of organic food as healthier and tastier than conventional food also predicts more frequent purchases of organic food. The response of the respondents who stated that they do not buy organic food have shown that high organic food prices are the main reason for not buying or for buying organic food only occasionally while insufficient information on organic food ranked as a secondary reason for their lack of purchases.

4.1. Analysis of the current and future trends in the eco-food market

As previously stated, in order to understand the situation and prospects for the development of eco-food in Croatia, it is important to systematically examine the key trends that are present in the market of organic agricultural products. Based on the analysis of existing trends of the supply and demand of organic agricultural products on both the domestic and international markets and on the basis of the general social, political, technological and economic trends, it is possible to identify the underlying determinants of the future that will in the near and distant future mark the development of eco-agriculture and all dimensions of its markets.

In order to provide the systematized overview of above mentioned trends, the “Eco-food market trends matrix” has been developed for the purpose of this paper based on the analysis of strategic documents and relevant literature review. The matrix has two basic dimensions that refer to the market side (demand/supply) and to market scope (Croatia/globally). An additional, third dimension of the matrix is the dimension of expected future trends. The matrix can be illustrated graphically as on the Figure 2. Basic dimensions are described in table 1, and the third dimension is described in the table 2.

Figure 2. „Eco-food market trends matrix“



Source: Authors' work

Table 1. Trends on the demand and the supply side in Croatia and globally

	Trends on the demand side	Trends on the supply side
Croatia	<ul style="list-style-type: none"> • Croatia, among all European countries, records the highest growth rate of the market of organic products by 20% (Naturala, 2013) • 15 percent of the urban population often buys goods labeled bio or eco - most are concerned about water pollution and possible adverse effects of chemicals in food (Ja trgovac, 2013) • The highest demand is for organic baby food and beverages from soybeans and grains (IFOAM, 2013) • Consumer confidence grows based on more effective regulation and certification (European Commission, 2014) • Consumers believe that organic food tastes better (46%), is healthier (72%), safer (56%) and more expensive (83%) than conventional (Brčić-Stipčević & Petljak, 2013, p. 196) • 53% of consumers believe that they can recognize organic products on the point of sale (Brčić-Stipčević & Petljak, 2013, p. 193) • 37% of consumers recognize these products under the label Croatian ecological product (Brčić-Stipčević & Petljak, 2013, p. 193) • An urban population with sensibility towards environmental issues as a way of life appeared (Ja trgovac, 2013) 	<ul style="list-style-type: none"> • Processing of organic products is still in the early stages of development, but it is becoming more represented (IFOAM, 2013) • The majority of baby food in Croatia is organic, but almost all of it is imported (IFOAM, 2013) • The majority of organic products is distributed through supermarkets - two major Croatian specialized chains (Bio & Bio and Garden) are dominant in the specialized retail segment (IFOAM, 2013) • The role of hypermarkets and supermarkets increases (IFOAM, 2013) • Supermarket chains and drugstores are expanding the offer of organic food (IFOAM, 2013) • Imported products account for 60% of the domestic organic products market value (IFOAM, 2013) • Manufacturers offer more organic products through the Internet (IFOAM, 2013) • There is more and more organic products of animal origin (Progressive, 2012) • Croatian organic products are up to 100 percent more expensive than conventional (Agroklub, 2010) • Meat and milk, don't even exist in domestic production because there is no proper processing of such products (Agroklub, 2010)

	Trends on the demand side	Trends on the supply side
Globally	<ul style="list-style-type: none"> • The demand for organic products continues to grow and its sales reaches the value of 59.1 billion dollars (Agricultural marketing resource center, 2013) • In the next three to five years a new social layer called eco-citizens will be formed and to them care about the environment will come first and also represent their lifestyle (Ja trgovac, 2013) • 52% of Europeans claim that they can identify environmentally friendly product on the basis of eco-label (European Commission, 2013a) • 71% of EU citizens trust food labels that are granted by third parties (European Commission, 2013a) • 24% of consumers recognize the "Organic farming logo" (European Commission, 2013b) 	<ul style="list-style-type: none"> • Suppliers are voluntarily subjected to increasingly stricter controls and testing for banned substances in order to single out against fraudulent manufacturers (Deutsche welle portal, 2014) • The European Commission plans to significantly limit the use of conventionally produced animal food and seeds and also reduce the extent to which pollution of organic food with pesticide residues or genetically modified products is tolerated (Deutsche welle portal, 2014) • In the EU countries organic products are up to 30 to 50 percent more expensive than conventional (Agroklub, 2010) • The emphasis is put not only on the transparency of the production process but on the transparency of the entire supply chain (Dimitri & Oberholtzer, 2009)

Source: Authors's work

Expected future trends on the eco-food market are listed in table 2.

Table 2. Expected future trends on the eco-food market

Expected future trends
<ul style="list-style-type: none"> • Experts for this industry predict global further stable growth of 9% per year or more (Agricultural marketing resource center, 2013) • Political support for the development of organic farming will increase because of the fact that at the same time it contributes to resolving many structural problems (Ministry of agriculture, fishery and rural development, 2011) • More attention will be given to the transparency of price formation for organic products (Agricultural marketing resource center, 2013) • Consumer confidence and sense of security will continue to grow in the future (European Commission, 2012) • With the help of new technologies (e.g. smartphone applications) consumers will have the access to all of the required information about the environmental aspects of an individual product (Zanoli & Jukić, 2005)

<ul style="list-style-type: none"> • The focus will be further expanded on the fairness of the production process and supply (fair trade) (Dimitri & Oberholtzer, 2009)
Expected future trends
<ul style="list-style-type: none"> • Contribution to the transparency and security will be achieved through new methods of analysis and testing of the product (Dimitri & Oberholtzer, 2009) • Transparency will not only be a matter of certification but also the direct exchange of information (Dimitri & Oberholtzer, 2009) • A lot of small and micro-markets will appear thanks to the new media (Progressive, 2012) • Consumers will more and more buy organic products online (Progressive, 2012) • The expansion is expected in the range of products ready for consumption, such as bakery products, sandwiches, salads, ready meals and cakes, as well as the range of frozen products (Progressive, 2012) • It is to expect larger and faster increase in organic mariculture and freshwater aquaculture, caused by demand in the European market (Ministry of agriculture, fishery and rural development, 2011) • There will be an increasing number of organic private labels (Dimitri & Oberholtzer, 2009) • Further growth of eco-tourism will enable indirect export (Ministry of agriculture, fishery and rural development, 2011)

Source: Authors' work

5. CONCLUSION

Undoubtedly, there are powerful positive trends on the side of the demand in the global market as well as in the local market in Croatia. It is expected that they will be strengthened in the future under the influence of increased and constantly growing interest in consumer health, healthy eating and environmental protection, and additionally because of the strengthening of trust based on the certification, and also improved availability of these products through their increasing penetration into the standard distribution channels.

The market for these products exists in Croatia, as evidenced by the amount of imported products. Although with the resources it disposes, Croatia could be a significant exporter of environmental goods, and not an importer, it is not yet so. It is clear therefore that with the comparative advantage and supportive factors there are also problems which to some extent overlap with the problems inherent in conventional agriculture and food industry and represent structural problems.

Nowadays, a frequent question in scientific, economic, political and public discussions is: what is missing in order for the domestic organic production, especially that of agricultural and live-stock products, to become alive? In order to achieve that aim consumer habits need to be created and developed. Of the same importance is the continuous supply of stores with organic products, determining of the most appropriate areas for such production, creation of *brand*, consumer education and small individual producers should, in order to survive on the market, join clusters. In

order for organic products to reach the buyers, they need better marketing and better connection with tourism where one can place, especially in hotels, diverse organic food and other products (Šupraha, 2011).

One of the previously existing problems on the demand side of the market in Croatia, which was manifested in poor recognition and consumer confidence in organic products, records some positive changes (as well as at the European and global market), although it is not completely removed. Positive changes are being visible in consumer attitudes about the value and characteristics of these products. Although still at the level of market niches, some social segments to whom organic products (in particular food) is the backbone of lifestyle, appear.

On the supply side, the trends are mainly affected by global flows of stricter regulations, controls and restrictions on the use of raw materials and rising trends in demand. Plans to limit the use of conventionally produced animal food and seeds are both a threat and also an opportunity for organic producers. Croatia is characterized by low and for now, slowly increasing level of development of the organic products processing and also low capacity, high costs and high final prices of these products.

There is also the impact of modern technology on trends in placing and expanding product categories. In the distribution of organic agricultural and food products, the highest role initially had the market places, organized delivery to customer or sales on the organic farm itself. However, in recent times certain steps were taken in terms of distribution in terms of approaching to consumers. Important role in this was played by first specialized organic food stores. Increasing environmental awareness of consumers and the trend of consumption of organic products, especially food products, there was a growing interest of retail chains for this product category. In addition to retail chains, increased interest in organic agriculture and food products can be seen by drugstores and restaurants.

It can also be said that organically produced food as well as traditional Croatian products of high and specific quality are becoming an important factor in defining the tourist product of the Republic of Croatia and its differentiation in the market. Preconditions for the production of organic food and its sale in catering facilities which provide services to tourists must be further developed and used, because the sector of tourism will be more and more important. It is necessary therefore to take advantage of synergy effects of natural capital that Croatia has, as well as the complementarity of the growing phenomenon of environmentally oriented tourism (eco-tourism, green tourism, agro-tourism) with a powerful surge in the market of ecologically grown food and market of green products in general.

Looking at global future it is clear that political support for the development of organic farming will further be strengthened by the fact that it contributes at the same time to sustainable environmental management, poverty reduction and the employment increase of the rural population, conservation of biodiversity and other structural targets. Also the future is reflected in the expansion and deepening of the issues that will be taken into consideration when assessing the environmental and social acceptability of products, and modern technology and new methods of analysis will contribute to the direct exchange of information, further growth of trust and safety, and seek to achieve full transparency in the whole value chain of products as well as of all elements of the marketing mix. The law of supply and demand will

ensure the spread on the new product categories where organic farming has not previously been represented.

Overall there is currently no evidence to indicate that, when it comes to the demand for organic food, it is just a temporary trend. On the contrary, it is a real redirection and irreversible departure from the present way of consumption, production and understanding of food. Most of the forecasts about the growth of the global organic food market are about 9 percent a year while some experts predict even double-digit growth.

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