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PROVIDING RESIDENTS OF RUSSIAN CITIES WITH DOMESTIC ORGANIC FOOD: MYTH OR REALITY?

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The article considers the main trends and opportunities for organic food market growth in Russia. The carried out analysis of market conditions allowed defining its strong points and weaknesses, opportunities and threats in the course of its development. The research has shown that despite the existence of high potential and low level of development, this market has all opportunities, provided the offered here recommendations would be followed.

Keywords: organic food, sustainable urban development, food market

Introduction

Russian Federation is a highly urbanized country. At the end of 2016 the share of urban population in the country reached 74.3%. Therefore, providing cities' sustainable developments occupies today a significant place in national economy competitiveness improvement.

Currently, there are different ratings of cities sustainability in Russia. According to the rating agency SGM, the city of Tyumen was an absolute leader (The rating of sustainable

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cities of RF for 2015, 2015). This rating used the indicators of the city's economic development, urban and social infrastructure, demographic and environmental indicators.

The Department of Sociology of the Financial University under the Government of Russian Federation used such parameters as the level of material well-being, the quality of medical services, access to good education, quality of housing, the level of city improvement and migration (The study of quality of life in Russian cities – 2015, 2016). According to the results of research conducted in 2015, the first place was again taken by Tyumen.

However, we suggest that the list of parameters used for Russian cities' ranking is incomplete. One of the most important indicators while assessing the level of city sustainability is the quality of food, high level of which can be achieved by providing urban population with organic food.

Literature review

In international practice "organic products" (bioproducts) are the products obtained as a result of conducting certified organic production in accordance with the requirements of standards and rules of organic production (Tetior, 1999).

There are three categories of organic products:

-100% organic product - a product completely produced from organic ingredients according to certified technologies;

- organic product- a product produced from no less than 95% organic ingredients;

- a product produced from organic ingredients - a product produced from no less than 70% of organic ingredients with strict observance of restrictions on the remaining 30%, including the use of GMO (genetically modified organisms) (What is organic food? 1996, Organic Products, 2014).

What are their advantages?

First, bioproducts are made without the use of artificial food additives, antibiotics, GMO, growth hormones, pesticides and other elements harmful to human health.

Secondly, organic food in comparison with conventional products contains significantly more vitamins and nutrients that have beneficial effects on human body.

Thirdly, they reduce the risk of oncological, cardiovascular, psycho-neurological, allergic and other types of human diseases.

Fourth, the technology of organic products manufacturing does not adversely affect the environment.

In several most recent years the world market of organic food is characterized by high annual growth rates – about16-22%. At the same time, 97% of consumers of bioproducts live in the USA and Europe (Dvornikova, 2013). The growth of the organic food market outstrips the growth of the market of inorganic «mass» products by more than 2 times. The fastest growing segments of this market are vegetables and fruits, milk and dairy products. At the same time, meat, poultry, bakery and drinks segments are growing at a faster pace, but by volumes they lag behind the leaders (Nikolaeva et al., 2016).

Methodology

To determine the main trends and opportunities for growth at the Russian market of organic food, we used the methodology of SWOT-analysis (Table 1).

Table 1- SWOT-analysis of the Russian market of organic food
(compiled by the coauthors)

Strengths	Weaknesses
1. Increased demand among urban population for organic food. 2. Consumers prefer Russian organic food. 3. High growth rates in organic food sales. 4. Up to 75% of Russian farmers do not use GMOs and/or chemical fertilizers in cultivation, processing and production of agricultural products. 5. Consumer confidence in Russian labeling of organic food.	1. Deficit of qualified specialists in organic farming. 2. Low motivation of farmers when it comes to organic agriculture development. 3. Absence of reliable official statistics on the volume of organic food sales in Russia. 4. Low proportion of domestic organic food. 5. High costs of organic food production. 6. Insufficient level of ecological culture and eco-consciousness development. 7. Russian consumers are distrustful to labeling. 8. Limited number of distribution channels. 9. Lack of integrated technologies for the production of organic food: from soil preparation to packaging. 10. Absence of a clear system for organic food supply, from a producer to a consumer. 11. A small number of institutions providing eco-certification.
Opportunities	**Threat**
1. Import substitution policy. 2. Russian embargo on food from some European countries and the USA. 3. A large number of free land, rich soil potential. 4. Relatively favorable ecological situation. 5. Cheap work force in agriculture. 6. Higher productivity of small forms of management, which are using technologies of organic agriculture.	1. There is no Federal law on organic food identification. 2. Lack of state standards and norms in the domain of organic agriculture. 3. There is no Russian system of organic food certification. 4. Lack of state financial support for organic agriculture development. 5. Lack of information on the exisiting common international standards on bioproduction. 6. Limited investment in organic farming. 7. There is no university/college education provided on organic agriculture. 8. High competition with foreign manufacturers. 9. Decrease in real incomes among urban population, reducing the demand for organic food. 10. Complex climatic conditions can lead to a decrease in organic yields.

Proceeding from the above, we will determine the key trends at today's organic food market in Russia.

The first trend is the lack of reliable data on the actual volumes of organic food market in Russia.

According to the official statistics, the state of Russian market of organic food is characterized by insignificant volumes of sales and amounts to no more than 0.1% of the total foodstuffs in the country (Table 2).

Table 2 - Sales of organic food in Russia
(Efremov & Cherdakova, 2015)

Years	Scope of sales			
	Mln USD	sales growth, %	Bln RUB	sales growth, %
2011	137	100.0	3.8	100.0
2012	148	108.0	4.05	106.6
2013	167	112.8	4.3	106.2
2014	175	104.8	4.5	104.6
2015	225	128.5	4.8	106.7

As can be seen from the presented data, the overall volume of Russian market of organic food is about 5 bln rubles, while the growth rate of sales tends to increase. However, according to some experts, the real sales scope of organic food in Russia exceeds 100 bln rubles (Naumenko, 2013).

A significant discrepancy between the values of actual and real sales indicates the presence of a large number of producers, who do not legally formalize their activities and do not certify products as organic. Consequently, it can be stated that a significant share of the organic food market in Russian Federation is illegal, that is, not regulated.

The second trend is that in Russian Federation there is no legislative base in the domain of organic agriculture.

At present, the Federal law on the identification of organic food has not yet been adopted and approved in the country. This means there are no clear criteria which would help determine which products are classified as organic food.

Another problem is the lack of organic food state standardization and certification. This facilitates the turnover of a large scope of falsified food on the Russian market. The latter is often marked with some sort of special signs like ECO, ORGANIC, BIO, but in reality the actual product does not correspond to the concept of organic food production.

Under these conditions, organic producers do not see any sense in passing the certification procedures. This, in turn, increases the share of the «shadow» market and does not contribute to the development of the related market, neither to the inflow of investments into it.

The third trend is related to high costs of organic food production.

In the domestic retail sector, organic food are more expensive than industrial analogues, the price difference gap can be from 20 to 400%. According to the Foreign Agricultural Service of the US Department of Agriculture (FAS USDA), the average cost of organic milk in Russia is $2.3 / l, while the “usual” milk costs around $ 0.98 / l; 1.5 kg of organic potato costs $ 4.5 against $ 0.83 for the same amount of “traditional” potatoes (And Russian fat eating, 2012).

There is a number of explanations for this. First, high price is formed due to high costs of transportation and import duties, as more than 90% of organic food is imported to Russia. Secondly, high prices for organic food are related to high production costs due to the fact that cultivation of plant and animal products does not use chemicals and/or various stimulants.

Thirdly, organic food is characterized by high costs for certification and control procedures at all stages of cultivation and production.

A survey of urban population showed that 19% of them are not ready to overpay for the tested quality of certified organic food, 37% of the respondents are not ready to overpay for “ecological compatibility” more than 20% of the regular price.

Thus, one of the important factors in deciding on the purchase of organic food for urban population is price.

The fourth trend is limited distribution channels for organic food.

In Russia food that are classified as organic are sold through three major distribution channels: premium retail chains, specialized stores selling natural foods, including online stores and finally direct sales from farmers. For comparison, in the US and EU countries there are four channels for selling organic food: retail chains, specialized stores, direct sales and regular grocery stores (Zeland, 2013).

Thus, it can be stated that in Europe and the USA organic food, a significant part of which are sold through regular retail chains and food stores, are more affordable for the mass consumer. While in Russia this type of food is mainly sold through premium retail chains.

The fifth trends is the increasing urban population demand for organic food.

The results of some studies on urban population preferences have revealed that 58% of urban residents surveyed choose environmentally friendly food, 44% choose products without GMO content; 21% of consumers “know in detail what ecological (organic) food are and try to use them” (Kalinina, 2015).

The sixth trend concerns the inadequate level of development of ecological culture and consciousness among urban population.

Unfortunately, a quite large proportion of urban population (28%) is not ready to buy environmentally friendly food.

Analysis of the awareness of urban residents about the nature and significance of organic food revealed the following:

- a significant number of respondents (52%) “know in general terms” what ecological (organic) food are;
- 15% of potential consumers “heard something about this”;
- 12% answered “for the first time they hear about this, they find it difficult to answer” (Kalinina, 2015).

The seventh trend is as follows: Russian consumers are distrustful to labeling as such.

Studies show that 43% of urban respondents trust only domestic labeling on the ecological cleanliness of food, and 33% “tend to trust public profile rather than public organizations”.

Therefore, it is not surprising that 41% of Russian urban population prefers to grow organic food on their own plots of land, and 37% of consumers buy such products in rural areas from the farmers they know personally.

Thus, we can state that the residents of Russian cities prefer organic food of domestic production.

All of the above allows us conclude that Russia has a great resource potential for developing its own production of organic food.

However, there are problems on the Russian market of organic food that hamper its development.

Firstly, a significant share of urban population does not buy organic food for a number of reasons:

- they believe that the cost of such food is too high;
- they do not know, do not understand or do not give importance to the harmfulness of consuming foods with GMO, artificial additives and flavor enhancers, palm oil etc.;
- they do not trust the quality of food which is labeled as organic;
- they do not know which food are organic;
- they fail to find organic food at stores.

On the top of all this, more than 90% of the organic food market in Russia today is to some extent illegal and thus is unregulated by the state.

Therefore, we can summarize that numerous problems at the Russian market of organic food are largely predetermined by the lack of corresponding legislation in Russia that would regulate turnover of such products.

Conclusions

Despite the fact that in Russia today the organic food market is still at the stage of early develoment, nevertheless, one can speak about the prospects for its further development in our country.

Many experts agree that Russian Federation has great potential to become one of the leaders at the world market of organic food.Provided all necessary conditions are created in the country by 2020, Russia would be able to control aout 10-15% of the world production of environmental agricultural products with the sales at the level of 700-800 bln rubles.

Taking into account the current trends at the Russian organic food market, we can define what actiona should be first of all taken for its future growth:

1. Adoption of the Federal law on organic food identification.
2. Implementing a system of organic food state standardization and certification.
3. Increasing the number of institutions responsible for eco-certification.
4. Developing a Federal program for organic agriculture development.
5. Providing state financial, organizational, legal and marketing support to farms that produce organic food.
6. Conducting specialized trainings, master classes and seminars for farmers on organic agriculture and production.
7. Strengthening the distribution options for organic food, including organization of fairs for the sale of farm products without any intermediaries, to allocate more space for the sale of Russian organic food at all supermarkets.
8. Conducting campaigns to promote a healthy lifestyle and usefulness of organic food.

Implementation of the abovementioned activities would require attraction of a large amount of investments, so considerable financial state support would also be needed.

Development of organic agriculture in Russia will allow:

- solving many social and economic problems in rural areas;
- developing small business in agriculture;
- increasing the number of certified organic food in Russia. Larger volumes of such products will, in turn, reduce the cost and thus increase accessibility of such products to urban population;
- improving the quality of life for urban population.

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