



Challenges and Opportunities of Organic Farming

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Introduction

Organic farming became much more popular in Hungary around the turn of millennium. It seemed that the declining line of domestic agriculture could provide an opportunity for raise. Lots of papers dealt with the subject. There have been predictions, extolling and realistic approaches and criticism in these works. The domestic agricultural production with small capitalization was looking for break-out directions. Organic farming seemed to be a way for farmers to resolve issues of low profitability. The study seeks to answer the question of how the predictions of the outbreak and have been implemented in the 2000's, and what issues need to be changed to a greater extent of this direction.

The advantages of organic farming

Organic farming has many advantages for writing shortly.

Certain organic ingredients prove to be more descriptive. Many nutritional ingredient contains more than non-organic products. For example, based on studies of Kraft et al. of organic milk has reached a higher level of omega-3 fatty acids than conventional companion, thanks to organic forages. Because the production methods use organic fertilizers in accordance with the regulations, so the benefits can be formed on the nutrient composition (Györéné Kis et al. 2006, Weibel et al, 2004). Moreover in apple experiments were found that phosphorus, plant fibers, also has high antioxidant regard results in the organic apple. (Weibel et al. 2000)

The organic product is synthetic-free, guaranteed that organic products are no pesticide residues. The compliance with regulations minimize their occurrence probability.(Council Regulation (EC) No 834/2007 of 28 June 2007 on organic production and labelling of organic products and repealing Regulation (EEC) No 2092/91)

The biodiversity, that is more study found that one volume of several species occurs in the organic farms. (Fuller et al, 2005, Hole et al 2005). The authors concluded that the tested organic territories have 5-85% more species than the control areas have.

The soil erodes much more less in organic production, so that it can be constructed better than a conventional soil cultivation. (Mader et al 2002 and Seigrist et al 1998)

.It spears the ground water and due to the bettersoil structure,the soil better leads to a sudden downpour of precipitation, which means the inland waters, flood risk is lower. (Schnug et al 2002)

By having a less the climatic gas emissions (NO₂, CO₂, CH₄ etc.), carrying organic farming have a number of environmentally benefits. Soil is the largest carbon-emitting in production process. (Lindenthal et al 2010)

Alföldi et al 1999 and Nemecek et al 2002. also found these benefits. The emission of ammonia levels reached also contributes to the protection of the atmosphere in the small farming (Haas et al 1994, Geier et al, 1998)

Organic farming is medically beneficial. In Germany in 1999 approximately EUR 12 million, plus expenses reported in cases of acute pesticide caused. (Jacob 1999) It increases employment because of the work process is more manual labor-intensive.

The economic judgement of organic farming

The economic model of organic farmingis very similar to those of regular schemes. The main difference in operation is located on the input side, as it seeks to minimize the use of industrial materials, and to involve the more renewable resources. It seeks to increase positive externalities, while the negative ones reduced. (Radics et al, 2006)

The benefits of organic farming outlined above, but also organic farmers seek to take advantage of the benefits offered by agro-technological development. (Niggli, 2012)

As it has already been said on the input side level in the case of organic farming uses less chemicals and fertilizers, and lower costs can be calculated, but the seed costs may be higher due to special regulations.

The investigation of production side is more complex. Due to the fact that organic farmers do not use chemicals and fertilizers, They take risks. Less yield can counted with the same conditions. Nieberg et al 2002 experience that the grain yields is 30-40% less, while dairy products with 0-20% rate of decline can be reported. We can talk the most uniform extent in the case of dairy products, where it reached a level between 8-36% from 1994 to 1997. The lowest value was in Switzerland, and the highest was found in Denmark. (Nieberg et al 2002)

As an agricultural raw material production is extremely capital intensive, the return time thanks to the length of the production cycle is high and the major risks in production are high as well. The production and market conditions are necessary to regulate high degree. (Santha 2006)

Although the conventional production is supported in many countries in Britain and France Support only to be provided during the transition period. 100 per hectare amount is to assist in the process of first two years of the transition, but in Finland and some other countries, this amount is EUR 470, while in Switzerland can reach EUR 800 per hectare. (Lampkin, 1999)

The rate of support as a percentage of the profit is 15-26% in the tested western European countries. Average rate per hectare reached € 123-490. Without this support many cases would have been loss-making during the transition to the plants. (Nieberg et. 2002)

One of the characteristics of the agricultural production is high fixed costs. This should be covered by the revenue that is volume produced multiplying the price. Only then it is possible to achieve high rates, we issue quality products in a limited market. In the 90's, the 2000's it was also a characteristic of the market of organic products that the market demand was observed in the result of which was the possibility of a higher price level reached. However, if the supply were considerably increased, it would change, that prices would fall, which is beneficial to the consumer, but disadvantageous to the farmer. The Western markets treated very carefully the expansion, in line with demand, and taking care not to increase the supply more than the increase of demand. However, the producers are able to keep their prices thanks to the higher degree of processing and quality. It should also be noted that the domestic production is 30-100% less than optimal yields, which appears in the case of organic farming, because there is a premium it can be paid by only small rate of customers. (Santha, 2006)

Based on multi-year studies it was found that on average profit of organic farms is +/- 20% compared to conventional farms. Looking at the product produced can see differences. Arable cultivation of organic one is better for the most countries,

while in the case of dairy farms has seen differences between countries.(Nieberg et. 2002)

In summary, the following could be established in the researches.

- It is not the soil and climate were the ones that were significantly affected economic outcomes. The yield indices (the soil and climate potential of influencing the description) were better only marginally successful farm sites.
- Successful organic farms have larger fields. The number and the area of dairy cows reached significantly higher values than the less successful economies.
- Successful farmers seem to be better agro-engineer. Both the dairy and arable production, yields achieved higher volume.
- A successful organic farmers reached higher yields using half the amount of concentration and with lower service costs and veterinary medicine.

(Nieberg et. 2002)

The size of organic farms compared to domestic conditions are high. (Takács, 2006)

A gap is observed in the distribution chain between supply and demand, that is, they do not always manage to connect. The following issues were explored in this regard.

- high operating costs,
- Lack of supply and demand for interconnection,
- The supply of low reliability
- non-cooperation of the supply chain members,,
- different values and motivations of the actors in the chain,
- The lack of information flow.

Until these issues are resolved, the consumers' need will not be available information, not always able to satisfy needs, and thus the income of the farmers can achieve worse results. It is therefore necessary that organic farming would bein different integrations concise and sit on the one hand remain viable, on the other hand they are able to fully satisfy customer needs. (Meredith, Willer, 2016)

Organic farming plans and actual achievement

The world's organic food retail sales in 2009 amounted to 40 billion euros (54.9 billion dollars), whose value has increased to \$ 80 billion in 2014. (FiBL, IFOAM The world of organic agriculture) The highest value markets in North America expects its value to \$ 38.5 billion, despite the fact that the regional share of only 7% of the world organic territory. The United States is the largest exporter of organic products in the world.

The proportion of the world's organic cultivation areas is 0.99% relative to the total. Almost a quarter of the world's total organic cultivation area (43,7 million hectares in 2014; FiBL, IFOAM) is found in Europe (11,6 million hectares in 2014). This is around 5% of the total area under agricultural cultivation in Europe. Returning to the world's data. The world's largest organic cultivation areas are in Argentina (3 million hectares), in China (1.9 million hectares) and in Uruguay (1.3 million hectares). Since the early 1990s, organic farming developed rapidly in most European countries.

2006 model of Járási measured and indicated in advance that we can count how much increase expected in the market of organic products. Compared to projections the facts increase fell short than expected. (Járási, 2006.)

Growth in many cases was due to the increase of areas involved in extensive livestock. This is not the same as sales growth, so the increase of food turnover is less than these figures.

Looking at the domestic situation we can see that the initial high growth momentum has stalled and stagnated since 2004, he set on a level from which cannot move in permanently. What is the reason for this? First, domestic production continues to develop export raw materials, in which there is intense competition among producers of raw materials in main markets. Approx. 10% of producers are biodynamic which have opportunities and the remaining 90% is exposed to considerable competition. So it is difficult for the growth in markets. Another factor that contributes to growth failure, loss of income to the people are also trying to compensate by reducing food consumption. The third reason is the rate of change in domestic purchasing power, in which is not observed high growth.

Organic production, and market trends

As mentioned in the US market was spend the mostfor organic products, EUR 27.1 billion. In 2014, EUR 26.4 billion was spent for organic products in Europe, Germany leads with EUR 7.91 billion followed by France with EUR 4.8 billionand the United Kingdom and Italy with 2.3 and 2.14 billion euros.

The consumption of organic products in all countries examined, and the EU's overall level experenced a continuous rise. Whereas the same was observed for total consumption, it is worthwhile to examine the organic / total consumption. We can also find that the proportion of consumption of organic products, both the test and in the case of total EU data showed a steady growth, and in 2013 reached 0.24% respectively. Overall, the statistics also support the expansion of organic products in the consumption.

Conclusions

Based on the sources and our own research we can see that the domestic organic production has been balanced and can not continue to grow. The reason for this is: the domestic purchasing power of the weakness, the raw material producing nature of the domestic organic, the decreaseof food consumption per capita and the minimum level of processing of domestic households. While the consumption of organic products continues to grow in Europe and in the world, but not as much as they hoped in the early 2000's. Despite the size of the domestic organic farmers possess is favorable, as is typically performed in large farms organic production, export is still typical because domestic consumers can not buy. More writers (Sántha, Járási, 2006)) found that when the supply grow faster than demand, prices will decline, and you may find selling products at below cost. Although the support is present in most EU countries more organic farmers and producers would not be able to produce without additional support. The less favorable habitat endowments provision is one of the reason for. Organic farming would have a chance to break out of the weaker economies prospects for farmers with worse lands. However, They cannot be competitive without raising capital and development and the eastern competitors with cheaper labor force are able to overtake in Europe markets. There is impossible for organic producers to operate effectively in the case of producing raw material, it is absolutely necessary to increase the processing stage.

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