

Sales on organic farms in Poland

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Abstract

This paper gives information on sales of organic products at a farm level in Poland. It presents the results of the investigation conducted in 188 organic farms in 2006. The results show that the most significant distribution form is direct sales, both in crop and livestock production. The access to other distribution forms (e.g. specialist channels, conventional retail chains) is very limited for farmers. Moreover, low development of wholesales and scattering of organic farms cause that farmers often have to take the relatively high transportation cost over, which lowers the production profitability. Therefore, in this situation the only efficient option is direct sales.

Introduction

Organic farming development in Poland meets many obstacles, in particular associated to the market. Polish organic market is in the initial phase of growth and its value approximates to 50 million euro. This growth is mainly hampered by small demand, which is a result of low environmental awareness and purchasing power of consumers. The main problem on the supply side is scattering of organic farms, which impacts possibility of cooperation and exchange of market information.

The positive is that since 1999 (government starts to support organic farming) the number of organic farms has been increasing (from more than 550 in 1999 to almost 9200 farms in 2006), but it has not been accompanied by development of market and processing structures. In 2006 the number of specialist shops was estimated at about 230 and the number of wholesalers at 20 (Łuczka-Bakuła 2007). Only a few conventional retail chains offered very limited range of organic products. In addition, in 2006 there were just 170 certified processors on the Polish market. The next disadvantage is that the level of cooperation between farmers, processors and distributors is very small as well. Therefore farmers meet difficulties with selling their produce.

Methods

In order to define the relations between organic farms and distribution channels in 2006 an interview basing on a standardised questionnaire with 188 fully converted organic farmers was conducted. This sample constituted 2% share of all organic holdings in Poland. The investigated farms had been selected in order to correspond with the farm size groups of general population of organic holdings. The other criterion was productive character of enterprises (there are many organic farms in Poland consisting of grassland only, not producing anything). The interviewed farmers represented a wide range of production (livestock, arable crops, fruit and vegetables), which allowed to recognise the sales forms of different product groups.

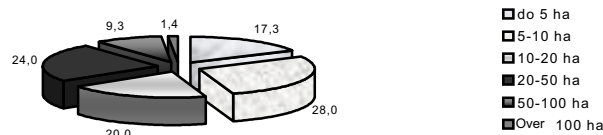
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The interview questionnaire consisted of 65 questions mainly concerning: general information on farm, production structure, crops and especially sales forms. This enabled to define the main product groups sold on farms and the applied distribution forms.

Results and discussion

The average area of an organic farm amounted 21.6 ha. There are 48% of the farms occupying an area between 5 and 20 ha and only 1.4% of the farms over 100 ha (figure 1).



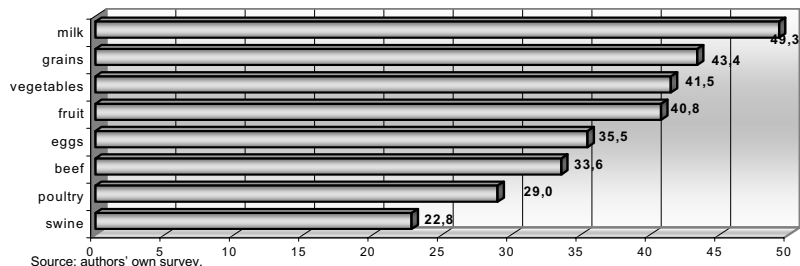
Source: authors' own survey.

Figure 1. The size of the investigated holdings (%)

Arable land occupied the largest share of the organic farms land area (48%). About 28% area was used for grasslands, over 11% for orchards and only 2.3% for vegetables. It is a negative occurrence, because there is relatively high demand for this product group, both in Poland and abroad (Wier et al. 2005, Łuczka-Bakuła 2007).

Most farmers produced rye (48%), wheat (44.7%) and oats (33.6%). Beetroots (21.7%), carrots (21.7%) and white cabbage (13.2%) dominated in vegetables, and apples (23.7%), strawberries (19.1%) and black currants (13.7%) in fruit. Producers of dairy cattle (51%) and poultry (47%) had the largest share in livestock. Production of slaughter cattle and/or swine was held in one third of inquired farms.

A large share of the production was directed for self-consumption and self-supply of holdings, and only part for sales. Therefore the investigated farmers offered very narrow range of products. Most of the interviewed farmers sold milk and/or food plant products (over 40%) and only 22.8% - swine (figure 2).



Source: authors' own survey.

Figure 2. Product groups offered by investigated farmers (%)

In Poland the demand for organic food concentrates mainly in cities, where distributors usually operate. In regard to the scattering of organic farms, the access to specialist distribution chains is limited. Moreover, an individual farmer does not have sufficient funds for effective marketing initiatives. Therefore organic farms mainly base on direct sales (table 1). It is gainful both for consumers and producers provided that the offer is wide and producers assure required storing possibilities. The other advantages of direct sales are product safety and possibility to recognise the place and method of production (Hamm, Michelsen 2000).

The results of the investigation showed that sales to consumers dominated in sales of organic plant products. It mainly occurred in vegetables (77.8%) and fruits (61.3%). Quite often farmers sold their products at local fairs, to processing plants, agents and specialist shops. Direct sales also dominated in organic farms specialising in livestock. Over 93% poultry and 85% eggs producers sold organics to consumers. Also processing plants and agents were quite significant in this area. Very few organic farmers sold their products to wholesalers, conventional shops or restaurants.

Table 1. Forms of sales in organic farms (%)

Specification	Grains	Vegetables	Fruit	Milk	Swine	Beef	Poultry	Eggs
Consumers	42.4	77.8	61.3	62.7	52.9	35.3	93.2	85.2
Processing plants	34.8	9.5	21.0	40.0	35.3	33.3	2.3	7.4
Framers' Fairs	22.7	17.5	19.4	4.0	2.9	2.0	4.5	3.7
Agents	19.7	11.1	21.0	8.0	17.6	33.3	2.3	0.0
Specialists shops	3.0	15.9	11.3	2.7	0.0	0.0	4.5	7.4
Wholesalers	3.0	4.8	9.7	1.3	0.0	2.0	0.0	1.9
Farm shop	0.0	0.0	4.8	0.0	0.0	0.0	2.3	0.0
Restaurants	0.0	3.2	1.6	0.0	0.0	0.0	4.5	3.7
Supermarkets	0.0	1.6	1.6	0.0	0.0	0.0	0.0	0.0
Conventional shops	0.0	6.3	6.5	0.0	2.9	2.0	0.0	1.9
Other	6.1	0.0	1.6	1.3	0.0	0.0	2.3	1.9

Source: authors' own survey.

According to the half of the investigated farmers, sales to consumers was characterised by the best sales conditions, because it was associated with high price, which was believed to be one of the most important factors of organic farms profitability (Nieberg, Offerman 2008). The next advantage was that purchasers took the transportation cost over. This form also gave market information on consumers' expectations and preferences.

In farmers' opinion one could obtain higher price at a farm gate than at a farmers' fair. The additional weaknesses of this form of sales were fairground charges. On the other hand, farmers' fairs took place in the neighbourhood of farms, which reduced transportation cost.

Farmers preferred shorter distributions channels, especially specialist shops. Large distance to marketplace and low production made regular deliveries difficult. Although the transportation cost was mainly taken over by farmers, in their opinion it assured relatively high prices. Often individual farmers supplied with their produce several shops in one city, which was a method of reducing the average distribution cost. The negative is that most specialist shops were not adjusted to store organic milk and meat.

Sales to agents had also good opinion, because purchasers took the transportation cost over, although they did not offer the highest prices. Organics were also sold to processing plants (mostly conventional) on a basis of a contract. However farmer had to comply with quality requirements concerning size and shape of products, which was quite difficult to achieve in organic farming.

The results of Zysnarska's research (1997) showed that at the beginning of the 90's of the last century, organic farms offering low production did not have problems with sales. Together with the increase of number of organic farms the problems started to appear, which was proven by the research of Żakowska-Biemans and Gutkowska carried out in 1997 (2003). At that time direct sales, specialist shops and conventional processors dominated on Polish organic market. Only sales of cereals was in better

condition, because of the development of organic processing in this area. No farm sold their products to wholesalers, which distributed only processed products.

Currently, only a few wholesalers deal with fresh organic food. The number of organic processors also increased, but this growth is not sufficient compared to the number of organic farms. It is worth to mention that agents are relatively significant, but their activity is not high enough. In these terms the only options are still direct sales and conventional processors.

Conclusions

Lately any significant changes have not occurred in organization of product sales in organic farms, which should be expected in order to assure the sales from the growing number of organic farms. Although the amount of processing plants, wholesalers and specialist shops grew, it is still not sufficient to assure sales from organic farms on good terms. The most important distribution form is still direct sales, which allows to gain relatively high sales revenues. Only farmers, who have been applying organic methods for a long time, have worked out efficient sales strategies basing on good relations with organic food distributors.

In this situation the solution may be farmers' cooperation. Organised groups of producers create an opportunity to work out a common sales strategy. It also has larger market power and is able to assure regular deliveries of high quality products when supplying retail chains. Therefore the government should emphasise support of producers' groups, as well as the increase of cooperation in the whole distribution channel.

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