MARKETING BEHAVIOUR OF ORGANIC FARMERS

FABIO MARIA SANTUCCI (*)

ABSTRACT

Organic farming is booming all over Europe and Italy is leading the way, with more than 49,000 farms and 953,000 hectares. Yet the demand is largely higher than the supply and consumers have sometimes problems in finding organic products at acceptable prices. As a matter of fact, less than 10% of farmers receiving EU subsidies have their product certified by Certification Bodies. This research analyses the marketing behaviour of 884 organic farmers in Italy, using a structured questionnaire, which was collected in 1999. Most farmers have entered into organic farming only recently and land productivity is quite low. They lack proper marketing behaviour and wholesalers represent their most important marketing channel. Most of them only sale very locally, without any support nor advice. Their most important form of promotion is the presence at the local annual fair and at the weekly local market. More than 50% even ignore the existence of the National Organic Fair, organised since 1989. Consequently, the major medium term goal for almost 74% of respondents remains to find new marketing channels.

RÉSUMÉ

L'agriculture biologique est en pleine expansion en Europe et l'Italie guide la marche, avec plus de 49.000 exploitations sur une surface de 953.000 hectares. Malgré ça, la demande supère l'offre et les consommateurs ont quelques fois des problèmes pour trouver les produits bio à des prix acceptables. En effet, moins de 10% des agriculteurs qui reçoivent les subsides de l'Union Européenne font certifier leur production par les Organismes de Certification. Cette recherche analyse le comportement commercial de 884 agriculteurs bio en Italie, en utilisant un questionnaire soumis en 1999. La majorité des agriculteurs ont commencé la production bio très récemment et leur productivité est faible. Ils ont un comportement commercial encore peu développé et les grossistes sont leur canal de commercialisation plus important. La plupart vend très localement, sans soutien ni conseil. La plus importante forme de promotion est la présence à la foire annuelle locale et au marché hebdomadaire local. Plus de la moitié ignore l'existence de la Foire Biologique Nationale, organisée depuis 1989. Par conséquence, le plus important objectif à moyen terme, pour 74% des interviewés reste l'individualisation de nouvelles formes de commercialisation.

1. FOREWORD

Italy is at present the European Country with the largest agricultural surface devoted to organic farming or under transition. The latest semi-official figures reveal that on December 31st, 1999, 49,188 farms for 953,057 hectares were managed according to EU Regulation 2092/91 and later modifications and addenda (Biobank 2000). Yet, markets are far from being properly developed and properly organised.

As a matter of fact, only 10% of the farmers applying for the 2078/92 subsidies also require the product certification (Lunati 2000). This means that most producers:

- are still in the conversion period and therefore are waiting to be allowed to sale their produces as organic,
- do not care about product certification, because they are already satisfied with the area subsidies,
- sale their (small) organic products via a close circuit, where personal interrelationship matter more than certification labels.

The European market is exploding (ITC 1999), but it seems that not all organic farmers are able to exploit fully this opportunity (Michelsen et al. 1999).

In the last years, several investigations have been made, in order to understand how organic farmers were positioning themselves in the market and to qualify and define the progressive build up of the several food-chains (see Santucci et al. 1999, for a full coverage).

In Northern and Central Italy, the first organic farmers used several marketing channels and tried to establish, as much as possible, direct links with the consumers, or with a limited number of specialised organic shops. In Southern Italy, where local consumption was not enough to absorb the whole production, the early adopters of organic farming had also to look for markets far away, through marketing co-operatives and wholesalers. The recent entry of several supermarkets chains into the organic market has been another challenge/opportunity for the farmers, and mainly in Northern Italy contract farming and organic farmers' marketing associations are developing quite fast. Unfortunately, most researches were limited in the area coverage and were using different methodologies. Furthermore, the fast evolution of the sector and the numeric explosion of organic farming make all knowledge rapidly obsolete. This paper presents the results of the first nation wide research and it helps in a better definition of the present situation, as seen by the farmers themselves.

2. MATERIALS AND METHOD

A direct survey has been conducted in the second half of 1999, with a structured questionnaire, containing 72 closed questions. The questions cover several characteristics of the farm and of the farmers' behaviour, with a main emphasis on education, training and advice.

(*) Dipartimento di Scienze Economiche ed Estimative, Borgo XX Giugno 74, 06121 Perugia, Italia, e-mail: fmsant@unipg.it

Paper elaborated within the framework of the Research Project "Agricoltura ed ecoambiente: indagine sui nuovi fabbisogni formativi del settore", realised by INIPA-AGER, with funds by Ministero del Lavoro e della Previdenza Sociale.

The distribution of the 884 interviewed farmers is shown in **Table 1** and it respects the organic farms' regional distribution at the end of 1998. Farmers were selected randomly from the lists of applicants for the Reg. 2078/92 subsidies and were interviewed by personnel properly trained. All answers were inserted into a database and then processed with SPSS98.2.

For this paper, just a small selection of variables is treated, having chosen only those with a closer relationship with marketing situation, behaviour and perspectives.

Table 1 ***Organic farms in Italy and sample.***

Region	Sample		Organic farms	
	no.	%	no.	%
Valle d'Aosta	1	0,1	5	0,0
Piemonte	30	3,4	1.455	4,7
Lombardia	18	2	618	2,0
Trentino	10	1,1	208	0,7
Friuli-Venezia Giulia	15	1,7	151	0,5
Veneto	21	2,4	844	2,7
Liguria	6	0,7	133	0,4
Emilia-Romagna	73	8,3	2.239	7,3
North	**174**	**19,7**	**5.653**	**18,4**
Toscana	27	3,1	828	2,7
Marche	43	4,9	1.298	4,2
Umbria	14	1,6	412	1,3
Lazio	36	4,1	1.629	5,3
Centre	**120**	**13,7**	**4.167**	**13,6**
Abruzzo	11	1,2	447	1,5
Molise	10	1,1	280	0,9
Campania	29	3,3	596	1,9
Puglia	90	10,2	4.264	13,9
Basilicata	15	1,7	176	0,6
Calabria	52	5,9	1.764	5,7
South	**207**	**23,4**	**7.527**	**24,5**
Sicilia	283	32	8.433	27,5
Sardegna	100	11,3	4.941	16,1
Isles	**383**	**43,3**	**13.374**	**43,5**
Total	**884**	**100**	**30.721**	**100,0**

3. Main findings

Most organic farms are family run, as it is the norm in Italy, and they are now mostly located on hills and flatlands. Compared to some years ago, when the early adopters were concentrated on the less polluted mountains, this shift towards more fertile and productive soils appears quite relevant.

The number of pioneers is obviously quite limited (**Table 2**), since only 3.7% have more than ten year experience; most of present organic farmers have approached this new method of production only recently, when EU regulations have ensured a clear legislation and subsidies were guaranteed to converting farmers. Italians now represent 99% of the sample, whereas in the past the relative weight of foreigners was always higher. Organic farming attracts the younger generations; age distribution is quite good, because almost 35% are below 40 years. Another positive aspect is represented by the level of formal education of the interviewed farm holders: 10% have a high school certificate in agriculture and 3% hold a University Degree in agriculture. Almost 20% of organic farmers have previous different working experiences, ranging from blue collars jobs to managerial positions in big companies.

Farms' average total size is about 26 hectares, out of which 17 (as average) are managed organically. Size obviously varies very much, according to geographical position and productive orientation. Farms with cereals and mixed farming average respectively 46 and 30 hectares, whereas the smallest units belong to "citrus production" (10 ha) and viticulture (11 ha).

Cattle is recorded in 23% of cases, with a relative presence similar to "small animals" (25%); sheep are less frequent (15,9%), as well as pigs (11.5%) and goats (3.5%).

Cottage industries are relatively frequent. These (generally small) producers are aware that more job opportunities and better income to family members can be achieved through proper product valorisation: wine and spirits cellars, packaging plants, cheese making, marmalades, sauces, bread and torte making, etc. Many different experiences, very heterogeneous, with marketing projections very extreme: from a small number of friends to export towards Japan.

Table 2 ***Experience in organic farming.***

First year of organic farming	no.	%
Before 1990	32	3,7
1990 -92	35	4,0
1993 - 95	183	21,1
After 1996	619	71,2
Total	**869**	**100,0**

Another source of income (and a marketing channel) is represented by on the farm tourism, counted in 6.3% of the observations. Like in another more limited survey (Foglia 2000) several different options have been found: bed & breakfast, full pension, restaurants, plus a variety of other activities (from horse riding to shiatsu massages), that reflect the heterogeneous background of our organic farmers.

The agricultural income derived from organic farming, (without considering the subsidies), remains normally small, below the income from conventional crops and animal productions (**Table 3**). Organic productions co-

Table 3 ***Land productivity and share of organic production in total output, by farming system.***

Farmin system	Land			Output			Outputconv/ /ConvLand	OutputOrg/ /LandOrg	%
	Total (ha)	Org (ha)	%	Total Euros	Org Euros	%	Euros	Euros	
Arable crops	39,7	34,1	86,1	23.079	15.718	68,1	1.331	461	34,6
Vegetables	17,9	14,7	81,8	34.938	17.836	51,0	5.246	1.216	23,2
Mixed farming	24,0	19,4	80,7	25.584	17.996	70,3	1.635	930	56,9
Grape-wine	9,9	9,3	93,7	40.610	38.523	94,9	3.366	4.160	123,6
Horchards	18,4	14,9	80,6	25.589	19.669	76,9	1.658	1.324	79,8
Citrus trees	9,2	8,5	92,0	17.924	17.474	97,5	607	2.063	339,7
Olive trees	13,5	12,6	93,2	17.247	13.683	79,3	3.874	1.089	28,1
Animal productions	28,8	25,8	89,6	29.613	10.460	35,3	6.384	406	6,4
Total	**21,3**	**17,9**	**83,9**	**27.810**	**18.228**	**65,5**	**2.793**	**1.018**	**36,5**

exist with conventional ones in most farms and a rough comparison, based on aggregated information provided by the farmers themselves allows to say that only citrus growers and wine producers have made a clear shift: almost 100% of their income comes from organic output. In the other categories, the organic share declines, with a minimum for the few farms with animal productions, where these latter ones had to be sold as conventional. The difference between the conventional and organic methods of production is even bigger if the value output per hectare is considered. Again, only the citrus and producers show excellent situations.
This can be justified by several factors:
– surfaces turned into organic farming are normally the less fertile ones,
– during the conversion period, large share of surface is devoted to green manure, that does not produce any saleable output,
– the saleable products, might be with lower yields, can not be sold as "organic" and therefore there is no premium price,
– poor marketing of already available products, that continue to be sold as conventional.
This leads towards the most interesting part of this research (as far as marketing is concerned), because it has been found (**Table 4**) that the main sale channel remains the wholesalers, whereas direct sale to consumers or other shorter ways remain explored only by few producers.
69% of the interviewed persons affirm that the local market is the main market for their organic output (**Table 5**). Foreign markets are still unexplored by the individual farmers: only a handful of them is able to export directly, without intermediaries.
This failure can be partially explained if we think that this group of 884 farmers shows a very old fashioned approach to marketing (**Table 6**), with 74% declaring that they do not rely in any source of advice. Other sources of advice, as far as marketing is concerned, are represented by Conventional Farmers' Unions (9%), other farmers (6%) and Organic Farmers' Organisations (3.4%). A very few (1.5%) rely upon the advice of private consultants and the almost total absence of public advisors, in organic farming, as denounced in a previous publication (Santucci 1996) is confirmed again by this survey.
Another confirmation about the small geographical area covered by the marketing of most interviewed farmers comes from **Table 7**, where we find that the most important form of promotion is represented by the participation in the annual local fair, followed by the local

Table 4 ***Main marketing channel.***

Channel	no.	%
– Wholesalers	391	44,2
– Consumers	134	15,2
– Cooperative society	121	13,7
– Other forms of marketing	81	9,2
– Organic Shops	16	1,8
– Organic supermarkets	4	0,5
– Supermarkets	2	0,2
– Internet	1	0,1
Total	**884**	**100,0**

Table 5 ***Main market for organic output.***

Destination	no.	%
Local markets	560	69,1
Regional distribution	177	21,9
Nazional markets	61	7,5
Export	12	1,5
Total	**810**	**100,0**

weekly markets. This behaviour has been studied in other Countries and in Italy (Santucci 1998) and may represent an important source of income for the smaller and newer producers.
A relatively thick minority (20%) takes part in group participation in annual national fairs. These activities are normally organised by the Organic Farmers Associations and/or by local Authorities for the Development of Agriculture (Gregori 2000). A smaller percentage (7.2%) of organic producers also take part, again as a group, in foreign fairs, therefore projecting their products into export markets. In both cases, individual participation, although relevant, is less consistent.
Unfortunately, this small but vigorous group of active organic producers is accompanied by a big number of people who are just entering into organic farming and who seem quite poorly aware about their whereabouts. 55% ignore the existence of the major organic fair in Italy (**Table 8**), the SANA "Salone Nazionale dell'Alimentazione Naturale", held in Bologna every September since 1989, with hundreds of stalls and hundreds of thousands of visitors. Another 30% are aware about this fair, but never participated or visited.
A very positive finding (Table 7) is the relatively high number of farmers who are using Internet for advising their farms and their products: 9% of those who declare any form of promotion, or 3.4% of the total sample. Another positive information is the high number of farms with printed materials about their products: 27% of the respondents to this question or 9.6% of the total sample.

Communicating the quality is extremely important, for all producers of niche products and this has been clearly explained, for the case of Italian organic olive oil, by De Gennaro (2000).
Farmers have been also interviewed about their perspectives and medium term intentions for the future (**Table 9**) and 74% have declared that their most important goal, for the next years, will be to find new marketing channels. This gives hope for the future, because

Table 6 ***Main source of advice for marketing.***

Source	no.	%
– Nobody	639	74,0
– Conventional Farmers Union	80	9,3
– Other farmers	53	6,1
– Organic association	29	3,4
– Other	27	3,1
– Coop technician	18	2,1
– Private advisor	13	1,5
– Public advisor	5	0,6
Total	**864**	**100,0**

Table 7 ***Forms of promotion.***

Main form	no.	%
– Annual local fair	199	62,4
– Local weekly market	117	36,7
– Leaflets and catalogues	85	26,6
– Annual national fair (group)	65	20,4
– Annual national fair (alone)	31	9,7
– Ads in the Net	30	9,4
– Fairs abroad (group)	23	7,2
– Fairs abroad (alone)	6	1,9
– Ads in Radio or TV	4	1,3
Total	**319**	**100,0**

Table 8 ***Participation in SANA.***

Answer	no.	%
– I do not know what it is	479	54,9
– Never	263	30,2
– Yes, often	56	6,4
– Yes, once	49	5,6
– Yes, always	25	2,9
Total	**872**	**100,0**

Table 9 ***Medium term goals (no. = 884).***

Answer	no.	%
– Search for new marketing channels	652	73,8
– Increase the size of the farm	434	49,1
– Develop on farm processing	401	45,4
– Introduce new crops	312	35,3
– Open or improve on farm sale point	264	29,9
– Increase animal production	194	22,0
– Start or increase on farm tourism	175	19,8
– Reduce the size of the farm	41	4,6
– Decrease animal production	28	3,2
– Reduce on-farm processing	18	2,0
– Reduce number of crops	18	2,0
– Close or decrease on farm tourism	9	1,0
– Close on farm sale point	8	0,9

private or public, about marketing strategies and market opportunities. This fact has been already exposed also in conventional farming, but is exacerbated in organic farming, where almost everything must change for the newcomers.
In a few years, all these producers will arrive on the market with products, either raw or processed, that could be certified and labelled as organic.
Considering the limited economic dimension of the individual farmers, it is hard to imagine that they will be able, separately, to face successfully the challenges of a more structured marketing system. Will they be able to achieve and hold in their hands a proper premium price, or will they be squeezed by wholesalers and middlemen, as in the past?
Only a few farmers show to have the knowledge, the skills and the economic dimensions, to overcome alone all these problems, but this is not the case for most producers. It is clear that a positive answer to the previous question can only come from a better organised offer and from a common marketing. Organic farmers associations, Conventional Farmers Unions and Regional Governments should pay greater attention to marketing. ●

it means that this group of people has understood that premium prices are available, but only for those who will look for them. Generally, most respondents show quite optimistic and active attitudes: almost half of them want to expand the farm and develop on farm processing. More than one third think to introduce new crops and a smaller share want to improve the on farm sale. One fifth of respondents affirm their intention to expand animal production and on farm tourism.
On the other hand, there is a small minority who are thinking to downsize their operations and even to stop farming: it is often a family based decision, due to age of holder and to lack of successors. As a matter of fact, organic farming can help the income situation of many producers, but can not change the fate of all of them.

4. Conclusions

It is clear that the recent explosion of organic farming, mostly concentrated in Southern Italy, has attracted many conventional farmers who were looking for alternative sources of income, either as subsidies and might be premium prices. At present, they are going through the conversion period and this could justify the poor marketing behaviour of the majority of the interviewed farm holders.
Only a few producers, scattered all over Italy, are already showing a positive and active attitude, searching for integrated promotion strategies, proper advice, new products.
A major problem seems to be the lack of advice, either

References

Biobank (2000). Aziende biologiche in Italia, Biofax, 18, page 1.

De Gennaro B. (2000). Communication and packaging for organic olive oil, in Lockeretz W. and Geier B. (Eds.) Quality and communication for the organic market, IFOAM, Tholey-Theley, pages 156-161.

Foglia P. (2000). Survey of Holiday farms associated with AIAB, Italy, in Lockeretz W. and Geier B. (Eds.) Quality and communication for the organic market, IFOAM, Tholey-Theley, pages 233-238.

Gorgoni M. (2000). La comunicazione collettiva, Forum - Editrice Universitaria, Udine, 388 pages.

ITC (1999). Organic food and beverages: world supply and major european markets, Geneva, 270 pages.

Lunati F. (2000). "Valutazioni sull'andamento dell'agricoltura biologica in Italia", Mimeo, Nomisma, Bologna, 4 pages.

Michelsen J. et al. (1999). The European market for organic products: growth and development, Hago Druck&Medien, Karlsbad-Ittersbach, 200 pages.

Santucci F.M. (1996). In our hands: farmers taking extension from Governments, in Siardos G. and Androulidakis S. (Eds.) Extension at the cross-roads, Ziti Publications Co., Thessaloniki, pages 191-208.

Santucci F.M. (1998). I mercatini del biologico, in Santucci F.M. (Ed.) L'agricoltura biologica tra PAC e mercato, Quaderno 25, IEPA, Perugia, pages 233-252.

Santucci F.M. et al. (1999) The marketing of organic food in Italy, MEDIT, 4, pages 8-14.