CRITICAL FACTORS AFFECTING THE FUTURE OF THE GREEK MARKET OF ORGANIC PRODUCE

CHRISTOS FOTOPOULOS - GEORGE M. CHRYSSOCHOIDIS - CHRISTOS J. PANTZIOS (*)

ABSTRACT

Since the early 1990s, organic agriculture in Greece has gained considerable momentum.
However, the sector is, still at an early state of development: its institutional framework is far from being consolidated; 'organic' policy is confined to a typical implementation of 'organic' EU regulations; marketing channels are limited while Greek consumers appear to lack understanding of the concept of organic food.
The present study attempts a qualitative exploration of key success factors for the sector's further development. Case study research in the form of in-depth interviews with a selected group of leading 'organic' experts is employed to provide information on the sector's current institutional framework, the components of a sound 'organic' policy, the marketing of organic produce and the respective consumer/producer attitudes.

RÉSUMÉ

Dès le début du 1990, l'agriculture biologique en Grèce a gagné une valeur considérable.
Néanmoins, ce domaine particulier n'est pas encore développé complètement à cause de son infrastructure institutionale peu consolidée. La politique concernant l'agriculture alternative est restreinte par la formalité des régulations de l'EU et ainsi, non seulement la chaine du marketing est limitée mais aussi les consommateurs Grècs n'ont pas conçu l' aspect des produits organiques.
La cible de cette recherche est l'analyse quantitative des paramètres-clés qui influence le progrès du secteur. Lors de l'enquête on a pratiqué des interviews avec les experts du secteur biologique afin de comprendre: le cadre institutional contemporain, les parties constituantes une propre politique organique, le marketing des produits organiques et le comportement du consommateur et du producteur.

INTRODUCTION

In the wake of increasing environmental pollution, health considerations, agricultural surpluses and declining producer prices, organic agriculture is becoming an appealing alternative to environment-aware consumers, policy makers and farmers.
Although hardly new as a concept, organic farming practice is a rather new term for Greek farmers.
Pioneering efforts in organic farming began only in the 1980s and up to the mid 1990s the organic sector was of rather limited importance in terms of total acreage and number of operators.
Since then however, the Greek organic sector has been experiencing rapid growth rates; available statistical information show that organically utilized agricultural land doubled from 1994 to1995 and doubled again from 1995 to 1996. Despite its rapid growth however, the Greek organic sector is presently in an early stage of development.
Nonetheless, this period is critical as valid assessments of the sector's performance and subsequent, informed policy decisions may prove decisive for its future course.
Within this framework, the present study attempts to determine critical factors for the further development of organic agriculture in Greece by:
• assessing the performance of the current organic certification system, respective government policy, and supervising state authorities,
• identifying the components of sound 'organic' policies,
• evaluating the appropriateness and suitability of existing marketing channels of organic products and,
• forming policy recommendations for the promotion of organic consumption.
However, as reliance on detailed quantitative data is not feasible, at present, the analysis focuses on an exploratory qualitative methodology rather than attempting dubious estimations.
The structure of the paper is as follows: a brief description of the current status and the major issues of the Greek organic sector is presented in the next section. Section 3 outlines the methodological approach utilized, sample investigated, and data collection methods. An analysis and codification of the major findings is then presented in section 4. Concluding remarks are offered in the last section.

BACKGROUND - PRESENTATION OF PROBLEMS

The impetus for the rapid advancing of organic farming in Greece has been mainly given by recent EU regulations 2092/91 and 2078/92. These two regulations allow for the distinct differentiation of organic from conventional production methods and provide financial aid schemes (in terms of acreage-based subsidies) to organic farmers, respectively. To implement the aforementioned EU rules the Greek Ministry of Agriculture established a new ministerial section as a supervising authority and in the early 1990s licensed three non-governmental organizations to carry out organic farming inspections.
Allocation of inspected organic producers among these organizations is quite uneven; a single organization has

(*) Director-Principal Researcher, Researcher, and Researcher, respectively of the Agricultural Economics & Social Research Institute (AG.E.S.R.I.) - National Agricultural Research Foundation (N.AG.RE.F.), Greece; no senior authorship is assigned.

been monitoring more than half of all registered organic farmers while another one is of only local importance. There has been a considerable influx of farmers into the Greek organic sector in the last couple of years. Is consequently the current system capable of supporting a further growth of the sector? Admittedly, the Greek state has not up to now sought an active role in the development of a dynamic organic sector. Its current policy is simply confined to a typical implementation of the respective 'organic' EU regulations. The neglect of state bureaucracy for organic farming is reflected in the fact that the central state authority on organic commodities of the Ministry of Agriculture is dramatically understaffed. What are the ramifications of this limited role of the Greek state and more importantly what the components of a future 'organic' policy ought to be? Study of the available 'organic' statistics indicate that the bulk of Greek organic operations concentrate on a handful of perennial crops (primarily olive trees and vineyards). Moreover, there seems to exist an uneven geographical development of the sector across Greece as the highest concentrations of organic operations appear in a handful of counties. What are the primary reasons for this and what does it imply for the sector's future development? Regarding the marketing of organic output, the sector has an limited distribution network. The bulk of organic produces is marketed via a few wholesalers, healthy and natural food stores or the producers themselves. Bigger firms active in trade and marketing of organic produce are almost absent although there exists a handful of private operations specialized in farming and exporting of organic olive oil or wine; two local cooperatives which explicitly market organic products; and a couple of dynamic but local grower groups (Fotopoulos, 1995). Given the lack of a widespread distribution network what ought to the channels via which the output of a developing organic sector can gradually be injected into the marketplace?

Objectives

The present study attempts to contribute to a better understanding of the issues involved in the current organizational status of the Greek organic sector and the subsequent identification of key-factors for the evolvement of the sector into a dynamic agricultural industry. More precisely, it investigates:

- the organic inspection system and institutional framework,
- the components of a sound 'organic' policy,
- the attitudes of organic producers,
- the suitability of marketing channels,
- the consumer attitudes for organic food.

Methodology

As already mentioned, in the light of insufficient knowledge, we employ a qualitative exploratory research to enrich our understanding of the current conditions and future perspectives of the Greek organic sector. Specifically, the methodology of detailed case studies is employed. This because

'there are identifiable sets of research situations where the qualitative, in-depth approaches are desirable, and particularly useful in complex phenomena, where the existing body of knowledge is insufficient to permit the posing of causal questions, and when a phenomenon cannot be studied outside the context in which it naturally occurs' (Bonoma, 1985:207).

The focus of this study meets these requirements and the approach used is consistent with procedures recommended for social and marketing theory development by several scholars (Zaltman *et al*, 1982; Deshpande, 1983; Peter and Olson, 1983). It may be noted that despite its increasing use, the case research is in sharp contrast to more conventional methodologies routinely used in market organization and marketing research. It is also notable however, that a feature of important theoretical contributions in these areas of economic research is their dependence on a limited number of cases (e.g. Chandler et al, 1962; Johanson and Wiedersheim-Paul, 1975). In addition, it has long been suggested that a plurality of methodologies is desperately needed in marketing research (Kamath et al, 1987; Kirpalani and Balcome, 1987;). Within the preceding methodological framework, the themes outlined in the previous section were tackled by seeking the expert opinion of individuals and associations involved in organic agriculture. Fieldwork centered on 'organic experts ' of the country, including technical and marketing specialists, food technologists, grower and consumer associations, inspection authorized personnel, academics with research interest on organic farming, government. All 'experts' known to be active, or have an interest, in organic in the country were listed and reviewed by a team of researchers and independent industry consultants to identify the extent and area of their involvement in the sector.

Consensus was sought on who is seen to be the most knowledgeable, experienced or influential on the matters under investigation. The initial list has been eventually narrowed down to 20 potential interviewees (people and associations) to serve as respondents of major importance. These included representatives of the inspecting organizations, agronomists specialized in organic farming, academics with organic expertise, representatives of consumer associations, officials of the Ministry of Agriculture, major chain outlet representatives, and organic growers. Semi-structured in depth interviewing with all the above was subsequently employed. A research protocol was developed. The interviews refined themes and served as a data triangulation source. An estimated five months period was spent on data collection.

An initial interview guide was amended later to respond better to the perceived actual needs. In line with Calder's (1977) recommendations, the guide was conceived as an aid to generate constructs and hypotheses, and comprised open ended questions posed in a semi-structured fashion. An extensive written transcript was prepared after each meeting. Through a process of induction and combination of both primary and primary and secondary data, the identification and categorization of interrelationships became gradually apparent. A consistent and cohesive match between arguments and data progressively emerged, in line with the guidelines developed by Yin (1984).

ANALYSIS OF MAJOR FINDINGS

This section presents the major findings of the interviewing process grouped according to the objectives outlined earlier. Given the primarily qualitative and often comprehensive nature of the questions, solicited answers were mostly in the form of lengthy arguments. Thus the findings presented below are given in the form of statements describing converging opinions of the interviewed experts; an overview of these findings is also shown in **table 1**.

Table 1 ***Major findings of in-depth interviews.***

Organic inspection system - current institutional framework
• A non-governmental inspection framework is preferable • Lack of state administrative infrastructure and state personnel with organic expertise • Friction between state, non-state 'organic' authorities
Parameters of a sound 'organic' policy
• Policy less dependent on monetary subsidies • Robust extension network • Dependable inspection system • Institutionalized interaction among primary 'organic' actors • Development of human capital and R&D in organic agriculture • Selective focus on a limited range of organic products • Complementary character of organic sector
Attitudes of organic producers
• Notion of organic techniques is not adequately spreading among producers • Organic growers lack knowledge on fundamental principles of organic farming
Marketing channels of organic produce
• Chain outlets is not a realistic choice • Outlets specialized in organic goods and street markets are preferable, at present • Promotion campaigns on consumption of specific organic products should be, at present delayed

Organic inspection system - current institutional framework

Non-governmental inspection framework

The current certification scheme has almost reached its capacity and needs more technical infrastructure and human capital to effectively perform its inspecting role. However, its institutional structure (i.e., privately - owned organizations) is in the right direction and it is preferable to state-run inspection schemes. State officials believe that the implementation and full functions of organic inspection should be given to the state; all other sides however strongly believe that state bureaucracy is incapable of playing this role citing a host of reasons that range from lack of specialized personnel to indifference on ecological concerns and

Lack of state personnel with 'organic' expertise

The State has failed to undertake up to now an active role in advancing organic agriculture. There is a considerable deficit of government technical/scientific/administrative personnel with specialized knowledge in organic issues. This is dramatically reflected on the almost complete lack of state agronomists/technicians with organic expertise.

Friction between state and non-state 'organic' authorities

There is friction and mutual suspicion among state authorities, private inspecting organizations, and organic grower associations. Friction seems to be largely on ideological grounds as state authorities become suspicious on the thoroughness of inspections while growers, academics and inspectors accuse the state for lack of organic expertise and adherence on 'chemical' agricultural practices.

Components of a sound 'organic' policy

Policies less dependent on subsidies

Organic policies using subsidies as the main intervention tool are not suitable for the enhancement of the organic sector once it passed its early state of development. Subsidizing schemes can be justifiable on a number of reasons. These include compensation for any additional costs associated with the conversion of conventional farms into organic ones; lower yields in the early stages of conversion, etcetera. However, subsidies also result in unfavorable, well known side effects including:

- a massive conversion into organic agricultural practices of farmers not truly interested in organic production but rather in subsidy absorption,
- a tendency on behalf of organic growers to intensify the volume of production and neglect quality,
- a focus of the production effort on the highest subsidized crops often in contrast to the signals of the markets.

Robust extension network

All interviewees identified as the core element of an organic policy the development of fully organized extension network with a dual purpose: to train organic farmers and potential entrants on the specific organic farming practices but also to familiarize them with the concept and the principles of organic agriculture.

Dependable inspection system

There was complete consensus among the interviewed that an effective inspection system must be among the primary parameters of an organic policy. Although state officials disagree with the rest of the interviewees on whether or not the organic inspection system must be government owned, everyone consents that government must have the high supervision and coordination of inspecting authorities.

Institutionalized interaction among the primary 'organic' actors

Close collaboration among the supervising government authorities, inspecting organizations, organic growers, and other parties interested in organic agriculture is considered of importance by the majority of interviewees. As organic agriculture is rapidly advancing internationally, numerous critical issues (such as new standards, practices, rules of trade) are being set in international fora. Formulation of a national consensus on what the country's position must be on strategic 'organic' aspects requires the establishment of a formal interaction process (perhaps in the form of a policy council) that is both functional and representative.

Development of R&D and human capital on organic agriculture

The almost complete lack of research and technical/scientific personnel specialized in organic agriculture is recognized as the most serious impediment in the enlargement of organic operations. Thus, most interviewed experts favor the financing of research, training or academic programs on organic issues. These could include the training of government technicians/agronomists on organic expertise, introduction of respective courses in universities and the funding of related academic research programs. Some of the interviewees even stressed the point that funds earmarked for organic agriculture would be better utilized if spent on 'organic' R&D or the improvement of inspection rather than used as a motive to blindly attract people into the sector.

Selective focus on a limited range of organic products

The advancing of the country's organic sector into a dynamic industry requires the design of a strategic expansion plan. Most experts tend to agree that such plan should focus on a rather limited range of organically cultivated products than promoting organic farming generically. Opinions, however, diverse as to which these selection criteria ought to be. Market-oriented experts support the idea of focusing on the country's crops with a comparative advantage in trade (e.g., olive oil, vegetables). Ecology-oriented experts have the view that organic farming should focus on the most polluting crops as well as on the agricultural areas most heavily polluted.

Complementary character of the organic sector

Although the interviewees disagree about the magnitude and role of organic agriculture in the long-run, all seem to agree that in the coming years, the country's organic agriculture should be viewed at best as a dynamic industry within a largely conventional agricultural sector. Specifically, organic agriculture should be used as a policy tool to introduce competition, efficient use of inputs, environmental considerations, and a solution to unwanted agricultural surpluses and declining agricultural prices.

Attitudes of organic producers

The notion of organic farming is not yet adequately spreading among farmers

Most interviewees consent that the observed facts of uneven geographical concentration of organic farmers and the focusing on a few perennial crops are primarily related to the lack of widespread information on organic production techniques. Organic farming does not seem to have spread considerably out of the geographical areas wherein it was originated; while pioneers' organic techniques originally applied on crops easy to transform into organic has not widely spread to other crops.

Organic growers often lack basic knowledge of the fundamental principles of organic agriculture

There was complete consensus among the interviewees that the observed fact of purchased organic fertilizers (compost) contrasts, in general, basic principles of organic farming. Some of the interviewed experts considered the purchase of organic fertilizer as a 'necessary evil' at the present stage. However, all agree that a definitive feature of organic farming is to achieve a 'closed' system of production wherein compost is produced on-the-farm, residuals are recycled into the productive process and, most importantly, crop production is combined with husbandry. The fact that organic growers, unnecessarily, replace these processes with purchasing organic fertilizer, reflects a lack of understanding of sound organic practices.

Marketing channels of organic produce

Chain outlets is not a realistic choice

Supermarkets or chain outlets are not considered, by most of the interviewees, as a suitable means for marketing organic produce, at the present stage of the sector's development. The majority of the country's supermarkets appear either completely unaware or hesitant to introduce organic products into their outlets, citing low consumer demand and low volume of actual production. For the current state of development, everyone seems to agree that distribution is preferable via specialized outlets and street markets. The former have the advantage of not requiring very large supplies which cannot be found easily at present. The latter are popular market places to all income-groups; thus they provide a convenient means of communicating organic food to the average consumer.

Consumer attitudes for organic food

Consumers lack a real understanding of the concept of organic products

Undoubtedly, consumers show increasing concerns on food safety and the preference for natural, chemical-free products. However, they are, in general, unaware either of the existence of organic products altogether or of their value.

Consumers must be educated on the concept of organic food

Increased consumer concerns on environmental issues and quality of food should be used as a starting point to educate/inform consumers about the value of organic consumption. The media could be used as a forum for introducing, to the average consumer, the concept of organically produced food.

Specific promotion campaigns on organic consumption should be delayed

Given the current state of the country's organic sector, most interviewees agree that achievement of a 'critical'

production volume should precede massive consumer campaigns on specific organic products. This is reinforced by the fact that the current lack of infrastructure, expertise, trained farmers, and widespread distribution networks need time to overcome.

CONCLUSION

The present study has attempted an exploration of the key success factors for the further development of the Greek organic sector through an investigation of the performance of the sector's institutional framework. Focus was directed to the current status and the perspectives of the organic inspection system, the state's 'organic' policies, the marketing network of organic produce and the attitudes of both consumers and organic growers.Although organic agriculture presents a promising alternative to several of the problems facing the Greek agriculture, little is currently known on its performance. Qualitative exploratory research has much to offer as a means of analysis in this case. In particular, case research of the type employed here is an excellent vehicle for providing quality in-depth information on the sector's current status, difficulties at hand and perspectives. Interesting findings have emerged. A non-governmental inspection system seems to be preferable by most of the parties involved in organic farming despite its present deficiencies. 'Organic' policies should be less dependent on monetary subsidies; instead their key-parameters should include a robust and widespread extension system, a dependable inspecting framework, institutionalized interaction among the primary 'actors' of organic agriculture, and the financing of R&D on all aspects of organic farming. Ways should be found for a more effective dissemination of organic practices among farmers and attention should be given to the adherence of participating farmers to fundamental principles of organic farming. Marketing of organic produce should be organized at first via small to medium scale channels such as 'organic' retail stores and street markets rather than chain outlets. At the consumer side, weight should be presently put on illustrating the value of organic food vis a vis the consumer concerns on food safety, rather than massive campaigns on promoting the consumption of specific organic products. However the methodological limitations of the present approach should also be mentioned, namely, the qualitative nature of research and the sample used. Corroboration of the findings by appropriate statistical information and the empirical testing of the emerging propositions, although non feasible at present may still be necessary. Moreover, despite our effort to form a sample of the most appropriate informants, the informational value of larger samples should be recognized. Possible limitations in the generalizability of our findings to other contexts or countries should also be noted. While this study has shed some light to important aspects of the organizational structure of the Greek organic sector still further research is required in order to develop a more refined knowledge in at least two respects. First, more comprehensive research on the conclusions emerging from our exploratory approach should be conducted as soon as appropriate data become available. In addition, research on how the issues examined here are dealt with in other countries with an interest in organic farming is needed in order to contrast the situation in Greece with developments in other countries. ●

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