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SHORT SUPPLY CHAINS – FROM THE VIEWPOINT OF PRODUCERS

KRÓTKIE ŁAŃCUCZY DOSTAW Z PERSPEKTYWY PRODUCENTÓW

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Abstract. The modern food retail trade means a concentrated and overstocked market in developed countries as well as in many developing countries. Joining the food chains of the “modern retail trade” often poses a problem for small-sized agricultural producers, which decreases their market opportunities. Trading in short supply chains is an option for producers to reach markets and increase incomes. The object of this exploring study is to use primary interviews to assess the opinions and satisfaction of the producers trading in short supply chains about their sales opportunities. The main question is how short supply chains can perform their given roles as regards both producer positions and in rural development.

Introduction

In Hungary the commercial concentration process started after the change of the political system. In the second decade after the turn of the millennium, it has reached a level where hypermarkets hold 24 percent of the “FMCG” (“fast moving consumer goods”) markets. Supermarkets and discount stores each hold 17 percent [GfK 2015]. This process results in the drastic decrease in the sales opportunities of small-sized producers. They are generally unable to individually fulfil the supplier criteria of large chain stores. Their willingness to form cooperatives is low.

“Short supply chains” (SSCs) may help small producers reach markets and increase their share in the food chain. SSCs include traditional trading methods like local (producer) markets. In addition, they also use innovative sales methods, such as e-commerce and community supported agriculture. The European Commission defines short supply chains as follows: “a supply chain involving a limited number of economic operators, committed to cooperation, local economic development, and close geographical and social relations between producers, processors and consumers” [Regulation EU No. 1305/2013, p. I. 347/499]. There is a minimal number of intermediary actors. Typically, the sale happens directly or with the contribution of one intermediate actor [Juhász et al. 2012, Kneafsey et al. 2013]. This “shortness” can also be interpreted as a physical distance, i.e. the spatial distance of producing, transporting and consumption [Benedek et al. 2014]. International sources define this distance between 20 and 100 kilometres [Kneafsey et al. 2013]. Short supply chains are supported by agricultural policy [Hungarian Government 2014].

The features of SSC trading are different than that of participation in conventional chains (involving more participants). Stemming from its characteristics, it is primarily the smallest producers that participate in short chains [Magyarország Vidékfejlesztési Program 2013-2020, Csíkné 2011]. Mácsai Éva Csíkné and József Lehota [2013] mention literature [e.g. O’Neill 1994] that suggests that direct sale is almost the only practicable way for small-sized producers to reach consumers.

Research material and methodology

The aim of the study is to examine the following questions in a descriptive way:

1. What characteristics can be used to describe producers trading in short supply chains?
2. How satisfied are SSC-producers with their sale opportunities?
3. What specific ideas and recommendations do they have that could improve both their own circumstances and that of producers?

The primary research of this study contains interviews made with 22 small food producers and 1 small entrepreneur. The work was conducted at two producers markets (with 17 respondents) and one conventional market (with 5 respondents), and by telephone in one case. The primary aim of the sampling was to meet producers selling in SSCs. The interview was composed of 24 questions pertaining to demographical characteristics, farming, about the contentment satisfaction with sales channels, cooperation, and other questions. Due to the small sample size, the results cannot be taken as a representative survey. This research is an exploring study [Babbie 2007]. It provides an adequate basis for the further examination of this topic. The opened interviews provided an opportunity to summarize the individual opinions of the producers and to get a general survey.

Research results

Based on the examined sample, it has been proven that producers selling in short supply chains (in this case, producers markets and conventional markets) are amongst the smallest producers. 52% of the respondents farms less than 10 hectares and 35% farm only 1 hectare or less (respondents cultivating kitchen gardens are also included). Most of the respondents are middle-aged, experienced producers, and most (12 persons) have been dealing with agricultural food production for more than 10 years. The second largest group (5 person) started this activity 6-10 years ago. Close to two-thirds of the respondents have a secondary education and one-third has higher level education. 22% have agricultural-specialised qualifications. The circle of sold products were not a relevant factor at the present sampling. Concerning to the demographic features the responders group were consisted of 8 woman and 15 man. Most of the responders were 51-65 years old (9 persons), and the second greatest group were between the age of 36 and 50 years (8 persons).

The majority of the respondent producers sell most of their produce at producers markets. A part of them also sell products at farmers stands or provide home delivery, with a smaller part selling to restaurants, festivals, and larger events. The participants of the survey described the sales channels using the factors I provided (tab. 1). (Respondents could provide their own opinions for the provided factors. On the basis of certain answers, the sales channels could be compared in some cases).

One problem of selling at various SSCs is that market demand is unpredictable. The smaller the product volume offered by the producer, the more unpredictable the market itself and the changes in sales prices are (tab. 2).

In the case of the survey respondents, sales at producers market was the most important sales channel. It can be established that producers were dissatisfied with both the saleable product volume and with the number of costumers. On the other hand, some satisfaction could be observed, especially as regards the quantity of saleable products. Most of them were also satisfied with the quality of the products and with price levels, noting that prices are higher since these are premium-quality. The majority was satisfied with-the stand costs and with the cost of sales (though they were less so in the case of festivals and events). Some respondents had complaints about the circumstances of sales, for example about shortcomings in infrastructure (primarily the conditions of marketplaces). The lack of the power supply at certain locations was mentioned, which would be essential for example for freezers.

Table 1. Characterisation of sales channels based on free opinions
 Table 1. Charakterystyka kanałów sprzedaży na podstawie opinii respondentów

Factor/Czynnik	Producers' opinion (in parentheses: number of mentions)/ Opinie producentów (w nawiasie liczba odpowiedzi)
Quantity of the saleable products/ Ilość sprzedawanych produktów	<ul style="list-style-type: none"> – in comparison with other sales channels; the market(place) is better, or the most products can be sold there (9)/w porównaniu do innych kanałów zbytu dany rynek jest lepszy; więcej produktów może być sprzedanych (9) – dissatisfied, in general (7)/ogólnie niezadowolony (7) – satisfied; able to sell products well (4)/zadowolony; można dobrze sprzedać produkty (4) – small shops are not (so) good (2)/małe sklepy nie są tak dobre (2) – dependent on season (1)/zależy od sezonu (1) – dependent on weather (1)/zależy od pogody (1)
Quality of the saleable products/Jakość sprzedawanych produktów	<ul style="list-style-type: none"> – satisfied (7)/zadowolony (7) – varying/average/relative opinions (7)/różne/średnie/relatywne opinie (7)
The achievable price-level/Poziom osiągniętych prac	<ul style="list-style-type: none"> – satisfied, in general (9)/ogólnie zadowolony (9) – sells to restaurants and shops with discounts (6)/sprzedaż do restauracji i sklepów z rabatem (6) – unsatisfied (4); respondents from conventional markets)/niezadowolony (4) respondentów z rynku konwencjonalnego) – prices are stagnating (leading to dissatisfaction) (3)/stagnacja cen, powód do niezadowolenia (3) – neutral, average opinion (2)/neutralna, przeciętna opinia (2) – sells at own farm stand with discounts (2)/sprzedaż na stoisku własnego gospodarstwa z rabatem (2) – enough for additional income but not as a main source (1)/wystarczy jako dodatkowe źródło dochodu, ale nie główne źródło utrzymania (1)
Number of costumers/ Liczba klientów	<ul style="list-style-type: none"> – dissatisfied (11)/niezadowolony (11) – in comparison: similarity between different sales channels or varying (6)/porównując: podobne do innych kanałów lub różne (6) – satisfied (3)/zadowolony (3)
Costs of sales/ Koszty sprzedaży	<ul style="list-style-type: none"> – costs are realistic/there are no problems with them /satisfied (9)/koszty są realistyczne/nie ma z nimi problemów/zadowolony (9) – the costs are high (5)/koszty są wysokie (5)
Circumstances of the sale/Warunki sprzedaży	<ul style="list-style-type: none"> – infrastructural deficiencies (6)/niedobory infrastrukturalne (6) – exposed to the weather (5)/wystawiony na działanie czynników pogodowych (5) – normal and acceptable circumstances (4) (this is what markets are like: it is not about comfort)/normalne warunki (4)/tak wygląda rynek – there is no problem with transport (4)/nie ma problem z transportem (4) – varying (3)/różnie (3) – other, pronounced dissatisfaction (1)/inne o charakterze niezadowolenia (1) – transport is problematical (1)/transport jest problematyczny (1)

Source: own study based on primary survey

Źródło: opracowanie własne na podstawie wstępnych badań

Table 2. Critical opinions of the individual producers about single sales channels
 Table 2. Krytyczne opinie producentów indywidualnych o kanałach sprzedaży detalicznej

Sales channel/ Kanały sprzedaży	Individual (critical) opinion of certain producers/ Indywidualna (krytyczna) opinia niektórych producentów
Marketplace, producers market/Rynek producentów	Overstocked (producers) markets, division of the consumer community/ <i>Rynki przeterminowane, podział społeczności konsumenckiej.</i> The government supports and makes it possible to open markets, but consumers will be scattered if there are one opens too many marketplaces/ <i>Nasycone rynki, rząd wspiera powstawanie rynków, ale konsumenci będą rozproszeni</i>
Small shops/ Małe sklepy	A part of the respondents offers their wares to retailers at lower prices. However, some are not willing to sell at prices that are significantly lower than the consumer prices they are used to/ <i>Część respondentów oferuje swoje wyroby detalistom po niższych cenach. Jednak niektórzy z nich nie są skłonni sprzedawać po cenach, które są znacznie niższe niż ceny rynkowe.</i> Small shops can be closed down quickly/ <i>Małe sklepy można szybko zamknąć</i>
Festivals/ Wystawy	Huge ad hoc demand. While you can have 15 or 20 customers at a market, you can get 100 or more at a large event, which is a five- or six-fold difference) <i>Duży i ad hoc popyt, czasami zamiast 15-20 klientów na rynku, można mieć 100 i więcej na dużej wystawie.</i> Sometimes there are horribly high stand costs. The differences can be one hundred-fold (for example compared to the marketplaces) <i>Czasami koszty stoisk są bardzo wysokie, różnica jest kilkusetkrotna.</i> The weather conditions are a great risk. One of the respondents said that the unreliable weather forecast can cause problems too. He spoke of losses in the value of HUF millions borne by producers. He suggested bearing the risk jointly with the organisers <i>Warunki pogodowe stanowią duży czynnik ryzyka. Jeden z respondentów stwierdził, że zła prognoza pogody może spowodować wiele problemów, a w rachubę wchodzi wielomilionowe straty i zasugerował, że ryzyko powinno być dzielone pomiędzy producentów i organizatorów</i>
Farmers stands/ Stoiska rolnicze	One respondent mentioned a negative attitude from customers (“he won’t be getting rich off of me”). He added that this way of thinking is primarily typical in the villages and not in the towns or cities/ <i>Jeden z respondentów wspomniał o negatywnej postawie klientów (“nie będzie na mnie zarabiał”). Dodał, że ten sposób myślenia jest przede wszystkim typowy w wioskach, a nie w miastach</i>

Source: own study based on primary survey

Źródło: opracowanie własne na podstawie wstępnych badań

I used a five-tier Likert scale to assess the general satisfaction of the respondents with their sale opportunities. Thus, the following results were born based on the results of 19 quantifiable opinions:

- average or medium opinion (“class 3”): 9 persons – 47%
- moderately satisfied (“class 4”): 6 persons – 32%
- satisfied (“class 5”): 4 persons – 21%

The average value given to this question is 3.74, which indicates a minimal level of satisfaction in the case of the studied sample. None of the respondents had a pronounced negative opinion. It can be said about the composition of the answers that all of the sellers from the conventional market had average opinions. Out of 21 respondents, 11 would not produce more even if they had better sales opportunities. This result can indicate either a certain level of satisfaction or the maximum utilisation of their capacity levels. A total of 6 persons would be willing to produce more in such a case, and a further 4 said that they would do it under the fulfilment of certain conditions.

In response to the question of what they would consider a solution to the present situation of production and sale, several respondents indicated the necessity of marketing activities (7 mentions). Four of the respondents stressed the importance of co-operatives and four of them mentioned product quality as a strength. With this latter, they are referring to the fact that the product should be promoted and made known to the producers, stressing the aspects of “healthy nutrition” and “local products”.

Summary and conclusions

The study examined the opinions and characteristics of producers trading in short supply chains. Based on the experiences of 23 producers who sell their produce mainly at producers markets and local markets, the customer circle of the markets has decreased. In the case of this sample, marketplaces were the most important sales channel. There is a relatively low effective demand for products in the premium price-category. This can bring rivalry to the fore between the producers. Amongst possible solutions, most producers saw the practice of using marketing tools and activities as an opportunity for improving producer sales positions. The second greatest part of the respondents emphasised the importance of cooperatives. Their suggestions worthy of mention include marketing aimed at shaping attitudes and some promotion activities centred around “local products” and “healthy nutrition.” On the basis of this exploring study the marketing-like cooperations and product-marketing based on “product-quality”, “local-products” and “healthy nutrition” can mean opportunities to increase the demand for the small producers.

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Strzeszenie

Celem opracowania jest przedstawienie opinii na temat zadowolenia producentów prowadzących sprzedaż w krótkich łańcuchach dostaw. Współczesny handel detaliczny artykułami żywnościowymi charakteryzuje się nadmierną koncentracją. Często wejście na rynek dla małych producentów w takiej sytuacji jest niemożliwe. Alternatywą dla takich podmiotów są krótkie łańcuchy dostaw. Do badań wykorzystano dane pierwotne. Pytanie badawcze dotyczyło tego, jak krótkie łańcuchy dostaw mogą wykonywać swoje funkcje w odniesieniu zarówno do pozycji producenta, jak i rozwoju obszarów wiejskich.

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