THE CONDITION OF ORGANIC FARMING AND SELL OF ITS PRODUCTS IN POLAND ON THE EXAMPLE OF WIELKOPOLSKIE VOIVODSHIP

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Abstract: The results of research conducted among organic farmers from the wielkopolskie voivodship were presented in the article. The organic land use structure in comparison to all organic farms in Poland was shown in the elaboration. It also contains characteristics of main sell options of organic products in the inquired farms as well as the strengths and weaknesses of direct and indirect sale. Moreover, problems with obtaining high prices for organic produce were discussed. The evaluation of organic production profitability from the farmers' point of view was presented as well.

Keywords: organic farms, wielkopolskie voivodship, direct sale, indirect sale

INTRODUCTION

Organic farming in Poland has been developing since the early 90's of the last century. Intensive growth, both in land area and number of organic farms, took place at the beginning of the current decade. This increase resulted from establishment of support – in 1998 to the inspection cost and in 1999 to the organic land area. Between 1999 and 2005 the number of organic farms increased by 23 times and the area – by 14 times.

Organic farming development in the wielkopolskie voivodship was much slower (between 1999 and 2003 the number of organic farms grew only by 2 times). The dynamics of this increase rose after Poland's accession to the EU together with introduction of agri-environmental programme, due to which payments grew. Between 2003 and 2005 the number of organic farms in the wielkopolskie voivodship increased from 40 to 202.

The aim of the article is to present the results of investigation conducted in 2007 among 30 farmers in the wielkopolskie voivodship. The research was to define the organic land use, main directions of production and forms of sell, as well as to evaluate organic farming profitability.

THE CHARACTERISTICS OF THE INVESTIGATED FARMS

The wielkopolskie voivodship may be characterised by large potential of organic farming development because of great biodiversity and areas of high biological values. Although the dynamic organic methods development has lately occurred in the wielkopolskie voivodship, this region still has one of the last places in regard to the number and area of organic farms in comparison to the other voivodships. In 2005 the number of organic farms in Wielkopolska constituted only 3% of total number of organic farms in Poland, whereas the organic area share was at the level of 7%.

The strength of organic farming in the wielkopolskie voivodship is relatively large average land area of farms, which in 2005 amounted to 57 ha, while in Poland it was 23 ha only. It is strictly related to the agrarian structure of all (conventional and organic) farms in the wielkopolskie voivodship, which average area is 1.7 times larger the average area of all farms in Poland.

A negative occurrence is the increasing share of grassland in the land use structure. In 2004 it constituted 61.4%, whereas in certified farms in the share amounted to 42.4% and in in-conversion farms it was by about 50% higher. This increase is a result of former relatively high grassland payments, which have been lately reduced. It may have some influence on land use structure improvement.

Average area of investigated farms amounted to over 30 ha and was larger by 35% in comparison to the average area of organic farms in Poland. The arable land dominated in the structure of organic farms area (over 55%). Smaller share had orchards and berries as well as vegetables. Nevertheless, in comparison to all organic farms in Poland these shares were quite high and figured out 12.5% and 3.9% (Figure 1).

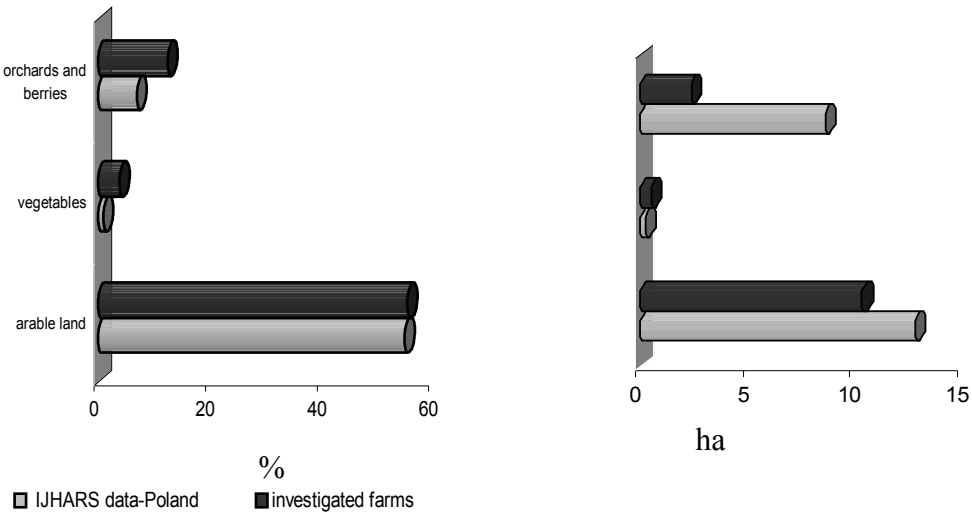

Figure 1. Area (ha) and share (%) of arable land, vegetables as well as orchards and berries in organic farms in 2005

Source: authors' own research, www.ijhars.gov.pl.

Plants were mostly produced in the investigated farms. Grains such as rye, triticale, barley, grain blend and wheat dominated. There was great diversity of vegetables; however the main role played those, which had the largest share in consumption: carrots, red beetroots, cucumbers, tomatoes, white cabbage and parsley. Instead, apples, strawberries, currants and cherries as well as chokeberries and peaches dominated in fruits.

In animal production, which was conducted by 40% of the investigated farms, swine, poultry, sheep as well as slaughter and dairy cattle dominated. Both types of cattle are highly labour-consuming. They are also characterised by high fodder consumption, long herd reproduction cycle, large manure production and high material outlays. However it supplies farms with such products as milk, meat and leather. On the other hand, swine requires less labour and capital outlays and is characterised by short herd reproduction cycle. Nevertheless, application of grains and potatoes in feeding causes high dependence from market prices. (Klepacki, 1997; Kowalak ,1997).

Organic animal production is rarely run by farmers because of high cost, labour-consumption and lack of logistic infrastructure in distribution chains. Integration with the EU creates new possibilities for farmers, because high demand for organic animal products occurs in most member countries.

SELL IN ORGANIC FARMS

Sell in organic farms may occur in two forms: direct sale (at a farm gate or at a fair) and indirect sale – to shops, wholesalers, processing plants and agents. The main criterion for sell option choice is minimising of physical distribution cost. Additional factors are (Urban, 2002):

- product specificity,
- size and localisation of a market,
- access to distribution chains,
- possibility to conduct marketing actions,
- competition.

The choice of distribution chain is determined by specificity of organic products, as well as consumers' preferences and expectations. Demand for organics mainly occurs in big cities, where large distributors operate. In regard to the high dispersion of supply, producers' access to specialist distribution chains is limited and an individual farmer cannot afford to conduct effective marketing actions. Therefore more efficient are shorter distribution chains, because they generate lower costs and margins, which enable to establish lower prices for organic products. It is a basic reason for farmers' choice of direct sale. Nevertheless, sale to individual consumers is most profitable, when a farm is placed nearby some agglomeration. It is profitable both for consumer and producer, but it requires wide offer and good storing possibilities from a farmer (Babalski, 1997). The strength of this type of sale is producer's full control on prices and supply size as well as fast information flow and higher elasticity in offer adjustment to structure and size of market demand. The other advantages of direct sale are short delivery time and free cash flow. However, the weakness is that the producer takes the whole cost over and runs the risk of sale (Czubała, 2001).

From a farmer point of view the strength of indirect sale is greater possibility to expand on new markets, reduce both transactions number and product preparations for sale to final purchaser. Due to that, producer minimises the costs and economic risk, but they lose control on selection of purchaser, consumer price level and promotion. The weakness of indirect distribution chain is also the fact that often one of the agreement conditions is payment postponement, which reduces farm's financial liquidity (Czubała, 2001).

The investigation showed that most often organic farmers from the wielkopolskie voivodship sold plant products, such as grains (63%), vegetables (47%) fruits (43%) and more rarely animal products, such as eggs (10%), beef (13%) and poultry (13%) (Figure 2).

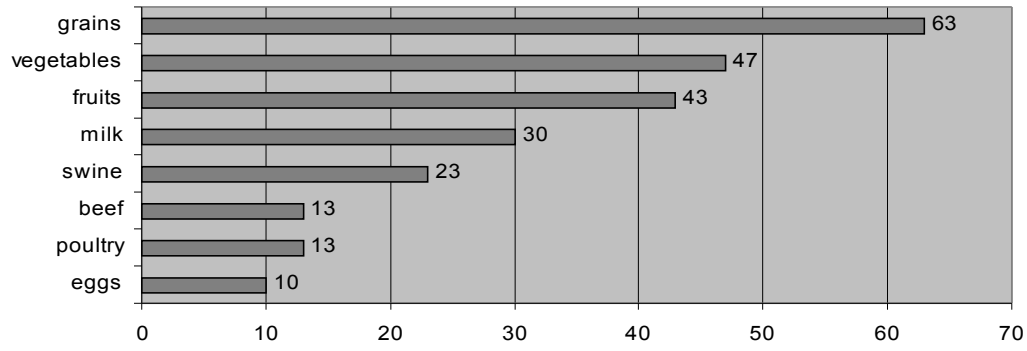

Figure 2. Sale of organic products by organic farms in the wielkopolskie voivodship (%)

Source: authors' own research.

The main purchasers of products form organic farms were individual consumers. They mostly bought vegetables (in 60% selling farms), fruits (50%) and grains. Direct sale assured obtaining relatively high prices. The other advantage of this form of sell was that the purchaser took the transportation cost over. It also enabled to obtain information on consumer preferences concerning the assortment, quality and price of product.

Organic farmers also sold their products to processing plants. These products were grains (57%), fruits (43%) and vegetables (30%). The advantage of these transactions was agreement on regular sell. However producers had to fulfil defined product quality requirements, which was relatively difficult in organic farming. The other weakness of this kind of sale was that most processors offered the same prices for organics as for conventional products.

One third of fruit and vegetable producers sold their products to specialist shops and/or at farmers fairs. Although the transportation cost was mainly taken by farmers over, this way, producers obtained relatively high prices.

The significant purchasers of animal products and grains were agents, who took the transportation cost over.

The research showed that ¼ of farmers cooperated to reduce sale costs. Common sell enables to achieve many advantages, which eventually improve farm efficiency. In particular they the advantages are (Łęczycki, 2000):

- increase of economic power,
- higher prices,
- sell guarantee coming from offering large and homogeneous batches,
- economic safety,
- competitive advantage related to better market position of a group in comparison to individual farmers,
- lower demand-supply adjustment cost,
- possibility to use specialist advisory support,
- easier access to market information.

Cooperation of the investigated farmers mainly based on organising larger batches, gaining new trade partners and experience exchange.

In regard to the organic market immaturity, which was reflected both by low organisation of distribution and weak demand, over 1/3 of producers sold their products at the same prices as conventional products. These products were mainly grain, milk, beef, eggs and poultry.

Although a big part of farmers from the wielkopolskie voivodship offered their products at higher prices than the conventional products, still ¾ of them believed that the prices were too low. In their opinion prices should be at least 10% higher in comparison to the ones obtained at that time, 54,6% thought that the prices ought to be 21-50% higher and 4,5% that over 100% higher (Figure 3).

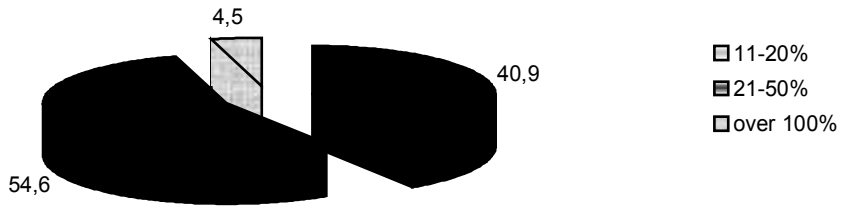

Figure 3. Distribution of the answer for the question: *How much higher should organic products prices be*? (%)

Source: authors' own research.

Similar problems with obtaining higher prices by organic producers occur in such countries as Spain (mainly fruit, milk, beef, and eggs), Sweden (milk, beef) Greece (wine) or Finland (grains, fruits) and new member countries. In countries with large share of supermarkets (e.g. Germany, Austria) these problems have been minimised (Hamm et al., 2002). Retail chains assure regular sell on relatively good terms.

In the farmers' opinion keeping higher producer prices depends on efficiency of distribution system, which elements are: establishing trade contacts, gaining new purchasers, market information and cooperation with other farmers. Nevertheless, these activities require some organisational and financial effort (Figure 4).

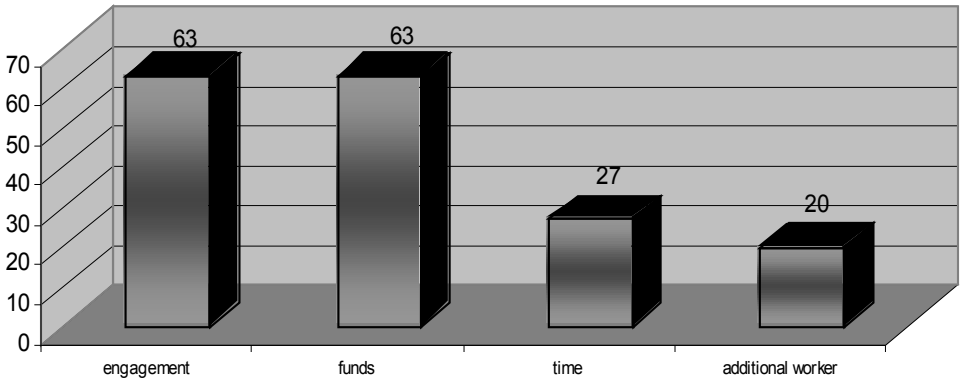

Figure 4. Distribution of the answer for the question: *What is required for efficient sell organisation?* (%)

Source: authors' own research.

The research proved that farmers generally were not able to define estimated sale cost, despite the fact that sell is one of the weakest links on organic market. Only 17% of them estimated the cost of sale in the interval of 50-600 PLN monthly in regard to the sell option. The highest cost occurred in sale at a fair and to specialist shops, whereas the lowest at a farm gate. The largest share had transportation, cleaning and packaging costs. Road service was mainly used in organics' distribution, mostly motor transportation – for further distances and for shorter – other means of transport. Products were generally transported to specialist shops for the distance of 100 km. On the contrary, agents took the transportation cost over. Some agents exported organic products to the German and Italian market, mainly herbs, fruit, grain and beef. The highest export prices obtained farmers having a certificate of foreign inspection organisation. However gaining such certificate requires additional cost of inspection.

Evaluation of organic production profitability

Over half of the investigated farmers estimated the organic production profitability as quite high. In the opinion of 2/3 the income situation of a farm had improved after converting to organic methods and 57% believed that gaining the certificate influenced growth of sell possibilities. However, over 90% of investigated farmers expected further improvement of sell. Nevertheless, it depends on environmental awareness of consumers and wider popularisation of knowledge on organic farming. Export and processing support has also significant meaning for farmers.

Relatively high opinion on organic farming profitability and goods perception of sell possibilities result from relative closeness of Poznan agglomeration and other cities in the region (on average 100 km). Large, urbanised concentrations of well educated people with high incomes are characterised by greater demand for organics and more developed distribution network. The closeness of the German market also has some significance, which first of all means better export possibilities (convenient contact with partners, lower transportation cost).

Conclusions

Recently development of sell in organic farms has taken place, however farmers still meet many problems coming from organic market immaturity. Despite relatively good condition of organic farms in the wielkopolskie voivodship, it is vital to undertake some activities aiming at organic products distribution improvement as well as farmers' cooperation support. The weakness is slightly developed wholesale link, which should assure higher distribution efficiency, reduce sell cost in organic farms and improve production and retail profitability. Organic wholesale development may surely cause growth of sell possibilities from smaller farms, which are not able to assure regular deliveries to processors.

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