STUDYING DIRECT SALES CHANNELS USED BY PRIMARY PRODUCERS AT THE BOTTOM OF THE MÁTRA HILLS
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MÁTRAALJAI ŐSTERMELŐK ÁLTAL HASZNÁLT KÖZVETLEN ÉRTÉKESÍTÉSI CSATORNÁK VIZSGÁLATA

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Abstract

The target of our research is to examine the supply channels of products produced and processed locally in the area at the bottom of the Mátra Hills. How results typical nationwide are also typical for this area which type of direct sales is mostly used here. In former studies market mainly traditional market is prior. The second most widespread way of sales is selling from the house or selling on-farm. For farms of producers selling this way is typical to produce several fruits and vegetables are small plant forms and that they do not employ outside workers.

Keywords: vegetable and fruit producers, sales practice, direct sales, traditional markets
JEL classification: Q13

Introduction

During the researches in connection with local agricultural products it is unavoidable to examine alternative food supply chains as a possibility of selling local products in the given locality. In the article we deal with the examination of supply channels regarding the fact which of the alternative sales possibilities and structures used in the agricultural type of European countries are present in the country more precisely at the bottom of the Mátra Hills. Which are the channels that are characteristic or are now being formed or perhaps operate because of a pressure or are overvaluated.

In the special literature we can find numerous definitions for direct sales. According to Fehér (2007) direct sales are not else than such commercial activities which are done by the farmer himself and has some communicational characteristics that create a more pleasant atmosphere during shopping. On the basis of the more precise definition of Bálint et al (1999) here the producer sells to the customer leaving out commercial units and processing factories. Alsing (1995) classifies among the final customers not only the population but also catering units.

Kujáni (2014) on the basis of her researches done in the frame of Alternative Agro-Food Supply System (Altafoodss) program in France and also on the basis of her experiences regarding to some European countries she examined (Cyprus, France, Greece, Germany, Italy, Portugal, Spain) seems to realize the following differences between the direct sales practice of Hungary and of the countries examined. She experienced differences between the sales methods of small producers and the small and middle –sized farms.
In our country small producers apply individual sales while in the other European countries examined small producers choose the method of direct sales in groups and they also do

processing in communities. Small and middle –sized farms have enough capital to process the goods produced by them themselves and to sell them themselves.

For the regions Alentejo in Portugal, Andalusia in Spain, and for Bayers all producers' cooperation is all typical and besides the amount of ecological farming is quite great. Products produced in ecological or bio methods are exported because of their high price. Small farms process the products produced by them uniting into cooperations or accociations, just like olive oil, wine, goat cheese. After processing they sell them in their common shops or export them. As for the usage of direct sales and short food supply chains the French Midi-pyrénées region is the leader who mostly deal with grapes -, vegetable and fruit producing and animal growing. Farmers sell in producers markets, sales points and in their own shops or they sell directly to farmers shop. Those farmers who are members of the AMAP Association (French peasant association) transport their goods to one collecting point (Kujáni, 2014). Most local products are sold in Italy in the frame of rural tourism. EAFRD states in one of its issues that one of the Italian dairy farm deals not only agricultural products but also is a tourist centre and runs educational packages as well. They use one of the forms of direct sales by which they „sell" dairy products to the children – who stay there for the aim of education – to the canteen of their school (Murdoch, 2000).

Earlier researches referring to Hungary in connection with the supply channels used by small producers put markets on the first place as the primary scene of selling the agricultural products produced locally. In the former national researches (Csíkné, 2014; Szabó-Juhász 2013; Benedek Et Al. 2013; Györe-Juhász 2012) questioning the producers all happened in markets. So on the basis of the result of these the mostly used direct sales type is the market. A study made on the basis of the charge of the National Agricultural Professional Advisory and Training Institute for Rural Development questioned the producers about the use of supply channels in a way different from the formerly mentioned ones. According to the evaluation of the questionnaires producers also use market as supply channel in the largest amount (83 percent). So it verifies the results of former studies. Csíkné explanation (2014) for the satisfactory method of selling at the market is that the role of other sales types is marginal.

In former national surveys markets were put into the first place in the respect of supply channels used by small producers, as primary scenes of local selling of locally produced agricultural products. At national level the thesis that marketing and markets built on traditions result a significant turnover still cannot be doubted and withdrawn. On the contrary for a product produced in a given region or county not necessarily the markets or local market mean the primary way of direct selling. Deriving from local characteristics other sales forms can come into the first place, either selling on-farm or methods of selling from the house (Suvák, 2009; Lehotai, 2012).

Material and Method

On the basis of national surveys made in the theme we also made comparative examinations between the former studies and a given locality, in the present case „Mátraalja" (the Bottom of the Mátra Hills). We made interview with farmers dealing with direct sales first of all with farmers producing vegetable and fruits.

During our work we collected the used data in primer way as reading the data base dealing with primary producers still is not possible for me, as still is not data collection made from primary producers dealing with direct sales. For primer data collection first of all we could use the food market counted as the local market of the region and also the „80"-as small market in Gyöngyös. In the Gyöngyös market places altogether 286 selling stands are available for the producers. According to our experiences from them those who produce and sell their goods are no more than 10 producers. The other sellers first of all selling vegetable and fruits work as merchants and get the products they sell from the wholesale market. For this reason at this place we could not collect data from larger number of producers (9 persons). The locality of the next survey was the road section of Hort which has significant through traffic. Here we made the interviews in the company of farmers who sell from their houses or sell their produce on-farms (11 persons). Other four farmers send back their answers to me online. According from the village economists in this region because of the domination of grapes – growing the number of vegetable and fruit growers is about altogether 70 persons, so there is no possibility for a survey with large number of elements.

Because of the small number of elements we made the surveys in qualitative way and we analysed the data in excel chart. The target of the survey was to examine supply channels used by primary producers in our region and comparing tendencies of former surveys relating to local processes. On the basis of examining the studies prepared so far we searched for the answer to the following hypotheses:

H1: For those producers who sell by direct sales the main supply chain is the market.
H2: Producers dealing with direct sales have the characteristics of growing in a secondary job.
H3: By those who sell in rural markets the main aspect is selling goods.
H4: Those producers who sell by direct sales do not use or only a small part of them use marketing means.

Results

All the 26 farms questioned are farms continuing family traditions. It can be seen from the answers of farmers taking part in the survey, that they have been doing this activity for several decades. Csíkné (2014) makes a similar statement according to which the majority of farms answering the questions continue family traditions by their agricultural activity. The number of farmers producing for the local (Gyöngyös market) is quite small. The number of selling stands is 260 from this those who also do productive activity are no more than 10. The plantation of those sellers who produce the goods that they take to the market themselves can be found within 40 kilometres. The farthest distance from which goods were carried was 30 kilometres.

Direct sales channels used by the farms in the survey

69 percent of the producers questioned did not mention any other possibilities from the enumerated supply channels than direct sales. Within the remaining 31 percent we can mention those producers who – besides direct sales – also join into short food supply chain or conventional food supply chains. 16 percent of them besides directly selling to the consumer also sell to a merchant, while 7 percent uses the possibilities of selling through short food supply chains besides direct selling. 8 percent of the farmers use all sales forms. They use the methods of both SFSCSs and conventional food chains and direct sales. The methods of sales used by the farmers can be seen in Figure 1.

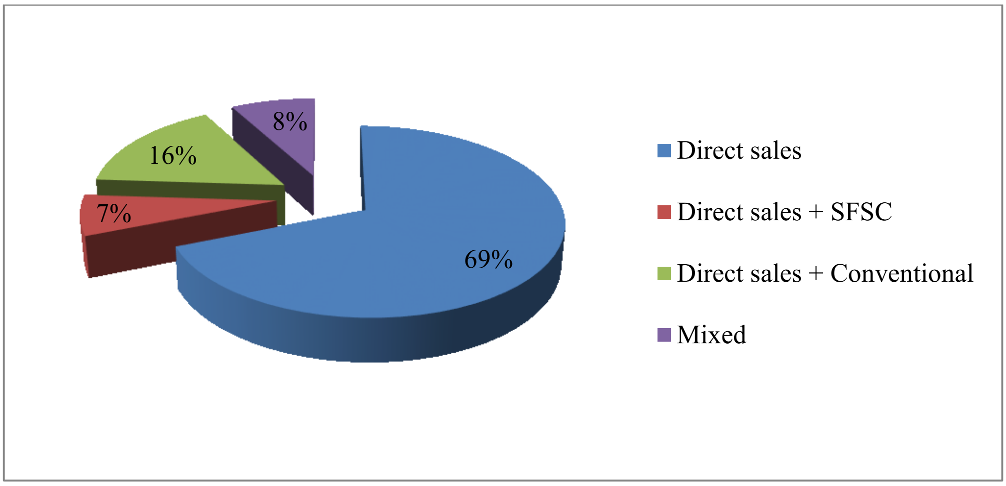

Figure 1: The supply chains used by producers
Source: Own work, 2014.

Figure 2 shows the direct sales forms used by the producers. 69 percent of the farmers selling by direct sales uses one type of direct sales channel, from there producers 22 percent has the market as main supply channel and 39 percent sells from the own farm. 39 percent of the farmers use several direct sales methods, too. 17 percent of the producers sell their goods at the market and sell on-farm at the same time, and 16 percent sells the goods produced by himself at the market and from the house. Only 6 percent of the producers questioned sells only from the house. Consequently the results of formers national surveys are not characteristic in our region according to which the widespread form of direct sales is the market (H1 hypothesis is not proved).

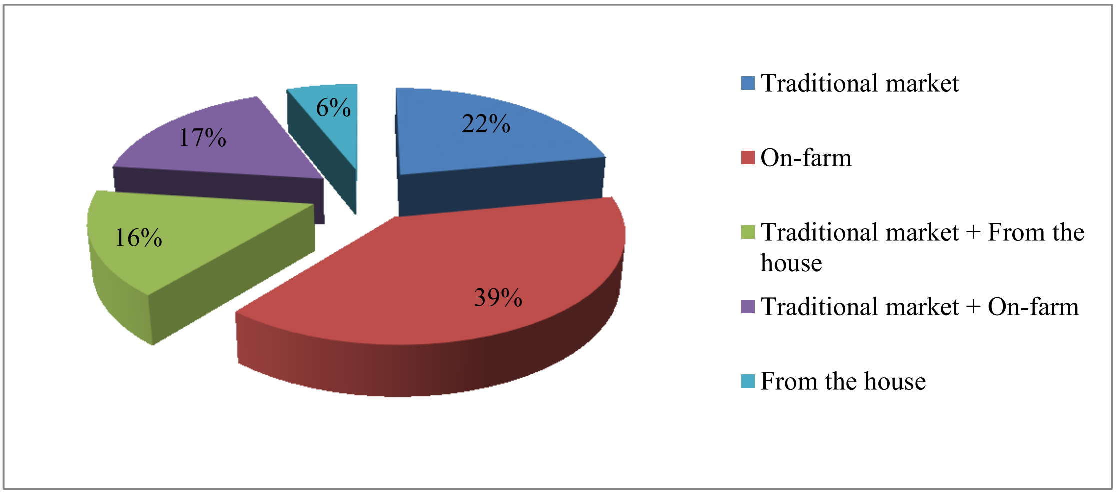

Figure 2: Possibilities for direct sales used by the producers
Source: Own work, 2014.

Characteristics of farms in each supply channel

Figure 3 shows the connection of producer status and supply channels. Among those who do not apply other supplying channel than direct sales the number of professional growers is less (7 persons) than among those who do not do it as a main activity (H2 proved). According to the farmers questioned it is typical for those who exclusively live from agricultural activity that they try to sell their goods by several supply channels. Those who produce beside their pension use only two supply channels: the traditional market and selling on-farm.

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An explanation for this can be the inflexibility of the older generation using the two direct sales forms enumerated formerly and the small amount produced by them.

The farmers who have primary school education exclusively appear among those who sell at the traditional markets which are proved by the statement of Benedek and his colleagues, according to which the farmers who sell at traditional markets have the lowest education. Besides that from the producers selling from the farm 3 farmers have primary education. In the pattern 5 persons have got higher education (19 percent) from them 3 persons have professional education who diversify their sales possibilities in the greatest amount. According to Benedek and his colleagues 23 percent of the farmers had higher education. In the work of Juhász and Szabó this value is lower 10 percent. According to the collected data of Csíkné farmers having higher education and selling at the market all have professional education. In Figure 4 we can observe significant relationship between the combinative use of supply channels and the education of producers. Producers having higher education or professional education sell their goods by more types of supply channels.

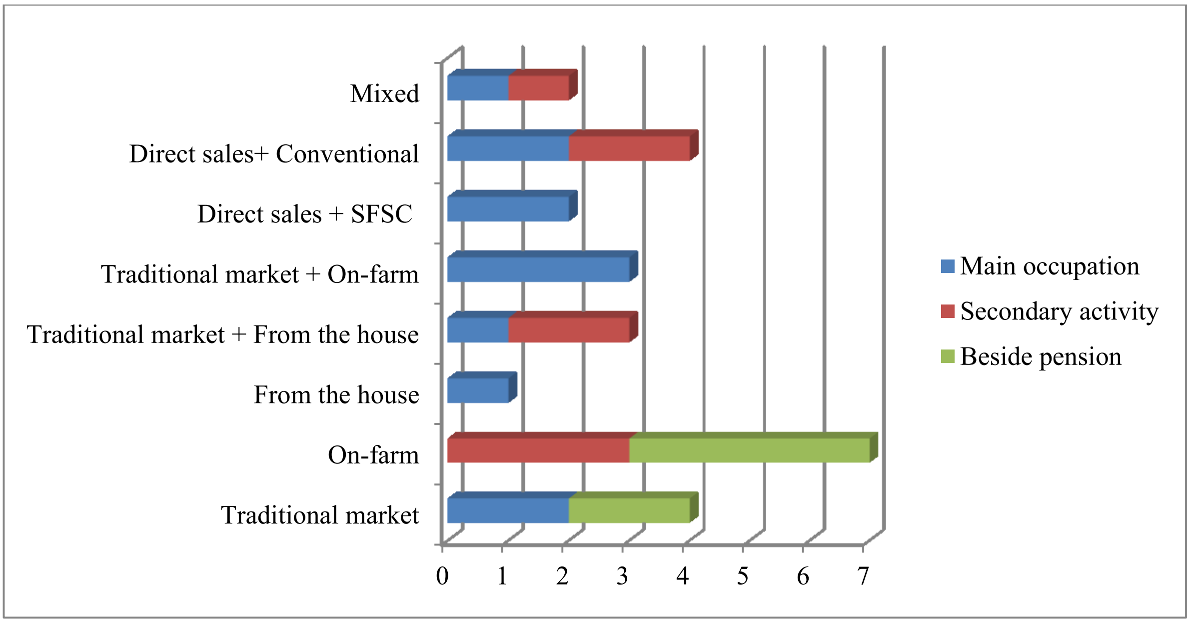

Figure 3: The relationship of producer status and supplying channel used by producers
Source: Own work, 2014.

The next Figure shows the diversification of the product palette characteristic in each supply channel. Farmers selling at the market, from the house, joining into the conventional food supply chains and dealing with vegetable and fruit growing all produce several products. Those who sell on-farm are an exception as they produce only one type of plant.

According to the classification of Csíkné the primary supply channel for those producers who grow several types of vegetables and fruits on a small area is the market. The above statement is also characteristic for our region because those who sell from their farm produce in a small area while they sell mostly several types of products.

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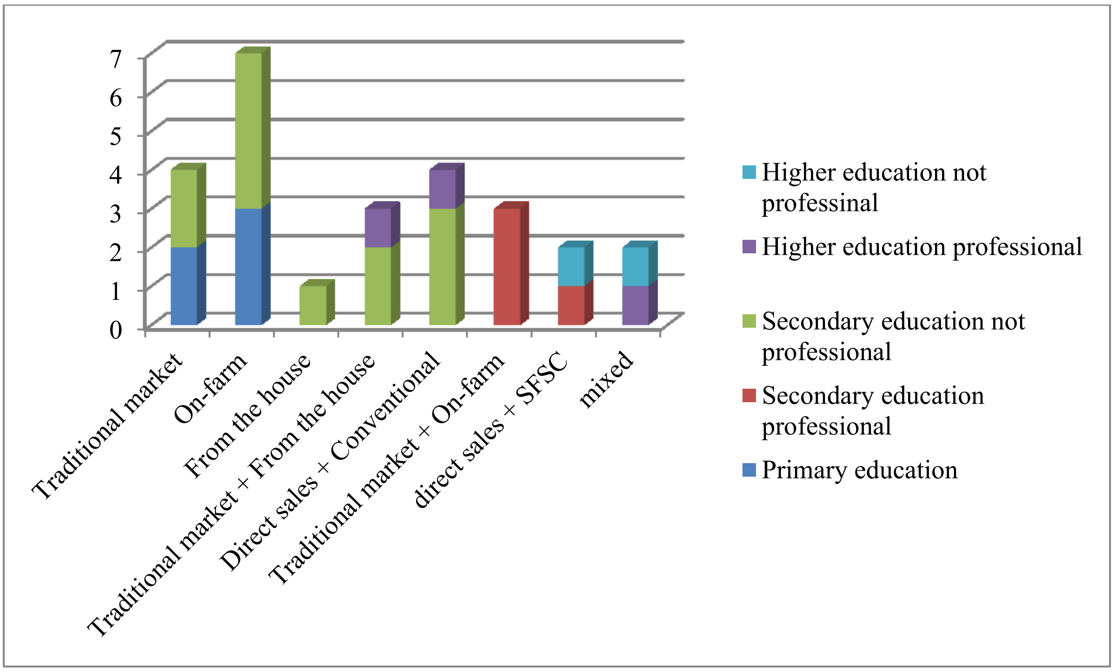

Figure 4: The education of producers in each supply channel types

Source: Own work, 2014.

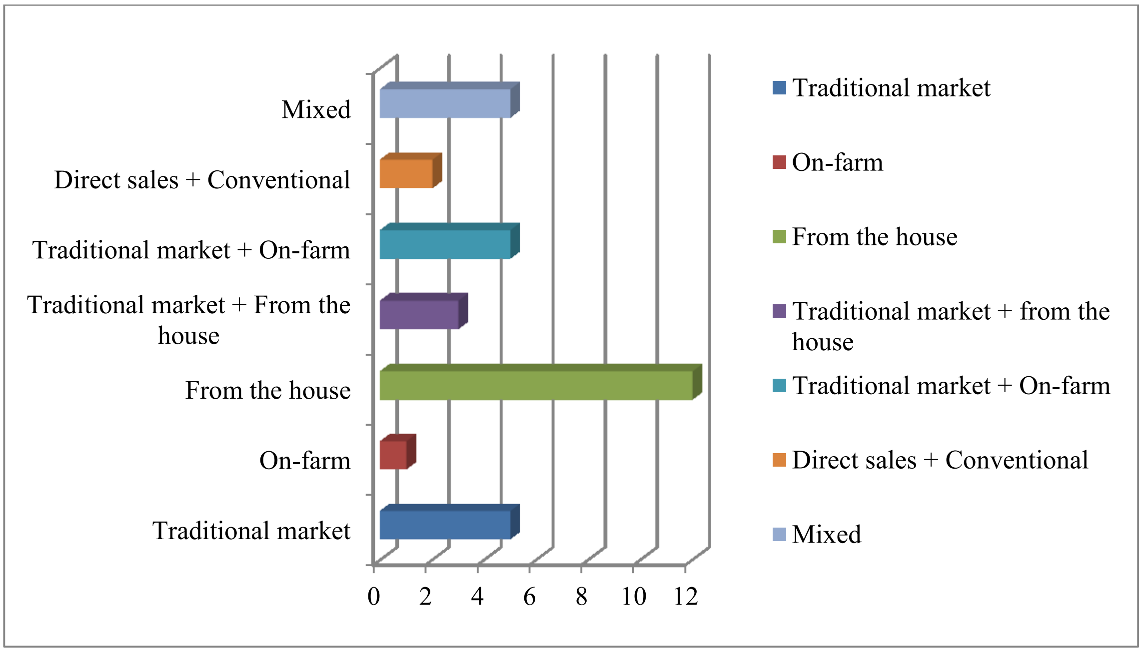

Figure 5: Diversification of product palette characteristics in each supply channel types

Source: Own work, 2014.

The average age of those who take part in the survey and use direct sales partly or on the whole is 45 years. This is lower than the national average which is 56 years and lower than the average age written in the survey made in the markets by Szabó and Juhász (2013) which is 51 years. 26 percent of those who answered the questions belonged to the age group of 50-59 which is higher than in the study of Benedek and his colleagues (2013) according to which 23 percent of the producers questioned belonged to the above mentioned age group. But in the study of Szabó and Juhász a higher value was published the age group of 50 – 59 comprises 34 percent of the producers questioned. Analysed according to the sales form producers who exclusively sell at the market are from older age groups.

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This statement proves the thesis according to which those who sell at the market typically are from the older age groups. But the oldest age group which is from 60-70 mostly sell from the farm. The age group 30-39 almost appear in each sales channel except in selling from the house or selling on-farm (Figure 6).

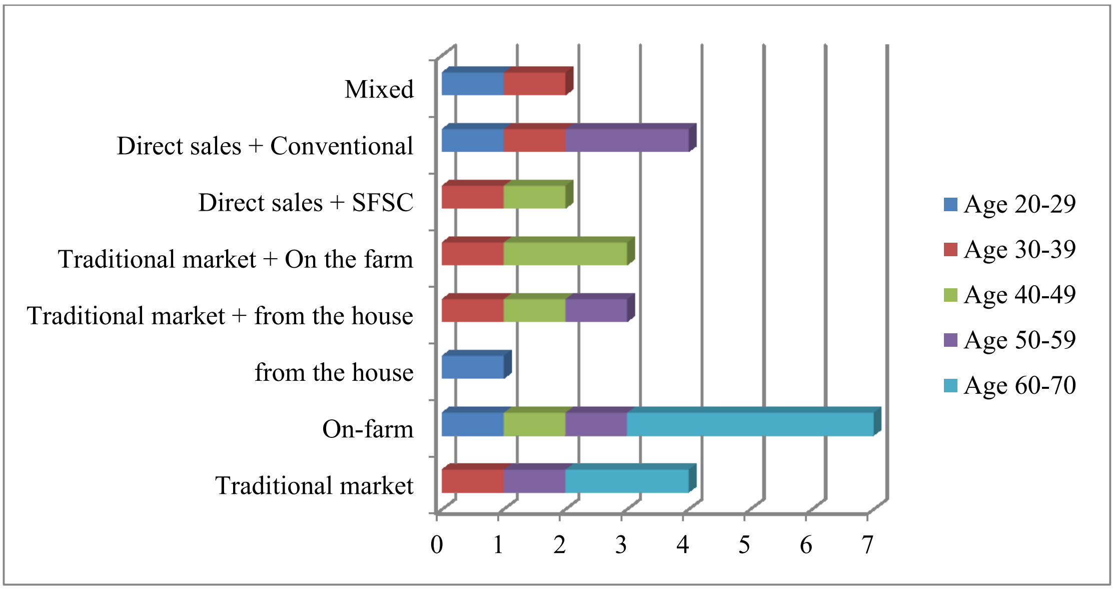

Figure 6: The diversification of age groups in each supply channel types

Source: Own work, 2014.

Analysing by age groups the relevant factor for those who sell at the market is the higher price and the immediate payment (Figure 7) which contradicts the results of the researches of Benedek and his colleagues according to which for those who sell at the rural markets the primary aspect is selling the goods (H3 not proved).

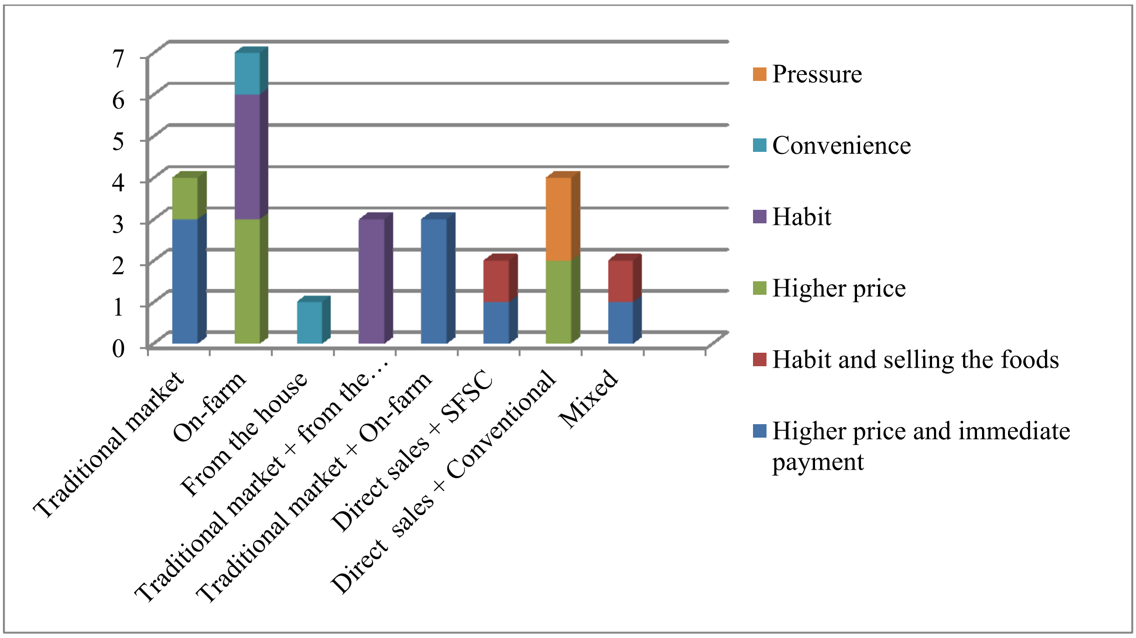

Figure 7: Causes of direct sales in each supply channel types

Source: Own work, 2014.

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Those who sell from their farms equally signed the aspects of higher price and habits, too. Producers for whom market is the main supply channel but besides they use selling from the house the evident reason for direct selling was habit. For Farms selling directly to the customer and for farms using mixed sales methods the defining factor was selling the goods. Direct sales because of pressure are used by producers who attach to the conventional food supply chain, too. One farmer from those who answered the questions sells the goods directly to the customers which were not taken by the merchant for example because of the size of the goods.

Applying marketing means

Applying own brand, logo or other marketing means is not a widespread characteristics (H4 proved). Some of vegetable growers use the method of the word of mouth. On the basis of this result we cannot corroborate the results of the surveys made at the markets by Szabó and Juhász (2013) according to which the most frequently used advertising form is advertising on the Internet which is followed by displaying on boards then by newspaper advertisements. We cannot give the farms in my survey general characteristics and classify them on the basis on these in connection with applying certain marketing means. Rather individual solutions are dominating. Producers who started an economic activity a few years ago did not inherit a group of customers nevertheless they do not apply several means of marketing for the popularization of their products. In the opinion of some producers there is no need for marketing because goods sell themselves. According to the answers of producers who have been selling at the market for a long time already, they have regular customers who are looking for their goods.

Csíkné writes in his survey that 3 farmers can be reached on online surface, too, but they do not use their home page for selling only for giving information. According to the result of Szabó and Juhász (2013) after asking 27 producers 11 mentioned that he also sells online. Farmers growing vegetable and fruit do not use the possibilities of selling online at all and even do not plan to introduce that. Those producers who still sell at the local market, sell on-farm and from the house run their farms according to the family traditions and do not use these new solutions as they not only continue farming but they have also inherited a group of customers. There were two producers whose parents and grandparents did not deal with farming. Both of them are vegetable grower. One of them is selling at the market and one selling from the house but neither they are open to the new solutions.

The future of the farms

Referring to the future of the farm ten farmers told they would enlarge their farms. Neither farmer mentioned definite investment for equipments but they would grow the size of the farm. They do not plan any development for the processing and packing of the product made by them. Two vegetable growers plan to give up their activity. The reason for them for giving up their activity is that they want to start another type of enterprise. Further 13 producers would like to keep their activities and do not plan any changes either in their selling methods or in their farm keeping methods. The answers for the questions referring to the future of the farms are shown in Figure 8.

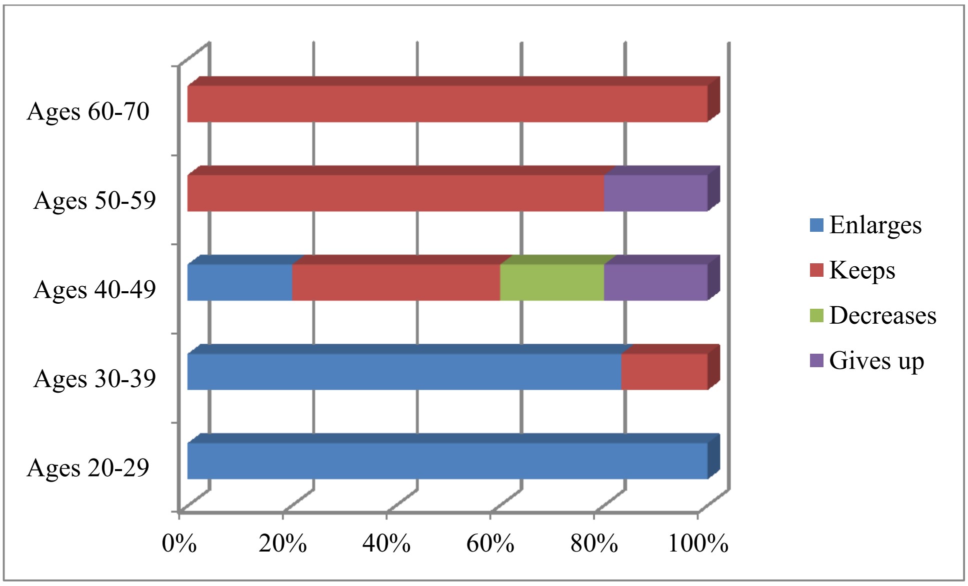

Figure 8: Future plans the farms of growers

Source: Own work, 2014.

There is a significant connection between the age of the persons in the survey and the enlarging and keeping of the farm. Those who are between 20-30 or 30-40 would enlarge their farms not depending on the used supply channel which partly corresponds with the results of Benedek and colleagues (2013). According to their statement the younger generation selling at the traditional market have plans for enlarging. On the contrary the statement of Csíkné (2014) is that farmers using direct sales do not plan the enlarging of their farms to great extent. Farmers between 50-60 and 60-70 would keep that they have reached so far. The reason for decreasing the investment activity among farmers over the age of 50 is first of all that their children and other members of the family will not take over the farm.

Conclusions

On the basis of the analysis of hypotheses we concluded the following:

H1: The main supply channel of those who sell by direct sale is the market – not proved. 69 percent of the farmers selling by direct sales use one type of direct sales channel from there farmers 22 percent has the market as main supply channel and 39 sells from his own house. 39 percent of the farmers use several methods for direct sales. 17 percent of the growers sell their own goods at the market or from the farm at the same time, and 16 percent sells the goods produced by himself at the market and from the house.

H2: Producers dealing with direct sales typically grow in secondary job – proved. Among the growers using no other supplying channels than direct chains are less professional farmers (7 persons) than those who do this activity not as their main activity.

H3: At those who sell at rural markets the main aspect is selling the goods – not proved. Analysing each supply channel mostly for those who sell at the market higher prices and immediate payment are the relevant factors.

H4: Producers selling by direct sales do not apply or only a few of them apply marketing means – proved. Using bands, logo and other marketing means is not characteristic in a widespread measure.

Referring to the analysed region on the basis of former surveys two of the hypotheses are not valid. (H1; H3). As a means of direct sales not the market was the most widespread, but because of local tradition (first of all characteristic in Hort), selling on-farm. At the same time opening growers' markets in each settlement is in process now, which can bring significant change in this area. It will be worth examining whether the population in the future will use growers' markets at the own settlement or the inhabitants in villages will use the growers' markets at the settlement instead of Gyöngyös market. The main reason for choosing the supply channel for the growers questioned at the Gyöngyös food market that counts to be the biggest local market was not selling the goods but the higher price and the immediate payment. From this I can conclude that for the growers selling here the smaller attraction area of rural markets and the smaller popularity in the country and the lower solvency of rural people is not a problem. In the case of Gyöngyös traditional market I can see that the dominance of the presence of the merchants is a problem. To the price of the goods carried by them from the wholesale market they add their own profit so at the local market goods get to the customers at a high price. For suggestions referring to the operation of the traditional market I think the opinion of customers is also necessary. I recommend doing such a survey in the future.

On the basis of the research results it can be stated that applying direct sales methods is quite widespread. Besides direct sales forms I suggest forming short food supply chains between local shops of food chains and local producers. At present in the region local producers have the possibility to carry their goods to the local shop of the Hungarian Market Association.

What we can see altogether as a problem is the lack of willingness for cooperation of the farmers which derives from the fact that they have no precise knowledge about the advantages of the cooperation. If I asked about the membership of an organization the general answer was the membership of the Chamber. According to their opinion farmers are members only because it is compulsory. It is necessary to organize lectures trainings about the cooperation and about the possibilities of that, at any rate.

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