

Barriers to the development of the short supply chain for local food producers in Romania

Lavinia DOVLEAC¹, Marius BĂLĂŞESCU²

Abstract: *This article highlights the importance of short food supply chains for the development of rural areas in Romania, considering the increasing demand of the population for healthy food. A proper functionality of these local food supply chains brings benefits to producers, consumers and the local community, but some issues must be solved. This article presents the results of a qualitative marketing research study conducted for identifying the difficulties in this sector. The study aimed to identify the small producers' opinions on the barriers to the development of these supply chains and how they could be helped to sell their products at a fair price.*

Key-words: short food supply chain, organic areas, local farming, marketing research.

1. Introduction

In recent years, increasing attention has been given to promoting short supply food chains, all over the world. The growing interest in short food supply chains reflects the consumer demand for quality and traceability, given the alarming health crises in food markets (Aubry and Kebir, 2013).

Across the European Union (European Parliament, 2016), a growing number of consumers choose to buy food products on local farmers' markets, directly at the farm, through basket/box delivery systems or other community-supported agriculture schemes. European customers tend to associate local products with higher quality standards (freshness, nutritional value), healthy eating, more environment-friendly production methods and a lower carbon footprint. A 2011 Eurobarometer survey (European Commission, 2011) shows that nine out of ten citizens agree that there are benefits to buying products from a local farm.

For farmers, short food supply chains are attractive opportunities for diversifying production, capturing greater value added, and ensuring more stable

¹ Transilvania University of Braşov, Faculty of Economic Sciences and Business Administration, lavinia.dovleac@unitbv.ro

² Transilvania University of Braşov, Faculty of Economic Sciences and Business Administration, marbalasescu@yahoo.com

incomes. For local communities, short food supply chains are a tool to relocate value chains in order to retain value added in their territories, create jobs, capture value added from intangible assets (brand), strengthen their territories' resilience in times of crisis, reclaim the value of their assets and become an important vector for growth and attraction in their territories (ECLAC-FAO-IICA Bulletin, 2015). Most SFSC are characterised by full or partial organic farming methods, but they are not always certified. On average, about 15% of EU farms sell more than half of their production directly to consumers; in Romania the share of farms involved in direct sales is around 18% (European Commission, 2013). The Ministry of Agriculture and Rural Development from Romania encourages and promotes the creation of short supply chains for local food, as a solution for rural areal support.

This paper aims to find the opinions of small dairy producers from Romanian rural areas regarding the issues they have to deal with when selling their products using the short supply chain. In order to achieve this objective, the authors conducted a qualitative marketing research based on 2 focus-groups in February 2016. The research results are presented in the next sections.

2. Materials and methods

2.1. Short supply food chains for local farming

A supply food chain (Parker, 2005) is considered short when the geographic distance between the farm and the consumer is perceived as low and/or when the number of intermediaries between the producer and the consumer is reduced (ideally one, maximum).

The present form of short food supply chains formally originated in 1965 in Japan, when a group of mothers concerned about the industrialization of agriculture and the massive use of agrochemicals founded the first partnerships (teikei) with farmers (ECLAC-FAO-IICA Bulletin, 2015).

There are many forms of short supply food chains (SSFC) and authors distinguish "old" forms of short supply chains (farmers market, buy on farms etc.) from more innovative ones (box schemes, community supported agriculture forms, pick-your-own farms etc.) (Kebir and Torre, 2013). Such supply chains typically involve local producers working together to promote local food markets. These partnerships help boost the rural economy, creating new ways of selling local produce and attracting new types of customer. They also foster cooperation between local farms, the tourist industry and the food sector (European Commission, 2016).

An example of good practice in this field is the farm dairy Birkenhof & Uster plus association from Switzerland. In the Birkenhof dairy, the main products are farm-made: fresh cheeses as well as yoghurt (plain and with fruits), cream and pasteurised fresh milk. The farm has its own logistics with few vehicles and it

delivers to private persons, specialised shops, canteens of social institutions for elderly persons. They try to set a fair price both for the other farmers and in the shops, but there are some limitations regarding the price, because of the price level of supermarkets. The loyalty of the costumers is high; however gaining new customers is rather difficult. The proportion going directly to consumers is less than 10%. The private customers receive deliveries once a week (different times in different local areas). Special or small local shops and some restaurants are delivered ca. 2 times a week. In addition, there is a farm shop, which is open one evening in the week and on Saturday morning. Also, the Birkenhof is present on 3 weekly markets (Galli and Brunori, 2013).

According to another Eurobarometer survey (2016), four out of five European citizens consider that 'strengthening the farmer's role in the food chain' is either fairly or very important. When purchasing food products, consumers may decide to engage into SFSC due to a variety of reasons (Galli and Brunori, 2013): the origin of products and the identification of the farm and the farmer (name, location etc.), food quality features (hygienic and sanitary guarantees), healthier and safer composition, regarding the content with higher quality ingredients, organoleptic features (taste, flavour etc.), values and ethics (biodiversity, tradition, seasonality, landscape preservation etc.).

In the European Union, on average, about 15% of farms sell more than half of their production directly to consumers. However, these are mainly small farms. There are significant differences between countries: while the share of farms involved in direct sales is nearly 25% in Greece, 19% in Slovakia and around 18% in Hungary, Romania and Estonia, it is less than 5% in Malta, Austria and Spain. In France, 21% of farmers sell their products within SFSC (European Commission, 2013).

The quality of products is perceived differently across Europe (FAAN, 2010). In northern and Western Europe, quality criteria tend to concern environmental sustainability and animal welfare, whereas in eastern and central Europe, food quality is associated with rural tradition, local knowledge and culture. In southern Europe, it is more the context of production which determines quality: culture, tradition, climate, soil and local knowledge.

SFSCs' evolution in Romania can have a considerable potential for rural development both in terms of area and people, and of the surfaces cultivated in extensive regimes and by the growing interest of citizens to participate in such actions. For peasant households and semi-subsistence farms, the development of SFSC is seen as a factor of coagulation and stimulation of cooperation, providing new opportunities for development (Arc2020, 2015).

The development of SFSCs in Romania is encouraged by the increased interest of farmers in certifying their land as organic area. Inside EU, Romania is a relatively small organic producer in terms of percentage of land converted or undergoing the conversion process to organic land, and in the percentage of organic

sales within total retail sales. According to Eurostat data, the percentage of area under organic farming of the total farming area in Romania in 2015 was 1.78%, while the EU average was 6% (GAIN Report, 2017).

2.2. Research method

Based on the trends on food market presented above, the authors conducted a study on selling local dairy products involving as participants small farmers from Romania, owners of organic certified areas. This study aimed to identify the main difficulties related to the short supply chain and to find the best solutions in developing the market and the products' visibility.

In order to achieve this goal, the authors used a qualitative marketing research based on 2 focus-groups. They used this method because it allows a better understanding of the phenomenon's essence (Lefter, 2004, p.36). The study was based on the following *hypothesis*:

- local producers have difficulties in selling their products, in terms of regularity and stability;
- the visibility of local products is not strong enough for consumers to become aware of their presence on the market;
- the short supply chain for local products is the best solution to attract and retain customers on the long term.

The main *objectives* for this study were:

- identifying the main methods of selling the products until now and the categories of customers to whom products are sold;
- identifying the difficulties in storing and transporting the products;
- identifying the current methods used to promote the local products and selecting the most appropriate in order to increase the visibility of products and manufacturers;
- selecting possible solutions for market development proposed by the producers.

The qualitative research was conducted during the period December 2016 - February 2017 and involved 12 participants, small local producers of local dairy products (based on milk from animals fed on organic land). They produce a variety of derivatives of sheep milk and cow milk and they have rich experience in this area, between 7 and 18 years standing. Two focus groups were organised, each one involving a broad discussion (about 90 minutes) with 6 participants. The groups are considered relatively homogeneous in terms of the participants' activity, type of product, the volume of production and area of origin. The general topic of discussion (related to the local products selling) was familiar to all participants. All discussions were audio-video recorded.

The discussion was conducted based of an *interview guide* that included six topics for discussion:

Topic 1. Methods of selling the local dairy products used so far;

Topic 2. Types of customers, their preferences and their buying behaviour;

Topic 3. Efforts to promote the local products until now;

Topic 4. Difficulties in selling the local products;

Topic 5. Theme storage and transport conditions of traditional food products;

Topic 6. Possible solutions for the development of the local food market.

The data collected was organised using the analysis and synthesis general grid. Based on the grid, two types of response analysis were developed:

- vertical analysis - analysis of the responses within the interview;
- horizontal analysis - analysis of responses within a topic of discussion addressed by all participants.

The analysis of the data from the grid revealed a series of relevant conclusions presented in the following section.

3. Results and discussions

The general conclusions of the focus-groups, based on the interview guide topics, contributed to achieving the study objectives.

The main methods of selling the local dairy products used by the respondents are: direct selling to customers on farm, direct selling to customers by going to their places on certain days, selling in food markets, selling to other sellers. This type of selling is not approved by the producers for various reasons: transport costs, low prices required by the stores, large losses if the products are not sold, the products are not promoted enough by the store staff. Another difficulty for small farmers is the administrative burden associated with direct sales, in particular the paperwork and costs linked to food hygiene legislation.

Respondents consider that the best sales method for them is the short chain. Consumer demand for local products, perceived as having a safe origin, linked to the need for producers to sell their products leads to the development of short supply chains. The direct contact with the producer allows the consumer to trust the products. The advantage of this relationship for the producer is that he is close to the customers, understanding their needs and requirements and adapting the offer as required.

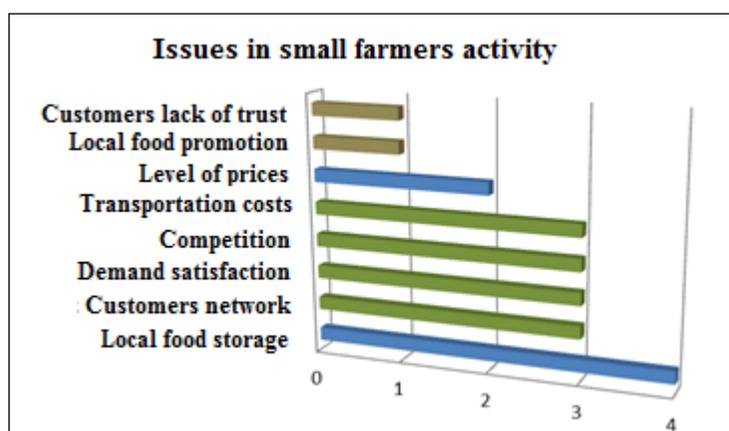
The study revealed a certain *producers' perception about their customers*. They are seen as very demanding in terms of taste or quality (salt content, cheese age etc.) and very sensitive to price. This second feature makes it difficult to retain a certain part of consumers. Customers are not always well informed about the production process, for example the best times for cheese production or cheese purchase (especially for fresh sheep cheese). One respondent described the relationship with his clients, saying: "*When I have products, there are no clients; when I have clients, there are no products*". The relationship with the customer is very complex. Customers want a direct interaction with the producers in order to

trust the product quality. For supporting the same idea, one respondent stated that “*the loyal clients are looking not just for products; they seek for the PERSON selling them. In the market, if another person sells your products, the client is not buying because he says <I don’t know him, I don’t buy>*”

Most respondents consider that the *only way to promote* their products used so far was the satisfied client who recommended the products to the others.

Regarding *the difficulties in selling the local products* (Table 1) directly to the consumer, sometimes the offer cannot satisfy the customer demand, because they require certain products in the wrong period. Other difficulties faced by producers are related to customer distrust in their products due to lack of promotion supported on a large scale (national), the difficulty in developing the customers’ network, insufficient storage facilities. The dairy market is very sensitive due to the special need of the products along the supply chain and due to their short periods of validity. Products seasonality causes certain problems for consumer satisfaction. They may get the desired products only for short periods of time, when local producers can afford to keep the products properly.

The competition is strong on other channels too. One farmer said that “*it is very difficult to be known by clients especially in food markets*”. Another issue is related to the local food prices. Farmers consider that they cannot set a fair price for their products because of the intermediaries or the competition. This seems to be a big problem for all respondents. Competition in the store is quite strong because there are products in the same category at significantly lower prices and large losses occur if the products are not sold.



Source: authors' own calculations

Fig. 1. Issues in small dairy farmers' activity

Product storage and transportation are two expensive operations for all respondents. The storage is a necessity for products to remain in good condition, especially fresh cheeses. Hence the need for setting common cold spaces (areas), which could benefit more producers, by reducing storage costs.

All participants consider that they need support in terms of *promoting their products* in an organized way, over a long period of time and at an extended level (regional or national). They suggest organizing events in the area (annually or several times a year) to include the sale of traditional local dairy products or open air markets organised each month in a certain day. Also, they considered as necessary a clearer labelling using local identity elements. Law 88/2016 (the “Dairy Products Law”) provides that labels for dairy products must indicate the country of origin and place of origin of the raw milk used as raw material for consumption and other information such as: the name and identity mark of the packager, the name and address of the processor, particulars such as “natural product” and “Romanian product” (to be indicated under certain conditions), the ratio of powder milk used. Also, there is a need for strengthening the local products identity based on their origin area and registration of trademark.

Generally, the respondents are very resilient to the idea of opening a store (selling point) due to the costs and the lack of experience in this respect. But a presentation store, where local food can be seen and tried by customers is an efficient promoting tool. One example of good practice is in Cumbria, England (FAAN, 2010). A dairy farm has created a farm shop with upstairs café where customers can look through a large glass window into the milking parlour below, so clients are brought closer to the production processes. The small farmers from Romania need to understand that they are not forced to open stores with only one category of products. A good example is offered in Austria. ‘Shop in Shop’ systems offer farmers a shelf in the local shop to sell their products. Farmers organise the delivery to the store and the quantities of products individually. The price is set by the farmers, and the store adds a percentage to cover costs. This system creates mutual benefits for farmers and the shop owner. The wider range of products offered, plus the store’s opening hours, make farmers’ products more easily available for consumers compared with on-farm sales. The store benefits by providing authentic regional products.

Based on the interviews, a *SWOT analysis for local dairy farming* was built:

Strengths: fresh, seasonal food; the possibility of building relationships with customers and gaining trust; control over the final price and increase of bargaining power.

Weaknesses: small production volume and seasonality of production; relatively high cost of selling in alternative chains; low capacity to join existing certification schemes; lack of training, infrastructure, know-how and skills; the cost of regulation/ controls.

Opportunities: big interest in the origin of food and growing interest in buying

“local”; increased consumer motivation for "fair" trade; member states' and regional authorities ready to act/support.

Threats: competitiveness of the business model; difficulties for consumers to recognize "local" food.

4. Conclusions and recommendations

The study revealed some issues related to the short food supply chain in Romania. Managing the activity of selling directly to consumers requires knowledge and skills that farmers do not always have and training is often necessary. By selling directly, a farmer becomes much more than a producer because he is at the same time a marketing agent, a distributor and consumer relations expert (European Commission, 2013). Farmers have to find appropriate facilities and may have to invest in buildings and selling facilities. Another major difficulty for small farmers is the limited range and volume as well as the seasonal nature of produce sold in SFSC and local food systems. This can restrict individual farmers' competitiveness.

Based on the study conclusions, some recommendations could be made for the development of short food supply chains in those regions from Romania with very low density of population, low average income and an ageing population. Local supply and local demand need to be identified, connected and strengthened. There is a need to identify market trends on a timely basis, to develop the potential of the short food supply chains. In order to promote direct connections between producers and consumers, it is useful to have and disseminate information on the farmers, the suppliers of inputs (production, transportation and packaging), marketing arrangements (farmers' markets, inclusive businesses, points of sale etc.), consumer networks etc.

One thing all the policies and projects on short food supply chains have in common is the creation of partnerships and networks in a wide variety of areas and for diverse purposes, and the producers need to take advantage of that. These networks of direct selling points involve different perspectives: the awareness of consumers - they could buy high-quality food and at the same time receive information about that food and its origin, the producers, and about the importance of sustainability, biodiversity and agriculture in general; the involvement of food producers – they became conscious of the new public role they play in the society, emphasising the benefits derived from a short supply chain in terms of turnover, employment, promotion of farmers' activity; the rules followed by the network: the use of the same brand, colours, tablecloths and other marketing signals; the acceptance of the Regulation about the use of the brand; the acceptance of common behavioural rules etc., the training – organized for farmers participating in direct selling to prepare them for some of the key issues related to marketing, labelling etc.

Campaigns are needed to inform people of the benefits of consuming natural products as opposed to highly processed alternatives. Bringing together representatives of all of these areas, as well as farmers and farmer organizations, food marketing agents, and civil society, to discuss short food supply chains and agriculture can contribute to the discussion and design of broad-reaching and sustainable policies.

By connecting consumers to producers through short supply chains, both these issues could be solved: the social and economic fragility of rural areas and the urban need for good food.

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