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Organic marketing in Estonia

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Abstract. In order to foster organic marketing in Estonia, a farmer survey was conducted among organic farmers to determine where organic food is sold and how many farmers use organic labelling. A postal questionnaire was sent to 880 organic farmers, who had passed conversion periods. 313 farmers answered and 202 marketed at least one product. Estonian farmers use many different selling channels – from farm, delivery to customers, industry, processors, local markets, small shops and supermarkets, schools, kindergartens, hospitals, producers cooperative. The most common marketing channels are direct sale from the farm (88%) and delivery to customers (57%). 35% of farmers sell their products to the conventional food industry and/or processor, because there are only a few organic food processors. The reasons why organic food is sold as conventional are the absence of organic retailers and processors, especially in animal husbandry. The most common way to refer to organic farming is oral information. Only 15% of farmers use the Estonian organic logo on their products.

Key words: organic marketing, Estonia

INTRODUCTION

One of the key factors for developing organic farming is marketing. The organic market in Estonia is at the emerging stage with the market share of 0,5% (Liivaauk, 2008). But, by the proportion of organic land, Estonia is in the 7th place in the world with 8,8% of all agricultural land in use (Willer & Kilcher, 2009). This is due to the fact that over 80% of organic land is grassland which has potential to produce more organic meat and milk. Today, the main constraint is the lack of organic processing possibilities. Organic farming support has been paid in Estonia yearly from 2000. Since joining the EU in 2004, the basis for the distribution of support money has been the agri-environment support of the Rural Development Plan. By applying for support, the applicant assumes the duty to continue organic farming for at least five years. There are no special supports for organic processing and marketing (Vetemaa & Mikk, 2007).

In 2008, there were 1245 organic producers and 33 organic processors (PPI, 2009), but the selection of organic food on the market lacks variety at present. In 2008, there were 311 different products sold in the market. The most common products are dried herbal blends and tea, potatoes and vegetables, flour and grain produce (bakery products), milk products (cottage cheese), meat, honey, fresh berries, fruits and eggs (Liivaauk, 2008). The majority of the products are not processed. Cereal products, sweets and snacks, juices, coffee and other dried goods are the most common imported products on the Estonian market.

Consumer awareness and demand for organic food continues to grow every year. In order to foster organic marketing in Estonia, a farmer survey was conducted among organic farmers to determine where organic food is sold and how many farmers use organic labelling.

MATERIALS AND METHODS

A postal questionnaire about organic production and marketing in 2006 was sent to 880 organic farmers who had passed conversion periods in the summer of 2007. Farmers from Hiiumaa were questioned during another project but they were also asked to return this questionnaire. Total of 313 farmers replied and 202 marketed at least one product. The questionnaire contained 31 optional questions about general farm information, marketing, processing and future plans. This paper focusses on 21 questions about marketing and processing. Farmers were asked where they sell their products, how many use organic labelling and how they refer to organic farming. Also the favourable and constraining factors for marketing and the preferred marketing channels were identified. Interest in processing of organic food and the current proportion of farmers who process something were also identified.

The questionnaire was conducted by the Centre of Ecological Engineering during evaluation of the RDP agri-environmental measures (coordinated by Agricultural Research Centre).

RESULTS AND DISCUSSION

Estonian farmers use many different selling channels (Fig. 1) – direct from farm, delivery to customers, industry, processors, local markets, small shops and supermarkets, schools, kindergartens, hospitals and producers' cooperatives. The most common marketing channels are direct sale from the farm (88%) and delivery to customers (57%). The situation in Latvia is the same - most local organic products are sold direct from the farm. There are few organic shops in Latvia and only 2 supermarkets which sell some organic goods. Some products are sold to kindergartens, schools and about 10 restaurants (Zarina, 2006).

Selling from the farm is more comfortable and profitable – no time for transportation, no costs and you can also ask a somewhat higher price. The share of direct marketing has increased during recent years and this shows that organic farmers have a regular circle of customers. By direct sale, it is also meant that customers go to the farm, for example, to pick berries and fruits themselves. But, this means extra work for farmers and the need to provide extra facilities – for observation, to ensure that work is correctly done, provision of parking spaces, lunch possibilities etc. 21% of farmers use local markets as one marketing channel. Small areas of vegetable, berry and fruit production are the reason why direct marketing is common in Estonia; transportation costs make farmers target local customers.

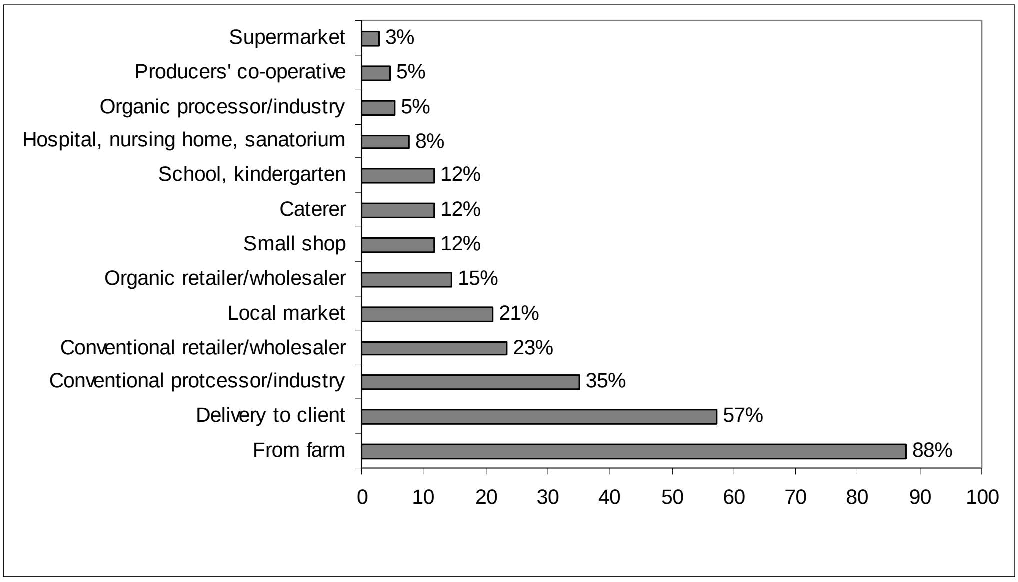

Fig. 1. Marketing channels in 2006 (% of respondents).

35% of farmers sell their products to the conventional food industry and/or processor. The reasons why organic food is sold as conventional are the absence of organic retailers, wholesalers and processors, especially for meat products.

12% of organic farmers use small shops (including organic shops) as a marketing channel and only 3% use supermarkets. Considering that informed consumers live near these shops, Estonian organic farmers should use these channels more. In Germany, 50% of organic food is sold in special organic supermarkets and this trend continues to grow (Rippin, 2008). Also, in Lithuania, the most important marketing channels are supermarkets that offer nearly 200 different organic products. Fairs and exhibitions are also important, especially for vegetables, potatoes and fruits. Direct sale and small shops have a marginal share. This shows that collaboration between farmers is well developed and they have entered the market successfully (Rutkoviene et al., 2006).

Although 12% of farmers sell to schools, kindergartens and caterers it is probably done without conscious organic marketing, but as local marketing without reference to organic farming.

The most preferred marketing channels (Fig. 2) for the future are direct selling from the farm (84%), organic wholesaler (65%) and organic processor/industry (61%). All three channels enable reference to organic farming. So we can assume that most organic farmers want to use organic labelling. The situation in 2006 when there were only 14 certified organic processors unfortunately did not enable it. Even though the number of certified processors grew to 33 in 2008, there is still a shortage of processed organic products (PPI, 2009) and farmers can not meet consumer demand. In order to foster certified organic processing, small-scale processing training and investment support are needed. Only 15% of farmers wish to sell their products in the local market, because it needs equipment (stalls, tents etc), time and transportation.

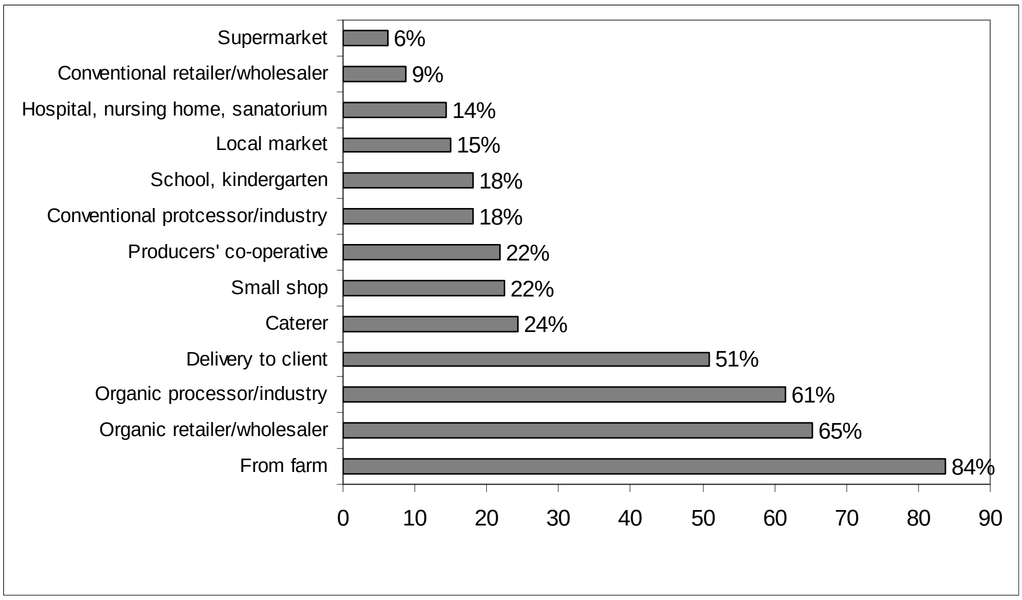

Fig. 2. Preferred marketing channels in the future (% of respondents).

Sales in the local market have reduced in recent years, because people prefer supermarkets. 85% of Estonian consumers wish to buy organic food from supermarkets and 45% prefer local markets (Pehme, 2008). This is due to the fact that supermarkets are open for a longer time and are located near their workplaces or homes.

24% of respondents wish to sell their products to caterers and 18% to schools and kindergartens. Local, healthy and organic food is becoming more important every year. The United Kingdom has taken major steps to improve school and kindergarten meals. In 2003, the Soil Association founded Food for Life to help schools source fresh, local and organic produce and give pupils the chance to visit farms to see how their food is produced (Food for Life Partnership Annual Review, 2008). In January 2009, there were 37 businesses licensed by Soil Association Certification Ltd to run organic catering and/or restaurant operations (Cottingham & Leech, 2009). Public catering is very important and the public sector in Estonia should take the lead and also encourage farmers to sell through these channels.

81% of farmers refer to organic in one or many ways. Absence of organic wholesalers, processors (including butchery) and price difference are the three main reasons, why organic food is sold without an organic label. Another reason is the legislative requirements of organic food processing.

The most common way to refer to organic farming is by oral information (87%), because selling direct from the farm is most common. 17% of farmers use a written label on the pack and only 15% of farmers use the Estonian organic logo on their products. 13% of farmers refer to organic farming at point of sale by a written sign and/or organic label. Farmers will be more motivated to use an organic label when consumer demand and awareness increases further, because labelling will give consumers the advantage to distinguish between organic and conventional food. Processing and bigger production quantities will help to improve written labelling, because labelling costs are then smaller. Organic wholesalers are needed in order to plan production and logistical questions, which will help to increase organic processing opportunities. This then enables to ask a higher price for organic food. Small quantities of produce encourage selling direct from the farm, but this does not motivate the use of an organic label. The biggest constraints to organic marketing in the farmer's opinion are small organic production quantities (58%) and unfavourable policy of retailers and processors (54%). Supermarkets expect a constant supply all year round but it is impossible for small organic farmers to meet these demands. Distance from the market is a hindering factor for 37% of respondents. The largest consumer markets are in Tallinn (North-Estonia) and Tartu (South-East Estonia), but organic farms are scattered all over Estonia. Legislative requirements (25%) and insufficient information (21%) are also mentioned as constraints to marketing. By insufficient information farmers can mean both consumers' low awareness and their own inactive marketing activities and knowledge. To foster marketing, farmers need marketing training and guidelines for different marketing strategies and legislative requirements.

Actions that would improve organic marketing (Fig. 3) in the opinion of farmers are collaboration, processing, consumers' higher purchasing ability, higher price and greater awareness of healthy food and the environment. To solve logistical and organic production supply issues, a marketing centre should be established, which would produce advisory leaflets for farmers, and communicate with retail sellers. In order to develop co-operation, financing and marketing training are needed. 40% of respondents think that export would improve their marketing. At present, export of organic food is nearly non-existent in Estonia.

Processing is a way of adding value to a product and 37% of farmers are interested in it to some extent. In 2006, only 17% of farmers processed their products. Most of it was used for individual consumption. Farmers are most interested in processing cereals, berries and meat. Starting small-scale processing is expensive and time consuming, and also needs training - from hygiene to marketing. One way to increase processing opportunities is to use school kitchens. Rentable and transportable kitchens are also one option, but at present not possible in Estonia.

Fig. 3. Factors for improving marketing (% of respondents).

CONCLUSIONS

Direct marketing is the main marketing channel in Estonia and oral information is the main way to refer to organic farming. As consumer demand and awareness continues to grow, farmers will be more motivated to use an organic label on their products. Opportunities to process organic food will enable use of various marketing channels and increase the use of organic labels.

Farmer collaboration and training about marketing and processing are needed in order to improve organic marketing. To solve logistical and organic production supply issues, a marketing centre should be established.

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