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Semi-Subsistence Farms and Alternative Food Supply Chains

Matthew Gorton, Cristina Salvioni and Carmen Hubbard

As food processing and retailing in Europe have become ever more concentrated, concerns have risen regarding the marginalisation and exclusion of semi-subsistence farms (SSFs) from conventional food supply chains. Particular anxieties relate to the ability of SSFs to meet quality and quantity requirements, and their decreasing share of consumer food prices. This has stimulated interest in alternative supply chains, in particular direct marketing, and geographical indication (GI) schemes. Underpinning both direct marketing and GI schemes is a belief that the future viability of small-scale producers in the EU is likely to hinge on quality rather than consumer cost. This article reviews evidence to date on SSFs ability to improve the value added of their output.

Short Supply Chains and Direct Marketing

Short or direct supply chains are defined as those having no more than one intermediary between the farm producer and the final consumer, e.g. farm shops, farmers' markets, and community-supported agriculture. The engagement of small farms in short food supply chains varies across EU Member States (MSs). Direct selling is relatively uncommon in northern Europe, but far more prevalent in Mediterranean countries and in some New Member States (NMSs). For instance, in 2007, for less than 0.2% of farms in France, Germany, Spain and the UK did direct sales account for more than one half of the value of their output. Yet at the same time there were 384,995 Polish farms (16% of the total) for which direct sales accounted for over half of total sales value.

In some NMSs, the prevalence of direct sales reflects longstanding traditions of smallholders selling produce at markets. For some farmers, such marketing offers attractive higher margins. However, it may reflect exclusion from conventional food chains because of insufficient output or quality certification, which forces such farmers engage in informal sales to neighbours, and to the wider public directly.

In assessing whether short supply chains can provide better returns to farmers, it is important not to over-generalise the degree of consumer engagement. Many consumers are rather uninterested in food generally and in provenance / food miles specifically. Some remain very price-sensitive, and, while acknowledging benefits of small-scale local production, are unwilling to pay a price premium. For others, convenience remains critical, so that speciality retailers, box schemes and farmers' markets are eschewed in favour of the 'one-stop' shopping offered by supermarkets and hypermarkets (Weatherell et al. 2003).

Experiences from Hungary highlight some of the difficulties of direct marketing for small and SSFs. 13 per cent of sampled Hungarian consumers buy directly from farmers, with three-quarters agreeing that it is “important that their buying could help the livelihood of farmers”. However, only 37 per cent said that they would pay a 10 per cent price premium to improve the livelihoods of local food producers. Attempts to create new farmers’ markets in the countryside have been rather unsuccessful, as inhabitants or their relatives produce similar products to what is on offer for sale, and purchasing power is low. The most successful farmers’ markets, in terms of raising sale prices, have been in Budapest, amongst middle-class ‘concerned consumers’. There is thus often a mismatch between the locations of farms most in need of adding value (i.e. remote rural areas) and market potential (i.e. significant numbers of consumers with both interest in high-value products and sufficient income to purchase them). Similar problems prevail in Romania.

Direct marketing of farm products is most developed in Italy, where the number of farms involved in such activities rose by 64 per cent between 2001 and 2009. Rocchi *et al.* (2010) identified two clusters of consumers who patronise farmers’ markets and shops in Tuscany. The first group have a positive attitude towards environmental and rural development goals and are willing to participate in food-related ‘social’ events. In this cluster, those aged between 34 and 56 years, educated to degree level and with above average incomes are overrepresented, and price is not their primary criterion in food choice. The second group is characterised by lower levels of education and more modest incomes. They lack confidence in formal certification systems, and place greater trust in local products. Price is important for these consumers, who regard direct marketing as a good compromise between food quality and economy.

In Italy, the main supply side initiative for stimulating direct farm sales is the programme *Campagnamica* (friendly countryside) developed by Coldiretti, one of the largest farmer organisations. Coldiretti organizes approximately 1,100 farmers’ markets nationwide. The emphasis has been on competitive consumer prices while still providing farmers with improved returns. Market research suggests that offering lower prices than supermarkets for fresh produce is central to the long-term sustainability of Italian farmers’ markets. One innovation has been to develop new formats for connecting with consumers who may not visit conventional farmers’ markets. For example, many farmers’ markets open in the afternoon and on Sunday rather than only in the morning as with conventional markets.

On the demand side, one innovation has been consumer purchase groups, known as *Gruppi di acquisto solidale* (GAS). These groups purchase collectively through direct relationships with producers, according to shared ethical principles (the ‘solidarity’ concept). In reviewing these schemes, Brunori *et al.* (2012) suggest that, while there are opportunities for expansion, significant barriers to farmers’ participation exist. These include insufficient communication skills to build close relationships with consumers, a lack of logistical services and infrastructure, and the significant amount of time farmers have to devote to marketing and travelling.

At the EU level, the recent so-called Quality Package (Regulation (EU) No. 1151/2012) requires the European Commission to examine the case for a new local farming and direct sales labelling scheme, to aid producers in marketing their produce locally. However, an EU-wide labelling scheme could be difficult to enforce,

generating problems of credibility, and 'local' in itself may not deliver the attributes expected by consumers. While many foods possess small-scale sources, short supply chains, environmental benefits and superior sensory qualities, 'local' does not *guarantee* these outcomes – large 'industrial' farms must be close to somewhere, and the output of small farms can be of poor quality. Thus the use of 'local' as a quality mark appears limited.

Geographical Indication Schemes

The main EU geographical indication schemes are Protected Designation of Origin (PDO) and Protected Geographical Indication (PGI) labelling. Engagement with these initiatives varies significantly between countries. Italy, France and Spain have the highest number of protected products (504 collectively by August 2013) while, by this date, Bulgaria and Romania each had only one approved designation (PGIs *Gornooryahovski sudzhuk* and *Magiun de prune Topoloveni* respectively). Despite the importance of the small-farm sector in the latter countries, the number of protected designations is unlikely to rise dramatically soon. As in most of the NMSs, their small-scale farms produce a similar range of products (chickens, pigs, fruit and vegetables, maize, etc.) which are not amenable to obtaining protected status.

Census (2010) data indicate that just over 9 per cent of Italian farms of 5 ha and larger were part of a PDO/PGI scheme, and 6.8 per cent of farms under 3 ha. In some instances, protected designations have improved farm-gate prices. For example, for *Toscana* extra virgin olive oil and *Mela Val di Non* apples, farmers in strong and well organised consortia receive a significantly higher share of the final retail price compared with comparative non-designated products (London Economics, 2008). However, in other instances, retail price premiums for PDO products appear negligible, or are captured largely by wholesalers and retailers (IPTS, 2006).

In Slovenia, initial enthusiasm for registering protected products was high but results have been mixed. Following EU accession, national policy and Slovenia's 2004-2006 Rural Development Programme actively supported the registration of protected agricultural and food products, and over 40 products entered EU food quality schemes. However, by 2010 one half of these products had no functioning consortium (e.g. lack of active / certified producers), often due to insufficient demand, or poor marketing. Publicly supported (and co-financed) certification raised producer expectations regarding reputation and brand visibility, and higher prices. However, after withdrawal of (temporary) support, producers were obliged to cover the costs of participation and monitoring themselves, and consortium membership fell.

Poor consumer awareness of PDO/PGI schemes is a major barrier to them generating additional value added for farmers (van der Lans *et al.*, 2001). In the UK, a survey found that only 10 per cent of consumers recollected seeing a PGI logo. Historically in northern Europe, there has been also little interest in the EU schemes from producers. For example, 61 per cent of English regional food producers surveyed in 2005 had not even heard of such designations (Gorton and Tregear, 2008). Those that did seek protected status tended to regard the schemes as a way of defending their products from cheaper 'copycat' versions rather than as a positive attribute that could be integrated into marketing.

Conclusions

Direct marketing is not a novel strategy and for some SSFs does offer a route to obtaining higher margins. However, significant barriers to expansion remain, in terms of the nature of consumer demand (preference for supermarket convenience and reluctance to pay extra for 'local' amongst some consumer segments) and on the supply side (farmers may lack: skills to build close relationships with consumers, logistical services and infrastructure, or time to devote to marketing). Evidence to date suggests that the impact of PDO/PGI designations depends on the prestige and market of the product *prior* to designation, effective consortium leadership, and consumer recognition of the product and willingness to pay a premium.

Further Reading

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Summary

The engagement of small farms, including semi-subsistence farms (SSFs), in short/direct food supply chains varies significantly across EU Member States (MSs): it is far more prevalent in Southern EU MSs and in some New Member States (NMSs), such as Poland and Romania, than in North-West Europe. Farmers' markets, the most prevalent form of short/direct food supply chains, are most successful where they target 'ethically concerned' consumers and those for whom direct relations with producers are considered as the main guarantee of quality. Such consumers are typically middle-class urban residents, so that successful farmers' markets are often located some distance from the point of production. Engagement with geographical indication schemes (e.g. Protected Designation of Origin and Protected Geographical Indication labels) also varies significantly between MSs. In some MSs (e.g. Romania), despite the importance of the small-farm sector, the number of protected designations is negligible, and this is unlikely to change soon. In some cases, particularly in Italy, the involvement in quality schemes has led to farmers receiving a significantly higher share of the final retail price. Generally, however, protected designations have had most impact in safeguarding products with pre-existing widespread prestige, rather than serving as a mechanism for creating it.

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