

Direct marketing practice in Hungarian agriculture

Přímý marketing v maďarském zemědělství

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Abstract: Farm-sale, also known as direct sale, provides major opportunities to farmers in the future. This kind of sale is of increasing popularity in Europe, but farmers have to be familiar with the regulations concerning processing and sales. Mainly small and medium farmers prefer direct sale. In this activity, they must compete with an increasing number of hypermarkets, supermarkets and wholesale markets. When talking about direct sale, it means that farmers sell their products directly to customers. There are more options: (i) sale in their own shop, (ii) through a catalogue and (iii) delivery to restaurants and shops. It has to be mentioned that the development of special local products means the products representing a common local value and principally those that can be associated with a specific village due to their historical heritage or tradition. There is no standard or official definition for special local products that includes all the possible factors. Efforts of marketing and rural development experts are needed to identify and market these special products to the appropriate consumers. Meanwhile it has to be noticed that, mainly in Europe, the definition and the possibilities of product regulation concerning geographical origin, are clearly defined and well-known. However, the “protection of geographical origin” is not the same issue as “special local products” mentioned above. In a wider sense, these can be described from a marketing point of view as “local product, common product” that interconnect and integrate villages, people and approaches, but are not regulated and protected legally. These products mentioned above reach the consumer in relatively small quantities, through direct sale, and they are often attached to the services of rural tourism. The local products are also developed to ensure high quality products for the consumer or to attract tourists. People can be proud of them since they cannot be bought anywhere else. Advisers are also helping farmers choose the right sales channels to diversify their marketing activities.

Key words: direct sales, local product, diversification, tourism, quality

Abstrakt: Prodej ze dvora, známý také jako přímý prodej, poskytuje farmářům pro budoucnost hlavní příležitost. Tento typ prodeje nabývá v Evropě stále větší popularity, ale farmáři musí být dobře seznámeni s předpisy a opatřeními týkajícími se zpracování a prodeje. Zejména malí a střední zemědělci upřednostňují přímý prodej. V této své činnosti musí soupeřit s rostoucím počtem supermarketů, hypermarketů a velkoobchodních prodejen. Hovoříme-li o přímém prodeji, znamená to, že farmář prodává své výrobky přímo spotřebiteli. Zde se naskytá celá řada možností: (i) prodej ve vlastním obchodě, (ii) prostřednictvím nabídkového katalogu a (iii) přímé dodávky do restaurací a obchodů. Je třeba zmínit rozvoj nabídky speciálních místních produktů, to jest produktů reprezentujících místní/lokální hodnoty a v zásadě takových, jež mohou být spojeny s určitou obcí ve vazbě na historické dědictví nebo tradice. Neexistuje žádný standard nebo definice místních produktů, který by zahrnoval všechny v úvahu přicházející faktory. Bude zapotřebí určitého úsilí a snahy odborníků na marketing a rozvoj venkova, aby bylo možno tyto speciální produkty identifikovat a vhodným marketingem doporučit odpovídajícím spotřebitelům. Je také třeba si povšimnout, že zejména v Evropě jsou definice a regulace výrobků ve vztahu k jejich geografickému původu jasně definovány a známé. Ochrana geografického původu výrobků však není totožná s problematikou „speciálních místních výrobků“. V širším slova smyslu mohou být z marketingového hlediska označeny jako „běžný místní produkt“, který spojuje a integruje jednotlivé vesnice a lidi, ale není právně regulován a chráněn. Tyto výše zmíněné produkty se dostávají ke spotřebiteli v relativně malých množstvích prostřednictvím přímého prodeje a jsou často spojeny se službami v rámci agroturistiky. Lidé si jich mohou vážit, poněvadž je nelze koupit nikde jinde. Poradci také pomáhají farmářům zvolit vhodné cesty odbytu a diversifikovat tak marketingové aktivity.

Klíčová slova: přímý prodej, místní produkty, diversifikace, turistika, kvalita

In many developed economies, the marketing bill accounts for up to 80 percent of the consumers cost of food. This means the average farmer only receives 20 percent of the retail food price. One way for producers to increase their share in the retail food price is to sell products directly to consumers. This eliminates some of the middle-man activities, such as processing, transportation and storage.

Regulations and practices have been established in several countries in order to insure a safe and healthy product for consumers. The key to direct sale is "mutual advantage". Both producer and customer are winners. The producer has work and gains income, while the customer is provided with healthy food. Hence, the customer does not have to worry any longer about products beyond expiration date that have been repacked or re-dated. Family recipes do not change because quality is more constant (www.ars.usda.gov/main/main.htm).

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Among the classical direct sale channels – beyond those that we have already mentioned – farmers have important sales on their own farms, as well as on wayside stands and on local markets where they sell their own products of the given season. In recent years, more and more organic markets play an important role in the direct sales segment. In the United States and throughout much of the EU, organic products are the fastest growing segment of food sales (www.ams.usda.gov).

Direct sale to customers is most widely found in fruit production. This type of operation is commonly known as "pick yourself" where it is the customers who pick and transport the fruit. Another version of direct sale is when farmers use "mobile shops" to sell their products, so producers transport products to the customers in the city.

The hyper- and supermarkets also recognized the marketing possibilities in product differentiation. That is why there are more and more customer buying options such as ordering products by phone or through internet at the beginning of the week. Producers then

transport them directly to the retailer in a refrigerator van, and avoid many distribution platforms. Lately, restaurants and hotels have also come forward with a higher demand for delivery services from the producer (Hajdú, Lakner 1999).

Recently, the development of IT tools launched the electronic way of direct sales, which is called "internet marketing". It gives a new opportunity to develop direct sale patterns. For example, traditional direct sale methods in wine production can be complemented with internet sales. Several wine producers use it successfully as a response to the increasing number of online wine trading societies. This will be a growing and important marketing method for wine producers as more affluent consumers purchase computers (Rouzet, Seguin 2003).

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MATERIALS AND METHOD

Diversification of agricultural activities

The diversification of activities contributes to the well-being of local people in rural areas. These activities contribute to employment and to the development of industrial and service activities of complementary/outside worker jobs, of commerce and of tourism. They also foster cooperation among many other sectors of the economy.

Many nations prefer that rural economy in the future should remain agriculture and silviculture embraced by processing, services, commerce and a better infrastructure. One of the possibilities to diversify one's activities is to build up a direct sale system – the other one is to produce local specialties (product diversification) of a higher value added. The aims and priorities of the local and EU rural development programs are shown in Table 1 (Fehér, Koródi 2006).

This grouping can be useful in analysing the impacts of diversification. The effects that these measures have on rural society and economy confirm their integrative role. The table above shows that the value added also participates in the development of the direct sale system and fosters multifunctional agriculture.

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Table 1. Links between development measures and integrated rural development

It realises mainly integrated development	It can realise integrated development
Diversification of economic activities	Protection and preservation of cultural heritage
The development of local and agricultural production infrastructure	Reasonable utilization of natural and human resources
Involvement of active population into the flow of information and the creation of rural development information centres	Amelioration of the structure of age and the qualification of the active population and reinforcement of young entrepreneurs' attachment
Amelioration of living conditions	Protection of natural and built environment
Development of local markets and special products	Elevation of the general education of the population
Village development, renovation of villages and farms	Diminution of social and employment strains
Re-establishment of professional and civil communities	Amelioration of social attendance and care

includes all the possible factors. Efforts of marketing and rural development experts are needed to identify and market these special products to the appropriate consumers.

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These products mentioned above reach the consumer in relatively small quantities, through direct sale, and they are often attached to the services of rural tourism. The local products are also developed to ensure high quality products for the consumer or to attract tourists. People can be proud of them since they cannot be bought anywhere else (Lengyel 2004).

RESULTS

Aspects of local product processing and sale

Until now, we have few credible statistical data on the direct sale of farmers' own produced and processed products. The rural development programs can provide a lot of assistance to help farmers' to develop

strategies for direct sales. But specialized advisers are needed to provide farmers with the continuing professional education so they can implement strict food safety regulations and controls.

The advantages of direct sale

- It assists to local job creation
- Growing ability of keeping the population in rural areas
- It increases the value added of the product
- It differentiates and enlarges the supply of the products
- It helps farmers' marketing orientation
- It ameliorates farmers' bargaining position
- It increases consumers' trust and affects the public opinion on food production and supply as a whole
- It augments farmers' income and reduces the claim for social benefits in rural areas
- It heightens the market share of rural areas in the food chain and in services
- It respects environmental and animal welfare requirements
- It promotes the development of rural tourism
- It can reduce the need for and the costs of transportation

Recent case studies prove the inventiveness of country people. Among these studies, the so-called "Kamra-túra" ("Pantry-tour") set the pace (Czauner 2006). Initiated by the Chamber of Agriculture in

the Bács-Kiskun county, the “Kamra-túra” offers more than 100 products of 70 farmers online in Homokhátság (name of the small region) according to their website (www.kamra-tura.hu). The legal terms of retailing processed food products were set in 2006, which spurred the development of farmers’ activity significantly, as it was previously illegal or ambiguous.

According to the new regulations, farmers – once they acquired the license needed – have the opportunity to produce and process “basic agricultural raw material goods” in small quantities. For instance, small producers can slaughter and process poultry and rabbit on their own farms. Larger livestock for resale are only allowed to be slaughtered in the authorized slaughterhouses. However, farmers can process and sell the processed meat products themselves. Rules are simpler for fruit and vegetables (Lehota 2001).

One of the successful elements of this program is that farmers can be familiar with the quality assurance and the rules of food safety during continuing trainings. A significant part of the consumer-focused approach provides opportunity for the consumer to get to know the origin of the food he/she purchased, and the consumer can even make sure on a visit, if he/she wants. As part of the program, the common marketing promotion and communication actions have been set up. This quality assurance program is far ahead of what is often found in non-EU countries, including the United States (www.ams.usda.gov).

The program called “Local products in the Danube Bend and Lower-Ipoly” is another positive example, which was initiated by the Magosfa Foundation (www.magosfa.hu). The products of the area are collected in each settlement and are commonly promoted. Additionally, these products joined the “Danube-Ipoly Green road” opened in October 2006 between Budapest and Parassapuszta, which was the first Hungarian green road (www.magosfa.hu).

It is also important to mention the new direct-from-farm online food-sale networks that are already running in many EU countries. This is part of the popular rural tourism, where the customer can get to know the conditions of food production, and meet the producer in person.

According to the international and Hungarian experiences, consumers increasingly prefer food purchased directly from the producer and they are becoming more interested in organic products. Producers should recognize the opportunities of this trend, and should create the conditions of direct sale and gain the confidence of consumers.

Even though the legal conditions of direct sale are provided, it is important to gain consumers’ confi-

dence in direct sale. That requires a marketing plan designed to reassure consumers that locally produced products are of the high quality.

Despite the fact that agricultural producers do not have the appropriate ratings for retail or processing of foodstuff, they are obliged to respect the basic rules related to food-sale. For instance, if the producer sells the basic product (poultry, rabbit meat) to a local retailer or catering facility, the producer should give the certified copy of the official veterinary document to his business counterpart. In the case of packed goods, the so-called small producer ID, or in the case of honey, the producer ID should be indicated.

Moreover, a special law specifies the necessary marks and information on the packed product. In the case of unpacked basic products, the small producer’s name, address or the farm’s address, the name of the product, the best before date or the guaranteed storage period, storage temperature, etc have to be indicated at the place of sale.

CONCLUSION

In the case of economies in transition, such as in Hungary, the market organisations in the food chains have not yet been established in each field. The lack of these organisations poses numerous difficulties, mainly in coordination. The well-organized nature of large multinational companies eliminates many of these difficulties. A large majority of agricultural producers are more likely to face market uncertainty without possessing the technical knowledge about risk management. This applies especially to small, fragmented farms and the fruit and vegetable sectors.

Why do these agricultural producers want to sell directly to consumers? First of all, they intend to sell continuously and at a higher price, and gain additional income. Furthermore, it is important for them to improve consumer’s opinion of food producers by selling quality goods.

One may ask, which farmers should diversify into direct sales? Mainly those who possess the necessary labour force capacity and knowledge, and where consumers are welcomed, and also where the producers are located close to consumers. In these cases, it is an important task for advisers to get farmers acquainted with related subsidy opportunities, as well as help them combine their forces and take part in continuing training. Therefore, the training and the motivation of advisers is crucial.

It is frequently asked, what are the main principles in connection with direct trade? First of all, one should

respect the appropriate rules and laws, produce a high quality basic commodity, raise buying interest by advertising the goods, and also have the ability to develop a successful marketing strategy that fulfils the needs of the consumer.

To sum up, direct sale is a selling and trading activity performed by a local resident who is involved in primary agricultural production, or a joint or cooperative holding that does not have the legal commercial status, and obligations or financial regulations of that nature do not apply to them.

A common feature is that they sell their products to the final consumer, by-passing the conventional channels of trade and distribution. The vast positive EU experience in the field of direct sale can prove useful when regulations are applied. Furthermore, special education, the intention to change consumer behaviour, and the introduction of successful forms of cooperation are of key importance (Stefler 2005).

The key to successful direct selling is the same as the key to all successful marketing. First the producer must recognize that the consumer is "king". The wants and desires of the consumer, not the producer, must dominate the marketing strategy. So the producer must find the reason why consumers might prefer direct sales to hypermarket sales. Part of the reason might reside with a desire for what the consumer feels is a higher quality or a fresher product. A second reason might be to combine the buying experience with a pleasant drive away from the crowded city and into the slower pace of the countryside. A third reason might be to search for organic or natural products. A fourth reason might be to locate non-traditional products such as hog meat from the old time breeds or eggs from the range-fed chickens. It is may not be enough to just have a high quality product. Often other characteristics of the buying experience are just as important when attracting customers.

But another aspect of successful direct farmer to consumer marketing is the buying experience itself.

The consumer often gets an additional satisfaction by speaking to the farmer, or a member of his family. Some consumers feel this puts them in touch with their roots and reminds them of their childhood. Salespeople dressed in traditional costumes who display products in buildings of the old-time or traditional design might add to the ambience of the buying process. In order for direct farm to consumer sales to be successful, the consumer must enjoy the buying experience. That involves not only a high quality product but also a high quality interaction with the salesperson. A farm to consumer marketing strategy should not overlook the training of salespeople.

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Arrived on 23rd February 2007

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