INCREASING THE COMPETITIVENESS THROUGH THE DEVELOPMENT OF AN INTEGRATED MARKET OF AGRICULTURAL PRODUCTS

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Abstract
In the paper the case of cross-border area of Gorizia in Italy and Nova Gorica, Šempeter-Vrtojba in Slovenia is studied in terms of the development of an integrated market of agricultural products and the supply of services and real assets. Market research includes the analysis of the capacity of local production, the range of local products, and the consumption needs of local products within the study area. The main conclusion is that consumers in first place put the emphasis on the quality of local products and that efficient united selling point for local products needs to be established in order to sufficiently meet consumers’ demand.

Keywords: food security, consumer behaviour, market research, supply chain, Slovenia-Italia

1 Introduction
Rising prices of food, urbanisation and sealing of agricultural land, rising demand for healthier food and food security are the key problems humanity is facing at the moment. In order to feed a population of 9 billion in 2050 will require producing more food with fewer resources, such as productive agricultural land. By 2050 demand for agricultural products is expected to double (FAO, 2009). The rising demand for food on one hand and environmental sustainability on the other, pose an increasing challenge for the further development of agricultural systems on global as well as local level. The main problem ahead is the establishment of effective system of food supply in urban areas. According to the World Health Organization (2014), by 2030, 6 out of every 10 people will live in an urban area. Production, equal distribution and sale of agricultural products for urban areas represent a big challenge for local producers, policy makers and scientists. Food (in)security issues (Allen, 2013) in most of the countries worldwide, with the emphasis on cities has become an important scientific (Ericksen et al., 2009; Barthel and Isendahl, 2013) and political (Kirwan and Maye, 2013; Brooks, 2014) topic. Above all, food consummation is linked to consumer preferences and willingness to pay more for specific foods’ attributes (Vlantzos and Duquenne, 2014). In this study the emphasis is put on consumer behaviour in relation to the decisions of buying locally produced food and therefore supporting local agricultural production in order to meet consumers’ demand.

2 Method
Selected case study area is the cross-border area of Gorizia in Italy and Nova Gorica, Šempeter-Vrtojba in Slovenia. It is estimated that the study area includes 68,000 inhabitants or potential consumers of local agricultural products. It includes small-scale producers in the distance of 50 km from the Gorizia town in Italy. The main aim of the market research is to analyse the capacity of local producers and the extent and conditions of the demand for local products, both in Italy in Slovenia. Market research includes the analysis of the capacity of local production, the range of local products, and the consumption needs of local products within the study area. From February until May 2014 interviews with consumers and producers have been carried out. Randomly selected consumers from Slovenia and Italy were interviewed using guided questionnaire. Producers were first defined by the local experts and interviewed using in-depth questionnaire method. The interviews represent the basis for the further market analysis which includes consumer behaviour, quantity of products required, the development of a range of products, capabilities of producers etc. Market research approach on local production and consumption has been carried out so as to strengthen the system planning and to enable to define the capacities and potentials for the offer and demand of local agricultural products in the study area. All obtained data were statistically analysed using MS Excel statistical tools.
3 Results and discussion
In total 211 consumers and 24 producers were interviewed from February until June 2014. Among all the consumers 68.2 % women and 28.4 % men participated in the survey. The majority of interviewed consumers were aged between 30 and 49 years with the university educational background and the net income between 1,000 and 2,000 EUR per household per month. The survey was answered by the most respondents between the age of 30 and 49 years. The majority of respondents were employed (42.7 %), following the pensioners (23.2 %) and unemployed persons (10.4 %). At the greatest extent households with 2 members (29.9 %) answered the questionnaire, following by the households with 4 members (20.9%). Supermarkets and market stores are the main place of purchase of agricultural products for the majority of respondents (n=150) and place a purchase alone (n=162). Respondents rated the supply of agricultural products on the local level as good, amongst which the quality of products was rated highest. When buying agricultural products, respondents rated the quality of agricultural products first, following the fact that the products are grown locally (figure 1). After quality and local production, comes the price of products. Despite the financial crisis and increasing food prices quality is the most important decision factor when buying agricultural products and it is ranked before the price of products. The majority of respondents (n= 169) have confidence in the quality of local agricultural products. This results from the fact that between 10 and 50 % of local food products are consumed per year in the meals of majority of respondents. Respondents obtain the information on the supply and quality of agricultural products through the information given by their friends and colleagues. This proves that “mouth-to-mouth” promotional channel is the most reliable, regardless of other media present, such as TV, radio, internet, newspaper etc. The survey served also as a promotion tool of the OGV project, which the main aim is to establish a Web community that will connect small-scale agricultural producers with the local consumers. Therefore consumers were asked how much more they are willing to pay for locally products in the OGV system.

![Figure 1: The importance of the purchasing decisions of agricultural products for the respondents.](image-url)
The majority of respondents (n=75) are not willing to pay more, meanwhile 70 responded that they are willing to pay more up to 5% of the total value of purchase. Willingness to pay more is somehow related to the monthly household income. Household with monthly income up to 2,000 EUR are willing to pay up to 1-5% more, whilst the households with higher monthly income (up to 3,000 EUR) are willing to pay up to 5-10% more (figure 2). In the group of respondents who are not willing to pay more, those with monthly income up to 2,000 EUR dominate.

Figure 2: Co-relation between respondents’ monthly household income and their willingness to pay more for the locally produced agricultural products and its distribution within the system of OGV (Ortigoriški Goriški Vrtovi) project.

The in-depth interviews with local producers showed that the local production does not meet consumers’ demand in the area. Most of the producers sell their products at the local farmers’ market and at home. According to their opinion marketing of local agricultural products needs to improve and the united selling point, such as web shop needs to be established. The majority of producers are willing to enter into OGV system of online shop and thus provide greater opportunities for selling their products locally. The analysis of the capacity of local producers showed that local production is still lagging behind the demand for these products in the area. The market research of local demand and production set a base for the preparation of business plan for further increase in production and local product consumption.

4 Conclusions
The results of market research analysis in the cross-border area between Italy and Slovenia show that consumers are well informed about the importance of healthy and locally produced agricultural products. When buying agricultural products, respondents rated the quality of agricultural products first, following the importance that the products are grown locally. On third place comes the price of products. One third of respondents are willing to pay up to 5% more for the products within the OGV system, which includes local production and distribution of locally produced agricultural goods. Majority of interviewed producers are willing to enter into OGV system of online shop and thus provide greater opportunities for
selling their products locally. The market research revealed that there are options of expanding local agricultural production in order to meet the consumer demand in the study area. Due to the small-scale agricultural production and dispersed farm location, united selling point is necessary. This point will represent a good option for optimising the logistics between producers and consumer and will enable the efficient and flexible way of selling local agricultural products. Above all this will encourage small scale producers to become more market oriented and therefore more competitive.

5 References


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