Virag Szabo, Kinga Nagyne Percsi

Szent Istvan University, Hungary

THE CONSTRAINTS OF THE MARKET ACCESS IN CASE OF THE HUNGARIAN ORGANIC ANIMAL PRODUCTS

OGRANICZENIA W DOSTĘPIE DO RYNKU NA PRZYKŁADZIE WĘGIRSKICH EKOLOGICZNYCH PRODUKTÓW ZWIERZĘCYCH

Key words: solvent demand, co-operation, local marketing, sustainability, land protection
Słowa kluczowe: popyt rozproszony, współpraca, marketing lokalny, równowaga, ochrona ziemi

Abstract. The aim of the article is to give an insight to the problems of the Hungarian organic farming and to highlight the areas which should be developing in order to improve the domestic market and access more export market. This article presents the results of two surveys. Questionnaires were sent to the Hungarian organic farmers. The questions in the questionnaires differed from each other since the aims of the surveys varied. The answers received and the information gathered served as a good basis for the analyses of the state of the sector and the factors which impede competitiveness. No obvious relation can be found between the increase of stakeholders integrated in the supply chain and the extent of the farmers' share from the profit on products. In organic animal keeping, long-term relations are characteristic, which rarely work without problems. According to the farmers' opinion, the most important hindering factors of production are the lack of solvent demand and adequate promotion activities, also underpinned by the two empirical surveys.

Introduction

The state of Hungarian organic animal stock

Hungarian organic animal stock has gone through significant changes in the past 10 years. The number of animal keeping farms grew double between 2001 and 2004 however, since EU accession, it has been decreasing steadily. The decrease had a slow pace at the beginning but after 2008 a drastic decline has been observed.

In the annual reports of Biokontroll Hungária Ltd., no published data can be found relating to the number of organic animal keeping farms from as of 2009. By reviewing the size of livestock units, it can be concluded that farms achieved the highest livestock unit increase between 2008 and 2009. Livestock unit increases between 2001 and 2002 and between 2004 and 2005 were also significant. In all three cases, subsidies were paramount to the increases. The first Agricultural Environment Protecting Programme (AEPP) was accepted by government decree number 2253/1999 (X.7.), in the frame of which the most frequently applied targeted programme was organic farming and meadow using programme [Szabó et al. 2003]. Later the AEPP was integrated with the Agri-Environment Related Measures of National Rural Development Plan and more organic targeted programmes were formulated for separate sectors [Ángyán et al. 2002].

The second period of agricultural environment subsidy applications was in 2009. Within its framework further organic targeted programmes were announced. Due to an increase in farm livestock and a decrease in the number of animal keeping farms, a strong concentration process, underpinned by the index of livestock unit per farm doubling from 2008 to 2010, could be observed.

It can be stated that the number of animal keeping farms did not change as a consequence of the subsidies offered. Therefore, it can be concluded that these subsidies did not motivate the farmers enough. In 2011, the number of farms dropped back to the level reached in 2001. Thus, for a decade, apart from observing a hike at the time of EU accession, not enough animal keeping farms serving as a stable, long-lasting base for the production and provision of a proper cycle of organic farming were formed.

Table 1. The state of Hungarian organic farming between 2001 and 2011
Tabela 1. Stan węgierskiego rolnictwa ekologicznego w latach 2001-2011

Year/ Rok	Total number of farmers/ *Całkowita ilość rolników*	The number of animal keeping farms/*Liczba gospodarstw rolnych hodujących zwierzęta*	The proportion of animal keeping farms and total organic farms/ *Odsetek gospodarstw rolnych hodujących zwierzęta w odniesieniu do wszystkich ekologicznnych gospodarstw rolnych [%]*	Livestock unit/ *Jednostka inwentarza żywego*	Livestock unit/ *Jednostka inwentarza*	
					per animal keeping farm / *na gosporarswo rolne hodujące zwierzęta*	per 1 ha/*na 1 ha*
2001	886	72	8.13	8387	116.49	0.1
2002	1116	83	7.44	11 855	142.83	0.1
2003	1239	137	11.06	11 210	81.82	0.1
2004	1404	160	11.4	12 254	76.59	0.1
2005	1334	156	11.69	15673	100.47	0.1
2006	1233	148	12	14 931	100.89	0.1
2007	1185	134	11.31	16430	122.61	0.1
2008	1151	113	9.82	16111	142.58	0.1
2009	1541	n.a.	n.a.	20542	n.a.	0,2
2010	1493	62	4.15	20182	325.52	0.2
2011	1345	68	5.05	n.a.	n.a.	n.a.

Source/*Źródło:* Biokontroll Hungária… 2001-2011

Table 2. Changes in the organic animal population between 2003 and 2010
Tabela 2. Zmiany w populacji zwierząt hodowanych ekologicznie w latach 2003-2010

Year/ *Rok*	Poultry/ *Drób*	Buffalo/ *Bawoły*	Sheep/ *Owce*	Goat/ *Gęsi*	Horse/ *Konie*	Pig/ *Świnie*	Cattle/ *Bydło*	Total/ *Razem*	Growth/ *Wzrost [%]*
2003	85.4	289.2	2273	260.5	341.2	444.8	7503.4	11197.5	
2004	147.2	327.4	2121.8	252.8	247.3	703.5	8419.4	12219.4	9.1
2005	144.15	348.1	2087.57	200.88	209.8	527.19	12112.6	15630.29	27.9
2006	108.02	345.3	1676.95	284.42	386.74	655.8	11453.1	14910.33	-4.6
2007	188.5	539.2	1255.95	304.26	229.92	830.45	13046.1	16394.38	10
2008	145.01	938.6	1108.7	204.13	73.04	1001.87	12608.6	16079.95	-1.9
2009	938.74	1019	1601.85	279.45	140.8	2232.5	14356.4	20568.74	27.9
2010	748.8	933.4	1167.45	250.8	143.4	1530.7	15406.6	20181.15	-1.9

Source*:* see tab. 1
Source: jak w tab. 1

Furthermore, "the distribution of the animal population is unequal, less than 10% of farms keep animals" [Hoffman, Poór 2009]. This value also worsened. In 2011, approximately 5% of farms kept animals. This is underpinned by the fact that disproportionately few animals cover a hectare of controlled organic land. The value is 0.1 and the required number would be 1-1.5, which is 10-15 times higher than the recent level [Solti 2006, cited by Földes 2008]. In Romania the livestock unit per hectare is just on the same level as in Hungary, but in the Czech Republic this value is four times higher and in Slovakia five times higher than in Hungary. In Germany, Austria and Slovenia the livestock unit index is approximately 1 [Radics et al. 2006, cited by Földes 2008]. This rate has improved from 0.1 to 0.2, but still this value lags behind in comparison with the level of indices from years before in neighbouring countries. Additionally, the composition of the animal population is also unfavourable.

On the basis of data of Biokontroll Hungária Ltd., 76% of the total animal population comprises of cattle. If the population of buffaloes (~5% from the total) is added to this number, then the total

population of ruminants form 79% of the organic animal population. "If it is considered that the majority of this animal population lives in national parks, then it is clear that only a small proportion reaches consumers as organic meat." The root cause of the size of the Hungarian organic cattle population is that 57% of controlled organic land is utilized as meadows, pasture lands and extensive lawns [Solti 2012].

From 2008 to 2009, a significant increase in the poultry population can be observed, giving a total 66000 in 2009. In 2010 the poultry stock grew further to 68000. Hungaria Öko Garancia Ltd., controlled approximately 43000 poultry in 2010, all together giving a total of 110 000 organic poultry in the country. This growth has taken place within the last few years. Earlier poultry formed a negligible segment of organic animal keeping. The aim of the article is to give an insight to the problems of the Hungarian organic farming and to highlight the areas which should be developing in order to improve the domestic market and access more export market.

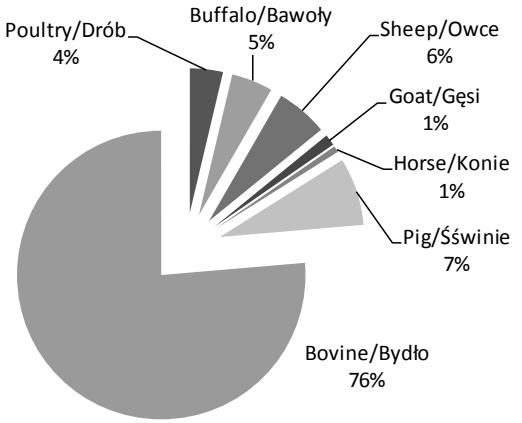

Figure 1. The structure of organic animal keeping
Rysunek 1. Struktura ekologicznej hodowli zwierząt
Source*:* see tab. 1
Source: jak w tab. 1

Research material and methodology

We use the results of two empirical surveys to formulate our consequences. We ask the organic animal keeping farms and organic farmers (plant growing and animal keeping) in the frame of the survey. The questions of the two surveys were different since the two surveys had varying aims. The answers received and the information gathered served as a good basis to investigate the state of the sector and barriers of competitiveness.

In the case of the first survey, questionnaires were sent to farmers keeping grey cattle and pig, on the basis of a list of farmers published on the website of the Hungarian Association Biokultúra. This is a publicly available list. We had choosen those farmers from the list who keep cattle and/or pig. We did not investigate the poultry keeping enterprises. It is worth to mention connecting to the abovementioned that 75% of the total organic animal population is cattle. We found 28 enterprises in the producers' list who has cattle and pig at the time of our survey. The survey was carried out in October 2012.So initially 28 farms were to be interviewed. Finally, data was collected from 11 farms, constituting 59% of the farms listed. The questionnaires were sent to the farms together with a return envelope by post.

The questionnaire contained open and closed questions. Altogether there were 30 questions in this questionanaire, the aim of which was to gain general insight of the recent state of organic animal keeping.

The second survey was carried out in March 2013. In this case, the questionnaire was created on-line. From the two controlling organizations, the Hungária Öko Garancia posted the questionnaires on its website, so the answers gave information on the group of producers controlled by them. In 2011, there were 159 enterprises under the inspection of the Hungária Öko Garancia

Controlling Body. The other inspection body (Biokontroll) also offered its assistance, but they want to send out questionnaires to the producers in paper form and collect them. Since this process is time-consuming, it was not possible to use these data in this article.

The questionnaires posted online could be filled out by every farmer irrespective of circle of the farms' activity. Therefore we choose out those farmers from the responders who keep animals and/or have animal product processing activity. We analysed only their data. Altogether,

18 enterprises had animal keeping or/and related processing activity. The questionnaire consisted of 40 questions compiled to gain insight on marketing channels, length of supply chains, characteristics of supply chains, characteristics of marketed products and formation of price beyond the general characteristics of organic farming. We proceed the answers of the questionaires by simple statistical methods in both cases.

Research results

The results of the first survey can be summed up as follows: 91% of respondents have their own land as well as rented land. The area of private land varies from farm to farm, 15 hectares to 300 hectares. The average size of private land is 84.25 ha. The biggest rented areas have 16 000 and 5 086 ha; the smallest has 5 ha. The tenancy in the contracts typically lasts for 5-10 years. It is rarely the case that they last 10-15 or 20 years (only three such instances). The average area of rented land is 2 714 25 ha. The farmers use 39.37% of the land as pasture land; the remainder is meadow or arable land.

Several farms that took part in the first survey are not only engaged in grey cattle and mangalitza pig breeding but also in native sheep, poultry, horse, and buffalo keeping and breeding. 33% of the surveyed enterprises have a processing plant and 11% have a slaughterhouse. On the basis of the collected data, it can be observed that the responding farmers usually employ 1-5 hands of labour and, in many cases, family members get involved in farming.

Typically, there are more animal health inspections per year if a farm has a meat processing plant. In other cases, there is one inspection per year or one inspection every second year. Compliance with hygienic requirements is found to be very difficult or difficult by every farmer questioned. This answer was only explained in one case whereby it was stated that the infrastructure of the rented area and other conditions were not adequate. Meeting animal health and veterinary requirements can cause problems because, in many cases, these animals are put in pastures surrounded with electric fences for most of the year, so these animals are wild and cannot stand the closeness of people. Taking blood tests and other examinations can be very dangerous.

Problems also emerged in connection with the acceptance and observation of food safety system requirements. Inspection is not standardized and penalties are often handed out without any rational reason, thereby hindering the production processes of small enterprises causing them serious handicap in competition. It is worth noting that this phenomenon is not only characteristic for organic production and Hungarian companies. The problem of accepting, knowing and understanding food safety law and food safety principles is widespread among small and medium sized enterprises in many EU countries [Yapp, Fairman 2006]. From information gathered in the questionnaires, the slaughtering and processing plants processing organic products were of the opinion that health rules and inspections are very useful, but the controlling procedure and criteria should be changed to help quality product production.

In the group of plants co-operating with other (slaughtering, processing) plants, there are big differences in opinions concerning the assessment of connections. 30% of respondents think that the relation functions well, while the opinion of the remaining 70% varies. There are few who think it functions well but the opinion is very one-sided - the processor dictates the conditions. In other cases the farm feels its state is vulnerable and dependent. There are also relations which fail to operate successfully. The leaders of the farms feel that they cannot solve many problems, which often means that such relations are broken in the long-term.

45% of producers only market products at a local level. 33% sell products inland and abroad, while 22% only sell only on the domestic market. According to the data of the survey, only 20% of respondents chose retail chains as the main marketing channel. Others regarded local markets, small retailers, co-operations, and direct sale as the main channels.

In many cases, becoming part of a retail chain is not an aim for the surveyed farms. They prefer local markets and local retailers because this is more in line with the fundamental principles and values of organic farming.

What is worrying is the fact that not one of the surveyed farmers undertakes conscious marketing activities and only one enterprise, from the responding organizations, use professional help to solve this problem. The others try to do something of their own accord. Some enterprises believed that their products are fairly known and thus do not need to undertake any marketing activity. Farmers primarily promote themselves through the internet and next through local and national media, although there was one respondent who does not promote products. Another important channel for farmers is participation in countrywide expos.

In the questionnaire it was asked what the hardest requirements of customers were. The respondents could rank pre-given statements on a scale of 1-5. It turned out that the biggest challenge is the maintenance of low prices, which is essential to remain in the competition. Another, more serious difficulty is keeping to the conditions of delivery. This is especially hard for those who deliver products to multinational retail chains. What is a highly positive development is the fact that the assurance of both a high and standardized quality did not cause any problems for the enterprises.

The participants of the survey think that the most hindering factor in the wide use of proving brands is the lack of solvent demand. In this field, the second most problematic factor is the lack of proper promotion activities, while the lack of participation of the retail sector and consumer demand were ranked third. The respondents did not find the extent of the absence of infrastructure or technical circumstances worrying.

The farmers had the opportunity in the last question to form their opinion in connection with the future of the sector. It turns out, from the given answers, that the majority of farmers are pessimistic, however there are also some optimistic opinions. The opinion of the majority of organic farmers is that organic farming is a lifestyle which requires full devotion and many sacrifices.

The size of livestock and farms vary to a great degree in the second surveyed group. It is between 5 and 940 livestock units. Three enterprises deal specifically with animal product marketing and processing. The farms with animals typically sell their products directly to consumers (77%). Farmers sell their products at a price which is 30% higher compared to conventional products, however the majority (except for two farmers) sell more than just animal products. Their supply

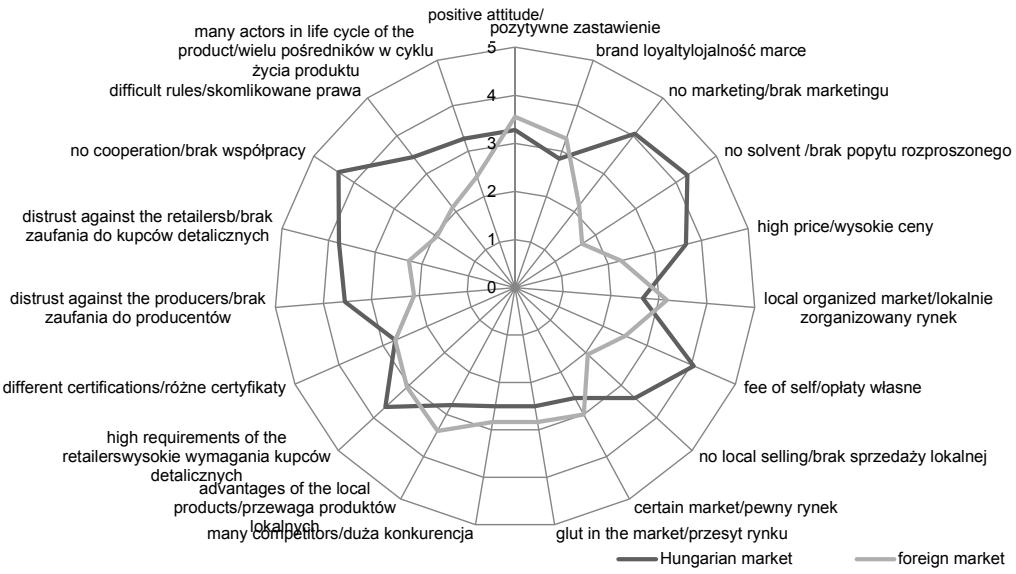

Figure 2. Characteristics of domestic and foreign markets of organic products
Rysunek 2. Cechy charakterystyczne rynków rodzimych i zagranicznych oferujących ekologiczne produkty
Source: own study
Źródło: opracowanie własne

is assorted, varying from herbs and spices to homemade jams. The smallest price difference was 5%, while the highest was 142%. The latter price difference was found in an enterprise dealing specifically with the processing and marketing of a wide choice of organic products. The main results of the second survey present an assessment of farmers on domestic and foreign markets. The main results of which can be found in Figure 2.

Farmers had to rank pre-given statements on a scale ranging from 1-5. On the basis of the results, a lack of cooperation between stakeholders, a lack of solvent demand and a lack of marketing are amongst the most characteristic features of domestic and foreign markets. This statement is in line with the results of the former study. "High requirements established by retailers" is also a very important feature, which again emerged as a hindering factor in the former empirical study.

The assessment of features of foreign markets shows that 33% of surveyed enterprises export their products to a foreign country (6 enterprises). Among farmers, the most important feature of foreign markets is that there is a positive attitude to organic products. It is followed by the preference of local products to imported products and dominant brand loyalty.

83% of enterprises exporting to foreign countries sell their products at a higher price on these markets. An average 23% higher price is attained on foreign markets.

It is characteristic of surveyed farms to be connection-oriented and form long-term co-operation, which is definitely a positive thing considering that organic farming could not be imaginable without long-term relations.

Summary and conclusions

It is clear from the questionnaires conducted that the state of the domestic sector is not satisfying. The lack of proper marketing activity incorporates risks as the sector cannot compete with import products without adequate marketing.

The surveyed farms are varying heavily in size and in range of activity in both surveys. From the first survey it turned out, that the compliance with hygienic requirements is found to be very difficult or difficult by every farmer questioned. It would be necessary to inform farmers of veterinary inspections and controls. According to the perception of farmers, there are many rules which do not make production safer but simply hinder the course of production. Therefore, if these issues were addressed, it would result in a positive effect on the relations between farms and processing plants. From information gathered in the questionnaires, the slaughtering and processing plants processing organic products were of the opinion that health rules and inspections are very useful, but the controlling procedure and criteria should be changed to help quality product production.

On the basis of the second survey no obvious relation can be found between the increase of stakeholders integrated in the supply chain and the extent of the farmers' share from the profit on products. In organic animal keeping, long-term relations are characteristic, which is a rare feature.

According to the farmers' opinion, the most important hindering factors of production are lack of solvent demand and adequate promotion activities. This was underpinned by both of the empirical surveys.

In the last few years, interest in organic and Hungarian products has greatly increased, however customers still do not have enough information about this topic. Finally, it is important to highlight that the development of organic animal keeping could be a solution for the leakage of labour force from rural areas, preventing the depopulation of villages and helping to form an environmentally friendly landscape.

Bibliography

Ángyán J., Podmaniczky L., Ónodi G., Skutai J. 2002: *A Nemzeti Agrár-környezetvédelmi Program területi orientációja, a 2002. évi pályázatainak értékelés és a fejlesztésével kapcsolatos teendő,* A falu. XVII. évf. 2., 21-30. Cited by: Kormosné Koch K. 2008: *Környezettudatosság és támogatások szerepe az ökológiai gazdálkodást folytató egyéni gazdaságokban, PhD értekezés*, Debreceni Egyetem, Agrár- és Műszaki Tudományok Centruma, Agrárgazdasági és Vidékfejlesztési Kar, Vállalatgazdaságtani és Marketing Tanszék, Debrecen, p. 43-44.

Biokontroll Hungária Nonprofit Kft. Éves jelentés, 2001-2011.

Földes F. 2008: *Ökológiai állattartás helye, szerepe és lehetőségei Magyarországon, különös tekintettel a Nyugat-dunántúli régióra*, Nyugat Magyarországi Egyetem Mezőgazdaság- és Élelmiszertudományi Kar, Gazdaságtudományi Intézet, Agrárgazdaságtani és Marketing Tanszék, Mosonmagyaróvár, p. 20.

Hoffmann A., Poór J. 2009: *Az ökológiai gazdálkodás helyzete hazánkban 2001-2008.* LI. Georgikon Napok, Keszthely, p. 394-400.

Hungária Öko Garancia Kft., Éves jelentés, 2010.

Radics L., Kormány A., Ertseyné Peregi Ki., Szalay I., P.V. Fragstein, M. Glemnitz, W. Hartl, Gál I. 2006: *Az ökológiai gazdálkodás helyzete az új tagországokban*, Kertgazdaság, 38(3), p. 59-72. Published by: Földes F. 2008.

Solti G. 2006: *Magyarország ökogazdálkodása 2005-ben*, Kistermelők Lapja, 50(10), p. 24-25. Published by: Földes F. 2008.

Solti G. 2012: *Az ökológiai gazdálkodás helyzete Magyarországon*, X. Sárközy Péter Tudományos Emlékülés, 2012. szeptember 7. Piliscsaba, 17.

Szabó G., Fésüs I., Balázs K., Katonáné Kovács J. 2003: *A nemzeti agrár-környezetvédelmi program pályázatainak elemzése*, Gazdálkodás XLVII. évf., 26-39. Published by: Kormosné Koch K. 2008.

Yapp C., Fairman R. 2006: Factors *affecting food safety compliance within small and medium-sized enterprises: implications for regulatory and enforcement strategies*, Food Control 17 2006, p. 42-51.

Streszczenie

Celem badań było przedstawienie problemów ekologicznej produkcji zwierzęcej na rynku węgierskim, ze wskazaniem obszarów, które powinny być rozwijane w celu poprawy dostępu do rynku krajowego i na eksport. Przedstawiono wyniki dwóch badań. Kwestionariusze skierowano do hodowców zwierząt ekologicznych i do rolników uprawiających rośliny ekologiczne. Otrzymane informacje posłużyły do analizy stanu sektora oraz określenia czynników hamujących konkurencyjność. W związku z naciskiem na ochronę środowiska, bezpieczeństwo żywnościowe i znakowanie produktów, rolnictwo ekologiczne jest alternatywą dla niektórych ogniw łańcucha dostaw (interesariuszy). Krajowa produkcja artykułów ekologicznych straciła jednak na znaczeniu po przystąpieniu Węgier do UE. 80-90% węgierskich produktów ekologicznych eksportuje się do państw ościennych. 60% gruntów (13 069,73 ha) kontrolowanych przez Biokontroll Hungária z o.o. stanowią łąki, pastwiska i ugory. Inwentarz żywy, taki jak: bydło, owce i gęsi nie przekracza 1 SD na 1 ha, mimo że oczekiwana wartość powinna osiągać 2,75% całego inwentarza. Według opinii badanych rolników, głównymi barierami ekologicznej produkcji są brak popytu na taki towar i brak odpowiednich działań promocyjnych.

Correspondence address
Virág Szabó, PhD Student, Kinga Nagyne Percsi, PhD, associate professor
Szent Istvan University
Institute of Regional Economics and Rural Development,
Faculty of Economics and Social Sciences
HU-2100 Gödöllő, Páter Károly u. 1.
phone +3628522000 ext. 2064/2007
e-mail: szabo.virag@gtk.szie.hu, nagyne.percsi.kinga@gtk.szie.hu