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ON THE POSSIBILITY OF TRANSFERRING SUCCESSFUL MARKETING STRATEGIES OF ORGANIC PRODUCTS FROM THE PIONEER COUNTRIES TO THE COUNTRIES OF EASTERN EUROPE

Aim and objectives

One of the main challenges to the European Union is its extension toward the East. What holds true for the development in general holds especially true for the development of organic agriculture. The aim of this investigation is to sketch out the situation of organic agriculture in the transformation countries of Hungary and Slovakia. Strategies and perspectives for the development of organic markets in central and Eastern European countries will be discussed, above all the possibility of establishing domestic markets.

At present, strong offer dynamics and limited domestic demand are being observed in the two countries. They are becoming more important when it comes to the supply of (organic) agrarian raw materials. But the export-oriented production with a competitive price strategy cannot guarantee - on a long-term basis - a safe growth and income in organic agriculture. In the context of international comparative studies, the possibility of transferring some of the strategies that led to the successful development of organic markets in pioneer countries is examined.

Switzerland and Austria were classified as pioneer countries in the market chain "general food shops". Germany is considered to be a pioneer in marketing "natural food shops".

Hypotheses

- 1) The basic conditions in the transformation countries (capital, purchasing power, political stability etc.) have been obstructing until now the dynamic development of the organic markets. The effect of these factors will become less important in the future.
- 2) The strategic approaches concerning market structure can be transferred to Central and Eastern European countries. Negative effects of strong fragmentation in the processing and marketing structure could be prevented.
- 3) Due to the fact that the established organic markets in Europe aim at the highest level of self-sufficiency, the export chances will decline. Also, the competitive

ability to engage in export will be reduced by the augmented requirements for production in the EU-candidates-countries. The products become more expensive compared with other Eastern European countries.

- 4) The successful advancement of the domestic market is an important indicator for a positive market forecast.

Methodology

The data collected from the countries under investigation was derived at by means of qualitative research. Lokal fieldwork was done through scientific practical courses, study stays and field trips. There was very little secondary literature about the organic market in Hungary and Slovakia – my report about organic agriculture in Slovakia is the first one in German. It was necessary to visit the relevant market actors face-to-face in order to obtain relevant information.

Chart 1: Outline about the accomplished interviews (as of December 2002):

Institution	D	A	CH	SK	HU	over-all
organic association	1	4	1	2	1	9
Certifying bodies		1		1	2	4
Farmers	4	2			2	8
Processing industry	3	2	2			7
Association of farmers	1	1				2
Food retailing		1	2			3
Whole sale			1	2		3
Scientists/ Consultants	1	1	1	2	1	6
Policy maker				1	3	4
over-all	10	12	7	8	9	46

All in all 46 expert interviews were held in the course of the investigation, all of them in the form of manual-supported interviews. Additionally over twenty store checks and market analyses were done in order to illustrate the marketing strategies. The research focussed mainly on:

- A) the situation of the organic agriculture and basic conditions of the organic markets (market structure)
- B) the analysis of the marketing structure and the involved institutions
- C) perspectives for the development of the organic markets

Results and conclusions

The determining factors that lead to success in the pioneer countries Austria and Switzerland were divided into

⇒ **the indirect market surrounding**

Following factors are responsible for success: The networking of market actors, the oligopoly position of the marketing and processing chain, the transparent use of organic labels and the interest of the consumers. Because the markets were relatively small in the beginning, market power divided itself among very few organisations. The central association for organic agriculture in Switzerland, BIO SUISSE, displaced a national organic label with its own well-known label. Beside this there are Coop and Migros (food retailers), both of which fight for organic market share and dominate the market.

⇒ **the direct market surrounding**

Important factors of success: The commitment of the food retail (e.g. willingness to invest, care of the assortments) and the co-operation among the associations of organic farmers.

Central and Eastern European countries are only at the beginning of developing their organic markets. Organic products fill out no more than a niche in the domestic market. Limited capital resources and problems with liquidity among producers and processing enterprises obstruct investments. The development of the organic markets lacks of networking between the policy makers, the farmers, market actors and scientists. For the successful advancement of the organic agriculture, the increase of processing capacities and the development of trade channels are necessary. Based on the international comparison it can be concluded that a fragmentation of market organizations should be avoided. Clear support from national policy makers can stabilize and develop the growth of the organic market. Only those countries that succeed in developing a domestic market for organic products will be able to produce independently of importing countries and of pricing pressure.

Bibliography

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