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Diverse characteristics of UK organic direct marketing chains

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Summary

In the past few years, organic direct sales in the UK have grown rapidly. Direct sales are assumed to have short or distinct marketing chains from farm gate to consumer. This paper begins by outlining some current problems with the widely accepted definition of organic direct sales and charts some of their diverse characteristics. It goes on to argue that the mix of organic direct and multi-farm direct sales is so diverse that a greater clarification of terms is necessary in order to progress consumer, policy and research understanding.

Key words: Organic, food supply chains, direct sales, direct marketing chains

Introduction

Food supply chains (FSC) are commonly grouped according to the sales outlet from which consumers purchase food. In the organic food market these include: general food shops/multiple retailers; bakers and butchers; specialist organic food and health shops; direct sales and food service (Hamm *et al.,* 2002). In the past few years, organic direct sales in the UK have grown rapidly and at a faster rate than other sales outlets (Soil Association, 2006). Organic direct sales are often perceived by consumers, policy makers and some researchers to comprise of very short supply chains and to be defined as sales that are made from a farmer, of home-produced goods, straight, or direct, to the consumer. However, in recent years this definition has been expanded. A current, widely accepted, definition of direct sales is provided by Lobley *et al.* (2005) as businesses whose most important marketing route is "*box schemes, farm shops, farmers' markets, local retail outlets, and internet sales. Each of these is assumed to have a short or distinct and traceable supply chain from farm gate to consumer*". This paper, which draws on recent research conducted by HDRA and Coventry University, will examine challenges in defining and measuring direct sales and direct marketing chains, as well as outlining their diverse and complex characteristics.

Approaches

A combination of qualitative and quantative research methods have been used to investigate and analyse both specialist and organic direct marketing chains.

The paper includes findings from HDRA's Defra funded projects on *The UK Organic Vegetable*

Market Study and an associated survey of organic vegetable direct sales operators, and the *Sustainable Organic Vegetable Systems Network*. The HDRA direct sales survey aimed to quantify the size and value of the organic vegetable direct sales market by collecting data on the market state and dynamics, through a questionnaire in 2005. Previous data were based on estimates. The survey raised the need for a clarification of direct marketing chains to aid interpretation of statistics. The *Sustainable Organic Vegetable Systems Network* (HDRA, 2006) collected case study information and experiences of organic vegetable growing and direct marketing from 10 farmers over a period of three years.

Coventry University examined and mapped specialist FSCs as part of a larger research project on FSCs in selected lagging regions of the EU. In-depth interviews were conducted with 42 small-medium sized (SME) food-producing businesses from the specialist sector of the food supply system in the Scottish/English border region. The 42 SME food producers were selected from three broad product types that characterise the study region: livestock products; bakery, confectionery and preserves; fish and fish based products. Consequently, the sample included both farm-based and other rural SMEs. Two of the producers from each category were then chosen for detailed case study work, over a period of two years (Ilbery & Maye, 2005).

The re-emergence of organic direct marketing chains

Some direct organic marketing chains (such as box schemes) gradually emerged as a reaction against 'industrial' and national food systems (Michelsen *et al*., 1999). In the late 1990s their development was adversely affected by an expansion in organic sales through multiple retailers (Soil Association, 2002). More recently, organic direct marketing has re-gained importance and experienced a sales growth of 30 per cent (Soil Association, 2006), resulting from both expansion in existing schemes and the development of new schemes. Lobley *et al.* (2006) found 39 per cent of organic farms were involved in one or more direct marketing routes compared to just 13 per cent of non-organic farms. Push factors to the recent rapid growth in direct marketing included downward price pressures from marketing through multiple retail outlets. Pull factors included an apparent increased consumer demand for knowledge of the provenance of food; this can be linked to environmental and health concerns and a lack of trust in 'industrialised' food systems, which can be particularly strong for organic products. Policy developments have also supported the development of direct sales channels e.g. the Curry Report (2002).

In response to the recent rapid growth, new operational systems for organic 'direct sales' have emerged. Some of these new operational systems involve longer supply chains with increased importance of dimensions up-stream from the farm, for example suppliers. However they may use outlets that are typically associated with direct sales, or short chains, such as box schemes and farm shops. It can lead to confusion, and misleading statistics, if both short and long supply chains are termed direct sales.

Direct and Multi-Farm Direct Illustrative Case Studies

Case study one: specialist organic hill meat

This large Northumberland upland organic farm, employing four full time people, has an on-farm butchery and retails a range of organically reared meat products using local branding. The business sources cattle, sheep, pigs and poultry from other organic farms in the region. All livestock are slaughtered at an organically accredited abattoir in Whitley Bay and then delivered to the on-farm butchery for processing and packaging. The meat products are then sold through various commercial customers and outlets including specialist retailers, caterers, farmers' markets, direct delivery and mail order. On-line meat sales are available but have been slow.

Case study two: local organic vegetables

This Cambridgeshire intensive organic vegetable farm is small and family-run. All produce marketed is produced on the farm with no sourcing of additional vegetables out of season. Produce is marketed through a local box scheme (run by a cooperative) and farmers' markets. The farmer himself attends the farmers' markets. Cropping is planned to ensure markets can be attended through the majority of the year.

Direct Marketing Chains Characteristics

Diversity

The two case studies illustrate some of the variety in direct sales, including their size, sourcing policy, number of links in the chain and proximity to consumers. The HDRA direct sales survey additionally showed that organic vegetable direct marketing schemes ranged from the very small (such as case study two) to the very large; however, the majority were very small. Within this survey sample, average turnover of organic vegetable box schemes was around £64,000 per annum (Geen & Firth, 2006); however, when the few large schemes were excluded, average turnover fell to approximately £20,000 per annum. Scale seemed to depend partially on the market outlet used, with the HDRA survey finding average turnover from farm shops to be one fifth of that of box schemes (£13,400) and average turnover from market stalls was about £10,000.

Box schemes were the most common direct marketing channel for organic vegetables with farm shops and markets less popular. However, 70 per cent of those surveyed by HDRA used several marketing chains, further highlighting the diversity in the organic vegetable direct sales sector (Geen & Firth, 2006). Kujala & Kristensen (2005) reinforce the view that typical organic marketing initiatives do not exist, as business circumstances and market structures are so versatile that a range of business ideas can succeed.

Up-stream dimensions

The case studies also highlight the importance of examining processes up- and down-stream of the farm. If the enterprise buys in supplementary produce or other inputs, the marketing chain stretches from the farm to input suppliers (Ilbery & Maye, 2005). This can mean that some so-called direct marketing chains are as long, in terms of the number of links, as multiple retail FSCs. Furthermore, it limits the 'directness' of sales. For example, in case study one much of the meat is bought in from other local farms (up-stream), and so is not direct sales. Additionally, the majority of meat is sold through local commercial customers (down-stream) further preventing the possibility of sales being direct, despite being local. However case study two illustrates direct scales through farmers' markets, although sales to the cooperative box scheme are not direct sales.

HDRA resolved this issue for the purpose of the Organic Vegetable Market Study 2004–05 and to provide detailed information about the organic vegetable direct sales market, by separating and terming sales of produce that were sourced up-stream from other farms as multi-farm direct. This demonstrates that it is insufficient to classify a direct marketing chain by the final marketing outlet; just because sales are made from a farm does not automatically mean that they are direct sales. For example, direct and multi-farm direct sales can occur through many outlets including farm shops, box schemes, farmers' markets; however not all sales through these outlets are direct sales (for example, the box scheme in case study 2 has some multi-farm direct sales).

Hybrid chains

Direct marketing chains work within a wider environment and often cross over into other marketing chains, both up- and down-stream of the farm. This can blur boundaries and contribute to the emergence of hybrid chains. Case study 1 demonstrates this cross over into other types of food supply chain through the use of the only local abattoir. Ilbery & Maye (2005) highlight *how this* *reflects the strong economic drivers for small-scale specialist marketing businesses and* the risks of high dependence on one major supplier, distributor or commercial customer. Hence as enterprises continually adjust to maintain, or seek, business success and stability they may continually dip in and out of different food supply chains depending on environmental context, market forces and business development. Furthermore, many direct marketing chains may alter during a period of study. Most analyses, therefore, are a 'snap shot' of the situation at the time of study.

Conclusions

This paper has raised a number of issues about the complexity and diversity of direct sales, their definition and measurement.

Firstly, direct sales' diversity and complexity, including size, sourcing policy, number of links in the chain and proximity to consumers, creates a need for a clarification of marketing chains and terms to ensure that research and statistics provide accurate information. HDRA has used the term 'multi-farm direct' to identify marketing chains where supplementary produce was bought in from other farms, or where produce from several farms was sold through the same outlet.

Secondly, it is often necessary to examine processes up-stream from the farm in order to identify and define the type of direct sales. This includes identifying the start point of the marketing chain.

Thirdly, direct marketing chains work within the wider environment and so often cross over into other, more conventional, marketing chains and are continually developing. This can blur boundaries and contribute to the emergence of hybrid chains (Ilbery & Maye, 2005). It also contributes further complexities to the collection of accurate market data.

Fourthly, some terms for marketing chains, such as direct, specialist or local, are misleading and inconsistently used. These terms need to be better defined and used with care and accuracy. If the concept of hybrid food chains is accepted, with businesses having a mix of marketing chains, then perhaps each marketing chain needs to be classified with a combination of terms.

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