

Factors of successfulness of organic markets

Faktory úspešnosti ekologických trhov

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Abstract: In Slovakia, agricultural enterprises have applied the organic way of production from the 90s of the 20th century. We can state that the production of organic products has been improved. More than 90% of organic agricultural products are oriented towards export markets or conventional production. There are only a few storages with eco-products in the Slovak Republic. The paper deals with the factors of the successfulness in the market with organic products from the viewpoint of the vertical line "agricultural enterprise – processor – trade – consumer". These relate to the active market with eco-products in Slovakia.

Key words: organic agriculture, eco-food-stuffs, factors of market's successfulness, eco-producers, strengths and weaknesses of ecological production

Abstrakt: Aj keď prvé poľnohospodárske podniky na Slovensku začali uplatňovať ekologický spôsob výroby už na začiatku 90. rokov minulého storočia, trh týchto produktov je stále iba vo fáze vzniku. Takmer 90 % ekologickej poľnohospodárskej produkcie ide na export alebo sa predáva ako konvenčná produkcia. Na Slovensku je málo obchodov, v ktorých sa predávajú ekopotraviny. Príspevok skúma a determinuje faktory úspešnosti trhu ekoproduktov na vertikále poľnohospodársky podnik – spracovateľ – obchod – spotrebiteľ v smere aktivizácie trhu ekoproduktov na Slovensku.

Kľúčové slová: ekologické poľnohospodárstvo, ekopotraviny, faktory úspešnosti trhu, ekoproducenti, silné a slabé stránky ekovýroby

Organic agriculture results from the biological attitude where nature is represented as a whole. Its goal is a sustainable and ecologically balanced agricultural system producing high quality foodstuffs and protecting and making use of natural resources. Ecologically friendly foodstuffs are the major market output of organic farming. Kretter (2005a) explains to apply them successfully in the market, it is necessary to recognize consumer's needs and possibilities and to attract consumer's interest in such eco-friendly foodstuffs. Marketing is an important part of organic farming management according to Reuter (2005).

MATERIAL AND METHODS

The main goal of this paper is to identify the factors of development and successfulness in the market with organic agrifood market. On the other hand, the information was obtained from the selected set of the Slovak eco-producers (10) specialized in organic production for more than 5 years. We used the standard method of data comparison and an interview. The interview helps to identify the decisive factors of

successfulness in the market with organic products from the viewpoint of the vertical line "agricultural enterprise – processor – trade – consumer". To use the SWOT analysis, it is necessary to explain strengths and weaknesses as well as opportunities and threats of both organic agricultural production and market in Slovakia. It presents the base for development of the market with organic products.

RESULTS AND DISCUSSION

Organic agriculture has developed for more than 15 years in the Slovak Republic. In spite of this time period, it can be expressed as an insufficiently developed one. It is caused by the insufficient using and applying of the factors of identification of the successfulness in the organic markets which present multidimensional set of factors. In the eco-agrifood branch, the success depends on the sector's criteria. To them belongs the growth of organic agriculture areas and the growth of turnover or maximization of advantages with regard to the natural environment. On the other hand, the set of the enterprise factors,

e.g. the yield from own capital, long-term enterprise's strategy, consumer's satisfaction, etc.

The factors of successfulness in the market are divided into the following four groups:

- external environment conditions,
- ecological both producers and processors,
- trade organizations,
- consumers.

External environment conditions

Agriculture belongs to the most threatened branches. The external environment conditions includes the substantial part of relationships which influence the decision-making process of managers in enterprises. It means that the enterprise's management can use the possibilities and opportunities of external environment.

The factors of successfulness are as follows:

- Natural conditions present the basic assumption of the organic agricultural production, soil quality, climate, precipitation, etc.
- The infrastructure enables to connect the sale network and the sale of main products with shorter durability.
- Technical development, technologies and the level of improvement and breeding labour with the orientation to the demands of organic production.
- Sustainable economic environment, the support of organic agriculture and the interest in organic production from the state government (Hrabalová, Zander 2006).
- Social and cultural environment presents the attitudes of people as well as the habits for purchasing.
- The legal norms and principles identify the space of activities in organic system.

Ecological producers and processors

Agricultural enterprises are producers of both organic products and organic raw material for processors. They are "key subjects" in the chain of organic production. The main attention is devoted to the development of the organic market with foodstuffs. The preparation of the conventional processor for eco-product's production is very low. Eco-foodstuffs are the products with the trade mark (EKO, BIO). In the competitive environment, it is necessary to prepare the organic program and to support this program by marketing tools. Marketing and organic agriculture are part of competition fights. The area of organic production of organic products includes a lot of factors corresponding to the organic market.

The factors are as follows:

- preparation of the eco-strategy on the all level of business management,
- innovation access and ideas for the development of production and sale in connection with the ecological principles,
- the adaptation of marketing principles (from the market research to marketing tools – products, price, distribution and communication politics),
- the creation of the organization structures from the viewpoint of the organic alliances,
- the creation of the both horizontal and vertical cooperation for the security of the offer of organic products,
- the security of processing enterprises from the viewpoint of risks at the preparation of contract with agricultural commodities and trade organizations.

Trade organization

The existence of the conventional sales channel has a critical role in the creation of the demand for eco-foodstuffs. The business can not only open the market for eco-producers but also to close it for them. The business decides about the diffusion of organic concepts by marketing arrangements (Šajbidorová, Nagyová 2005). It is a place where the interests of producer and consumer encounter and therefore it can actively contribute to the dismantling but also creating of purchase barriers for the eco-foodstuffs. The business decides whether the product would be available for the consumers. Among the success factors of the ecological markets with an emphasis on the business, there belong:

- interest for the committed supply of the eco-products on the stage of retail business,
- active eco-marketing with the aim to create the credible and attractive supply for the consumer,
- organizational incorporation of the eco-assortment into the sortiment of the retail outlet,
- placement of the eco-products in the outlet,
- adequate availability of the outlet to the customers dwelling.

Consumer

Consumer's decision with regard to the purchase of the eco-product expressly decides about the success of the producer on the market. Among the critical factors by view of the consumer, there belong:

- knowledge of the merits of eco-products and their contribution to the consumer health,
- realization of the contribution of the eco-production for the environment preservation,

- credibility of the ecological value certified by the appreciated symbols,
- purchasing power of the consumers and their preparedness for the purchase of the eco-foodstuffs.

SWOT analysis

We can determine the strengths, weaknesses, opportunities and threats of the organic production and the foodstuffs sale by analysing the mentioned factors of market success issued from the knowledge of the eco-producers and the theoretical researches (Kretter 2005b) and by making provision for the reality.

Strengths:

- natural environment,
- clean and not contaminated soil,
- utilization of the low inputs of the artificial fertilizers and limited use of chemical protective substances,
- larger areas of the organic agriculture businesses,
- interest of the farmers for this kind of farming,
- the Act on organic agriculture approved by the EU Regulation 2093/91,
- certific logo of organic products.

Weaknesses:

- undeveloped special consulting for organically operating farmers,
- high seriousness of the human manual labour,
- missing sufficient storing spaces for the storage of the organic production of the vegetable production,
- businesses do not use systematically the union of the organic producers,
- weak development and assertion of the marketing.

We can mention the opportunities and threats of the eco-market:

Opportunities:

- internationally recognized inspection service and its certification of the products,
- creation of the market channels for the organic agricultural products to the markets in the EU countries,
- entering of the retail networks which in their home countries offer also organic foodstuffs.

Threats:

- disinterest in the processing food businesses for the organic agricultural products,

- undeveloped domestic market of the organic products,
- low number of the foodstuffs retail outlets with the organic foodstuffs supply,
- system less arrangement of the organic food products in the foodstuff assortment by their presentation and sale in the shop,
- weak knowing of the population about the organic foodstuffs and their contribution to the people health and environment protection,
- low purchasing power of the population,
- little stimulating dotation policy for the organic agriculture.

CONCLUSION

In the Slovak Republic, the eco-products market does not have the signs of systematic arrangement. It is necessary to take into account that its development depends on the specific factors in relation to the individual subjects at the eco-products market. The knowledge and the active use of these factors can help to the development of the Slovak eco-foodstuffs market.

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