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LOCAL PRODUCTS WITHIN SHORT FOOD SUPPLY CHAINS IN HUNGARY

Key words: short food supply chains, local products, farmer markets, community supported agriculture

ABSTRACT. In recent decades, there has been increasing interest in local products which are a major field of short supply chains. A considerable amount of literature has been published on SFSCs, which mainly deal with the benefits and detriments of this kind of cooperation. Being regarded as the aim and focal point of this current scrutiny, SFSCs are especially studied in the context of producing and selling local products and whether they can be viewed as the most favorable way of distributing locally generated (food) products. Within that category major emphasis should be placed on farmer markets and community supported agriculture systems considering both consumers and producers. It has been put forth that the number of such organizations would indicate an increasing tendency in Hungary in line with their growing role in the trade of local products. Relying on data from multiple databases, both traditional and neo-traditional forms of SFSCs have been shown to be viable in Hungary, although, as in other Central and Eastern European countries in terms of numbers, traditional SFSC types play a decisive role, in particular local farmer markets. As a result of the study, besides these forms, the formation and aid of neo-traditional organizations is considered to be useful for stakeholders in order to exploit the potential of short supply chains.

INTRODUCTION

The industrialization of agriculture and globalization of food trade both begun in the 20th century. By changing the structure of food production and trade, consumer habits have also altered to some extent. This process brought about numerous problems that were often not or just partly reflected in the price of goods [Gombkőtő 2017]. For instance, small scale agricultural production and consumption supporting local products are being overshadowed worldwide. Small farmers are increasingly excluded from the center of trade and production is shifting towards larger market players. Therefore, the physical distance between the producer and consumer is increasing while many actors are involved in the value chain. At a local level, it means that the quantity and demand for personnel are decreasing, so is the diversity of products, which is causing the step-by-step disappear-

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ance of local characteristics, traditional knowledge and trust [Réthy, Dezsény 2013]. For that reason, local products have been jeopardized by these processes, which is why the role of short supply chains could be so important in distribution and trade at a local level.

In this study, the hypothesis examined is that short food supply chains seem to be the best solution when it comes to producing and selling local products. Within that category, major emphasis should be placed on farmer markets and community supported agriculture systems considering both consumers and producers. It has been put forth that the number of such organizations could indicate an increasing tendency in Hungary in line with their ever rising role in the trade of local products.

Short food supply chains (SFSCs) and local food systems (LFSs) offer solutions to numerous problems. They reduce the physical distance between producers and customers and – unlike long supply chains – often incorporate personal connections as a guarantee for quality, trust and organic qualifications in the system, particularly in the case of most ecologically-produced local products [Réthy, Dezsény 2013]. Local (or community) food systems are complex networks of relationships between participants grounded in a particular place. LFSs are comprised of networks of actors that work to ensure the sustainability of food supplies within communities. These systems are a unit of measure by which stakeholders in local food movements work to increase food security and ensure the sustainability of communities [Dunne et al. 2010]. At the same time, LFSs – partly opposite to SFSCs – carry the possibility of profit on an intermediary level, therefore they are able to draw greater attention to themselves in the market sector. A considerable amount of studies, from different angles, has been published on SFSCs. This phenomenon is a new or improved sales method with a maximum of one intermediary in cooperation with agricultural producers, that is becoming a regular sales form of members over the course of time [Reszkető 2015]. According to Zsófia Benedek [2014] this term covers a broad range of marketing/supply channels. Generally, a small, geographical, social and cultural distance between producers and consumers is typical and often requires environmentally-friendly production methods. Tery Marsden et al. [2000], emphasize the type of relationship between the producer and consumer in these supply chains, pronouncing the role of this relationship in constructing value and meaning, rather than just the product itself. Henk Renting et al. [2003], also hold that the SFSC concept covers interrelations between actors who are directly involved. Moreover, the Joint Research Centre of the European Commission created a common definition of SFSCs, based on seminal literature on the topic: “The food involved is identified by, and traceable to a farmer. The number of intermediaries between farmer and consumer should be ‘minimal’ or ideally nil” [Santini, y Paloma (eds.) 2013]. The adaptation capability of SFSCs to new situations and consumer needs is rather high. This phenomenon stems from the pillars on which the local food system is based on: more transparent and traceable food chains, a wider range of producers and reduced intermediaries, a ‘closer’ relationship between producers and consumers as well as improved flexibility and adaptability to market changes. SFSCs can contribute to thriving trade within a given (local) area, to the multiplication of rural resources and the boosting of living standards together with the creation of workplaces, thus their role in rural development is crucial [Galli, Brunori (eds.) 2013].
Consistent with a study carried out by the European Parliamentary Research Service in 2015, on average, 15% of farmers sold more than half of their produce through SFSCs, however, these are predominantly small farming units. Furthermore, there are significant differences in the representation of these farms among EU countries: while the share of farms involved in direct sales is less than 5% in Malta, Austria and Spain, it is nearly 5% in Greece, around 19% in Slovakia, Hungary, Romania and Estonia, whereas in France 21% of farmers sell their products within short supply chains [Augère-Granier 2016]. SFSC include several distribution channels of which a given producer generally takes advantage of more than once (even conventional) at a time [Brown, Miller 2008]. Within their research, Steve Martinez et al. [2010] also came to similar conclusions; for the sake of increasing profits, in many cases, producers distribute their goods through several SFSC channels at a time. These channels can be distinguished on the basis of several factors. Besides the geographical distance, SFSCs can be classified by taking ‘knowledge type’ into consideration, which could be utilised as the previous one from a practical perspective: 1) traditional SFSC types (farm shops, roadside sales, “pick your own” operations, farmer markets, etc.) suggest a more conventional operation of participants, which is deeply imbedded in culture-based knowledge as well as skills (this idea, though, does not exclude the possibility of innovation); 2) neo-traditional SFSC forms (e.g. delivery schemes, community supported agriculture) project social innovation through the networking of stakeholders besides retaining traditional knowledge [Santini, y Paloma (eds.) 2013].

It has become a widespread theory and recently acknowledged fact that by purchasing local products the local economy can be strengthened. The question is, however, what is considered a local product. From the viewpoint of marketing management, local products are: “Goods or services only seen as suitable in one single market.” [Carter 1997]. However, it must be added that there is no unanimous consent on terminology; neither a uniform European nor nationwide system or database evaluating local products exists. This is why it is hard to decide if a product really counts as local if it contains raw materials that originate from distant locations and, if so, what content. In addition, what is the long-range basis of the concept ‘local’: a settlement, groups of settlements, regions or subregions? The concept can also be defined considering the relation of urban and rural areas or by taking certain distances (e.g. 30, 50 or 100 km) into account. Accordingly, ‘local’, whether in food or other commodities, is still rather an evolving concept and many participants like vendors, producers and consumers are trying to define the exact meaning of it for themselves. What the body of literature on LFSs indicates is that ‘local’ means more the simple geographic distance that the food has covered [Brown, Miller 2008, Dunne et al. 2010]. Though ‘local’ has a geographic meaning, there is no consensus on a definition in terms of the distance between production and consumption. These definitions vary by countries, regions or subregions, companies, consumers and local food markets. Incidentally, according to the United States Department of Agriculture, local is defined based only on the distance from farm to store. To be considered local by their standards, a product must be sold within 400 miles (app. 650 km) of its origin or within the state in which the product is produced [Martinez et al. 2010].
Unlike in Europe, where the restrictions of such a distance would be much shorter confirming e.g. socio-economic and geographical features. Similarly, based on a number of sources, Marie-Laure Augère-Granier [2016] found that this geographical area in Europe can vary from a 20 to 100 km radius, approximately. It must be added, that the larger a country is, the more tolerance concerning distance is applied. On the whole, the notion of a ‘local’ product is subjective and depends on the context of the local area: the density of the population, accessibility and its urban or rural character [Augère-Granier 2016]. In addition to the geographical proximity of the producer and consumer, local food can also be defined in terms of social and supply chain characteristics [Martinez et al. 2010]. Some may, likewise, associate production methods as part of what defines local food systems [Thompson et al. 2008]. The term ‘local’ can also refer to the closeness of the relationship between producers and consumers, based on mutual trust and cooperation [Augère-Granier 2016]. Steve Martinez et al. [2010], and several other studies have explored consumer preferences for locally produced products, particularly food products. Motivation for ‘buying local’ include perceived quality and freshness of local food and support for the local economy. Even so, it is finally the consumer’s responsibility to conclude how ‘local’ the product is. According to the above mentioned contemplations, in general, and for the sake of simplicity, only cooperation on a given level can be called local whereby economic participants are still able to maintain personal contact with one another. Its main characteristic feature is that the production, process, sales and consumer sustain considerable proximity, therefore the supply chain is short. Thus, through the distribution and sales of local products, consumers and producers develop a stronger relationship and by being acquainted, a personal relation can be established, based on trust [Szomi (ed.) 2016]. During the production and sale of local products production systems are more environmentally sustainable, the distance concerning the shipping of these foods is reduced and, at the same time, it becomes possible to create circuit processes based on organic waste, by-products and renewable energy resources. Furthermore, LFSs greatly contribute to the sustainability of biodiversity and the survival of endangered plant and animal species. In contrast, life-cycle assessments (LCA) – the complete analyses of energy use at all stages of the food system including consumption and disposal; a “from the cradle to the grave” approach – suggest that localization can but does not necessarily reduce energy use or greenhouse gas emissions [Martinez et al. 2010]. It is believed that the means of transport selected in shipping, whether by water, rail, on roads or by air, approaching it from a more environmentally friendly aspect, is important. The impact of production methods as well as the kind of product, especially in the case of foods, can be of great significance [Benedek, Fertő 2016].

Increasingly, local products are not only marketed through direct marketing strategies such as the growing number of farmer markets (FMs) and various community supported agricultural (CSA) forms but also in small and large retail stores from (farmers) cooperatives to supermarkets, as well as new initiatives in response to consumer demand and market potential [Dunne et al. 2010]. Steve Martinez et al. [2010], have listed the two basic types of local food markets: direct-to-consumer, where transactions are conducted directly between farmers and consumers, and direct sales by farmers to restaurants, retail stores and institutions such as government bodies, hospitals and schools. Venues for the direct-to-consumer marketing of local foods include FMs, CSAs, on-farm sales
and farm direct deliveries. Other, less formal sources of local products exist (e.g. home or community gardening) that are typically difficult to measure, if not impossible. Local food markets characteristically involve small farmers, heterogeneous products and short supply chains in which farmers also perform marketing functions. Barriers applying to local food market entry and expansion also exist. These obstacles can include capacity constraints for small farms and a lack of distribution systems for moving local products into mainstream markets; limited research, education, and training for marketing local food; uncertainties related to regulations that may affect local food production, such as food safety requirements [Martinez et al. 2010]. FM could be considered a historical form of SFSCs and could be key for rebuilding local food systems. An FM is generally a temporary or permanent physical marketplace intended to sell goods directly by farmers to consumers. As Taro Futamura [2007] states an FM is a common area where several farmers gather on a recurring basis to sell a variety of farm products directly to consumers. FMs may encourage the production of a greater diversity of products, which would be needed for a more localized food system. This larger diversity attracts a major variety of shoppers and helps to strengthen local farm operations. The economic interactions that take place at FMs are combined with a variety of social interactions, too [Brown, Miller 2008]. The latter, namely increased social interactions, can be pronouncedly applicable to CSA. As another considerable part of the SFSC system, CSA is an alternative food-producing network, a model of agricultural production and product distribution based on a community with a common interest of (particularly small) farmers and consumers undertaking risks of production together. By sharing profits, the aim is to produce high-quality (mostly ecological) food for a local community in a risk-sharing membership/marketing structure. According to Jonathan Murdoch et al. [2002], CSA could be key for problems yet unsolved by farmers in today’s environment, as they provide significant social, economic and environmental advantages for both rural and urban communities. In 2015, according to estimates, the CSA model provided food for almost half a million Europeans. Out of the 22 EU countries studied, France was, by far, the country with the highest number of CSA (2000), followed by Belgium (138) and Italy (104). Regarding numbers, Hungary (35) was in the lower middle spectrum. At the lower end of the scale were Ireland and Greece with only 8 CSA partnerships [Augère-Granier 2016].

MATERIAL AND METHODS

Published studies in the topic were identified and studied in order to define the importance of short supply chains in producing and selling local products. Predominantly, papers concerning the United States and European Union were reviewed as the most represented areas of SFSCs. Previous studies in terms of different types of FMs and CSA solutions, as part of the short supply chain system, were also examined.

Data for this study were retrospectively collected from various databases such as the National Food Chain Safety Office (NFCSO), the Hungarian Chamber of Agriculture (HCA), the Association of Conscious Consumers and the VAN Foundation. During empirical research these data were collected and verified in order to achieve measurable results. The focus of the survey was conducted on the evaluation of the situation of SFSCs
in Hungary along with their leading forms in order to assess the viability and validity of local products in SFSC-based farms.

Raising questions concerning the representative nature of this current study is complicated, if not impossible to provide precise data with reference to the number of participants. Based on data of NFCSO and HCA, it is estimated that approximately 2000 producers operated in more than 300 local FMs in early 2019, whereas the number of consumers regularly connecting to these types can be estimated to be 30 thousand. According to the Association of Conscious Consumers, in early 2019, the number of operative CSA forms totaled 36 in the country, while ‘subscribing’ families depending on such producers total 1000, which is equal to about 4000 individuals. Nevertheless, based on the VAN Alapítvány [2019] survey, the number of producers involved in producing and distributing locally generated products, to some extent, is somewhere between 2800 and 3000, however, their marketability is highly questionable.

RESULTS

There is growing demand for shortening the global food supply chain in more and more social groups in Hungary. In accordance with this, the potential consumers of products of the local economy can embrace a wide spectrum: sustainability level (household farming); supplying local communities with fresh products (CSA); providing settlements or subregional institutions (public canteens) with fresh ingredients; serving the subregional capital with fresh products (local FMs); supplying the capital or national market with good quality region specific produce; exporting quality region specific products and hungaricums. In traditional SFSCs, the shortness of the chain is pronounced. Traditional on-farm schemes and traditional off-farm schemes, such as FMs, occur more frequently in newer member states (e.g. Hungary and Poland) and in Mediterranean countries and these forms are more popular among the middle-aged and older population from rural areas. In the case of neo-traditional systems geographical proximity mostly prevails. CSA can be found, to a greater extent, in the north-west part of Europe and among younger age groups coming from urban or peri-urban areas. CSA forms are more applicable to the development of local communities, too.

According to Anikó Juhász (ed.) [2012], although the significance of neo-traditional forms is continuously increasing, when it comes to income for producers, it is a market that is considered the most indispensable direct distributional channel. This way of selling local products is highly popular among consumers. Thus, it can be concluded that the defining role of FMs is undeniable in Hungary within various SFSC solutions concerning the trade of produced and sold local products. Local FMs have been created to shorten the way in which local products of small-scale farmers are accessed by consumers and serve the purpose of easier accessibility. The same concerns the application of simplified regulations of the production of small-scale products. The conditions of establishing local FMs are less complex, too, compared to the regulations regarding conventional markets. Thanks to facilitations, not all requirements regarding the structuring and maintenance of local FMs are to be complied with, but the distance measured from the market, the products-to-sell and the circle of distributional entities are limited. According to current
Hungarian regulations, in the case of FMs [the Ministry for Agriculture Decree 51/2012. (VI. 8.) entered into force in June 2012] produce must come from ‘within the region’ i.e. from the county in which the product is produced or a range of 40 km. The capital is the only exception where local products can be transported and sold from any part of the country. Thus, the operation of local FMs in Hungary literally took off in 2012, and since then their number is growing year by year (Figure 1). It also opens up more possibilities that the products produced or generated by small-scale producers are to be consumed by the local population. Regarding the distribution of the number of FMs, the central region of Hungary (Budapest and county Pest) holds first place: 21% of them are operating within this area, in line with the distribution of consumers.

From neo-traditional forms of short supply chains in Hungary, the most important chain with growth potential is the CSA system. In case of community based agriculture, the key word is partnership to a certain point, and it should be emphasized that CSA has several forms of realization. The structure of CSA resembles a pyramid, with reference to the degree of integration (from peak downwards), hence the most common ways in which CSA systems are formed are the following.

1. Community supported (shared) farms, where customers buy ‘shares’; pay for part of the harvest in advance and farmers deliver them products in return. Shares are distributed in several different ways, usually through distribution points (drop-off points).

2. Box systems, in which farmers or a group of farmers and customers form a union and enter a contract. Farmers deliver fresh products regularly (usually once a week) to consumers, who commit themselves to becoming permanent customers and pay for goods. In a more flexible form, the box system may allow customers to make orders without commitment when they need products, while farmers deliver the goods to previously formed drop-off points.

3. Buying groups, where more local farmers, an NGO or a small community of customers organize a distribution and delivery system (either door-to-door or to drop-off points) for locally or regionally produced goods of small farmers.

According to the level of consumer commitment in the ‘grey zone’, between buying groups and farmer markets, there are diverse local product trade-mark systems. In the EU, most member states, similarly to Hungary, have developed national labelling schemes for
which effectiveness is greatly questionable i.e. heterogeneous. Labels and trade-marks can also be national, regional, subregional or local, but, in every case, a label must indicate that the products are local and/or are sold in short supply chains. The organizational structure of CSA systems can vary; there are primary producers, sub-contractors, companies and NGOs among producers. For producers in shared farms, CSA is the only way of selling, others also deliver their products and enter the market with them. Fair pricing is essential for community supported farms as the main goal is to maintain farms; prices have to cover production costs and provide a livelihood for producers, all the while giving opportunity to set up reserves.

CSA primarily targets people wealthier than average, more responsive to healthy nutrition and environmentally sensitive. A similar dynamic development is yet to happen in Hungary, but it could be reasonable to promote the concept that has been backed by governmental attitudes: the formation and support of CSA organizations is part of the 2014-2020 Rural Development Programme in the Short Supply Chain Thematic Subprogramme. The number of community supported farms (17) and subscription (box) systems (6) totaled 23 at the beginning of 2019, but new CSAs are about to form. The number of buying groups is 13, almost exclusively in big or larger than average cities and in the agglomeration of Budapest, although smaller towns (e.g. Wisket Community of Szigetköz in the town Mosonmagyaróvár) are also involved [TVE 2019]. Regarding numbers, Hungary is currently in the middle range in Europe, among EU countries, and judging by data concerning trends of establishing CSAs conjured up from previous years the future seems to be promising.

CONCLUSIONS

The aim of the research was to examine whether SFSCs can be viewed as the most favorable way of distributing locally generated food products. On the whole, from the point of view of producing and selling local products, in line with their characteristic features, the best solution seems to be provided by SFSCs in Hungary. Within that category, major emphasis is placed on FMs and CSA systems considering the representation of both consumers and producers. However, further research is needed to better understand the effects of which SFSC forms are proved to be economically more feasible in the near future.

As a result of the study, both traditional and neo-traditional forms of SFSCs have been shown to be viable in Hungary. On the other hand, as in other Central and Eastern European countries, in terms of numbers, traditional SFSC types play a decisive role and within them local FMs in particular. The number of such organizations indicates an increasing tendency in Hungary in accordance with their ever rising role in the trade of local products. Based on available data, it can be concluded that FMs appear in almost all parts of the country, while CSA is predominantly found in urban areas, but it is true for both groups that it is not prevalent in most backward regions. Taking economic considerations into account, decisive importance can be attached to the role of the state in the promotion of SFSCs. That is why such and similar measures like the Short Supply Chain Thematic Subprogramme is considered to highly useful for both producers and consumers and can help stakeholders exploit the potential of short supply chains in the future.
BIBLIOGRAPHY


PRODUKTY LOkalne W RAMACH KRÓTKICH ŁAŃCUCHÓW DOSTAW ŻYWNOŚCI NA WĘGRZECH

Słowa kluczowe: krótkie łańcuchy dostaw żywności, produkty lokalne, targi rolne, rolnictwo wspierane społecznie

ABSTRAKT

W ostatnich dekadach obserwuje się zwiększone zainteresowanie produktami lokalnymi, które stanowią główny aspekt krótkich łańcuchów dostaw. Dostępna jest obszerna literatura na temat krótkich łańcuchów dostaw żywności, w której skupiono się przede wszystkim na korzyściach i niekorzyściach płynących z tego rodzaju współpracy. W artykule rozpatrywano krótkie łańcuchy dostaw żywności szczególnie w kontekście produkcji i sprzedaży produktów lokalnych oraz tego, czy mogą być one postrzegane jako najkorzystniejszy sposób dystrybucji lokalnie wytwarzanych produktów żywnościowych. W ramach tej kategorii należy położyć nacisk na rynki rolne i systemy rolnictwa wspieranego społecznie, biorąc pod uwagę zarówno konsumentów, jak i producentów. Wyznaczyła to, że liczba takich organizacji na Węgrzech wskazywałaby na występowanie tendencji wzrostowej, co z kolei stanowi odsiewienie coraz ważniejszej roli, jaką odgrywają one w handlu produktami lokalnymi. Opierając się na danych z wielu baz, wykazano, że na Węgrzech tradycyjne i neotradycyjne formy krótkich łańcuchów dostaw żywności można określić mianem rentownych, mimo że – podobnie jak w innych krajach Europy Środkowo-Wschodniej – pod względem liczby tradycyjne krótkie łańcuchy dostaw żywności odgrywają decydującą rolę na poszczególnych lokalnych rynkach rolnych. Z badania wynika również, że oprócz powyższych form, tworzenie się i pomoc neotradycyjnym organizacjom uznawane jest za użyteczne dla interesariuszy w zakresie wykorzystywania potencjału oferowanego przez krótkie łańcuchy dostaw.

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