

MARKET RELATIONSHIP ORGANIC BEEF CATTLE BREEDERS IN THE REGION OF THE MARCHES (ITALY)

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Abstract

The major objectives of this research are to analyse distribution channels, production strategies and problems in the production of organic beef in the Italian region of the Marche (Le Marche). In this area in 2005, by organic farms with animals and those in transformation was slightly less than 17,000 arable hectares or 21% of the 79,591.90 hectares used in organic farming and 3.4% of the total 507,181 hectares in the Marche. The area includes 314 organic farms for all types of animals. The percentage of farms in the Region raising animals for organic meat is 0.8% of the total. In this area 164 farms raise organic sheep followed by beef cattle with 117 farms. The decision to research the beef meat chain was based on the following factors: greater production specialisation, uniform distribution in the territory and greater market orientation by the farms.

The research was carried out in 2007 using data gathered from beef cattle farmers. The farms in the sampling have at least 5 hectares of agricultural land; this excludes small and non market oriented farms. The farms which have been selected also specialise in producing beef in fairly large amounts. The sampling included 75 out of 109 farms in the Marche.

Personal interviews were carried out with farmers at their farms to collect data. Data was collected using a semi-structured interview with a questionnaire as a guideline. This technique enabled the interviewer to determine farm resources, income, processing and marketing problems.

The more common distribution channels were used for the two major products: 1) live animals, 2) fresh meat. Distribution channels for live animals accounted for 77.33% of the farms and includes two major channels. In the first, farmers sell calves about five months old weighing from 200 to 250 kg to fattening farms or to middlemen who in turn resell the animals fattening farms. The prices farmers receive for the sale of organic beef cattle is identical to that for conventionally raised beef cattle. The second channel used is for baby beef cattle weighing 500 – 600 kg ready for slaughter and sold to slaughtering houses at conventional prices. Only 12% of farms use a distribution channel for fresh meat or direct sales to the final customer. Principal results highlight farmers' limited market/sales contract negotiating powers. In order to increase

revenue, many farmers process the meat themselves and then sell directly to the final customer. This distribution channel allows the farmer to increase his price about 10-15% over fresh conventionally processed meat.

If organic animals continue to be sold for the same price as the conventionally raised animals, and if direct support and CAP payment continue to be reduced, a large part of the farmers will return to conventional farming. To increase contract negotiating power for organic animal sales, farmers have to unite in associations to increase sales volumes or propose special food chain agreements to the processing industry or distribution chains that will satisfy quantitative and qualitative customer demands.

Keywords

Beef, supply chain, Italy.

1 Introduction

In Italy in 2005, 222,516 beef cattle, 825,274 sheep and goats, 31,338 pigs, 977,537 fowl, 1,293 rabbits and 72,241 bee hives were raised for organic production (SINAB, 2005). In the Marches Region in 2005, by organic farms with animals and those in transformation was slightly less than 17,000 arable hectares or 21% of the 79,591.90 hectares used in organic farming and 3.4% of the total 507,181 hectares in the Marches.

Organic sheep farming is the most common organic animal farming. In this area 164 farms raise organic sheep (7,227 Livestock Units), followed by beef cattle with 117 farms (3,983 LU) (ASSAM Data Bank 2005). The decision to analyse the beef meat chain rather than the sheep and goat meat chain is based on the following factors: although there are more sheep and goat farms, these farms do not specialise but produce milk for cheese processing along with raising livestock for meat especially in response to seasonal demands such as Christmas and Easter. Furthermore these farms are not uniformly distributed over the national territory and are less market driven.

2 Materials

The farms in the sampling have at least 5 hectares of agricultural land. The farms which have been selected also specialize in producing beef in fairly large amounts. The sampling taken in 2007, included 75 out of 109 farms in the Marches.

3 Methodology of the study

Personal interviews were carried out with farmers at their farms to collect data. Data was collected using a semi-structured interview with a questionnaire as a guideline. The first part of the questionnaire covered farm personal information and farm resources for production, such as farm size, animals, labour, etc. The second part asked for information on farm products, type, characteristics and market relationship such as distribution channels, sales prices and total annual revenue. The report concludes with a SWOT analysis to determine awareness of strong and weak points, market opportunities and threats.

4 Results

There is considerable difference in the size of the farms but average size is 103.58 hectares. The average area for forage (78.8%) reflects the extensive areas used for beef cattle. The type of beef cattle most commonly raised in the Marches is the Marchigiana which accounts for 66.7% of beef cattle raised. Some farms breed more than one type of animal.

Few farmhands are employed for each farm which is indicative of a family run farm. Farms with only one farmhand account for 50.7% of the total while those with 2 and 3-4 farmhands account for 33.3% and 12.0% respectively.

Products making up overall turnover are as follows: calves sold to other farms for fattening: 44.1%; baby beef to be slaughtered: 33.3%; fresh baby beef sold to final consumer: 12.0%; calves sold to other farms for breeding and reproduction: 5.3%; lambs raised for meat: 5.3%.

In 45.4% of farms, annual income was less than € 20,000; 25,8% of farms declared annual incomes between € 20,000 |- € 50,000; 22,7% between € 50,000 |- € 80.000 and only 5.3% exceeded € 80,000.

The more common distribution channels were used for the two major products: 1) live animals, 2) fresh meat.

The prices farmers receive for the sale of organic beef cattle is identical to that for conventionally raised beef cattle.

Only 12% of farms use a distribution channel for fresh meat or direct sales to the final customer. The farmer sells the meat directly from his farm or makes home deliveries to customers of meat parcels weighing about 10 kg and containing various cuts of meat. This distribution channel allows the farmer to increase his price about 10-15% over fresh conventionally processed meat.

In 68.5% of the cases, farmers report difficulties in selling organic products in particular due to price instability and unwillingness of the consumer to pay a higher price for organic meat as compared to conventional meat.

The major strong point was the production commitment in the area in which the farms are located and in particular for forage to be used for animal feed. Furthermore, 80% of consumers identify this area as one for quality products.

5 Discussion and Conclusion

Farmers generally choose to sell veal calves weighing between 200 and 250 kg and baby beef cattle as the former have a higher price.

In addition the unsatisfactory market price paid for baby beef has motivated a large part of meat producers to engage in fresh meat processing. This business choice requires more farm labour and a more complex company organization. This short chain is not always advisable for all farms.

The strong point for all farms is first and foremost the territory where the farms are located and not the organic products' superiority over conventional products. Consumers consider this territory synonymous with quality. Furthermore this area makes it possible for farmers to be self-sufficient in the production of animal feed to meet their livestock needs.

From the point of view of the farmer, if organic animals continue to be sold for the same price as the conventionally raised animals, and if direct support and CAP payment continue to be reduced, a large part of the farmers will return to conventional farming.

To increase contract negotiating power for organic animal sales, farmers have to unite in associations to increase sales volumes or propose special food chain agreements to the processing industry or distribution chains that will satisfy quantitative and qualitative customer demands. From the public's point of view, institutions to compensate positive factors derived from organic farming have to encourage initiatives to promote farm associations by offering consulting offices, services and fiscal advantages. Finally other actions might be building information and local promotional campaigns to inform consumers about the quality and complexity necessary for organic production to sustain demand for organic meat.

6 References

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