

Strategies used for marketing and promoting German agricultural products

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Summary. There is a variety of methods by which German farmers market their produce, including individual direct marketing, using small marketing groups and farmer co-operatives. Marketing strategies for agricultural produce include maintaining quality, developing niche markets, educating the consumer, establishing and promoting a regional identity and adapting the product to the customers' requirements. Marketing of farm produce is underpinned by government incentives for advertising and consumer information. The demand for organically grown produce is increasing and the provision of organic foodstuffs together with supplying niche markets increases the marketing opportunities for farmers by providing greater diversity. Education has assisted primary producers to value-add on the farm. The plant breeding infrastructure also encompasses a high value seed market. The importance of these various strategies is described and discussed.

Introduction

The increase in the productivity of the agricultural sector in Germany over the past 30 years has resulted in an over production of some commodities, creating a buyer's market. This has occurred mainly in the last six to eight years and has coincided with a dramatic drop in prices realized by the producer. To achieve viable returns for their produce, a range of marketing strategies have been used by farmers. However, all of the strategies focus on meeting and satisfying the demands of the consumer. German consumers demand a guaranteed supply of a variety of high quality, fresh produce. Price is only important when the produce competes with imports of comparable quality.

Despite their different systems of farming and the types of markets they serve, German and Australian farmers face similar problems in effectively marketing and promoting their products. The methods and philosophies of German farmers, which have allowed them to maintain their market share in difficult times, may provide lessons for Australian farmers and farming organizations. In this paper we describe some of the strategies used for marketing and promoting agricultural products in Germany.

The role of education

It has been long recognized in Germany that education plays an important role in enabling farmers to effectively market their produce and to be aware of and recognize important market signals. Furthermore, government regulations relating to chemical usage and land use are becoming more stringent and farmers now need a sound technical knowledge. Most German farmers are well educated. Usually, before managing their own farm, they complete a 3-year apprenticeship in farming, which requires 2 years to be served on a farm other than their own. Apprentices attend formal classes with emphasis placed on farming practice, machinery, business management, languages, and general science. After completing their apprenticeship they are awarded a certificate ("Gesellenbrief") which entitles them to certain levels of pay and conditions. A Gesellenbrief is not necessary to run a farm in Germany, but without one farmers have difficulty in obtaining finance to run the farm properly. Apprenticeships can be served only on certain farms. The manager who trains apprentices needs to have completed a two-year masters course and undergoes continuous schooling. The scheme used to train agricultural workers and farmers is no different to that used for other trades in Germany, and it is administered by the Department of Agriculture and the Department of Education.

Marketing and promotion

There is a range of techniques used to market and promote agricultural produce in Germany, from relatively small scale and locally-based direct marketing to larger farm co-operatives. Each has a role in helping German farmers maintain their share of the domestic and international markets.

Direct marketing

Direct sales by farmers to the consumer at local markets and through local businesses have declined considerably over recent decades because:

- in recent times farmers have concentrated on becoming more efficient, and preparing produce to be sold at the local market was time consuming and often did not provide any significant price advantage;
- food hygiene legislation has been rigidly enforced and has tended to act against small food outlets;
- consumers want a variety of produce to choose from but modern farms have become more specialized and only have a limited range of produce to offer.

However, lately a new wave of health consciousness amongst consumers has resulted in a change in their attitudes towards fresh food and produced a renewed growth in direct marketing. City consumers are now more mobile and have high disposable incomes. They are willing to travel into the country to buy produce directly from the producer and are prepared to pay a higher price for the produce because they are aware of its the origin, irrespective of whether it is it conventionally or organically grown. The commodities most commonly sold directly to the public are processed products and high quality foodstuffs, eg, eggs, vegetables, fruit, milk and meat products and wood products (4).

The trend to more direct marketing has been prompted by the low prices received for mainstream agricultural products which often barely cover the costs of production. Farmers now are seeking out niche markets where a better profit can be realised (2).- The combination of niche marketing and direct selling often necessitates farmers learning additional skills, such as butchery, bakery, gastronomy or forestry. Apprenticeships in these trades are often taken up by farmers' children and bring a welcome addition to the farm's income.

An example of a farm which successfully directly markets its produce is Hohenloher Naturprodukte, Waldenburg, in south-east Germany which produces eggs and egg products. The farm makes noodles, breads and cakes from their eggs and the farmer has acquired skills in medium scale (800-900 kg/d), semi-industrial noodle production. This has been achieved in a sparsely populated, predominantly rural area, by using delivery vans to extend the market area to a range of 50 km. Due to the closure of many little country shops, these vans now also market a wide range of other products and some operate as mobile food vendors, selling roasted chickens at country feasts.

Tourism is also exploited in direct marketing. "Open Farm Schemes" and cheap family holidays on farms, with involvement of the guests in the daily farm routine, help foster a better mutual understanding between country and city, producer and consumer, and promote direct sales (4).

Marketing organic produce

Organic production precludes the use of chemical fertilisers and pesticides. At present about 2% of German agricultural production is organically grown (1), compared to 0.8% in Australia in 1989 (D. Small, pers. comm.). It is expected that the percentage of organically grown produce will increase in both countries. Organically grown produce is being effectively promoted by the German government, with the recognition that alternative production methods often result in lower yields, which helps mitigate the problem of over-production.

A large proportion of organic produce is directly marketed in Germany and this form of marketing is becoming increasingly more organised by those farms changing to organic production systems. Products with a guarantee that they have been organically grown achieve up to twice the normal price of

conventionally grown food. Strict regulations are enforced by the government to ensure organically grown products conform to accepted hygiene and quality standards. Organic fresh milk, unpasteurised and not homogenised, is produced on farms that are regularly inspected, and although twice the price of normal milk, it is always in short supply (2). In Australia, Sandhurst Dairies at Bendigo, Victoria have commenced marketing organic milk. Supermarkets in both Germany and Australia have set aside sections for organically produced foods. However, German consumers tend to mistrust large food retailers and prefer to buy organic produce from special health product shops, which buy their goods directly from their "own" farmer (4).

Marketing on a larger scale

The first marketing co-operative was formed in Germany by F. W. Raiffeisen. 125 years ago. Subsequent co-operatives have become instrumental in establishing the rural infrastructure. They became the link between producer and consumer and now account for up to 65% of the total trade. (Privately owned trading firms sell about 33% of the rural production, being mainly of regional importance (1.2)). The co-operative system is the basis of the farmers' position in the market as it accounts for the largest amount of their sales and purchases. The co-operatives can also provide some price stabilisation for the producer by absorbing surplus production of perishable goods to avoid dumping them on the market.

Co-operatives are independent legal bodies with honorary farmer members on the supervisory board. Local co-operatives supply regional co-operatives which in turn are consolidated into central marketing co-operatives, encompassing one or several German federal states. Each local co-operative is able to deal directly with wholesale buyers and sellers but in practice about 80% of their purchases and sales are handled through the central marketing co-operatives. The central co-operatives are in a better position to deal with wholesale traders due to the volume of produce offered.

Central co-operatives are also large manufacturers in their own right. They produce dairy products, meat products, drinks and flours and have well established brand name products. For example, in sugar production and processing, Suedzucker, a farmer-controlled co-operative is the largest supplier to European markets (3). Other co-operatives collaborate to produce all their own mixed fodder requirements and dominate that market as well.

The complete chain from paddock to plate also involves storage facilities, cooling works, sorting plants and fresh delivery services, most of which are handled co-operatively. Germany's excellent infrastructure has been instrumental in the co-operatives' success in providing these services and facilities.

Although the large co-operatives dominate the marketing of agricultural produce, there is a feeling among farmers that the large central co-operatives are too far removed from the production base and have lost touch with the farmers' requirements. Some new "basic" co-operatives have been established lately in some regions by small groups of farmers who buy equipment and sell produce.

Quality and marketing

In Germany, as elsewhere, the proportion of total consumer spending used to purchase food is falling. At the present time in Germany, only 14% of total consumer spending goes to buy food; in comparison 17% of consumer spending is on cars and 20% on housing. At the same time there is a continuing reduction in the proportion of the total price of the product constituted by the farm component. Thirty years ago the value of the cereal in a loaf of bread was about 30% of the sale price. Today this proportion is less than 8%, and in the case of baked small goods under 3%. Often the packaging is a larger share of the costs than the farmers' product ().

The worldwide trend for primary produce to attract a declining percentage of total consumer spending can only be arrested by providing excellent quality produce which is correctly marketed. An agricultural product has to suit consumer demand if it is to attract a higher price. There should also be a strong identity with the product's region of origin so consumers can identify the product with particular qualities

(4). The success of Australia's wine exports is a shining example of how to meet consumer's wishes. This has required a reliable supply of good quality wine with successful promotions which play on its origin. This concept could also be employed for other products such as fresh and dried fruit, processed grain and wool products and quality meat (eg. lean lamb).

In Germany, 25 years ago, a large campaign was started under the name "Centrals Marketing Agentur-. CMA. (Central Marketing Agency). The farming sector made promotional slogans for local quality products at home and for export. "Aus Deutschen Lander'. frisch auf den Tisch". (from German countries, fresh on the table), became a very well known slogan. These efforts have increased export share of German products. For example 0.44 Mt of cheeses are imported, but 0.35 Mt cheeses are exported. Cereal imports of 1.7 Mt are balanced by an export of 4.5 Mt of cereal, consisting mainly of high quality produce (2). Levies taken at the collection centres and central sales points for products like milk, meat, wine, bread and others finance the campaign, which also receives government support.

The "DLG". Deutsche Landwirtschaftsgesellschaft (German Agricultural Society), has issued a DLG seal of quality. It has its own institutions and research stations to make quality assessments for items ranging from food products to machinery. This seal stands for high and consistent quality and is well sought after for a range of products including wines, potatoes, fodder mixes and lawn mixtures.

Producing is one task, selling is another. If the income of the farmer is to achieve parity with other trades it is important to convey the product's value to the consumer. A variety of products of high quality and with controls to ensure freedom from chemical residues are all required. This has been achieved to a high degree in Germany. However, market saturation has been reached in many instances and failure to control supply of many products has resulted in unnecessarily low pricing.

The role of plant breeding

Plant breeders are successful in creating new varieties with higher quality and better disease resistance. In Germany there is a much greater involvement by private breeders in plant breeding than there is in Australia. This is helped by more lucid plant variety rights and official testing procedures. Seed production is an integral component of farming and it is done by specially skilled farmers who multiply seed under strict government supervision. Their incentive is the consistently high price received for seed (2).

Conclusion

It is important not to be resigned to what is happening to agricultural markets. The challenge is to find new ideas, think creatively and proceed methodically. The German examples of local production and nationwide marketing efforts may be examples for the farming community in Australia. Good education is the base on which to found new ways of securing income on the farm. In both Germany and Australia the issues of consistent quality and production levels are vital. Plant breeding has a continuing role to play in meeting these aims. It is suggested that farmers would benefit by taking greater control of the marketing of their products and supporting further processing of primary produce in the country. Seeking viable niche products and markets can provide a good income. The management of large organisations would be improved if control was not divested from the primary production base on which they were founded.

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