

PROIZVODNJA I DISTRIBUCIJA EKOLOŠKIH POLJOPRIVREDNIH PROIZVODA - MOGUĆNOST ZA RAZVOJ RURALNIH PODRUČJA U REPUBLICI MAKEDONIJI

PRODUCTION AND DISTRIBUTION OF ORGANIC FOOD - OPPORTUNITY FOR DEVELOPMENT OF RURAL AREAS IN MACEDONIA

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Sažetak

Većina potrošača sve više su zainteresirani za potrošnju ekološki proizvedene hrane. Potražnja za ekološki proizvedenom hranom se povećava kao rezultat povećane ekološke svijesti i rastuće zabrinutosti potrošača za osobno zdravlje. Tržište i proizvodnja ekološki prihvatljivih proizvoda u Republici Makedoniji je u fazi uspona od početka. Danas je trend u svijetu povećavanje poljoprivrednih površina za proizvodnju ekološki prihvatljivih proizvoda. Ovaj rad će pokušati uočiti mogućnost razvoja ruralnih područja u Republici Makedoniji kroz proizvodnju i distribuciju poljoprivrednih ekoloških proizvoda. U radu će se također odgovarati na pitanje o tome postoje li već poduzeća u ruralnim područjima koja će se specijalizirati u proizvodnji ekološki prihvatljivih proizvoda i njihovoj distribuciji potrošačima. U biti, kroz rad će se vidjeti prednosti i nedostaci ruralnih područja u svrhu razvoja iste, postavljanjem općih uvjeta i podrške za start-up poduzeća koja će proizvesti ekološki prihvatljive proizvode. Jedan od ciljeva ovog istraživanja je razumijevanje mišljenja i potreba korisnika za ekološki proizvedenom hranom i informiranje o specifičnim značajkama ekološke proizvodnje u usporedbi s konvencionalnim proizvodnjama. Rezultati istraživanja pokazuju da potrošači zapravo znaju mogućnosti i prednosti ekološke proizvodnje.

Ključne riječi: ruralno područje, proizvodnja ekološki prihvatljivih proizvoda, distribucija, poduzeće

Abstract

Most consumers are more interested in consuming organic produced food. Demand for organic produced food is increasing as a result of increased environmental awareness and growing concern of consumers for personal health. Market and production of organic products in the Republic of Macedonia is in the first stage of development. Worldwide, it is present trend of increasing agricultural land used for production of organic food products. This paper will attempt to perceive the possibility of development of rural areas in the Republic of Macedonia through the production and environmental distribution organic food products. The paper also will answer questions about whether there are already companies in rural areas that specialize in producing organic food products and distributing them to consumers. In essence, through work will be seen the advantages and disadvantages of rural areas for the purpose of developing the same by setting the general

conditions and support for start-up enterprises that will produce organic food products. One goal of this research is understanding the opinions and needs of the consumers using organic produced food and information about the specific features of organic production in comparison with conventional production. The results of the survey show that consumers actually know the features and benefits of organic food production.

Keywords: rural area, produced organic food, distribution, enterprise

1. INTRODUCTION

Ecologically produced agricultural products are increasingly present in markets of the developed countries. In the last few years we can observe an increase in the demand and interest of these products. Worldwide analyses show a visible trend of increasing usage of land for production of eco-products. Data releases show that organic production is present on 7 million hectares of land out of which 50% belong to the European countries.¹ In some European countries such as Austria, Denmark and Switzerland eco-agricultural production represents around 3% of total land used for agriculture.² When it comes to Republic of Macedonia, data show a symbolic presence of lands used for eco-products. Eco-agricultural production in Macedonia is at its infant stage, hence out of total land used for agriculture, eco-production represents around 0,1%.³ The natural conditions in Macedonia offer huge potential for the development of eco-agricultural production. This is a direct result of extensive use of traditional agriculture and the possibilities offered by the rural areas for sustainable development of eco-agricultural production. The increased interest for usage and consumption of eco-agricultural products and the increased demand is due to the level of information available to the consumer and the increased awareness for personal health. The increased interest also stimulates the development of rural areas through producing and distributing eco-agricultural products. In turn eco-agricultural production contributes to the general health of the population, conservation of biological diversity, creation of new jobs due to the increased demand and conservation of the natural surroundings.

The rural areas represent ecologically clean areas therefore their development is aimed towards production of eco-agricultural products. The increased awareness of consumers, the market possibilities, and the measurements for increasing the rural development, stimulate the production of eco-agricultural production which in turn contributes back to the development of the rural areas. Determining the strengths and weaknesses of the rural areas and determining the general conditions for business start-ups will help the interested entrepreneurs who want to produce eco-agricultural products. On the other side the results from the conducted research for the level of information available to the consumers and their needs of eco-agricultural products will stimulate the agricultural goods producers in their intention of producing eco-agricultural products.

2. DEVELOPMENT OF RURAL AREAS THROUGH PRODUCTION AND DISTRIBUTION OF ORGANIC AGRICULTURAL PRODUCTS

Rural areas represent exceptionally insufficiently developed areas, specific to hills and mountainous terrains and borderline areas. In Macedonia a rural center status is given to the town/city which is located in the center of a larger number of towns in economically underdeveloped areas which have conditions and possibilities for conducting business activities in different branches, hence representing a center for the development of that area. Rural areas are characterized with a significant distance from a city center, low quality of infrastructure

¹ European Action Plan for Organic Food and Farming, (2009).

² Report of Swiss Institute FIBL, SOEL&IFOAM Surveys (2000 - 2008).

³ National strategy and Action plan for developing organic production of R.Macedonia, (2009).

(plumbing, electricity, internet access, roads etc.), there is a significant level of migration of qualified workforce, significant altitude and distance from the country's borderline. With other words, rural areas are characterized by a low level economical activity, low level of basic infrastructure, high level of migration and low level of population density. Production of ecological agricultural products represents one segment that can contribute for the development of the rural areas. Starting off with the rule that certain sale of the product comes from the demands of the market and with the rule that the consumer is always right, a practical research was conducted to determine the level of information reaching the consumers about eco-agricultural products as well as their specific characteristics, prices and availability. Determining the level of consumer knowledge can be conducted through analysis of the following parameters – knowledge of legal regulative, knowledge of characteristics of organic products, information about the price of eco-agricultural products and consumer needs. In the research for the knowledge of the specifics of eco-agricultural products 300 consumers were included. Obtained results are presented in table number 1.

Table 1. Obtained results

Parameters for assessing	Informed		Uninformed	
	Number	%	Number	%
Knowledge of legislation on eco-product	128	42,6	172	57,4
Knowledge of the characteristics of eco- product	211	70,3	89	29,7
Information for enterprises	115	38,3	185	61,7
Information on the cost of eco-products	204	0,68	96	32

The results obtained from the research show that the consumers are mostly familiar with the characteristics and prices of eco-agricultural products. A large portion of them did not know the legal regulative for eco-products. More specifically 172 consumers answered that they are not familiar with the legal regulative, and 204 said they are informed about the prices of eco-products.

3. CONDITIONS FOR BUSINESS START-UPS AND ENTREPRENEURIAL ACTIVITIES IN THE RURAL AREAS

Stimulating the development of economically underdeveloped areas and rural areas is conducted through the active programs for directing support to investment projects and through indirect measures of the economic policy which is conducted by the country. Programs for support and stimulating the development of rural areas consist of the following benefits: nonrefundable financial means for building infrastructure, regressing part of the interest rates of credits for stimulating investment projects, participating in the financing of certain investment projects, participating in the financing of investment and expert research, and complete payment of the contributions and taxes for social insurance of the workforce involved in the business activities. Measures for stimulating the development of rural areas are shown on graph 1.

Graph 1. Measures to encourage the development of rural areas

Measures to encourage the development of rural areas	
Production of organic agricultural products	Promotion campaigns and distribution of eco-products
Development of organic agricultural products	Development of socially sustainable production

Source: Bloomberg D.J, S. LeMay, J. B. Hanna,(2006) : Logistics, Mate, Zagreb, p. 187.

Production and distribution of organic agricultural products presents a possibility for stimulating the development of rural areas. It represents a prosperous activity for rural areas, whose primary goal is to protect and improve general health, conserve the environment and protect the consumers. Rural and underdeveloped areas are rich in natural resources which enable the production of organic-agricultural products.⁴

Organic agricultural production is a new way of producing healthy food and has a significant role in the development of the agricultural sector in Macedonia. As a new and modern way of production, the organic production influences the protection of eco-systems, sustainable exploitation of natural resources, social justice and development of rural areas. The organic agricultural production has a distinct impact on the rural development in Macedonia as well. Development of rural areas and agricultural sector through production of organic products is one of the fundamental elements for entry in the EU.

Basically, the development of rural areas through production of organic agricultural products depends on the agricultural policies as well as the strategy and action plan for organic production in the Republic of Macedonia. Basic areas for taking actions to enable competitive agricultural production through sustainable exploitation of the natural resources in rural areas, are the following:

- Strengthening the capability of the Macedonian organic production to achieve competitiveness in regional integrated markets of countries in the EU and South Eastern Europe,
- Increasing the effectiveness of the agricultural production through marketing,
- Establishing advisory and informative institutions for promoting and support of the companies which produce organic agricultural products, and
- Optimal ecological exploitation of the limited natural resources (land, forests, fields and water resources).
- Availability and access of the organic agricultural products to the end consumers through use of adequate distribution and marketing
- Introducing price premiums by the state for eco-agricultural products that come from the rural areas, and
- Stimulating the eco-agricultural production through the introduction of export stimuli

Measures for stimulating organic production are shown on graph 2.

⁴ Kusen E.(2003), "Planning, Development and Reconstruction Croatian rural areas", Rural Sociology, 41, 29 – 45.

Graph 2. Encouraging of organic production

Encouraging of organic production	
Increasing efficiency of production	Encouraging of export activities
Availability of eco products to consumers	Increasing the competitive ability
Introduction of price premiums	Optimal utilization of natural resources

Source: Bloomberg D.J, S. LeMay, J. B. Hanna,(2006) : Logistics,Mate,Zagreb, p. 187.

3. DISTRIBUTION OF ORGANIC AGRICULTURAL PRODUCTS

Distribution as one of the factors for growth and development of the market in general, is of big significance for the development of organic agricultural products which in turn stimulates the development of rural areas. Stimulating the production of organic agricultural products through the introduction of adequate distribution channels also stimulates the development of the rural areas. Production of eco-agricultural products is minimal or is in early development, unlike the traditional agriculture which is characterized by use of modern techniques, technology, resources and large production. The traditional agricultural production is adapted to the traditional channels of product distribution.

Primary goal of the producers of organic products is to distribute the products at the time when the consumers have need, in the right timing and adequate quantity. To achieve that it is necessary to build adequate channels for exchanging information between consumers and producers, what is the actual demand from one side and what is the actual supply on the other. Adequate availability of information of what is the actual demand can limit the problems because inadequate information and ignorance of consumer needs represents a big problem for producers of organic products. Electronic connection and electronic exchange of data and information between the producers and consumers of what is the supply/demand, ensures a high level of satisfaction for the consumers from one side and reduced expenses and increased profit on the other side.

Channels for distribution of organic agricultural products depend on the producers of eco-agricultural products which need to be delivered to the end consumers. In fact the channels of distribution of organic agricultural products enable distribution of the products from producers to consumers. The channels of distribution surpass the differences in place, time and assortment of products between the producers and consumers.⁵ The channels of distribution are a component of the marketing mix of the company or the so called 4Ps (product, place, price, promotion), where the “place” actually determines the distribution of the products. Usually the channels of distribution are separated into direct channels of distribution and indirect channels of distribution. A direct sale of products is realized through the salespeople, orders through mail, phone or the internet. The indirect sale of products on the other hand is realized through distribution of the product to the consumer through retails, agents and distributors. Specific to organic agricultural products is that is in fact distribution of fresh products that have a limited shelf life and require specific conditions for maintenance and keeping (adequate cooling system). Because of that, direct channels of distribution from the producers to the consumers presents the usual way of distributing the products. As one of the possible ways of distribution is distribution by order. This method of distribution ensures the following advantages:

⁵ Philip Kotler(2001), *Marketing Management*, MATE,Zagreb, pp. 530 - 531.

- Reducing the expenses for delivering the products,
- Optimizing the required time for distributing the products,
- Ensuring high quality of agricultural products as they are best served fresh, and
- Reducing the total expenses of producers and consumers and cutting down working costs.

On the other side, distribution of organic agricultural products to the consumers through an order means achieving the following:

- Continuous production of the determined products,
- Planned and organized production with specific timeframes of production, and
- Adequate packaging and shaping of the agricultural products

Direct distribution of organic products ensures specific advantages for the end consumers and producers. Through this way of distribution the end consumers get fresh products, products with high quality and safely delivered because products delivered without intermediaries insure safe delivery on time, required quantity. On the other side, direct distribution channels ensure specific advantages for the producers as well. As the biggest advantage for the producers is the possibility of optimizing the expenses of production and distribution of eco-products because the distribution relations and the distribution method itself ensure reduction of work costs. Furthermore the direct distribution of eco-products enables planning and safety at all stages of production through ensuring continuity in the whole process of production, from production to consumption. The modern way of distribution of the eco-agricultural products to the end consumers, means keeping to the rule produced today delivered today. This way of distribution of the products optimizes the time and expenses of production and the distribution to the end consumers and also influences the development of rural areas. To keep to the rule of produced today and delivered today it is necessary to :

- Develop the existing insecure channels of distribution of eco-products,
- To enhance and develop the existing and insecure channels for transfer of information,
- Use of order by phone, fax or mail,
- Use of and develop of electronic exchange of data of what is the supply and what is the demand,
- Timely delivery of information for the demand of consumers, and
- Reducing the numbers of insecure delivery.

The actual situation in the production of eco-agricultural products is characterized by production of small, limited quantities which on the other side results in production of products with a higher price compared to products that come from traditional agricultural production, which influences to the availability of the same to the end consumers. With the increase of the ecological awareness and the larger care for health at the end consumer the demand of eco-agricultural products on yearly basis is also increased.

4. CONCLUSION

Organic agricultural production in Macedonia is still at its infant stages. Seven years ago in Macedonia the first eco-agricultural companies were certified and meanwhile the numbers of these companies continuously increases. Due to the specific way of production which is different than the traditional, a large part of the producers of agricultural products in the rural areas are reluctant to start producing ecologically. The measures for stimulating the production of organic agricultural products contain of improving market possibilities, introducing price premiums for producers of such products. However the eco-agricultural product market is also at the infant stages.

Insufficient quantities of eco-agricultural products, inconsistent quality and the problems in distribution of eco-products create difficulties for the development of eco-production. Because there is no continuous offer of eco-products, there are difficulties in achieving cooperation with attractive sales points. Eco-agricultural products most often are sold by the same price of products

produced by traditional agriculture. We can conclude that a specific part of the produced eco-agricultural products can be delivered to the end consumers in the required quantity and required time. Research also shows that consumers are mostly informed with the characteristics and the price of eco-agricultural products. Understanding the real needs of the consumers from the one side enables a possibility of development of the market for eco-agricultural products. It is necessary that the development of eco-market is continuous, supported and increased production through the increase of supply. Measures for supporting the eco-agricultural production need to be aimed towards stimulating the production in the rural areas because the development of eco-market requires adequate offered quantity, quality and assortment. Rural development can also be stimulated by increase of export activities and cooperation with eco-producers to achieve the same legal regulative with accordance with the EU. On the other side the distribution channels can contribute to the development of the rural areas if they are set to allow fast exchange of information of what is the supply and what is the demand/needs of end consumers. The problem that exists today is contained in the inaccuracy of the information about the needs of the consumers. Electronic exchange of data and use of electronic communication between consumers and producers ensures optimization of work expenses and the increased satisfaction of consumers.

A condition for sustainable development of eco-agricultural production in the rural areas is the continuous support in all stages of production as well as a long-term development of the market of eco-products.

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