Regional Players in between conventionalisation and regional development: Are supermarkets the wolves in sheep's clothing?

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Once bread from the local bakery was baked with grain of regional farmers milled in regional mill. Times have changed and so has the typical chain of custody: Food retailers with "shop in shop"-bakeries replace the local handicraft bakeries; the grain, flour or ready made rolls are transported over much longer distances than the average consumer would imagine. How do regional players in the food grain sector cope with the growing competition of supermarket chains and bread industries? How do they survive and succeed in a more and more supra-regional, national and global context? This is analysed within the frame of a project on regional vs. supra-regional product chains of organic bread in Lower Austria.[1]

Introduction

Organic products have been marketed almost exclusively in local and regional areas for a long time. When in the last years supermarket chains started to engage in the marketing of organic products, the organic sector experienced a dynamic change (Demmeler, 2003).

When sales achieved undreamed-of heights – from 145 million euros in 1997 to 500 million euros in 2005 (Gnant, 2006), organic farming likewise became more and more subsumed into conventional agro-food commodity chains (Jordan et al., 2004) and "instrumentalised" and exploited by conventional actors within and outside the chain (e.g. Nigg et al., 2005). Thus, the organic sector is reproducing the most salient features of the conventional modes of farming (Jordan et al., 2004), comprising growing, processing and marketing. When on the one hand the supermarkets' entry into the organic market helped to increase consumer consciousness for organic products and improved the reputation and consumption of organic foods to make them become "day–to-day" products for a large number of consumers (Brand al., 2004), they on the other hand put smaller natural food stores and coops out of business (Klonsky, 2000).

Lower Austria, for topographical reasons, is the main production area of food grains in Austria. Most of the grain processing mills as well as the major bread industries are situated in the Eastern parts of Austria.

The about 1940 organic grain farmers mainly process and market their grain within conventional product chain: organic food grains are generally marketed outside the region or exported. In Austria, the purchase of food is relocated to the favour of super markets, although consumers buy 41 % of bread and bread products in bakeries after all compared to 37% sold in supermarkets and 22% that are consumed out of house (Breisler et al., 2002).

This article aims to show how people acting in the food grain sector (producing, processing and marketing) appraise the current and future role of supermarkets in organic regional development.

We will on the one hand point out that marketing of organic bread through supermarket chains– i.e. in many cases the conventionalisation of organic product chains in Austria - appears inevitable to many regional players. From this point of view, conventionalisation is a serious threat to regional development. On the other hand, we will argue that there is an alternative to this development by showing how regional organic players succeed outside mainstream (conventional) product chains. We focus on the role of the supermarkets and pose the question if they are the wolves in sheep's clothing?

Methods

We conducted our research in two phases. Firstly, 10 representatives from almost all stages of the product chain. We interviewed both organic and conventional millers and bakers, representatives of the bakery industry and of national and federal bakers' and millers' guilds, the Raiffeisen agricultural storehouse, the Organic Cereals Agency and supermarket chains. A general overview of the structures and quantities of the Lower Austrian and Austrian (organic) food grain market, respectively, was provided as well as interviewees' opinions on regional product chains and their strengths, weaknesses, opportunities and threats. Interviews were based on a standardized questionnaire and amended with some informal interviews at the bakers' exhibition in Wels in summer 2005 and an analysis of statistical data and literature.

Secondly, explorative interviews with 9 persons who are engaged in regional organic product chain were conducted. We asked these "super stars" in regional development in Lower Austria to speak about their motives, aims and visions for engaging in regional development. For analysis purposes, in the first interviews, data was analysed without using any software, whereas we use ATLAS.Ti in the second phase.

Results and Discussion

The Austrian food grain farmers and the downstream sectors in bread production were strongly affected by the decline of producer prices after the CAP was adopted. From 1986 to 2003 producer prices of food

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grain fell by 61% and those of flour by 21% (Sinabell, 2005). In the milling and bakery sector structural changes took place. The number of milling enterprises, especially small ones, declined by 25%, the number of employees by 44,6%. (BMLFUW 2004, 68). The number of bakeries has been in decline for years by ca. 2-3% p.a. (Pfeifer, 2001), whereas shop-in-shop bakeries crisping frozen bread dough experience a dynamic growth.

Why is conventionalisation a threat to regional development?

In recent years, millers and bakers felt and observed an ongoing shift of power towards market chains: they suffer from continuous price erosion without having any bargaining power and from a growing dependence of farmers, millers and bakers from the supermarket chains.

The millers and bakers speak about the "*monopoly*[2]" and the "*dictatorship of the supermarket chains*",, who "*strike the note in pricing policy"* and *"even tell the bakers from whom they have to purchase the flour*". The interviewees perceive the "*value added as shared in a completely unfair way in favour of the chains*".

Despite their massive criticism, the interviewees entirely hand over the responsibility of success or failure of regional development to the supermarket chains: *"The regional development in Lower Austria depends on the interest of supermarket chains in organic and regional products – it stands and falls with their ideology*".

The marketing of organic and regional products seems to be "*the supermarket chains' responsibility" that should be forced to engage in regional development and to take regional products into their range of products*".

No alternative marketing strategies were mentioned, no needs for alternatives expressed, which seems to be somewhat risky when the representative of the biggest chain complains that "we are not allowed to import organic grain ourselves*, because it's the privilege of the Organic Cereals Agency*"..

Market power is moving to the end of the product chain – to the benefit of consumers and supermarkets – but since 2003 there is a new player in the organic sector: The Organic Cereals Agency has a unique monopoly position as almost 80 – 90% of organic grain is marketed by the agency resulting in a centralisation of quantities and power.

Which are the alternatives?

There are regional initiatives - such as those of our interview partners in the second interview term – that successfully perform outside the conventional product chain. Based on the results that we have up to now, an antithesis to an all-embarrassing conventionalisation threat can be formulated.

The results seem to be in accordance with, what some authors call the "bifurcation thesis" that is emerging in the organic sector: there is an ongoing and creative resistance to state and commercial pressure in the organic movement; it is in the form of a small, more cosmologically driven organic movement that runs alongside the ever more conventional and institutionalised organic industry (Moore 2004, 6).

Conclusion

When conventionalisation in organic farming and its associated sectors seems to accord to the spirit of time, alternative strategies should be encouraged by the means of political, scientific and economic measures.

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2 The quotations from the interviews are italicised.