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

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# Organic sector in Austria



- Growth of organic land:
  - 2002-2003 +30% organic crop land (BMLFUW 2004)
    - > Lower Austria = main production area of food grains
  
- Growth of organic market :
  - 51 Mio Euros (1994) > 400 Mio Euros (2003)
  
- Dominance of supermarkets in the marketing of organic products  
(BMLF & Culinar 1997; Dietachmair 2004)
  - 60 % of organic products sold in food shops, 15% export, 15 % canteen meals, 10 % direct marketing (Dietachmair 2004)
  - Bread: 41% in bakeries, 37 % in supermarkets

- Milling sector
  - Adoption of the CAP > milling quotas disappeared
  - Price for flour collapsed: -50% (up to -75%) (Brot und Backwaren 1999)
  - Decline of milling enterprises: -25%, no of employees: -44,6% → esp. small enterprises (BMLFUW 2004, 68)
- Decline of bakeries: 2-3% p.a. → esp. small enterprises
  - > increasing number of shop-in-shop bakeries
  - > increasing use and consumption of ready-made frozen bread dough in shop-in-shop bakeries (BMLFUW 2004, 68)

# Super markets and regional product chains



- Growing competition of supermarkets and industrial production in a sector originally characterized by small and regionally oriented enterprises – handicraft bakeries, mills
  
- Change in the custody chains
  - Small enterprises, natural food stores and coops are put out of business
  - few regional product chains/coops in food grain sector in Lower Austria
  
- Shift of power towards to the end of product chain
  - to the benefit of consumers and supermarkets
  - price pressure on producers

# Super markets and regional product chains



*„I know how they are working. They approach you and say: Absolutely – our customers ask for your product. No matter what it costs. We absolutely want to have your product in our assortment. That’s the 1st year!!*

*Second year: „Have a look at the quantity! And then they are supposed to deliver more and more. And they invest in their enterprises, buy new machines and so on.*

*Then in the third year, when you have to pay your loan and you have expanded they start to push down the price. And you don’t have any chance to get out.*

*It happens to everybody. If there’s anybody who he thinks that he can do it better, he is lying to himself.“*

# Super markets and regional development



*“monopoly”, “dictatorship of the supermarket chains”  
„Regional development in Lower Austria depends on the interest of super market chains. They have to be forced to sell regional products.“*

- Should they be forced to sell regional products?
- Which role do super markets play in the further development of organic farming, regional production?
- Are supermarkets the wolves in sheep's clothing?
- What is the special attraction of selling one's products in supermarkets?

# Motives of Austrian “stars” in regional development



personal basic attitudes and values and ideas on how things should be ..

- Quality of life
- Product and process quality
- Quality of work and workplace
- Regional development
- Ecology



# Attitudes & values



- Logical consequences and development after taking over the parental farm or bakery/ mill.

*“I was absolutely not interested in conventional farming systems, there was only one possibility for me – organic farming. And when the others don’t want to convert, I’ll do it just for me!” (mai)*

*„The conviction to work with grain from conventional production just got lost.“ (ka)*

- Identification with anthropological ideas of R. Steiner
- Meaning, fulfilment in their work

*“I wanted to have something small, manageable, something honest and decent. So that I can enjoy it.”*

# „Organic“ mentality



- Expectation of a certain „organic“ mentality

*„It is important that you know what happens and who those people are who are engaged in organic farming and organic organisations. Who formerly supported synthetic fertilizers and pesticides and chemicals. And now they are organic and produce first quality products, experts. But regarding their personal attitudes they are no organic men.“ (dy)*

# Value of communication..



It's not just for marketing their products

- Wish to communicate and share their enthusiasm, values, knowledge and philosophy etc. with consumers
- Providing information on healthy nutrition, their work
- Education of consumers
- Want to be a good example
  - being successful in regional/organic production,
  - showing that it works, often against the resistance of their environment

# Quality of work Regional development & organic handicraft production



*„When you are a baker you can't be happy, when you get this ready made bread mixtures and you don't know what's inside. It is just indicated that you have to add 1 litre of water and tie the delivered ribbon around it.” (ka)*

*„Baking has always been my greatest hobby“ (ka)*



# Regional development & organic handicraft production



*"It is terrible because there is no handicraft production anymore." (g)*

*„When you perceive our job as handicraft, you simply can not work with conventional flour. You just have to use organic products. You have to!“ (g)*

*„It sounds affective but it should be made with love. Therefore you have to produce it with your hands, and see every piece of it. And not only passing by on an assembly line.“ (zo)*

# Product quality



- Production of healthy food → organic products and whole foods
- Support of healthy nutrition

*„You can not compare their organic bread (super market) with mine, it is not the same thing. They sell organic-flour-bread.“ (ka)*

*“I wanted to produce sustainable, healthy food for my family, good food. I know industrial farming practices, that’s what I have learned - focussed on the production of high quantities and output orientation without any regard of the nature and the region. No, for me personally something is wrong in this system.” (ro)*

Proud of high quality  
quality products

*“ I don’t want to be a  
braggart but my  
products taste great,  
they are much better  
compared to organic  
bread and pastries in  
supermarkets.” (ge)*



# Process quality



- Cooperation with “like-minded people“

*“He said: You produce excellent bread and I produce excellent grain.  
Let’s do it together.”*

- Quality of relations and communication with consumers and partners
- Minimize distances and transport

*“The distances should be as short as possible. When we need an electrician or somebody else in the mill we employ craftsmen from the region. To support regional jobs and the money remains in the region. That’s cool!”*

- Creation of interesting and sophisticated jobs in the region
- Increase of the value added in the region
- Use of regional resources
- Creation of marketing possibilities

# Conclusion

Are supermarkets the wolves in sheep's clothing?



No, because the marketing of organic products in supermarkets...

- makes organic/regional products available for a wide range of consumers in quantities and price level
- meets preferences and wishes of majority of consumers
- corresponds to mainstream development of consumption, markets and society

But the threats discussed in the conventionalisation debate and quite accurately mirrored by the statements of regional interviewees are not deniable:

- price pressure on the producers and dependency on the “goodwill” of the supermarkets
- “monopoly” / “dictatorship” of the supermarkets and their growing competition
- removal of power to the end of the product chain

# Conclusion



- As long as there are others, people like those we are working with engaged in regional organic product chains, it would be important to find measures to support and encourage them in their visions, ideals and innovative ideas and their high demands to product and process quality.
- Further research in innovative alternative marketing opportunities of regional organic products, fair prices etc. should be carried out.

# Regional product chains



*„Regional development is a term becoming more and more important when big business groups continue to expand and expand and supra-regional supermarket chains*



*are getting more and more powerful. I always say, whenever the pieces of wood become bigger, the freedom, our room for development in between is becoming bigger too. And that's the room where we can act.“*



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