

**Direct marketing of agricultural products:
what are the opportunities?**

Direct marketing of agricultural products offers farmers an opportunity to increase the value added and to work on their farms on a full-time basis. Until now, however, the data on direct marketers was very incomplete, which is why the IER – Institute for Economic Research of the Chamber of Commerce of Bolzano/Bozen conducted a comprehensive structural analysis for the first time. How many producers operate as direct marketers? What is the turnover achieved in South Tyrol from direct marketing? What role do the various sales channels play? In addition, the current operational and economic policy challenges and opportunities are examined. In order to answer these questions, 203 direct marketers were surveyed in the first half of 2021 and in-depth interviews were conducted with 14 experts in direct marketing.

South Tyrol has 455 direct marketers who achieved a turnover of at least 10,000 euros through direct marketing in 2019. The producers who mainly market products from plant cultivation (wine and other alcoholic beverages, fresh fruit and vegetables, pickles/preserves, etc.) and those who mainly market products from livestock farming (cheese and dairy products, meat and meat products, eggs and honey) roughly balance each other out.

In 2019, South Tyrolean producers generated a turnover from direct marketing of 44.7 million euros, which corresponds to an average of 98.4 thousand euros per farm. However, the structure of direct marketers is very heterogeneous. Some producers are already very large and generated more than 200 thousand euros in revenues from direct marketing in 2019 (11.5%), while others only generated between 10 thousand and 25 thousand euros in

revenues as direct marketers (17.8%). The distribution by product group shows that 20.6 million euros are accounted for by wine and other alcoholic beverages. This is followed by cheese and dairy products with 7.2 million euros, various products from plant cultivation with 6.1 million and eggs with 5.2 million euros. The development of turnover in the last five years is consistently positive for all product groups and two thirds of the direct marketers were able to increase it in this period or since the beginning of their activity.

Regarding sales channels, it is evident that most direct marketers rely on farm-gate sales. In addition, many are present at farmers' markets and offer home delivery. In addition to the channels aimed directly at end consumers, other businesses (gastronomy, retailers and intermediaries) are also relevant customers for direct marketers. A look at the distribution of turnover shows that two thirds (29.9 million euros) come from the sale of products to other businesses, while one third (or 14.8 million euros) comes from direct sales to end consumers.

The most important reasons for entering direct marketing are the increase of value added on the farm, the pleasure of processing products and operational independence. In addition, the possibility to manage the farm on a full-time basis and direct customer contact play an important role. According to the producers, direct marketing is usually more profitable and the quality of the products is higher compared to the delivery of products to agricultural cooperatives.

Direct marketing creates some challenges, also according to the experts interviewed. For example, half of the producers consider the workload to be very high. In addition, legal regulations, the

complex marketing of the products and the high investment costs are a burden on direct marketers. In addition, customers expect not only consistently high product quality but also fast delivery times. Direct marketers would like to see more support from politicians and associations to raise consumer awareness regarding regional products, and more advice on marketing and legal regulations (e.g. permits, labour law and labelling).

54.2% of the producers plan to expand direct marketing in the future, mainly by increasing the production volume. Some also want to offer additional products. All in all, the producers are positive about the future. Thus 91.6% see a positive development of direct marketing in South Tyrol in the next five years. This is also reflected in the fact that two thirds of the producers recommend other farmers to start direct marketing, at least for certain products. And the experts also agree that demand for many direct marketing products remains high: In their opinion, there is potential especially for refined, high-quality and innovative products.

In order to further promote direct marketing in South Tyrol and to secure the positive future prospects of direct marketers, the direct marketers themselves on the one hand and the public administration and the associations on the other hand are called upon. A first step is for prospective direct marketers to reflect self-critically and plan the step well. In this respect, direct marketing could be particularly interesting for young farmers (also in full-time) who have innovative ideas and a desire to process and market products themselves. In particular, tourists should be reached more strongly, especially through the gastronomy. In addition, the measures and approaches to support direct marketers must be further sharpened and expanded:

- > An important starting point is education and further training, as producers still rarely make use of the existing educational offers. The Südtiroler Bauernbund/Unione Agricoltori e Coltivatori Diretti Sudtirolesi has introduced a kind of „driving license“ for direct marketers through an academy with over 180 hours of training in all areas (production, hygiene, marketing, etc.). Offers of this kind still need to be intensified.
- > Another focus is on advisory services. In agriculture there is already a lot of know-how that prospective direct marketers can call on, from veterinarians to technical customer service. Advice must cover all areas, including legal issues related to training, licences, HACCP, labelling, etc. Special business advice is needed for the preparation of a business or financial plan. Finally, it is important to further strengthen the advisory services in the field of marketing (product development, pricing and communication).
- > Particularly in cooperation with the innovation department of the Südtiroler Bauernbund/Unione Agricoltori e Coltivatori Diretti Sudtirolesi, the Research Centre Laimburg, the NOI Techpark and the Free University of Bozen-Bolzano, know-how for the development of new products and processes can be collected and built up even more.
- > Further, innovative, complementary marketing possibilities should also be considered. For example, more local products could be sold in the retail shops of the cooperatives.
- > The high-quality products of direct marketers are an important image factor and added value not only for the gastronomic sector, but also for South Tyrol as a tourist destination. Therefore, the cooperation between tourism and direct marketing should be expanded even more.