

CHARACTERIZATION OF ORGANIC VEGETABLE MARKETING IN LA TRINIDAD, BENGUET

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Background

- The promotion of organic agriculture among small farmers can contribute to poverty alleviation (Daniele 2005).
- In the Philippines, organic agriculture has promoted by government since 2010 when the organic act was enacted.
- However, the organic area as the percentage of total farm land is 0.8%, and especially in the vegetable production, the percentage is 0.004% in 2013 (FiBL AND IFOAM 2015).

Development of Organic Agriculture

- To develop organic agriculture, it is necessary to form marketing channels to strategically sell organic products.
- **The market aspect is most often a primary factor for farmers.** Today's development professionals (government, NGOs, international agencies) are often not adequately trained to help farmers develop a strong market orientation (Daniele 2005).

Reference Study in Japan

- **Diversification** of organic agricultural products distribution can promote expansion of new sales channels (Park 2003).
- **The variety of marketing** channels in the region helps various farmers who want to practice organic agriculture (Ojima et al 2013).

Objectives

- There are few previous study about **organic vegetable marketing** in the Philippines.
- **To describe about the marketing characteristics** is important for further development.



- To clarify **how organic farmers sell organic vegetables.**
- To refer **how to develop the organic agriculture from marketing aspect.**

Methodology

- Interview: 4 organization (A,B,C and D) in La Trinidad
(about marketing of organic vegetables)
- Interview: 20 farmers from organization A
(about the shipment and marketing)

RESULT

Basic information of the groups

Table 1-1 Basic information of the interviewed groups (2015)

Organization		A	B	C	D
Year of start		2005	2012	2008	2013
Member	Total	217	22	120	32
	Active	165	17	not everybody	32
Organization Type		Multi purpose cooperative	Marketing group	Marketing group	Marketing group
Certification		3 rd party	2 nd party	2 nd party	2 nd party

(Author created from interview results)

- Organization A is a pioneer of the organic practitioner
- In terms of the number of member, Organization A and C have large number
- Organization A is a multipurpose cooperative
- Only organization A has been certified by third party sector which is most valuable.

Basic information of the groups

Table 1-2 Basic information of the interviewed groups (2015)

Organization		A	B	C	D
Operational cost (Php)	Total	2077087	97302	351440	82082
	/member	12588.4	5723.7	2928.7	2565.1
Sold volume (kg)	Total	122,969	5,128	51,371	11,794
	/member	745.3	301.6	428.1	368.6

(Author created from interview results)

- Operational cost of the organization **A is clearly high.**
- Sold vegetable volume per member is **also high.**

Share of total sales of organizations, by marketing channel

Organization A

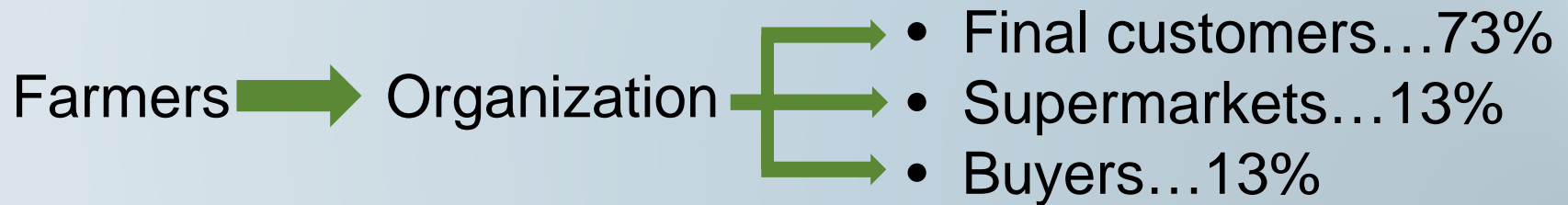


Figure 1-1 Share of total sales of organization A, by marketing channel (2015)

Organization B

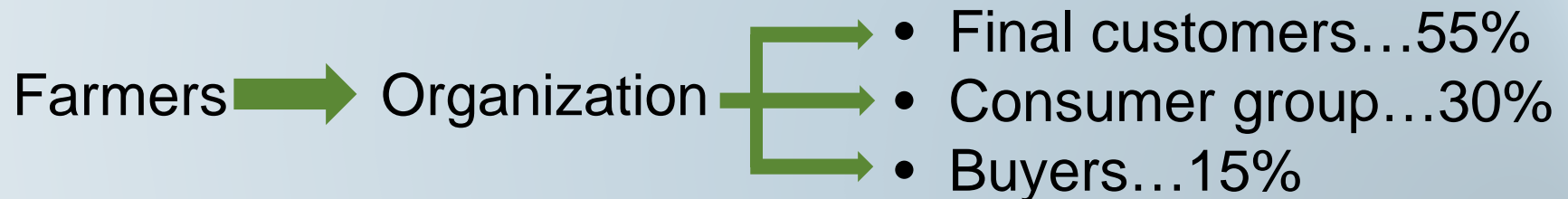


Figure 1-2 Share of total sales of organization B, by marketing channel (2015)
(Author created from interview results)

Share of total sales of organic association, by marketing channel

Organization C

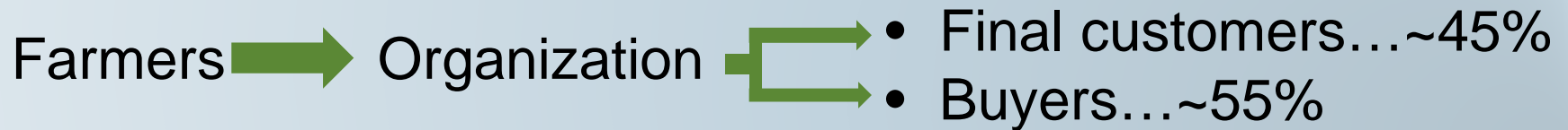


Figure 1-3 Share of total sales of organization C, by marketing channel (2015)

Organization D

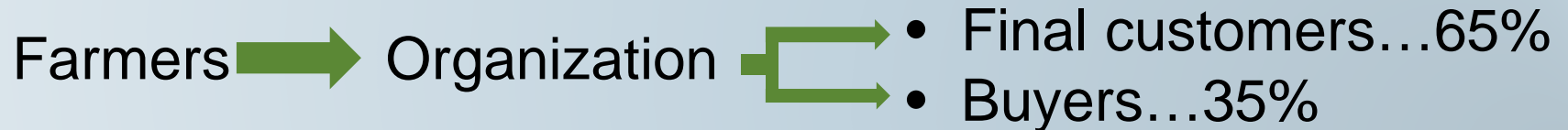


Figure 1-4 Share of total sales of organization D, by marketing channel (2015)

(Author created from interview results)

Organizations' marketing channels

- There were 4 kinds of marketing channels (direct sales to final customers, Supermarket, Buyers, Consumer Group).
- The most common marketing channel was direct sales at own stall store.
- However, each members can not choose the marketing channels (organization choose where to sell their products).

Characteristics of marketing channels

Table 2-1 Characteristics of marketing channels

Marketing Channel	Final customers (Own stall store)	Supermarket (consignment)	Buyers	Consumer Group
Item decision	Farmers	Supermarket	Buyers	Consumer Group
Price decision	Organization and Farmers	Supermarket	Organization and Farmers	Organization and Farmers

(Author created from interview results)

- In own store, farmers can select items just they want to sell.
- Other marketing channels **order items to organization**.
- Farmers and organization can decide the final price except the consignment sales in **supermarket**.

Characteristics of marketing channels

Table 2-2 Characteristics of marketing channels

Marketing Channel	Final customers (Own stall store)	Supermarket (consignment)	Buyers	Consumer Group
Volume decision	Farmers	Supermarket	Buyers	Consumer Group
Trend of the demand	Increasing	Increasing	Increasing	Increasing

(Author created from interview results)

- Supermarkets, buyers and consumer group **order the volume** and they purchase on **regular basis**.
- Generally, the demand for organic vegetables are increasing and **they said they can not meet the requirement of marketing channels in terms of the volume.**

Share in the price (organization A)

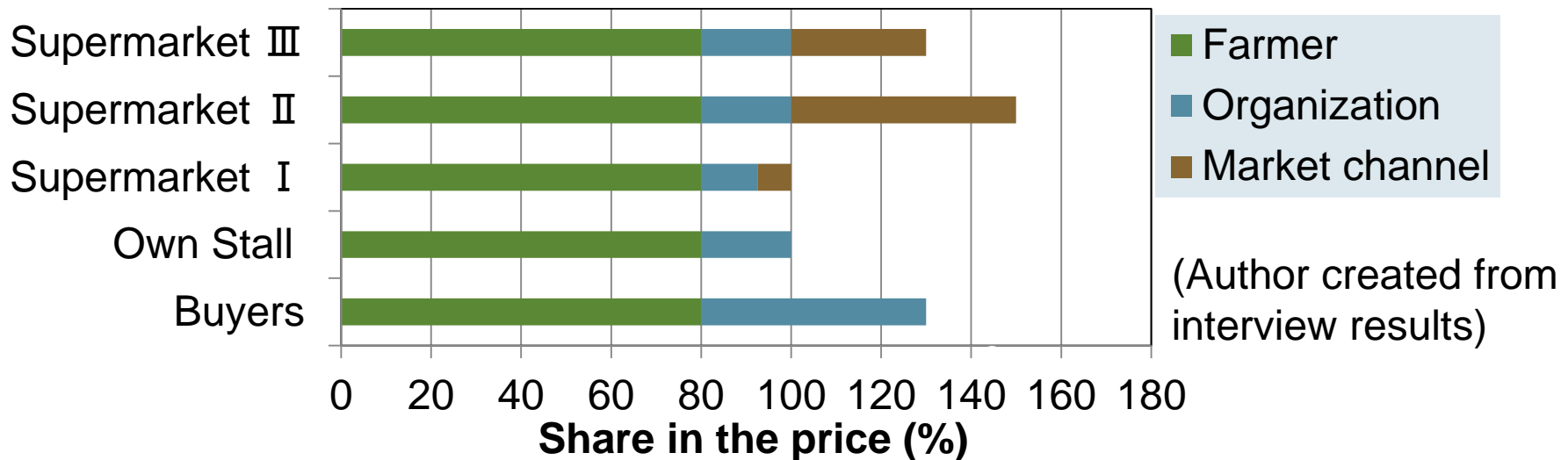


Figure 2-1 Share in the price (organization A)

- **Organization A takes 20%** as a charge basically.
- Supermarkets take **mark-up** or **discount** for consignment charge.
- To sell buyers, they can sell products at **higher price** than own stall store.

Share in the price (organization B,C,D)

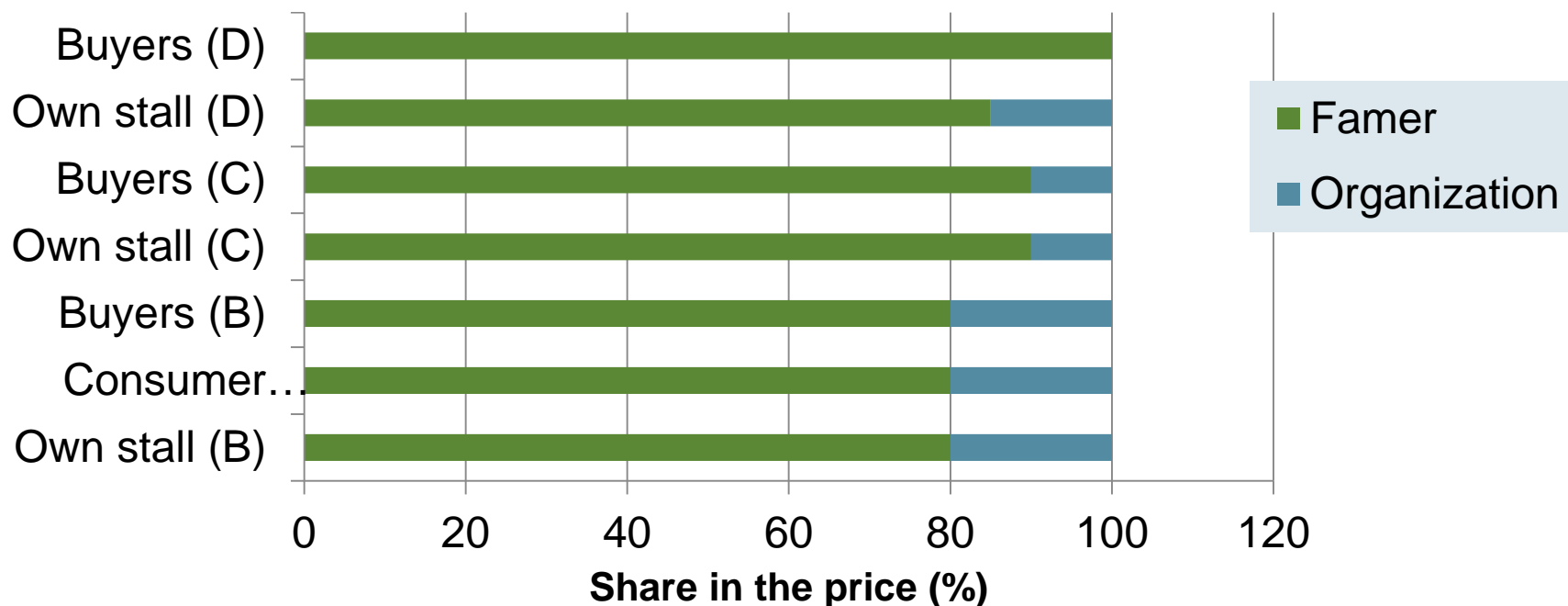


Figure 2-2 Share in the price (organization B,C and D)
(Author created from interview results)

- Organization takes 10-20% as a charge basically.
- Wherever the products sold, **famers can get more than 80% of price** set by farmers and organizations.

To develop organic vegetable marketing

- For further development of the organic vegetable, consignment sales and contract with buyers and consumer group are expectable because farmers can get same benefit with own store.
- However, those marketing channels require higher and stable shipment.



Organization have to increase and control the procurement volume

Crop programing project (organization A)

To increase the high-demand crops volume and to avoid the oversupply, cooperative assigns monthly shipment volume to each farmer. To give farmers incentive, those who attain pluses and minuses 20% of the assigned volume would be entitled to coop retains of 12%. The members were assigned the shipment volume increased by 10 to 20% from previous year shipment.

Result of the crop programming project

- As a result, there is no farmer could achieve the assigned volume in 2015.
- 43% of the interviewed farmers did not try to follow the program.
- The most common reason is difficulty in production, and shipping to other market outlets.



Control system is still not established

Summary

- Each organization has different characteristics in marketing channels, however the **main marketing channel is still own stall store**.
- Consignment sales and contract with buyers and consumer group are expectable because **farmers can get same benefit as own stall store**.
- To sell in new marketing channels (supermarket, buyers and consumer group), **increasing production volume and establishing control system** are needed for organic farmers' organizations.

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