Marketability of branded young potatoes – opinions of wholesalers

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Abstract

This paper is an example of some market aspects in creation of a new market produce "Istria young potato". Young potatoes and potatoes in general are usually sold on the Croatian market as bulk goods, with no label and no package. Therefore our intention was to create a new market produce with the brand name "Istria young potato". In this paper we have showed some economical aspects of marketing young potatoes according to the views and opinions of wholesalers. The research sample contained wholesale markets in Zagreb, Rijeka and Split. As a research tool for data sampling a questionnaire was used. It contained questions about the size and regionalism of the market, the annual sales, the prices, quality and origin of potatoes, and opinions about the sales of branded potatoes. Results showed that wholesale markets sell locally and regionally with average prices about 50 eurocents. Young potatoes produced in Istria have a superior quality and reasonable price range, and with a market label the market demand is likely to rise in the future.

Keywords: potato, wholesale, market brand, Croatia

INTRODUCTION

Food as a basic need of each person is a necessity highly ranked comparing to other needs, therefore, it is satisfied first (Maslovljev acc. to Foxall et al. 2007). Consumption of vegetables and fruits is connected to the vision of healthy diet and lifestyle. According to Fearne (1992) consumer survey, diet and health are identified as the key attitudinal factors affecting potato demand. Potato is the mostly consumed vegetable comparing to other types of vegetables in Croatia (Galić, 2011). According to the State statistic Office survey Croatians eat 40 kg of potato annually (the survey contained 3004 persons).

At present, most of the purchased and consumed potatoes originate from unrecognized sources (producers) with no label and no guaranty of quality. Therefore, during the project Market label development "Istria young potato" financed by the Croatian Ministry of Agriculture we have tried to establish a new market label which would fulfil stated market flaws.

Marketing theories usually comprise all activities toward defining a marketing strategy for a product. The market strategy contains four elements the product, price, promotion and distribution (Kotler, 2001). Market research usually starts with the consumers needs (Ilak Peršurić and Težak, 2009) and their opinions about a certain product.

In agriculture as well as in other types of market offer of produce and services we start with the produce. Our produce was the potato with no brand, with no standardised package, non-calibrated, therefore with high range of variations. The young potato is a produce that differs from ordinary potato with its sensorial and culinary qualities. It remains on the market only from early spring to 1st of August. The price for young potato in 2014, ranged from 55 eurocent to one euro (Market Information System in Agriculture, 2014)

Because of a time limited market offer young potato gains higher market prices comparing to ordinary potato. Therefore, producers are interested to produce and sell it. For our research the present price of the produce (potato) has been collected by wholesalers and producers in Zagreb, Rijeka and Split. The future price of a future labelled potato has been presumed from opinions of producers and wholesale.

Distribution of produce (potato) at present is being conducted through wholesale

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market and the future prospects are implied to stay this way. The territorial distribution has been on national level and will be intended to persist in the future.

Current types of promotion included producers' personal contact with wholesalers and direct marketing. We supposed it would stay this way, while future needs would be more connected to promotion of the new label to consumers.

In this paper our aim was to find out where, how much and by which price currently young potato was sold in Croatia and what would be the prospects is these quantities of potato would be sold as a market labelled potato.

MATERIALS AND METHODS

In order to explore the potentials of young potato sales we have created a questionnaire for wholesalers. The intention was to obtain relevant data that could serve to producers as a guide for future production. The samples contained wholesalers from Zagreb, Rijeka and Split. The survey was executed between May and September 2011. The questionnaire contained 27 questions. It was structured in three sets of questions. Data were processed via Microsof Excel data processing system.

In the first set of questions we examined the range of sales in geographical terms, annual sales and source of produce. The second set of questions related to price and qualities of young potato grown in Istria on red soil. The third set of questions referred to the branding of "Young Istria potato" as a novel produce on the market. The opinions of wholesalers referred to price, size and material of package.

RESULTS

The current market position of young potatoes

Most wholesalers were selling potato on regional markets, usually in the surrounding of their cities (Figure 1). According to annual sales (Figure 2) the major part of wholesalers sold between 51 and 100 t annually (39%). The projection for all questioned wholesalers showed a potential of 2 million t of potato annually.

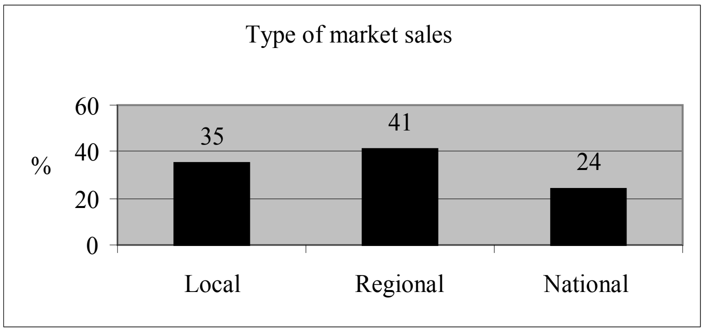

Figure 1. Type of market sales.

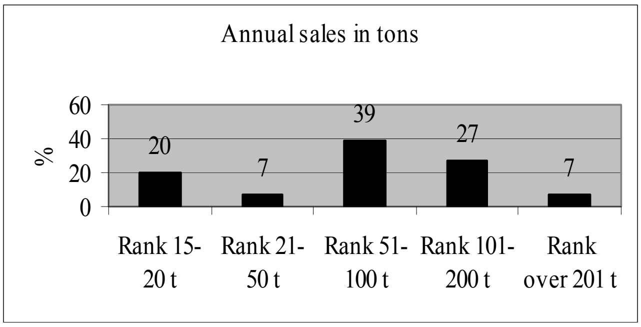

Figure 2. Annual sales.

Croatian farmers sold 72% of all potato to wholesale. The rest was sold to small sale and on farm. Usually potato was transported by trucks in large wooden containers or nylon bags of 50 or 30 kg. The imported potatoes (28%) were from Belgium and Netherland. Reasons for import relied to the market preparation; these potatoes were calibrated, washed and in suitable package (PE bags of 3 and 5 kg). From the consumer side that meant less time needed for preparation (less soil clay and dirt, therefore no washing needed, while the nylon bag offered visual inspection of the goods, no need for picking the potato from a large container, therefore no dirty hands and no need for washing in the shop).

Regarding the area from where producers grow their potato, most wholesalers bought potato from Međimurje (40%), from Istria (26%), and 17% from Dalmatia and Slavonia (Figure 3).

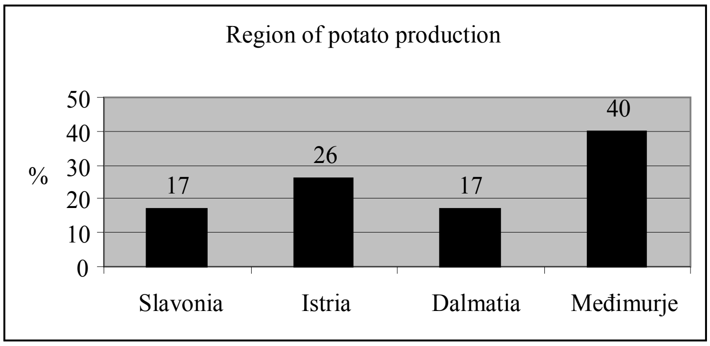

Figure 3. Region of potato production.

The price of young potato produced in Croatia did not differ between regions regardless the producers' price. Currently 43% of producers sold potato to wholesalers at less than 40 eurocent kg^{-1} while also 43% sold at 42-66 eurocent kg^{-1} (Figure 4). The remaining 16% sold at 40-41 eurocent kg^{-1}. In agreements with wholesalers, most producers would agreed to the price of 50 eurocent kg^{-1} for selling bulk potato.

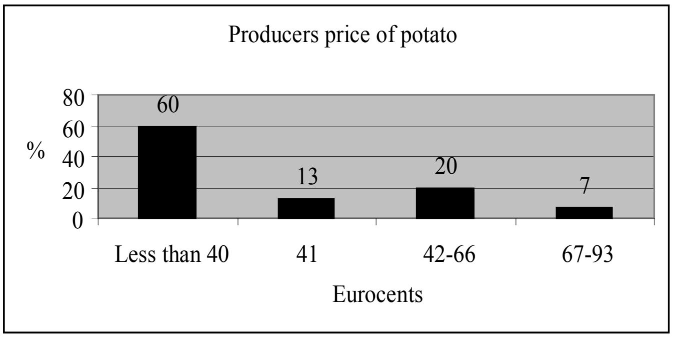

Figure 4. Producers' price.

These prices were enlarged further by the wholesale toward the small sale (small shops or consumers on green markets) with additional 26-50 eurocent kg^{-1} (reaching the market price 1 euro kg^{-1}).

Imported young potato had the same price range as domestic and in average the same additional difference from wholesale to small sale price.

Production features of Istria young potato

In order to establish a new market brand of Istria young potato we have examined the opinions and views of wholesalers through a set of questions about its quality comparing to other potato on the market. We compared it with potatoes from other Croatian regions and with imported potato.

Our data showed that two thirds of wholesalers were very positive to the qualities of young Istria potato comparing to potato from other regions and to import.

An important quality of producers is their geographical closeness to the consumers, whole sale and small sale facilities. This fact implies less transportation costs, less damages to the produce, more freshness and higher quality of the produce. About 65% wholesalers totally agreed either agreed to the fact that potato from Istria has geographical advantage, 21% had neutral opinion, while 14% disagreed.

The quality was very important to the wholesalers and 60% of them replied that young potato from Istria has a high quality. About 20% disagreed with this statement while 20% were neutral.

Also according to 75% wholesalers the present image of young potato produced in Istria was very high and the kind was popular on the market. Although at the present young potato produced in Istria had a price range similar to other regions (according to 30% wholesalers), only 13% agreed that the price was too high, 34% were neutral and 26% disagreed.

Market possibilities of Istria young potato

More than half of the wholesalers (62%) stated that the potato from Istria should have a market label (Figure 5) while a minority of 8% disagreed. Such a label would result in sales rise to more than 50% according to 27% of wholesalers, either from ten to twenty percent according to 40% of wholesalers. Along with sales rise, the price would rise at least 10-20% according to three quarters of wholesalers (Figure 6).

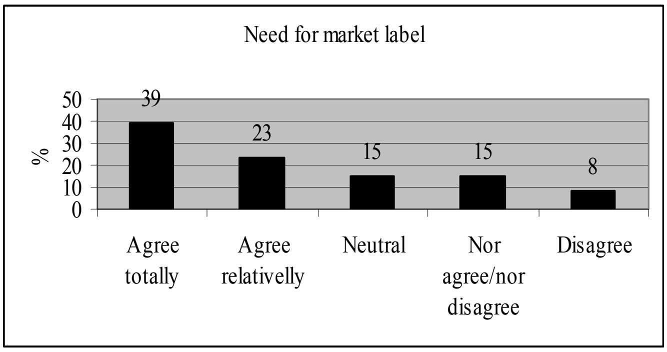

Figure 5. Agreement to need for market label.

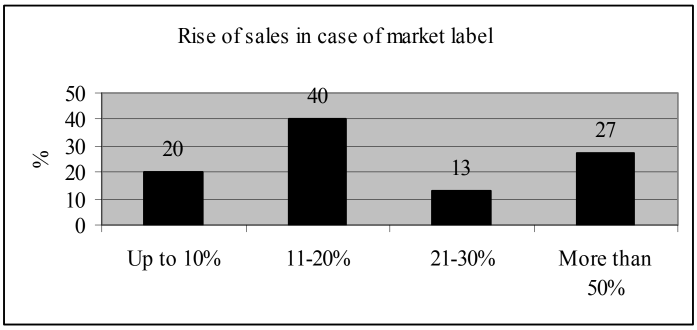

Figure 6. Perspective of sales rise.

According to 75% of wholesalers the future market brand of young potato from Istria should require a recognizable logo, described standardised procedure of production, known origin (producers) and a declaration which will describe all quality features of the potato.

Demand for Istria young potato could rise in case of market labelling according to 56% of wholesalers. A major part of wholesalers were not secure how much the rise of demand could be in the future and therefore stated as neutral (38%), while a minority denied the rise (6%).

In case of market label 60% of wholesalers expected a rise of sales for 20% what was estimated as 800,000 kg annum^{-1}. The total amount of wholesale was estimated to 2,000,000 kg annum^{-1}. Potentials for export were scarce because wholesalers presume not enough quantity for export and issues of calibrated, unwashed potato which could not satisfy EU standards.

The price for market labelled potato from Istria could rise up to 13%, reaching to the producers' price of 90 eurocent kg^{-1} and at most for 50% reaching the price of 1.5 euro kg^{-1} (Figure 7).

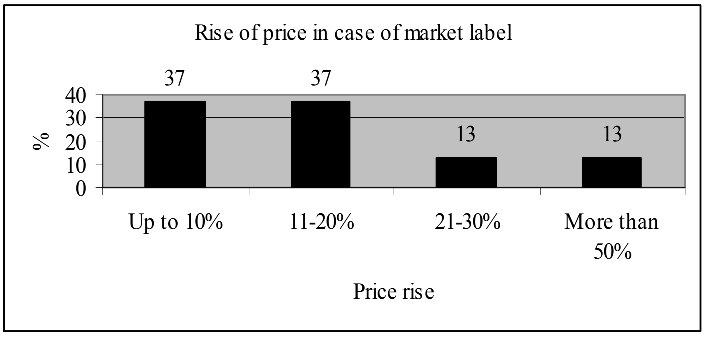

Figure 7. Perspective of price rise.

Most wholesalers' (79%) stated that potato for whole sale should be packed in carton or wooden package of 10 kg, and 21% stated packaging in 5 kg package would be most appropriate for whole sale. For small scale sale 3-5 kg in jute bags would be most appropriate because they require least space and are most adjustable to transport (according to 42% of wholesalers).

CONCLUSIONS

Our research about the wholesalers' opinions and views about the possibilities to market young potato produced in Istria under a new market label has leaded to very positive conclusions. Since two thirds of young potato have come to the market from domestic producers and Istria producers are very known and highly respected at the market, their product, the young potato has high market options. Furthermore, 27% of young potato marketed at present has been sold from Istria at wholesale markets and still more quantities are needed implies future possibilities of extended marketing. The projection of wholesalers has shown a potential of 2.000.000 kg of young potato sales annually and an increase of 800.000 kg with market label "Istria young potato". There would be no limit to price enlargement since most wholesalers agreed to possible price rise from 13 to 50%. Along with its quality features and adequate packaging the market label "Istria young potato" has a wide range of options on the future market.

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