

What do farmers and consumers want from the German food retail sector in terms of its role in the Value Chain

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Abstract – The German food retail sector is considered the key factor on which the satisfaction of consumers and farmers depends. However, it sees its role and actions differently than farmers and consumers would. This is the reason why these two groups want certain changes in food retailing. This study examines what farmers and consumers expect from food retailers. The results show that changes in three areas are needed: Marketing strategies, standards and pricing. The desired changes confirm that retailers need to make more efforts to meet demands and expectations of farmers and consumers.

INTRODUCTION

Food retailing not only plays a key role in food marketing but is also stuck between the wishes of farmers and consumers and the feasible conditions of the suppliers (Krampe et al., 2018). In general, today's consumers want safe and healthy food of high and consistent quality, as well as certain guarantees on the characteristics of the food supplied (Trienekens et al., 2012). Farmers, on the other hand, not only want to have a say in the production but also the sale of their products as strategic partners in the food value chain rather than as replaceable providers of input (Diamond et al., 2014). However, research has shown that food retailers have a clear picture of their role in the food chain, which, on the other hand, clearly does not match the expectations of farmers and consumers. Expert interviews with food retail representatives in Germany have shown that retailers strive to ensure the uncritical sale and consumption of meat focusing on long-term partnerships. When it comes to the diversity of the product range and product selection, food retailers are primarily guided by consumers buying behaviour. They do not see themselves as moral agents of consumer choice. Moreover, food retailers believe that government and independent labels are useful but that they also carry some risk of missing their target by overloading consumers with additional information (Krampe et al., 2018). This paper builds on the findings of the study by Faletar et al. (2021) that showed that farmers and consumers are critical of food retail pricing, profit distribution, standards under which products of animal origin are sold, and product information. Now, in a second step to the overall study from Faletar et al. (2021) the aim of this paper is to investigate what farmers and consumers want from German food retailing.

MATERIAL AND METHOD

In March 2021, 18 online group discussions were conducted with 2 or 3 farmers and 2 or 3 consumers each in six German cities/towns. Pig farmers and consumers led discussions in Borken and Güstrow, dairy farmers and consumers in Flensburg and Kempten, and poultry farmers and consumers in Vechta and Magdeburg. The discussions were conducted as an Utopia in which the discussants expressed their wishes and expectations with regard to pig, dairy, and poultry farming. A guideline was created that included inter alia questions about ideal agricultural production, planning security, pricing, the value chain, food retailing, and policy. However, not all topics were part of every discussion. The focus of this study was on five conversations with a total of 26 discussants that focused, among other issues, on what farmers and consumers want and expect from food retailers. The discussions were audio- and video-recorded. An inductive and deductive content analysis was undertaken to analyse the discussions. A category system was created using MAXQDA software which then served as the basis for interpreting the results.

RESULTS

The discussants had clear suggestions for food retailers on how to improve certain standards. They would also like to see fairer product pricing for farmers. Many of the wishes are shared by both, farmers and consumers.

When it comes to marketing strategies, the discussants' wishes head in several directions. Consumers and farmers want fewer but better labels when it comes to animal products. Labels should provide the ability to trace the product, i.e., it should be possible to identify the farm where the animal came from. These labels should include not only information on how the animal was slaughtered but also where it was raised and the conditions under which the animals were kept. One consumer said: *"That means I would also like to know that it came from us, at least from our federal state, and was not transported halfway across the European Union [...]"* That you can simply use QR code which then leads you not to the slaughterhouse, but to the farm where the animal grew up." Farmers believe that retailers should launch campaigns to promote the value of German products by highlighting "Made in Germany" as a guarantee of quality, which would ultimately contribute to greater respect for national products. The discussants would like to see areas in

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supermarkets that offer only products from their region, as well as more variety on the shelves when it comes to animal products. One poultry farmer said: *"That there is, let me say, a regional section or a section where farmers from the region can showcase their products."* Some consumers mentioned that they would like to have webcams from the barn in the sections of supermarkets that offers animal products.

The discussants emphasized that standards in animal husbandry as well as in food production in general, are quite high in Germany and that they would like to see such standards throughout the European Union since the EU is a common market. One consumer said: *If I want to have a common Europe then I have to have common standards.* The minimum expectations of the discussants are that the products imported to Germany are at the same level as German products. One consumer said: *"So for me personally, it would just be important [...] that the standards are just maintained. We produce here in Germany according to a very high food standard with a lot of control and milk is actually best monitored anyway. And that can or should be expected from imports as well."* In addition, farmers believe that food retailers should recognize those of them making an extra effort for more animal welfare and environmental protection, and that these should be rewarded financially. One dairy farmer said: *"And if the farmer is at least adequate, and if he does even more for animal welfare or the environment, he can always get something on top [...]."* Some farmers also stressed that it should be standard practice for retailers to give farmers a guarantee for a minimum purchase.

Farmers reported that they would like to negotiate prices directly with food retailers and that the prices are not just set by food retailers. They also want a price guarantee or information for what price to produce so they can plan for the future. One hog farmer said: *"So we need to know what prices we need to produce at to be competitive and what requirements we need to meet in the coming years, the 15-year plan."*

DISCUSSION AND CONCLUSION

From the wishes and demands of the discussants to food retailers, it is clear that food retailers still have a lot to do to meet the expectations of farmers and consumers. Most of the suggestions from these food value chain stakeholders were made in terms of food retail marketing strategies. In particular, marketing strategies need significant improvement. While farmers want special corners in supermarkets with products from the region, believing that this will make their products better known and appreciated nationwide, consumers want fewer labels but also more information in a simpler way about the product they are buying. Although the role of food certification is to increase consumer confidence in the food itself (Truong et al., 2021), it appears that policymakers are only adding to the confusion of German consumers with current labels by using too many of them for animal products. Representatives of the German retail sector expressed a similar opinion (Krampe et al., 2018). Both farmers and consumers agree that animal products produced in Germany are

of better quality than imported products. Therefore, they believe that when importing foreign products, retailers should make sure that the quality of imported products is on par with German products. Farmers generally want to actively and directly participate in pricing with retailers. While it is clear what changes consumers and farmers want from retailers, it is not clear how much retailers can do to meet the wishes and expectations of these two stakeholders, since they themselves have to take care of profitable business. In order to be able to meet the expressed expectations of farmers and consumers, it is necessary that not only food retailers but also food processors actively engage in this process. After all, it is the latter who are largely responsible for quality standards.

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