

DEVELOPMENT OF NON-TRADITIONAL AGRICULTURAL BUSINESS: CASE ANALYSIS OF VITICULTURE BUSINESS

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Farmers and residents living in the rural areas are encouraged to develop non-traditional agricultural business. The development of viticulture is characterized by a multifunctionality. The development of this business is significant not only for the farmers but as well as to the rural areas as a support to other business. In order to estimate the conditions for the development of this type of agricultural business in Lithuania, a complex research was carried out while using data of content analysis, consumer survey, interview with experts. In Lithuania there are more favourable conditions for the development of cultivation of dessert grapes.

Keywords: *agribusiness, business environment, Lithuania, non-traditional agriculture, viticulture.*

JEL Codes: *O13; Q13; R11.*

1. Introduction

Traditional agriculture in Lithuania was and is one of the key branches of the economy. However, the changing environment in the agricultural business causes significant changes and challenges for people working in this field. Especially for those farmers, who do not own large areas of agricultural land. It is difficult for small farmers to remain competitive in the market due to low volume of production – in Lithuania there are more than 40 thousand farms of this type. However, small farms are significant to the rural economy. Small farms are very important to the rural economy, because they create jobs not only for the farmers and for their family members, sometimes they establish job places to the rural residents; also, they buy goods and sell a part of their production (Rivera, 2020; The future..., 2017). Both scientists and practitioners are searching for solutions how to help these farms to survive and remain viable. Financial measures for the development of small business in the rural areas are also determined.

Researches (Amanor-Boadu, 2013; Evans, 2008; Morris, 2017; Di Vita, 2013) claim that the farmers have to find the development solutions of the farms ensuring economic viability. There are suggestions to process the agricultural production grown in the farm, diversify activity of the farm, promote the development of less traditional business. Despite the fact that there is no mutual consent obtained regarding the definition of non-traditional agriculture, in general it can be stated that it is agricultural sector without deep rooted traditions in a country or region. One of the examples in Lithuania is viticulture. The viticulture business has centuries-old traditions in many European countries as well as in the world. In Lithuania it is quite a new business; however, as an amateur activity it has been for long developed.

The scientific problem is presented in the following question: whether there is a favorable environment for the development of the viticulture business in Lithuania?

Aim of the article – to present suggestions regarding the development of business environment for the viticulture after the evaluation of situation in Lithuania.

Research results can be relevant to vine growers, farmers and consultants searching for the innovative solutions regarding the development of farms.

Research methodology. Aim of the empirical research – to assess conditions for the development of the viticulture business in Lithuania. Due to the lack of information, it was decided to apply several methods of information gathering and to use different sources of information. Research indicators: situation of the viticulture business in Lithuania, factors of political, legal, natural, economic, scientific, technological and social – cultural environments. Data was collected using different methods: content analysis, interview of experts, questionnaire survey of customers.

Content analysis. Data in textual form – publicly available publications – was analyzed. The most popular or specialized Lithuanian websites such as “delfi.lt”, “manoukis.lt”, “ukininkopatarejas.lt”, “vynuoges.lt”, “kaunodiena.lt” were chosen for the analysis while entering key words “grape cultivation”, “viticulture business”. In total 12 articles were analyzed.

Interview with experts. 2 experts were interviewed. One of them – the vine grower with considerable experience, who grows different types of grapes more than 20 years. The other expert – the scientists-practitioner, who has experience in growing wine grapes.

Questionnaire survey had been conducted from April to July in 2020. The questionnaire of customers had been conducted in order to get acquainted with the customers’ opinion regarding Lithuanian grapes. Convenient sampling was applied and it covered easily accessible units of the general sample. The questionnaire had been conducted in Kaunas city. This choice was determined by the fact that it is the second largest city in Lithuania where the concentration of consumers is high. According to the census data conducted by the Department of Statistics of the Republic of Lithuania, the number of households in Kaunas was about 135.6 thousand (Lietuvos Respublikos 2011..., 2013). With the confidence limit of 95%, there should be 96 respondents. In total, 114 respondents were questioned in this study.

2. Research results and discussion

Multifunctionality and importance of the viticulture business for sustainable development of the rural areas. Traditions of the development of the viticulture go back hundreds of years in many European countries as well as in many countries in the world. Approximately 50 percentage of total wine-growing areas is located in Europe as well as approximately 60 percentage of total harvest (Wine..., 2015).

In EU countries there were approximately 2,5 mill vine grower holdings in 2015. The majority of them was located in Romania (854.8 thou.), Spain (517.6 thou.), Italy (381.1 thou.), Portugal (212.1 thou.). The average size of vine grower holding was 1.3 ha in Europe. According to the size, the biggest vine grower holdings were in France, where an average size of farm was 10.50 ha, in Luxembourg respectively 3.97 ha, Austria – 3.22 ha, Germany – 2,36 ha (Wine..., 2015).

Development of the viticulture business is important for the development of rural areas in various aspects (Fig.1)

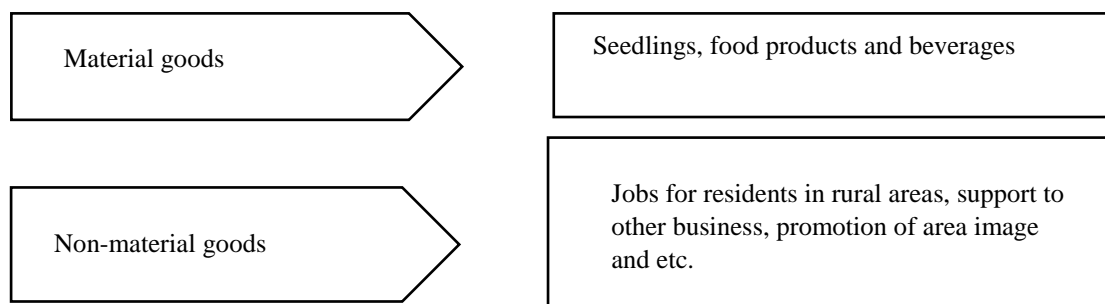


Figure 1. Multifunctionality of the viticulture (compiled by the authors)

Without the main function – production of material goods such as planting material (seedlings) placing on the market as well as supplying raw material for the food and beverages industry (fruits, raisins, wine, juice) – development of the viticulture provides with other non-material benefits. Winkler (2017) claim that there are more products of the viticulture branch – not only wine. Firstly, it is a very important agriculture branch from the perspective of employment – approximately 3 mill. full time jobs – the majority in the rural areas. Development of the viticulture improves conditions of the development of other businesses and industries, for example, tourism, agricultural equipment, industries of beverages, glass and chemical, logistics, services of business consultation and etc. (Winkler, 2017).

The viticulture business often becomes a business card for certain regions and places (Riviezzo, 2016; Bruwer, 2010; Thode, 1998). Wine is a product, which has clear connections to the geographical origin. Thus, the development of this agriculture branch contributes to the formation of positive regional images. For example, goods with the protected geographical origin link. According to the data of March 2020, a brand with the protected geographical origin link has been granted for more than 3,3 thou. various products (Geographical ..., 2019). In this list the leading position is occupied by the wine, which compiled more than a half of products in this list. Santeramo (2017) claim that the interest in local food and beverage is constantly growing, especially in the regions possessing long production traditions. Areas of the viticulture often become directions for the development of culinary tourism (Carmichale, 2012). In addition, such concepts as “wine tourism”, “wine tourist” (Carmichale, 2012; Charters, 2002) used in literature shows really great synergy between these businesses.

The viticulture business in Lithuania: situation, challenges and opportunities. According to the information of Vine Growers Association, at the beginning of 2020 there were 50 vine growers in Lithuania, and the total area of vineyards was 20 ha. (Lietuvos vynuogininkai beldžiasi..., 2020). It is quite a young business; however, as an amateur activity it has been developed in Lithuania for more than 20 years. Grapes are grown in an open soil and greenhouses.

The growing interest in this non-traditional agriculture branch was caused by the various factors. First of all, family traditions. The conducted research showed that a part of growers continues and intensifies the activity started by several generations of family. Secondly, the young residents of rural areas search for more innovative solutions caused by the small agricultural area and examples of good practices seen, for example, abroad. Thirdly, work of the breeders. Result of their work – the great variety of dessert and wine grapes suitable for cultivation under the conditions of our country. Fourthly, the growing consumers’ interest in local products, the development of culinary tourism. Fifthly, the rapid development of internet marketing and e-commerce. Information dissemination is becoming not only faster but as well as wider. Electronic communication helps to fill in a vacuum of lacking knowledge, communicate with vine growers in all parts of the world, participate in symposiums, conferences. E-commerce has expanded boundaries for the markets.

Vine growers in Lithuania offer commonly two products to the market: grapes (berries) and their seedlings.

In order to identify consumers’ needs, habits and opinion regarding Lithuanian grapes, the consumers’ questionnaire has been conducted. The questionnaire results have shown that almost a half of respondents have tried Lithuanian grapes; however, the significant part of respondents marked that they were disappointed by the taste and appearance of Lithuanian grapes: “*small and sour*”. Approximately 17.6 % of the respondents marked that they were satisfied by the taste of Lithuanian grapes.

More than a fifth of respondents (23.5 %) claimed that they do not buy grapes at all. And those, who buy, get grapes in the markets or supermarkets where the majority of grapes are imported. They are satisfied by the supply and price varying from 2 to 5 Eur/kg – according to the buyers, these prices are not very high.

Almost every fifth respondent (22.7 %) stated that they will buy Lithuanian dessert grapes, because they “are following the principle “buy Lithuanian goods”, “support Lithuanian production”, “support local farmers”. Others consider this as some sort of the exotics “it would be interesting to taste it”. Therefore, this group of respondents would be very conscious buyers and if they would be satisfied by quality/price ratio, they could become loyal customers. However, not only the producer but as well as the price of the product is important to the buyers. A part of respondents stated that they would buy grapes grown in Lithuania under the condition that their price would not be higher than the price of imported grapes. Approximately 40 percentage of the respondents were not able to answer this question whether they would buy Lithuanian berries, because at this moment there are no supply of Lithuanian grapes at all. A fifth of the respondents identified that they do not care about the origin country of berries.

The research on consumers’ opinion also confirms that it is quite a new business and its products are very little or not known at all to the part of consumers. The conducted research has shown that strong stereotypes exist among the consumers, especially when they know very little about the product or have not tried it at all – for example, they tasted the product only several times, or they tasted not the commercial product (for instance, from neighbor garden), or they did not know very well the product (for example, they do not know the difference between the dessert grapes and other types of grapes). Work with the potential consumers should be intensified while developing this agricultural branch.

Environment conditions for the viticulture business are generalized in Table 1.

Table 1. SWOT analysis for the environment conditions for the viticulture business in Lithuania

Strengths	Weaknesses
<ul style="list-style-type: none"> •there are farmers growing grapes more than 20 years; •activeness, enthusiasm and initiatives of the Vine Growers Association; •little competition among the local growers; •developed variety of Lithuanian grapes, sufficient supply. 	<ul style="list-style-type: none"> •not strong traditions of the viticulture business development in Lithuania; •low production volumes; •dominance of the amateur viticulture; •lack of knowledge and skills of new farmers.
Opportunities	Threats
<ul style="list-style-type: none"> •development of this branch is consistent with the development of other activities (development of tourism, culture of manors); •variety of promotion tools (exhibitions, fairs, seminars) encourages interest in the viticulture and in its products; •development of grape variety promotes the development of the viticulture business; •the growing interest of local residents and foreign tourists in local food and beverages; •oenology is recognized as craft of national heritage; •developed certification (national heritage, ecological product) system; •Lithuanian soil is suitable for growing grapes; •EU financial support measures for the business development and young farmers in rural areas; •e-commerce and the variety of farmers’ markets in big cities cause favorable conditions for the production realization. 	<ul style="list-style-type: none"> •Lithuania is not included in the grape growing area; •the supply of imported products of the viticulture branch throughout the years at reasonable costs. •grape growers are not encouraged by specific financial support. •strict control over the production, promotion and realization of alcohol. •national taxes on wine production and realization will make the final product very costly. •there are plenty beer consumers and experts in Lithuania; however, the local traditions of wine consumption are not developed. •great dependence of activity on climate conditions. •the growing area of grapes can cause more intensive spread of pests and diseases.

Grape growing becomes more and more popular in the country; however, it still remains more amateur and not business activity. It is possible to grow grapes; however, the product of the viticulture – production of wine – is quite limited on both national and European levels. So far, Lithuania has not been included in EU list for countries growing grapes; thus, there is no possibility to declare that the product made from grapes is grape wine. According to the Regulation establishing a common organization of agricultural markets in the EU (Bendras ..., 2007), certain methods of the viticulture

are limited or prohibited in wine sector. There is strict control over the production, promotion and realization of alcohol in Lithuania. In general, the legal conditions for the development of smallholder oenology are difficult. This causes the slow development of the local traditions of wine consuming despite the fact that it is believed that this product would find its place while developing the rural tourism and culture of manors.

Activity of the plant breeders encourages development of this agriculture branch – hybrid grape varieties are characterized by the great resistance to cold, early cropping and pleasant flavor. The consumers tend to buy production grown by the local producers and there are developed electronic platforms where the farmers can sell their production (for example, www.kaimasinamus.lt). Farmers' markets are popular in big cities in Lithuania and they create specific culture of consumption. Thus, the supply is growing, therefore, it is possible that the demand will grow too. Many seminars, exhibitions are organized for the growers and this could help to fill the vacuum of knowledge.

In summary, the viticulture generates many and various material and non-material goods in the rural areas. For the moment, the better possibilities for the viticulture business developments in Lithuania have the following directions – growing dessert grapes, production of grape juice.

3. Conclusions

Growing grapes can be one of the possibilities to diversify the activities of the farmers owning commercial gardens and to develop strategy for the farmers owning small farms.

There are not plenty of vine growers in Lithuania – the amateur viticulture is dominating; thus, so far, there has been no competition among the local producers. Breeding new varieties of grapes enables to lengthen the consumption season of grapes. Production realization canals are developed in Lithuania. Development of the viticulture sector is consistent with the development of the manor culture and local tourism.

So far, legal basis has not been favorable for the development of the local oenology in Lithuania. There is a great variety of imported production in the market; therefore, the growers should intensify the work with potential consumers. For the moment, the activity of growing dessert grapes has more favorable conditions.

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