The Kings of the Corona Crisis: The Impact of the Outbreak of Covid-19 on Small-scale Producers in Hungary

Les rois de la crise de Corona : l’impact de l’épidémie de Covid-19 sur les petits producteurs en Hongrie

Die Könige der Corona-Krise: Die Auswirkungen des COVID-19-Ausbruchs auf Kleinerzeuger und Kleinerzeugerinnen in Ungarn

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The Covid pandemic has created turmoil within the local food system in Hungary. Never-before seen problems and challenges have arisen, while restrictions on movement and the closure of established retail outlets have separated consumers and producers. Complete consumer segments have disappeared, and marketing channels have collapsed from one day to the next. This article presents an analysis of the first impacts of Covid on small-scale producers in Hungary based on telephone interviews. At the time of writing it was still not known whether the challenges and opportunities small-scale producers faced were general, or very much dependent on context.

The characteristics of Hungarian short food supply chains

Short food supply chains are characterised by their lack of middlemen and the potential to offer farmers greater returns (Kneafsey et al., 2013). The culture of direct purchasing remained strong in Hungary after the collapse of socialism, mostly due to the continuing existence of conventional markets, informal economies and traditional agricultural households (Kneafsey et al., 2013). Food self-provisioning is relatively significant in rural areas, with 36 per cent of Hungarians engaging in some kind of food self-provisioning practice (Balázs, 2016). Forty-seven per cent of individual farms practice subsistence agriculture without marketing their produce. Direct marketing represents the exclusive means of earning a livelihood for many of the numerous small-scale producers, who typically cultivate on a small or very small scale. While older and less educated farmers prefer traditional forms of direct marketing (such as conventional markets, farmgate and roadside sales), younger and more educated farmers tend to use more innovative marketing channels, including farmers’ markets, box schemes and consumer buying groups.

Many farmers’ markets closed, and several among those that remained open experienced a decline in turnover, due to the decrease in the number of customers. © Baker County Tourism; CC BY-ND 2.0.
and restrictions, came into force. Other modern forms of direct marketing channels have achieved only rudimentary success. The number of farms participating in community supported agricultural (CSA) schemes is low; such farms supply fruit and vegetables to only 2–3,000 people in Hungary. The magnitude of consumer purchasing groups is similar; however, this marketing channel involves more producers than are involved in CSA. On the other hand, suppliers for consumer purchasing groups often utilise this channel only as part of a risk-sharing strategy and thus do not rely exclusively on it. Although local food public procurement is legally possible, there are only sparse examples of on-going schemes. The relevance of the HoReCa (hotels, restaurants and cafés) sector is also high for some producers in specific localities, such as in Budapest and the Balaton region.

Covid-related restrictions in Hungary

The first two Covid-19 patients in Hungary that are known were diagnosed on 4 March 2020. Universities were closed first, followed by the closure of practically all the institutions of education from 16 March. Grocery stores, pharmacies and key service providers were the only services that could continue operating after this date. The HoReCa sector almost completely disappeared, while only places that offered home delivery or takeaway remained open. However, leaving home for the purpose of work, purchasing food, and recreational activity was possible without further restriction. Public transport continued operating, with some restrictions. Between 9h–12h stores were reserved exclusively for citizens of over 65 years of age. This considerably overlapped with the typical opening hours of farmers’ markets, which witnessed a significant decrease in turnover. Such markets adopted a wide range of strategies. Some tried to comply with regulations through implementing specific measures, some closed (and reopened later), and some were converted into online operations. Restrictions were gradually lifted, starting from 4 May in rural areas and 18 May in Budapest.

Les producteurs ayant tendance à réussir avaient établi une présence en ligne et sont restés en contact avec leurs clients durant la période pré-Covid, malgré le travail supplémentaire que cela nécessitait.

With increasing social isolation, demand for online food delivery services grew strongly. The situation found conventional retail stores unprepared; delivery dates were offered three weeks ahead at best and restrictions were imposed on the quantity of purchases, but, despite this, services became unreliable, as many pre-ordered products were not in stock at the notified time of delivery. Also, Easter was approaching, with its special culinary traditions and associated demand for products. Therefore, an unprecedented demand for fresh food arose, especially in local food marketing channels that allowed customers to order online and offered delivery to a close pick-up point, or even to buyers’ homes.

The survey

The survey data were collected between 6 April and 12 May 2020. The total sample comprised 136 producers: 89 of which conducted phone interviews, and 47 who filled out an online questionnaire. Most producers were approached by a representative of a network they were already part of (e.g. LEADER LAGs, purchasing groups). The sampling aimed at compiling information in most of the Hungarian regions (19 out of the 20 NUTS-3 regions are represented, as well as farms of varying size and range of products). Many of these producers were operating on remote rural sites, relatively far from bigger cities. The characteristics of the sample are displayed in Table 1. In addition, in-depth interviews were undertaken with some producers, short food supply chain actors and food chain experts.

The initial impact of Covid on the marketing strategies and sales of small-scale producers

Within the sample, 59 per cent of producers have been affected negatively by the Corona pandemic. Of the 31 per cent who maintained their sales level, 19 per cent have succeeded in

| Table 1: Characteristics of the 136 farmers surveyed |
| Sample characteristics | Frequency (%) |
|---------------------------------------------------|---------------|
| Type of product                                    |               |
| Fresh food (fruit and veg, bakery products)       | 12            |
| Less perishable food (e.g. honey, wine, jam)      | 41            |
| ‘Flexible’ food (sold either raw or processed, and potentially storable such as some milk and meat products) | 42 |
| Other (e.g. seedlings, flowers, handicraft products) | 5             |
| Annual gross income (without financial support and allowances) |
| Below €2,800                                       | 19            |
| €2,800 – €8,500                                    | 30            |
| €8,500 – €14,100                                   | 13            |
| €14,100 – €28,200                                  | 15            |
| More than €28,200                                  | 23            |
| Changes in sales due to Covid-related restrictions |
| No sales at all                                     | 6             |
| Decrease in sales                                  | 53            |
| No change in sales                                 | 31            |
| Increase in sales                                  | 10            |

Note: *Average gross annual income in Hungary was €12,700 in 2019.*
doing so through making significant changes to their marketing strategy, and a further 10 per cent have been able to increase their sales (Table 1).

Figure 1 shows the changes in the importance of selected marketing channels. (‘Home delivery’ is typically coupled to sales through social media or other Information Communication Technology (ICT)-related channels. ‘Directory’ refers to sales made through the homepage of another producer or an organisation.) Capital letters indicate channels that increased in popularity. The importance of channels before and during Covid was compared using the Wilcoxon matched-pairs signed-ranks test. In this paper the initial impact of the outbreak of the coronavirus is addressed. Thus, the ‘before Covid’ period is defined as the period before the closure of the institutes of education (16 March), as this was the first measure affecting a considerable part of society. The ‘during Covid’ period is understood as the period during which strict measures were in operation (18 May).

Before the pandemic, markets represented the most important marketing channel, but producers used 4 to 5 different sales channels on average. The outbreak of Covid led to a significant decrease in the use of most channels. The biggest losers were restaurants, festivals and markets, while home delivery and online sales grew slightly.

Marketing channels can be classified based on the level of social proximity (Table 2). At one end there are ‘impersonal channels’ where there is no physical contact between consumers and producers, due to the presence of an intermediary, or because of reliance on ICT. The other end involves ‘very personal channels’, such as when one of the parties enters the home or private space of the other person involved in the transaction. This can be either the producer personally delivering to the customer, or the customer buying products at the farmgate. The other channels are located in between, and involve the parties meeting at a ‘neutral’ location.

In Table 2, brackets and strike-through indicate, respectively, the channels that were partially affected by restrictions. Hungarian regulations affected the in between ‘somewhat personal’ channels most, while ‘impersonal’ and ‘very personal’ channels – involving the meeting of very few people, when all social

| Table 2: Classification of short food supply chain marketing channels according to social proximity |

| Impersonal | Somewhat personal | Very personal |
|-----------|------------------|--------------|
| Producer’s e-commerce store | [Market] | Home delivery |
| Online | Festival | Farm gate sales |
| Consumer purchase group | | Farmstay and farmland foodservice |
| Retail chain | [Public procurement] | |
| Independent shop | Restaurant | |

Note: Strikethrough indicates channels that practically ceased operating. Brackets show channels that were partially affected by restrictions.

Figure 1: Changes in the importance of selected marketing channels

| Before Covid | During Covid |
|--------------|-------------|
| 3.4 | 2.3 |
| 3.2 | 3.0 |
| 2.9 | 1.1 |
| 2.8 | 1.3 |
| 2.5 | 2.9 |
| 2.4 | 2.0 |
| 2.1 | 1.3 |
| 1.8 | 2.0 |
| 1.6 | 1.5 |
| 1.6 | 2.0 |
| 1.5 | 1.4 |
| 1.4 | 1.2 |

market***
farm gate sales*
festival***
restaurant***
HOME DELIVERY**
independent shop**
farmstay and farmland food service***
DIRECTORY*
retail chain**
OWN ECOMMERCE STORE**
consumer purchase group
public procurement**

Notes: Importance was expressed using a 5-point Likert scale, 1 meaning ‘not at all’, and 5 ‘very important’. Capital letters indicate channels that increased in importance with the outbreak of the Corona crisis. Significant at: 10 per cent*, 5 per cent**, 1 per cent***.
Most Covid-related problems emerged in relation to ‘sales and marketing’ activities, followed by the ‘production of raw materials’ and ‘logistics, storage and delivery’ (Figure 2). The most important problems occurred with ‘sales and marketing’, irrespective of producer size.

The initial effects of Covid on local food producers – who are the winners?

The sample was divided into two parts: Negatively affected – producers who experienced any decline in sales due to Covid-related restrictions (59 per cent); No effect or positively affected – those who did not experience sales decline (41 per cent). The two subsamples were compared using two-sample Mann-Whitney tests (Table 3) in order to identify the differences between Group 1 and Group 2. The results of the comparisons are shown qualitatively in Table 3 relative to one another. The bases of comparison were: farm products; the use of marketing channels; and the perceived problems during the lock-down measures of the first wave of Covid. Only differences that were significant at least at the 10 per cent level have been shown in Table 3. Statements from the interviews have been selected to support and explain the quantitative results.

In terms of Farm Products, the cultivation of fruit and vegetables appeared to be a significant determinant of success during the pandemic. According to the producers that were interviewed,

‘Customers prefer to buy vegetables directly from the grower than from a supermarket where they can be touched by anyone … I am now producing using more land, as many vegetables as I can … the demand from individual customers has grown significantly, I cannot meet it …’.

These patterns might also be understood in the light of the increase in demand for fresh local food due to the failure of conventional, long retail chains; and, at the time, the forthcoming Easter celebration.

‘People are at home, they cook and eat more, and expect to travel less this year, so they will buy more at the market’.

In terms of the use of different Marketing Channels by individual producers, it is not so much their number but their type (and composition) that were significantly different in the two sub-samples. Success was driven by personal relationships and, in practice, keeping in contact with customers.

‘Those who really invested in marketing and communicating with customers can still cater to them, and more, now during times of Covid. However, anyone who did not engage in conscious and successful branding is in trouble now’.

The use of more personal marketing channels seems to have played a crucial role in this regard. Sales at the farmgate had been and remained of primary importance, although were somewhat reduced by Covid. The rapid expansion of home delivery services (the other personal channels), however, made up for some of these losses. Additionally, our interviews revealed a number of cases of producers who had previously used offline channels, but having the...
Consumer interest in local food home delivery increased significantly. © CC0 PD.
A risk-spreading marketing strategy seems to have been a successful approach, involving different channels to address entirely different consumer segments, having different levels of social proximity to consumers, and employing different types of conventional and modern communication. During the first wave of the pandemic, marketing channels organised around very personal relationships between consumers and producers (in other words, when the exchange of goods happened in a private space) proved to be fruitful in the Hungarian context, in addition to online options. Those small producers who could flexibly adapt to the changing circumstances were successful in maintaining their economic sustainability and became the ‘kings of the crisis’. Openness and the capacity to learn were very important features in enhancing the resilience of producers, and may become more so as further waves of pandemic are expected. Online sales within the local food sector have been on the rise recently (among other dynamic changes in consumer interest for local products); the outbreak of the pandemic simply increased the rate of growth via this channel. Thus, development of individual learning and skills is expected to substantially increase the chances for making progress in the local food business, even without the pandemic.

"Producers who tended to succeed had established an online presence and kept in touch with their customers in the pre-Covid era, in spite of the extra work this required."

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58 EuroChoices 19(3) © 2021 Agricultural Economics Society and European Association of Agricultural Economists
The Covid-19 pandemic has fundamentally reshaped our lives. Its effects on the sales and use of marketing channels of small-scale Hungarian producers are addressed here. Based on the level of proximity, sales channels were classified into three types. Due to local regulations concerning restrictions on movement, it was only impersonal (online) channels that survived, or the opposite type, i.e. very personal ones involving the face-to-face meeting of producers and consumers in the private spaces (mostly homes) of one of the parties. Results from the survey of 136 producers reveal that 60 per cent suffered an economic loss due to loss of sales, while 10 per cent increased their sales. Successful producers were those lucky enough to be operating within the fresh fruit and vegetable sector, within which consumer demand increased significantly. The parallel use of several sales channels before the virus outbreak increased subsequent chances of success by increasing the probability that some of the channels would remain operational.

Furthermore, successful producers had invested a lot of work pre-Covid into maintaining private relationships with their customers; a situation that proved vital during times of restrictions. Also, the former moved fast, and were open enough to learn and make use of the opportunities modern technology offered them.

Les rois de la crise de Corona : l’impact de l’épidémie de Covid-19 sur les petits producteurs en Hongrie

La pandémie de Covid-19 a profondément remodelé nos vies. Cet article examine ses effets sur les ventes et l’utilisation des circuits de commercialisation des petits producteurs hongrois. En fonction du niveau de proximité, les canaux de vente ont été classés en trois types. En raison des réglementations locales concernant les restrictions de circulation, ce ne sont que des canaux virtuels (en ligne) qui ont survécu, ou du type opposé, c’est-à-dire des canaux très personnels impliquant la rencontre en face à face de producteurs et de consommateurs dans des espaces privés (principalement à domicile) de l’une des parties. Les résultats de l’enquête auprès de 136 producteurs révèlent que 60 pour cent ont subi une perte économique en raison de la baisse de leurs ventes, tandis que celles-ci augmentaient pour 10 pour cent d’entre eux. Les producteurs qui réussissaient étaient ceux qui avaient la chance de travailler dans le secteur des fruits et légumes frais, dans lequel la demande des consommateurs a augmenté de manière significative. L’utilisation parallèle de plusieurs canaux de vente avant l’épidémie de virus a augmenté les chances de succès ultérieures en augmentant la probabilité que certains des canaux restent opérationnels. En outre, les producteurs prospères avaient investi beaucoup de travail avant la pandémie pour maintenir des relations privées avec leurs clients; une situation qui s’est avérée vitale en période de restrictions. En outre, ces producteurs ont évolué rapidement et étaient suffisamment ouverts pour apprendre et profiter des opportunités que la technologie moderne leur offrait.

Die Könige der Corona-Krise: Die Auswirkungen des COVID-19-Ausbruchs auf Kleinerzeuger und Klein-erzeugerinnen in Ungarn

Die Covid-19-Pandemie hat unser Leben grundlegend umgestaltet. Ihre Auswirkungen auf den Absatz und die Nutzung von Marketingkanälen durch Kleinerzeuger und Klein-erzeugerinnen in Ungarn werden hier behandelt. Die Marketingkanäle wurden je nach räumlicher Nähe in drei Typen eingeteilt. Infolge der lokalen Vorschriften zur Einschränkung der Bewegungsfreiheit überlebten nur die unpersönlichen (Online-)Kanäle oder der umgekehrte Typ, d.h. sehr persönliche Kanäle. Hier trafen sich Produzentinnen und Produzenten mit ihrer Kundschaft in den privaten Räumen (meist zu Hause) einer der beiden Parteien. Die Ergebnisse einer Umfrage unter 136 Produzierenden zeigen, dass 60 Prozent aufgrund von Umsatzeinbußen einen wirtschaftlichen Verlust erlitten, während 10 Prozent ihren Umsatz steigern konnten. Erfolgsgesiche Produzierende waren diejenigen, die das Glück hatten, im Frischobst- und Gemüsesektor tätig zu sein, in dem die Nachfrage deutlich zunahm. Die parallele Nutzung mehrerer Absatzkanäle vor dem Ausbruch des Virus erhöhte die späteren Erfolgschancen, da die Wahrscheinlichkeit, dass einige der Kanäle auch später funktionsfähig blieben, zunahm. Außerdem hatten erfolgreiche Produzierende vor dem Ausbruch des Virus viel Arbeit investiert, um die privaten Beziehungen zu ihrer Kundschaft aufrechtzuerhalten. Dies erwies sich während der Zeit der Einschränkungen als wesentlich.

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